GOOD DEALS 2009

THE SOCIAL INVESTMENT ALMANACK

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The Social Investment Almanack

SOCIAL ENTERPRISE

Cabinet Office
Office of the Third Sector

NESTA Making Innovation Flourish

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Welcome to Good Deals 2009: The Social Investment Almanack

The team at *Social Enterprise* started working on this Almanack after the first UK social investment conference, Good Deals 2008. The sell-out event, being repeated in October 2009, showed us there was a huge appetite from both social enterprises and investors to learn about social investment.

This excited us. We believe social investment can be used to tackle the big problems humanity faces and it is our job to shed light on this developing market.

We found like-minded partners in the Office of the Third Sector and the National Endowment for Science Technology and the Arts (NESTA) – et voilà – the Almanack was born.

As a UK publication focused solely on social investment it is the first of its kind. The four chapters introduce the social investment marketplace and run through models that are well established, just taking off and those that are in the laboratory stage.

Throughout, we draw out contrasts but also identify common threads – between large and small organisations, between supply and demand. Chapter one, for example, offers two very different examples of social investment: that which comes from the power of many ordinary people clubbing together; and that created by powerful financial institutions.

Each chapter includes snapshots of social investment in practice (labelled with the in practice icon).

The perspectives, which punctuate the main chapters, tap into the expertise of some of the most forward-thinking people in this arena, applying the tools of social innovation to areas such as the global financial crisis and how we might think differently about what 'investment', 'value' and 'returns' might mean.

Our original illustrations have been commissioned from a team of talented artists and designers to show the history of social investment, its landscape and the community that exists. Our directory – the back section of the Almanack – brings this community together with feature profiles and alphabetical listings of names and contact details, providing a useful index of a range organisations involved in the supply, support and debate around this market.

Arguably, social investment has emerged because what we tend to call the 'mainstream' forms of finance – whether grants, philanthropy, or traditional lending and investment – are failing to or incapable of providing the financial resources required by enterprises addressing social and environmental problems. This publication reflects our belief that solutions can be devised, both by those with money and those seeking it, and the more people interested and involved the better.

The social investment community is important. It is important that it grows. We hope this publication will help bring together powerful partnerships and inspire more people to become part of this world.

THE SOCIAL ENTERPRISE TEAM

MOUNTAINS OF PHILANTHROPY
SOCIAL INVESTMENT FUND MINE
BRIDGES
NESTA
TRIODOS
OPPORTUNITIES
DoH/FUTUREBUILDERS
BIG ISSUE INVEST
CABINET OFFICE/OTS
ESMÉE FAIRBAIRN
SOCIAL INVESTMENT MARKET
CASH FLOW RIVER
TRIODOS
CHARITY BANK
UNITY

SKOLLCASTLE
GATES TOWERS
PERMIRA VILLAS
ROCKEFELLER MANSIONS
CREDIT CRISIS STORM
PHOENIX FUND
IMPETUS TRUST
ESMÉE FAIRBAIRN FOUNDATION
SECRET MILLIONAIRES ROW
HIGH NETWORTH AVENUE
COUTTS ESTATES
COMMUNITY SHARES MEADOWS
RBS/ NATWEST
CO-OP
SOCIAL INVESTMENT COMMUNITY

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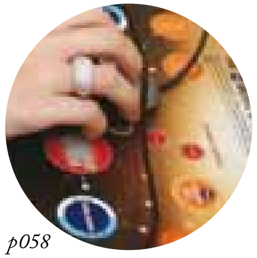
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The Almanack team

Ian Allsop
Ian, who interviewed Sir Ronald Cohen (page 90) is a freelance journalist specialising in finance and the not-for-profit sector. Until he stepped down in February 2009, he was editor of *Charity Finance* for five years and author of the magazine's highly regarded annual survey of fund management.

Matt Black
Matt, who worked on the Almanack adverts, has a wealth of experience in social enterprises, starting in South Africa. Since returning to the UK he has worked on commercial partnerships for a number of third sector organisations.

Claudia Cahalane
Claudia, who interviewed David Robinson for our piece on social impact bonds, is a magazine and online journalist who has spent the last eight years covering the environmental business sector, as well as ethical and social issues. She regularly contributes to national publications, including *The Guardian*.

Nicola Carroll
Nicola, who writes about village shops in chapter two, has 15 years experience as a journalist specialising in social issues. Her passion for social enterprise was whetted during a Masters degree at Manchester University and she has written extensively on the topic since. She is particularly interested in rural community enterprise.

Katharina Fischer
Katharina organised Good Deals 2008 and carried out research for this publication. She works in the *Social Enterprise* marketing team.

James Geary
James, who wrote our philanthro-capitalism feature, is executive editor of *Ode*, a magazine about positive change, and a regular contributor to *Popular Science*. He is former editor of the European edition of *Time* and author of the *New York Times* bestseller *The World in a Phrase: A Brief History of the Aphorism*

Chrisanthi Giotis
Chrisanthi is assistant editor (print) of *Social Enterprise*. She particularly enjoys writing on social finance and has reported in print and on radio for 10 years.

Carsten Glock
Carsten is art director of *Social Enterprise*. He oversees all printed and online designs and ensures everything we create looks fresh and exciting and uses effective design to get across our important stories.

Gemma Hampson
Gemma, who wrote our profile of Muhammad Yunus, started her career on one of the UK's largest weekly papers and is now assistant editor (online) for *Social Enterprise*.

Deniz Hassan
Deniz is the marketing manager for *Social Enterprise*. He has specialised in marketing to the third sector for five years and enjoys setting up partnerships.

Syd Hausmann
Syd, who created our Social Investment Community illustration (page 6), graduated from Central Saint Martins College of Art and Design in 2005. She has a passion for illustration, typography, travel and social enterprise. She has lived and worked in America, Holland, Germany and Russia.

Ivan Lee
Ivan, who created our timeline on page 18, graduated from Duncan of Jordanstone College of Art & Design. His passion for typography has seen him become a member of the International Society of Typographic Designers where he achieved a merit for his submission.

Henry Palmer
Henry is contributing editor of *Social Enterprise* and co-founder of communications agency Society Media. He has successfully broken stories to the national media about social issues and is an award-winning writer in the field of community finance.

Julie Pybus
Julie, who did much of the commissioning and copy editing for the Almanack, is consultant editor for *Social Enterprise*. She specialises in editing and writing for third sector-focused publications. Her work has also appeared in *The Guardian* and *The Observer*, and she is a former editor of *Third Sector* magazine.

Sofia Sköld
Sofia, who drew our social investment globe on page 22 and created the original artwork in chapter four, decided to work within art/design at the age of eight. She later moved to the UK from Sweden to study at Central Saint Martins College of Art & Design where she graduated in 2007. She has a particular interest in experimental and contemporary visual language within social sector publications.

Louise Tickle
Louise, who has profiled some of our established pioneers in chapter two, is a freelance journalist based near Bristol. She specialises in social affairs, international development and education for publications including *The Guardian*, the *TES*, *Community Care* and DFID's *Developments* magazine.

Caspar van Vark
Caspar, who wrote the People Power articles in chapter one, has been a freelance writer and editor since 2002, specialising in charities and social enterprise. He contributes to *The Guardian*, *Third Sector*, and *Social Enterprise* on topics ranging from fundraising to Fairtrade.

Flemmich Webb
Flemmich, who writes about the Social Stock Exchange in chapter four, is an experienced freelance environmental, social media and travel journalist. His articles have appeared in *The Guardian*, the *Daily Mail*, *The Business Post* and CNBC European Business among others. He has also worked in radio for BBC London.

Tim West
Tim launched *Social Enterprise* magazine in 2002 as editor. He has worked on a range of publications and strategies that communicate both social and entrepreneurial value. A newspaper journalist, he held a series of senior editorial roles in national trade media, before setting up communications agency Society Media with Henry Palmer.

Foreword

> There is an opportunity here for a new culture of investment inspired by social enterprises

It is my pleasure to introduce *Good Deals 2009: The Social Investment Almanack*, an unprecedented collection of think pieces and case studies that aims to build knowledge and inspiration among those operating in the social investment space as well as those looking in with curiosity from the outside.

This publication follows the first UK social investment conference Good Deals 2008, which was sponsored by Office of the Third Sector last year and reinforces the UK government's pioneering position at the forefront of social investment globally.

Social investment comes in many forms. Yet there is an emerging general consensus as to its main purpose: this is investment for primarily social and environmental outcomes.

There is an emerging and stimulating space here. As the social investment market continues to grow and demand develops, many of us are exploring new ways to encourage the supply of appropriate finance into the sector. New funds are emerging and new players are entering the marketplace.

By illuminating the current social investment landscape, established models and emerging initiatives, the Almanack will plot the development of new approaches to financing social change and, I hope, help facilitate the growth of social enterprise.

Across government, there is a shared belief that social enterprise and the third sector can play a significant role in overcoming some of the most entrenched problems of society, and there is increasing recognition that access to appropriate finance and funding is essential in enabling this.

The current economic climate raises both great challenges and also great opportunities for social enterprise and the third sector. The contribution of social enterprise is ever more important. Deprived communities will need more help and environmental considerations need more emphasis.

People are increasingly looking to buy from and invest in businesses with strong social and environmental purposes. There is an opportunity here for a new culture of investment inspired by a new generation of social enterprises.

I am committed to helping the third sector thrive and become sustainable. I believe there is an important role here for government to step in where the market fails: meeting gaps in the provision of capital, building demand and developing links in the market – between investors and the third sector.

I am particularly pleased that we have recently launched a consultation of the design and functions of a Social Investment Wholesale Bank – a bank which would help increase investment in society, the environment and the economy at the same time, delivering against a 'triple bottom line' of greater economic growth, social cohesion and sustainable development.

I look forward to the Almanack being widely used not only as a stimulating read but also as an important resource for both social entrepreneurs with an idea which might make a real difference to society and for investors keen to explore how their money can deliver benefits for people and the planet.

ANGELA SMITH, MINISTER FOR THE THIRD SECTOR

NESTA

THE LAB

Innovating public services

Capital Business

Risk finance for social enterprises

Social enterprises have the potential to be winners in a recessionary climate. They add value in niche markets, develop ingenious solutions and respond to growing social problems. But they often lack the investment they need to realise their potential.

NESTA's public services Lab is working with a variety of partners to help build access to the right sort of finance. Over the next three years we will be investing around £4 million. We aim to be a market maker - using our finance and knowledge to improve supply and demand and to create an understanding of how the market works.

The Lab will explore ways of helping this segment of the social finance sector grow by:

- Mobilising and influencing millions of risk capital.
- Developing clear models for investing in social enterprise.
- Discovering whether a wider range of investors can be attracted to social enterprise.
- Researching and developing products that appeal to different types of investor - individuals and institutions.
- Developing services that help social enterprises prepare for capital investment.

To find out more go to **www.nestalab.org.uk**

PRELUDE

Getting your bearings

Timeline

Key events, launches and developments over the past 40 years

World map

Navigating the social investment landscape

The social investment timeline

Key events, launches and developments in social investment, from the early 1970s to the present day, and beyond

1970s

1973
—
Co-operative and Community Finance is set up

1975
—
The **Oikocredit** Ecumenical Development Cooperative Society is established

1984

Unity Trust Bank opens its doors for trading

1995

Local Investment Fund is launched
—
Triodos Bank is established in the UK

1998

Foursome, a social venture fund, is set up

2000

The **Phoenix Fund** bidding rounds
—
The **Social Investment Task Force** (SITF) is established
—
NCVO launches the **Sustainable Funding Project**

2001

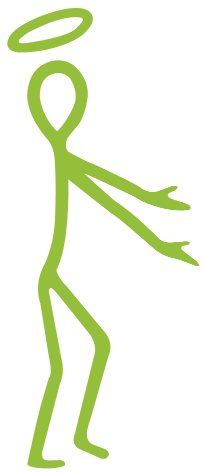
UnLtd launched with £100m from the Millennium Fund
—
Charity Bank is incorporated
—
A **Social Investment Market Group** is set up

2002

The **Community Development Finance Association (CDFA)** is established
—
Bridges Community Development Ventures Fund 1 £40 m is launched
—
Adventure Capital Fund is launched
—
Community Investment Tax Relief is enacted
—
Venturesome, a social investment fund providing advice and capital investment to charities and other social purpose organisations is launched
—
Impetus Trust is founded

2003

Over £42m is awarded to **CDFIs** by the **Phoenix Fund**



2004

Community Interest Companies (CICs) launched
—
Financial Inclusion Taskforce established
—
Government £120m **Financial Inclusion Fund** including £36m **Growth Fund** to support credit union/social lending in financially excluded areas
—
Launch of government-backed **Futurebuilders** fund for third sector
—
Investing for Good advisory service set up
—
P3 Capital was launched to serve entrepreneurial, high growth companies
—
Gexsi (Global exchange for social investment) starts its operations
—
First annual **Skoll World Forum on Social Entrepreneurship** held in Oxford, UK
—
Impetus Trust is set up as one of the first venture philanthropy organisations in the UK

2005

Phoenix Fund discontinued
—
Responsibility for CDFIs is transferred to **Regional Development Agencies**
—
Big Issue Invest is launched

2006

Office of the Third Sector set up
—
Two **Social Investment pilot funds** £200k funded by OTS
—
Community Assets £30m is launched
—
CAN with private equity firm Permira launches **Breakthrough** social investment programme

2007

Bridges CDVC Fund II £75m is launched
—
Department of Health launches a £100m **Social Enterprise Investment Fund**
—
The Office of the Third Sector consults on a **risk capital fund**
—
Launch of **Charity Bank in the North**

2008

Re-launch of Local Investment Fund as **Social Enterprise Loan Fund**
—
Launch of **Bridges Ventures Social Entrepreneurs Fund**
—
DCSF launches a £100m **Youth Sector Development Fund**
—
Launch of £3m **Triodos Opportunities Fund**
—
Dormant Bank and Building Societies Accounts Bill receives Royal Assent
—
Social Finance is launched to accelerate the creation of a social investment market in the UK
—
Catalyst launches **Fund 1: Investing for Financial Returns with a Social Impact**

First national social investment conference **Good Deals**
—
NESTA enters the social investment market with a **Social Finance Strategy** and announcement of a £1.25m cornerstone investment in the **Bridges Social Entrepreneurs Fund**
—
The **Esmée Fairbairn Foundation** announces a £15m **Finance Fund** offering a range of forms of financial assistance – from loans to guarantees to patient equity to revenue shares
—
Rockefeller Foundation supports feasibility study on a UK **Social Stock Exchange**

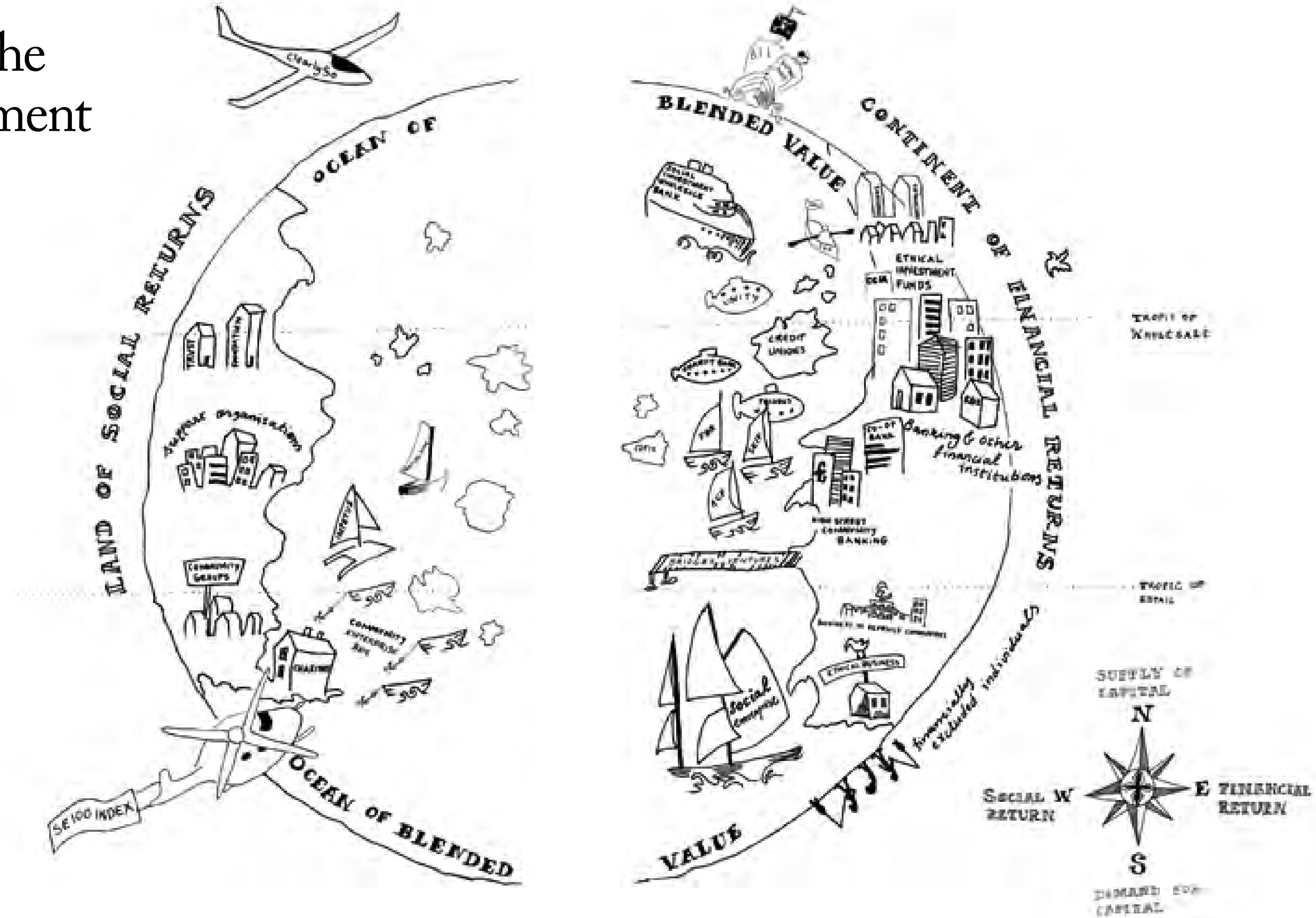
2009

SE100 Index of growth and impact for social enterprises launched by Social Enterprise magazine and RBS Bank
—
Launch of £70m **Communitybuilders**
—
Learning Launchpad fund launched by Young Foundation
—
Big Issue Invest Social Enterprise Investment Fund
—
Consultation on the designs and functions of a **Social Investment Wholesale Bank** begins
—
OTS/NESTA launch a **Social Enterprise Access to Investment (SEATI)** programme
—
ClearlySo, marketplace for social business, enterprise and investment, launches
—
First **Good Deals Almanack** is published
—
Second **Good Deals** conference

2010

Launch of a **Social Investment Wholesale Bank**???
—
Launch of a **Social Investment Stock Exchange**????

Navigating the social investment landscape



CHAPTER ONE

A new financial landscape

Introduction

From Bangladesh to Canary Wharf

People power

Sharing the potential for good

- TORRS HYDRO
- SHCA

The good and the great

Seeing is believing

- CCLA
- MONDRAGON

This chapter looks at the current landscape of social investment from two angles: the power that individuals amass when they invest together, and the potential impact of larger, institutional investors

From Bangladesh to Canary Wharf

HOW FAR DOES YOUR imagination travel when you hear the term social investment?

Are you in Bangladesh with local bankers providing colourfully-clad women with small loans to set up their own enterprises?

Are you with venture capitalists in the boardroom of a glass tower in London's Canary Wharf considering the business case behind the latest green technology breakthrough?

Or did your mind go blank, so you are now wondering what links the small loan providers in Bangladesh with the suited and booted business people in Canary Wharf?

The answer is motive. A social investment is money that is deployed to grow organisations focused on creating positive social and environmental change. There are many different types of social investment, but the motive of creating a better world underlies them all.

Importantly, these investments also make money for people: social as well as financial returns grow with each new deal done.

The Bangladeshi women are benefiting from one of the most famous examples of social investment – microfinance (see page 44). Their loans help them create businesses that will feed their families and educate their children.

Microfinance is an international asset class that has quadrupled in size since 2004 and is now worth US $5.7bn [£3.4bn]. In the past three years alone, 40 specialised microfinance investment funds have been established across the world with ever more innovations occurring, catering for institutions looking to blend social and financial returns as well as the growing number of individuals wanting to make an impact with their own money.

For example, Kiva, a micro-lending website, assists individuals to invest tiny amounts in micro-enterprises that they choose themselves, while Deutsche Bank Americas (see page 36) is using its microfinance expertise to create funds focused on specific social problems.

It may be a world away, but the motive of the green entrepreneurs in Canary Wharf is the same as the motive of the microfinance lenders. They too are developing businesses that will create a better world. They are also participating in a burgeoning sector, supported by social financiers through green share issues (see page 32). The global market for green technology is predicted to grow in financial value every year to an estimated US $3tn [£1.8tn] a year by 2050.

As the first publication of its kind, *The Social Investment Almanack* exists to showcase the different types of social investment. Given that social investment is by and large a response to market failures on both the demand and supply side, it aims to demonstrate how social investment can be done. And it aims to connect investors with investees, while filling in the details for all those readers whose minds went blank when first confronted with the term social investment.

The people involved in social investment vary hugely. Social investors could be individuals clubbing together with £20 each to fund an improvement to their community, they could be the consumers of a fair trade product (see page 28) or they could be international banks.

This publication tells their stories – analysing both the social and financial returns they receive. It looks at proven examples, emerging models and the more experimental ideas.

Why now? Social investment is not brand new, but the last 18 months have seen a growing amount of activity and interest in it. Recent figures prove the viability of long-established models, such as microfinance, and ethical banks are flourishing in the tough economic climate. Interest in community share issues is rising.

The UK government is very interested in social investment and has spearheaded a variety of initiatives. The National Endowment for Technology Science and the Arts has launched its own social investment strategy and the venture capital firm Bridges Ventures has a new fund specifically to back social entrepreneurs. The list goes on and it is not limited to the UK. Across the pond US President Barack Obama has instituted an office of social innovation with money to invest in social enterprises.

This activity and interest predates the financial crisis, but the financial crisis has made a publication like this even more important. In troubled times there is a need to take stock of the strengths and weaknesses of this growing field that promises so much.

THERE IS MUCH TO READ, LEARN AND DO. THE QUESTION IS: WHAT MOTIVATES YOU?

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'The majority of investors were on a small scale, with the minimum investment set at just £300'

Penny Newman *speaks about the successful £5m share issue of social enterprise Cafédirect*

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'If staff have a stake in the business, it's not only good for them but also leads to us providing a better level of service'

Margaret Elliott *speaks about the Sunderland Home Care Associates employee share structure*

→ 36

'Over the last 18 years we have done over $1bn-worth of social mission financing, benefiting disadvantaged people and low and middle income communities, and of that we have written off less than $100,000'

Gary Hattem *talks about Deutsche Bank Americas' long history of social investing*

→ 40

'This is not a philanthropic gesture. It is about us working on behalf of our investors to secure long-term financial returns in a way that can build their own social impact'

James Bevan *talks about CCLA's investment in Triodos' microfinance fund*

FIND OUT MORE
communityshares.org.uk
cabinetoffice.gov.uk
nestalab.org.uk
kiva.org

Sharing the potential for good

Giving the public a chance to buy shares in Cafédirect was not just about financing the company's expansion. **Caspar van Vark** discovers how Penny Newman turned a share issue into a social investment opportunity – generating both financial and social capital

WHEN PENNY NEWMAN led Cafédirect's share issue in 2004, she was treading on uncertain ground. Newman (pictured above) had been CEO of the fair trade coffee and tea company since 1998, taking it into a period of strong growth and a turnover of around £13m. She had previously been a marketing manager for The Body Shop, and today is CEO of restaurant chain Fifteen and a social enterprise ambassador. But a share issue?

'I'd never done it, and there wasn't a textbook to tell me how to do it,' she remembers. 'Traidcraft had done it, and I asked someone there for ten top tips, but I never actually got them. Now I could probably write the textbook myself.'

A share issue offers investors the chance to buy a share of a business. Typically, a company launching a share issue does so at a pivotal time in its growth, when it has growth potential but needs cash to make it happen. The capital raised by selling shares can be used to take the business into a new phase of growth, either investing in its core business or entering new areas.

For Newman, there were several reasons why a share issue – and restructured governance to go with it – seemed the best way forward. »

Ugandan tea growers from the Igara factory use electronic scales bought with money from Cafédirect's producer partnership programme

> I had a vision of turning our trading model into an ownership model, so that the people who grew the products could be linked directly with people who bought the products

'Cafédirect's concept and brand were moving from the niche into the mainstream,' she says. 'In parallel, the company's governance and finance needed to move with it. And thirdly, I had a vision of turning our trading model into an ownership model, so that the people who grew the products could be linked directly with people who bought the products. That would reinforce what Cafédirect was all about.'

Not everyone was convinced, though. The idea of growth may seem like an obviously good idea – surely it's what every organisation wants? To Newman herself it was a 'no-brainer' because it would mean buying more coffee and tea and helping more farmers earn a good living.

'But there was some resistance within the organisation,' she says. 'The concern was control, and I've seen this concern in other social enterprises. Will you lose control? If you launch a share issue, how do you make sure your values are kept safe and that no one takes you over, changing your core values?'

The answer for Cafédirect was to go ahead with the share issue, but to build safeguards into the new structure which would protect its social mission.

ENSHRINING THE VALUES

Cafédirect was founded in 1991 by four investors: Oxfam, Traidcraft, Equal Exchange and Twin Trading. The aim of the share issue was to raise £5m by selling shares to the company's producers and to the general public, and to do that, the four founders would relinquish some of their share. They each kept around 10 per cent, with 5 per cent being sold to producer groups and the remainder to the public.

The company already had a charter in place called the Gold Standard, which set out its principles and ways of working. To ensure that the share issue did not threaten this, share ownership was limited to no more than 15 per cent for anyone other than the original four founders. It means that no one can buy up a huge share and change the direction of the company.

The four founders also formed the Guardian Share Company Ltd, which owns just one share, and the permission of that company is needed to make any changes to the Gold Standard.

THE WINNING FORMULA

1 growing company + More power for its 1.2m farmers × The support of 4,400 private investors = £5m capital for growth + 5 years = £3m invested in Cafédirect's farmers' businesses

'Doing that enshrined our values,' explains Newman. 'It ensured that shareholders couldn't suddenly abandon our fair trade policy and develop a trading pattern that wasn't helpful to farmers and producers.'

The share issue went live on 4 February 2004, and was fully subscribed within a few months, meeting the goal of raising £5m. The majority of investors were on a small scale, with the minimum investment set at just £300. (Cafédirect's end-of-year report for 2004 showed that 60 per cent of public investors each owned 500 or fewer shares).

Under the new governance, Cafédirect's 32 producer groups – representing around 1.2m workers – were also able to elect two representatives to the board (one for tea, and one for coffee). Another director represented the public investors.

And what was the point of raising all that money in the first place? 'We wanted to build the brand,' says Newman. 'We were doing well in retail, but we wanted to move into the out-of-home market [ie offices, restaurants and schools]. We also wanted to expand internationally. And the brand also needs constant refreshing, with new products.'

PUBLICITY AND MARKETING

Considering Newman was a bit of a novice at share issues, it's somewhat surprising to learn that Cafédirect didn't involve many external partners in the process. Triodos, which was already Cafédirect's bank, sponsored it. Newman was advised to use a specialist public relations company, but decided against it.

'I was concerned we would be fed through a standard public share issue machine,' she says, 'and that they would struggle to give the social side as much emphasis as the financial side.'

> If you launch a share issue, how do you make sure your values are kept safe and that no one takes you over, challenging your core values?

Instead, Newman stuck with the company's existing creative agency, which knew Cafédirect's message well. The share issue was publicised heavily through on-pack stickers. Meanwhile, a small in-house team – including finance and marketing directors – devoted themselves to the launch. The decision to offer a share issue was made only in October 2003, so everything was crammed into four hectic months. This, Newman admits, did not benefit Cafédirect's day-to-day business.

'The workload around this was horrendous,' she says. 'Looking back, I think we became quite inward-looking during that time. Own-label brands were starting to grow, and I think we took our eye off the ball for a little while.'

In the long term, though, the benefits have been evident. As planned, the money was used to expand into the out-of-home market, and Cafédirect entered Hong Kong and Singapore, refreshed the brand and added new products.

The growth of Cafédirect also meant that funds could be invested in its producer partnership programme. Between 2004 and 2008, £3m – more than half of Cafedirect's profits – has been invested to develop growers' organisations.

By successfully launching a share issue, Cafédirect also achieved what Newman always felt was the core of its values: empowering producers, and creating a direct link between them, the company and consumers.

'Producers were always involved in our strategy, even before the share issue,' she says. 'But now even more so. They were given a voice, and they could sit at the table. Through the share issue, producers and consumers could both have ownership, alongside the original founders and employees. It just reflected what Cafédirect was all about.'

FIND OUT MORE

cafedirect.co.uk
triodos.co.uk
communityshares.org.uk
socialenterpriseambassadors.org.uk

IN PRACTICE

TORRS HYDRO

Words: Caspar van Vark

IN THE TOWN of New Mills in Derbyshire, a share issue has empowered the community in a very literal way – by funding a hydro-electric plant.

The project started through Water Power Enterprises, a social enterprise that aims to reduce carbon emissions by setting up small-scale hydro-electric plants. The enterprise found support from the local council and the community, but capital was needed to make it happen.

This capital came from a share issue. Members of the community, working with Water Power Enterprises, formed Torrs Hydro New Mills Ltd, an industrial and provident society (IPS), to do this. The IPS, formed in September 2007, then launched the share issue, with shares costing £1 each and each investment set at a minimum of 250 shares.

The share issue raised more than £90,000 in January 2008, attracting around 200 investors – many from the local community.

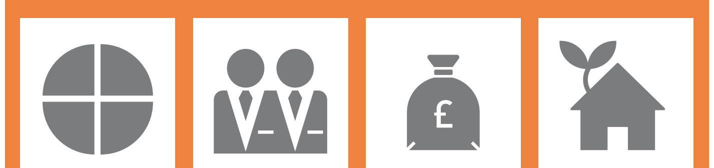
The money raised through the share issue went towards purchasing and installing a 70 kilowatt hydro power plant using a 2,000-year-old Greek invention – the Archimedean screw. The screw produces electricity as it is turned by the power of water flowing through it. It generates an estimated 260,000 kilowatt hours of green, renewable electricity every year – enough to power up to 70 homes.

Investors in Torrs Hydro do not receive a share of the profits generated from the scheme. The profits are either reinvested into the scheme, or used to help regenerate New Mills and promote environmental sustainability in the town. Investors may get a profit in the future after social objectives are achieved.

Following the success of the share issue in getting this project off the ground, Water Power Enterprises has expanded and is launching similar hydro-electric schemes in Settle (Yorkshire) and Stockport.

FIND OUT MORE → **www.h2ope.org.uk**

THE WINNING FORMULA



£1 shares × 200 investors = £90,000 = 70 green homes

The Torrs Hydro plant at New Mills which provides renewable power to the community

> The share issue raised more than £90,000, attracting 200 investors, many from the community

IN PRACTICE

SUNDERLAND HOME CARE ASSOCIATES

Words: Caspar van Vark

FOR CARE PROFESSIONALS, low pay and limited benefits are often a fact of working life. But Sunderland Home Care Associates (SHCA), founded in 1994, has changed this by offering its staff a share in the business.

Founder Margaret Elliott sees this as benefiting everyone. 'If staff have a stake in the business, it's not only good for them but also leads to us providing a better level of service,' she says.

SHCA's share ownership structure is a hybrid model that offers the security of collective ownership while still providing an incentive element through individual shareholding. The majority of the 117,000 shares are held collectively for present and future employees in an employee benefit trust (EBT), and a government-approved employee share scheme called a share incentive plan (SIP) is used to pass shares to employees who have at least six months service.

The SIP allows the company to use its pre-tax profit to buy shares from the EBT, to be allocated to the employees. If kept in trust for a period of five years before they are passed on to the employees, they are free of income tax and national insurance contributions. Only employees can hold shares and they have to sell their shares back to the EBT when they leave, so maintaining the balance.

The present breakdown of shares in SHCA is 96,737 (82.7 per cent) owned collectively and 20,263 (17.3 per cent) owned by individuals. Over the period since it was launched, the share price has gone up from £2.60 to £6.60 per share, which means some employees hold almost £4,000-worth of shares.

FIND OUT MORE www.sunderlandhomecare.co.uk

THE WINNING FORMULA

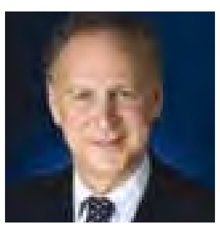
117,000 shares + An employee benefit trust = Threefold share price rise = Happy workers = Better care services

Photo: Andy Barker

Margaret Elliott: believes SHCA can provide a better level of service if staff have a stake in the business

Seeing is believing

Deutsche Bank Americas Foundation president Gary Hattem (pictured below) tells **Chrisanthi Giotis** why his bank is risking $1m pioneering a new type of investment fund to address blindness in the developing world

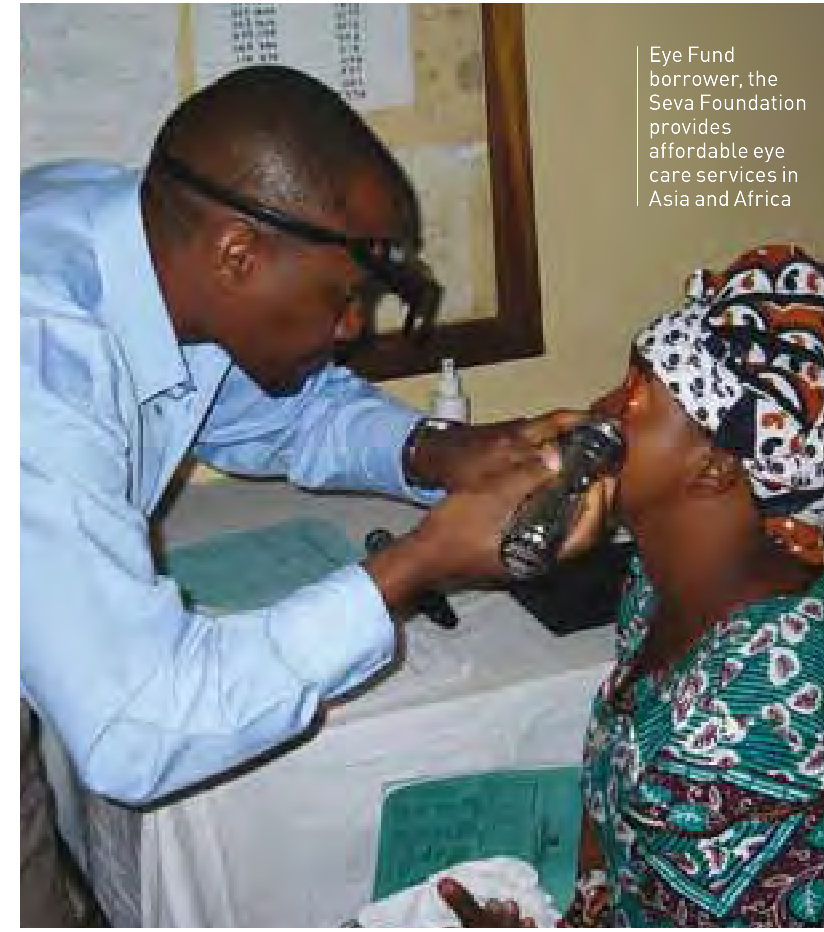


Deutsche Bank Americas pioneers funds that combine social and financial returns. Why?
We have a long history of social investing. We've been doing it here in the US for the last 18 years, and for the past 10 years we have started to globalise our social investment, using our capabilities as a financial services firm to achieve mission goals beyond philanthropy.

In that time – and this is what I really want to stress – we have done over $1bn-worth of social mission financing, benefiting disadvantaged people and low and middle income communities, and of that $1bn we have written off less than $100,000, so this sort of finance is of remarkably good credit quality. I believe this success is the result of working with really good partners – many non-profits – representing the interests of the communities in which we invest.

Our finance is mostly debt, though our portfolio includes about 30 per cent in equity investments, which is directed to regenerating older urban communities with affordable housing and business development opportunities for minority and women entrepreneurs.

The $1bn figure is a historical figure – currently we have nearly $600m under management in our social mission portfolio, of which $170m is in microfinance in four different funds. Our social investment strategy is premised on a fundamental belief that the best way to benefit the poor must go beyond a continuous infusion of charitable dollars and broaden their access to a more sustainable source of capital.



Eye Fund borrower, the Seva Foundation provides affordable eye care services in Asia and Africa

You have access to philanthropic grants, low cost finance made as programme related investment from the bank's foundation and the bank's balance sheet – how lucky do you feel?
I've got a unique advantage. We can assess a project's capital needs and social impact potential and then determine whether a grant makes most sense, or a higher risk, low-cost loan made as a programme related investment is better suited to the circumstance. When a project is fully creditworthy, we can proceed with more conventional bank financing from our balance sheet. There really is a continuum of capital needs within this sector as it develops from early stage innovation to more mainstream maturity.

How do staff react to social investments?
The younger people in the bank, in particular, get really excited because it calls on their professional capabilities but it's also very close to their hearts. They are more loyal to the bank as a result, and are part of an emerging culture among a new generation of banking professionals who want to use their skills to improve their own communities and the disadvantaged throughout the world. We have a lot of foreign nationals in the bank and when they are involved as volunteers to support a project in their own country, it is particularly meaningful.

Banking as an industry is so maligned these days; demonstrating the fundamental value of finance as a means to improve society is particularly critical so that we do not lose the best talent.

What are you pioneering at the moment?
The $15.8m Eye Fund 1, which we finished raising funds for in June. This was planned to be a $20m fund, but in the current »

environment it has taken longer to raise the funds than we thought.

This Eye Fund grew out of our microfinance work. Through that work we developed a capability to structure funds

> Our investors are on board for both the social impact and the financial return

to benefit that particular sector, which we felt was highly transferable to other mission-driven enterprises. Health care resonated as an issue as especially fundamental to the well being of poor communities.

We were working with Ashoka, which is a foundation that supports systems-changing social entrepreneurs all around the world, and that showed us the tremendous need to address blindness in the developing world. There is a much higher incidence of eye disease and blindness in the developing world and it has a more profound effect on people's lives and livelihoods because they are quickly exited from being able to provide for their families.

Ashoka introduced us to hospitals doing low cost interventions subsidised by charging market rates to those who can afford it. So it is a sustainable model but the problem was that they would have to wait for charitable funds to buy new equipment or expand to new communities. We realised that if they had capital on hand for equipment and expansion, and increased business capability, they could grow much more quickly in reaching clients and also repay the investment.

Our other partner – the International Agency for the Prevention of Blindness (IAPB) – has worked closely with the hospitals to make sure they have developed their business capabilities and are ready to take on the financing.

We've called this the Eye Fund 1 because we expect there to be a follow on fund once we have proven how you can aggregate socially motivated capital for this new model of health care and have it repaid with interest.

Why go down the social investment route instead of straight philanthropy?
Because of the catalysing effect of the investment – we've opened up healthcare for the poor to the huge source of money which is the private investment community. And because we saw the hospitals were really poised for accelerated growth.

What sort of risks have you taken to make Eye Fund 1 a reality?
At $1m Deutsche Bank is not the largest investor in the fund, but we have taken on the highest risk by providing investment in a subordinate position and taking the first hit if there are any losses. We have also turned the high risk equals high returns relationship on its head by taking a very low return of one per cent.

We've done this because we think the real value of our $1m investment is encouraging other investors into this pioneering space. Also because, unlike microfinance where you can charge market rates, lower pricing to the hospitals is key at this stage in their development.

When we set up our microfinance project, the first fund was harder to raise than the second and we're sure the same will happen here and we will earn better returns in the second eye fund.

How have investors reacted to the idea of near market returns – especially in light of the current climate?
Our investors are on board for both the social impact and the financial return so pricing is a pretty nominal issue especially over the past year where markets have collapsed.

Social investment now looks a lot better in terms of preservation of capital and especially when, as in the case of Eye Fund, there is subordinated risk taking the first fall – it's a good proposition for more diversified portfolios.

Do you evaluate the fund in terms of its social impact?
IAPB is defining the metrics, which will be pretty simple based on how many more clients will be served and of how many more poor people will be reached.

So this stuff excited you then…
We really want to be the investment bank for social finance blazing the path for the sector where private finance can make a real difference.

We are also doing other social investment projects. We're financing a school system in Kenya. Here in the US we are

> Banking as an industry is so maligned these days; demonstrating the value of finance as a means to improve society is critical so we do not lose the best talent

retrofitting a lot of low-income homes for energy efficiency and, again working with Ashoka, we are working to finance solar power in the developing world.

There are a number of frontiers that hold a lot of promise and a lot of this gets down to the capabilities of our non-profit and social enterprise partners who have the understanding of the local markets and distribution models and have the trust of the local communities.

We want to build the infrastructure for these funds and attract investors into what is really a nascent industry.

Is this something that could work only in the US where the philanthropic culture is stronger than elsewhere?
The advantage we have is that the government has not been seen as the sole provider of solutions to all our problems. The private sector, over time, has come to respect the role of the not-for-profit sector but I think this could absolutely work elsewhere, including the UK.

Ideas are developing and I've had the pleasure of conversations with Ronald Cohen (see page 90) and I really respect the work he's doing – it certainly has all the right elements.

Over time, I think there might be an international standard for social investment but I think we have to keep our eyes open to innovations, especially from the south and developing countries. We shouldn't think we have all the answers in the north, although we are seeing a really good alignment between the US and the UK and learning from each other.

THE WINNING FORMULA

[$100 low interest loans × 2 villages in Kyrgyztan = $2,816 loaned by Kompanion, financed by Deutsche Bank = 30 per cent income increase for families] × 45 countries = $170m in loans to 100 micro-finance institutions = Millions lifted out of poverty

FIND OUT MORE
community.db.com
seva.org
ashoka.org
iapb.org

IN PRACTICE

CCLA

Words: Henry Palmer

AS THE LARGEST investment manager for charities in the UK, CCLA is no stranger to managing its customers' long-term funds in ways that do not compromise their social mission.

Indeed, the company is one of the pioneers of ethical investment, with a strong track record in developing approaches to investment that meet the wide range of social, environmental and economic goals of their clients.

In March 2009, CCLA was one of a small number of institutional investors across Europe to invest in a £15m microfinance fund launched by the ethical bank Triodos. The fund was designed to increase access to financial services for the working poor by offering capital to local microfinance organisations operating in 38 countries.

James Bevan, chief investment officer at CCLA, says: 'On behalf of its investors, CCLA is participating in an opportunity that looks to offer a combination of excellent long-term financial returns, strong, persistent diversification advantages in combination with more traditional assets and strategies, and also significant social and environmental benefits.'

FIND OUT MORE → www.ccla.co.uk

THE WINNING FORMULA

£5m investment by CCLA + Other investors = €100m Triodos Microfinance Fund by 2010 = Investment in micro-finance institutions in 38 countries = Sustainable contribution to fighting poverty

Photo courtesy of Mibanco

Triodos's 15-year track record in delivering social and financial returns through supporting microfinance partners enabled it to launch a fund that would appeal to institutional investors.

Bevan says: 'This is not about a philanthropic gesture. It is about us working on behalf of our investors to secure long-term financial returns in a way that can build their own social impact.'

In addition to expecting financial returns for investors, Triodos said it was also expecting impressive social returns. These include tackling poverty by stimulating local entrepreneurship in developing countries, boosting the economic and social empowerment of women and helping to contribute to the achievement of the Millennium Development Goals.

Mibanco microfinance bank in Peru – part of the Triodos Microfinance Fund portfolio invested in by CCLA – is helping more than 360 loan clients including José Antonio Ccencho Limache

IN PRACTICE

CAJA LABORAL

Words: Julie Pybus

SPAIN'S MONDRAGON
Corporacion Cooperativa (MCC) is a phenomenally successful collection of worker-owned businesses that has become the country's seventh largest business group and the third largest employer. The corporation's businesses include domestic appliance manufacturers, a large supermarket chain and construction companies.

Often cited as one of the most successful examples of worker-owned enterprise in the world, MCC's history began in 1941 with the arrival of 26-year-old Father Jose Maria Arizmendiarrieta in the struggling Basque town of Mondragon.

The priest provided the town's young people with sporting and cultural activities as well as establishing a technical school. Inspired by the priest's teachings, the school's early engineering graduates founded a co-operative business making paraffin stoves called Talleres Ulgor. As the economy recovered from the civil war, the local people developed more co-operative businesses.

In 1959, Father Arizmendiarrieta proposed that all of the co-ops should have their own source of capital and helped to establish the Caja Laboral bank. Pooling workers' shares of their company's profits (6.4m pesetas at the end of its first year) the bank provided start-up capital to new enterprises and loans at low rates of interest to those that were growing or in difficulty. It also provided management advice to new and expanding ventures.

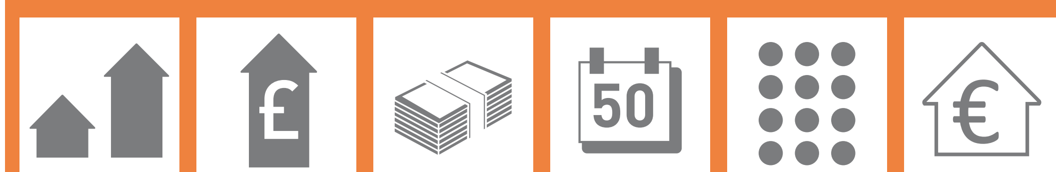
Caja Laboral is described by MCC as 'the backbone of the co-operative project, enabling a growth rate that would have otherwise been impossible with just the internal resources of the different initiatives'.

Always retaining their independence from the state, as the co-operatives within MCC became more established they sought financial support from a wider variety of institutions. From the 1980s, Caja Laboral focused its energies upon traditional consumer and business banking. Today the bank has 400 branches around Spain. It still supports MCC though, giving between 15 and 20 per cent of its net profits to a fund that supports the development of its members.

Today, MCC is made up of 264 companies and has a workforce of 92,700. In 2008, MCC's total income was 16.7bn Euros – up 6 per cent on the previous year.

FIND OUT MORE → www.mcc.es

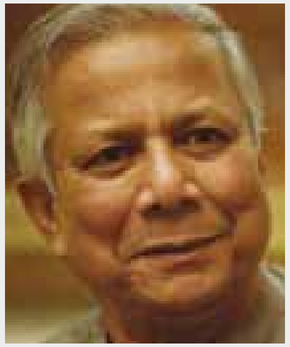
THE WINNING FORMULA



1 town with ambitions + 1 bank with a mission + 6.4m pesetas + 50 years = 264 co-ops = Income of €16.7bn

Father Arizmendiarrieta: the inspiration behind hundreds of co-ops, including Urssa, which built part of Bilbao's famous Guggenheim museum (top)

Turning away from casino capitalism



Today's credit crisis demonstrates that capitalism is out of control. But creative, energetic people can change the system for the better, says microfinance pioneer and Nobel Peace Prize Laureate **Muhammad Yunus**

The problems began with soaring food and oil prices. By the fall of 2008, the world economy appeared to be crumbling, with the most formidable pillars of the strongest economies on the verge of collapse and stock markets around the world plummeting.

This financial crisis offers an interesting illustration of the social failings of the existing capitalist system. Credit markets were originally created to serve human needs – to provide business people with capital to start or expand companies and to enable families to buy homes. In return for these services, bankers and other lenders earned a reasonable profit. Everyone benefited. In recent years, however, the credit markets have been distorted by a relative handful of individuals and companies with a different goal in mind – to earn unrealistically high rates of return through clever feats of financial engineering. They repackaged mortgages and other loans into sophisticated instruments whose risk level and other characteristics were hidden or disguised. They then sold and resold these instruments, earning a slice of profit on every transaction. All the while, investors eagerly bid up the prices, scrambling for unsustainable growth and gambling that the underlying weakness of the system would never come to light. The result was to convert traditional capitalism into what many have described as 'casino capitalism', marked by irresponsibility and limitless greed.

Millions of people around the world who did nothing wrong are suffering. And the worst effects, as usual, will be felt by the poor. As economies falter, as government budgets collapse, and as contributions to charities and NGOs dwindle, efforts to help the poor will diminish. With the slowing down of economies everywhere, the poor will lose their jobs and income from self-employment.

We had thought food shortages were a thing of the past, but now they are back – not due to any lack of productive capacity on the part of the world's farmers, and certainly not due to lack of effort by the poor themselves, but largely because of forces that could have been averted – the financial crisis and the world's failure to pay enough attention to the need to improve agricultural technology to increase yields. We have to focus our attention at a global level to tackle this great new challenge to the world's poorest.

How do we change this? Where do we begin? Three basic interventions can make a big difference in the existing system.

First, we need to broaden the concept of business by including social business in the framework of the marketplace. Making it easy for individuals and companies to see how business practices can be applied to solving social problems, especially those spawned by poverty, while reinvesting profits in the growth and expansion of the benefits thus created can create a 'virtuous cycle' of ever-improving conditions for the planet's least fortunate citizens.

Second, we need to create inclusive social services that can reach out to every person on earth. These include services normally treated as part of the for-profit sector (such as financial services, food supply and housing), those usually provided by government or non-profit institutions (such as education), and those that may traditionally be provided on either a for-profit or a not-for-profit basis (such as health care) It is absurd that after thousands of years of social and economic development, our systems in all these areas have such enormous blind spots – black holes into which hundreds of millions of people fall, simply because they don't fit the existing 'business models'.

Third, we need to design appropriate information technology devices and services for the poorest and most underprivileged members of society and to make sure those devices and services get into the hands of those who need them. Information is power.

Thankfully, the young people of today seem to be highly focused on these problems and sincerely interested in tackling them with creativity, energy and focus. Today's youth, I believe, can be the socially conscious, creative generation that the world has been waiting for.

For anyone who is wondering, 'how can I contribute?' my answer is this: start by designing a business plan for a social business. Decide which social problem you'd most like to tackle. Figure out what resources you can use to address it. Develop a plan for applying those resources efficiently and effectively. Then try turning that plan into reality. The social business you create based on your plan may be small, but if it works it could end up being replicated in thousands of locations – and so end up changing the world.

Today's younger generation has the opportunity to make a break with the past and create a beautiful new world. We see the ever-growing problems created by an economy that is excessively individual-centred and »

"We see the ever-growing problems created by an economy that is excessively individual-centred and too aggressively accumulative

too aggressively accumulative. If we let the current system continue to operate without serious modifications, we may soon reach the point of no return, as problems like global economic meltdown and climate change drive our species and the planet we depend on to the brink of collapse.

We are fortunate enough to have been born in an age of great ideas. You may have a few great ideas yourself. But the big question is, what use do you want to make of your creative talent? Do you want to focus exclusively on making money? If you must, go ahead; but when you develop profit-maximising businesses, be sure that your businesses also produce positive impacts in people's lives and steadfastly avoid negative impacts. On the other hand, you may prefer to use some or all of your talent to change the world by harnessing it to address human and social needs. If so, you can devote yourself exclusively or partially to social business. There is certainly no conflict between the responsible pursuit of profit and the service of social goals, and I hope you'll consider the possibility of combining both in your career.

The choice is yours.

This is an edited extract from *Creating a World Without Poverty: Social Business and the Future of Capitalism* by Muhammad Yunus. Printed with kind permission of The Perseus Books Group

MUHAMMAD YUNUS: BANKER TO THE POOR, by Gemma Hampson

MUHAMMAD YUNUS IS the inspiration to hundreds of social investors, social entrepreneurs and business people across the globe who share his ambition of eradicating poverty. This Bangladeshi economist was awarded the Nobel Peace Prize in 2006 for his pioneering role in microfinance – giving small loans to the poorest of the poor to help them to improve their own lives.

Yunus's first step into microfinance came in 1976 when he saw women in a Bangladesh village under the control of loan sharks. The 42 women owed a total of just $27. To him, the simple solution was to give the women money from his own pocket to pay off their debts. He said: 'The excitement that was created among the people by this small action got me further involved in it. If I could make so many people so happy with such a tiny amount of money, why not do more of it?'

And so his journey began and the Grameen (or 'village') Bank was born. Small unsecured loans – 'microcredit' or 'microfinance' – are given to people to start a business. A loan for a sewing machine, for example, helps women earn money as seamstresses.

Its phenomenal success – Grameen has a repayment rate of 98 per cent, along with externally verified positive impacts on poverty – means that Grameen Bank has expanded all over the world. Through the Grameen Foundation, the model is being replicated across Asia, Africa, the Middle East, the USA and even Scotland. In Bangladesh, the average loan is just $220. In Queens, New York, the average is ten times the amount at $2,200. By 2015, Yunus wants Grameen Bank to have reached 175m families worldwide.

In recent years Grameen Bank has developed new projects to fight poverty. These include a series of social businesses developed in partnership with some of the biggest corporations in the world.

Through a partnership with French food and beverage giant Danone, for example, Grameen is selling affordable yoghurt to families in Bangladesh packed with nutrients for malnourished children. Grameen Veolia has created a small water treatment plant in

Bangladesh to stop millions of people being poisoned by arsenic-contaminated supplies. BASF Grameen aims to provide affordable mosquito nets in every poor Bangladeshi household to protect against malaria.

As the face of Grameen, Yunus uses his experience and passion to influence the next generation of business around the world, promoting the need to use the latest technology for social good and grasp opportunities in the economic downturn to create a new-style banking system inclusive to all. He supports the implementation of a social stock market and social business fund and calls for governments to radicalise their welfare systems.

It's likely that we'll see more ideas from this visionary man in the years to come.

Upon being awarded the Nobel Peace Prize, he said: 'While I'm happy about what has been accomplished, I'm unhappy about what remains to be done. My ultimate mission is to see a world where there is not one poor person.'

CHAPTER TWO

Social investment: established models

Social investment has been up and running for a considerable time. This chapter highlights some of the established models that prove it's a great idea, ready for its next stage of development

A springboard to the future

THERE'S NO BIG SECRET to successful social investment. At its heart social investment is good banking – investment in sound businesses that will make use of the money they are given to grow and flourish.

The trick comes in understanding that businesses whose primary motivation is creating positive social and environmental change can be just as successful and sustainable as traditional companies that are focused on making money.

In this chapter you will see the proof that social investment can and does work – and that it's even thriving in today's tough economic climate.

One of the pioneers of social lending is Co-operative Financial Services, the banking arm of the Co-operative Group. It entered the market in 1973 and saw a 70 per cent increase in banking business profits during 2008. Through its planned merger with the Britannia Building Society a 'super mutual' with £70bn in assets will be created.

Unity Trust was set up by trade unions in 1984 and specialises in banking services for social enterprises, charities and unions. It experienced record growth in 2008. Loans and advances increased by 56.3 per cent to £117.1m, despite the bank turning away almost £14m of loan applications because they did not meet its socially responsible guidelines.

Ethical bank Triodos, established in 1995, announced record levels of lending to social enterprises and charities in 2008. In the UK its lending rose by £20m to reach £93m. For the first time, Triodos – which only finances charities and businesses delivering social, environmental or cultural benefits – is lending more than £200m in total. This year it won the prestigious *Financial Times* award for the most sustainable bank.

The newest player in the social banking sector, Charity Bank, founded in 2002, became the fourth social bank to show figures that bucked the recession when it announced an increase in loans and deposits for 2008.

It's not just social banks that have strong track records in social investment. Some charitable trusts and foundations have had success with giving loans as well as grants, and the government has backed what has become potentially the UK's largest social investor – Futurebuilders England.

The enterprises these institutions are backing are suffering in the downturn but they're not dying – the work they're involved in is too important for them simply to give up, and, for many, it becomes even more important as the downturn deepens.

Social enterprises are working hard to find revenue streams and markets, whether it be the ethical consumer, the local government procurement officer looking to contract out a public service or the grant giver.

Some products and services offered by social enterprises are actually seeing rising sales. Fair trade products, for example, are more than weathering the storm. Food and grocery researchers IGD found fair trade product sales were up by 23 per cent in December 2008 compared with the same time the year before.

The power of the individual as a social investor should not be forgotten. For many years, local people have been financing their own village shops. It's a movement that is growing, sharing the benefits throughout the communities.

All this means that there is the confidence to justify growing social investment. It also means that there is a strong base that can act as a springboard for new and interesting investment propositions – the kind that we will cover in chapters three and four.

BUT FOR NOW LET'S STOP AND TAKE STOCK OF WHAT WE KNOW WORKS

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'In addition to its usual grantmaking, The Esmée Fairbairn Foundation started offering loans in 2001 in response to requests from existing grantholders'

Danyal Sattar *explains why the Esmée Fairbairn Foundation entered the social investment field*

→ 56

'Social enterprises can, Triodos believes, deliver very healthy profits to investors if properly nurtured'

Sue Cooper *talks about Triodos Bank's diverse portfolio and very low level of bad debt*

→ 62

'The shop now has £100,000 turnover, a sub-post office and four full-time equivalent jobs have been created – a real economic advantage in a rural location'

Sally Orrell *explains why Nenthead residents clubbed together to find finance for their village shop in an ex-mining area*

→ 68

'Energy4All was set up in 2002 in response to daily enquiries to Baywind Co-operative, the UK's first community-owned wind farm, from people looking to develop similar projects'

Andrew King *says wind co-ops have become a very attractive investment proposition*

FIND OUT MORE

plunkett.co.uk
icof.co.uk
triodos.co.uk
unity.co.uk
charitybank.org
futurebuilders-england.org.uk

Relationships that last

Social investment may be a new concept for some, but for those who have pioneered it – ranging from trusts to specialist banks – it is a successful model based on strong partnerships with investees, reports **Louise Tickle**

WANTING TO SAVE the world has not, typically, been a good enough reason for a bank to part with enough cash to let you get on with the job.

It still takes a fair bit more than simple passion for a cause to get investors to stump up, but at least there are now a good few out there for whom the social benefit you're hoping to achieve is the central reason for choosing to back your project.

Investing in socially motivated enterprises, however, has its own built-in challenges: their risk profile may be higher than any high street bank would countenance (or even unknown), the amount of security a borrower can put up may be minimal or non-existent and the predicted financial return may be marginal (though the social return may be great).

Crucially, what has been learnt by the variety of organisations working in this field over many years is that social investment is about far more than money being passed from one organisation to another; it's about a relationship in which the lender will often know a borrower's business intimately, and will also be able to help with contacts and expertise. The focus of the relationship is also different, in that the investor is putting money into a project for the sake of the beneficiaries, rather than with the aim of raking back the maximum interest possible for themselves.

Experience has demonstrated that social enterprises may need their borrowing structured differently to conventional business – and so, particularly »

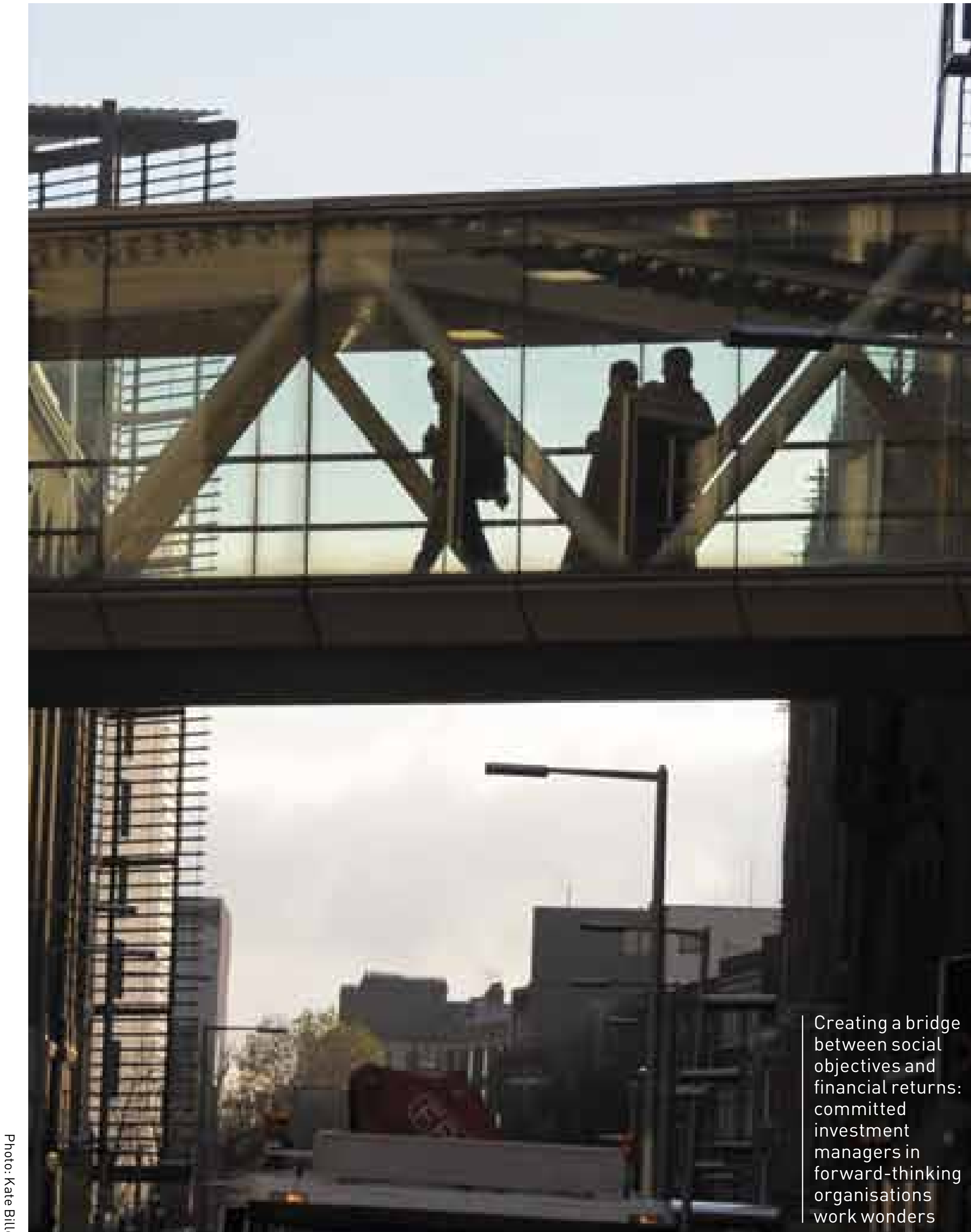


Photo: Kate Biller

Creating a bridge between social objectives and financial returns: committed investment managers in forward-thinking organisations work wonders over the last decade, this is the market gap that the pioneers in social investment have actively explored.

INVESTMENT NOT GRANTS

The word 'investment', however, clearly implies that a return on the money is part of the deal. If it's a trust or a foundation providing the finance, this is not always the case, though it may be that at least part of the investment has to be paid back.

The Impetus Trust, which won Top Grantmaker at the Charity Awards 2008, says it operates a principle of 'venture philanthropy' – unrestricted funding that is inextricably linked to time and expertise donated by professionals from companies both large and small.

'We don't back a big project or a little project, we back a plan for transformational social impact,' says Impetus CEO Daniela Barone Soares.

'It is not that the organisation necessarily has to be scaled up but that the work can be scaled up.'

Unrestricted funding, rather than discrete chunks of money tied to a project, can be very hard for a social enterprise to come by, and means that investment in its management structures and capacity is often put on hold. Impetus's unrestricted financing is offered over a period of up to five years and does not need to be repaid. It is tied to pre-agreed milestones that have been worked out after deep research has been carried out into the organisation and the individuals who run it.

> We don't back a big project or a little project, we back a plan for transformational social impact

Impetus works on a multiplier principle; once it has approved an organisation and put up its own money, it will then go to other socially minded funders who would normally be offering project finance, and persuade them to cough up on the strength of its backing – plus that of the targeted professional expertise that is always made available.

This is very high intensity nurturing for the beneficiary social enterprises, which means there are just 13 on its books. The approach seems to be working. 'Across our portfolio, organisations and charities have on average grown by 29 per cent a year in income, and by an average of 53 per cent a year in terms of the numbers of people helped,' says Soares.

What happens, though, when a funder wants their money back, or chooses to price the investment risk they take by charging interest?

In addition to its usual grantmaking, The Esmée Fairbairn Foundation (EFF) started offering loans in 2001 in response to requests from existing grantholders. By the end of 2006 it had lent £1.8m to 12 organisations. With that experience behind it and with other socially interested lenders developing the same kind of facility, plus new CEO, Dawn Austwick, driving change, EFF began looking to see what it could offer that would be different.

CALLS FOR EQUITY

'We were hearing things like "we want long-term patient money or we want equity", but the only thing on the table from us was a loan,' explains Danyal Sattar, EFF's head of environment.

In 2007, a 12-month pilot was set up to look at different ways of making money available, working with the social investor Venturesome, part of the Charities Aid Foundation.

Some organisations may be legally structured in such a way that they cannot offer equity in return for investment money, Sattar explains. One way of investing and seeing a return in this case is by making what is known as a 'quasi-equity' investment, and taking a percentage of revenue.

'With [environmental charity] Global Action Plan, for instance, we take a small share of their revenue growth, and as GAP has grown strongly, that's performed very well financially for us. It's a way of investing that also works for times like these, because if an organisation isn't growing, then we stand side by side with them and share their risk,' Satter says.

As Sattar points out, given that EFF is used to making a 100 per cent loss on its grants, anything over a return of zero is a pretty good result. The new Finance Fund that it established as a result of the pilot in 2008, with an additional £15m, isn't open to applications that come in 'cold' at the moment – its fund managers actively look for opportunities to make investments in projects they believe are worthwhile, and then structure the money in the way that best suits the organisation in question.

The Finance Fund has also looked to see how its money could be lent on by intermediaries, and have invested £750,000 each in Triodos Bank's Opportunities Fund, the Big Issue Invest Social Enterprise Investment Fund, The Ecology Building Society and Bridges Social Entrepreneurs Fund.

TWO TYPES OF RETURN

The return varies from deal to deal. 'The Ecology Building Society money is an unsecured loan to strengthen its capital base; that will pay regular rates of interest and return our capital in due course,' says Sattar. 'On others, we have a range of expectations about rates of return, but at least hope to get our capital back when they exit.'

Of course, EFF is looking for a social or environmental return as well as a financial one on its investments. 'The trick will be to measure whether this is having a comparable impact to our grant-making programmes,' says Sattar.

Institutional social investors usually require a return, and because they're managing their own customers' money, can't just shrug their shoulders if a social business they've invested in goes bust.

> Across our portfolio, organisations and charities have on average grown by 29 per cent a year in income

Specialist lenders such as Charity Bank and Unity Trust Bank offer a wide variety of loans, from a traditional mortgage to a grant bridging loan, to social enterprises – and in the case of Unity Trust Bank to conventional » businesses – on which interest is payable. Both have done so for years using this specialist social lending as a strong business tool and attracting socially conscious depositors. Despite the recession both lenders have announced growth in both deposits and lending for 2008. Ethical bank Triodos has also grown – 13 per cent for 2008 – and come away with the 2009 *Financial Times* Sustainable Bank of the Year Award. But it's not resting on its laurels. Instead, it continues to actively take long-term investment risks on emerging socially aware industries.

Social enterprises can,Triodos believes, deliver very healthy profits to investors if properly nurtured. Its recently launched EIS Green Fund, for instance, is asking investors for money that it will then sink into 'high growth potential sustainable UK companies' – organisations it believes can deliver high returns including green energy, green technologies and sustainable living initiatives.

Clearly, investors in social businesses must accept they are taking a risk, just as investors in conventional business do, but by setting up this kind of fund, Triodos is making it plain that it judges there is money to be made when green businesses are enabled to flourish. And it perceives risk very differently to a high street bank or a conventional investment fund because of its detailed knowledge of particular sectors.

A DEEP UNDERSTANDING

When it comes to making a simple loan, Triodos has, according to deputy head of business banking Sue Cooper, 'a range of risk in our portfolio, and we will price that accordingly'.

She adds: 'But we don't use credit scoring. We use people to make decisions and depend on their experience, knowledge and skills. And we have a deeper understanding of the activities and markets and sectors we're lending to. Our incidence of bad debt is much lower than would normally be expected. We budget for just 0.25 per cent of our loan book to go on bad debt.

> If an organisation isn't growing, then we stand side by side with them and share their risk

And it is very unusual for us to go over that.'

It's when business goes badly that having an investor who is in the game for your sake just as much as, if not more than, for their own, that can make all the difference.

'We would engage in a lot of discussion and go into a lot more depth [to find a solution] than my experience of working in a high street bank would suggest they typically do,' says Cooper.

'We'd think about whether we could introduce them to someone who could help; could they restructure, could parts of their business be saved. In the end of course we are a bank and would have to call it a day at some point, but a lot of effort, time and thought would go into helping them stay afloat before that happened.'

Meaningful social change does not often take place in a couple of years, especially in areas of real disadvantage. For a social enterprise to get hold of what is becoming known as 'slow money' to help develop their activities over a decade or more is a challenge that has been taken up by some community development finance institutions (CDFIs).

These are entirely independent organisations, many of which received money from the government's Phoenix Fund, and now raise money from institutions such as regional development agencies to lend to individuals and businesses that would otherwise find it hard to get finance. They usually operate in areas of multiple deprivation and tend to keep their lending within a defined geographic locale.

Their small size and detailed local knowledge can give CDFIs a level of flexibility that means they're able to address customers' individual needs. Key Fund Yorkshire for example, which set up in 1999 in the midst of depressed south Yorkshire coalfields communities, has been able to offer a mixture of lending and grants to people wanting to set up new businesses who couldn't access mainstream bank finance.

The Key Fund is run to be responsive to individual customer needs, says CEO Ann Oldroyd, and can on occasion make the decision to wait years before getting any payment back.

'What we do is provide a staircase of financial services, combined with a framework of development support in order to maximise the potential of our clients. For example, in addition to standard loan arrangements, terms can include capital holiday periods or stepped repayment arrangements.

'Occasionally we might convert loan into equity. And we do take equity sometimes from the off, and tend to mix this with a loan,' she explains.

Key Fund Yorkshire will also sometimes pay for a potential customer to get the expertise that can help them become investment ready.

It has underwritten community share issues in case the social enterprise in question didn't make its target, as well as offering a two-year open facility on the back of one particular share issue in case investors wanted to cash in their shares and the social enterprise couldn't afford to buy them back.

Whether a trust, an ethical bank or a CDFI, it's clear that social investors have more than established themselves over the last decade and are looking forward to doing more good deals in the decade to come.

THE WINNING FORMULA

£1.65 × 4,000 Triodos renewables shareholders + 24 per cent increase in turnover = 2p dividend per share = Finance for 220 European renewable energy projects

FIND OUT MORE

triodos.co.uk
unity.co.uk
charitybank.org
esmeefairbairn.org.uk
impetus.org.uk
ftconferences.com/sustainablebanking

IN PRACTICE

FUTUREBUILDERS ENGLAND

Words: Louise Tickle

LAUNCHED IN 2004, Futurebuilders England is one of the the largest social investors in the UK, and its money is aimed squarely at improving the financial and strategic capabilites of the third sector – most often through enabling them to win public contracts.

Funding comes primarily from government, via the Office of the Third Sector and the Department of Health, and the aim is to provide investment where there is a gap in the market.

It offers loans at competitive rates, often coupled with grants. In-depth business support is also available helping organisations develop strong enough financial, managerial and governance structures so as to take on investment loans from other organisations, bid for major contracts and deliver them successfully.

Sue Peters, managing director of investments at Futurebuilders, says, 'In the last three quarters of 2008 our investees won 90 contracts worth over £16m. The third sector organisations that have received an investment loan from us said it gives them increased credibility with commissioners and a better chance of winning public service contracts.'

Futurebuilders says its approach to social investment always involves much more than just handing over the cash. As it has no shareholders to report to it can support different types of ventures that most investors would not consider.

In backing these groups, the relationship with the investee is crucial, says Peters.

'We now make sure that an assessment of the personal relationships is recognised as a very important part of our risk evaluation process,' she says.

In June 2009, Futurebuilders took over the management of the Department of Health's Social Enterprise Investment Fund, in partnership with Partnerships UK. The fund has £70m available for start-up and existing social enterprises in the health sector over the next three years.

FIND OUT MORE www.futurebuilders-england.org.uk

THE WINNING FORMULA

[£330m government investment × 300 third sector groups] × 9 months = 90 contracts won by the groups = £16m income = More sustainable third sector

StreetVibes Youth provides accredited training in music industry skills for young people. It has won contracts with local youth services, the Learning and Skills Council and the LSE following a £200,000 investment support from Futurebuilders

IN PRACTICE

RBS COMMUNITY BANKING

Words: Henry Palmer

SCOTCASH, A SOCIAL enterprise set up to offer financial services to those targeted by predatory lenders in Glasgow, is an example of how one mainstream bank partnered with a host of other organisations all with vested interests in tackling financial exclusion.

Scotcash was created in response to growing concerns about the levels of poverty among Glasgow Housing Association's tenants. Evidence suggested they were becoming poorer still because of the high rates of interest they were paying to doorstep credit companies and others.

The Royal Bank of Scotland (RBS), Glasgow Housing Association, Glasgow City Council and the Scottish Government formed a unique public/private sector response to invest in a scheme to boost levels of financial exclusion and help tackle poverty.

RBS, which has operated a community banking division since 1998, also saw a clear business case. By tackling poverty and combating financial exclusion the bank was also creating a market for itself – a clear example of a large institution engaging in social investment.

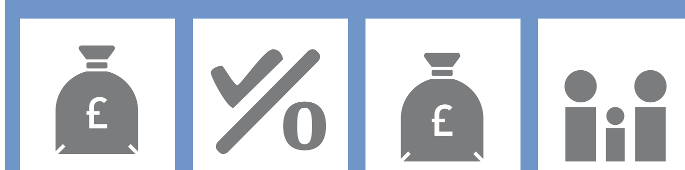
Eric Munro, director of community banking at RBS, explains: 'By ensuring financially excluded groups could avoid resorting to very expensive forms of credit we would also grow the number of people in Glasgow opening one of our basic bank accounts.

'Once they were in the financial mainstream, they would not only be saving huge amounts of money, but would also eventually be able to access other appropriate financial services.'

Since opening its doors in January 2007, Scotcash has provided 2,391 loans totalling £1.28m and opened more than 654 basic bank accounts for previously unbanked customers.

FIND OUT MORE → **www.scotcash.net, www.rbs.com/community**

THE WINNING FORMULA



2,391 loans to low income families × A reasonable rate of interest = £1.28m out on loan = Families save £2m in interest and RBS gains customers

Scotcash: taking a bite out of the loan sharks' profits, thanks to backing from RBS and others

Staying alive

A village shop is often described as the heart of the community – is it any wonder then that local people throughout the UK have come up with innovative social financing solutions to keep the lifeblood of their town pumping? **Nicola Carroll** reports

'**BUY FIVE TO** stay alive' is the motto of Bicknoller community shop in Somerset. The shop is a non-profit-making venture, set up by the local community and run entirely by volunteers for the benefit of fellow villagers, who are urged to buy at least five items a week to ensure they don't lose the service.

Bicknoller was among the early wave of community-owned rural shops in the country when it opened in 1995.

'The shop has transformed the village and given us great community spirit,' says John Lees, chair of Bicknoller Shop Association Ltd, who was a leading force in mobilising the locals to set it up.

'We didn't use words such as social enterprise back then. Following the closure of the existing shop, we just went around to everyone in the village with a begging bowl and convincing spiel. We asked for loans repayable after three years with no interest and were greatly cheered when we exceeded our target within six weeks.'

Lees adds that the process of setting up the shop was 'not always easy and certainly not quick'. It took two years to find the site, a barn building rented from the parish hall. A total of £11,000 locally raised finance and a £2,000 regional development agency grant enabled the premises to be refurbished and start-up stock to be purchased.

A limited company was formed and registered as a friendly society, whose constitution says that all profits are ploughed back into keeping the service viable. Eight people, who between them have a wealth of experience from their professional lives, sit on the management committee. Out of 225 people who live in the village, more than 40 now work in the shop, which stocks more than 600 items. A manager is paid an honorarium of £800 a year. Rent is £100 per week and a 20 per cent mark up is usually charged on goods sold. Annual surpluses, which total around £2,000, pay for a party for the volunteers.

It was a blow, says Lees, when the post office, which formed part of the shop, was lost in 2008 as part of the national closure programme. 'But we have prospered since and it has enabled us to have a bigger shop and always have two people behind the counter, which is a benefit.' He adds that a shop in a village can be an economic boon as it enhances the value of property by up to 10 per cent.

Lees pays tribute to the late Derek Jones, who helped set up both Halstock Village Shop Ltd in Dorset and the national Village Retail Services Association (ViRSA) network to enable communities to learn from each other.


Photo: Simon Fooks

Gray and Sue Darby at Feckenham shop in Worcester which stocks local produce

FROM THE DRAWING BOARD

Richard Fry, who chairs the committee responsible for Halstock village shop, was a co-founder of the network. He explains how his village pioneered a community ownership model back in the early 1990s. 'It wasn't easy because we had to think it all through from scratch and there was no legal model to follow.'

A not-for-profit company was set up and nil interest debentures issued. From the initial £12,000 raised to temporarily lease a cottage, the 400-strong village of Halstock now boasts a thriving shop with a £150,000 turnover, managed by a couple who rent it from the company. The community owned facility in the centre of the village, which cost £225,000 to establish eight years ago, includes a post office, community room with a library and computers, and two flats above, which provide much-needed affordable rural accommodation.

Fry's accountancy background enabled him to create a financial model that proved the rental income stream from the shop and the flats would cover a mortgage. As well as raising sums through grants, a debenture re-issue and a £95,000 Triodos Bank loan, and a range of fundraising activities 'brought people together', he says.

'It shows what self-help can do,' he says. 'Sometimes people just need confidence to get going. The financial models, company structures, support and advice are all available now.' »

The original ViRSA network is now flourishing under the Plunkett Foundation's umbrella of wider activities to promote rural social enterprise and Plunkett is the principal national source of rural community retail information and support. Free support from community retail advisors is provided to get shops up and running. 'It used to take around two years and now can take as little as a few months,' says Mike Perry, communications and research manager at Plunkett.

A TRIGGER FOR ACTION

And village shops are definitely on the up. As at May 2009, 204 community shops had been opened and there were 100 more in development. While there were an estimated 1,000 commercial shop closures in rural areas in 2009, compared with around 300 in 2007, this is often a 'trigger' for local action and Plunkett has received three times its usual number of enquiries for assistance establishing stores.

Plunkett figures reveal that 90 per cent of village shops cost less

> "We didn't use words such as social enterprise back then. We just went around everyone in the village with a begging bowl and convincing speil

than £60,000 to set up. Average annual turnover was £91,463, an increase of over £10,000 since 2005, according to Plunkett's last state of the market survey. The majority of community shops have industrial and provident society status, although the community interest company is becoming more popular.

Funding for rural retail has been available through the Village Core programme, operated by Plunkett, which initially provided a total of £2m over three years. However in June this year, in response to growing demand, it was extended for another three years so that a further 60 shops will be able to apply for up to £40,000 in funding – half as a grant from the Esmée Fairbairn Foundation and the other £20,000 provided as a loan from Co-operative and Community Finance. The funding must then be matched by equivalent community contributions of up to £20,000.

Village shops are not just growing in number; the range of facilities on offer is also expanding, with cafés, prescription collection and dry cleaning often provided and larger 'multi purpose centres' such as Tackley in Oxfordshire and Blisland in Cornwall becoming increasingly common.

The social benefits of volunteering are well recognised. And shops can offer work experience for young people and a way back into employment for women who have had time out to bring up children. Perry says it is a misconception that local

THE WINNING FORMULA

£20,000 from the community + £20,000 grant + £20,000 loan = Village shop, services and jobs = Support for local economy = Stronger community

shops are expensive. For example, the management committee at Almondsbury, near Bristol, price-checks every item sold against Tesco.

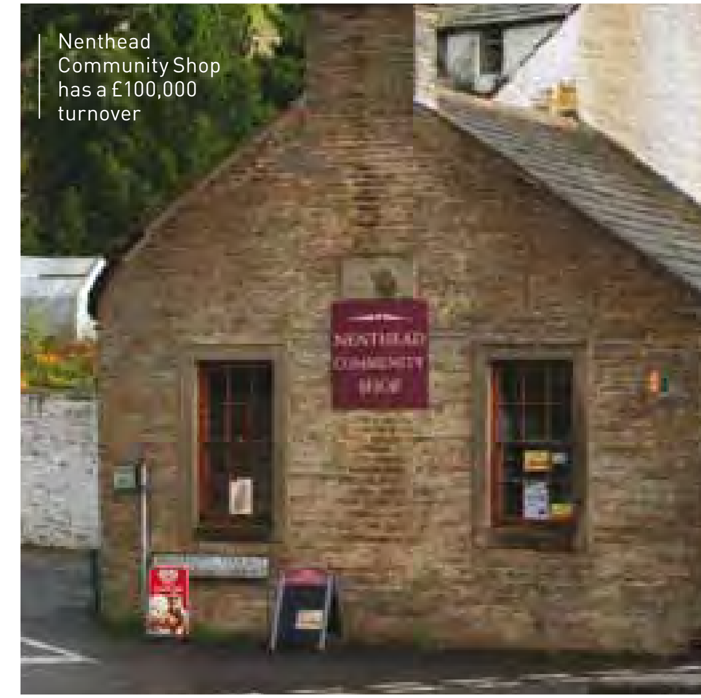
Nor are community shops just a feature of affluent villages. Sally Orrell, chair of the Nenthead shop management committee, whose store in Cumbria opened in 2007, says: 'We are not a pretty Lake District village, but a low income economy in a former lead mining area with no public transport and lots of single parents and people on pension credit.

'The people who had owned the shop retired and when there was no shop for six months, it was very difficult. The community-owned shop in Melmerby, 15 miles away, was doing well and the person who runs it came and spoke at a public meeting. It was good to hear from someone else who had done it. We got a group together to take it forward from there.'

Various grants and a loan from the Co-operative Finance Group enabled the shop to be set up in the over-60s club building in the centre of the village on a 99 year lease and local people helped decorate the new store.

'We try to balance keeping the costs down with being a viable business,' Orrell says. The shop now has £100,000 turnover, a sub-post office and four full-time equivalent jobs have been created – a real economic advantage in a rural location.

Local produce totals around 27 per cent of sales in community-owned village shops and Nenthead is a pilot for Making Local Food Work, Plunkett's programme to



Nenthead Community Shop has a £100,000 turnover

make fresh, healthy, affordable local food more readily available. 'We are trying to source as much stock as possible from within a 30-mile radius, which is good for the local economy', she says.

Rural communities that have banded together to ensure the survival of their shops have not only found a way to maintain services; they have also brought social and economic life back to their villages. The mutual aid principles in evidence in these villages echoes the origins of the co-operative movement – when the Rochdale Pioneers struggled to pool together one pound per person to open their store in 1844, selling butter, sugar, flour, oatmeal and candles.

Like the original pioneers of social enterprise, when faced with economic challenges that threatened their quality of life, modern pioneers of community retail have found solutions that make sense. And the burgeoning of rural community enterprise means many more are likely to follow in their footsteps.

FIND OUT MORE

plunkett.co.uk
esmeefairbairn.org.uk
icof.co.uk
cooperatives-uk.coop/live/cme345.htm
cicregulator.gov.uk

IN PRACTICE

GLAS CYMRU

Words: Nicola Carroll

IT IS NOT often that a utility company pays its customers. But since 2002, the 1.3m customers of water company Glas Cymru have received an annual dividend.

Glas Cymru is a single purpose company formed in 2001 to own, finance and manage Welsh Water. Managing director Nigel Annett and finance director Chris Jones were previously managers at Welsh Water. They had the idea of creating the 'not-for-profit' enterprise to buy the utility from its private American owners through a bond issue. Annett says: 'Welsh Water is a unique business model for a large utility company. It is run exclusively for the benefit of its customers and has no shareholders.

'So instead of paying dividends to shareholders, we pay a dividend to all customers. In 2009 the dividend is £22 and we pay it by taking £11 off each water services charge and £11 off each sewerage services charge on the annual bill. We are the only water company to pay a customer dividend in this way.'

It is a company limited by guarantee and its assets and capital investment are financed by bonds and retained financial surpluses. Profits are reinvested in infrastructure and service improvements. The company believes the £1.3bn investment programme for 2010 to 2015 outlined in the business plan it submitted to industry regulator Ofwat will balance improved standards with continued affordability.

Glas Cymru's commitment to educating future generations about sustainability also means tens of thousands of children have visited its three education centres and taken part in activities to raise their awareness of green issues.

FIND OUT MORE www.glascymru.com

THE WINNING FORMULA

2 determined employees + 80 financial institutions + £1,900m bond issue = Cheaper water = Better infra-structure = Greener environment

Pupils from Llysfaen primary school taking part in Welsh Water's education programme to learn about the importance of water

IN PRACTICE

ENERGY4ALL

Words: Nicola Carroll

ENERGY4ALL WAS SET up in 2002 in response to daily enquiries to Baywind Co-operative, the UK's first community-owned wind farm, from people looking for advice and support to develop similar projects.

So far, it has developed seven co-ops and helped them raise more than £13m for renewable energy schemes – using equity capital through public share issues, supported by bank borrowing where necessary.

Its mission is to help local communities own a stake in green energy as part of the UK's transition to a low carbon economy.

Its latest green energy venture, Fens Co-op in Lincolnshire, purchased two out of the eight two-megawatt wind turbines at Deeping St Nicholas, the largest owned by a local group in England to date. They were bought following a share offer, which raised over £2.6m from 1,100 members. The output from the two turbines will generate electricity for around 2,000 homes.

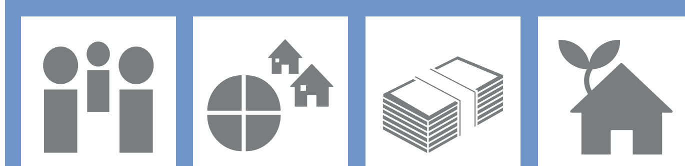
Energy4All supports the co-operative boards and offers consultancy services and consultation with community groups, local authorities and energy agencies. Energy4All is owned by the co-operatives it creates and ploughs any surplus back into its schemes.

Its chair, Andrew King, explains: 'With the co-ops delivering an annual return of between six per cent and 11 per cent, and recent falls in interest rates, this has become an unexpectedly attractive investment option. We look forward to developing many more such social enterprises; harnessing power of local people and the natural, free resource of wind and rain.'

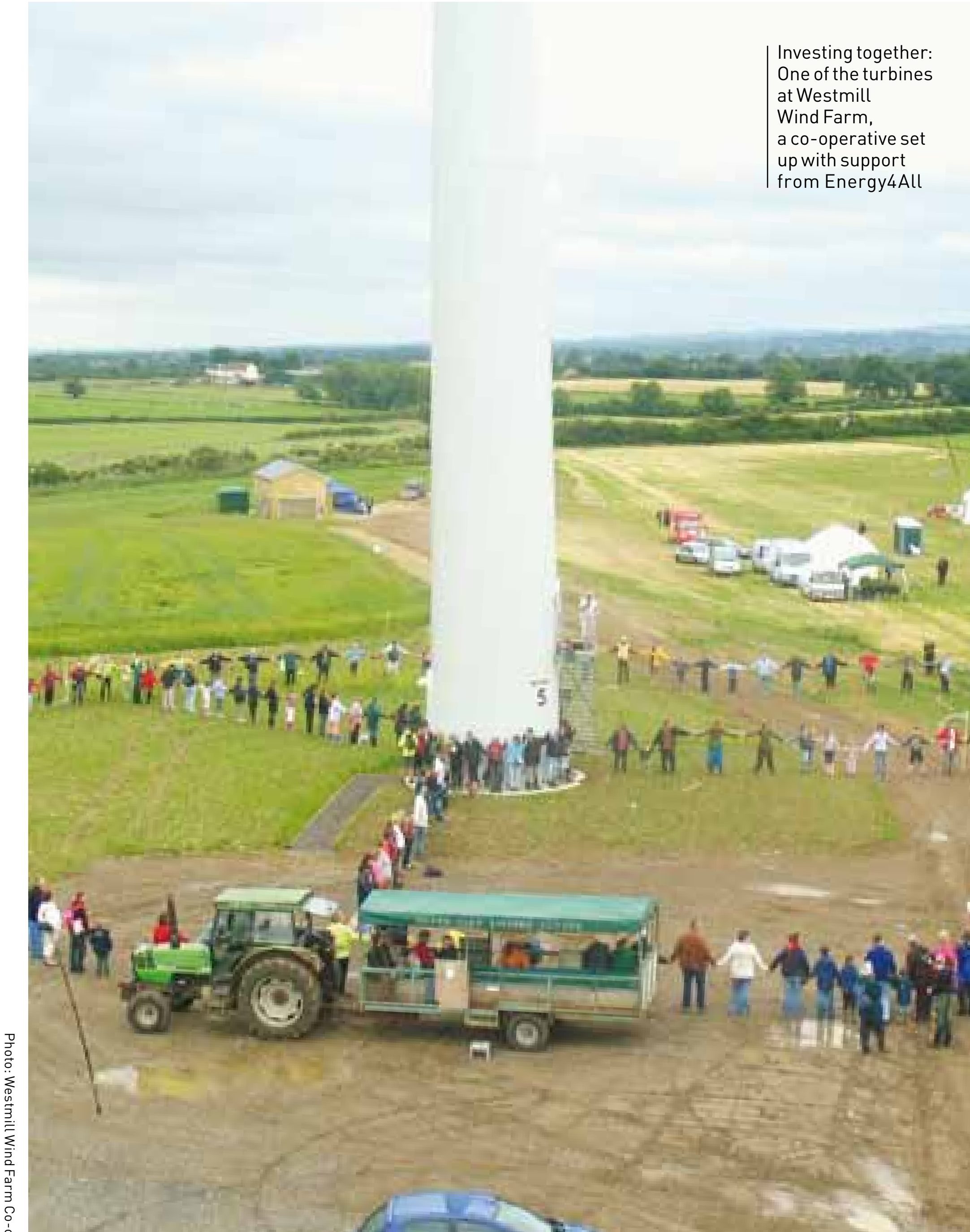
Energy4All has also developed a model for community groups to buy a stake in the wind farms which are started by commercial developers.

FIND OUT MORE → www.energy4all.co.uk

THE WINNING FORMULA



1,100 co-op members in Lincolnshire × £2,400 average investment = £2.6m funding = 2,000 eco-powered homes



Investing together: One of the turbines at Westmill Wind Farm, a co-operative set up with support from Energy4All

Photo: Westmill Wind Farm Co-op

An elephant called investment readiness

We have made many strides in the world of social investment but let's not forget the tools to help social enterprises move into the mainstream economy are overdue, says **Sarah McGeehan**

IT'S TRUE THAT when you are still on a journey it's hard to see how far you have travelled and retain a clear picture of the heights already scaled.

It's heartening to stop and reflect that even three years ago many of the partners, stakeholders and investors in this field were a million miles away from acknowledging the legitimacy of social investment – even considering it – let alone committing pounds and pence to it.

The idea that you can do well and do good is getting some traction – from big, meaty social enterprise equity funds, through fair trade and renewables bonds and share issues to communities marshalling their own financial resources to secure local services like shops and pubs. Of course, we are still far from scale and maturity. The asset classes of social investment Sir Ronald Cohen has envisaged are some way off – but my, haven't we come a long way!

But wait! Hold on now! There's an elephant in the room!

This brave new world of supply of capital requires a flow of viable, creative, scaleable social enterprises to invest in. Broadly, there are two groups here. The first is made up of social enterprises that are currently or imminently investment ready. These are businesses that have already built their product or service, with a team in place that can realise growth plans and a clear idea of who or what their customers are and what they deliver financially and socially.

The second group looks beyond the immediate horizon to the next (and the next and the next) generation of social enterprises. These social enterprises will grow the field from the niche, bit-part it currently plays in the overall landscape of UK business to being a significant force for good. They will show how socially organised and motivated businesses can keep their eye on the bottom line while delivering value to people and places.

So do we have clear, coherent ways of supporting this transformation? Do we have professional, ambitious support services to help businesses strengthen and illustrate the investment opportunity they represent? And can these services and tools match the scale and ambition of the social investment revolution in play? The short answer to these questions is no – here is our elephant in the room. The time is now right – possibly overdue – to look at these challenges.

We can't ignore this, so how do we deal with it? Well, as the saying goes, one bite at a time. There are three big questions to ask:

- What works? What doesn't work? How can we build a support system that doesn't involve reinventing the wheel for every business that is supported?
- How do we pay for these services – both now and in the longer term? Currently, third party funding (mainly from the public and charitable sectors) means that some support is free at the point of delivery. And some social enterprises pay directly for the support they receive (some are 'input' fees and some are 'success' fees). To date there haven't been a lot of resources from investors in the field.
- Who will deliver these support services? How do we get a critical mass of ambitious, professional, skilled people into this area? We need people who know and understand social enterprises and who have built up a track record of effective and efficient support. These people should have a clear career path in supporting social enterprises to become investment ready.

There are no clear answers to these questions right now. But asking them and supporting robust experiments in finding solutions is a priority.

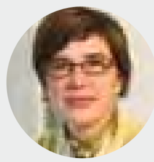
A good starting point is to look at investment readiness models currently available in the private sector. Experience suggests there is a grid into which approaches fall. They can be mapped against two axes with cost/growth gain on one axis and stage of business on the other. Early conclusions make a strong case for matching high cost, intensive inputs to high impact, large scale businesses with lower cost, lighter touch inputs making more sense for businesses at an earlier stage of development or with a more modest vision.

> "This brave new world of supply of capital requires a flow of viable, creative, scaleable social enterprises to invest in

Experience from other areas of social enterprise support suggests that some approaches in the traditional, commercial world have relevance to social enterprises although they may need refining and adapting to fit the particular needs and stages of development of the social enterprise sector. There are also some needs » specific to social enterprise. These are:

- Better support for financial planning, reporting and analysis.
- Broader, faster solutions to understanding governance structures and more standard practices for enshrining social and business aims.
- A focus on cultural change and building an ecosystem of social enterprises that have a track record in growth, development and scale.
- Developing business or sector specific services – one size does not seem to fit all as businesses get bigger. Social enterprise needs a range of specialist professionals services that unlock particular legal, accounting or financial challenges.

Just as we have seen social investment supply transform over the last three years, hopefully, we will see the same occur with support. NESTA, the Office of the Third Sector and others are currently exploring what support works. As it develops over the years this Almanack can serve as a barometer of that progress – showing us not just where we are going but where we have been.



Sarah McGeehan is head of social finance for the Lab at the National Endowment for Science, Technology and the Arts (NESTA). She leads its risk capital programme to give social enterprises the resources they need to grow.

Before joining NESTA, she spent five years with the Community Development Finance Association. She also worked with think-tank the New Economics Foundation.

A totally Lush way of doing business

Lush founder **Mark Constantine** explains to Claudia Cahalane how an ethical business takes on investment, maintains its independence and generates returns any corporate would be proud of

BEFORE THE POTENT scent of Lush hit our high streets 14 years ago, co-founder Mark Constantine already had plenty of business experience.

He'd supplied the Body Shop in its early days through his toiletries company Constantine & Weir and then ran a cosmetics mail order business. The second company became a victim of its own success and was unable to keep up with demand. But luckily suppliers and stakeholders had faith in herbalist Mark and his wife Mo and rallied around to get them back in business.

In 1994 Lush, named by a customer, was born. For the first year, the fledgling company survived with little cash and seven people running it as volunteers. But it wasn't long before investors spotted the gem and Constantine and his six fellow founders decided to take a total of £500,000 from two individuals. One was Andrew Gerrie, who has been his business partner ever since, and the other was Gerrie's ex-boss.

Constantine was grateful for the money – it allowed Lush to begin opening its first shops. But sitting here in the homely front room of the company's head office in Poole, Dorset, he comes across as very cautious about how, and whether, ethical companies should take on investment.

Constantine is debonair and wearing an understated, smart-casual suit. In contrast, the two staff who let me into the office moments earlier were casually dressed with hair more colourful than a Lush bath bomb.

'I was very careful about how I took investment,' reveals Constantine. 'How a business takes investment is very important, it's where most businesses screw up. In our case, the investors were controlled from »

Constantine: believes ethical businesses should make healthy profits

Scent of success: Lush products are ethically sourced and have an extremely loyal customer base

of the original team have 650 shops (mostly rented) and 6,000 staff worldwide. Lush is a popular company with an extremely loyal customer base – its web forum more than reveals this.

The company has finances that any ruthless corporate would be proud of, but remains true to its ethical principles. Its factories and depot are still in Poole for UK sales with seven more factories worldwide near to the point of sale in an effort to cut down the company's carbon footprint. All products use fresh, natural ingredients and there's a strict no animal testing policy. Plus, Lush actively sources ingredients which are non-destructive and often from worker co-operatives. The vast majority of products also have little or no packaging.

the beginning and were told quite clearly that they couldn't demand an exit.

'I also made an arrangement with them about the sort of return they could expect. The deal was that it would be the best deal they'd ever had,' he grins.

Both investors have now been paid back and the company is operating with a turnover of £230m. Year-on-year growth is around the 25 to 30 per cent mark. The seven members

Constantine's own ethical credentials are far from the average managing director of a multi-million pound business, too. He cycles to work, usually makes his own lunch and has lived in the same house for 25 years. This is despite being worth a reported £50m-plus.

But while he is modest with his own finances, the businessman believes it is essential that ethical businesses make healthy profits. He is adamant that a good profit is key to independence, and he is disappointed by the various 'sell-outs' of companies pitching themselves as ethical. Constantine suggests a lack of business sense sometimes leads ethical companies down this route.

'You've got Anita Roddick selling half of her company for under £10,000 to a local garage owner to buy her second shop back in the seventies, and then going to the city to try to dilute that and ending up selling out to arch enemy L'Oréal,' he says.

> How a business takes investment is very important, it's where most businesses screw up

He also talks about Innocent recently selling part of the company to Coca Cola. This wouldn't have happened, believes Constantine, if the company had had a healthier profit margin. Although, he says he does understand that faced with responsibility to thousands of staff, a business may feel it's ethical to take this kind of investment to keep the business going. 'Thankfully, we're under no such pressures at present,' he says.

His philosophy is to maintain a strong business nose, while firmly keeping the company's ethical credentials intact. Lush focuses on creating a decent profit – that is, not charging rock bottom prices for products, but still providing value for money. And, paying staff and suppliers fairly but not excessively. This, he says, will ensure that you have enough money to reinvest in, and grow, the business. Once you are sure that you have a healthy business and enough profits to spare then you can give some of your surpluses away. But giving should have some structure, says Constantine. He takes a more traditional approach to philanthropy than that which is prevalent in this publication. And he often requires the charities Lush supports to use only a minimal percentage of the donation on administration.

'There are far too many people who have no idea how to give their money or who to give it to,' he says.

However, he does say that he would be willing to invest in smaller social businesses and he would also invest in the proposed social stock exchange (see chapter four) but he wouldn't float Lush on it.

'I don't think investors are comfortable with some of the campaigns we support, Plane Stupid [anti-airport expansion group] for example and the Hunt Saboteurs – who are actually just lovely people who care about animals. And I wouldn't want to feel compromised in what we support because of investors.'

He feels that coming to an agreement on how such an exchange could operate is no mean feat and would involve much deliberation.

As a potential investor he could offer some essential nuggets of business advice to new companies. The most important, he says, is for ethical businesses to work with an array of banks.

'Never have a relationship with just one bank, always have several on the go, always think ahead of them and always negotiate ahead of your needs,' says Constantine. 'You need to have them competing for your business.

'We really, really, really work hard on our banking,' he says. 'Controlling the banks, rather than tying yourself up with which bank to go with is key. Because if that one bank says no to something, you're left having to sell to Coca Cola.'

CHAPTER THREE

Emerging investment models

The past few years have seen a plethora of investment models emerging to support social enterprises. This chapter celebrates what's exciting right now

Shiny and new

WHY WOULD HSBC BANK, accountancy firm PricewaterhouseCoopers and City law firm Nabarro all give up their time for free to help set up an investment fund?

There are two reasons. The first is that the fund is run by Big Issue Invest, a subsidiary of *The Big Issue*, the magazine sold by homeless people to give them an income and build their self respect. So these influential firms are involved because the fund is linked with an important cause – it shows they are giving something back to society.

Secondly, and just as importantly, this stuff is exciting. They have offered expertise to establish a fund that it is hoped will attract £10m from investors to provide risk capital to help social enterprises grow. In contrast to traditional funds, this one will not be based on big equity stakes and a five-year exit strategy for investors. Instead, investors will be invited to take a long-term view and the fund will make use of emerging financial tools that are capable of generating sustainable financial returns without damaging the social enterprises' longevity or mission.

These are shiny new models and in recent years investors, advisors and even the government have come forward eager to get involved.

At one end of the spectrum, what might be called the softer side, there are the private equity firms Permira and SVG Capital which have been working with social enterprise CAN since 2007 to provide growth capital as well as hands-on support to a number of social enterprises. Neither private sector partner asks for financial returns – the money is given as a grant.

Moving along the scale, there's the £100m Department of Health Social Enterprise Investment Fund, also set up in 2007 and now administered by Futurebuilders England, which offers a mixture of grants and equity, loans and loan guarantees – all aimed at catalysing the creation of more health social enterprises.

Then at the other end of the spectrum organisations including Big Issue Invest (BII), ethical bank Triodos and equity firm Bridges Ventures are offering equity capital to social enterprises and expecting financial returns. BII is offering investments of up to £500,000, Triodos is offering up to £750,000 and Bridges is offering up to £1m.

Alongside all this activity has been the birth of social investment brokerage networks. UnLtd, which provides grants and development support for social entrepreneurs, runs UnLtd Ventures, a consultancy that also acts as an investment broker. While exploring equity options for social enterprises, the Office of the Third Sector funded a research project into angel investors and in 2008 that turned into Equity Plus, a match-making service for angel investors and social enterprises.

At the same time, legislation is working in favour of the sector. In the UK the community interest company (CIC) was created some four years ago. Companies set up using this legal structure have an 'asset lock' which ensures that their assets can only be used to benefit the community; they can also issue shares and pay dividends. In the US the L3C was created last year. As with the CIC it is a new type of business structure specifically created for social enterprises. Its main objective is to make it easier for foundations to make programme related investments into social enterprises as opposed to straight grants.

All of these initiatives are less than four years old, most considerably less mature than that, and despite the fact that many social enterprises do need support to become investment ready there are high hopes that they will use these new opportunities to grow.

Just as important as the emergence of these new models is the will that has emerged – and so far survived the dampening of the economy – for investors to get involved on the ground and innovate. Good Deals 2008, the first-ever UK social investment conference attracted 300 people; the US-based Rockefeller Foundation has an initiative to get more people involved in investing for social impact; and the private bank, Coutts and Co reports that it has 18,000 high net worth individuals telling it they are interested in social returns and social entrepreneurship.

WATCH THIS SPACE

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'We do have enough money to solve the world's problems. However, to actually deliver on social and environmental solutions at scale we have to enable philanthropic and venture capital to work together'

Antony Bugg-Levine *of the Rockefeller Foundation talks about the emerging area of impact investing*

→ 86

'Demand is clearly there; there are currently more than a billion people without access to safe drinking water. If we can service that market, it will result in profound social change'

James Brown *of Red Button Design, which is backed by all five of the BBC's millionaire investors in* Dragons' Den

→ 90

'Following the crisis, it is going to become obvious that you either change the capitalist system to include greater social action, or leave it to governments to raise taxation and redistribute wealth and income'

Sir Ronald Cohen, *venture capital pioneer, discusses the need for more quasi-equity investments in social enterprises*

→ 96

'Nothing replaces the greed of the private investor with equity as a reward when it comes to finding a risk partner'

Rose Marley *of Motiv explains why it's difficult for a CIC to attract investors as financial rewards for investors are capped*

FIND OUT MORE

dh.gov.uk
bigissueinvest.com
can-online.org.uk
unltd.org.uk
cicregulator.gov.uk
futurebuilders-england.org.uk

Philanthropy 2.0

Take hard-nosed business skills, mix with a genuine desire to do good and throw in a need for financial innovation – welcome to the world of philanthrocapitalism (although they're still deciding upon the name), reports **James Geary**

ONE THING EVERYONE in the field of philanthrocapitalism agrees on is that no one quite knows what to call it. Strategic philanthropy, venture philanthropy, social venture capital, social investing, and slow money – these are just some of the variations on the theme of philanthrocapitalism, an investment method designed to deliver social as well as financial returns.

Traditionally, people who wanted to earn money made investments; people who wanted to do good made donations. Now, a new generation of high net worth individuals – Warren Buffett, Bill Gates, Jeff Skoll, and Oprah Winfrey among them – has decided not to wait until they are retired (or dead) to start investing in good causes. Recognising that conventional charity is not the only way, or even the best way, to achieve social goals, they are pioneering an approach that mixes the common good with purposeful profit.

These new philanthrocapitalists are 'taking a market-based approach', says Sally Osberg, president and CEO of the Skoll Foundation which invests in social entrepreneurs, 'and they are looking for feedback loops to determine that social value is being created'.

The recession offers both challenges and opportunities. The market meltdown shattered established investing orthodoxies, opening the way for alternatives like philanthrocapitalism. But it also made capital, for any kind of investment, much less social ones, scarce. Yet the problems philanthrocapitalism is intended to address – poverty, disease, and climate change – remain enormous.

The bad news is 'there's not »

Picture: World Economic Forum

Bill Gates boosts his impact by taking a market-based approach to philanthropy and he wasn't shy in sharing his advice at the WEF in Davos, Switzerland, 2008

> Business plans need to connect with investors' purse strings before they start tugging at their heartstrings

enough charitable capital in the world to solve social and environmental problems at scale', according to Antony Bugg-Levine. As managing director of the Rockefeller Foundation, one of the world's foremost philanthropic organisations, he should know. The good news is there is enough capital in general to do it.

'We do have enough money to solve the world's problems,' says Bugg-Levine. 'However, to actually deliver on social and environmental solutions at scale we have to enable philanthropic and venture capital to work together. Neither the market nor philanthropy can do it alone.'

And that's where philanthrocapitalism comes in. Bugg-Levine cites the partnership between the non-profit Alliance for a Green Revolution in Africa (AGRA) and Standard Bank. AGRA works with poor farmers to boost income and productivity while safeguarding the environment. Standard Bank is the continent's largest financial institution and this partnership, says Bugg-Levine, is an example of the shape of deals to come. AGRA and its partners have put up a (US) $10m loan guarantee fund against which Standard Bank will make ten times that amount, $100m, in lending available to smallholder farmers in Ghana, Mozambique, Tanzania and Uganda.

THE MISSING MIDDLE

Agricultural enterprises like these comprise what is known as the missing middle – businesses that are too big for conventional microcredit schemes but too small (and too risky) for traditional commercial financing. The loans will help small farmers boost productivity, which in Africa has been stuck at a quarter of the global average for the past three decades. Just as importantly the loans will help generate the kind of jobs and economic growth that offer the fastest route out of poverty and into self-sufficiency.

Productivity and profit are crucial to what Bugg-Levine describes as impact investing, deals that provide commercial capital to help people help themselves. How to measure the social impact of investments is perhaps the sector's biggest challenge. Philanthrocapitalists agree that the sector won't mature until there are common standards against which investors can benchmark performance. Just as the carbon offsetting market has coalesced around the value of a displaced ton of carbon, the philanthrocapital market must coalesce around its own definitions of value – in terms of jobs created, taxpayer money saved, lives changed.

'Measurement is essential,' says Daniel Brewer, director of Resonance and Equity Plus, two philanthrocapitalism consultancies.

He says entrepreneurs and investors alike need to 'drill down into the quality and quantity of their social impact, put values alongside that, then do their storytelling around those numbers'. In other words, business plans need to connect with investors' purse strings before they start tugging at their heartstrings.

New Philanthropy Capital (NPC), a charity that provides donors with information on charity performance, is one organisation trying to devise those shared values. NPC has floated the idea of an association to rate the performance of non-profits, a kind of Moody's for the social sector (but without financial ties to the organisations it evaluates). The Rockefeller Foundation is also exploring ways to provide investors with objective assessments of social and environmental impact.

'Giving has always been seen as a disinvestment, a giving away,' says Martin Brookes, NPC's chief executive.

'Now giving is being seen as an investment, and people expect to know the return, the mentality has to shift to the idea of communicating what is achieved with the money.'

Root Capital has successfully attached financial metrics to its social impact. By offering short-term working capital loans as well as longer-term investments, the social enterprise has helped create several hundred sustainable businesses in Africa and Latin America, positively affecting the lives of hundreds of thousands of people. Its loan repayment rate is 99 per cent; its repayment rate to investors is 100 per cent.

A $63M CAMPAIGN

Despite the recession, Root Capital recently launched a campaign intended to raise $63m in philanthropic equity and debt capital over five years. The funds would allow Root Capital to lend $121m a year, triple its current annual figure.

That money would benefit some 350 farmers, artisan co-operatives, and other grassroots businesses representing roughly one million households. It would also make Root Capital's lending programme fully self sufficient.

> Now giving is being seen as an investment, and people expect to know the return

'The biggest risk of the recession,' says the Skoll Foundation's Osberg, 'lies in becoming more risk averse' – and Root Capital is a case in point. Given the state of the economy, investment funds are operating with constrained resources. That forces investors to be more selective in choosing which projects to support, but it can also insulate them from real innovation, from the breakthrough ideas and equilibrium-busting entrepreneurs that can really make a difference.

'We want to preserve some headroom so we can respond when a great opportunity emerges,' Osberg says.

Evidently, the new Root Capital fund was such an opportunity, since the Skoll Foundation is one of its early investors.

Root Capital demonstrates the power of combining hard statistics with inspirational stories of change.

Ralph Catto, CEO of social housing specialist Scout Solutions, says: 'People don't go to work to drive earnings per share.'

'Profit drivers aren't motivators, but social drivers are strong motivators. If you can put social drivers next to financial goals, you can be as commercial as you would otherwise be but for social benefit.'

And that is precisely what the current crop of philanthrocapitalists is trying to achieve. More and more investors are beginning to see their wealth as a way to tackle the planet's most persistent social and environmental ills while at the same time turning a profit with a purpose. Entrepreneurs are coming up with the business models that can deliver social and financial returns. The next step is for the sector as a whole to devise the metrics that will transform what is now a social investment oasis into a fully-fledged ecosystem.

Though philanthrocapitalism may go by many different names, everyone knows it when they see it. Wherever 'an intractable problem becomes a solvable problem,' as Osberg puts it, philanthrocapitalism is at work.

THE WINNING FORMULA

$63m philanthropic equity and debt capital + Root Capital, an outstanding social enterprise = 1m families with better lives = A new type of finance for the developing world

FIND OUT MORE

rockfound.org
agra-alliance.org
philanthropycapital.org
rootcapital.org
scoutsolutions.co.uk

IN PRACTICE

RED BUTTON DESIGN

Words: James Geary

THE COMPANY'S NAME comes from those big, bright emergency stop buttons in lifts and on escalators. The emergency Red Button Design is trying to stop: preventable diseases caused by unsafe water supplies in the developing world.

Founded by product design engineering student James Brown and marketing consultant Amanda Jones the youthful entrepreneurs stopped everyone in their tracks when they managed to inspire all five millionaire investors in BBC TV's *Dragons' Den* to offer investment to them for a fraction of the equity the 'dragons' usually ask for. The dragons said they were so inspired by the social element they were willing to take lower returns.

Now the company is working to build a global co-operative to manufacture and market the reverse osmosis sanitation system (ROSS), a portable water filtration system on wheels (pictured above).

In Sub-Saharan Africa, the average distance to safe drinking water is about six kilometres. ROSS consists of a 50-litre tank, a pump, and a simple filter system. Users roll ROSS to the water supply, and on the return journey the rotation of the wheels powers the pump, which pushes the water through the filters. By the time ROSS is rolled back to the user's home, the World Health Organization's daily recommended allowance of 50 litres of clean water is ready to go. Brown says he and Jones already have 45,000 pre-orders, mostly from NGOs, and there is also interest from multinationals like Procter & Gamble.

Red Button Design takes the orders and pays co-operatives in countries like Malawi and Ghana to manufacture the units. The co-ops also get shares in Red Button Design, so the company's success benefits them too.

'Making a profit is important from an investment and sustainability point of view,' Brown says.

'We need to prove we can make a profit in order to get the investment we need to take the business forward.' Demand is clearly there; there are currently more than a billion people without access to safe drinking water.

'The market is huge,' Brown says. 'If we can service that market, it will result in profound social change.'

FIND OUT MORE www.thisisredbutton.co.uk

THE WINNING FORMULA

1 clever gadget + Five famous investors (among others) × 1.2bn people without clean water = Huge market = Profitable enterprise = Healthier and richer people in the developing world

Brown and Jones: committed to making profits for social change

IN PRACTICE

BRIGHT IDEAS TRUST

Words: James Geary

AMARIYAH RAHEEM WOULD never have received start-up capital from a traditional source. Having fallen out with her family as a teenager, Raheem knew she had a talent for hairdressing, so she decided to open her own salon to support herself.

The Bright Ideas Trust (BIT), a charity set up by Tim Campbell, the first winner of BBC TV's *The Apprentice* programme, invested £12,000 in Raheem and provided her with a mentor from the health and beauty industry. In her first three weeks in business, Raheem generated £3,000 in turnover. She now employs four staff.

BIT is a charity, but it doesn't follow the conventional charitable model by giving grants. Campbell supports young entrepreneurs in deprived inner-city areas with a mix of loans and equity.

'The business model is based on venture capital, in which BIT serves as a kind of fund manager,' Campbell explains.

FIND OUT MORE ● → www.brightideastrust.com

THE WINNING FORMULA

1 inspiring individual × [£12,000 + business mentoring] +

[5 years × Loan repayments] = Solid business in disadvan-taged area = Money to re-invest in the next young entrepreneurs

Amariyah Raheem launching her hairdressing salon in summer 2009 with Tim Campbell (left) and the Mayor of Islington

'We want these companies to buck the trend of businesses that fail, so they can pay back their loans and I see a return on the equity stake. I'm as incentivised as the entrepreneur to make it successful.'

In the process, of course, the founders of these small firms are creating income for themselves and jobs for others. Mentoring is a key part of the proposition.

'Just as a venture capital fund often appoints a director, BIT appoints a mentor,' Campbell says. 'Mentors are business owners, working directly with the entrepreneur to teach them how to run it.'

Campbell admits his charity's name is something of a misnomer: 'It's not the ideas that are always bright. They are mostly just normal business ideas. It's the individuals who are bright. We're looking for investable individuals.'

Venturing into social action

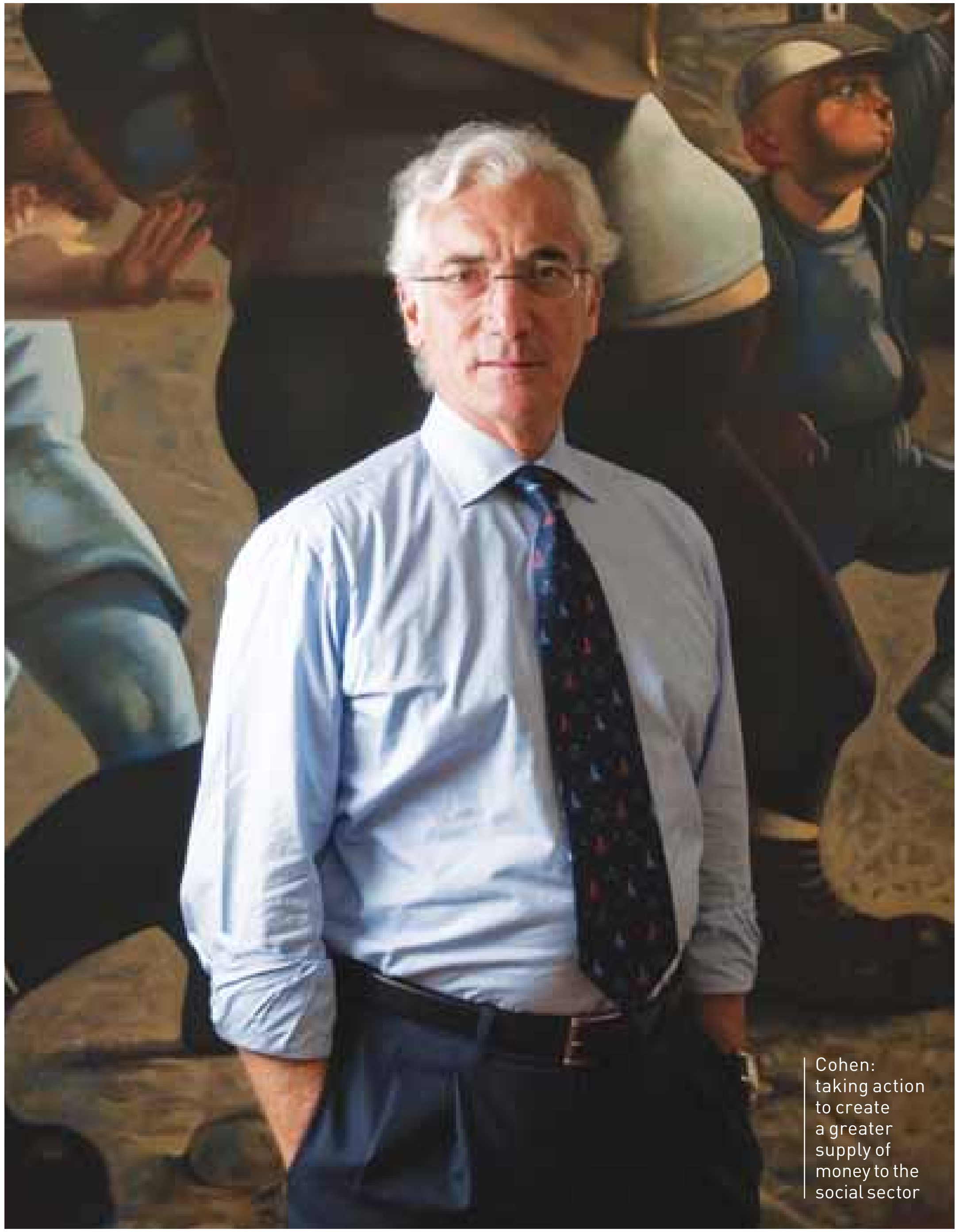
Ronald Cohen, the father of venture capital in Europe, has turned his attention to social investment – and is currently focusing on a new fund to create substantial social enterprises. He talks to **Ian Allsop** about why the time for action is now

DESPITE A GROWTH of interest in social enterprise, as this Almanack has frequently acknowledged, a barrier to it achieving social change on a significant scale remains a lack of capital. However, a new fund for social entrepreneurs is just one of the ways that venture capital guru and social investment champion Sir Ronald Cohen hopes to help the sector start to realise its full potential.

The Bridges Social Entrepreneurs Fund (BSEF) was launched last November by Bridges Ventures. Founded in 2002, Bridges is a private investment company whose founding principle is that all of its funds aim to achieve social goals as well as financial returns. It is backed by private equity companies Apax Partners, 3i and Doughty Hanson. Cohen, founding partner and former executive chairman of Apax, is Bridges' non-executive chair.

Bridges runs two Community Development Venture Funds totalling £115m. These invest equity in ambitious businesses that are located in the most deprived 25 per cent of the country and sustainable businesses whose social impact is intrinsic to what they do, especially in the areas of education, healthcare and the environment. »

Photo: Amaya Roman



Cohen: taking action to create a greater supply of money to the social sector

> Following the crisis, you either change the capitalist system to include greater social action, or leave it to governments to raise taxation and redistribute wealth and income

However, with the BSEF, Bridges hopes to take things a step further. The fund was launched in November 2008 with funding of £4.25m raised from a range of investors including NESTA, the Generation Foundation, Lehman Brothers Foundation Europe, Deutsche Bank and 3i as well as private donors including Cohen himself, Nigel Doughty, Harvey McGrath and the Bridges Ventures team.

BSEF aims to address the funding gap faced by fast growing social enterprises. Cohen pinpoints that what makes BSEF different is that it is the first fund aimed at scaling up social enterprises into substantial organisations – offering up to £1m in investment.

'It is different from traditional philanthropy because the social enterprise models we want to back have a revenue generation capability consistent with their social mission,' says Cohen. 'BSEF aims to bring equity, or quasi-equity, capital to such mission-driven organisations. If a social enterprise wishes to tackle the problem of re-offending, but needs to become an organisation capable of tendering for government contracts, for example, BSEF can inject significant equity investment to support the venture.'

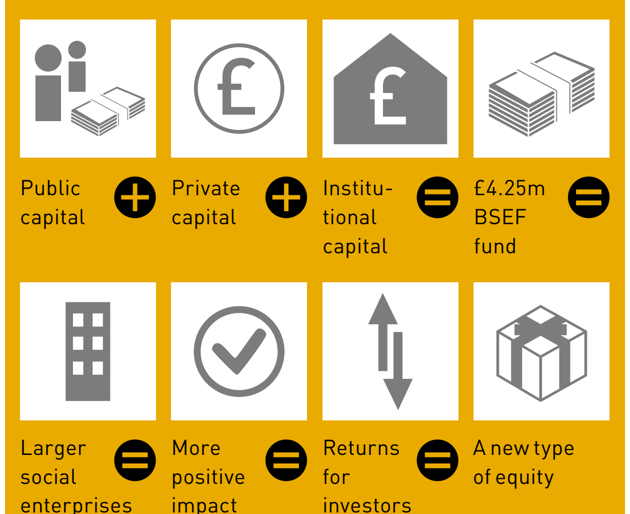
SCALING UP

Specifically, BSEF will invest in social enterprises that have a clear social mission (embedded in their legal structure), the ability to scale up their social impact, a financially sustainable model and a strong management team. Each investment will usually be in the form of equity with a reasonable financial return. BSEF is bound to re-invest any surplus it generates into other social enterprises.

Investees will have access to consulting advice from Monitor Group and help from UnLtd, the foundation for social entrepreneurs, to become investment-ready. BSEF expects to attract parallel funding from other trusts and foundations, and hopes to announce its first investee shortly.

The idea arose from demand for such support from social entrepreneurs seeking sustainability which could not be achieved by relying exclusively on donations. Bridges envisages that some of these social enterprises will be charities with proven products and services wanting to expand their organisation, while others will be social entrepreneurs wishing to establish a new social enterprise.

THE WINNING FORMULA



The common feature will be that they are starting immediately rather than spending a number of years raising the funding they require.

Cohen founded Apax Partners in 1972 and is regarded as the father of private equity in Europe. He is a founder director and past chairman of the British Venture Capital Association, and a founder director of the European Venture Capital Association. He has been aware of the need for social investment for some time. However, it was only when he was asked by the then chancellor Gordon Brown in 2000 to chair the Social Investment Taskforce (to examine ways that wealth could be created in the UK's poorest communities) that he began to look at the area in depth and kindle a passion for the sector.

A NEW GOAL

He stepped down from Apax in 2005 and the goal of significantly developing the social investment market was by then one of his driving ambitions.

As well as his Bridges involvement Cohen is chairman of the Commission on Unclaimed Assets (which is considering how to make use of money in the UK's dormant bank accounts) and a past honorary president of the Community Development Finance Association. He is also a non-executive director of Social Finance, an organisation whose ambition is to transform the ability of third sector organisations to get the capital they need to grow sustainably. Social Finance is one of the most vocal advocates of establishing a social investment bank with funds left dormant in bank and building society accounts for over 15 years (as detailed in the Dormant Bank and Building Society Accounts Act 2008).

Back in 2005, Cohen was quoted as saying that he saw 'a new wave of social entrepreneurship emerging in the UK'. We are now in a very different economic climate but he retains his optimism. Indeed, he believes that the downturn could provide a boost to the sector.

'There is a greater need for social investment and many more people interested in getting into the field,' says Cohen. 'Some have made enough money working for financial institutions and they want to put something back.'

However, the difficulty is that government finance is currently very stretched at exactly the time when it needs to be playing an enabling role to get a market in social investment off the ground.

'This is where we have a frustrating time. Government is in favour of these initiatives but the commitment to provide funding and the tax incentives required is slow in coming. It is one thing thinking it's a good idea and another thing signing on the dotted line. It just needs to be given the highest priority in dealing with the social consequences of the crisis.'

> There are plenty of potential investors who have a social conscience and who would accept a lower rate of return as long as their capital was being used for a purpose they support

Another major challenge for the sector identified by Cohen is defining and measuring social impact. However, he does feel that there have been developments in this tricky area.

MEASURING IMPACT

'Big strides have been made in social impact measurement,' he says. 'At Bridges we have worked very hard and made progress in identifying metrics which every portfolio company has to track in order to calculate the multiplier of economic activity generated by an investment.'

He feels that research has focused too much on trying to find a single measure for social return equivalent to the internal rate of return for finance.

'It still seems elusive but any self-respecting social organisation should have one or more performance measurement metrics as, increasingly, raising capital will depend on proving you are doing a good job.'

With such extensive experience of, and commitment to, social investment it is fascinating to hear what Cohen thinks when asked what other emerging areas we should look out for.

'Keep an eye on the money,' he says. 'Follow where additional capital is flowing into social » enterprises and successfully making a greater impact.

'However, if only the same amount of capital flows as is flowing today, we will not see significant change. The reason behind setting up Social Finance and establishing a social investment bank is to attract capital from the markets by utilising financial and social sector expertise to direct funds where they can make maximum impact.

'It is not like mainstream venture capital and private equity where financial return attracts the money. You need an organisation to act as a pump. There are plenty of potential investors who have a social conscience and who would accept a lower rate of return as long as their capital was being used for a purpose they support, but they need an organisation to make the capital market mechanisms work.

'Ultimately, unless there is a greater supply of money, the social sector won't be able to cope with the problems that the downturn is creating.'

POLITICAL ACTION

Generally, Cohen echoes the enthusiasm for social investment that he has voiced over the last decade.

'Following the crisis, it is going to become obvious that you either change the capitalist system to include greater social action, or leave it to governments to raise taxation and redistribute wealth and income.

'The second route stifles growth in the economy because it reduces incentives for hard work and risk taking. Some governments will give in to populist pressure to increase tax rates, which actually raises less tax at the end of the day than levying reasonable taxes on a faster growing economy.

'But most governments may come to the conclusion that the only way out of the crisis, and sailing between deflation and inflation, is along the path of growth. This will require strong entrepreneurial incentives for business and governments will have to endow the social sector with the means to do social aspects of the job.'

Cohen sees a general cross-party consensus in developing the market for social investment.

'It is not about party politics, but a policy issue that Labour, the Conservatives and Liberals are all taking very seriously. It is about the lives of people, the structure and cohesion of society and the social and economic efficacy of the capitalist system, which all parties espouse.'

Former communities secretary Hazel Blears' comments in summer 2009 suggesting tougher regulation on forcing banks to reinvest in disadvantaged communities, based on the Community Reinvestment Act in the United States, has echoes of the debate around banks being encouraged to release unclaimed assets and is something the Social Investment Taskforce has focused on.

While recognising that Blears has now moved on and her statements reflect the current negative populist sentiment towards the banks, Cohen insists it is a central issue.

'When we wrote the Commission on Unclaimed Assets Report in 2000 we said that if in seven years we hadn't made progress without legislation, we would need it. Despite the fact that banks do have a social conscience, have supported Bridges and been generous with their time in helping the companies we have invested in, I believe we are only going to increase significantly the flow of banking finance into deprived areas through this type of legislation.'

And is there an opportunity here for banks to try and regain some public favour?

'I think the United States experience suggests that banks have gained some goodwill through their CRA activities but they have also discovered that they can do valuable business in poorer areas.'

> We are only going to increase significantly the flow of banking finance into deprived areas through this type of legislation

FIND OUT MORE

bridgesventures.com
enterprising-communities.org.uk
unclaimedassets.org.uk

IN PRACTICE

MOTIV

Words: Ian Allsop

ONE PROBLEM THAT community interest companies (CICs) face is getting significant investment as the asset lock and dividend cap (the legal regulations ensuring that the companies' assets benefit the community) restrict the level of return to an investor. In September 2008, a Manchester CIC called Motiv, which encourages young people to attend school by offering badges and rewards, bucked the trend by securing investments worth £220,000.

Venturesome, the social investment fund of the Charities Aid Foundation, offered an unsecured loan of £190,000, which helped Motiv hire more staff, thus increasing its capacity to secure further contracts from local authorities and schools.

However, to win this investment Motiv first had to secure an award from UnLtd, the foundation for social entrepreneurs, which amounted to £30,000 plus business advice and support.

FIND OUT MORE **www.motiv.org.uk**

THE WINNING FORMULA

1 project to keep kids in school + Potential savings to society of £11.60 per £1 invested + £220,000 = Up to 200,000 people with better life chances = £2.5m saved for taxpayers

Nine months on, co-founder and director Rose Marley admits that if it had not got the investment when it did, Motiv would not exist in its current format.

'We had reached a limit of what could be achieved with organic growth. The CIC structure has limitations as the financial rewards for investors are capped,' she says.

Marley is primarily driven by a passion for building social enterprise and improving social mobility rather than improving school attendance per se. She and co-director Lee Stanley chose it as an area to work in because it has such extensive implications. Better school attendance equals more chance of graduating and less chance of turning to crime. It is also easily measurable – in the UK there are 200,000 persistent truants every year with an estimated cost to the economy of £800m – and this measurement helps create a sustainable and successful social business.

But she says that it is a real issue getting proper funding for social enterprise, as investors are largely risk averse.

A crucial part of the success of the Motiv investment was the complementary nature of Venturesome and UnLtd. As such co-operation can generate real impact for the social enterprise and for society in general, Marley emphasises that investors who understand and support social investment need to work in partnership and share their learning to strengthen the whole sector.

Motiv rewards young people who have 100 per cent attendance as well as those who improve the most

IN PRACTICE

CHARITY BUSINESS

Words: Chrisanthi Giotis

THIS SUMMER TRIODOS BANK announced a £320,000 venture capital investment in social enterprise Charity Business. The investment is via the Triodos Opportunities Fund which was opened to investors in mid-2008.

As a company that provides outsourced financial services and advice to charities, Charity Business CEO Mark Freeman is well-versed in the concept of venture capital. In fact he had looked for venture capital five years ago but found little interest in the relatively small investment the company was seeking.

But this year, with clear signs that the business was likely to be swamped with demand as charities sought to outsource more of their operations Freeman looked again. The deal with Triodos is the culmination of five months of talks. As a result, the social enterprise hopes to double the number of charities it helps with financial services and advice – from 100 to 200 – in the next two years.

Freeman says that even if he'd been offered the £320,000 as a grant he would have chosen the venture capital route because of the knowledge Triodos will bring to his organisation. Triodos will have a member on the Charity Business board as well as an observer.

Freeman says he envisages three possible exit strategies – a listing on the Alternative Investment Market, a sale to a like-minded business or for Charity Business to buy out elements of Triodos's share holding.

He anticipates that working with a large organisation like Triodos will open doors.

Triodos Opportunities Fund manager Whitni Thomas says: 'Investing in Charity Business makes good sense commercially. This an excellent example of a business balancing financial and social goals in helping boost the efficiency and professionalisation of the charity sector. Charity Business is well positioned to meet this growing demand.'

FIND OUT MORE ⟶ **www.charitybusiness.com**

THE WINNING FORMULA

£320,000 capital + Investor support = 1 growing social business = 200 charities running stronger organisations

Photo: istock.com/forgiss

Impact, value and social return on investment

WE ARE USED TO looking at the price of an item or service to see whether it is good value. But this doesn't give us the full picture.

It doesn't show if there is an environmental cost – perhaps if the item has been flown thousands of miles to reach the shop we see it in. Nor does it indicate a human cost – were the people involved in producing that item paid and treated fairly?

Social enterprises aim to be competitive in the marketplace. But, for a social business, providing evidence of social impact takes on special significance.

Consumers and procurers of goods and services are becoming more aware that price, by itself, doesn't give them all the information they need to make a judgement on value. In the world of finance, too, there's a growing body of people who are starting to apply a wider set of values to how they invest.

A number of initiatives are working to address this issue of how to value things in a different way. For example, the RBS SE100 Index, launched early in 2009 by *Social Enterprise* magazine, is a tool that charts the growth and impact of organisations that deliver social, economic or environmental change. Its aim is to collect and publish statistics on both growth and impact – in a way that will help inform those who want to make well-judged social investments.

Government has also made this area a priority. The Office of the Third Sector (OTS) in the Cabinet Office is running a new project on Measuring Social Value which is being taken forward between 2008 and 2011. The Scottish Government is also running a project to develop, promote and support the use of SROI (social return on investment).

Jeremy Nicholls, chief executive of the SROI Network, one of the bodies leading the research in the UK and Scotland, is advising the RBS SE100 Index and has led the work on a new guide to SROI, published in May 2009 for the Cabinet Office. Nicholls says that, 'in much the same way as during the early days of financial reporting and accounting, we need standard approaches to understanding and managing social value, in order to unlock more investment in organisations that create social value'.

Here, in a question and answer session with Jeremy, we attempt to drill into the key issues of what impact and value really mean, why they are important and the tools available to measure them.

Good Deals Almanack: What do you mean by 'impact' or 'value'?
Jeremy Nicholls: By impact I mean the change that your activity makes happen. By value I mean the value of that change.

The assumption is that the price you pay for something is its value but activity often has impacts that have not been accounted for in the price. In the private sector the focus for sustainability reporting started with more of an emphasis on negative impacts and how they were being managed, particularly on the environment. In the social sector it has been on positive impacts where impacts are not accounted for in the price as there is often no market – for example, in projects to address social exclusion.

So, either there is no market or the price in an existing market misses impacts on some people. However, to manage risks, seek out opportunities or align activity with objectives we need to measure these impacts.

Why is it important for a social enterprise to demonstrate this?
Because, if they are in the business of changing people's lives, they need to know if and how they are doing so.

Because organisations with objectives need information systems that support those objectives.

Because customers and investors are increasingly asking for it.

Because as the sector increases in scale the issue will become more important since private businesses, with which social enterprises will compete, also create positive social environmental and economic impacts.

Because understanding impact can help manage risks and identify opportunities – for new products and services and new ways of increasing social value.

Because being able to explain this to customers and relate the value to some of their other objectives can change specifications before tenders are issued, making you more competitive.

There seem to be lots of ways to approach this. Can you take us through the main ones?
The last report I saw said there were 130 – and this is part of the problem.

The good news is that there is convergence and migration within methods towards more consistency. It is important that we should emphasise what they have in common and how they are converging. Increasingly, the frameworks developed by those such as the Global Reporting Initiative, the AccountAbility standard, the Social Audit Network, and the SROI Network – alongside frameworks such as cost benefit analysis – share the same principles.

I think we can also separate frameworks to understand value from specific tools that the use of these frameworks requires. For example, using SROI (which can be summed up as an approach to understanding and managing the impacts of a project, organisation or policy) may identify changes to the local economy as an outcome, while LM3 may be a good tool for measuring the change (Local Multiplier 3 is a tool developed by the New Economics Foundation that enables you to measure how much your organisation or initiative impacts on the local economy).

Tell us about SROI and the work you are doing.
SROI is an approach to understanding and managing the impacts of a project, organisation or policy. It is based on stakeholders and puts financial value on the important impacts identified by stakeholders that do not have traditional market values.

The SROI Network is a network dedicated to the consistent and effective use of SROI. It is a membership organisation with members »

who are practitioners, academics, funders and investors with an interest in the use and development of social return on investment. The growing membership is led by accredited practitioners who have pioneered SROI in England, Ireland and Scotland.

The Office of the Third Sector (OTS) and the Scottish Government recognise that demonstrating added social, economic and environmental value is important for third sector organisations and their funders, investors and commissioners. It is also becoming increasingly important for the public and private sectors. The OTS has therefore funded a three-year programme on measuring social value. The work began in November 2008 and is being delivered by a consortium of organisations: the SROI Network, New Philanthropy Capital, the New Economics Foundation, Charities Evaluation Services and the National Council of Voluntary Organisations.

The project has several aims:

- Standardise the approach to using SROI.
- Increase the accessibility of SROI for social investors and third sector organisations.
- Develop a network of practitioners who will raise awareness of SROI and social reporting.
- Increase the evidence base of the impact of the third sector
- Enable social enterprises and other third sector organisations to prove the social value they create.
- Support social investors and commissioners of public services to make more intelligent investment or purchasing decisions.

The project also aims to encourage wider use of SROI, through making it more accessible and more cost effective for organisations and more attractive to investors, funders and commissioners.

Forth Sector Development and the SROI Network and have also launched the Scottish government's SROI Project, which aims to develop, promote and support the use of a standard form of measuring social return on investment across the social economy in Scotland.

What about social accounting and social auditing – how do they relate?
These approaches are very similar and the SROI Network and the Social Audit Network have worked together to harmonise principles and are planning on working together on the audit of SROI reports. The main difference is that SROI has more of a focus on the outcomes of an activity and on the value of these outcomes.

How do we compare different organisations if there is no standard way of doing this?
There is a difference between a standard way – and, as above, there is increasing consistency here – and a standard list of indicators. How much you can compare depends what you are planning on using the comparison for.

If we have a standard process then different indicators will result for different situations, but we can compare how they have applied principles in understanding impact and value. This is no different from comparing businesses' financial results – even though they use the same method, the results still need analysts to understand different risks in different sectors.

What's the point of demonstrating how great your impact is if nobody cares?
None.

So who should care and why?
Anyone concerned by the fact that despite increasing GDP, inequality is also increasing. More and more, investors, commissioners, customers and beneficiaries are also showing that they care. We must continue to argue that part of the reason for the disconnect between growth and inequality is that our systems of accounting for value are no longer appropriate for the challenges we face.

How do initiatives such as the RBS SE100 Index fit into this agenda?
Initiatives such as SE100 are revealing how organisations are using these methods, and benefiting from demonstrating their impact. SE100 is a way of encouraging organisations to consider how and why they understand and manage the value they create. It highlights those organisations that invest in this area. Over time, we would hope to see a general increase in the scores posted on the SE100 Index relating to social impact, perhaps to the extent that we need raise the bar.

Is the idea of measuring social return politically vulnerable, given upcoming elections – are other political parties broadly supportive?
At some point in most measurement systems, whether accounting or weights and measures, legislation is required. Legislation also requires there to be enough consistency and agreement in what the measurement system is. Government can encourage people to become more consistent and, as far as I know, other parties would be supportive of consistency. The question is then when and how legislation would be appropriate.

What are your aims for this agenda over the next five years?
Essentially, we want organisations from all sectors to be able to use these tools to achieve greater change in society.

We are aiming for standardisation and general acceptance of the principles that underpin accounting for social value. We want a big increase in the number of organisations that account for value (throughout the value chain).

We want to ensure that much more time is spent at board meetings on comparing social value performance against budget as well as financial performance against budget.

FIND OUT MORE

thesroinetwork.org
se100.co.uk
neweconomics.org.uk
ces-vol.org.uk
philanthropycapital.org
ncvo-vol.org.uk
socialauditnetwork.org.uk
accountability21.org
globalreporting.org
cabinetoffice.gov.uk
scotland.gov.uk

A market for giving

The philanthropy of the future is a massive market with great potential to address the world's problems, but work needs to be done on the missing capital mechanisms and our own opinions on what is a good investment, write **Arthur Wood** and **Maximilian Martin**

UNDER TODAY'S STRUCTURES of international finance there are two primary, formal mechanisms through which funding gets directed towards the many social issues across the globe. The first is multilateral governmental models that are resourced through national taxation. The second model is large private grant-making foundations.

But as the pace of globalisation increases, these models are proving to be inadequate in their ability to tackle effectively such social issues as education, economic development, health, human rights and poverty.

What are some of the main weaknesses in the system? Whether the amount of funding provided to governments and NGOs for development is enough or too little is hotly debated. Yet almost everyone would agree that a major problem is the distribution and effective use of the money. There is disturbing evidence that this money often does not reach the people most in need, where it is crucial for social change. For example, corruption and capital flight are two of the most serious contributing factors to the ineffectiveness of aid transfers.

Private grant-making foundations have significantly increased in scale and visibility in recent years. They are often seen as much better intervention agents given their political independence and their capacity to make more long-term funding commitments. But with the exception of the top philanthropic foundations, which in some cases surpass governmental organisations in scale of their financial support, most foundations operate in a system which is akin to a fragmented merchant banking system. The relationship between demand and supply of finance is institutionally mediated, such that there is no direct connection between social and economic needs and the supply of money. Rather, NGOs, civil society and social organisations have to apply to grant-making foundations for support, submitting to different concepts of social impact and theories of change.

An individual looking to participate in the philanthropic sector is faced with a bewildering array of players. In many countries the process of non-profit registration is complex or ad hoc, and it may not even be possible to identify social purpose organisations. There is often a divide between small, local organisations and those that work nationally or internationally. In either case, it is difficult to assess the impact of any organisation. Social funding decisions are often based on limited information, personal interest and emotion rather than being part of a strategic approach. This can leave funders frustrated as to how to make their mark on history.

Furthermore, from the perspective of many recipients of financial support – NGOs, nonprofits, social entrepreneurs, philanthropic organisations – there is ongoing long-term funding uncertainty. Some grant making foundations move with the investment fad of the moment, or depend strongly on the preferences of a key staff member whose departure from the organisation can result in funding drying up.

Unless we look for creative solutions, the current allocation processes will be incapable of addressing the pressing social problems currently experienced through the world.

A MARKET WITH MISSING LINKS

Could the mechanisms of the financial market provide solutions to such weaknesses? Looking at the social sector through the capital market lens is helpful: from this perspective the social sector looks like a capital market with a missing link – banks. Missing are banking systems which provide platforms to channel and direct capital flows.

The capital market for social finance is substantial: in the US alone this market creates an annual turnover of US$1tn – and even then there is a considerable annual shortfall. Many organisations with the potential to grow are unable to do so because they cannot tap into an easy-to-access capital market. This means that there is not enough capacity to really resolve social issues.

Almost all non-profits have to spend too much of their time and resources trying to raise money rather than pursuing their core missions. The cost of such fundraising can be as high as 50 per cent. More complexities are added with the short-term nature of most funding and the complexity of having to manage multiple funding sources with different terms, different reporting schedules and different monitoring requirements. The commercial banking sector performs the function of raising capital in the private sector, providing a more cost effective and more coherent institutional arrangement. »

“Looking at the social sector through the capital market lens is helpful: from this perspective the social sector looks like a capital market with a missing link – banks

> The largest transfer of wealth in human history is estimated to take place in the next 50 years resulting in a huge social investment potential

MAKING A DIFFERENCE EFFICIENTLY

There are clear signs of a shift in the allocation of social capital finance – new allocation processes driven mainly by market mechanisms to efficiently target capital to tackling the most pressing and serious social issues. This can be seen practically in a number of ways:

- The global growth of social purpose organisations in the last ten years has not only led to some of the above-mentioned problems, but has also resulted in many cases in innovative and cost-efficient delivery of social services to the developing world and underprivileged sectors of society at much lower unit cost.
- The growth of social entrepreneurship and similar movements has unleashed the power of creative and ethical entrepreneurship on the social sector, advancing social change with the same entrepreneurial drivers one would see in the private business sector.
- The rise of microfinance, the growth of venture philanthropy and concepts such as triple-bottom-line investing or sustainability indices have started to introduce new financing mechanisms for social development.

These developments and innovations can be linked to a growing interest in social investment from potential investors. In the US alone it is estimated that the largest transfer of wealth in human history, of the order of $41tn, will take place in the next 50 years, resulting in a huge social investment potential connected with the ability to manage capital risk at increasingly smaller capital amounts.

There have been changes spurred on by globalisation: market models for the social sector have gained much more credibility and globalisation has generated new opportunities driven by the growth of technology, specifically mobile technology. The result is a confluence of social and economic factors encouraging this growth of the market system in philanthropy.

Such factors could encourage banks to enter this huge but inefficient capital market and to perform their core function – the intermediation of capital to the benefit of both their clients and the social capital market.

CHANGING SCHIZOPHRENIC VIEWS

For this development to accelerate, funders and social investors have to move away from the somewhat schizophrenic view that they sometimes hold: as donors, they are often happy to make grants which provide an allocation that has a minus 100% return, or zero financial return, while as investors they prioritise how to make financially profitable investments.

This is counter-intuitive in investment terms. In terms of market efficiency, clearly the range of 'best practice' in social and economic terms would be between these two points. There are certainly some social investments which may never provide a direct positive return in economic terms, though they may contribute to economic progress overall, such as democratic development and the upholding of human rights. But, paradoxically, making use of skills already available in the capital markets, mechanisms could be created that provide a positive economic return for an investment where the underlying investment loses money.

In the past few years, both institutional and retail investment clients have been educated in a range of financial products with differing economic returns, sometimes even with guaranteed returns. In the institutional space collateralised debt obligations and hedge funds have seen phenomenal growth. In the private client sphere this development has been mirrored in structured and guaranteed products. There is no practical reason why some of these ideas cannot be applied to social and economic return.

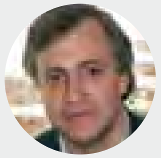
CREATING THE MECHANISMS FOR MARKET-BASED SOLUTIONS

It is clear that there is an inefficient capital market for social finance, at the levels of the state, the non-profit sector and the private sector. Traditional banks are not involved, and the potential efficiencies that the private sector could offer are not currently brought into play in any significant way. At times it seems as if the philanthropic sector relates to the big picture, but primarily operates in a small scale when compared with other sectors of the global economy.

Given the need for market-based solutions, Ashoka has decided to work with others in developing the key elements of a solution. Such a solution must mobilise the substantive knowledge of banks in the field of commercial finance, creating processes that allow the aggregation of capital and the deployment of capital on a scale that will change the nature of social financing. In particular, this requires:

- Creating mechanisms that bring full transparency to the market
- Creating transparency by drawing together players that can aggregate demand on clear platforms – where the risk can be defined to the best available abilities
- Engaging the corporate sector in tandem with the citizen sector, non-profit organisations, and civil society organisations
- Ensuring effective implementation of the processes to address social issues
- Defining clear benchmarks of success to allow further injections of capital.

Although in their infancy, many of these models and mechanisms are already in existence, either in the private sector or in the philanthropic sector. They need to be brought to scale. This requires co-operation between governmental, commercial and philanthropic sectors, by targeting capital to the people most in need. This will in turn empower people and communities who are currently marginalised. It is time to unleash the power of the market and private capital on the most pressing social issues of our time.



Arthur Wood heads the social financial services at Ashoka, bringing over 20 years of experience in the finance sector with a number of banks and pension funds to his work on social investing. He delivers insight into how investors can use their capital to increase the flow and efficiency of financing to the social sector and helps social entrepreneurs understand how to engage with the mainstream capital markets.

Dr Maximilian Martin serves as senior fellow and lecturer at the Center for Social Innovation at the University of St Gallen, and as a visiting professor at the University of Geneva, where he teaches in the International Organizations MBA programme. He conceived and set up UBS Philanthropy Services and its UBS Philanthropy Forum, serving as UBS Philanthropy Service's founding global head from 2004-2009.

CHAPTER FOUR

Exploration and experimentation

Exploration and experimentation are always needed to push things forward. In this chapter we profile some current ideas that could turn out to be the future of social finance

Social finance futures

SOCIAL ENTREPRENEURS AT THEIR BEST create third ways – they reject either/or propositions and change systems.

When social entrepreneur Muhammad Yunus (see page 44) was awarded the Nobel Peace Prize in 2006 it meant explicit recognition by the international community, for the first time, that poverty was a threat to peace.

As if this wasn't radical enough, in his acceptance speech Yunus talked about a social stock exchange. A place where for-profit social businesses would gather liquid capital investment. Yunus envisaged an exchange where investors would receive their original investment back but not make financial returns on top; their motivation would be social not financial.

That was not just an idea, floated in a speech and forgotten about. Some see the work of existing ethical exchanges – stock markets that only list ethically-vetted companies in Brazil and in South Africa – as a first step towards creating a social stock exchange. Around the world there are other similar activities. In France, food and drinks giant Danone set up a mutual fund listed on the Paris Stock Exchange in April 2007 to channel investment into its not-for-profit social ventures. In the UK, a social, environmental and ethical index (the SEE Index) for companies is in its infancy. Also in the UK, the first steps are being taken towards consolidating some kind of social investment marketplace, such as the ClearlySo website. All this is in the recent past – the future holds even more promise.

Most significantly, in March 2008 the Rockefeller Foundation supported a UK company called Social Stock Exchange Ltd to carry out research into the possibility of a social stock exchange based in London. This would be a place where like-minded investors would receive social returns and their investment back, but not necessarily any extra financial returns. The research authors discuss their work in this chapter.

In fact, this whole chapter is about the social investment of the future and, as always, the future is unknown. A social stock exchange may never happen, but then again it could be just around the corner.

There are lots of other ideas bubbling up just now. The creation of a social investment bank, acting as a wholesaler of capital and providing finance and advice to social investment specialists, is being actively pursued by the government. And the notion of social impact bonds is gaining ground.

Remittances, payments sent from migrants in the north to their families in the south, have long been acknowledged as a powerful tool for development. A new financial structure being created by pioneering microfinance institutions will make sure that the true potential of this money is realised.

None of these initiatives is being developed in a vacuum, and in the current environment the term financial innovation could be a double-edged sword. More people can see the value of a new form of 'creative capitalism', with social good as its goal, but we live in a time where any financial innovation is liable to be held up as the first step towards another market crisis.

But there is a world of difference between the way successful social investments must operate and the way traditional profit-making financial tools work. The sub-prime crisis involved complicated financial tools and intermediaries that divorced the finance from the people in the aspirational houses with the loans.

In contrast, social enterprises can't work without intimate knowledge of clients and partners, and social investment can't work without intimate knowledge of the enterprises being invested in. No matter how exciting the tools are, for those tools to work they will have to draw upon this knowledge. And, in contrast to the recent rapid financial movements, they will need to take a long-term view apace with the often glacial movements of social change.

Yes there is risk in innovation, and questions must to be asked for the good of all concerned, but the biggest question around risk is this: what is the risk to our world of not looking at social finance innovation?

YOUR ANSWER MIGHT DEPEND ON WHAT SORT OF WORLD YOU THINK IS POSSIBLE

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socialcapitalmarkets.net
clearlyso.com
seewhatyouarebuyinginto.com

A brighter form of banking

An investment bank established with the sole purpose of doing social and environmental good – it's an idea that could make us fall in love with banking again. But how would it actually work and what could it achieve? Our reporters explain

THE REPUTATION OF the City of London has taken a hammering. Hedge funds are under the cosh, bonus culture reeling and the credibility of investment bankers destroyed. Old fashioned retail banking is back. So why, when society as we know it was almost uprooted by the recklessness of investment banks collapsing around us, is there an emerging consensus and increasing appeal around the idea of another?

But the idea of a social investment bank – or 'wholesaler' to distinguish it from social retail banks and lenders like Big Issue Invest or Futurebuilders – would be investment banking re-imagined. Based around the idea that, just as the social and environmental side effects of investment banking have taken second stage for their City colleagues, social investment bankers could operate with making money as secondary to their primary purpose.

It would be an investment house with a mission to do good for society rather than driven by a need to deliver financial returns for investors. We are familiar with social enterprises pursuing social and environmental impact above all, so how about a financial institution which mirrors this at a macro level, appropriating the ideas and the tools of the financial markets and bringing in money from a range of sources, but directed at social and environmental returns?

This idea has emerged from the refrain repeated over the last five years or more that the social enterprise sector – and indeed the wider third sector – is undercapitalised. The argument runs not that the sector is short of money per se but that it lacks capital. This is a supposedly a sector starved of investment, of finance, of loans and equity. A sector scratching around living from hand to mouth on the basis of some funding here, and some income there. A contract for the next few months perhaps, some fees slowly trickling in and perhaps even a donation to get through the tough times. But a real lack of hard capital which could bolster, grow and sustain the sector.

WHAT WOULD IT DO?

So how would an investment bank with a social purpose break this vicious circle? And is there a consensus around how such an institution would work? What would it actually do? Who would run it?

Advocates, including the government, have suggested some key functions for this new institution, including pulling in money from investors, investing in social banks and social lenders, building a market place, providing advice and support, and selling the vision of social investment.

But it is not clear which of these is the most important or where the focus should fall. There is also considerable confusion around the level of need. Some vocal sector representatives simply call for whatever money they think they can get. Others – with years of experience in the financial sector – say 'build it and they will come!', predicting that once the infrastructure is in place, social entrepreneurs will pour forth with appeals for investment. And there are those – with years of experience in the third sector – who are incredibly nervous about the scale and capacity of demand on the frontlines. Is the sector ready to absorb such investment? What have we learnt from the experience of Futurebuilders, Charity Bank, Triodos and others?

Another uncertainty is whether investment is destined for social enterprise only and whether the traditional voluntary and » community sector might lose out. In the social enterprise world, we are profoundly comfortable with models based on business principles. But others will look at the experience of the public sector as it has taken on models from the private sector – the targets, incentives, bonuses, business plans and private finance creeping in where trust, duty and old-fashioned public service ethos once reigned – and will fear the same intrusion in a third sector context. They may ask whether the social sector really wants to be capitalised. Questions on measuring impact, the size and scope of a new vehicle and who will run it also remain unanswered.

WHAT IS SOCIAL INVESTMENT ANYWAY?

In the private sector we know what investment looks like. The pursuit of financial return which seeks to add to the sum of private wealth can be easily recognised when venture capitalists have become a part of our light entertainment firmament and through our banks – whoever owns them in these strange times.

In the public sector we recognise investment easily too. The drive to deliver more effective and efficient public services and to improve public health or state education can be seen every time a minister reminds us of the massive investment in new schools, in new hospitals and in public transport infrastructure.

But how do we recognise investment in the good of society, in communities and in the environment when it is less conspicuous than the engineering works that confront us when we wait at the train station, or the *Dragons' Den* that awaits us on BBC TV when we get home?

Perhaps today we see it on a small scale when we help paint a local community centre, repair the changing rooms next to the sports field or give a battered old laptop to a development charity. But if these are the only few examples we can hold up for the man on the street to recognise – and which pale in the face of the billions channelled into the City and public services – then perhaps the advocates of a new infrastructure for social investment have a point.

BANKING ON THE FUTURE

So can we imagine social investment as a more familiar phenomenon? What if a city council – instead of investing spare cash in potentially risky mainstream financial markets – pooled its money alongside a high street bank and a local community foundation to invest in an ambitious scheme to generate cleaner energy from community recycling across a city? Perhaps the bank could earn interest, the community foundation could achieve more impact than it would acting alone, and the council might get its money back if the project takes off commercially. They could also be better off overall as a result of the savings on waste contracts, energy bills and the carbon credit trading.

Could this not already happen? Yes, but somehow it doesn't. So this is where advocates of the new bank see it playing a

The bank at the end of the rainbow

catalytic role to bring these players together – or 'intermediate' – and drive exciting new flows of money that work for investors and investees alike.

The bank could look at the scope for bringing together finance from European money, a venture philanthropist and a pension fund, and channelling it towards community broadband solutions for retired people in remote areas. Or could the bank leverage resources from a private equity house, a red-brick university, the Wellcome Trust and an aid agency together to invest in a university spin-out to deliver affordable pharmaceuticals to the developing world? Could the bank help the inhabitants of a small town in the south west of England, a central government department and a big charitable foundation invest together in a model of community-owned shops that offer basic banking services, post offices and financial advice?

Is the future of social investment going to run along these lines and is this bank the vehicle we need to drive it forward? For now, these are just a few innovative models which the advocates of the new institution envisage, all catalysed by the creation of an investment bank we can trust. Perhaps this could even be an investment bank to fall in love with?

The government has launched a consultation on the design and functions of a Social Investment Wholesale Bank. This was announced in the Budget 2009 and will inform substantive proposals to be developed by the Office of the Third Sector. The consultation runs for 12 weeks ending on 7 October. See www.cabinetoffice.gov.uk/third_sector.aspx

The enterprise, the investor and the exchange

A social stock exchange attracts vocal supporters – and equally vocal detractors – but is it an idea whose time has come? **Flemmich Webb** investigates the pros and the cons

IN THE MESSY AFTERMATH of the global economic meltdown, the financial services industry has come under scrutiny as never before. One of the key questions that experts are considering is whether the focus on maximising profit at the expense of all else is a sustainable long-term strategy.

A growing number of investors think not and they are keen to put their money into companies whose core mission is to alleviate some kind of social or environmental problem as well as make a profit – social enterprises.

A 2008 report published by the European Social Investment Forum predicted that the proportion of sustainable investments in European high net worth individuals' portfolios will rise from about eight per cent, as of 31 December 2007, to 12 per cent by 2012, surpassing the €1tn mark. It found that there is a growing demand for 'sustainability criteria' as an investment choice.

But while the desire to invest ethically might be growing, investors face a difficulty. It's often hard to find information about social enterprises as generally they are not listed on the three main stock exchanges in the UK – the London Stock Exchange, the Alternative Investment Market (AIM) and Plus Markets.

The answer, say some social investment experts, is to create a social stock exchange – a shares trading platform regulated by the Financial Services Authority on which companies with a clear social and/or environmental mission can be listed.

'A lot of social investors find it difficult to identify smaller cap companies as they rarely if ever attract any coverage from equity analyst investors,' says Pradeep Jethi, one of the founders of Social Stock Exchange Ltd, a company in the process of setting up a social stock exchange. (Smaller cap companies are those with lower trading volumes.)

'There is currently no single place in which social investors can identify these kinds of companies,' Jethi says. 'A social stock exchange would be that place.'

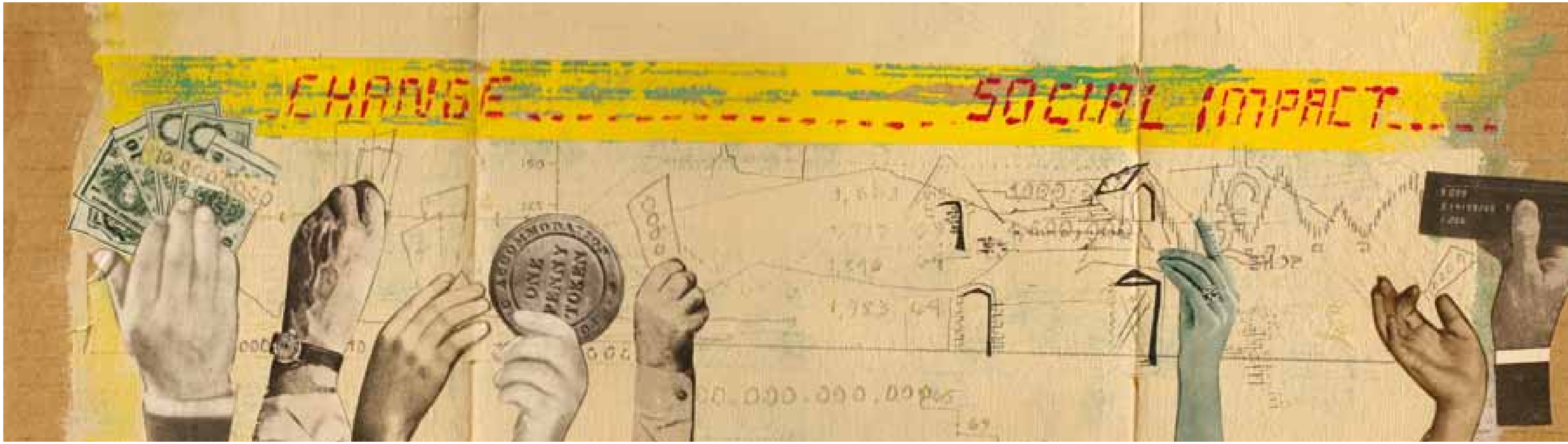
CONNECTING ENTERPRISES WITH INVESTORS

A social stock exchange could also help the enterprises themselves. As social enterprises are not listed on the main exchanges, they find it hard to raise capital from public and private investors – this is investment that they need for ongoing product and service development.

Social enterprises have to go out looking for investors, rather than the other way round. A social stock exchange would also help attract the right sort of investor – those for whom making a profit and making a difference are both important. And it would have the added benefit of creating more liquidity for ethically-minded investors, allowing them to take out their money quickly if needed.

A social stock exchange would attract pension funds, as it would have RIE (recognised investment exchange) status. Most large institutional shareholders that invest in pension funds can only put money in companies that have RIE status. This would unlock institutional shareholder money for social enterprises as well as the approximately £56bn, as of October 2008, that charities and foundations in the UK invest in equity, cash and bonds. This would mean investors could put money into businesses that have some alignment with their own social missions.

The social stock exchange could also be the primary listing for community interest companies (CICs) – a type of UK limited company structure designed »



Exchanging money, changing values

for social enterprises that want to use their profits and assets for the public good. As the CIC structure is increasingly adopted by organisations such as NHS trusts that have large government contracts, there will need to be a capitalisation mechanism.

'Over the next five to 10 years, the government is not going to be able to raise the money required to invest in public services in the way that it used to given the current state of the UK fiscal position,' says Jethi.

'There will be a lot of new companies coming to public markets looking for capital to provide their public services.'

This suggests that the current economic situation might actually benefit a social stock exchange.

'I think the timing is right for the launch of an exchange given widespread dissatisfaction with the current banking and political situation,' says Dan Hird, head of corporate finance at Triodos Bank.

'It would attract interest and support for the right reasons provided the initial entrants are credible businesses.'

POSSIBLE PROBLEMS

But not everyone thinks a social stock exchange would necessarily be a good idea. Some experts feel it would actually marginalise social enterprises.

'It could create a kind of backwater,' says Rod Schwartz, CEO of online marketplace for social business ClearlySo, who is skeptical that a social stock exchange would work.

'For the sector to move on, it is really important that there is a mainstreaming of social businesses and enterprises. It's only when we get the mainstream funds to invest in these types of organisations that we will really be making progress.'

There could also be problems with defining and measuring the social impacts of social enterprises.

'One of the big questions that I don't think anyone yet has the answer to, even though it's a prerequisite for a social stock exchange is some measure of consistent social impact reporting,' says Daniel Brewer, director of Equity Plus and Resonance, which both match investors with social enterprises. 'Investors value each social impact differently. It's not enough to have a standard way to measure the amount and quality of impact, investors also need the ability to price them according to their own social priorities.'

And even if a social stock exchange were set up, some say more work is needed to make the social enterprise movement more robust. Jamie Hartzell, CEO of the Ethical Property Company feels that the sector needs to become more business-minded and carry out more research on social investing, provide centralised resources to make it easier to invest in social enterprises and invest more in the development of liquidity issues to do with fundraising and the buying and selling of shares.

'What's really needed is a bit of a focus by the social enterprise community on this form of investment to see how it can be developed,' he says.

There is a perception, too, that ethically invested money produces lower returns. The social enterprise community refutes this, pointing out that conventional markets have performed poorly over the past decade and that although social enterprises may turn out to be longer-term investments, they are often lower risk and still make profits and distribute them to shareholders.

There are still a lot of ifs and buts, but if a social stock exchange is created it's likely that it will be most effective as one part of a new social investment ecosystem that would include more fund and capital flows, and a social investment wholesale bank (see page 112). And if the predictions of increases in the number of social investors turn out to be correct, the demand should be there for social enterprises and a social stock exchange to thrive.

Building bonds for a better society

What if one piece of paper could guarantee that government is investing in the best possible solutions to society's ills? What if it could save taxpayers' money and earn you a tidy financial return? It's possible, says **Toby Eccles** of Social Finance, the organisation pioneering the social impact bond

NATHAN WAS JUST eight years old when he and his siblings were taken into care. By the time he was 16, following a succession of failed foster care placements, Nathan was estranged from his family, addicted to cocaine and dabbling with crack.

The following years saw him spiral into a life of drug dealing and petty crime that he used to fund his drug habit. He was sent to prison for nine months for robbery and assault shortly after his 21st birthday.

Stories like Nathan's are, sadly, all too familiar. The immense pressure on government budgets, that is set to increase further over the coming years, means that the vast majority of government spending is tied up in costly programmes that seek to deal with social problems once they have happened, for instance through the provision of prison places.

Little money is currently available for the earlier, cheaper, preventative interventions, like more highly supported foster care placements, that could dramatically improve the life chances of children like Nathan and save the state a substantial amount in crisis spending down the line.

Social Finance believes that this situation can and should be remedied and has developed the social impact bond (SIB), a social investment approach that generates savings for the tax payer through improved social outcomes rather than service cut-backs.

SIBs raise social investment to pay for a range of services targeting specific social outcomes. Government commits upfront to returning an agreed percentage of realised cost savings to SIB investors in the event of success. In this way, SIBs act as a catalyst to move government spending away from high-cost programmes operating at the crisis end of the situation, delivering value for money to tax payers and better outcomes for society.

In addition to these benefits for taxpayers, SIBs are attractive to a wide range of other stakeholders. Trusts and foundations benefit from a route to partnership with government that ensures funding for effective interventions, enabling them to channel more funds towards social change. Meanwhile, third sector providers that would typically be excluded from outcomes-based contracts due to poor access to working capital, can participate in service delivery as the majority of risk is transferred to SIB investors and funding for service delivery is provided up front.

BEYOND THE BARS

To return to Nathan, he received limited support during his sentence as he was regularly moved between prisons and was ineligible for some intervention programmes due to his short sentence.

When he left prison, Nathan was given a £47 discharge grant, but the length of his sentence meant he received no resettlement support from the state. No accommodation had been arranged for him and his benefits took a few weeks to come through. With no money and nowhere else to go, Nathan got back in touch with some of his old friends who reintroduced him to drug abuse and crime.

Unfortunately, Nathan's story is repeated across the country for many of the 40,200 short sentence prison leavers each year.

It comes as little surprise, therefore, that short-sentence prisoners under the age of 25 have a 92 per cent likelihood of reoffending within two years of release. This generates significant costs for government through policing and sentencing costs, and for society through property loss and insurance premiums. The imprisonment of a parent also leads to intergenerational offending; »

two-thirds of boys with a convicted parent go on to offend.

Breaking this cycle would yield significant social dividends and substantial cost savings for the criminal justice system. Social Finance's first SIB pilot will pay for a range of services to reduce reoffending over five years.

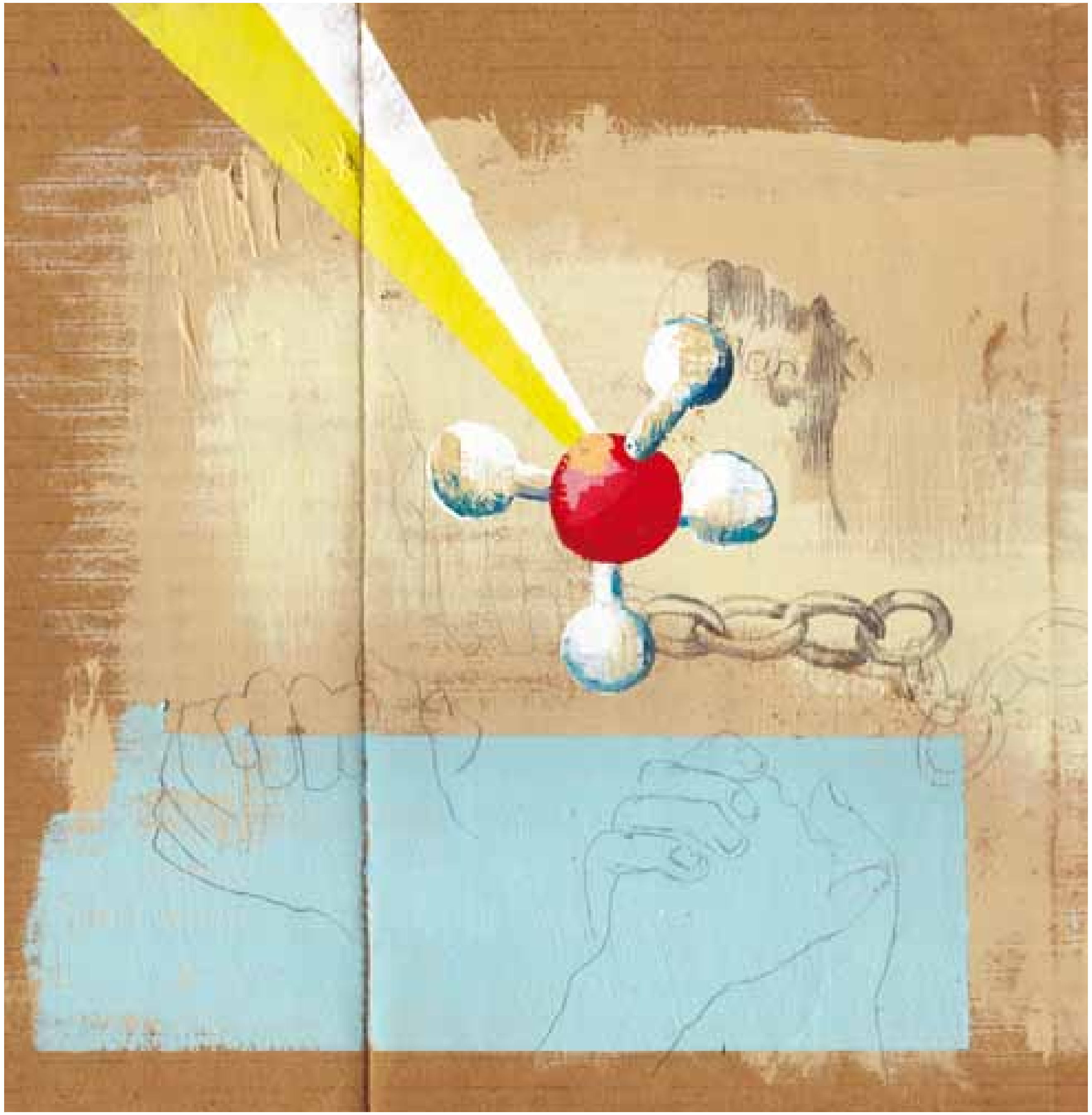
Social Finance believes that SIBs have the potential to transform the way that a broad range of social outcomes are financed. Here are just a few examples.

REDUCING REOFFENDING

Figures from the Ministry of Justice in 2007 show 40,200 adults leave prison every year after serving a short sentence. Over two years 73 per cent of these prison leavers will reoffend, driving long-term costs to the criminal justice system and placing a burden on society and a prison system that is operating at capacity.

Yet, solutions exist. A regional project delivered a drop in the reoffending rate of 17 per cent for participants over a two-year period. On this basis, Social Finance estimates that national implementation of an SIB to resettle prison leavers could deliver cost savings to the taxpayer of £900m over five years.

Like atoms,
Like links,
Like us:
Building bonds
we will



KEEPING KIDS IN SCHOOL

Each year more than 10,000 children are excluded from schools in the UK. On average, a child excluded from school costs the taxpayer an additional £64,000 over the child's lifetime, driven largely by the increased education costs of a pupil referral unit.

School-Home Support is a charity that provides social support in schools in London, Yorkshire and the Humber that has demonstrated the ability to reduce exclusions by 25 per cent at a cost of £29,000 per prevented exclusion. This generates a net saving to society per student of £35,000 and substantially improves the life chances of the young people involved.

A 25 per cent reduction in the number of excluded children nationally would generate an annual saving to the taxpayer of £90m. An SIB could be structured to raise funding for interventions focused on reducing the number of exclusions.

CARE IN THE COMMUNITY

In the UK studies with at risk patients in nine primary care trusts (PCTs) show that around three per cent of over-65s are responsible for 35 per cent of unplanned hospital admissions, 75 per cent of this group lives in the community in their own homes. These unplanned admissions are estimated to cost £6,500 per admission.

Introducing an SIB to fund interventions to reduce this admissions rate could save money for taxpayers and increase quality of life for elderly people. For example, Evercare is a US company with a community care model now operating in the UK with a number of PCTs – it has reduced hospital admissions in the US by around 50 per cent.

SIBs have the potential to drive positive social change while generating savings for the tax payer and a return for investors. Social Finance believes that SIBs could play a fundamental role in transforming the effectiveness, efficiency and sustainability of the social sector in the UK by facilitating innovation and growth.

Social Finance would like to thank the Prime Minister's Council on Social Action, Frontier Economics, the Indigo Trust and the St Giles Trust for their support in developing the social impact bond to date

Toby Eccles is development director of Social Finance and has been working on developing a social investment wholesale bank since joining the Commission on Unclaimed Assets in October 2005. Prior to working for the Commission he was director of research at the charity ARK where he built programmes around education in the UK and communities with high levels of HIV/AIDS in South Africa. He also worked in corporate finance at UBS Warburg.

David Robinson tells **Claudia Cahalane** why the Prime Minister's Council on Social Action is backing social impact bonds

THE SEEDS OF the social impact bond (SIB) were sown at the G8 summit in Gleneagles, 2007, according to David Robinson, vice chair of the Prime Minister's Council on Social Action.

He says the idea is loosely modelled on the International Finance Facility developed at the summit that was designed as a way of funding immunisation and healthcare across the world.

They developed a way of converting long-term government funding pledges into immediate cash on the capital markets through bonds issued to investors who are willing to wait a while to see their money come back. So far, immunisation bonds alone have raised US$1.6bn.

SIBs will also depend on patient capital.

'The basic premise is that investors and trusts pay into a bond, which has specific social outcomes attached to it, such as reducing re-offending rates or teenage pregnancies in a specific area,' says Robinson.

'Aims would be agreed between government and knowledgeable social investment intermediaries.'

The government would make a promise to pay back investors, at a premium, based on how successful the programme is at achieving desired outcomes. For example, if it's working, the government would be spending less money on prison places and social workers, and could pay some of those savings back to investors.

'The investment will be private, from philanthropists and charitable trusts that have an interest or connection to the issues they are supporting,' says Robinson.

'Initial investments are likely to come from those who have invested before, although ultimately we believe that SIBs could take their place alongside other straightforward commercial investments.'

Robinson says the pilot SIB, discussed by Toby Eccles in the preceding article, partly seeks to give extra assurance to investors, and is in the planning stages.

'We need a pilot to prove that SIBs would be a competitive investment. We are optimistic that they would be a good investment financially, as well as socially. We can't just depend on the social case, that would be limited.'

The geographics of the pilot are 'irrelevant' he says, because if they work in one area, they are likely to work in another.

All government departments are watching closely to see how the pilot works.

The challenges, Robinson admits are 'the fact that savings for the government accrue in so many different places and across many different departments. So, translating which budgets have been saved is complex'.

SIBs are very much a Labour initiative, but Robinson says the Conservatives have not indicated that they would not continue to run with the idea should they win the next general election.

'We are hoping it will all be up and running in the next year. And any new party would be fools to not adopt this,' concludes Robinson.

Money makes it round the world

It isn't always obvious but there is a line of blood and cash that links a Czech worker in Manchester with a micro-entrepreneur in Prague. Increasingly, that cash is sent home through social investment routes which benefits everyone, writes **Roger Frank**

MICROFINANCE IN ITS simplest form is about providing banking services to the unbanked.

Typically, there are four primary services that microfinance institutions provide. The first and most important is credit. The borrowers are mostly women who use the financing to start businesses with the ultimate goal of helping their families. Savings is frequently the second major service. Then there is the second tier of services: insurance and transferring remittances, the money sent by a foreign worker to their home country.

Increasingly, remittances can have a major impact on a country's gross domestic product as well as being an important source of revenue for microfinance institutions.

What makes microfinance institutions uniquely positioned to transfer remittances is that they are typically located outside of the major urban areas and in regions where they are the only provider of such services. This means no expenses incurred travelling to the nearest large town to pick up the cash from overseas and more money in the pocket of the receiver.

While sometimes those remittances are used to pay back loans a microfinance institution will make to an entrepreneur, frequently those remittances are used to pay for life's basic necessities.

LESS PROFIT, MORE RISK

The growth of remittance services provided by microfinance institutions is an exciting development but it also comes at a time when microfinance institutions are struggling thanks to the global financial crisis. It's not unusual to see a microfinance institution that had been growing 50 to 70 per cent per year have that growth rate cut in half due to lack of capital. The capital that is available costs more now, so profit margins have been impacted and, anecdotally, portfolio at risk (that is loans 30 days past due), has risen from approximately two per cent to three per cent or more.

Finally, if you look at the four revenue sources of a microfinance institution – credit, savings, insurance and remittances – it's in this last area where the impact of the global credit crisis has been most dramatic.

Why the slowdown in remittances? First, many of the expat workers who are the source of remittances are working in industries that have seen a significant cutback in growth. Secondly, many of the workers who left their home countries for better opportunities have returned home as those opportunities have disappeared.

For many countries, this has contributed to a significant decline in gross domestic product. For example, a recent article in the *The Washington Post* said: 'While the change could be temporary, the remittance slowdown should serve as a wake-up call to regional leaders. That is particularly true for those countries such as the Dominican Republic, Haiti, Honduras, Jamaica, Nicaragua and El Salvador where remittances have come to represent 10 per cent or more of gross domestic product.'

Even those countries with more developed emerging markets have felt the impact. According to the same article: 'Mexico's central bank reported that remittances, the second biggest source of dollars into Mexico after oil, fell in January to $1.65bn, a 5.9 per cent drop from January 2007 – the largest since Banco de Mexico began keeping records in 1995.'

This is bad enough but in some countries the news is even worse. For example, according » to a May 2009 article in *The Wall Street Journal*: 'Armenians who live abroad send less money home. Now some expatriates are returning and looking for jobs, presenting new problems for the economy. In Armenia typically the $2.5bn plus a year in remittances make up about a fifth of it's GDP.'

What has further compounded the economic problems for many of these countries is not just the decline in remittances. Many of them are commodity-dependent countries that have been hit by the double whammy of lower prices and less demand. Once again, turning to our Armenian example, exports have been hit amid tumbling prices for copper.

BETTER NEWS IN INDIA

Despite the tough environment for remittances, there are regions where the news is not as dire. India, for example, which has restrictions on the flow of capital into the country, has seen less of an impact.

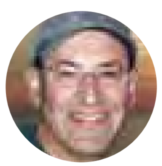
According to an article in June in the Indian newspaper *The Economic Times*: 'The global economic slowdown has limited impact on remittances to India, which is estimated at three per cent of India's GDP.'

Washington-based Global Financial Integrity, lead economist, Dev Kumar Kar said: 'India has a highly resilient economy and the global slowdown will have limited impact on India's growth prospect. The economy is forecast to grow at 6.7 per cent in financial year 2009 and around six per cent in financial year 2010.'

Behind this he noted was the fact: 'A large part of Indian workers responsible for sending remittances are professionals working in developed countries.'

So while the economic news and impact on remittances has been significant, there are some glimmers of hope. First, the world is not looking as dire now as it did a year ago. We've seen this reflected in the dramatic rallies in emerging market equities and gradual increases in commodity prices. Secondly, while microfinance and microfinance institutions have seen a slowdown in their business, as the industry continues to expand, more microfinance institutions will be offering remittance services, thus increasing the flow and availability of capital.

This means more capital for more entrepreneurs and more opportunities for social investment.



Roger Frank is a partner at Benchmark Asset Managers and one of the pioneers in using the capital markets for social change. He is a winner of a Fast Company award for companies having a positive social impact and has raised over $500m for microfinance institutions in the developing world.

Notes & pennies, wings & propellers

The mature approach to a crisis

As financial markets rebuild themselves, social enterprises must do the same and prepare themselves for a brave new world without training wheels, writes **Rodney Schwartz**

WITHOUT ANY DOUBT, the single most significant event for the social business sector – and for the entire economy – last year was the collapse of the world's financial system. Following the failure of several large financial institutions, the seizure of capital markets and an estimated $3tn international bailout, the impact of the crisis will undoubtedly be felt for generations to come. As a result, we believe the nature of economic relations is likely to change and, of course, the ability of our elected leaders to meet the needs of bodies politic will be severely limited.

It is not surprising, in this light, that social enterprise is being considered for a bigger and more serious role. Politicians across the political spectrum see this form of organisation as a potential way to deliver services demanded by the public in a way that does not make any further demands on seriously depleted government coffers. At ClearlySo's annual Social Business Conference last November, politicians from the two major UK opposition parties, the Conservatives and Liberal Democrats, were in complete agreement with the Labour minister for the third sector regarding the increasingly central role the sector can play. Conservative leader David Cameron's address at Voice09, the annual conference of the Social Enterprise Coalition, showed no clear blue water between the Tories and the other parties.

But the language of the political establishment in relation to the sector has changed. Whereas previously talk was dominated by bold new initiatives (and cash!), recent announcements have been far more sober – involving largely facilitative support. The only major exception is the current consultation on a social investment wholesale bank (see page 112).

Across the pond, US president Barack Obama has announced an Office of Social Innovation, designed to be a centre for experimentation in the United States in this area. However, the $50m seed fund which was also announced is remarkably small given the size of the US and the sums spent to support the banking system.

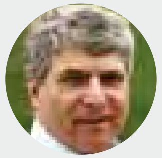
> With the political focus shifting, politicians are assuming a helpful and perhaps more appropriate role as cheerleader for social enterprise

With the political focus shifting, politicians are assuming a helpful and perhaps more appropriate role as cheerleader. Some bemoan the absence of largesse. The view at our organisation, however, is that the more frugal approach may be a blessing in disguise. If our sector is ever to mature it must stand on its own two feet. And the good news is that this is happening.

On the funding side, private sector operators are making progress. At the recent Skoll World Forum, US social enterprise Root Capital announced it was going to the capital markets as part of a $63m new funding campaign to be invested into businesses in developing countries. In Canada, Renewal Partners has proudly trumpeted the $16m first close of its first social venture capital fund (Renewal has been investing since the 1990s) while in the UK, WHEB Ventures, the Cleantech-oriented investor, announced a £57m first close last year, en route to its £150m target.

But some of the more important progress has been made in the key infrastructure area. At the aforementioned Skoll World Forum two bold new initiatives were announced which have the potential to greatly accelerate the onset of what we describe as the 'social economy', where social business, enterprise, commerce and investment play a far more central role in the global economy. We launched ClearlySo as the world's first marketplace in this area. Also the New York-based Rockefeller Foundation announced its Global Impact Investing Network (GIIN). The GIIN is backed by a $30m three-year commitment and the high profile of the Rockefeller Foundation. It will support core infrastructure on the investment side and create a sea-change in the social investment arena. Other infrastructural initiatives from all over the world either have been or are being announced.

When we look back five years from now, we will see this period as the one in which the sector reached maturity and came to stand on its own two feet – partly out of necessity!



Rodney Schwartz is the co-founder of Catalyst, a venture capital and advisory firm focused on the social business sector. He is chief executive of ClearlySo, a marketplace for social business and enterprise, commerce and investment. In the 1980s and 1990s, he was an equity research analyst and senior manager with investment banks PaineWebber, Lehman Brothers and Paribas.

DIRECTORY

The Social Investment Directory

Directory profiles

Full page and half page profiles of some of the major players in the UK social investment market

Directory listings

A broad-ranging, alphabetical list of organisations providing investment, finance, advice and support, including lenders, foundations, wealth managers, consultants, support networks, law firms and umbrella bodies

CCLA

www.ccla.co.uk

email clientservices@ccla.co.uk

tel 0800 022 3505

WHO WE ARE
CCLA is the UK's largest fund manager for charities and is owned entirely by its customers. This unique ownership allows CCLA to focus wholly on delivering performance, service and value to the not-for-profit sector without having to consider the interests of outside shareholders.

WHAT WE OFFER
CCLA has managed investments for charities, large and small, since 1958.

CCLA has developed a range of funds which provide great flexibility and choice to meet the varied and often complex needs of its clients. This includes a fully segregated investment service for clients who require a more specialised portfolio.

As pioneers of ethical and responsible investment, CCLA is committed to engaging with companies and other organisations in a constructive way to push forward a positive agenda for change.

CCLA has no other purpose than doing what is best for the third sector, and takes pride in understanding its customers and providing products that meet their needs.

For more information visit
www.ccla.co.uk

OUR SUCCESS STORY: SOLARAID

IN PRACTICE

SolarAid, founded in 2006, is a charity with ambitious targets. It works to bring sustainable solar power to the world's poorest communities, and it plans to reach another 1.5 million people in the next few years.

SolarAid also trains entrepreneurs on the ground to set up solar power businesses of their own, encouraging a spread of local enterprise in rural communities.

Banking with CCLA is part of the strategy to reach that target, according to chief executive Nick Sireau.

"When our funders give us money, we need somewhere safe to put it before we spend it," he says. "We can't take risks, but we still want easy access and a good return. CCLA's COIF Charities Deposit Fund gives us all of that. It offers a terrific rate and a strong ethical stance. As a charity, that's just what we're looking for."

DIRECTORY PROFILES

CHARITY BANK

www.charitybank.org

email enquiries@charitybank.org

tel 01732 774040

WHO WE ARE
Charity Bank is unique. It is the only regulated bank in the UK that is also a registered general charity. And it is the only bank that uses its depositors' funds solely to provide financial support and guidance to charitable organisations doing vital work in communities across the UK and beyond.

In this way, it gives people a safe and transparent way of using their savings to support charity while earning a fair return.

WHAT WE OFFER
Charity Bank has a mission to transform people's lives by harnessing the nation's wealth and using it as a positive force for change.

And it's uniquely placed to help. As a bank, it has the ability to offer responsible and affordable loan finance to organisations with a charitable cause, that might not be able to borrow from commercial lenders. And as a charity it understands the importance of having access to the resources or skills required for a more secure future.

For further information please contact Charity Bank on 01732 774040. You can contact us by email at enquiries@charitybank.org or visit our website: www.charitybank.org.

OUR SUCCESS STORY: POINT BLANK THEATRE COMPANY

IN PRACTICE

Point Blank Theatre Company is a creative arts organisation based in Sheffield which works in a wide variety of community settings, providing drama-based development opportunities for both emerging artists and marginalised individuals in the region's most disadvantaged communities.

The company wished to purchase new premises to allow it to expand and become self-sufficient, relying less on grant funding.

After securing an ideal location for a reduced price, Charity Bank agreed a £150,000 loan to enable Point Blank to move the entire company to the Riverside Bar and Cafe which will enable it to reach a greater public and audience.

GK PARTNERS

www.gkpartners.co.uk

email info@gkpartners.co.uk

tel 020 7785 6340

WHO WE ARE
GK Partners are advisers to socially responsible businesses. The directors, Gibril Faal and Katharine Ford, pioneered social enterprise business support in London through a project financed by the Department of Trade and Industry (DTI) in 2002. As part of that work Gibril and Katharine created early models, structures and frameworks for the financing and management of social enterprises. That work has developed into up-to-date tools for social enterprise support, training and consultancy.

WHAT WE OFFER
At GK Partners, we provide insightful, groundbreaking and practical business advice and support to many kinds of socially responsible businesses. We help clients achieve optimum financial, social, environmental and other ethical results.

We offer a range of services from action-oriented training to business modelling to feasibility evaluations. We help clients incorporate, business plan and raise finance for their organisations (Access to Finance). We help clients find, lease, purchase and move into appropriate premises (Access to Property).

GK Partners often provide clients with subsidised business support by accessing government funding. Contact us to see if you qualify for this funding.

We work with commercial enterprises to make them more socially and environmentally responsible. We work with social enterprises, charities, environmental, arts, cultural and community organisations to make them more enterprising and financially viable.

OUR SUCCESS STORY: PROPER OILS

IN PRACTICE

This company collects used cooking oil and refines it to produce biodiesel for vehicles. GK Partners helped them with business modelling, access to investment and operational planning.

Through its links with one of its environmental partners (London Remade), GK Partners worked with the award-winning social entrepreneur Stephen Hurton, helping him create multiple income streams to make his business financially viable.

GK Partners helped Proper Oils generate investment of about £300,000, including capital grants of over £100,000, loans and equity investment. We continue to support Proper Oils on a range of business issues.

"GKP have been of invaluable assistance in the growth and development of Proper Oils."
Stephen Hurton, Managing Director, Proper Oils

www.properoils.co.uk

THE LAB – NESTA

www.nestalab.org.uk

email challengefund@nesta.org.uk

tel 020 7438 2500

SERVICES OFFERED
Our society is facing urgent and complex challenges. Economic turbulence, environmental threats and a rapidly ageing population are triggering profound changes to the way we live and work.

But our public services – from health to transport and education – are not geared to cope with the scale of these challenges or the pace of change. Radical new thinking is needed. Which is why NESTA has created the Lab.

CHALLENGE LAB
explores new ways of tackling critical social, economic and environmental issues. Our current programmes focus on Communities and Climate Change and our Ageing Society.

METHODS LAB
is where we test and assess the most effective ways to support radical innovation – finding ways of working that can help ideas grow and take hold. Our 2009 priorities focus on developing risk capital for social enterprises, incubating social innovation and attacking the recession.

LEARNING LAB
is about learning lessons through practical trials, then finding the best ways to share those lessons – explaining them in ways that people can easily grasp and ultimately use.

OUR SUCCESS STORY: BIG GREEN CHALLENGE

IN PRACTICE

We launched the Big Green Challenge (BGC) to encourage communities to develop their ideas in ways that could be scaled, replicated or emulated. A £1 million prize was offered for community-led ideas that could potentially achieve the greatest reductions in CO2 emissions.

As well as generating some great ideas the BGC also uncovered some of the barriers, identified promising approaches and how to take these to scale. So as well as showcasing innovation, BGC is also providing valuable learning for other projects that tackle impending social crises.

The 10 finalists have now turned their ideas into practical projects, including a community installed and owned microhydro network in Wales, a bio-fuels production social enterprise run by a prison education charity, and a green loans scheme run by a partnership of community organisations.

www.biggreenchallenge.org.uk

RBS COMMUNITY BANKING

www.rbs.co.uk, **www**.natwest.com

email community.banking@rbs.com or @natwest.com

tel 020 7427 9139

WHO WE ARE
RBS Community Banking provides financial products and services to organisations and individuals not well served by the financial services industry.

Whether flexible banking, loans, overdrafts, asset transfer or business planning is needed, we are committed to ensuring our customers can access the banking services they need.

WHAT WE OFFER
We have a strong track record in supporting voluntary organisations, charities, and SMEs looking to develop new income streams. And our expertise is reinforced through working with organisations grown from marginalised communities. This means we are in tune and receptive to our customers' individual needs.

At RBS Community Banking we want to see you grow, which is why we have dedicated community development managers in every region who thrive on developing close, enduring relationships with their customers.

And we won't leave you hanging.

PARTNERSHIP POSSIBILITIES
We have strong partnerships with organisations across the UK that specialise in getting enterprises off the ground. So if for any reason we cannot offer your business immediate support, we can refer you to a partner who can.

OUR SUCCESS STORY: PHOENIX

IN PRACTICE

With advice and finance from RBS, social enterprise Leicester Social Economy Consortium purchased a dilapidated building in a run-down part of Leicester and turned it into a hub for local start-up businesses and social enterprises.

The Phoenix Studios, with 12 serviced offices, a meeting room, reception and kitchen facilities, highlights RBS's commitment to community development and economic regeneration. Leicester Social Economy Consortium is a trading arm of the local housing charity SHARP, which has another trading arm called STRIDE, which provides work experience and training.

The Phoenix Studios development came after Leicester Social Economy Consortium had successfully completed another, similar development–a move that enabled it to build up its asset base. Now, with the Phoenix Studios development going strong, the enterprise will have a firmer financial foundation for other similar ventures in the years ahead.

www.leicesterstride.co.uk

DIRECTORY PROFILES

TRIODOS BANK

www.triodos.co.uk

email businessbanking@triodos.co.uk

tel 0800 328 2181

LET'S TALK
As the world's most sustainable bank* we not only share your values, but understand the issues and challenges facing enterprises pursuing more than just profit.

ALL YOUR BUSINESS NEEDS
With over 25 years' experience working with many of Europe's most progressive social enterprises, we're uniquely positioned to provide:

- current, deposit and reserve accounts offering healthy rates of interest
- loan finance and overdraft facilities, tailored to meet your needs
- internet banking
- capital raising services, including share issues
- equity investment

PIONEERING SOCIAL INVESTMENT
We're the only social bank to offer both business banking services and investment banking. The Triodos Social Enterprise Fund's recent investment in Charity Business has been hailed as a milestone for social enterprise, as the UK's first social venture capital investment. And with almost £4 million to invest the fund is looking for more social enterprises to speak to.

OPEN AND TRANSPARENT
Unlike most banks, transparency is a priority at Triodos. We're completely open about the organisations we support and the only commercial bank in the UK that publishes details of every loan we make. So judge our ethical credentials for yourself.

OUR SUCCESS STORY: THE ETHICAL PROPERTY COMPANY

IN PRACTICE

The Ethical Property Company is a very different type of landlord, buying and developing properties to create centres that bring together a variety of social change organisations under one roof – enabling them to share skills and ideas.

As well as providing the company with a full banking service, we've played a major part in funding their pioneering developments. Our Investment Banking team has worked on three share issues with them, attracting over £7 million from more than a thousand investors.

We've also provided loan finance for the purchase of property, which has seen the company grow to operate in 11 cities across the UK and Belgium.

www.ethicalproperty.co.uk

*Triodos Bank won the Sustainable Bank of the Year Award at the FT Sustainable Banking Awards, see www.triodos.co.uk/bestbank for more.

UNLTD

www.UnLtd.org.uk

email info@unltd.org.uk

tel 0845 850 1122

WHO WE ARE AND WHAT WE OFFER

UnLtd are the leading provider of support to UK social entrepreneurs and offer the largest such network in the world. UnLtd resources over 1,000 individuals each year through its core Awards programme and supports tens of thousands more via direct engagement and partnership awards initiatives.UnLtd operates a unique model by investing directly in individuals and offering a complete package of resources; from funding between £500 and £15,000 to ongoing advice, networking and practical support.

UnLtd Ventures provides long term specialist support to a number of outstanding entrepreneurs.

UnLtd Research leads on inspiring and informing action, policy and social change.

UnLtd Connect brings together experienced professionals able to offer pro-bono support and those who are growing social ventures.

UnLtd Advantage is the premier investment readiness programme for social entrepreneurs and those investing in them.

Young UnLtd is transforming how society views young people and how young people view themselves.

UnLtdWorld.com connects you to the people, tools and information you need to change the world.

UnLtd deliver the legacy of the Millennium Awards Trust and programmes with partners such as the DCSF, Channel 4, NESTA and Comic Relief. UnLtd operate across the UK with regional offices in Belfast, Birmingham, Bradford, Cardiff, Edinburgh, Glasgow and London.

OUR SUCCESS STORY: MOW & GROW

IN PRACTICE

Mow & Grow is a unique, effective and sustainable gardening service with a seven figure turnover.

It has three main beneficiary groups which include elderly and vulnerable people, those disadvantaged in the labour market and the community in general.

Its founder, Trevor Lynn, has received UnLtd Level 1, 2 and 3 Awards – with support provided by the Ventures/Advantage team to help with his replication and expansion strategy.

From this UnLtd has facilitated advice for Mow & Grow's corporate governance and the legal structuring of a rapidly expanding business/brand and introductions to a number of interested funders.

UnLtd's support has helped Trevor build from his initial local pilot scheme to an award-winning national, multi-brand, franchised operation.

BIG ISSUE INVEST

www.bigissueinvest.com

email becki@biginvest.com

tel 020 7526 3434

WHO WE ARE

Big Issue Invest (BII) is a specialised provider of finance to social enterprises. BII, founded by The Big Issue grew out of a social enterprise and is led by social entrepreneurs. It has attracted a wealth of financial talent who want to add their experience and passion to our mission of dismantling poverty.

WHAT WE DO

Typically, BII's financing ranges from £50,000 to £500,000 for social enterprises in the form of loans, participation loans where repayments are linked to the future growth of the business, and equity investment. BII will also finance the acquisition of private businesses by social enterprises with a proven track record. BII will use a social rating system, developed together with Investing For Good, to measure and report on social returns and impact.

WHO WE FINANCE

BII finances social enterprises throughout the UK, including, non-profit-distributing social enterprises, the trading arms of registered charities and, on an exceptional basis, socially-driven, for-profit businesses. Investment areas include job creation, health and social care, financial inclusion, disability and environment.

BIG LOTTERY FUND

www.biglotteryfund.org.uk

email general.enquiries@biglotteryfund.org.uk

tel 0845 4 10 20 30

WHO WE ARE

BIG is the largest of the Lottery distributors, awarding half the money that the National Lottery raises for good causes. Our mission is to bring real improvements to communities and the lives of people most in need. We are passionate about the impact we make and determined that every Lottery pound should be put to the best use possible.

WHAT WE OFFER

BIG runs a wide range of funding programmes across the UK – some offer grants as small as £300 while others provide larger awards to target specific needs in local communities. Our website sets out full details of all current programmes and our past awards. Most of BIG's funding goes to the voluntary and community sector and social enterprises are eligible to apply for many programmes (please check the programme guidance for eligibility criteria).

NEW FRAMEWORK

In June 2009, BIG published a new Strategic Framework for 2009-2015. This is the starting point for the development of new programmes and our website will provide regular updates on these as they emerge.

DIRECTORY PROFILES

BRIDGES VENTURES

www.bridgesventures.com

email info@
bridgesventures.com

tel 020 7262 5566

WHO WE ARE
Bridges Ventures is an investment company whose commercial expertise is used to deliver both financial returns and social and environmental benefits. We believe that market forces and entrepreneurship can be harnessed to do well by doing good.

HOW WE WORK
We pride ourselves on working closely with the companies we back and we are committed to helping entrepreneurs achieve long-term success for their businesses.

We currently manage two Venture Funds and the Bridges Social Entrepreneurs Fund.

VENTURE FUNDS
Invest up to £10m in for-profit, entrepreneurial businesses located in regeneration areas and in sectors such as healthcare, education and the environment.

BRIDGES SOCIAL ENTREPRENEURS FUND
Invests up to £1m in scalable and sustainable social enterprises with a clear social mission and a robust business model.

For more information, please email info@bridgesventures.com or call 020 7262 5566.

BUSINESS LINK

www.businesslink.gov.uk

tel 0845 600 9006

WHO WE ARE
Business Link is the gateway to all business support across England. We understand the subtle differences between setting up and running a Social Enterprise compared to a commercial business.

WHAT WE OFFER
As a Social Enterprise you could be missing out on specialist advice and support to help you develop and grow. Our services offer you the quality of advice and types of support that are usually the privilege of larger enterprises.

We offer FREE impartial business advice, run a range of FREE events and have a wealth of interactive online tools – all of which provides you with the right solutions for your business needs, from keeping the cash flowing to starting a new business.

GET IN TOUCH
Get in touch with your local Business Advice Team today by calling 0845 600 9006 and see the difference we can make to your business tomorrow. Alternatively, visit our website to find out more: www.businesslink.gov.uk

BUZZACOTT

www.buzzacott.co.uk

email socent@
buzzacott.co.uk

tel 020 7556 1200

WHO WE ARE
Buzzacott has long been established as a leading adviser to businesses and Civil Society Organisations. We have taken a leading role in the development and promotion of best practice – actively engaging with the increasing range of entities building successful businesses which deliver social, environmental and community benefit.

WHAT WE OFFER
Our services include advice on corporate structuring, including group structures and the establishment of appropriate legal forms – for example CICs – as well as compliance and advisory support in audit taxation and accounting.

OUR APPROACH
We work closely with our clients to ensure they fully comply with the complex mesh of regulation facing all organisations, encouraging reporting in a way which best supports and communicates both business success and social and environmental impact.

HUB ISLINGTON

www.the-hub.net

email islington.hosts@
the-hub.net

tel 020 7841 8900

WHO WE ARE
The Hub is an international platform of people and projects working for a radically better world.

We've created an inspired place for meeting, working, learning and celebrating.

We borrow from the best of a personal office, friendly café, events space and the comforts of home.

WHAT DO YOU NEED?
You have things to do, people to meet, meetings to host and a business to run. You need flexibility, support, tools and opportunity.

WHAT DO WE OFFER?
The Hub is the place for you.

You can be here by the hour, the day, the month or the year. You sign up to the tariff that works for you and gain access to innovative work and meeting spaces, a diverse programme of support and events and an amazing community.

You're invited.

OFFICE OF THE THIRD SECTOR, CABINET OFFICE

www.cabinetoffice.gov.uk/third_sector.aspx

email info@cabinet-office.x.gsi.gov.uk

tel 020 7276 6400

WHO WE ARE
The Office of the Third Sector was created in May 2006, incorporating the responsibilities of the Active Communities Directorate in the Home Office, and the Social Enterprise Unit in the Department of Trade and Industry. We are at the centre of government in the Cabinet Office in recognition of the increasingly important role the third sector plays in both society and the economy.

WHAT WE DO
The Office of the Third Sector leads work across government to support the environment for a thriving third sector (voluntary and community groups, social enterprises, charities, co-operatives and mutuals), enabling the sector to campaign for change, deliver public services, promote social enterprise and strengthen communities.

Our responsibilities include national policy on social enterprise. Our vision is of a dynamic and sustainable social enterprise sector contributing to a stronger economy and a fairer society.

OIKOCREDIT

www.oikocredit.org

email uk@oikocredit.org

tel 01995 602806

WHO WE ARE
Established since 1975, Oikocredit is one of the world's largest sources of private funding to the microfinance sector. We also provide credit to trade cooperatives, fair trade organisations and small-to-medium enterprises (SMEs) in the developing world.

MICROFINANCE
Through our local staff, we lend working capital to microfinance institutions (MFIs) all over the world. In turn, they dispense life-changing loans to the poor and disadvantaged, with a special emphasis on rural areas and women.

SOCIAL INVESTMENT
We offer a dual return to our investors: financial and social. In addition to earning modest financial returns, investors are secure in the knowledge that their money is being used to fight poverty, promote fair trade and respect our planet's natural resources.

RED OCHRE

www.redochre.org.uk

email uday@redochre.org.uk

tel 020 7785 6294

WHO WE ARE
Red Ochre is a management consultancy specialising in providing innovative business support to organisations that deliver social change.

Our team brings a wide range of skills and experience developed from successful careers in commerce, corporate finance, research and management consultancy.

The quality of our work has not gone unnoticed. Red Ochre Managing Director Uday Thakkar was voted Social Enterprise Mentor of the Year at the 2008 Edge Upstart Awards.

WHAT WE DO
Red Ochre provides clear and practical support to aspiring and existing organisations and enterprises to enable them to scale up, become investment ready and achieve sustainability.

WHO WE WORK WITH
Our clients include social enterprises, community and faith organisations, statutory agencies, charities, social investors, government departments and ethical businesses.

SOCIAL FINANCE LTD

www.socialfinance.org.uk

email info@socialfinance.org.uk

tel 020 7182 7878

SOCIAL IMPACT THROUGH EFFECTIVE FINANCE
Social Finance brings together social and financial expertise to enable more, more effective and more reliable funding for social impact.

HOW WE WORK
We support social investors and social sector organisations to explore their financing options, working with them to create solutions that enable them to achieve their aims.

Our advisory and capital-raising services are supported and informed by our research and market intelligence.

We seek to accelerate the development of the social investment market in the UK through innovation and rigour.

WHO WE WORK WITH
If you are a social investor, or a social sector organisation seeking £1 million-plus in repayable finance, we may be able to help.

A

ABI ASSOCIATES
www.abi.co.uk
tel 020 8438 4550
London
Support for small businesses with a particular focus on minority communities

ABN AMRO GROUP
www.abnamro.com
International
Bank with its own foundation to foster sustainable development

ACCESS FUNDS
www.access-funds.co.uk
email info@access-funds.co.uk
tel 020 7793 3730
UK
Online grants information for not-for-profit sector

ADDLESHAW GODDARD
www.addleshawgoddard.com
tel 020 7606 8855
UK
Law firm with commitment to CSR

ADVENTURE CAPITAL FUND
www.adventurecapitalfund.org.uk
email info@adventurecapitalfund.org.uk
tel 020 7488 3455
England
Community enterprise funder

AFRICA INVEST FUND MANAGEMENT
www.africainvestfm.com
email info@africainvestfm.com
tel 020 7060 0252
International
Develops agriculture in Africa through investment in enterprise

AGA KHAN FUND FOR ECONOMIC DEVELOPMENT
www.akdn.org
International
Invests to build enterprises in parts of world that lack sufficient foreign direct investment

ARBOR VENTURES LTD
www.arborventures.co.uk
International
Invests in organisations that strive to improve quality of life in a sustainable way

ART
www.reinvest.co.uk
email art@reinvest.co.uk
tel 0121 359 2444
West Midlands
ART (Aston Reinvestment Trust), launched in 1997, is a pioneering CDFI, providing loans from £10,000 to £50,000 to small businesses and social enterprises in Birmingham and Solihull. ART uses a mixture of social investment and public and private sector funds.

ARCADIA
www.arcadiafund.org.uk
email arcadia@nyland.org.uk
International
Grant-making fund focusing on environmental conservation and cultural knowledge

ARTS COUNCIL ENGLAND
www.artscouncil.org.uk
tel 0845 300 6200
England
Distributes government and national lottery money for the arts

AWARDS FOR ALL
www.awardsforall.org.uk
email general.enquiries@awardsforall.org.uk
tel 0845 410 2030
UK
Lottery small grants scheme

B

BAKER & MCKENZIE
www.bakernet.com
email info@bakernet.com
tel 020 7919 1000
International
Law firm that works pro bono with microfinance fund Opportunity International

BAKER BROWN ASSOCIATES
www.bakerbrown.co.uk
email enquiries@bakerbrown.co.uk
tel 01179 250 824
UK
Training, research and development for the social economy

B

BARCHESTER GREEN INVESTMENT
www.barchestergreen.co.uk
email info@barchestergreen.co.uk
tel 01722 331 241
Ethical investment and sustainable financial planning advisors

BARCLAYS
www.barclays.com
International
Runs community investment programmes, offers financial services in developing world

BARING FOUNDATION, THE
www.baringfoundation.org.uk
email baring.foundation@uk.ing.com
tel 020 7767 1348
UK
Grants for voluntary organisations

BATES WELLS AND BRAITHWAITE
www.bwbllp.com
email a.rumbold@bwbllp.com
tel 020 7551 7777
UK
Social enterprise and charity specialist solicitors

BAXI PARTNERSHIP
www.baxipartnership.co.uk
email business@baxipartnership.co.uk
tel 01383 749 670
UK
Invests in and advises employee-owned companies

BEDFORDSHIRE AND LUTON COMMUNITY FOUNDATION
www.blcf.org.uk
tel 01767 626 459
Bedfordshire and Luton
Grant maker supporting local groups

BEES KNEES
www.bees-knees.org
email clive.pawson@bees-knees.org.uk
tel 01724 275 170
North Lincolnshire
Loan finance for businesses and social enterprises

BIG ISSUE INVEST
www.bigissueinvest.co.uk
email nella@biginvest.co.uk
tel 020 7526 3434
UK
Finance for social enterprises and trading arms of charities

BIG LOTTERY FUND
www.biglotteryfund.org.uk
email general.enquiries@biglotteryfund.org.uk
tel 020 7211 1800
The principal Lottery distributor

BLACK COUNTRY REINVESTMENT SOCIETY (BCRS)
www.bcrs.org.uk
email enquiries@bcrs.org.uk
tel 0845 313 8410
West Midlands
Loans for businesses that contribute to social, environmental or economic wellbeing

BREAK THROUGH
Scaling up social enterprise

BREAKTHROUGH
www.can-online.org.uk
email breakthrough@can-online.org.uk
tel 020 7922 7751 or 7757
UK
Breakthrough provides funding and management support to help established social enterprises scale up and maximise their social impact. Social enterprises eligible must have three years' trading history, a minimum of £500k turnover and a scalable business model.

BRIDGES VENTURES
www.bridgesventures.com
email info@bridgesventures.com
tel 020 7262 5566
Private investment company that raises funds to achieve social/environmental as well as financial returns

BRISTOL ENTERPRISE DEVELOPMENT FUND
www.bedf.co.uk
email info@bedf.co.uk
tel 0117 9444 700
Bristol and the West Country
Loan finance for small businesses and social enterprises

B-C

BRITISH BUSINESS ANGELS ASSOCIATION
www.bbaa.org.uk
email info@bbaa.org.uk
tel 020 7089 2305
UK
Trade association for angel investors

BRITISH VENTURE CAPITAL ASSOCIATION
www.bvca.co.uk
email bvca@bvca.co.uk
tel 020 7025 2950
UK
Represents private equity and venture capital firms

BUSINESS ENTERPRISE FUND
www.befund.org
email info@befund.org
tel 01274 207 217
Bradford and North Yorkshire
Loans and support for businesses unable to borrow from conventional sources

BUSINESS FINANCE NORTH WEST
www.bbvonline.net
email info@bbvonline.net
tel 01204 391 400
North West England
Loans and support for businesses unable to borrow from conventional sources

BUSINESS FINANCE SOLUTIONS
www.business-finance-solutions.org.uk
email info@business-finance-solutions.org.uk
tel 0161 2454 977
Greater Manchester, Cheshire
Loans and support for businesses unable to borrow from conventional sources

BUSINESS IN THE COMMUNITY
www.bitc.org.uk
email information@bitc.org.uk
tel 020 7566 8650
UK
Membership organisation for responsible businesses

BUSINESS PLAN INSIGHT
www.businessplaninsight.com
tel 0845 337 2995
email info@businessplaninsight.com
UK
Software for business plans including social enterprise

BUZZACOTT
www.buzzacott.co.uk
email socent@buzzacott.co.uk
tel 020 7556 1200
UK
Chartered accountants with a charity specialist team

C

CAF Charities Aid Foundation

CHARITIES AID FOUNDATION
www.cafonline.org
email enquiries@cafonline.org
tel 01732 520 000
International
CAF's aim is simple: to make charity donations go further. We help donors to give and charities to manage their money. How? By offering products and services that make tax-efficient giving easier and helping charities make the most of donations through our banking and fundraising support services.

CAMBRIDGE COMMUNITY FOUNDATION
www.cambscf.org.uk
email info@cambscf.org.uk
tel 01223 410 535
Cambridgeshire
Grants to local voluntary/community groups

CAN
www.can-online.org.uk
email lb.reception@can-online.org.uk
tel 0845 456 2537
UK
Funding and business support for social enterprises

C

CAPITALISE BUSINESS SUPPORT LIMITED (CBS)
www.capitalise.org
email info@capitalise.org
tel 0845 601 8326
Sussex, Surrey and Kent
Loans/support for social enterprises

CAPITAL FUND, THE
www.thecapitalfund.co.uk
email londoninfo@yfmgroup.co.uk
tel 020 7089 5530
Greater London
Venture capital fund for exciting small businesses

CAPITALISE NORTH EAST
www.capitalisenortheast.co.uk
email john@capitalisenortheast.co.uk
tel 01642 898 679
North East
Financial support for social enterprises

CARBON CAPITAL MARKETS
www.carboncapitalmarkets.com
email info@carboncapitalmarkets.com
tel 020 7317 6200
International
Carbon trading and fund management

CCLA
www.ccla.co.uk
email clientservices@ccla.co.uk
tel 0800 022 3505
UK
Specialist investment manager for charities

CEU LTD
www.ceultd.co.uk
email info@ceultd.co.uk
tel 01392 666281
South West
CEU holds the Social Enterprise Quality Mark, with over 10 years experience in the South West delivering: • Social Enterprise Development • Impact and Performance Improvement • Project Evaluation • Training and Facilitation • Independent Research • Project Development and Management • 'Fairspace' meeting room/ training hub

CHARITY BANK LTD
www.charitybank.org
email enquiries@charitybank.org
tel 01732 774 040
UK
Affordable loans to the charity and social enterprise sectors

CHARITY BUSINESS
www.charitybusiness.com
email marketing@charitybusiness.com
tel 01793 554 200
National
Consultancy and investment advice for the third sector

CHARLES STANLEY
www.charles-stanley.co.uk
email admin@charles-stanley.co.uk
tel 020 7739 8200
UK
Independent stockbrokers with charity investment services

CHEVIOT ASSET MANAGEMENT
www.cheviot.co.uk
tel 020 7845 6150
UK
Independent investment firm with charity department

CITY BRIDGE TRUST
www.bridgehousegrants.org.uk
email citybridgetrust@cityoflondon.gov.uk
tel 020 7332 3710
Greater London
Makes grants to charitable projects

CITY PAROCHIAL FOUNDATION
www.cityparochial.org.uk
email info@cityparochial.org.uk
tel 020 7606 6145
London
Funds charitable work

CITYLIFE
www.citylifeltd.org
email admin@citylifeltd.org
tel 01223 323 481
UK
Independent charitable organisation raising funds

C-D

COMMUNITY MONEY CIC
www.communitymoney.co.uk
email info@communitymoney.co.uk
tel 020 7061 6238
Currently Greater London focused
Community Money CIC is a micro finance institution and social enterprise. We tackle poverty around the corner by providing advice, community grants and micro loans to individuals, community groups and small businesses.

COMIC RELIEF
www.comicrelief.com
email info@comicrelief.com
tel 020 7820 5555
UK and worldwide
Raising funds, making grants

COMMUNITY DEVELOPMENT FINANCE ASSOCIATION
www.cdfa.org.uk
email info@cdfa.org.uk
tel 020 7430 0222
UK
Trade association for CDFIs

COMMUNITY FOUNDATION NETWORK
www.communityfoundations.org.uk
email network@communityfoundations.org.uk
tel 020 7713 9326
UK
Independent funder of community organisations

COMMUNITY FOUNDATION SERVING TYNE & WEAR AND NORTHUMBERLAND
www.communityfoundation.org.uk
email general@communityfoundation.org.uk
tel 0191 2220 945
Tyne & Wear and Northumberland
Support and grant giver

CONSERVATION FOUNDATION
www.conservationfoundation.co.uk
email info@conservationfoundation.co.uk
tel 020 7591 3111
UK and international
Creates and manages environmental initiatives

CO-OPERATIVE AND COMMUNITY FINANCE
www.co-opandcommunityfinance.coop
email info@co-opandcommunityfinance.coop
tel 0117 916 6750
Mainland UK
Finance as if People Mattered
Co-operative and Community Finance help more people take control of their economic lives. We provide loan finance for all types of social enterprises including co-operatives, community businesses, development trusts and businesses developed from the charitable sector.

COVENTRY AND WARWICKSHIRE REINVESTMENT TRUST
www.cwrt.uk.com
email enquiries@cwcda.co.uk
tel 02476 551 777
Coventry and Warwickshire
Loans for organisations that improve the local economy

CUMBRIA COMMUNITY ASSET AND REINVESTMENT TRUST LTD (CART)
www.ccart.org.uk
email enquiries@ccart.org.uk
tel 01768 867 118
Cumbria
Loans to businesses turned down by mainstream lenders

D

DACORUM COMMUNITY TRUST
www.dctrust.org.uk
email admin@dctrust.org.uk
tel 01442 231 396
Dacorum area
Charity providing grants for people in need

DEVELOPMENT TRUSTS ASSOCIATION
www.dta.org.uk
email info@dta.org
tel 0845 458 8336
UK
National body for development trusts and community enterprises. Expertise in developing community assets

DIRECTORY LISTINGS

D-E

DONBAC LIMITED
www.donbac.co.uk
email info@donbac.co.uk
tel 01302 341 070
Doncaster and the wider South Yorkshire region
Enterprise agency and loan fund

DSL
www.dsl-businessfinance.co.uk
email info@dsl-businessfinance.co.uk
tel 0141 4252 930
West of Scotland
Loans for small businesses and social enterprises

DW MARKETS
www.dwmarkets.com
US-based fund manager and investment bank using capital markets for sustainable development

E

EAST LANCS MONEYLINE
www.elmline.co.uk
email elmoneyline@btconnect.com
tel 01254 295 970
East Lancashire area
Industrial and provident society providing loans, savings and advice

EAST LONDON SMALL BUSINESS CENTRE
www.goeast.org
email keithr@goeast.org
tel 020 7377 8821
East London
Support small businesses

eastside
making social enterprise happen

EASTSIDE
www.eastsideconsulting.co.uk
email rachel@eastsideconsulting.co.uk
tel 020 7770 6144
UK
Eastside's mission is to create social impact through enterprise and innovation. We deliver business solutions that ensure financial viability for third sector organisations. We do this because expertise, investment and innovation combine to strengthen these organisations and help them move beyond dependency on grants and donations.

EEDA
www.eeda.org.uk
tel 01223 713 900
East of England
Regional economic development agency

ENTERPRISE4ALL (NORTH WEST)
www.enterprise4all.co.uk
email info@enterprise4all.co.uk
tel 0845 607 0786
North West England
Business support and networking

ENTERPRISE NORTHERN IRELAND
www.enterpriseni.com
tel 028 7776 3555
Northern Ireland
Network of local enterprise agencies, including Aspire microfinance fund

EPWORTH INVESTMENT MANAGEMENT
www.epworthinvestment.co.uk
tel 020 7496 3636
UK
Specialist fund manager in church and charity investment

equityplus

EQUITY PLUS LTD
www.equityplus.org.uk
email info@equityplus.org.uk
tel 0845 527 9204/9227
UK
Equity plus runs the Social Enterprise Angel Network launched in 2007 after initial sponsorship from the Cabinet Office. It works with high social impact businesses to get investment ready and then pitch to investors where there is a strong values match.

E-F

ESMEE FAIRBAIRN FOUNDATION
www.esmeefairbairn.org.uk
email info@esmeefairbairn.org.uk
tel 020 7812 3700
UK
Independent grant-making foundation

ESSEX COMMUNITY FOUNDATION
www.essexcommunityfoundation.org.uk
tel 01245 355947
Essex
Grant maker

ETHICAL FINANCIAL PLANNING
www.ethicalfp.ifa-web.co.uk
email ethical.financial.planning@ntlworld.com
tel 020 8445 1423
UK
Independent financial adviser

ETHICAL FUTURES
www.ethicalfutures.co.uk
email invest@ethicalfutures.co.uk
tel 0845 612 5505
The UK and beyond
Ethical independent financial advisers

ETHICAL INVESTMENTS
www.ethicalinvestments.co.uk
email dav@ethicalinvestments.co.uk
tel 0114 2368 168
UK
Promotes new investment opportunities

ETHICAL INVESTORS GROUP
www.ethicalinvestors.co.uk
email info@ethicalinvestors.co.uk
tel 01242 539 848
UK
Ethical financial advice

ETHICAL MONEY
www.ethicalmoney.org
email info@ethicalmoney.org
tel 01748 822 402
UK
Independent financial advisers

ETHICAL PARTNERSHIP
www.the-ethical-partnership.co.uk
tel 0845 612 3410
email enquiries@the-ethical-partnership.co.uk
UK
Independent financial advisers

ETHOS/MLS GROUP PLC
www.ethosmls.co.uk
email info@ethosmls.co.uk
tel 020 7993 9940
International
Entrepreneurial charitable foundation of MLS Group Plc

F

FAIR FINANCE
www.fairfinance.org.uk
email info@fairfinance.org.uk
tel 020 7780 1777
UK
Loan products and advice to businesses and individuals

FAIRTRADE FOUNDATION
www.fairtrade.org.uk
tel 020 7405 5942
International
Licenses use of the Fairtrade Mark and advises Fairtrade businesses

FIDELITY UK FOUNDATION
www.fidelityukfoundation.org
tel 01732 777 364
International
Takes an investment approach to grant making

FIRST ENTERPRISE BUSINESS AGENCY
www.first-enterprise.co.uk
email rtyas@first-enterprise.co.uk
tel 0115 9423 772
East Midlands
Business support service

FIVE LAMPS ORGANISATION, THE
www.fivelamps.org.uk
email johnclark@fivelamps.org.uk
tel 01642 608 316
Thornaby
Community led social and economic regeneration

F-G

FOUNDATION EAST
www.foundationeast.org
email info@foundationeast.org
tel 01284 757 777
Suffolk, Cambridgeshire, Bedfordshire, Hertfordshire, Norfolk and Essex
Offers business and personal loans and works with community land trusts

FOUNDATION TRUST NETWORK
www.foundationtrustnetwork.org
email nana.asare@nhsconfed.org
tel 020 7074 3245
England
Represents NHS foundation trusts

FREDERICKS FOUNDATION
www.fredericksfoundation.org
email mailto@fredericksfoundation.net
tel 01242 242 555
South East
Helps disadvantaged people start sustainable businesses

FRIENDS PROVIDENT FOUNDATION
www.friendsprovidentfoundation.org
email foundation.enquiries@friendsprovident.co.uk
tel 0845 268 3388
UK
Grant-making charity

FROG CAPITAL
www.frogcapital.com
email info@frogcapital.com
tel 020 7833 0555
International
Investment company with specialisation in cleantech business

FUNDINGINFORMATION.ORG
www.fundinginformation.org
email info@inspiring-vision.com
tel 0845 890 4930
UK
Online funding information services

FUNDING NETWORK, THE
www.thefundingnetwork.org.uk
email info@thefundingnetwork.org.uk
tel 0845 313 8449
UK
Funds social change projects

FUTUREBUILDERS ENGLAND
www.futurebuilders-england.org.uk
email info@futurebuilders-england.org.uk
tel 0191 261 5200
UK
Loans, grants and support to third sector

FUTURE FOUNDATION
www.futurefoundation.net
email office@futurefoundation.net
tel 020 3042 4747
UK
Identify, explain and measure trends

G

GAEIA PARTNERSHIP, THE
www.gaeia.co.uk
email office@gaeia.co.uk
tel 0161 4344 681
UK
Independent ethical investment advice

GARFIELD WESTON
www.garfieldweston.org
tel 020 7399 6565
UK
Grant-giving charity

GENERATION INVESTMENT/ GENERATION FOUNDATION
www.generationim.com
tel 020 7534 4700
International
Independent partnership dedicated to sustainability issues

GK PARTNERS
www.gkpartners.co.uk
email info@gkpartners.co.uk
tel 020 7785 6340
National
Business advisers and project consultants to third sector

GLE ONELONDON
www.gle.co.uk/onelondon
email businessloans@gle.co.uk
tel 020 7940 1571
London
Economic development; loans up to £250,000 provided

DIRECTORY LISTINGS

G-I

GLIMMER OF HOPE
www.aglimmerofhope.org
email inquiries@aglimmerofhope.org
Based in Teas, US
Social enterprise working in high poverty areas involving social investors to create 'social profit'

GLOBAL PHILANTHROPIC
www.globalphilanthropic.com
email clientsupport@globalphilanthropic.com
tel 020 7321 3854
International
Strategic advisory services for non-profits

GLOUCESTERSHIRE DEVELOPMENT LOAN FUND LIMITED (GDLF)
www.gdlf.co.uk
email info@gdlf.co.uk
tel 01242 242 555
Gloucestershire
Lends to businesses and social enterprises

GOOLE DEVELOPMENT TRUST
www.gooledevelopmenttrust.org.uk
email info@gooledevelomenttrust.org.uk
tel 01405 766 076
Goole
Supports economic, social, environmental regeneration

GRAMEEN FOUNDATION
www.grameenfoundation.org
email sbrown@grameenfoundation.org
tel +1 202 628 3560 ext 114
International
Microfinance

GRANTMAKERS WITHOUT BORDERS
www.internationaldonors.org
email john@gwob.net
tel +1 617 794 2253
International
A network focused on 'global social change philanthropy'

H

HBOS FOUNDATION
www.hbosfoundation.org
tel 0131 2437 128
UK
Grant maker

HBV ENTERPRISE
www.hbv.org.uk
email mail@hbv.org.uk
tel 020 7254 9595
Pan London enterprise finance – priority focus in/around Hackney
Commercially run charity offering enterprise advice

HEMPSONS
www.hempsons.co.uk
email london@hempsons.co.uk
tel 020 7839 0278
National
Provides legal services. Specialises in social enterprise and health

HENRY SMITH CHARITY
www.henrysmithcharity.org.uk
tel 020 7264 4970
UK
Grant-making charity

HERTFORDSHIRE COMMUNITY FOUNDATION
www.eastspace.net
email office@hertscf.org.uk
tel 01707 251 351
Hertfordshire and beyond
Grant maker

HOLDEN & PARTNERS
www.holden-partners.co.uk
tel 020 7812 1460
UK
Investment management specialising in ethical investment and climate change

HUB, THE
www.the-hub.net
email connect@the-hub.net
tel 020 7841 8900
UK and international
Global community supporting enterprising initiatives

I

IMPETUS
www.impetus-marches.co.uk
email info@impetus-marches.co.uk
tel 01386 556 000
Herefordshire, Worcestershire and Shropshire
CDFI offering loan finance for businesses and social enterprises

IMPETUS TRUST
www.impetus.org.uk
email info@impetus.org.uk
tel 020 7745 7203
UK
Venture philanthropy for ambitious charities and social enterprises

DIRECTORY LISTINGS

INNOVATIVE FINANCE
www.hastingstrust.co.uk
email if@hastingstrust.co.uk
tel 01424 446 373 / 452 528
Hastings and St Leonards
CDFI run by the Hastings Trust

INSPIRING SCOTLAND
www.inspiringscotland.org.uk
email enquiries@inspiringscotland.org.uk
tel 0870 428 1982
Scotland
Venture philanthropy offering long-term investment and support

INSTITUTE FOR PHILANTHROPY
www.instituteforphilanthropy.org
email contact@instituteforphilanthropy.org
tel 020 7240 0262
International
Works with a global network of wealthy individuals, trusts, private companies, foundations and schools to ensure effective philanthropy

INVESTING ETHICALLY
www.investing-ethically.co.uk
email contactus@investing-ethically.co.uk
tel 01603 309020
UK
Ethical investment for socially responsible people

ISLAMIC BANK OF BRITAIN
www.islamic-bank.com
tel 0845 6060 786
UK
Sharia'a compliant banking services

INVESTING FOR GOOD CIC (LTD)
www.investingforgood.co.uk
email gburnand@investingforgood.co.uk
tel 020 7060 1175
UK/International
Investing for Good is an FSA regulated specialist investment adviser to private banks, asset managers, financial planners, family offices and trusts. Our unique investment advisory services result in portfolios whose primary purpose is to deliver positive environmental and social impact.

J

J4B
www.j4b.co.uk
email j.phillips@j4b.com
tel 01625 628007
UK and Ireland
Comprehensive grant information/database

K

KELLOCK WEALTH MANAGEMENT (KWM)
www.kwm.cc
email ivor@kwm.cc
tel 01727 870 613
UK
Independent financial advice

KEY FUND YORKSHIRE
www.keyfundyorks.org.uk
email info@keyfundyorks.org.uk
tel 0845 140 1400
Yorkshire and the Humber region
Investment support for social enterprises

KLEINWORT BENSON
www.kleinwortbenson.com
email Simon.Gordon@kbci.com
tel 0161 200 1633
UK and Channel Islands
Private bank and wealth manager with specialist charity team

L

LAIPETERS & CO
www.laipeters.org
email MeiSim@LaiPeters.org
tel 020 7194 8385
UK
Accounting services and support with specialist charity department

LANCASHIRE COMMUNITY FINANCE
www.lancashirecommunityfinance.co.uk
email info@lancashirecommunityfinance.co.uk
tel 01772 556 877
Lancashire
Community business offering loans for residents and businesses

LANKELLY CHASE FOUNDATION
www.lankellychase.org.uk
email enquiries@lankellychase.org.uk
tel 01235 820 044
UK
Grant maker

LEICESTERSHIRE MONEYLINE
www.leicestermoneyline.co.uk
email info@leicestermoneyline.co.uk
tel 0116 2537 879
Leicestershire
Affordable loans for those declined by mainstream lenders

LIVING EARTH FOUNDATION
www.livingearth.org.uk
email info@livingearth.org.uk
tel 020 7440 9750
UK and international
Work to resolve environmental concerns

LLOYDS TSB FOUNDATION FOR ENGLAND AND WALES
www.lloydstsbfoundations.org.uk
email enquiries@lloydstsbfoundations.org.uk
tel 0870 411 1223
UK
Funds for charities

LOCAL INVESTMENT FUND
www.lif.org.uk
email information@lif.org.uk
tel 020 7680 1028
UK
Loans to social enterprises

LONDON BRIDGE CAPITAL
www.lbc.uk.net
email info@lbc.uk.net
tel 020 7877 5050
International
Clean technology investment banking

LONDON BUSINESS LOANS
www.londonbusinessloans.co.uk
email wholesale@gle.co.uk
tel 020 7940 1571
London
Alternative business finance. Loans up to £250,000 provided

LONDON DEVELOPMENT AGENCY
www.lda.gov.uk
email info@lda.gov.uk
tel 020 7593 8000
London
Regional development agency for London

LONDON REBUILDING SOCIETY
www.londonrebuilding.com
email info@londonrebuilding.com
tel 020 7682 1666
London
London Rebuilding Society provides loans and business support to social enterprises in the Greater London area. We lend to Companies Limited by Guarantee, Community Interest Companies, etc, and also to private limited companies that have social, ethical or environmental aims.

LONDON FUNDERS
www.londonfunders.org.uk
email info@londonfunders.org.uk
tel 020 7255 4488
London
Membership organisation of funders and investors

M

MAKE YOUR MARK
www.makeyourmark.org.uk
email info@makeyourmark.org.uk
tel 020 7430 8010
UK
Youth network including support for young social entrepreneurs

MCF (MIDLANDS COMMUNITY FINANCE)
www.derbyloans.co.uk
email info@derbyloans.co.uk
tel 01332 365 550
Derby
Personal and business loans for those turned down by mainstream lenders

MERSEYSIDE SPECIAL INVESTMENT FUND
www.afm.uk.com
email info@afm.uk.com
tel 01512 364 040
Merseyside
The fund manager for Merseyside Special Investment Fund, the largest regional fund in the UK

M-N

MIKE GORDON CONSULTANCY
email mike@mgc13.plus.com
tel 01268 418 172
UK (but especially East of England, London and South East) and Europe
Social enterprise and economy, social valuation, regeneration, economic and community development

MONEYLINE GREATER MANCHESTER
www.moneylinegm.co.uk
email loans@moneylinegm.co.uk
tel 0161 736 6500
Greater Manchester
Loans for individuals, businesses, community organisations

MONEYLINE YORKSHIRE (IPS) LTD
www.fisy1.co.uk
email admin@fisy1.co.uk
tel 0114 2760 787
Yorkshire
Provide personal loans

N

NATIONWIDE FOUNDATION
www.nationwidefoundation.org.uk
email enquiries@nationwidefoundation.org.uk
tel 01793 655 113
UK including Northern Ireland
Grant maker aiming to make a difference to people's lives

NESEP
www.nesep.co.uk
tel 01914 272 150
North East
Voice, eyes and ears of social enterprise in the region

NESTA
www.nesta.org.uk
tel 020 7438 2500
UK
National Endowment for Science, Technology and the Arts. Innovation and social investment body

NETWORK 2012
www.network2012.net
email support@network2012.net
tel 07810 446 684
UK
Online business and social network

NEW ECONOMICS FOUNDATION
www.neweconomics.org
email info@neweconomics.org
tel 020 7820 6300
UK and international
Independent think-and-do tank with specialism in social impact and social return on investment

NEW PHILANTHROPY CAPITAL (NPC)
www.philanthropycapital.org
email info@philanthropycapital.org
tel 020 7785 6300
UK
Consultancy and charity think tank focusing on making impact

NORTH LONDON ENTERPRISE CREDIT UNION
email nlec@enterprise.uk.com
tel 020 8366 8244
London
Their Ethical Fund assists Muslim entrepreneurs

NORTH STAFFORDSHIRE RISK CAPITAL FUND PLC
www.nsrcf.co.uk
email info@nsrcf.co.uk
tel 01782 266408
North Staffordshire
Invests in businesses with sustainable growth profile

NORTHERN ROCK FOUNDATION
www.nr-foundation.org.uk
email generaloffice@nr-foundation.org.uk
tel 01912 848 412
North East England and Cumbria
Grants, loans, training, research; developing initiatives specifically for those who are financially excluded

NWES (NORFOLK AND WAVENEY ENTERPRISE SERVICES)
www.nwes.org.uk
email advance@nwes.org.uk
tel 08456 099 991
East of England
Finance, advice, training and premises

DIRECTORY LISTINGS

O-P

O

OIKO CREDIT
www.oikocredit.org
email uk@oikocredit.org
tel 01995 602 806
UK and international
Private financier of the microfinance sector

ORCHARD 360
www.orchard360.com
email james@orchard360.com
tel 07970 085131
South West England/National/International
Consultancy offering support, advice, mentoring, strategy, business planning, investment-readiness advice and access to funding for all ambitious social enterprises. Over 20 years' experience across a wide range of situations: start-up, growth, restructuring and turnarounds, strategic change. Energetic, practical, proactive.

P

PARTNERSHIPS UK
www.partnershipsuk.org.uk
email info@partnershipsuk.org.uk
tel 020 7273 8383
UK
Public private partnership investment body

PAUL HAMLYN FOUNDATION
www.phf.org.uk
email information@phf.org.uk
tel 020 7227 3500
UK
Independent grant-making foundation

PLANET FINANCE
www.planetfinancegroup.org
email communication@planetfinance.org
International
Microfinance developer

PLYMOUTH SMALL BUSINESS FUND
www.epl.org.uk
email enquiries@epl.org.uk
tel 01752 211 211
Plymouth and the surrounding area
Provides loans for small businesses

PLUNKETT FOUNDATION
www.plunkett.co.uk
email info@plunkett.co.uk
tel 01993 810730
UK
The Plunkett Foundation promotes and supports co-operatives and social enterprise in rural communities. We provide support, networks and knowledge which offers practical solutions for rural communities that help to create thriving places where people live and work now and in the future.

POLDEN-PUCKHAM CHARITABLE FOUNDATION
www.polden-puckham.org.uk
email ppcf@polden-puckham.org.uk
UK
Grant giving trust with Quaker roots

PRICEWATERHOUSECOOPERS
www.pwc.com
tel 020 7583 5000
International
Financial services. Has a commitment to work more closely with social enterprises around the UK

PRIME INITIATIVE
www.primeinitiative.org.uk
email nigel@nfoyster.freeserve.co.uk
tel 020 8765 7851
UK
Business support for people aged 50+

PRINCE'S TRUST
www.princes-trust.org.uk
email webinfops@princes-trust.org.uk
tel 020 7543 1234
UK
Loans, grants, advice to young entrepreneurs

PROJECT NORTH EAST
www.pne.org
email ian.fulthorpe@pne.org
tel 01912 453 678
North East
Designs, develops and delivers innovative projects

P-R

PROJECTS PARTNERSHIP, THE (NOW TPPLAW)
www.tpplaw.co.uk
email info@tpplaw.co.uk
tel 020 7620 0888
UK
Legal and commercial advice specialising in public services

PROSPECTS FOUNDATION
www.prospectsfoundation.org.uk
email victoria.ingham@prospectsfoundation.org.uk
tel 01254 380 675
Hyndburn
Funding, training and practical assistance for community enterprise

R

RADICAL ROUTES
www.radicalroutes.org.uk
email enquiries@radicalroutes.org.uk
tel 0845 330 4510
UK
Radical co-operative network, makes loans

RATHBONE GREENBANK INVESTMENTS
www.rathbonegreenbank.com
email greenbank@rathbones.com
tel 01179 303 000
UK
Ethical investment management services

RBS/NATWEST
www.rbs.co.uk
email community.banking@rbs.co.uk
tel 01412 240 415
UK
Financial services for enterprises bypassed by mainstream services

RED OCHRE
www.redochre.org.uk
email uday@redochre.org.uk
tel 020 7785 6294
UK
Consultancy, organisational support and training for social enterprises

RISE
www.rise-sw.co.uk
email info@rise-sw.co.uk
tel 01392 435 775
South West
Voice of South West social enterprise

ROBERT OWEN COMMUNITY BANKING FUND LTD
www.rocbf.co.uk
email mick.brown@rocbf.co.uk
tel 01686 623 741
Wales
Provides finance for people in rural areas

ROCKEFELLER FOUNDATION
www.rockfound.org
email webmaster@rockfound.org
tel +1 212 869 8500
International
Innovative philanthropy attacking underlying causes of human suffering

RESONANCE LTD
www.resonance.ltd.uk
email info@resonance.ltd.uk
tel 0845 0043432
UK
Resonance is a social investment intermediary specialising in supporting social enterprises access values-led risk capital. It provides investment readiness consultancy, access to social investors and project management post investment. Resonance is launching a £20m real estate venture capital fund in 2009.

ROCKEFELLER PHILANTHROPY ADVISORS
www.rockpa.org
email info@rockpa.org
tel +1 212 812 4330
International
Philanthropy services

ROCKET SCIENCE UK LTD
www.rocketsciencelab.co.uk
email info@rocketsciencelab.co.uk
tel 0131 226 4949
UK
Consultancy working to help disadvantaged individuals

ROOTSTOCK
www.rootstock.org.uk
email info@rootstock.org.uk
tel 0870 458 1132
UK
CDFI and social investment society

S

S

SAINSBURY FAMILY CHARITABLE TRUSTS
www.sfct.org.uk
tel 020 7410 0330
UK
Operates 18 grant making trusts

SCOTCASH CIC
www.scotcash.net
email info@scotcash.glasgow.gov.uk
tel 0141 2760 525
Glasgow
Community interest company offering personal loans and advice

SCOTTISH SOCIAL ENTERPRISE COALITION
www.ssec.org.uk
email admin@ssec.org.uk
tel 0131 2432 650
Scotland
Umbrella body for social enterprises in Scotland

SE2 PARTNERSHIP
www.se2partnership.co.uk
email info@se2partnership.co.uk
South East
South east social enterprise regional network

SEEE
www.seee.co.uk
email admin@seee.co.uk
tel 0845 606 6296
East
East of England social enterprise network

SEEM
www.seem.uk.net
email info@seem.uk.net
tel 0115 8714 760
East Midlands
Regional umbrella body for social enterprises

SENSCOT
www.senscot.net
email mail@senscot.net
tel 01312 204 104
Scotland
Network for social entrepreneurs in Scotland

SHELL FOUNDATION
www.shellfoundation.org
tel 0207 934 2727
International
Provides grants, loans, guarantees

SHOREBANK INTERNATIONAL
www.sasbk.com
email contact@sbksbi.com
tel 020 7348 6124
International
Invests in people and communities to create economy equity and a healthy environment

SIRIUS
www.sirius-hull.co.uk
email info@sirius-hull.co.uk
tel 01482 890 146
Hull and the surrounding areas
Business loans for local people

SKOLL FOUNDATION
www.skollfoundation.org
email info@skollfoundation.org
tel +1 650 331 1031
International
Drives large-scale change by investing in, connecting and celebrating social entrepreneurs

SMITH & WILLIAMSON
www.smith.williamson.co.uk
tel 020 7131 4000
UK
Independent providers of investment management, accountancy, tax, corporate and financial advisory services, including to non-profits

SOCIAL ECONOMY NETWORK
www.socialeconomynetwork.org
email info@socialeconomynetwork.org
tel 028 9077 0502
Northern Ireland
Promoting the social economy

SOCIAL ENTERPRISE COALITION
www.socialenterprise.org.uk
email info@socialenterprise.org.uk
tel 020 7793 2323
UK
National umbrella body for social enterprises

SOCIAL ENTERPRISE WEST MIDLANDS
www.socialenterprisewm.org.uk
email info@socialenterprisewm.org.uk
tel 024 7663 3911
West Midlands
Regional umbrella body for social enterprises

S

SOCIAL INVESTMENT SCOTLAND
www.socialinvestmentscotland.com
email info@socialinvestmentscotland.com
tel 0131 558 7706
Scotland
Social Investment Scotland provides competitive loans and business support to 'more-than-profit' organisations, based and operating in Scotland, that have the potential to take out a loan but do not fit the lending criteria of the commercial banks.

SOCIAL FINANCE
www.socialfinance.org.uk
email info@socialfinance.org.uk
tel 020 7182 7878
UK
Cutting edge financial product development, market intelligence, social investment research and capital raising

SOCIAL INVESTMENT CONSULTANCY, THE
www.tsiconsultancy.com
email tsic-uk@tsiconsultancy.com
tel 020 7070 2484
International
Consultancy aiming to build partnerships between profit and non-profit sectors

SOCIAL FIRMS UK
www.socialfirms.co.uk
email info@socialfirms.co.uk
tel 01737 764 021
UK
Umbrella body for social firms, who work with enterprises to create jobs for disadvantaged people

SOCIAL MARKET FOUNDATION
www.smf.co.uk
email info@smf.co.uk
tel 020 7222 7060
UK
Think tank that 'marries markets and social justice'

SOUTH COAST MONEYLINE
www.scmoneyline.org.uk
email mail@scmoneyline.org.uk
tel 023 9282 6180
Portsmouth area
Provides fair finance for local people

SOUTH WEST INVESTMENT GROUP (SWIG)
www.southwestinvestmentgroup.co.uk
email info@southwestinvestmentgroup.co.uk
tel 01872 223 883
South West
CDFI providing finance for local businesses

SOUTH YORKSHIRE INVESTMENT FUND (SYIF)
www.syif.com
email info@syif.com
tel 01709 386 377
South Yorkshire
Seedcorn finance, business loans, equity-linked investments

SPIRIT OF ENTERPRISE LOAN FUND
www.northernpinetreetrust.co.uk
email newdeal@pinetree-centre.co.uk
tel 0191 4928 200
North East
Loans, finance and advice for entrepreneurs with a long-term illness or disability

SROI UK
www.sroi-uk.org
email info@sroi-uk.org
tel 0151 734 5869
UK
Network dedicated to consistent and effective use of social return on investment, informing policy, creating tools and providing guidance

STEVENAGE COMMUNITY TRUST
www.sct.uk.net
email info@sct.uk.net
tel 01438 773 368
Stevenage and the surrounding villages
Raise funds for charitable causes

DIRECTORY LISTINGS

S-U

STONEHAGE PHILANTHROPY SERVICES
www.stonehage.com
email info@stonehage.com
tel 020 7087 0000
International
Philanthropy related services

STREET (UK)
www.street-uk.com
email info@street-uk.com
tel 0121 2301 060
UK
Provides microfinance, personal and business loans

STREET NORTH EAST
www.streetnortheast.co.uk
email info@streetnortheast.co.uk
tel 0191 2302 080
North East
Micro business development finance

SUFFOLK FOUNDATION, THE
www.suffolkfoundation.org.uk
email info@suffolkfoundation.org.uk
tel 01473 734 120
Suffolk
Grant giving organisation

T

TOOL FACTORY, THE
www.thetoolfactory.com
email info@thetoolfactory.com
tel 0845 273 3834
UK
Creating tools to support the third sector

TSELF
www.tself.org.uk
email info@tself.org.uk
tel 020 7680 1028
London
TSELF provides loans to charities and social enterprises unable to secure sufficient funding from mainstream sources. Help available includes loans to purchase property or improve existing buildings, loans for vehicles or equipment and loans to help with day-to-day running costs.

TRAIN 2000
www.train2000.org.uk
email info@train2000.org.uk
tel 0151 236 6601
Merseyside, Manchester and Cheshire
Business training and advice for women

TRIODOS BANK
www.triodos.co.uk
email mail@triodos.co.uk
tel 0117 9739 339
UK and international
Claims to be the 'world's most sustainable bank'. Offers comprehensive services for social businsses, charities and individuals

TRUESTONE ASSET MANAGEMENT
www.truestone.co.uk
email enquiries@truestone.co.uk
tel 020 7488 7110
UK
Asset management consultancy, including philanthropy and socially motivated investing

TUDOR TRUST
www.tudortrust.org.uk
tel 020 7727 8522
UK
Independent grant-making trust

U

UNITY TRUST BANK
www.unity.co.uk
email cdm@unity.co.uk
tel 020 7680 1028
UK
Providing socially responsible, competitive banking to the charity and voluntary sector for 25 years. Rated 'best for customer service' 2005-2009 – Charity Finance magazine, and CSR award winner – Credit Today.

DIRECTORY LISTINGS

U-W

UK STEEL ENTERPRISE LTD
www.uksteelenterprise.co.uk
email ho@uksteelenterprise.co.uk
tel 0114 2731 612
UK
Provides finance and premises for SMEs, focusing on economic regeneration of steel communities

UKSIF
www.uksif.org
email info@uksif.org
tel 020 7749 9950
UK
The sustainable investment and finance association. Runs National Ethical Investment Week

UNLTD ADVANTAGE
www.UnLtd.org.uk/ventures
email ventures@unltd.org.uk
tel 020 7566 1108
UK
UnLtd Advantage is the premier investment readiness programme in social enterprise, preparing social enterprises for introduction to the appropriate investors. We encourage applications from established social enterprises that are: seeking at least £250,000; scalable; sustainable and have a good management team.

ULSTER COMMUNITY INVESTMENT TRUST
www.ucitltd.com
email info@ucitltd.com
tel 028 9031 5003
Northern Ireland and the border counties of the Republic of Ireland
Affordable loans and free support to community organisations and social enterprises

UNLTD
www.unltd.org.uk
www.unltdworld.com
email info@unltd.org.uk
tel 020 7566 1100
UK
Funding and support for social entrepreneurs. Behind social networking site UnLtd World

V

VENTURE PARTNERSHIP FOUNDATION, THE
www.vpf.org.uk
London
Grant-making foundation dedicated to supporting social entrepreneurs and dynamic charities

VODAFONE FOUNDATION
www.vodafone.com/start/foundation
email groupfoundation@vodafone.com
International
Makes social investments

VENTURESOME
www.venturesome.org
email venturesome@cafonline.org
tel 020 7832 3026
UK
Venturesome is a £10m social investment fund, begun in 2002 and part of CAF.
We have invested £12.5m in over 200 charities and social enterprises. We provide capital in the form of underwriting, unsecured loans and equity-like facilities, helping organisations to cover cash flow, manage the timing of income and expenditure and invest in growth or development.

W

WALES COOPERATIVE CENTRE
www.walescoop.com
email walescoop@walescoop.com
tel 029 2055 4955
Wales
Co-operative development agency

WEAVERS' COMPANY BENEVOLENT FUND, THE
www.weavers.org.uk
email weavers@weavers.org.uk
tel 020 7606 1155
UK
Grant maker helping young people at risk of criminal involvement

W-Z

WE INSPIRE OTHERS
www. weinspireothers.com
email info@madweekends.co.uk
tel 07906 321 605
UK
Socially responsible investment

WESSEX REINVESTMENT TRUST GROUP
www.wessexrt.co.uk
email enquiries@wessexrt.co.uk
tel 01404 549 139
South West
Loans and investment for social change and social return

WEST YORKSHIRE ENTERPRISE AGENCY LIMITED
www.wyea.co.uk
email keith.gomersall@wyea.co.uk
tel 0113 3857 603
West Yorkshire
Loans for entrepreneurs and businesses sidestepping the banks

WEETU
www.weetu.org
email admin@weetu.org
tel 01603 230625
Based in Norwich. Services cover the county of Norfolk
The Women's Employment, Enterprise & Training Unit (WEETU) was established in Norwich in 1987 as a not for profit organisation to improve women's social and economic lives, providing training and business start-up loans to local women who may not have access to mainstream credit.

Y

YOUNG FOUNDATION
www.youngfoundation.org.uk
email reception@youngfoundation.org
tel 020 8980 6263
UK
Social innovation, including fund for young entrepreneurs

Z

ZOPA
www.uk.zopa.com
email contactus@zopa.com
UK and international
Marketplace where people lend and borrow money to and from each other, sidestepping the banks

JARGON-BUSTER

Our guide to the key words and phrases that are used in the world of social investment

AMORTISATION: the reduction of debt outstanding by regular payments of interest and principal such that the debt is fully repaid by the end of the term

ASSET: represents what a business owns or is due, eg cash, securities, accounts receivable, land, building and equipment. A typical breakdown of assets includes 'fixed assets' referring to equipment, buildings, plant, vehicles etc, and 'current assets' referring to cash, money in the bank, debtors, etc

BRIDGING LOAN: a loan to provide finance for a relatively short time period until an enterprise obtains longer term finance

BUSINESS ANGELS: also known as informal investors, are typically wealthy individuals that provide finance to growing enterprises after the start-up phase but before the enterprise is ready to access mainstream venture capital (in terms of size of investment needed and investment readiness). They often have commercial experience that they bring to support investments. Investments may be made individually or as part of a group. In conventional finance they often expect a high rate of return but the same rule does not usually apply for social investments

CAPITAL: the resources available to be used to produce more resources

CAPITAL FLIGHT: the movement of money from one investment to another in search of greater stability or increased returns. Sometimes specifically refers to the movement of money from investments in one country to another in order to avoid country-specific risk (such as high inflation or political turmoil) or in search of higher returns. Capital flight is seen most commonly in massive foreign capital outflows from a specific country, often at times of currency instability. Often the outflows are large enough to affect a country's entire financial system

CASHFLOW STATEMENT: a schedule of cash receipts and payments during a specified period. Reflects actual cash in and out of the company – not receivables or payables and not depreciation or amortisation. An important statement in determining whether the enterprise will have enough cash to make each loan payment and finance the business

CDFI: stands for community development finance institution. CDFIs are independent organisations that provide financial services to generate both social and financial returns. They supply capital and business support to individuals and organisations whose purpose is to create wealth in disadvantaged communities or under-served markets

COLLATERAL: assets pledged by a borrower to support a loan, which will be surrendered if the enterprise fails to repay the loan

COMMUNITY SHARE ISSUE/ COMMUNITY BOND ISSUE: when an enterprise seeks investment from members of a particular community, either through offering shares to be purchased by them or through borrowing money from them. The enterprise can attract risk capital through the sale of shares, which may bring with them a vote or votes, potential dividends, and may be withdrawn or sold on a secondary market. Alternatively, it may attract debt capital through issuing a bond over a set period, which brings a commitment to repay the amount invested, perhaps at an agreed rate of interest. Examples have included wind farms, city-based bonds and the Cafédirect share issue. (Community bonds are not to be confused with social impact bonds)

CONTROLLED DISBURSEMENT: where the lender releases the loan funds to the borrower against specific contracts or specific expenses. In some cases the loan is disbursed to the supplier of the equipment of services required rather than to the borrower themselves. Reduces the risk that the loan funds are being used for purposes other than those expressed in the loan request

CORNERSTONE INVESTMENT: an investment in an enterprise or fund that has been made by a usually well-known and respected investor so as to inspire other investors to come in with money too. Cornerstone investors will work closely with the organisation and may offer business support. In some cases they may agree to lower levels of returns in relation to their equity than other investors, or they may agree to take the first hit if things go wrong

DEBT: an amount owed. The general name for notes, bonds, mortgages and the like that provide evidence of amounts owed and have definite payment dates

DEBT SERVICE COVERAGE: a ratio used as a tool to measure the likelihood that a borrower will have enough cash available to repay the loan. It is calculated by dividing the cash available after operating expenses by the debt service (principal and interest)

DEPRECIATION: the reduction in the value of an asset over its useful life. This should be calculated for accounting purposes

DUE DILIGENCE: a thorough analysis of an enterprise's financial situation to ensure that its funding application stands up to scrutiny

ENCUMBERED: when an asset owned by an enterprise is subject to a claim by a finance provider, eg when a building is pledged as security for a mortgage loan from a bank

EQUITY: see SHARE CAPITAL

GEARING: see LEVERAGE

INDUSTRIAL AND PROVIDENT SOCIETY: a legal form in the UK which may be undergoing a name change soon to Co-operative and Community Benefit Society. For co-op societies run for the mutual benefit of members (to whom profits are distributed) or for businesses conducted for the benefit of the community (profits go to the wider community). Registered by the Financial Services Authority in England, Wales and Scotland

INTERNALLY GENERATED CAPITAL/ RETAINED EARNINGS: unrestricted capital that a company generates through making profits. The aim is for this capital to fund all working capital requirements, and over time it may fund growth capital requirements

INVESTMENT READINESS: the point in an enterprise's development when it has established a sufficient track record that external finance becomes an option. Prior to this point finance is usually sourced though grants, friends and family, customers, suppliers, internally generated funds or the community being served

LEVERAGE/GEARING: the amount of debt in relation to equity. The higher the amount of debt in relation to equity, the higher the leverage

LIABILITY: represents what is owed by the enterprise and includes bank overdrafts, loans and monies owing to suppliers

LINE OF CREDIT: an arrangement between a financial institution (usually a bank) and a customer establishing a maximum loan balance that the bank will permit the borrower to maintain. The amount of the loan is often based on receivables and/or stock – usually 75 per cent of receivables and 50 per cent of inventory. Requires monthly reporting. Develops a close and continuous relationship between the bank and borrower

MARKET ANALYSIS: a key factor in assessing credit-worthiness. It includes basic information about the business's products or services, customer, position in the industry and market share, major competitors and marketing strategy. Can be segmented into: industry description, customer profile and competitive assessment. Ultimately should consider the business' market dependence, vulnerability and ability to sell

MARKET FAILURE: when a free market for goods or services does not deliver an efficient outcome. When a market mechanism based on the pursuit of individual self-interest leads to negative results for society as a whole. This can be where the good or service is a public benefit; where there are significant externalities (side-effects which have a cost or benefit to society as whole); or if there is imperfect information between buyers and sellers

PATIENT CAPITAL: this is traditionally interpreted in the private sector as an equity-type investment where returns might not be expected for five to ten years. In the social economy this can be interpreted as quasi-equity (see below) or investment that is used to help move an organisation off grants and on to loans or other types of investment. Investors who take a long-term view are seen as playing an important role in social investment

PRINCIPAL: the balance of debt outstanding that is separate from any interest owed on the debt. The principal may be owed at a maturity or amortise over the life of the loan

PROGRAMME RELATED INVESTMENT: charities may pursue their charitable purposes through loans, guarantees, purchase of shares or letting of property. Although they can generate financial return the primary motivation for making the investment is not financial but the furtherance of the charity's objectives

QUASI-EQUITY: an investment where returns depend on success, such as an agreed percentage of future income, sales or surpluses. In social investment, an instrument which shares risks and rewards between investor and investee. In mainstream finance, a debt investment (a loan or bond) with some characteristics of equity, such as flexible repayment terms and higher risks, but potentially higher returns. Examples include 'subordinated debt' (see opposite)

RECESSION: the trough of a country's economic wave, which is generally defined by two consecutive negative quarters of GDP growth. Typical causes of recession are low consumer confidence, debt and high rates of inflation – but more realistically, recessions are the culmination of millions of people's actions around the globe. Some undesirable attributes of a recession are declines in employment levels, decreased market-trading activity, decreased retail activity, decreased growth of personal income and decreased industrial activity.

RETAINED EARNINGS: see INTERNALLY GENERATED CAPITAL

SECURITY: collateral offered by a borrower to a lender in case of default. Collateral may be an asset like a building, property or equipment, or it could be a personal guarantee

SEED CAPITAL: initial capital for a start-up venture, often provided by founders, friends or relatives but may also be provided by venture capital firms or foundations, such as UnLtd, that specialise in start-ups. Typically provided in order to develop a business concept

SENIOR LONG-TERM LOAN: loan with a term greater than one year and which has first claim on any collateral above any other lenders. Often used for fixed assets such as buildings

SENSITIVITY ANALYSIS: a technique for determining what may happen to a business if a key prediction/assumption in a business plan turns out to be wrong

SHARE CAPITAL: equity capital issued by an enterprise to its owners in the form of shares

SOCIAL INVESTMENT WHOLESALE BANK: a term used by the government to describe a body that could operate at a wholesale level to strengthen and develop the capacity of specialist retail lenders and investors to provide financial or other support to third sector organisations. It could help enable third sector organisoations to access the finance they need to grow, thrive and become more sustainable. A social investment wholesale bank does not exist yet in the UK, but the government issued a consultation on the design and function of such a body in summer 2009

SOCIAL RETURN ON INVESTMENT: a framework to help understand the value of social change from the perspective of those most affected by an activity. Alongside a qualitative account, it provides for a financial proxy value of this change, which can be understood alongside traditional financial costs

SOCIAL STOCK EXCHANGE: a location or network which enables investors interested in social return – as well as financial return – to list and trade investments which meet certain social or environmental criteria. A specialist junior stock exchange which offers social enterprises greater visibility to attract more ethically or socially minded investors, and which provides a 'secondary market' or 'exit route' for those investors. An IT platform which allows philanthropists to speculate on where they can get the most social impact for their donations

SUBORDINATED DEBT: a loan that ranks below other loans with regard to claims on assets or collateral if the business fails to repay. Often accepted by cornerstone social investors so as to encourage others to invest in the enterprise

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