

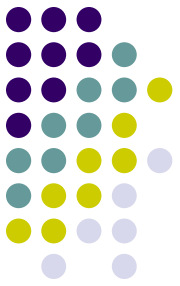
# Social Investment

## a new funding paradigm

Community Economic Development Conference

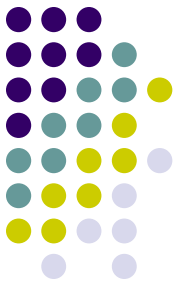
Glen Saunders  
February 2010





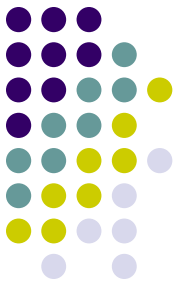
# Report on social lending

- Commissioned by
  - ASB Community Trust
  - The Tindall Foundation
- Brief
  - What are others doing?
    - Internationally
    - In New Zealand
  - Should we do it?
  - If so, how?



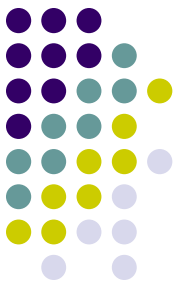
# Internationally

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



# Slippery terms

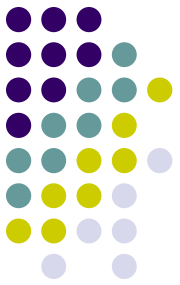
- Social investment
  - Loans or equity style investments which usually receive a return, often less than market
  - ***Has to be paid back***
- Social enterprise
  - Delivers a social outcome but organised more like a business than a charity
  - To businesses they look like charities, to charities they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



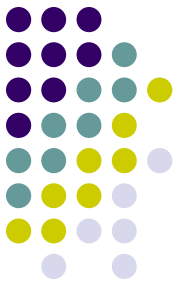
# Social enterprise

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

# Some examples

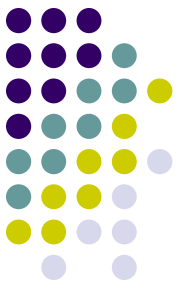


New Zealand Housing Foundation	Affordable housing
Kowhai Child Care Trust	Pre-school education
Clean Stream Waiheke	Recycling and waste processing
Harbour Wind	Community wind farm development
Trade Aid	Fair trade produce
Karuna Trust	Long-term development projects, especially with disadvantaged groups
Helios Integrative Medical Centre	Community-based medical facilities
Pacific Peoples Advancement Trust	Tertiary education for Pacific peoples in New Zealand



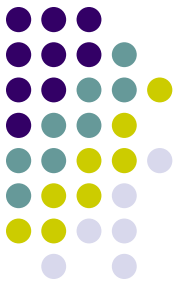
# What sort of things?

- Working capital for income generation
  - Predictable donation stream
  - Direct service provision
  - Government contracting
- Intermediate fundraising
- Asset acquisition
  - Property purchase



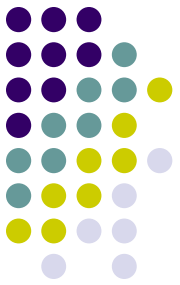
# What about foundations?

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



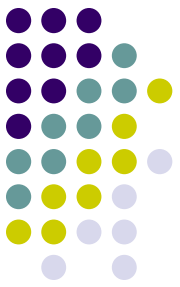
# In New Zealand

- Community trusts
  - A few, especially Southland and Canterbury
- Private foundations
  - Tindall
- Social lenders
  - Prometheus Finance – social/environmental
  - SIFT – recycling
  - Community Loan Funds



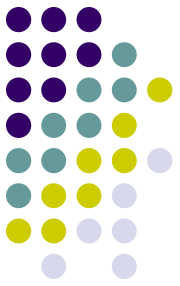
# State of play

- *No one asking for it, so no one providing it*  
*No one providing it, so no one asking for it*
- Both sides limited in number
- Interest with caution
  - Foundations exploring and starting to do it
  - Prometheus expanding
  - Possible new initiatives like Ripple
- Augment, not replace



# Reasons to do it

- Most have capital needs – beg borrow and steal – creates instability
- Income generation – risks but less dependency
- Going to scale – grants always very limited
- Manage a balance sheet, not just cashflow – longer term thinking, improves the project
- Asset acquisition – informal buffers



# Reasons not to do it

- No lenders – and often banks don't get it
- Can divert purpose – but doesn't need to
- Culture and capacity is not there – a transition problem