In spite of the increased interest, it is important to understand that the institutionalization of social entrepreneurship is still in an early stage. The academic community has yet to put forth an agreed upon definition of social entrepreneurship, instead mainly providing narratives of successful efforts. Practitioners have been receiving media attention and are presented as social change makers and innovators, but there is still no clear answer to the question of what makes them social entrepreneurs or why their efforts qualify as social enterprise.

Defining social entrepreneurship is not an easy task because the phrase has many connotations in academic literature. The term broadly encompasses non-profit organizations, non-profits associated to for-profit ventures, businesses that integrate social responsibility, or any venture public, private, for-profit or non-profit with any socially beneficial activities.[1] The problem with the label of social entrepreneurship is a lack of clarity with respect to its meaning. Scholarly analysis tends to describe the practice, rather than define it, which results in ambiguity.[2] In addition there are limited academic discussions about the concept of social enterprise in developing countries.

Researchers at the Social Enterprise Knowledge Network (SEKN), a network of collaboration among ten of the most prestigious business schools in Iberoamerica, define social enterprises as organizations or enterprises that generate social change through market activities.[3] Under this definition, social enterprises include NGOs and private for-profit businesses as well as businesses engaged in public sector activities which produce goods and services tied to a social goal. According to the network, social purpose, not the legal structure, is the predominant driver of whether a business or organization is a social enterprise.[4] The international donor and how social enterprises in the Global South have emerged as well as their impact, scalability, and sustainability. This is especially important given the current emphasis in international development on local context and an increased focus on the empowerment of marginalized people as essential considerations for effective solutions to poverty. The potential global impact of social entrepreneurship will be best understood through an in-depth consideration of the political, social, and economic context in which social enterprises are empowering the poor with improved access to basic goods and services or to global markets.

[illegible], Professor of Economics and Public Policy, Blavatnik School of Government and Director, Centre for the Study of African Economies (CSAE), University of Oxford, launched the event with a keynote address that outlined the history of intellectual perspectives on the approaches and structures of international aid and ended with a discussion about effective organizations. Professor Collier emphasized the need for effective organizations in developing countries and highlighted the role that social enterprises could play in alleviating poverty.

[illegible], Samuel C Lvd the role that s how to leverage private capital investment for public purposes. He argues that conventional market activity is not enough to achieve social good, which is why it is critical that the public sector is engaged in shaping market outcomes. However, the ways in which public policy can promote impact investing remains unclear. The challenge is to balance the needs of the public and private sectors with the demands of the market. If achieved, this could promote the use of finance to obtain social goals.

o, Chief Executive Officer, US, Bamboo Finance and Oxford University Skoll Scholar, and Tara Sabre Collier, Consultant, GroFin and Oxford University Skoll Scholar, describe their experience in impact investing and the challenges faced by Bamboo Finance and many others in the industry. These challenges are scale, shared value, and reaching a new market. Stevenson and Sabre Collier advocate for a transformation of how we do business if we are to achieve international cooperation that reduces poverty and creates social inclusion.

This policy brief also presents the challenges faced and successes achieved by two social entrepreneurs, **,** Founder and Co-CEO, salaUno, Mexico City, and **,** Ashoka Fellow and Founder, Akili Holdings, Nairobi. Their work reveals the importance of understanding better how social enterprises are matched with appropriate investors and the need to focus on scale so that social enterprises can achieve their full potential. Partnerships that blur the boundaries between policy, research and practice are crucial as they shed light on the characteristics of social enterprises and hybrid organizations.

1 See Dees, J. Gregory. 1998. The Meaning of Social Entrepreneurship. http://www.caseatduke.org/documents/dees_sedef.pdf and Martin, R. and S. Osberg. 2007. Social Entrepreneurship: The Case for Definition. *Stanford Social Innovation Review*, Spring: 29 39. http://www.ssireview.org/articles/entry/social_entrepreneurship_the_case_for_definition.

2 Dees, J. Gregory, J. Emerson and P. Economy. 2001. *Enterprising Nonprofits: A Toolkit for Social Entrepreneurs.* New York: John Wiley and Sons.

3 Marquez, P., et al. 2010. *Socially Inclusive Businesses in Iberoamerica: Challenges and Opportunities.* Cambridge: The David Rockefeller Center Series on Latin American Studies, Harvard University Press.

4 Austin, J.E. & SEKN Team. 2006. *Gestión efectiva de emprendimientos sociales: Lecciones extraídas de empresas y organizaciones de la sociedad civil en Iberoamérica*, Banco Interamericano de Desarrollo, David Rockefeller Center for Latin American Studies Harvard University. Washington, D.C.: Editorial Planeta.

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The strategic logic for BoP business is now clear:

1. With the top of the pyramid (and even the so-called emerging markets) stuck in a prolonged slowdown, the only place left to rekindle rapid growth is with the 4 billion poor at the bottom of the income pyramid. This is especially true for mature, export-dependent countries like Japan;

2. There is an enormous potential market worth trillions of dollars for innovators who can find a way to crack the BoP code; and

3. The BoP is where companies and entrepreneurs can tackle the world's biggest challenges, pervasive poverty, environmental degradation, and mass migration, with the potential for huge contributions to humanity and game-changing new technologies, strategies, and business models for the 21st century.

BoP enterprises must create wide and compelling value propositions—an entire business ecosystem that delivers value to local people and communities in multiple ways, not just through a single product.

Over the past decade, there have been fits and starts: many BoP ventures have failed; some have been converted to philanthropic programs; but only a few have taken root and gathered commercial momentum. Pioneering companies like Hindustan Unilever in India have blazed the trail by demonstrating that it is indeed possible to dramatically reduce costs, create affordable products for the poor, extend distribution channels to urban slums and rural villages, and collaborate with NGOs with the necessary "on-the-ground" presence and experience. Indeed, the past decade has spawned a whole new business language, including terms and concepts such as: daily-use, single-serve packaging, inclusive supply chains, frugal innovation, community co-creation, social entrepreneurship, and impact investing.

This process of experimentation and learning has been viewed by some through a negative lens, denouncing BoP business either as the latest form of corporate imperialism—a "misfortune" at the bottom of the pyramid, focused merely on profiting from the poor; or a quixotic quest for the impossible—a misallocation of valuable investment capital. In reality, however, rumors of BoP's demise have been greatly exaggerated (to paraphrase Mark Twain). *Indeed, much has been learned over the past 10 years, and I believe that we are on the verge of taking the BoP business movement to the next level in the coming decade—a BoP 2.0 revolution.*

Just think of how far we have come over the past 10 years: First, it has become increasingly clear that designing low-cost products for sale in the low-income space is necessary but not sufficient to success. The landscape is littered with the remains of failed BoP ventures focused on the sale of such things as low-cost water filters, solar lights, clean cookstoves, and a myriad of other household goods. Reasons for failure: product misfire, low sales penetration, high-cost distribution, and inability to scale. *We now know that BoP enterprises must create wide and compelling value propositions—an entire business ecosystem that delivers value to local people and communities in multiple ways, not just through a single product.*

Consider CleanStar Mozambique (CSM), a BoP venture that I have had a hand in helping to form. The company is a partnership between the Danish biotech powerhouse Novozymes, BoP venture pioneer CleanStar, biofuel plant builder ICM, and financier Bank of America. Sounds pretty complicated, right? Just wait until you hear about the business model.

CSM is creating a business ecosystem that: 1. Brings clean cooking solutions that eliminate indoor air pollution in urban households and that are; 2. Fueled by affordable biofuel which is; 3. Produced in rural Mozambique by subsistence farmers who: 4. Convert to a multicrop system of sustainable agriculture that; 5. Dramatically raises farmers’ incomes and food security while; 6. Producing excess casava which is used as the feedstock in the; 7. Biorefinery, which has been constructed near the small city of Beira and which; 8. Has the potential to dramatically reduce the use of charcoal in cookstoves, which; 9. Accounts for a significant

an end in itself. Indeed, microfinance and mobile telephony are not end products, but rather are *enabling platforms* that deliver a wide range of functionalities and facilitate people's accomplishment of any number of tasks.

Unfortunately, most corporations have chosen BoP strategies that effectively deliver finished products with defined value propositions in the mistaken (though well-intentioned) belief that they know better than the poor themselves what their real needs are. What works in the established markets at the top of the income pyramid, however, does not work so well in the emerging BoP space.

Over the past seven years, my colleagues and I have been focused on developing an approach for companies to effectively co-create new markets in the BoP. The approach is called the BoP Protocol. We have now experimented with this approach in a half-dozen different business contexts in Africa, Asia, and Latin America and have learned a great deal about how to engage local partners and communities in the dance of co-creation.

Many others have also embarked on similar learning journeys to unravel the keys to successfully creating the inclusive businesses of tomorrow that embrace all of humanity and end the scourge of poverty. My colleague Ted London and I have gathered some of the most important emerging contributions in this regard in a new book, *Next Generation Business Strategies for the Base of the Pyramid*.

Our conclusion: There is no "fortune at the bottom of the pyramid" waiting to be discovered. Instead, the challenge for companies is to learn how to *create a fortune with the base of the pyramid.*

Finally, we have learned about the incredible potential to leapfrog to environmentally sustainable technologies starting in the BoP—an approach I have called "Green Leap." By gaining access to low-cost distributed clean technologies and developing inclusive business models around them, it is possible to engage in a form of modern-day green "alchemy." *We now know that BoP enterprises have an opportunity to commercialize the thousands of clean "shelf" technologies extant in the world to first address the needs of the underserved at the base of the pyramid*. Some may even one day revolutionize the way we live at the top of the pyramid.

And as Peter Diamandis has made clear in his book, *Abundance*, scores of emerging "exponential" technologies have also begun to hit the steep parts of their development curves. From nanotechnogy to 3-D printing, and from biotechnology to solar energy, waves of new sustainable technologies are emerging that have the potential to overtake and creatively destroy the unsustainable holdouts from the industrial era.

The challenge of our time, therefore, is to figure out how to bring these next-generation technologies forward through a global Green Leap. Indeed, emerging clean technologies, including distributed generation of renewable energy, biofuels, point-of-use water purification, biomaterials, wireless information technology, and sustainable agriculture hold the keys to solving many of the world's global environmental and social challenges.

Because these small-scale green technologies are often "disruptive" in character, the base of the pyramid is an ideal place to focus initial commercialization attention. China's towns and small cities, Brazil's favelas, and India's tier 2 cities and rural villages present such opportunities. Once established, such technologies can then "trickle up" to the established markets at the top of the pyramid—but not until they have become proven, reliable, affordable, and competitive against the incumbent infrastructure.

As a co-founder of the new Emergent Institute in Bangalore, India (www.emergentinstitute.net), I am focused on accelerating the Green Leap by dramatically increasing the number and success of entrepreneurs and intrapreneurs focused on socially inclusive and environmentally sustainable business development for the 21st century. To realize this vision, the Emergent Institute has assembled a complete innovation ecosystem to foster the creation of tomorrow's distributed and sustainable infrastructure, including an education platform, incubator, seed fund, technology bank, cluster (social) network, learning laboratory, and field support system. The centerpiece is the Flagship Program, which aims to create nothing less than a new model of business and entrepreneurial development appropriate to the challenges we face in the 21st century.

We have indeed learned much over the past decade about how to serve the poor in a way that is environmentally sustainable, economically empowering, culturally embedded, and financially profitable. I cannot wait to see how much we learn in the next decade as we enter the era of "BoP 2.0."

1

Paul Collier provided an overview of the changing role of development aid over the past 50 years and its significance for social enterprise. Collier reflected on the predominant intellectual perspectives that have shaped the field of development aid to address the fundamental question: Why are some societies poorer than others?

Collier outlined three phases in the intellectual history of development assistance. The first

Paul Collier
Professor of Economics and Public Policy, Blavatnik School of Government and Director, Centre for the Study of African Economies (CSAE), University of Oxford

social, environmental, and employee well-being concerns) was necessary to achieve competitiveness in today's marketplace. Additionally, growth in the membership of organizations promoting corporate sustainability, such as the United Nations Global Compact, the World Business Council for Sustainable Development, and the World Economic Forum, underscores a growing alignment between UN priorities for sustainable development and long-term corporate goals.

Concurrently, the precipitous growth of social enterprises, defined as micro-, small- and medium-sized enterprises (SMEs) that aim for positive social or environmental outcomes while generating financial returns, has weakened the prevailing belief that a business' sole function is to maximize shareholder value. Instead social entrepreneurs are creating next practices in the private sector that advance the notion that a company must create long-term value for all its stakeholders, shareholders included. The MDGs and the UN- Post 2015 Agenda provide a framework for the areas in which companies can create long-term value.

While these trends, development of the UN-Post 2015 Agenda, a growing corporate sustainability movement, and the growth of social enterprise, are converging, market-based sustainability efforts have not kept pace with the growing scale of global development challenges. In addition, the global sustainability movement is fragmented and is characterized by a lack of coordination among actors on development projects. Corporations and social entrepreneurs are piloting innovative products and services often addressing the same challenges within the same regions. Each group's understanding of potential collaborators with which they can scale initiatives tends to be informed by fragmented sets of information and limited interactions, leading to siloed impact of sustainability efforts. Insufficient positive market response to corporations seeking to align sustainability initiatives with strategy and to integrate sustainability initiatives into operations presents challenges to corporate leaders seeking to make the business case for expanding initiatives. As for social entrepreneurs, the asymmetry in impact capital demanded vs. impact capital deployed remains one of the many significant hurdles that must be cleared to scale impact. Taken together, these conditions lead to under-resourced projects that struggle to move beyond the pilot stage and create incremental progress toward sustainability.

Within the private sector, businesses increasingly have embraced the notion that sustainable development is integral to business success and thus are examining innovative ways to address global development challenges through core business operations, social investments, public policy engagement, and partnerships.

Multinational companies (MNCs) are increasingly engaging in what Monitor Deloitte terms as strategic social partnerships (SSPs)[4] to increase the scale and impact of their sustainability initiatives. According to Monitor Deloitte, SSPs focus on core business objectives, create mechanisms for efficient risk-sharing and, allow each partner to leverage core skills in service of both business and social impact. Empirical evidence demonstrates that a specific type of SSP—the corporate-social enterprise partnership—yields long-term, scalable solutions to global challenges.

Starting in 2010, a series of publications was released that underscored the role and quantified the impact of businesses, multinational corporations, and SMEs alike on addressing the MDGs. In 2010, Sustainalytics and NDCO published the Business Impact Report.[5] This report analyzed the contribution of 20 multinational corporations to the MDGs. Specifically, the report sought to compare the impact of corporate community investments, which often take the form of grants that are not necessarily aligned to the core business, to the impact of commercial activities (defined as activities aligned with corporate core business). Their analysis revealed that collectively, the total contribution from commercial activities to MDGs 1, 2, 4, and 5 by the sample group is far greater than the contribution from community investments: 2.9 million beneficiaries from commercial activities compared to only 1.3 million from community investments.[6]

In preparation for this article, 19 examples of corporate-social enterprise partnerships addressing the MDGs were reviewed. The assumption underpinning this review was that identifying the area of most value creation within each partner's value chain is the first step in building the business case for partnerships and the broader sustainability initiatives they support. Thus, the review aimed to determine where in the value chain companies form the partnerships and where in the value chain the partnerships deliver value.

Examples were selected by applying three criteria as follows:

Support Activities refer to the set of processes that support the execution of Primary Activities. Support Activities include:

- [illegible] Purchase of inputs and resources for the company

- [illegible] Procedures, knowledge, and technological inputs (i.e., R&D, process automation, process design)

- [illegible] Systems designed to connect various sections of the company and to create integrated processes. Common functions comprising infrastructure include, legal, finance, general management.

- [illegible] Selection, management, and development of human capital

A code for each element of the value chain was developed. Additional codes were developed to categorize additional activities observed in the literature that were not reflected in the framework. Examples from the publication *Innovating for a Brighter Future: The Role of Business in Achieving the MDGs*[9] guided the development of these codes, which are denoted by an asterisk in Table 1: Value Chain Elements Most Represented.

Three questions guided the review:

1. In what part of the value chain does partnership activity concentrate?

2. In what part of the value chain do the partnerships tend to create impact?

3. Which MDGs were most represented in these examples?

To answer these questions, a code representing a specific element of the value chain was applied to the partnership activity and the commercial impact described in the literature. Only one code was applied per category. The codes were then tallied across the partnership activity and commercial impact. Table 1 lists the codes applied the most during the reviews.

With regard to the first question, partnership activity tended to form mostly within the Marketing and Sales (Mkt-M&S) element of the value chain. Eight out of 19 examples (42%) reflected partnerships in which the main activity was providing access to products and services to an underserved group and/or region. The second most observed area of partnership formation was within the Technology Management element of the value chain. Seven out of 19 examples (37%) reflected partnerships in which the main activity was conducting research and developing/improving products for a market. In several of the cases, corporations made an investment or provided a grant to a social enterprise that was developing a technology, product, or services that had relevance to the company's strategic imperatives.

[illegible]

[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
Services	Post-sales support (i.e., warranties, training, repair, installation)	PM-Services
Outbound Logistics	Processes to transfer the finished products to the customer (i.e., warehousing, order fulfillment, distribution)	Mkt-Outbnd
Marketing and Sales	Processes to raise awareness of product or service and provide access to targeted customer groups	Mkt-M&S
[illegible]	[illegible]	
Human Resource Management	Selection, management, and development of talent	Suprt-HR
Technology Management	Procedures, knowledge, and technological inputs (i.e., R&D, process automation, process design)	Suprt-TM
[illegible]	[illegible]	[illegible]
*Social Infrastructure, Social License	Engagement with local stakeholders to gain community approval for company operations	SM-SocLic
*Social Investments, Grants	Social investments, philanthropic activities	SM-Grnts
*Social Investments, Cause Marketing, Advocacy, Awareness	Raising awareness of issues affecting stakeholders within the firm's operational footprint	SM-Advoc

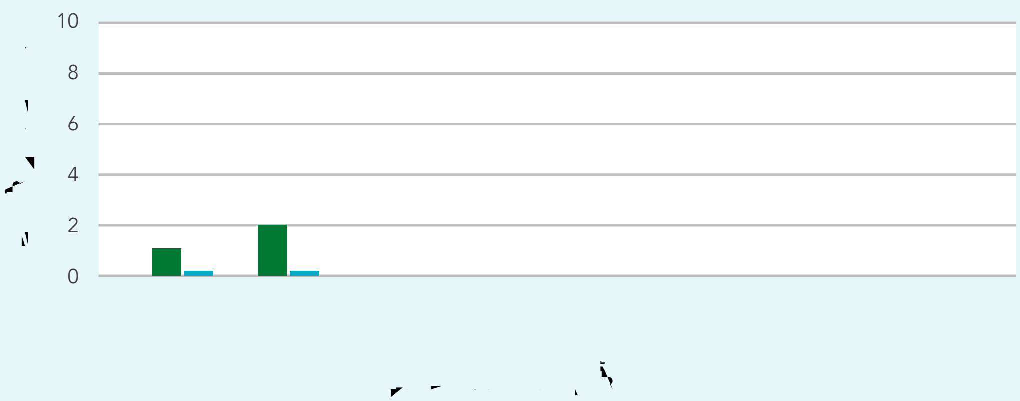
*Codes developed to categorize activities observed in the literature but not reflected in the framework

As for the second question, the impact of partnership activities was found mostly within the Marketing and Sales element of the value chain. Ten out of 19 (52%) of the examples presented partnership results that can be categorized into three areas within the Marketing and Sales element:

1. Increase of consumers within a current market segment;
2. Access to a new market segment of consumers; and,
3. Raising brand awareness in remote regions.

Following Marketing and Sales, the second most observed impact of partnership activities was found within Technology Management element of the value chain. Six out of 19 activities (32%) reflected this activity. The commercial impact often involved the development of a product or service tailored for the benefit of underserved communities in key growth areas within the MNC partner's footprint. Figure 1 depicts these findings.

With regard to question three, impact was often presented in the literature in the form of outputs (i.e., number of consumers and beneficiaries reached). As noted, MDG 7, Ensure environmental sustainability, was the most represented MDG in the set of examples, as many of the examples included partnerships within the Energy Sector. These examples provided both social and environmental impacts as they increased underserved communities' access to clean energy sources, and these energy sources generally replaced energy sources that lead to high CO_2 emissions such as kerosene and firewood.



There are some limitations that prevent the generalization of these findings to the universe of corporate-social enterprise partnerships. The majority of the examples were company reported and the selection criteria produced a small sample of examples that are biased toward the incidence of commercial impact. Basic analyses were conducted to understand the nature of the data stemming from the examples reviewed; deeper analyses may be undertaken, particularly to understand if there is a relationship between partnership activities that start in one area of the value chain yet demonstrate commercial impact in another area of the value chain.

Despite these limitations, the initial findings provide an interesting view of the potential of corporate-social enterprise partnerships to advance the upcoming Sustainable Development Goals (SDGs) and potentially present implications for accelerating the broader sustainability

While the specific Sustainable Development Goals and their duration have yet to be determined, current deliberations indicate that timeline for achievement of the goals will be at least 10 years with a potential for in-depth assessment of global progress toward the goals at least every 3 5 years.

In several studies conducted with CEOs, including PWC's 17th Annual Global CEO Survey,[10] global executives express confidence in the ability of the private sector to provide solutions to global development challenges, and they feel equally confident in the role of partnerships to support the scale of these solutions. Partnerships with social enterprises are especially promising in the advancement of solutions due to their high potential for scalability and durability, which are two key elements necessary to make consistent and long-term progress on the Sustainable Development Goals.

It has been noted that the sustainability of partnerships relies, in part, on the mutual satisfaction of interests and mutual realization of benefits. Examples of corporate-social enterprise partnerships reviewed for this article indicate that these benefits lie within the value chain, thus providing an initial foundation for building the business case for continued investments in such partnerships. Continued investments contribute to the growth and scale of the is bi-directional. A summary of the most common business benefits realized by partnership type can be found in Table 3 below.

Of all the examples studied, the case of Shell is notable in the potential for the bi-directional realization of commercial benefits. The Shell Foundation has provided research grants and convertible debt investment vehicles to for-profit enterprises that are developing energy products and providing renewable energy access to consumers in emerging and frontier markets. Some of the most notable companies to which research grants and investments were provided are D. Light Design, Husk Power Systems, and M-KOPA. In making these investments, Shell Foundation promotes access to energy innovations tailored to emerging and frontier markets, which are future areas of energy demand. For the social enterprises involved in the partnership, the Shell brand served as a signaling factor to attract follow-on investment by impact investors. The combination of Shell Foundation's seed funding and the subsequent follow-on funding supported the portfolio company's ability to deliver products and services and impact at scale. Shell Corporation and the Shell Foundation are two independent entities. Thus the investments are not yet currently aligned with Shell Corporation's current core business. Yet as Shell Corporation redesigns its core strategy to position itself as an energy company of the future, acquisitions of the companies funded by the Shell Foundation may provide Shell with an entry point to energy markets of the future.

[illegible] 3 [illegible]

* [illegible]	[illegible]	[illegible]
Distribution	Increased brand awareness New market access New consumer segment access	Increased product/service adoption/sales
New Product/Service Development	Increased brand awareness New consumer segment access	Increased product/service adoption/sales
**Strategic Alliance	Adjacent market access	Increased product/service adoption/sales
**Strategic Investment	Adjacent market access	Increased product/service adoption/sales Follow on investment

*Partnership type development guided by models outlined in the *Framework for Action*: *Social Enterprise and Impact Investing.*[11]

**For definitions of these partnership types, please see Appendix C: Partnership Type Definitions.

The examples reviewed combined with company leaders' faith in the private sector'

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1		The MDGs: Everyone's Business, http://www.growinginclusivemarkets.org/media/mdgreport/mdgreport_full.pdf, pp. 10
2		

1 Open Working Group on Sustainable Development Goals. 14 March 2012. *First Meeting of the Open Working Group on Sustainable Development Goals Concept Note.* http://sustainabledevelopment.un.org/content/documents/1685OWG_1st_panel_Concept%20note%20rev3.pdf

2 UN System Task Team on the Post-2015 UN Development Agenda. June 2012. *Realizing the Future We Want for All. Report to the Secretary-General*. http://sustainabledevelopment.un.org/content/documents/614Post_2015_UNTTreport.pdf

3 The Boston Consulting Group and MIT Sloan Management Review. January 2013. *Sustainability Nears a Tipping Point.* https://www.bcgperspectives.com/content/articles/sustainability_vision_mission_sustainability_nears_a_tipping_point/

4 Mennel, John, et. al. 2013. *The Roadmap toward Effective Strategic Social Partnerships*. Deloitte University Press. http://deloitte.wsj.com/riskandcompliance/files/2014/01/SSP_report.pdf

5 NCDO and Sustainalytics. 2010. *Business Impact Report 2010. Scanning the Contribution of 20 Multinationals to the Millennium Development Goals*, pp.17. http://www.sustainalytics.com/sites/default/files/BusinessImpactReport2010.pdf

6 Ibid.

7 For a list of MDGs and targets, see http://unstats.un.org/unsd/mdg/Host.aspx?Content=Indicators/OfficialList.htm

8 Porter, M.E. 1985. *The Competitive Advantage: Creating and Sustaining Superior Performance*. NY: Free Press.

9 Dalberg, United Nations Foundation, United Nations Global Compact, United Nations Office for Partnerships. 2010. *Innovating for a Brighter Future: The Role of Business in Achieving the MDGs*. http://www.unglobalcompact.org/resources/182

10 PricewaterhouseCoopers International Limited. 2013. *PwC 17th Annual Global CEO Survey*. http://www.pwc.com/gx/en/ceo-survey/

11 Rockefeller Foundation, United Nations Global Compact. 2012. *A Framework for Action: Social Enterprise and Impact Investing*, pp. 18 20. http://www.unglobalcompact.org/docs/issues_doc/development/Framework_Social_Enterprise_Impact_Investing.pdf

12 Figueres, Christiana. Public Presentation at the Americas Society and Council of the Americas, New York, NY, January 14, 2014.

13 Kumar, Lalit. Leaders Roundtable. India Collaboration Lab, New Delhi, India, October 22, 2013.

14 Rockefeller Foundation, United Nations Global Compact, pp. 18 20.

SalaUno co-founders Javier Okhuysen and Carlos Orellana left behind careers as investment bankers to travel the world in search of a scalable model of social entrepreneurship that could be replicated in Mexico. They found what they were seeking at the Aravind Eye Care System in India. Okhuysen and Orellana then studied the eye care health system in their native Mexico.

Javier Okhuysen
Founder and Co-CEO,
SalaUno, Mexico City

After recounting the origin of SalaUno, Okhuysen offered statistics on health and eye care in Mexico: cataracts are the second greatest cause of disability in Mexico where an aging population has the world's second highest incidence of diabetes per capita, which carries the risk of cataracts. These conditions presented Okhuysen and Orellana with the opportunity to create social and economic impact in an area of healthcare that needed attention. Based on the model created by Aravind, SalaUno was created in 2011 with the mission of transforming the lives of the blind in Mexico.

In order to achieve its goal, SalaUno developed a business strategy that ensured people in need could afford their services. In Mexico, the average cost of a cataract surgery is US$ 1,600, an amount that is unaffordable for many. Analyzing the payment options of their patients, SalaUno focused on creating partnerships with government institutions, NGOs and the private sector to help finance surgeries. In addition, they worked with partner institutions to grant micro credits to their patients.

Okhuysen discussed the position of SalaUno in the health value chain. Their strength has derived from focusing specialization on five main types of eye care service, where most profit (both social and economic) is yielded. Additionally, they continue specializing by hiring experts in other sectors and adapting models that have worked for other organizations in order to improve their customer service, efficiency, growth and cash management. These areas of improvement, also known as a value creation tool kit, are constantly reevaluated to make sure they are meeting impact targets. To date, SalaUno has successfully attended to approximately fifty thousand patients and operated on close to four thousand, from which 73 percent of surgeries were cost-free through strategic partnerships and subsidies.

Their mission is to keep growing and expand operations to different cities in the Mexico within the next six years. Mr. Okhuysen insisted that success of a social enterprise can be achieved when social and economic interests are aligned. Okhuysen emphasized the importance of reverse innovation, finding inspiration from social enterprise models around the world and adapting to local realities to generate greater social and economic impact.

There are a number of reasons the public sector has adopted impact investing as a focus. Among them:

- As a theory, impact investing using private tools to serve public goals conforms to (what we might characterize as neoliberal) goals of private sector engagement and public-private partnerships, or a preference for market-based solutions;

- The prominence of impact investing in private sector and philanthropic discussions, particularly involving private wealth, offers the promise of private resources; and

- Post-financial crisis budget constraints have reinforced the notion that the public sector cannot just go it alone.

These sorts of imperatives have led a growing set of policymakers to think of impact investing as something they ought to promote and impact investors as potential partners in social innovation.

Of course, impact investors are not magic sources of flexible, patient, and socially minded investment. Public sector engagement in impact investing is an acknowledgement that conventional market activity will not, or will not do enough to, solve important social problems, so there is a role for the public sector in shaping market outcomes. Of particular interest for the public sector are those public policies, rules, regulations, and incentives that enable market-based solutions that address intractable issues such as poverty alleviation or nascent sectors such as renewable energy generation. Public policies can play a role in driving private sector investment towards social goals by reshaping the market so that financial rewards more closely track socially superior outcomes.

There is a wide variety of policy efforts to promote impact investing.[1] In brief, three types of policies that illustrate how governments are approaching the topic involve building a field of practice, driving financial resources towards impact investing, and developing investable enterprises.

investment. This might be the explicit labeling and support for enterprises that include social benefit in their corporate charter, as is the case with benefit corporation legislation in various parts of the United States, a type of policy that focuses on how to reliably signal to interested investors that enterprises take social benefits seriously.[7]

Alternatively, it might be an extension (or relabeling) of technical assistance business development programs, with an emphasis on those enterprises that work in marginalized communities or that produce goods and services that particularly benefit those communities. In Peru, the Mi Chacra Emprendedora program provides technical assistance to rural enterprises in poor communities, with an emphasis on expanding their income-generating possibilities.[8] By placing the subsidy directly in the enterprise, the government is able to narrowly target its goals.

Focusing on the demand side for impact investment capital can help ensure that social benefit is a primary focus of government intervention, and it may help impact investors solve the question of where to find investable deals. But to successfully motivate investors, these programs must be coordinated with suppliers of investment capital while maintaining the social outcomes they promise.

This quick overview of a set of policy initiatives meant to stimulate impact investing suggests a few considerations for policymakers as they navigate their own role in the field.[9] I will highlight two:

- Policymakers need a clear account of the social benefits they hope to achieve through impact investing and a justification for the various transaction costs and subsidies implied by public-private partnerships. Increased private investment alone is not a useful goal for impact investing policy, and so there must be standards for social impact that merit the attention and effort devoted by the public sector.

- Intermediation is a core focus of impact investment policy. All three kinds of policies above are meant to facilitate the growth of a market where social impact is built into the investment process from asset owners to their investees. Ensuring that there are intermediaries who can manage both social and financial goals, or building market structures that ensure these outcomes regardless of investor intent, is a primary goal for impact investment policymaking.

The appeal of using private capital for social purposes is obvious. Policymakers should be wary of spending time and resources to promote investment that never takes place as well as of wasting time and resources subsidizing activity that does not produce intended social benefits. As policymakers take up this challenge, we will see whether they can balance these competing demands in ways that promote more socially useful finance.

1 For more information, see Impact Investing: A Framework for Policy Design and Analysis, http://iipcollaborative.org/london-principles/

2 For more on the Senegal case, see *Breaking the Binary: Policy Guide to Scaling Social Innovation*, http://hausercenter.org/iri/wp-content/uploads/2012/06/Breaking_Binary_Policy_Guide_Scaling_Social_Innovation_2013_1604.pdf

3 For more on the Colombia case, see *Breaking the Binary: Policy Guide to Scaling Social Innovation*, http://hausercenter.org/iri/wp-content/uploads/2012/06/Breaking_Binary_Policy_Guide_Scaling_Social_Innovation_2013_1604.pdf

4 See David Wood's article South Africa's pension fund regulation, on the WEF blog, http://forumblog.org/2013/05/south-africas-pension-fund-regulation/

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6 See

1990 and 52% in 1981.[7] Some projections state that if this decline continues, we could eradicate extreme poverty within one generation.

These many examples illustrate humanity's capacity to change course. Continuing to change course and address the global challenges of tomorrow will require a paradigm shift. It will ultimately require the re-alignment and deployment of the capacities of government, civil society, and business. The emergence of the impact investment industry is part of a broader shift toward this alignment.

Impact investing has the potential to channel colossal amounts of money from private investors into market-based enterprises, addressing many of the world's biggest challenges and enacting the many changes necessary to improve humanity's fate.

Impact investments are financial investments intended to generate a measurable social and/or environmental impact. Unlike philanthropy, these investments are made in businesses or vehicles that are typically sustained by their financial performance in the market and in many cases target an average of 10 25% internal rate of return (IRR).[8] While the term 'impact investing' is relatively new, the practice is not. However, over the past decade, capital has

begun to flow into these impact investments more substantially in both emerging and developed markets. In fact, 2012 data demonstrate that 99 impact investors intended to deploy US$ 9 billion of capital collectively in 2013.[9] Furthermore, JP Morgan ambitiously estimates that impact investment assets could grow to as much as US$ 1 trillion within the next decade, generating a financial profit for impact investors of US$ 183 667 billion.[10]

Momentum for this investment approach across asset classes is sparking visibility in mainstream media, creating new academic programs, incubators, and industry associations, as well as initiating government policy shifts. Furthermore, the industry will likely accelerate as baby boomers transfer their wealth to the next generation, which has been documented to place greater emphasis on social and environmental priorities.

At Bamboo Finance (www.bamboofinance.com), we were among the first and largest commercial players in the impact investment marketplace. We created Bamboo Finance in 2007 as a commercial private equity firm making direct investments in companies designed to improve the lives of low-income people. Essentially, we finance social entrepreneurship. Our aim is to deliver a strong financial return (goal: 20%+ IRR per equity investment) as well as create social value for society (goal: change a system hindering human development, such as poverty). Bamboo Finance has raised US$ 250 million from private investors such as high net worth individuals, several pension funds, and a sovereign wealth fund. Since 2007, the Bamboo team has assessed more than 1,000 businesses seeking equity finance, primarily in Africa, Latin America and Asia, and by 2014 managed a portfolio of 46 companies in 25 countries. Our portfolio is brimming with companies that have found novel ways to deliver affordable quality healthcare, financial services, energy, housing, education, and livelihoods to low-income and poor communities that have never had access before.

The Company provides essential goods and/or services affordably to low income communities unreached (or undeserved) by existing businesses.	Usage of the product/service result in improvements in quality of life and/or, efficiencies that translate into increased income or reduced expenses.	The company generates employment/income among a low income population or a population with limited opportunities.

In just a few years, Bamboo Finance portfolio companies have used a market approach to provide financial inclusion to over 7 million people, increase access to electricity for over 200,000 people, and enhance access to health care to over 1 million people. *and we are*

studies show a similar pattern; in 2010, after a study of impact-designed businesses across nine countries in sub-Saharan Africa, consultants analyzed 439 promising social enterprises

transactions does not mean that a fund manager is diluting the potential for social impact. In some cases, it just means the fund manager is not diluting the capacity to add value to the company. While investors are not limited to these two sides of the spectrum, the trade-off in service to the company that comes with smaller investments serves to convey the importance of developing solutions.

Bamboo Finance's first two private equity funds totaling US$ 250 million are almost fully invested as of 2014, and we are starting to design and market new funds as well as explore approaches to evolve this marketplace. At this point, being a specialized fund manager with multiple funds and some institutional investors as limited partners (LPs) has allowed us some, but still quite limited, economies of scale. However, when Bamboo's first portfolio was growing slower than originally anticipated, we narrowly resisted the temptation to broaden our dealflow pipeline by diluting our social impact criteria or lowering our financial return expectations. Since then, we've worked hard to localize our offices, strengthen our partnerships with incubators/accelerator programs for sourcing deals, and coordinate with co-investors/business service providers to leverage shared monitoring responsibilities and market intelligence. This is part of building a supportive ecosystem for social ventures as well as of making the fund economics of impact investing more viable.

However, another virtually unexplored avenue for resolving impact investing's biggest hurdles is private sector partnership. The greatest untapped opportunities may lie in aligning impact investing with the 'corporate shared value' strategies of large corporations.

If impact investing's biggest immediate hurdles are capital supply, dealflow, and eventually yielding exits with impact, then large corporations are uniquely positioned to help fill these gaps.

There is a strong business case for corporate engagement with impact investors, especially along the following lines:

- Providing patronage and/or capital to social ventures alongside, before, or after that of impact investors, and being active in management of these and ultimately in the uptake of the company's solution to scale;

Integrating social ventures within the large corporations' own supply chains, especially in emerging markets; and

Pursuing socially or environmentally beneficial modifications in their current business models (new products/services/specialized business units) aimed at enhancing their competitive advantage by using financial support from impact investment vehicles.

If this seems like an unlikely course of action, remember that providing banking to the poor once seemed an unprofitable business model, and today microfinance is a multi-billion-dollar industry. Banks are no longer ignoring the needs of low-income people in most places; financial services were deepened to reach many of the world's poor. The interests of the poor in this case, just as in the case of any new industries sheltered by consumer protection regulations and practices, must be carefully safeguarded.

So why would large national companies and multinational corporations want to partner with impact investors today?

It's all in the name of shared value. The 'shared value approach' is a concept officially outlined in the 2011 *Harvard Business Review* article Shared Value: How to reinvent capitalism and unleash a wave of innovation and growth.[17] The shared value approach framework purports that producing societal benefits is actually critical for a firm's long-term commercial survival and thus must be intrinsic to the business models and operations of large corporations. This philosophy is already part of the DNA of social entrepreneurs and the thesis of impact investors. However, companies such as Google, Intel, Unilever, Nestle, McDonald's and Wal-Mart have begun to integrate shared value initiatives into their core activities. For example, Wal-Mart's shared value efforts included reducing its packaging and cutting 100 million miles from the delivery routes of its trucks, this move towards dramatic reduction in carbon emissions also shaved off US$ 200 million in costs. Likewise, Nestlé's shared value initiatives included analysis on nutritional deficiencies in low-income countries and formulation of fortified products to address these gaps. Today, these popularly positioned products account for nearly 10% of Nestlé's sales[18], with significant coverage at the base of the economic pyramid. It's important to highlight that shared value is not CSR (corporate social responsibility), which is generally meant to allocate profits to a social purpose for enhanced impact or for good public relations. Instead, 'shared value' as an approach is actually an intentional set of strategies that aim to make companies more competitive. According to Porter and Kramer, who coined the term, shared value is generated principally via three ctea, shanTead,w a) enSprk gthuate so7-10(7) Jn Tfy4l—u0mJ0the bi s anenSprk gthuate so7t CSRctoda35e ctrne bn Tat

With mounting pressure from governments and civil society, as well as increased global rivalry and opportunity, some of the world's biggest corporations are seeking a competitive edge through the shared value approach. Large corporations and their boards are hungry for growth and are desperately turning to new markets or innovative breakthroughs for sustained shareholder returns.

Meanwhile, large corporations comprise a virtually unexplored deal-sourcing arena for impact investors needing larger transaction sizes. Large companies typically have established track records and existing human resources, supply chains, and economies of scale. Impact investment fund managers could adopt the portfolio strategy of creating joint ventures or directly investing capital in large private companies to be used specifically in creating new product lines, initiatives, or subsidiaries aimed at 'shared value'. This could help ameliorate one of the impact investing field's biggest hurdles, by facilitating larger size deals and minimizing execution risk. Syndication and co-investment between large corporations and impact investors could also develop. Both will likely produce larger deals and thus make the transaction costs (of due diligence and monitoring) more efficient. Besides their economies of scale and generally more sophisticated logistics and technology, large corporations offer additional benefits in risk mitigation via diversified revenue streams, larger pools of R&D overlap, and expertise in new market development. All of these factors could align to increase the probability of exits and reduce the funding gap within the impact investing space.

Granted, some of the potential caveats of large corporate collaboration include mission drift, lack of long-term commitment to experimentation and innovation, inflexibility of bureaucracy, and shareholder priorities set in shorter time horizons. However, ensuring that corporate shared value priorities are in place may provide a sufficient counterweight.

Bamboo Finance has been developing an investment strategy involving the engagement of than serving wealthy people. Why? CareCross leverages its economies of scale with its other products and services, so there is no need to subsidize low-income people to make health-care affordable. Additionally, lower income patients tend to be less accustomed to pre-paying for healthcare (only seeking doctor's care in cases of emergency which is expensive). With CareCross' pre-paid subscription, low-wage patients are now more likely to get preventative care and catch disease earlier. They now rely less on emergency room visits and this is less

Bamboo Finance also has direct experience with these corporate shared value modalities: redefining productivity in the value chain and enabling local cluster development. Our portfolio company Aavishkaar and co-investor CISCO are a compelling and unique case of this type of synergy.

Aavishkaar was one of the first impact investment funds focused on rural communities in India and sectors such as agriculture, education, energy, technology, and financial inclusion. Although its specializations are seemingly unrelated, the technology giant CISCO was a key financier of Aavishkaar II's first closing for US$ 70 million. This investment came from CISCO's Indian business line, not from its philanthropy line. Since CISCO's Globalisation Centre was established in India, the investment is geostrategic. The company stated, Cisco is committed to India and sees making investments in the country as an important way to learn about the local market, align technology innovation, and help spread the benefits of technology to a wider group of people.[23] Additionally, Aavishkaar's investments in health and education are beneficial to local labor force development in a region where CISCO employs thousands of people.

In areas where firms like Aavishkaar do not operate, some large corporations have set up funds on their own to seize shared value. For example, Anglo-American's Anglo-Zimele initiative has established four funds that bridge sustainability, social inclusion and cluster development in South Africa. The funds have helped catalyze over US$ 7.2 billion into more than 150 Black Economic Empowerment enterprises between 1993 and 2007 with significant results for local job creation.[24]

Large corporations considering shared value strategies are already overlapping with impact investors in some small ways. More intentional cooperation has the potential to resolve challenges with sourcing and placing capital if impact investors integrate large national and multinational corporations in their investment strategies. We are well aware that this is not the only action required to grow the industry; certainly continuing to support early stage and smaller growing companies is an absolute necessity to social innovation. However, as described in the cases above, re-imagining joint ventures, co-financing relationships, and direct project or subsidiary funding of large corporations could increase portfolio diversification, mitigate risk, and provide a solution to the difficulty of placing more impact capital in the near term.

As impactful and scalable shared value business models begin to build their evidence base, corporations will be key to the success and replication of these models. In order to create the world we want to live in, we absolutely must transform the way we do business, as well as the capital markets that fuel these businesses. We have changed the course of humanity before, and we are capable of doing so on an even grander scale.

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Wachira argued that this model is much more effective than relying on banking or subsidies