

**Second Vatican Conference on Impact Investing –**  
*Making the Year of Mercy a Year of Impact for the Poor*

**Sources of Capital and the Enterprises  
in Which They Invest**

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**2<sup>nd</sup> Vatican Impact Investing  
Conference**

**Sources of Capital &  
the Enterprises in  
which they Invest**  
June 28, 2016



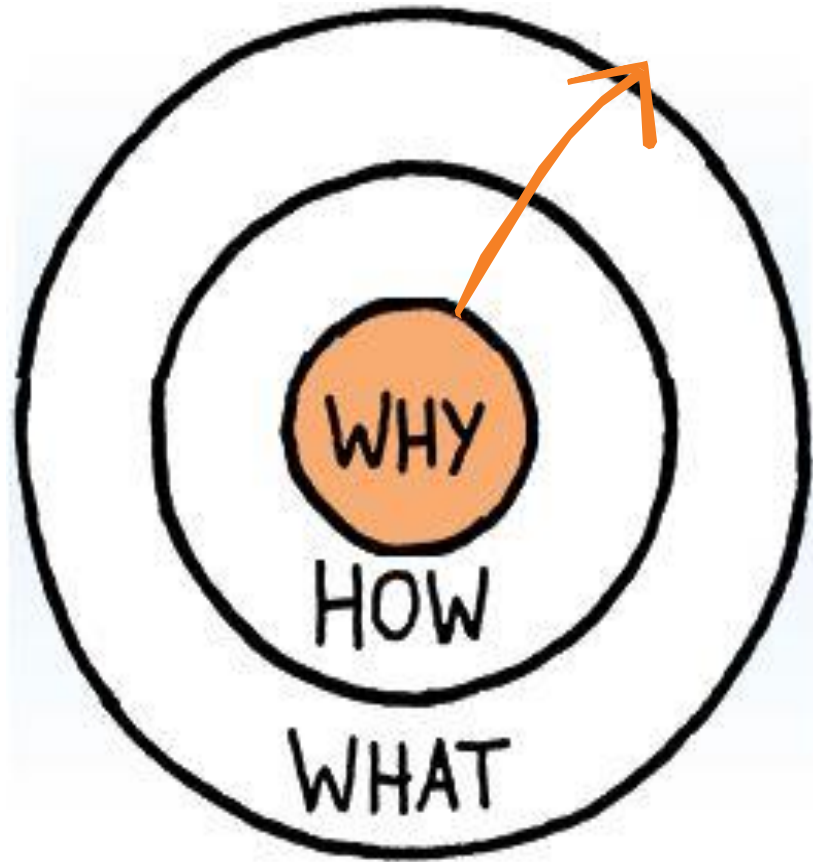
# Rewind: What Have We Discussed?

- ✧ Church 'points of presence' an essential part of the impact investing fabric
- ✧ Businesses with a social or environmental purpose are already part of the Catholic Social Mission
- ✧ Experience in impact investing is already accumulating at several Catholic institutions
- ✧ Impact measurement is important and is highly correlated to Catholic social teaching

# What Do Impact Investors Look For?

## The 'Why'

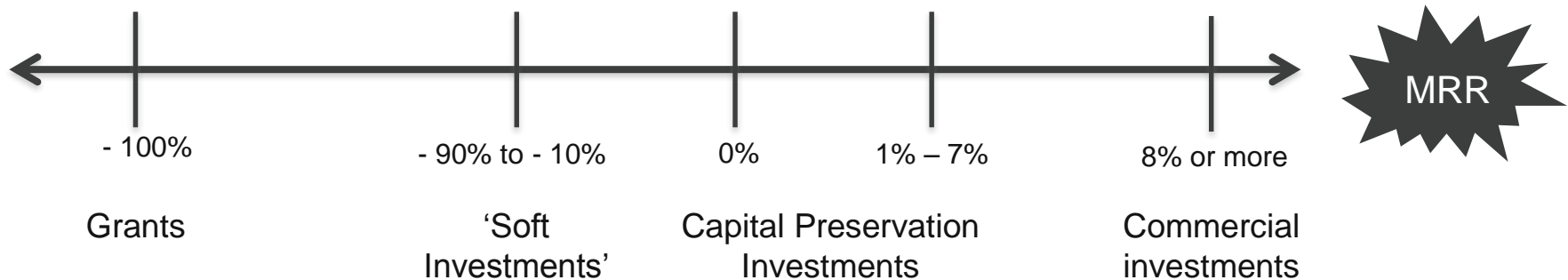
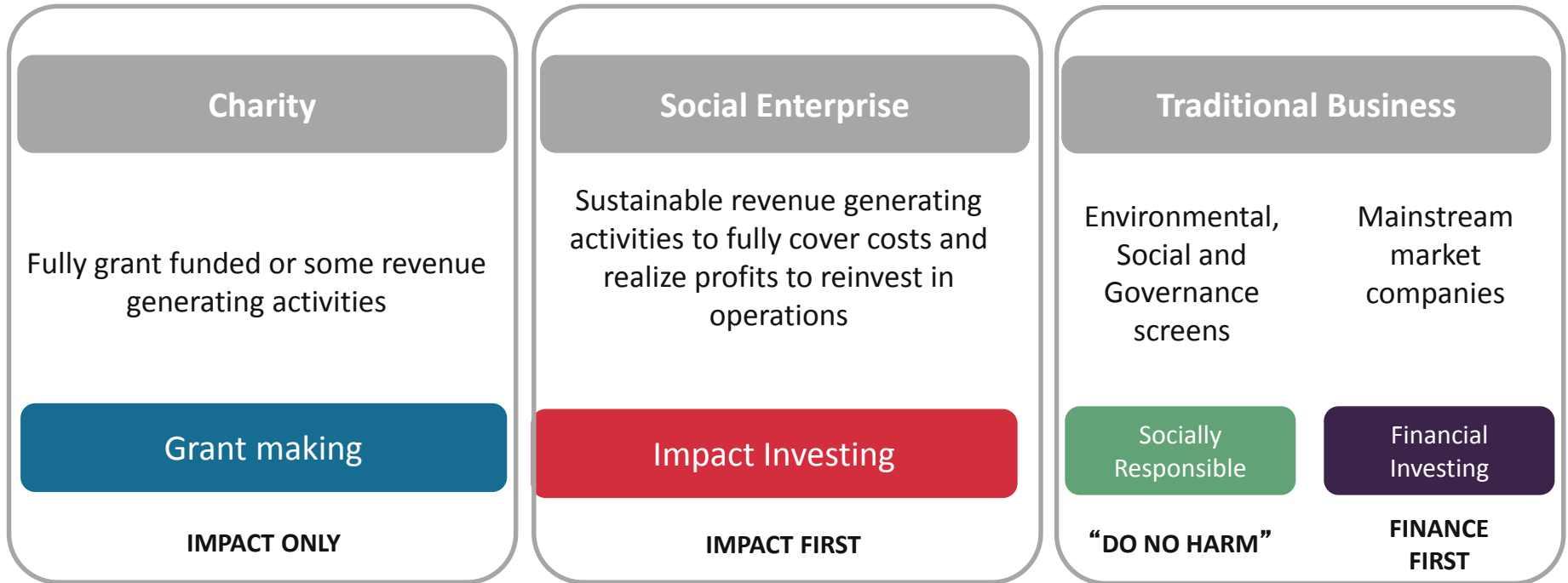
*Very few organizations know 'WHY' they do what they do. WHY is not about making money. That's a result. The 'why' is a purpose, cause or belief. It's the very reason your organization exists.*



Source: Simon Sinek



# Investor Return Expectations

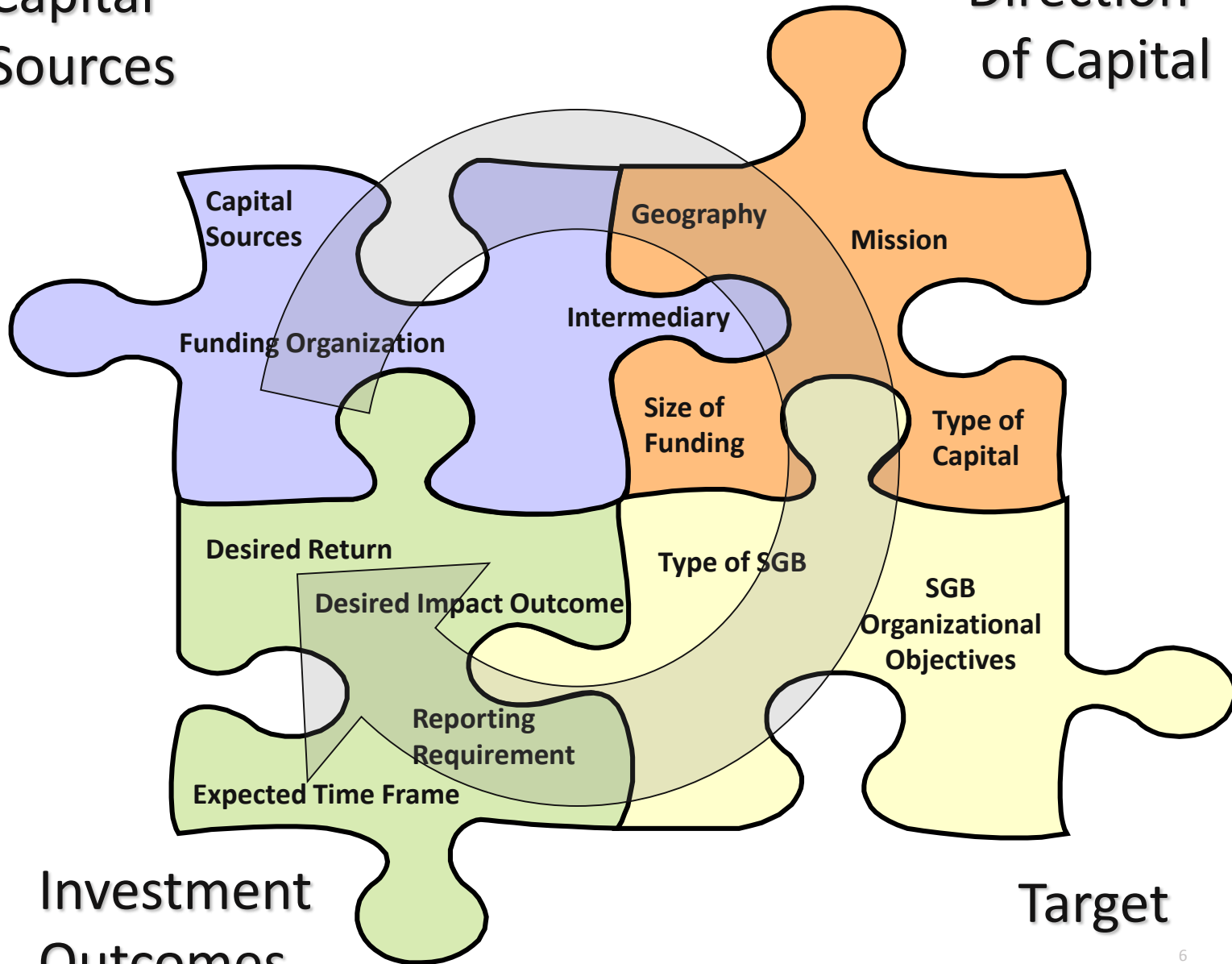


# Investor View



Capital Sources

Direction of Capital





# 'Colors of Money'

Social enterprise growth can often be accelerated if different types of capital finance it. This has often been referred to as the '**colors of money**'. All of these types of money can be used for impact investments, except grants or donations.

- ✓ Grant capital or philanthropic donation
- ✓ Soft or concessional loan (below market rate)
- ✓ Trade credit (short term debt)
- ✓ Microfinance or SME lending (usually debt)
- ✓ Equity (ownership share of the company)
- ✓ Commercial lines of credit (short or long term debt)

Sources of capital have rarely been coordinated and introduce competing priorities... This is changing



# Most Aligned Impact Investors\*



Provide a variety of capital from loans to equity

Foundation

Non-profit organization created for charitable work; many are aligned with sustainable development goals (SDGs)

Non-governmental Org.

A non-profit, voluntary citizen's group organized at a local, national or international level. Implements donor programs

Impact Fund Manager

Manages a 'pool' of money against a stated investment theme that combines social impact and financial return

Development Finance Inst.

Occupies the space between public aid and private investment, facilitating international capital flows - OECD

Family Home Office (FHO)

A family controlled investment group managing trusts and funds (\$100M value) with a professional staff

Individual Investor

High net-worth asset owner who combines money and meaning against a self-declared investment policy

\* Does not include government institutions: USAID, DIFID, SIDA, etc.



# Aligned Examples



Many are sitting in this room today

Foundation

Ford, Argidius, Heron, Tony Elumelu, Omidyar, Gates, Skoll

Non-governmental Org.

CRS, BRAC, AKDN, Mercy Corps, ACDI/VOCA, Pact, CARE

Impact Fund Manager \*

Skopos, Acumen, Root Capital, Bamboo Finance, D-Capital

Development Finance Inst.

European Development Bank, IFC, OPIC, AfDB, Asian Development Bank, laDB, FMO (Dutch), IsDB

Family Home Office (FHO)

Bessamer, Blue Haven, Aspiriant, KL Felicitas, Porticus

Individual Investor

Toniic, PYMWYMIC, Investors Circle, Women Effect

\* Many are organized as an NGO



# What Do They Invest In?

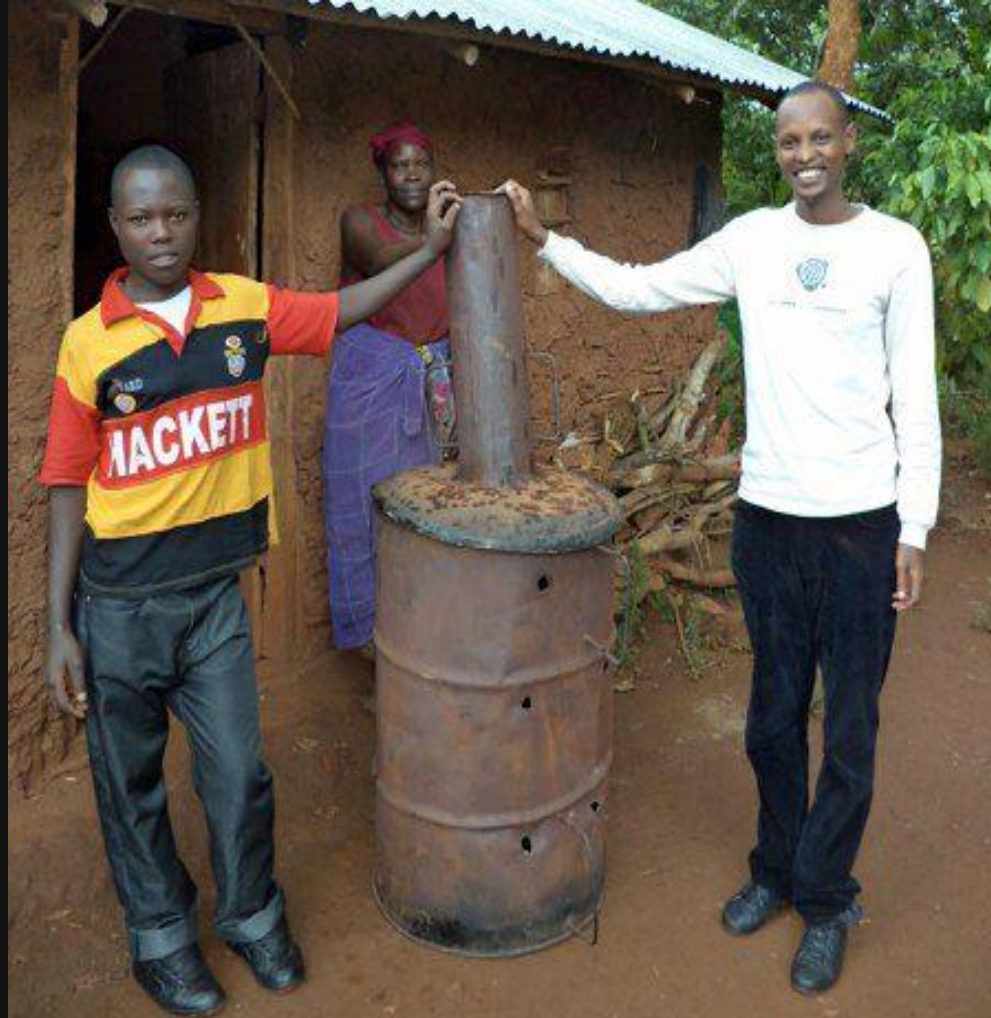
## In-direct investments:

- ✧ Funds with social impact
- ✧ Groups of companies under one governance structure or legal entity (e.g. holding company)
- ✧ You may also hear terms like: Special Purpose Vehicle (SPV) or 'land trusts' or 'impact bonds'

## Direct investments:

- ✧ Social Enterprise or business created to measurably further a social purpose in a financially sustainable way\*
- ✧ Example: EcoFuel Africa

\* Beneficial outcome takes into account the ultimate beneficiary



**Mission: Agricultural waste to affordable clean, cooking fuel for low-income households in Uganda**





## Problem Statement

35M people, 80% are farmers  
living in poverty

75% of the forest are already  
lost

Cooking fuel is 40% of  
household income



# Solution: Green Briquettes



Produced from agricultural waste

65% cheaper than charcoal

Usable in any cook stove

Burns cleaner and longer



# Business Model: Increased Income in Value Chain



## Farmers

- Increase income by 23% on average



## Eco-fuel Africa

- 50% gross margin



## Micro-Retailers

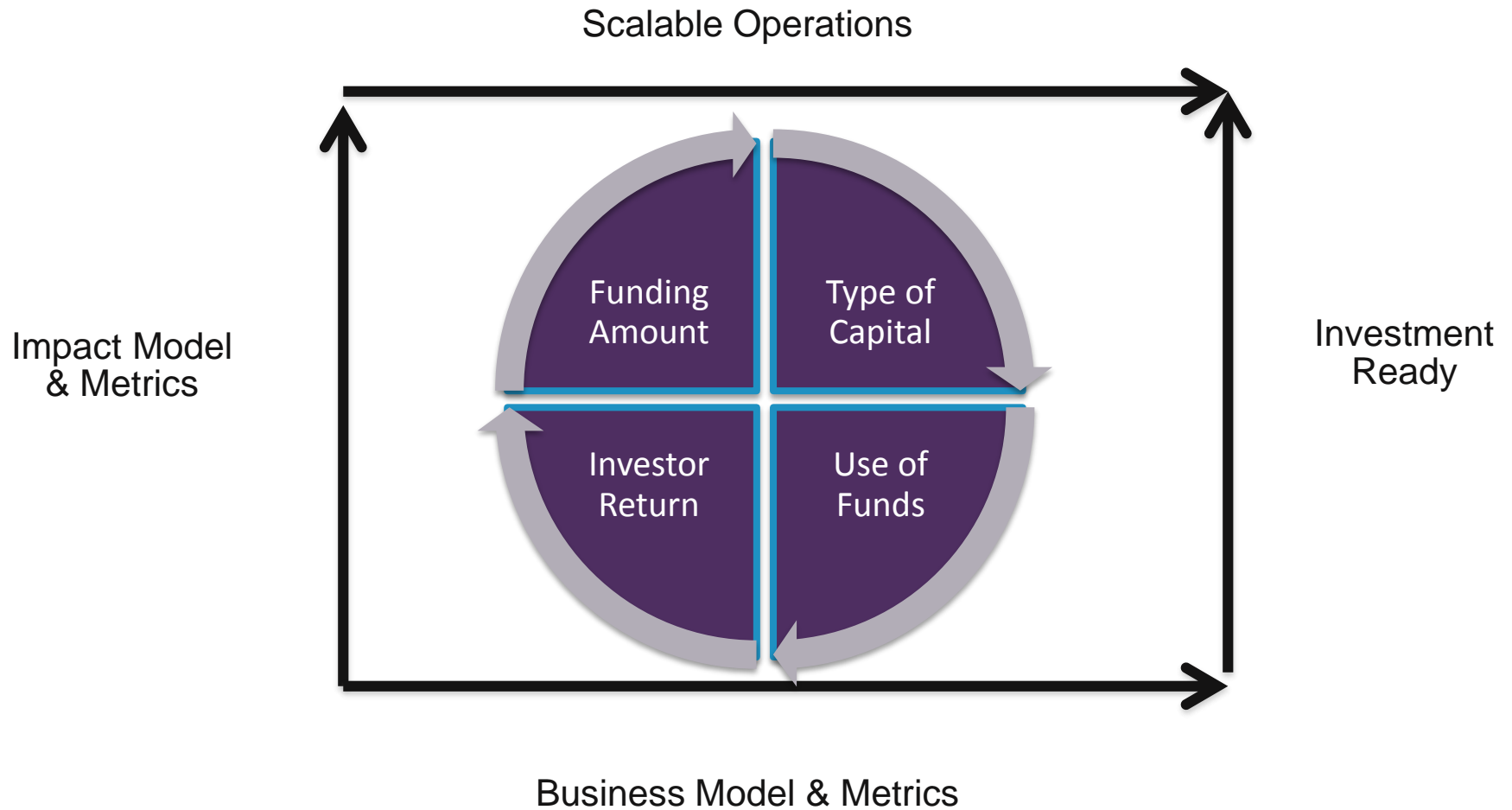
- Increase disposable income by 50%



## Households

- Increase disposable income by 30%

# What Impact Investors Look For







# Four Trends to Note

- ✧ Program Related Investment (PRI) changes
- ✧ Micro-Finance and NGO participation
- ✧ Crowdfunding as money for newly formed enterprises
- ✧ Blended Finance

# Blended Finance



**Blended finance** is defined as the complementary use of grants and non-grant **financing** from private and/or public sources to provide **financing** on terms that would make projects financially viable or sustainable

Example:





# Blended Finance

Grant: \$300,000

Loan for Equipment:  
\$375,000

Type of Capital can change over time:  
Grants, Debt/Loans, and Equity

Loan for Operations:  
\$500,000

Loan for Equipment:  
\$500,000

Equity:  
Sale of Part of Ownership  
to Raise \$1 M

