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STANFORD SOCIAL INNOVATION *review*

What's Next

Beyond Microfinance

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Rock band the Ginger Ninjas toured California and Mexico entirely by bicycle, powering gigs like this one in a town plaza with pedal-power.

PHOTOGRAPH BY KIPCHOGE SPENCER

that, the people congregating nightly in a Mexican town's plaza found themselves at an impromptu free rock concert.

Many townspeople seemed stunned by the Ninjas' shunning of electricity. But others liked the dreamy, ska-toned music so much that they happily answered

the Ninjas' call to pedal-power the concert themselves on subsequent nights.

Not only did the Ninjas help the environment, says Spencer, they demonstrated that it's not just possible, but downright easy, to live without gasoline. Through their lyrics and the many conversations with locals that their bike caravan engendered, they also tried to raise awareness about other reasons to choose a bike over a car. "One of our goals in doing the tour

was to promote the bicycle lifestyle in Mexico," says Spencer. "We wanted to show that even people who can afford cars might choose bikes."

The Ninjas are currently on a new global bike tour, which will move from the East Coast of the United States to Mexico, South America, Asia, and Europe. And Spencer reports that the East Coasters are pedal-powering at concerts as much as the Mexicans did. "Everyone warms up to it similarly, though kids are always the first." ■

SOCIAL INVESTING

Beyond Microfinance

▶ Two new players have joined the developing world's burgeoning social investing scene: Unitus Capital, a financial advisory firm serving microfinance institutions

(MFIs) in Asia, and IGNIA Partners, South America's first social venture capital fund.

Bangalore, India-based Unitus Capital (UC), which launched in July, provides a range of financial advisory and consulting services for mid- to late-stage microfinance institutions. The firm spun out of Unitus Inc., an international nonprofit that works with young MFIs, after Unitus's financial advisory team became "way too small for the size of the need," says Eric Savage, UC's managing director. The MFIs that Unitus had nurtured past their early stage needed more sophisticated services, and Unitus, which offers financial services for free, couldn't do that on a profitable basis, he explains.

UC has already raised \$3 million in equity for Swadhaar Finance Private Limited, an MFI operating in the slums of



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Mumbai, India. The funds helped with Swadhaar's special financial challenge of working in a city where real estate and salaries are high, Savage says. UC also raised \$13 million in debt over six months for Equitas, an MFI with 6,000 clients in urban Chennai, India. UC has seven other transactions in the works, and it hopes to cover Asia soon and then move into Africa.

Other plans include broadening its scope of products and offering its services to small- and medium-size companies that benefit the poor. There's no shortage of clients so far, Savage says, though staffing has proven challenging. "It's hard to find people with both investment skills and a passion for poverty alleviation. We've had to turn away quite a bit of business because we haven't had the staff to execute it."

IGNIA, meanwhile, also reports no dearth of projects; but its job is raising funds for scalable companies offering products and services to Mexico's poor. Cofounder Álvaro Rodríguez-Arregui says IGNIA differs from other social venture capital funds in that it won't sacrifice financial returns to obtain social impact. "By maximizing financial returns you increase growth and therefore you'll reach scale much faster and reach more people faster," Rodríguez explains.

IGNIA raised its first money in May and has since invested in Primedic, a provider of health-care services in Monterrey, and Jardines de Grijalva, an affordable housing project in Chiapas. Other potential projects include electronic payment systems and a "self-construction" (do-it-yourself) housing company that Rodríguez considers to be far superior to existing companies because of its safety standards.

(Forty percent of the houses built in Mexico are do-it-yourselfers and consequently hazardous, he reports.)

Once IGNIA has reached its goal of \$75 million in equity commitment and \$25 million in debt—it currently has \$35 million and \$25 million, respectively—it will focus on growing a new fund as large as \$500 million. "If we really want to have significant impact on poverty, we need a much larger fund," Rodríguez explains.

And they hope the capital market funders and foundations will no longer doubt them. "The Wall Street guys say, 'This is great,' but since you have a social motive—even if you explain that the potential for returns is tremendous—they think you are soft, that you'll compromise returns for social impact," says Rodríguez. "But then you go to a foundation and they say, 'You're too commercial for me.' We're somewhere in the middle, and there are still not many people who believe in that concept." ■

BIOFUEL

Food or Fuel?

► Countries eager to jump into the booming biofuel industry can soon use a mathematical tool to weigh the pros and cons of making that leap.

The tool, called the Bioenergy and Food Security Modeling Analytical Framework, was designed by a team of economists from the Rome-based Food and Agriculture Organization of the United Nations (FAO), Universiteit Utrecht's Copernicus Institute, and the Öko-Institut in Darmstadt, Germany. The German government funded the \$4 million Bioenergy and Food Security Project (BEFS), which produced the tool, after projecting that food security will be-



The world's booming bio-fuel industry means more land could go to growing crops like corn, processed into ethanol by plants like this one in Iowa.

come one of the world's major problems. (The FAO defines food security as the condition of all people in a country having physical, social, and economic access to sufficient amounts of safe and nutritious food.)

Over the next 15 to 20 years, biofuels could provide 25 percent of the world's energy needs, according to the FAO. But the consequent scramble for land and water would mean higher food prices. And as a recent report by the International Fund for Agricultural Development states, the number of food-insecure people could rise by more than 16 million for every percentage increase in the real prices of staple foods.

At the same time, countries with thriving biofuel industries could also support rural development and raise farm incomes.

To use the tool, national policymakers first create a bioenergy scenario based on the country's policy objectives and bioenergy strategies. Next, in five steps, policymakers assess biomass potential, given environmental concerns and land availability; biomass supply chain production costs; agriculture markets outlook; macroeconomic consequences; and impact on household-level food security.

FAO began testing the tool in Cambodia, Peru, Tanzania, and Thailand in April, and concluded

in September. "We had 35 formal requests for assistance, and we selected these four countries because they had very different issues," says Andreas Von Brandt, project manager for the BEFS project. "Tanzania, for instance, has investors knocking at its doors every day; it's relying on our recommendations." Tanzania, like many developing countries, is already growing inedible, drought-resistant *jatropha*, whose oil can be used in diesel engines and processed into biomass to power electricity plants.

Other countries should have access to the tool by the end of 2008, says Von Brandt. ■

EVALUATION

Let's Share

► Venture philanthropists and social investors have long struggled to measure the true impact of the organizations they fund.

But a new Web-based evaluation tool, the Portfolio Data Management System (PDMS), promises to allow donors and investors to track their investments' performance and let them, along with the social en-