

Conference: SOCAP, May 31, 2011 Amsterdam

Panel Topic: Micro-Keynotes

Panel Description: Each of the speakers addressed a specific theme highlighting trends, developments, opportunities and challenges of social capital investments.

Moderator & Panelists:

Moderator: Frank van Beuningen

[Jayant Sinha, Omidyar Network](#)

Jayant Sinha is the Managing Director of Omidyar Network India, where he leads overall investment strategy and operations and develops the India-based portfolio across Omidyar Network's investment initiatives. Jayant brings more than 20 years of experience in investing and strategy consulting to his role as Managing Director, as well as a deep understanding of managing investments and advising businesses in India.

[Niki Armacost, Arc Finance](#)

Niki Armacost is a Managing Director and Co-founder of Arc Finance. Niki brings over 15 years experience in microfinance throughout Africa, Asia, Latin America and Eastern Europe. From 1993 to 2008, she worked at Women's World Banking (WWB), a global microfinance organization. In her last position at WWB, Niki was the Director of Linkages and Learning and served as part of the senior management team. She was responsible for overseeing the network's learning and knowledge agenda, for promoting the leadership role of members, and for building and leveraging strategic alliances. Prior to this position, Niki held a number of leadership roles at WWB in the areas of knowledge management, market development, policy, and communications. She was an early advocate of linking energy and microfinance services and was an advisor to the Citi/USAID/SEEP Energy and Microfinance Research Initiative from 2004 to 2007.

[Vineet Rai, Aavishkaar](#)

Vineet Rai is a founder and the CEO of Aavishkaar. Mr. Rai is responsible for overall management of the fund. Prior to Aavishkaar, Mr. Rai was a founder and the CEO of GIAN, an incubator for rural innovations and ventures based in Ahmedabad, Gujarat. At GIAN, Mr. Rai was responsible for identifying, evaluating, nurturing and launching grassroots innovations based micro level enterprises for poverty alleviation. Mr. Rai has been a guest faculty at the Indian Institute of Management, Lucknow on Technology Incubation and Social Venture Funding. Mr. Rai has co-authored several papers with Professor Anil Gupta on issues concerning rural and micro innovations.

[James Kimisoi, Head of Justice and Peace for the Catholic Diocese of Eldoret in Kenya](#)

As the the head of the Justice & Peace for the Catholic Diocese of Eldoret, James coordinates 60 civil society organizations in the Rift Valley reaching a rural population of 5 million. James works with rural community leaders and local government agents, driving community mobilization, family program support and monitoring.

While administering services to those affected by the post-election violence, James learned first hand how energy can improve lives and community.

Design, Methodology, Approach: Reports and expert opinions from panelists.

Main Panel Discussion Points:

Sinha put forward the idea of inclusive innovation (providing an environment for entrepreneurs to flourish, and improve the lives of many) towards addressing BOP (bottom of the pyramid)-related issues. The thrust of his discussion was that both public and private funds/participation are required to enable the BOP market to develop to its full potential. To understand the BOP market in India, Omidyar commissioned McKinsey to research the BOP opportunity. From the results of the research, Jayant purports that the India BOP market (tagged aspirers and destitutes) consists of over 835m people with \$360bn of disposable income. Armed with this information, Omidyar has purposed to accelerate development of the market in a bottom-up fashion with particular emphasis on entrepreneurs in the medical, and clean technology sectors. Omidyar's entrepreneurs include D-light, the provider of solar lanterns, which have helped increase child study by an hour a day in rural locations that lack off-grid access; Agni, a producer of coal from rice straw; Forus, provider of ophthalmic screening devices that tests (at a cost of 20 rupees) for 5 common diseases that cause blindness; and Embrace, a producer of low cost baby warmers that help keep premature babies warm in the absence of incubators.

Rai expressed investing as a continuum with each type of capital playing a role, emphasizing that charitable donations are needed at one end of the spectrum. He believes that semantics are taking over the real content, and focus should not shift from the need to find and invest in entrepreneurs. Posing and answering the question whether social impact is indeed a separate class, he highlights that all investments at some level whether purposefully or not have some impact. The key thing is that BOP markets desire and inspire change, and we need to source the entrepreneurs that can do just that. In this regard, and in a bid to back the change-makers, Aavishkar defines itself as a high-risk venture fund that does not guarantee any returns. Vineet explains further that his investors realize it is difficult to make returns when backing/catalyzing such change-makers. Vineet sounded a few notes of caution regarding the current euphoria around impact investing viz. intellectual capital is required ahead of venture capital; the challenge and complications of the concept of greed must be heeded to avoid the same challenges that we have seen in the traditional markets/sectors.

Armacost reminisced about Arc Finance's journey to becoming Arc Angels. Along this journey, Arc has encountered numerous social entrepreneurs with the same basic challenges – the first funding is the most difficult to raise, investors require prototypes/proof of concept, and want other investors at the table. The collective view is that the most **difficult financing** to raise is the first \$1-2m (and within that the first \$50-100k required from friends and families) that will enable testing, prototyping, and market research. The response at this level is usually “Fabulous idea, I need proof of concept”, or “love your vision but bring another investor.” Everyone loves the idea but no one will give them money to make the idea a reality, investors want to see someone else take the plunge first. Nicki states that all this results in **frustrated change-makers** who keep hitting a brick wall, and require divine intervention to help them out of their catch-22. This is where the **Arc Angels** come in to provide small amounts of money to help jumpstart their ideas, and attract other investors once they have proven their concept. Nicki concluded jokingly that one way of measuring SOCAP's impact is counting the number of people that become Arc Angels as a result of SOCAP.

Kimisoi rendered a heart-warming case study and emphasized the need for a focus on capacity building. Through their programs, Justice and Peace (J&P) directly impacts or influences the lives of approximately 6m people. James presented a case study of how the distribution of solar lamps to a village in West Kenya helped to reconcile communities, and empower villagers to improve their livelihood post the recent conflict in Kenya. J&P distributed nearly 2000 solar panels to encourage the displaced to return to their villages – in his words, “Going back with something that they did not previously have.” With the lanterns, people were able to cut down on their energy costs, reduce the time and effort wasted on seeking a power source – “people often walked up to 40km to buy energy.” The advent of the panels empowered female entrepreneurs who are now earning enough money to send their children back to school – simply, “Lives

were changed. Investment in solar definitely provides impact.” James went on to say that handouts do not help but investments change lives, especially those that reach the villages where the impact is most visible.

Outcomes & Analysis: The micro-keynotes highlighted the different avenues through which various stakeholders are pursuing and having impact. Furthermore, the similarities with traditional investing are considerable, and should not be ignored. It is not new that angel (aka Arc) investors play a pivotal role in the developmental stages of a new venture, and the industry will do well to learn from the constructs used in traditional investor as it develops.

The notion that investing trumps aid is also not new but stories such as the use of solar lanterns to rebuild communities, and empower people should be more broadly publicized for its triple bottom line impact potential – particularly in villages.

Although, the labeling may still be in the making, social innovation as a sector is here to stay. Omidyar’s entrepreneur-centric focus highlights the driving force behind the ventures, and aligns with Rai’s assessment that finding the right entrepreneur to back is still the key task, and should not be lost in the euphoria of the moment.

Keywords: Angels, social innovation, entrepreneurs, solar lanterns, Kenya

Paper type: Review of conference panel.

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Questions:

1. Comment on the approaches to investing in Water, which has been difficult to invest in with the impact lens
 - a. The challenge is making the investment work for the poor from a durability and affordability perspective. However, a number of purification, transportation, and storage investments have been birthed that do indeed provide solutions
2. What is the collaboration between universities and impact investing, the intersection at which much opportunity exists?
 - a. There is considerable collaboration today. For example, Stanford has been involved in the design of innovations that place a priority on extreme affordability; Columbia plays a key role in the testing and approval of affordable and efficient cook stoves
3. Why is there a bias towards the developing world, and not much innovation in the west?
 - a. It may just be a problem of labeling i.e. impact investing or social innovation. What is being done/required is to take the innovators to wherever they come from or wherever they want to go.
 - b. Omidyar is conducting considerable social innovation work in the US.