

Social Capital Markets

Conference: May 31 2011 Amsterdam

Panel Topic: Moving Minds and Moving Money

Panel Description: Investing and giving used to live in two separate worlds, two pockets: one where you put the money made from working and investing, and the second, smaller one, where you gave from a small part of the excess. Now, people realize the space between the two pockets is real; it's the market at the intersection of money and meaning. It's a space as heartfelt as giving, as rigorous and efficient as investing. How do you move into that space? How do you get other people to join you? In this plenary session, hear from people who have done it and helped others to make that shift: the shift in mindset that causes a shift in money

Moderator & Panelists:

Moderator: [Penelope Douglas, President of the board, SOCAP](#)

Prior to joining The Hub | SOCAP, Penelope Douglas founded and served as CEO of Pacific Community Ventures. PCV, a nonprofit whose mission is to invest human, intellectual and financial capital in small businesses for the benefit of economically underserved communities, has helped to create more than 5,000 jobs for lower-income workers at 250 small businesses throughout California. Penelope was additionally a partner in Pacific Community Ventures LLC, with \$60 million of committed capital.

[Eric Buckens, Head Private Wealth Management Products and Solutions, ABN AMRO](#)

Eric has more than 22 years of experience in international finance in a number of roles and in an international context, in particular in Europe and Asia. An economist by education, he is a seasoned investment professional and business manager. He has been with ABN AMRO for twenty years in various roles in economic research, asset management and private banking.

[Liesbet Peeters, Lapiluz](#)

Liesbet combines professional expertise in finance and private equity with extensive experience in international development. Prior to founding Lapiluz, she worked for the Grassroots Business Initiative at the World Bank, where she worked with numerous NGOs, social enterprises, partner donors and foundations on identifying and funding micro-economic development projects, mainly in West Africa and South-East Asia. Previously, Liesbet developed a solid financial background, working in various positions in the private equity/venture industry in Europe. Liesbet holds a Master's degree in Commercial Engineering from the Catholic University of Leuven, Belgium, and an MBA from the MIT Sloan School of Management.

[Max Martin, Impact Economy](#)

Dr. Maximilian Martin is the Founder and Managing Director of Impact Economy SA. Passionate about convergence between the spheres of knowledge, business and the public good, he has created the first university course on social entrepreneurship in Europe, at the University of Geneva, and Europe's first wealth management philanthropic advisory and knowledge exchange platform, UBS Philanthropy Services and the UBS Philanthropy Forum. He also serves as Founding Faculty in Residence at Ashoka University (USA) and Lecturer in Social

Entrepreneurship at the University of St. Gallen, in Switzerland. As Global Head at UBS Philanthropy Services, Max conceived, created and led the Service from 2004 to 2009, built a global team in various booking centers, established the Service as the bank's global lead offering for the ultra-high net worth segment and an industry benchmark, and created numerous sub-platforms such as the Visionaris Social Entrepreneurship Award in Latin America and the publication Viewpoints.

[Frank van Beuningen, PYMWYMIC](#)

Frank is director of PYMWYMIC, the “Put Your Money Where Your Mouth is Company”, headquartered in Amsterdam. PYMWYMIC convenes the longest running angel-investor circle in Benelux; advises individuals and families on impact investments in private equity; and helps viable social entrepreneurs find investors for early seed financing. Frank is a pioneer in the impact investing field; his first PYMWYMIC fund, formed in 1995, provided seed funding for new industries like solar energy, lithium batteries, recyclable plastic, and more. Frank is co-founder of SoCap Europe, founding member of SVN-Europe, long-term member of Investor's Circle, created the ‘Money Meets Ideas’ seed funding platform; serves on the board of NESsT, as well as several international companies and family foundations, and continues to Put His Money Where His Mouth Is, as advisor to and shareholder in multiple social enterprises

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

Main Panel Discussion Points:

The moderator posed key questions: (i) what prompted you to consider a career in impact investing/social capital? (ii) What are the demand side trends; (iii) what are the game changers?

Each of the panelist's discussed how they entered the world of social/impact investing, their views of trends, and what is required to bring the industry from the fringes of finance and investing to the mainstream. The key thrust of the discussions is that minds need to shift both within and outside the industry for it to scale up, and have social/impact investing placed at the heart of investing, and therefore attract traditional sources of capital. The panel particularly stressed the need for measurement, collaboration, creativity and innovation. In summing up, Douglas surmised, “there is a lot of capital that we are unable to aggregate and connect with those that need it.”

Main points from each panelist were:

Buckens emphasized that ABN AMRO is an institution that takes impact investing serious, having progressed from working initially within the MFI space with a handful of the same family offices. He now sees an expanded pool of investors from foundations and family offices but states that attracting traditional investors is still a challenge even though he believes that there is latent demand. He purports that improved regulation, business plans, impact measurements, and due-diligence will go along way to attract traditional capital, and a large bank like ABN AMRO can play a leadership and convening role even if it cannot play an innovative role.

Peeters noticed over the course of her career a dearth of people wanting to make an impact through investments. She sees a trend of increased syndicating, creativity and innovation, and a

fusing of local and international money. For her, more inspiration rather than provocation is required, and therefore there should be an emergence of creative vehicles, and collaborations with the understanding that the large banks are not necessarily best placed to innovate – essentially, more doing than talking. She concluded by stating that creating and innovating products for retail customers is particularly important.

Martin is seeing an increase in private wealth targeting the social capital area; for example, some large foundations in the US have allocated up to 7% of their capital to social investments. For him, greater convergence between the sectors is required to enable the integration of expertise and knowledge to allow for appropriate aggregation and allocation of capital. For this to be a reality though, cheap and efficient impact measurement is essential.

Van Beuningen highlighted the fact that 15 years ago there were no investments, and capital for social investments. However, now there is a plethora of entrepreneurs, and considerable capital. For him, Social Capital is essentially the awakening of a consciousness that we are part of the problem, and now need to be part of the solution. He sees a rapid rise in entrepreneurs and capital, and assuming impact can be measured, there is a need to shake up the investors, and shift their minds to impact investing.

Questions:

- 1) How can we avoid toxic thinking from traditional markets fuelling too rapid a growth of the industry? We have to develop our own products so that we can bring people in on our terms.
 - The panel agreed that we should not be too quick to grow, and reiterated that large banks can be used for more complex aspects of social impact transactions, while keeping the tools simple. Furthermore, the view is that we need to see a shift from heroic social entrepreneur to a broad social movement. Social capital needs to be inclusive, and involve the banks and more traditional forms to scale
- 2) Who do we expect to pay for developing the deal flow pipeline and building capacity?
 - Various channels should be engaged. We require philanthropy and/or government money, research and incubation – i.e. both bottom-up and top-down approaches should be leveraged
- 3) Deal pipeline is large in emerging markets, which differs from here. How do you see the attractiveness of repayment models and the role of public funds?
 - Social Capital in Western Europe is divided between public and private sources, with various constructs motivating investors to invest in SC. Luxembourg and UK are seeking the right solutions but we need innovation.
- 4) Social investors are suspicious of corporate entities coming into the fold. Ergo, both traditional and social investors require a shift in mindset. What's the panel's perspective on this?
 - General agreement from the panel is that a shift is also required on the side of the social investors, with education touted as absolutely necessary to enable social

investors to overcome their own blind spots, and get public and private investors working together.

- It was noted that there are lots of guarantee schemes with SME money stuck in banks. We need to ensure that the right incentives are in place to avoid having the funds stuck in the system
- 5) Can the panel participants share their failures, and the risks that they thought were there or not?
- Although there are tremendous risks involved in social capital, these are deemed no more risky than traditional VC, which has provided a learning base for many of the social investors. Nonetheless, the language is confused either due to risk or inefficient markets. However, it's not just a risk but also a discount conversation. We need to pay attention to build capacity on the fund managers' side. We are still having three conversations viz. risks, inefficient markets, return profiles – values that are not just financial, when we should be having one conversation.
 - The industry is still suffering from its early stages of inefficiency. Believe that investing for impact will ultimately de-risk your investment. If we can prove that, the floodgates will open.

Outcomes & Analysis: The industry is growing but now needs some adjustment to move to the next level. The attention of mainstream traditional capital is required for it to scale. A pre-requisite for this will be the shifting of minds both within and outside of the sector with impact measurement, creation and innovation at the heart of this shift. The key will be for the industry to overcome its legacy inefficiencies and structure appropriately from fundraising to reporting, to motivate mainstream investors to believe that impact investing is not just a fad but can improve their returns.

In all of this, large traditional institutions still have a part to play in providing leadership to connect the traditional and social sides of capital, with the social side more likely to drive innovation than the big bank. However, this shift should be checked to avoid the mistakes that fueled the bubble and crash of traditional investment markets. To this end, it is imperative that there is a framework for ensuring the development and cross-integration of the capacity, skills and knowledge required to enhance and scale the industry. Such a framework will require government's input on regulation and funding, and private sector participation.

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