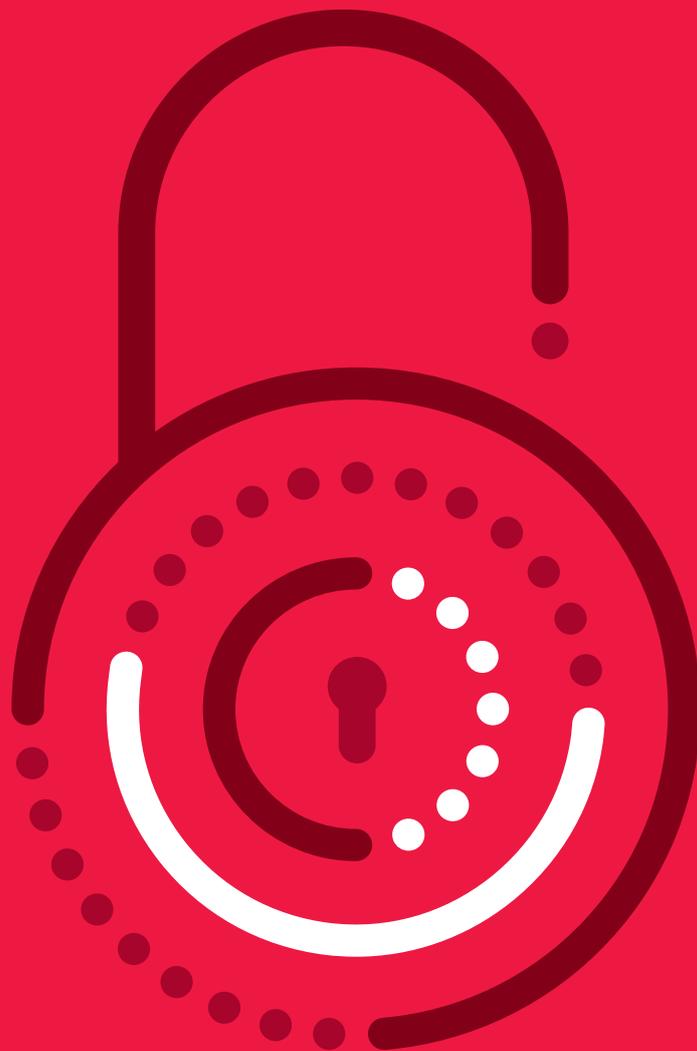




Unlocking investment for social impact:

A guide to impact investing



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About Bond

Bond is the UK network for organisations working in international development. We connect, strengthen and champion a dynamic network of diverse civil society organisations to help eradicate global poverty, inequality and injustice. We support organisations to access funding and become financially sustainable through expert guidance, resources and insights.

About The Change Coefficient

The Change Coefficient exists to help amazing mission driven organisations scale and maximise their impact. They aim to be the advisor of choice to the social impact and investment sector, bridging the worlds of INGOs and charities, funders and investors. They help organisations design and implement impacting investing strategies. Find out more at thechangeefficient.com

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THE CHANGE COEFFICIENT



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Introduction

In the last few decades, impact investing has gone from a relatively niche concept to a global phenomenon. Today, impact investing is in the spotlight, with widespread news coverage and estimates of a \$500bn market.¹

This growth is driven by trends in both supply and demand. Traditional aid flows are failing to keep pace with increased need, resulting in greater demand for alternative forms of investment, and a realisation that new models are required to meet the Sustainable Development Goals (SDGs). At the same time investors are increasingly willing to compromise some financial return for social impact.

INGOs, with their hard-won development experience, have a critical role to play in ensuring that impact investing in the development sphere evolves in a way that best serves the long-term needs of all stakeholders.

Bond set up the impact investing group in early 2019 to help INGOs navigate the complexities of impact investing and create a space for shared learning and collaboration. This paper, produced in partnership with The Change Coefficient, offers a starting point for INGOs working to understand how they can engage with impact investing, and what it takes to be effective in this field. We have included a wide range of examples and resources for further exploration.

The Global Impact investing network

(GIIN) defines impact investments as: **investments made into companies, organizations (including INGOs) and funds which generate social and environmental impact alongside a financial return for the investor.**

What is impact investing?

Impact investing is:

- An alternative means of delivering social impact.
- A means of financing the development or growth of projects with sustainable revenue streams that generate a surplus and can be reinvested into other programmes.

Impact investing is different from a traditional grant provided by an institutional donor as **the money is repayable**. It is different from a commercial investment as there is clear **intent to create a positive social or environmental impact**; and that this **impact is measured** and also provides a financial return.

Impact investing is an umbrella term and covers a range of investment formats, often referred to as financial instruments such as social enterprises, social franchises and development impact bonds. Impact investors will determine the most appropriate instrument based on their objectives, taking into account the type of organisation they will invest in and their target returns.

Impact investing is not:

- A substitute income stream for grants or donations.
- Without risk – investors will expect repayment and may seek board representation.

The “spectrum of finance”² which is outlined below, shows where impact investing sits in relation to other forms of financing.

Spectrum of Finance							
	Financial only investment	Responsible investment	Sustainable investment	Impact investing		Impact only investment (grants)	
	Delivering competitive financial returns						
	Mitigating environmental, social and governance risks						
	Pursuing environmental, social and governance opportunities						
	Focusing on measurable high-impact solutions						
Focus	Limited or no regard for environmental, social or governance practices	Mitigate risky, environmental, social or governance practices in order to protect the value of their investments	Adopt progressive environmental, social or governance practices that may enhance value	Address societal challenges that generate competitive financial returns for investors	Address societal challenges where returns are as yet unproven	Address societal challenges that require a below-market financial return for investors	Address societal challenges that cannot generate a financial return for investors

1. GIIN Global Impact Investing Network Sizing the Impact Investing Market, April 2019.

2. Adapted from Bridges Ventures (2015), “The Bridges spectrum of capital: How we define the sustainable and impact investment market, Bridges Ventures, London: <https://www.bridgesfundmanagement.com/wp-content/uploads/2017/08/Bridges-Spectrum-of-Capital-screen.pdf>

3 ways for INGOs to embrace impact investing

Impact investing provides opportunities for INGOs

Impact investing offers considerable advantages for INGOs. It can:

- Create a financially sustainable model which can recycle funds into new projects.
- Bring new skills and partnerships into the development sector.
- Support local civil society by empowering local social entrepreneurs to make change in their own communities.

How INGOs can get involved with impact investing

INGOs can get involved with impact investing in a range of ways. They can become an investor by **making an impact investment** in a charity or social enterprise; they can become an investee and **be invested** in themselves, such as taking a loan to finance the building of a school; or they can help **build the market for impact investing** by running, for instance, an accelerator or incubator programme.

See the table below for examples of the different ways that INGOs are engaging with impact investing, broken down by the three different roles that they can play.

Investors	Investees	Market builders
Organisations or funds who make impact investments.	Enterprises or organisations who receive impact investment into their organisations.	Organisations who provide technical assistance, act as an intermediary or use their convening power and networks to facilitate the impact investing market.
Examples	Examples	Examples
Habitat for Humanity Shelter Venture Fund. Mercy Corps Social Venture Fund. World Vision Expansion of Vision Fund.	Alive & Kicking. CARE JITA JV with Danone Communities. PEAS social enterprise. Cameroon Kangaroo Foundation. Development Impact Bond. Cambodia Rural Sanitation Development Impact Bond.	Access to Capital for Rural Enterprises (ACRE). Red Cross Volcano Catastrophe Bond. FHi Ventures (seed-stage investor and an accelerator).



1. INGOs as investors

Making impact investments: an alternative way of delivering social and environmental impact.

INGOs can **make impact investments** in a number of ways: from funding enterprises directly, to providing capital to fund managers, to investing in development impact

bonds or insurance linked securities. The mission of the INGO will ultimately determine the mechanism they use to deploy funding. Impact investors may choose to focus on a particular geography, a theme (such as female entrepreneurs), or, as in the case of Habitat for Humanity's Shelter Value Fund (described below) a particular sector, enabling the fund to build expertise and potentially allowing for greater cooperation amongst investees.

Habitat for Humanity Shelter Venture Fund



CASE STUDY



Stakeholders

Investor: Habitat for Humanity.

Investee: Start-up companies engaged in innovative housing products and services targeted at low-income households.

Source of capital: Grant funding from high net worth donors and foundations.



Focus area

Geography: Europe, the Middle East and Africa, Asia-Pacific, Latin America and the Caribbean.



Detailed summary

Habitat for Humanity recognised that housing finance was not the only element of the housing market needed to ensure access to affordable housing. They therefore set up a fund focused exclusively on enterprises supporting the wider affordable housing market with the goal of creating a stronger, better served market. For example: low-income households may lack access to environmentally sustainable options for housing components, and local masons may lack training in newer techniques which reduces the quality of new housing.

The Shelter Venture Fund (SVF) therefore invests in entrepreneurs operating in the pioneer gap (enterprises too large for grants but not yet ready for commercial financing), addressing affordable shelter solutions across the globe. Enterprises funded offer a mix of innovative products and services for affordable housing and through technical support from the Shelter Venture Fund, Habitat enables entrepreneurs to accelerate and scale up their operations to low-income households.



Type of investment

Fund Size: \$4m.

Number of Investments: Eight.

Average Investment Size: \$50,000 to \$500,000.

Investment type: Equity, convertible notes, conditional grants.



Key outcomes

1. Scale and sustainability of investee's operations.
2. Households served.
3. Access to products and services (shelter, energy, water, jobs).
4. Local jobs created.
5. Household savings.

Is making impact investments right for your organisation?

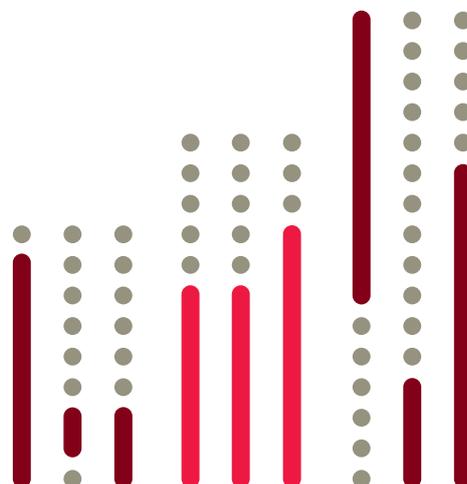
Impact investing is not an appropriate approach to address all of society's challenges, but there are a number of reasons it is worth considering for those INGOs whose mission and operational set-up lends itself to investments.

Impact investing allows for:

1. Recycling capital, allowing the same pot of funding to be used to support multiple individuals or ventures over time.
2. Potentially generating greater long-term impact if the funding enables the recipient organisation to become financially self-sustainable.
3. Supporting the establishment of innovative and more entrepreneurial approaches to developmental challenges.
4. Attracting new resources, in terms of both funding but also expertise, to the development sector and creating opportunities for new partnerships.

Issues to consider if you want to make impact investments

- Do you have a clear impact and investment strategy? Who or what will you be investing in? How well is this group currently served? Why is this the best use of your resources?
- Do you have access to money? INGOs could use their own funds to invest or could source funds from others and play the role of fund manager.
- Do you have a network of partners or organisations in which to invest or through whom you will find investments? The greatest challenge most impact investors face is finding credible ventures or projects in which to invest that deliver both impact and are financially viable.
- Do you have the right team? Whilst most INGOs will have subject matter experts who understand the regions in which they operate and key challenges faced, investment expertise is less prevalent. Ensuring you have people who can read financial models, quantify risk, conduct due diligence and value investments is critical.



2. INGOs can be invested in

Receiving an impact investment; financing the development or growth of financially sustainable enterprises or projects.

Receiving an impact investment is best for INGOs that have an existing idea for a social enterprise or business that could generate profits. Funding from the investment could be used to buy fixed assets (such as buildings) to fund the recruitment of new team members, or fund the working capital for a development impact bond.

Most investments come in the form of debt or equity or some derivative of these two. The key difference between them is the sharing of risk. With debt, you must repay the investment regardless of how well the enterprise or project performs financially. Equity, however, is a means of sharing risk with your investor so that they only profit when you do. Investors will want evidence that the funding will generate a return.

Typically this will come through profitable growth, however in some cases such as that of Alive & Kicking, (see the case study), the funding may be used to generate savings. Many impact investors provide technical support and access to their networks in addition to funding.

Is being invested in right for your organisation?

- It is essential you have a revenue model that generates a surplus so that you are able to repay the investment. You will also need clarity on the social impact you intend to create.
- Organisations with fixed assets, such as property or a track record, will find it easier to secure investment.
- Before exploring taking on impact investment it is important to ensure that your legal structure allows it and, if not, that you are able to establish some form of subsidiary or independent entity that could take on the investment.

Issues to consider if you want to be invested in

- You will need to provide your potential investor with a financial model and some form of business plan for them to assess.
- If you are taking on debt, your board will need to get comfortable with the level of risk and you will need effective financial management to track your cash and make repayments.
- If you are taking on equity, it is important to make sure the investor is aligned with your mission and that they are the right partner for you.



Alive and Kicking



CASE STUDY



Stakeholders

Investor: Long term charity supporters who have bought into Alive & Kicking's mission.

Investee: Alive & Kicking, established in 2004, is the world's only not-for-profit sports ball manufacturer. Alive & Kicking provide ethical employment opportunities for adults (many of which are young adults, new to the world of work) facing social and economic disadvantage and teach children life-saving health education through sport, funded by ball sales and additional fundraising. Their health programmes focus on HIV, malaria, and mental health. Alive & Kicking generates funds from ball sales, fundraising initiatives, trusts and foundations, corporates and sports clubs.



Type of investment

Investment amount: £26,000 interest free loan.



Focus area

Geography: Sub-Saharan Africa – Ghana, Kenya, and Zambia.



Key outcomes

1. Creating ethical jobs in Ghana, Kenya and Zambia for adults facing social and economic disadvantage, helping lift families out of poverty.
2. Donating locally made Alive & Kicking balls to communities so children can access sport and play.
3. Teaching children life-saving health education through sport.



Detailed summary

Alive & Kicking Kenya had a very expensive lease (KES 316,000 per month) with a 10 per cent annual escalation. Alive & Kicking Kenya was given an opportunity to move to a new workshop in Nairobi at a highly subsidised rate and build a relationship with a reputable international not-for-profit with a similar mission – [Amref International](#).

Alive & Kicking sought an interest free loan of KES 3m (approximately £26,000) to fund moving and set up costs of the new centre. The loan was repaid monthly, interest free, through the savings on rent.

Alive & Kicking benefitted from a rent reduction of £43,190 over the three-year period of the loan. This reduction in fixed overheads drove an increase in profitability, allowing investment in much needed capacity growth and an increase in Alive & Kicking's community outreach and social impact. The loan also enabled Alive & Kicking to:

- Grow its brand, securing its status as a trusted manufacturer of durable balls in East Africa and beyond.
- Strengthen sales and marketing expertise in order to access new markets - increasing sales by 6,000 balls a year, contributing an additional £91,440 to the Kenyan economy, and helping to create 12 new full time ethical jobs for adults facing economic and social disadvantage.
- Gain efficiency in procurement of inputs with the ability to import in larger quantities using sea freight.
- To complete vital research regarding the launch of a new synthetic football.
- To support Alive & Kicking Kenya's existing 50 employees, 90 per cent of which have never had formal work before, by strengthening their job security as well as drive Alive & Kicking ball donations and grow their health programmes.

3. INGOs as convenors to support others' impact investments

Despite the high level of interest around impact investing, it is important to understand that the sector is relatively new and, as such, there is much work to do to ensure its long-term success.

INGOs are natural partners in the development of the market given their focus on impact, their proximity to the challenges they seek to address, their issue expertise and their extensive networks. INGOs can very effectively serve as the bridge between investors and those seeking investment by playing two key roles:

1. Providers of technical assistance:

Technical assistance is support provided to enterprises to develop their proposition or organisation. It can be provided through structured programmes such as incubators and accelerators or through customised one on one support. It can include, but is not restricted to, developing a business plan and financial model, legal structures, accounting, marketing, product development, measuring impact, HR and fundraising. In markets where entrepreneurship is less prevalent and labour markets weaker, this form of support is critical to ensuring an effective pipeline of potential impact investments. Technical support providers, such as the Access to Capital for Rural Enterprises (ACRE) programme described below, will often partner with funders to ensure that once their supported enterprises are ready they can effectively access funding.

2. Market facilitators and convenors:

Most impact investing funds, in terms of funds under management, are based in western markets. This creates a disconnect between investors and their investees. INGOs can help bridge this by connecting their partners to investors or acting as convenors.

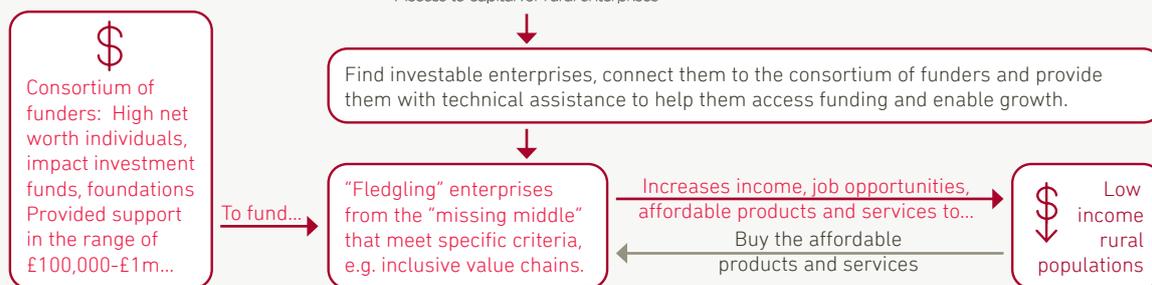
INGOs understanding of the wider systems of development also make them critical in advancing knowledge and understanding of how the market could work more effectively. This could entail ground research, advocacy or the development of products or tools such as development impact bonds or impact measurement frameworks.



Access to Capital for Rural Enterprises (ACRE) (2015 to 2018)



CASE STUDY



Stakeholders

Source of capital: High net worth individuals, impact investment funds, family offices and foundations (Argidius funding in 2015 and subsequent funding from a small foundation).

Investee: Enterprises with the potential to create inclusive value chains; a positive impact on a market system and/or provide value-added products and services for low income rural consumers. Enterprises who have outgrown grants but would struggle to access funding from a traditional funder.

Intermediary: ACRE.



Focus area

Geography: 14 per cent of the enterprises identified were from Latin America and the Caribbean. 71 per cent of the enterprises identified were from Africa. 15 per cent of the enterprises identified were from Asia and the Middle East.



Detailed summary

ACRE was launched as a collaborative programme in 2014 by a consortium of five NGOs: Challenges Worldwide, Christian Aid, Practical Action, Traidcraft and Twin. The idea was to bring together a consortium of NGOs with distinct but complementary skills, experience, relationships and footprints to work together to support rural enterprises with inclusive business models to strengthen their businesses and access impact investment. Key functions of the programme included:

- Sourcing of potential enterprises through the footprint of the NGOs and selection for technical assistance through an holistic enterprise diagnostic assessment.
- Facilitation of grant-funded bespoke technical assistance, lasting approximately 10 weeks, resulting in business plans and financial models. This was delivered via consultancy services sourced through the INGO consortium and/or external service providers.
- A syndicate of impact investors to review investment opportunities and co-invest directly in deals, with facilitation and business screening conducted by a syndicate administrator.



Type of investment

Investment amount: £100,000 to £1m per enterprise. Syndicated equity or debt (investment made by a group of investors on the same terms). \$10.1m invested.



Lessons learned

The programme ran from 2015 to 2018 and generated a number of important lessons:

- Matching impact investors in a syndicate model to pipeline is difficult.
- High net worth individuals are an interesting impact investor segment to target.
- Managing expectations of entrepreneurs/ management teams is crucial.
- Customised technical assistance is incredibly valuable and helps to optimise revenue and impact.

Final things to consider

Impact investing: expanding the opportunity set for INGOs will require new skills and partnerships.

Impact investing offers INGOs a range of new approaches to deliver social and environmental impact. However, it is not a shortcut to financial sustainability.

Developing an effective impact investing strategy requires new skills, approaches and partners; but most of all it requires time.

INGOs looking to explore impact investing should test their approach by partnering with others or developing small-scale pilots, before embarking on a large-scale new strategy.

The three most important questions to consider when exploring an impact investment strategy of any kind:

1. How does this support our mission?
2. How does this build on the assets/networks/insights we have?
3. Do we have the capacity and the capabilities to execute on this strategy or can we access them?



Annex 1 – Case studies

As part of our research to develop this guide to impact investing for INGOs, we gathered many case studies and here are some of them.

Red Cross Volcano Catastrophe Bond



Stakeholders

The investors of the Volcano Catastrophe Bond are **donors** and actors from the **private sector** who invest in an **insurance company**. Counterparty to the investment is the Danish Red Cross who are **the intermediary**, and pay a premium to the investee and receive a payment in the case of a Volcanic Ash Event.

Detailed summary

The Red Cross Volcanic Ash Catastrophe Bond (Red Cross Cat-Bond) is a mechanism to ensure that funds are quickly deployed to local societies of the Red Cross when there is a volcanic eruption. In this case the Bond covers 10 volcanoes in Ecuador, Indonesia, Chile, Colombia, Guatemala, Mexico and Cameroon.

The program is structured as a Catastrophe Bond, as investors put up a set amount of capital, and the Danish Red Cross pays a set amount (the premium) to access the capital in the case of a

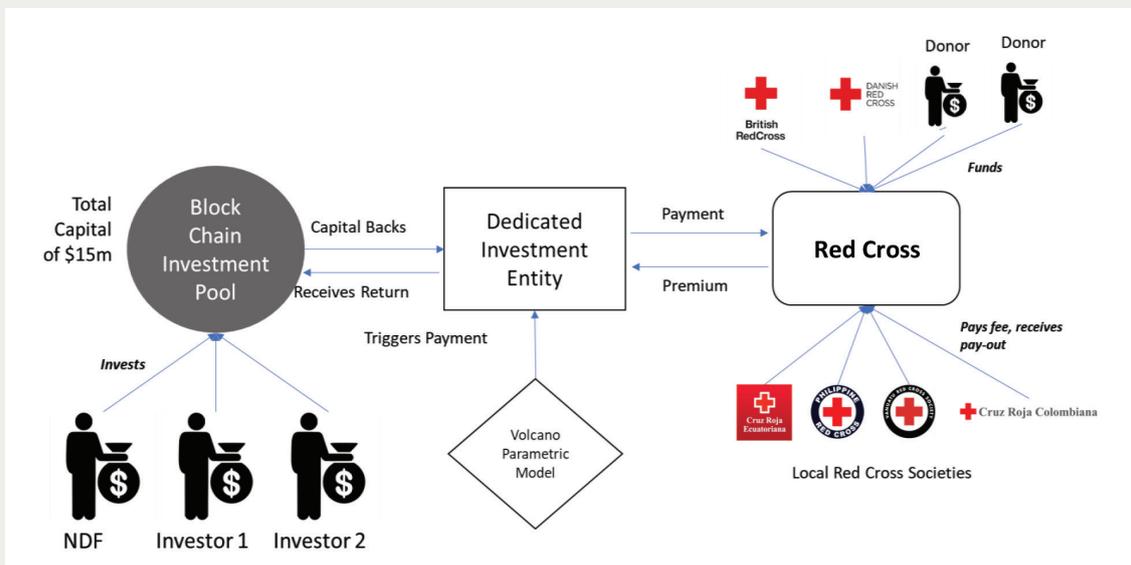
Volcanic Ash Event. The investors can be donors or private sector actors, and their investments will be managed through a block-chain, which brings significant cost savings. The premium is intended to be funded by local Red Cross Societies at risk of volcanic eruptions and can be “topped up” by donors and other Red Cross Entities.

INGO perspective

“It is anticipated that the Volcano Cat-Bond will be the first of a number of Natural Disasters to be protected against. It is possible to create similar structures for Tropical Cyclones and Earthquakes.”

Links to further information

- <http://media.ifrc.org/innovation/2019/04/23/4113>
- <https://www.reinsurancene.ws/dfid-global-parametrics-to-support-red-cross-volcano-cat-bond>



Cameroon Kangaroo Foundation Development Impact Bond



CASE STUDY



Stakeholders

Grand Challenges Canada (GCC) are the investors of this Development Impact Bond, facilitated and brokered by **Social Finance and MaRS Centre for Impact Investing**. The investee, **Foundation Kangourou Cameroun (FK Cameroon)** is an independent Cameroonian charity set up to receive the finance to tackle neonatal mortality by scaling the implementation of the Kangaroo Mother Care (KMC) method. The outcomes funders are the **Government of Cameroon** - with financing from the Global Financing Facility - and Nutrition International.



Type of investment

This Development Impact Bond consists of an investment provided by GCC as a \$800,000 loan in which the Government of Cameroon, as the outcomes funder, will reimburse the invested capital if the agreed outcomes are achieved. The Fondation Kangourou Cameroun will use the capital to provide professional KMC training for staff in 10 health facilities across Cameroon using the innovative “train-the-trainer” model. FK Cameroun will train and accredit a core number of facilities where high-quality KMC is being delivered; use the capital to build critical infrastructure; and purchase specialised equipment for the supported facilities.



Quote from INGO

“The Development Impact Bond is an innovative financing mechanism which drives improvement in performance, leading to measurable outcomes. We need to ensure to build on these outcomes and sustain them after the end of the Development Impact Bond.”

Dieudonné Epichop, executive secretary of the Kangaroo Foundation Cameroon.



Links to further information

- <https://www.fondationkangouroucameroun.com>

Cambodia Rural Sanitation Development Impact Bond



CASE STUDY



Stakeholders

Impact **investor** of the Development Impact Bond (DIB) is the Stone Family Foundation (SFF), who have provided financing to the **implementing NGO** iDE, while USAID (as the **outcome funder**) will repay the investors on a “pay for results only” basis. Social Finance played a key role in designing and brokering the impact bond.



Type of investment

The \$10m Cambodia Rural Sanitation DIB is the world’s first Development Impact Bond in the WASH sector, aiming to eradicate the high rates of open defecation in the country, and in doing so accelerating the Cambodian government’s efforts to reach universal sanitation. The Stone Family Foundation (SFF) will provide the upfront funding – in the form of flexible investment – to allow iDE to implement the four-year program. There will be substantial recycling of funding by SFF as outcomes payments are made by USAID to SFF directly on a bi-annual basis, assuming outcome targets are met.



Focus area

Geography: Cambodia



Quote from INGO

“The outcomes focus of an impact bond provides flexibility to evolve in a complex and constantly changing market ecosystem. This flexibility is important as iDE tests new strategies for increasing our ability to reach the poorest households with improved sanitation, ensuring that all people benefit from the drive towards total sanitation.”

Lizz Ellis, CEO of iDE

Promoting Equality in African Schools (PEAS)



CASE STUDY



Stakeholders

Investor: Two private philanthropists (friends).

Investee: PEAS (Promoting Equality in African Schools), an international charity-social enterprise hybrid which builds and runs schools in Uganda and Zambia. PEAS schools run financially sustainably once opened, covering their costs with either low fees from parents or a subsidy from local government.

Intermediary: Charity Aid Foundation (CAF).



Type of investment

Debt/equity including any detail about the terms including the investment size, return expectation, duration of investment:

The project is structured as a mixed grant and interest-free loan, and is designed to allow a significant increase in scale of one of PEAS' schools, enabling it to make a surplus and repay the loan.

The grant of £44,000 funds the construction of a classroom block with spaces for 240 learners, and the loan of £105,000 funds the construction of dormitories for those learners to board at the school. The school has up to five years to repay the loan with zero interest, using the surplus from fees it secures from the boarding students, who currently pay slightly more and cross-subsidise day learners at the school. The school absorbs any exchange rate risk of receiving a loan from a GBP funder, and the funder accepts the risk of the school not paying back the loan, except for one portion guaranteed by PEAS.



Focus area

Geography: Uganda

Glossary²

Accelerator: Accelerators support early-stage, growth-driven companies through education, mentorship, and financing.

Asset: Assets include both physical buildings and equipment and intangible assets such as brands or intellectual property rights, as well as any claims for money owed by others. Assets can include: cash, inventories, and property rights.

Conditional grant: A grant provided to an organisation with certain conditions. These could include the use of funds or conditions relating to the disbursement of funds such as the performance of the organisation and its social impact.

Convertible note: This is a form of debt that can be converted into equity. It is often used for early stage enterprises for whom determining a valuation would be difficult, or for those who might struggle to access debt but do not wish to sell equity.

Debt: Investment with the expectation of repayment. Debt finance usually takes the form of loans, both secured and unsecured, as well as overdrafts and standby facilities. Generally, these require a borrower to repay the amount borrowed along with some form of interest, and sometimes an arrangement fee. Secured debt is guaranteed against some physical asset, typically land or property.

Development Impact Bonds (DIBs): DIBs are an investment model that allows private (impact) investors to upfront capital for public projects that deliver social and environmental outcomes. If the project succeeds, as measured by pre-determined outcomes and metrics, the investors are repaid by the government (Social Impact Bonds) or an aid agency or other philanthropic funder (Development Impact Bonds) with capital plus interest. If the project fails, the interest and part of the capital is lost.

Equity: Investment in exchange for a stake in an organisation, usually in the form of shares. Each share represents ownership of a proportion of the value of the company. Equity finance is permanently invested in the organisation, which has no legal obligation to repay the amount invested or to pay interest. Equity investors expect to receive dividends paid out of the organisation's earnings and/or capital gain on the sale of the organisation or on selling their shares to other investors.

ESG: Stands for environmental, social and governance, which are principles that can be used to measure the sustainability and ethical impact of an investment.

Financial instrument: This is the umbrella term that is used for a wide range of investment types, including debt and equity. A financial instrument is a contract that details how money will be transferred from one party to another and on what terms.

Fund: A collective investment scheme that provides a way of investing money alongside other investors with similar objectives. This provides individual investors with access to a wider range of investments than they would be able to access alone, and reduces the costs of investing through economies of scale. Funds are managed by fund managers for a management fee on behalf of investors.

Impact measurement framework: An impact measurement framework provides the structure for assessing all aspects of an organisation's impact. The information needed to inform social impact measurement will include data from your monitoring and evaluation systems.

Incubator: An incubator is a collaborative program designed to help new start-ups grow their businesses. Incubators help solve some of the problems commonly associated with running a start-up by potentially providing workspace, seed funding, mentoring, and training.

Insurance linked securities (ILS): Insurance-linked securities, such as the Red Cross CAT Bond, are essentially financial products which are sold to investors whose value is affected by an insured loss event. The investment would be adversely affected in the event of anything from rainfall breaching a certain level to earthquakes of a certain strength. As such the term insurance-linked security encompasses catastrophe bonds and other forms of risk-linked securitisation. These products can relate to one region or multiple regions, and one or multiple catastrophic events.

Investee: Enterprises or organisations who receive impact investment into their organisations.

Investor: Organisations or funds who make impact investments.

Market builder: Organisations who provide technical assistance, act as an intermediary, or use their convening power and networks to facilitate the impact investing market.

Quasi-equity investment: A hybrid of equity and debt investment. Equity investment may not be possible if an organisation is not structured to issue shares. A quasi-equity investment allows an investor to benefit from the future revenues of an organisation through a royalty payment which is a fixed percentage of revenue. This is similar to a conventional equity investment but does not require an organisation to issue shares.

Social enterprise: A social enterprise is a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners.

2. Based on Big Society Capital glossary.

Social Impact Bond (SIB): A SIB is a form of outcomes-based contract in which public sector commissioners or other outcome funders (such as foundations) commit to pay for significant improvements in social outcomes. These social outcomes (such as a reduction in offending rates, or in the number of people being admitted to hospital) deliver a saving to the public purse. The expected public sector savings are used as a basis for raising investment for prevention and early intervention services that improve social outcomes. Social Impact Bonds are not bonds in the conventional sense. While they operate over a fixed period of time, they do not offer a fixed rate of return. Repayment to investors is contingent upon specified social outcomes being achieved. Therefore, in terms of investment risk, Social Impact Bonds are more similar to that of an equity investment.

Surplus: Profit that is generated when revenue exceeds costs.

Working capital: Money that is used to fund the day to day operations of an enterprise or organisation.





Bond is the UK network for organisations working in international development. We connect and champion a diverse network of over 400 civil society organisations to help eradicate global poverty, inequality and injustice.

Visit our website for the latest news and views from the sector, useful resources, funding opportunities, jobs and training.

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