

CONVERTING VALUES THROUGH  
MEANINGFUL INVESTMENTS

# INVESTING WITH IMPACT

**Etienne Eichenberger and Maurice Machenbaum** describe two approaches to impact investing, which are proving increasingly attractive to Family Offices whose clients want to do well by doing good



Impact investing is a new buzzword in the world of philanthropy, with many different perceptions about what it involves. At the outset, it was seen as a sort of social private equity, but now it is a much broader concept. And for people looking to make an impact in their philanthropic endeavours, there are now two broad approaches, which can complement each other.

The first is to see it as a form of investment. Commercial investing is all about performance, but that is normally traded off against risk. Impact investing introduces a third dimension: the impact made on beneficiaries and society, traded off against both performance and risk. This type of investment has been growing in recent years, though its volume is measured in terms of billions, compared with the trillions of Environmental and Social Responsibility (ESR) investments.

The second approach is more akin to traditional philanthropy, where mission-related investments of charitable foundation endowments may have an indirect impact on society. Foundations can offer social enterprises, charities and non-governmental organisations launch grants or sometimes loans which may help them generate revenues to become partly or wholly self-sustaining.

A good example is Friends International in South-East Asia. After nearly 20 years in existence, its founder Sebastien Marot has created an organisation whose Cambodian operation raises more than half its revenue from income-generating activities while helping thousands of street children every year.

Supported by grants and loans from philanthropists and foundations, it educates children and trains young people to do jobs that are needed in the local economy, in hotels, restaurants and handicrafts. This brings in revenues as they learn the skills needed to enter the jobs market.

Another way to create impact on wider society is through strategy grants. Camfed, the Campaign for Female Education, has helped 3.5 million girls in five African countries to stay in school – most girls otherwise drop out after primary school to support their families. Those who complete secondary education receive training and small grants to become business entrepreneurs, helping to stimulate economic development in their communities.

