

3. Funding

Many opportunities for funding but limited limited capital market for investment above a certain thresholds

Why?

Social enterprises do not fit neatly into either the traditional non-profit or for-profit model

Funding Social Ventures

Challenges:

1. Investors tend to have **shorter horizons** than what it takes for social impact to occur. Public sector and philanthropic sources might have longer horizons but high competition for these funds
2. SE cannot rely solely on **market signals** and pricing to indicate to potential investors about their **impact**
3. **Positive externalities** nobody pays for
4. Capital tend to flow to **large organizations** who can operate at a financially **efficient scale**
5. Lack of **commonly defined performance metrics**

3. Funding Social Enterprises

Direct Investors

People who invest their money

- Angel Investors with a social bent
- Philanthropic Foundations
- International Development Agencies

Intermediary Investors

People who invest other people's money

- Social Venture Capital Funds

Grants and Fellowships

- From the public sector or philanthropists

3. Funding Social Ventures

Understanding investors:

- Their values and mission, theory of change, and impact themes and align them with her or his own
- Their motivation (philanthropist might care for a particular social problem, while large institutions such as foundations might target specific policy objectives)
- Their evaluation scheme: what is their time horizon and level of engagement? What is their tolerance for risk?