# Social investors now want to see impact, sustainability - and ROI

Issued by Next Generation

17 Apr 2018

Investing in social and developmental causes has become increasingly innovative lately, moving away from one-directional donations and suchlike. Social investors now use a mix of finance models to put their money where it has the potential to grow substantially. They are looking for opportunities where their investment will have considerable long-term impact, while contributing to sustainable, meaningful development. They also want to evaluate that impact accurately, to measure the return on their investment.

This is the conclusion of Reana Rossouw, director of Next Generation Consultants, after extensive research on the latest trends in the social investment and development sectors. The company’s 2018 research report, *Innovation and Impact*, has just been released.

Looking back at 2017, it became clear that the following developments are shaping the social investment, development and innovation landscape, while presenting new and profitable opportunities:

**1. Blended finance**

The number of social enterprises and impact investors contributing to a larger pool of resources and new investment themes, have increased over the past year. This gave birth to blended finance models, including a mix of grants and donations, microloans, seed capital, equity finance, debt finance, social and impact investment, indicating a swing to for-profit models of development. Pure donations and grants have been replaced by new approaches to development and funding, greater scale and innovation – and the expectation of financial growth and repayment.

**2. Return on investment (ROI)**

Social and impact investors applied blended finance models to invest in social, economic and environmental problems and use the interest and profit from their interventions to reinvest in development. Financing development challenges is seen as a good investment that provides valuable returns and commercial opportunity, while contributing to positive and sustainable development.

**3. Measurement really started to matter**

Monitoring, evaluation and impact assessment came into its own in 2017. It was partly driven by social investors wanting to ensure return on their investments and understanding the solutions they've invested in and the difference it made. Impact assessment went from a mere overhead cost to a strategic imperative, with programme funding now including the cost of performance management and measurement.

**4. Online giving**

Online giving technology combined with 24/7 access and global news cycles, the growth of social media platforms, cryptocurrencies and crowdfunding, as well as conscious consumerism, have connected investors, philanthropists, causes, communities and civil society. This led to a powerful mix of involvement, participation and contribution to causes around the globe and support our primary trend of blended finance. It also provides new opportunities for fundraising that could lead to greater sustainability in the development sector.

**5. A new generation of givers and investors**

Millennials and Generations X and Z are the new social investors, donors and grantmakers, and they support political and social causes that are important to them: inclusivity, gender equality and ideological liberalisation. They differ from previous generations of givers because they have different interests and priorities, they give and invest differently, and go about volunteering differently. This generation is clear about their focus on human and civil rights, and social justice and African governments have taken heed. Policies are being rewritten to include the youth in high-level decision-making, and youth-led NGOs and PBOs get on average 40% more of all funding.

**6. Social justice**

The importance of social justice organisations to hold the private as well as public sector to account was never more important than in 2017. This greater social consciousness culminated in investments that could strengthen and promote democracy, safety and social cohesion, a free press, rural democracy and gender equality. Funders can no longer ignore the plight of financial sustainability of these defenders of justice.

**7. The rise of the app**

Social investors started recognising the power of technology to solve complex and persistent social issues. They realised that agritech, fintech, edutech and healthtech solutions do not only provide increased access to basic services and transactions but could also ensure faster progress in eliminating poverty and inequality. Investors are therefore no longer looking to NPOs and NGOs that do not recognise the impact of technology to fast-track and scale solutions. They rather fund the development of technology, such as mobile applications, that also provide return in the form of commercialisation opportunities, to speed up the process of social development.

**8. The growth of incubators and accelerators**

Investors showed massive collaboration and integration with governmental and institutional support. This was most evident in the explosion of incubators and accelerators, formal partnerships and co-working spaces in South Africa, more so than in any other African country. Enterprise development has become a major investment opportunity, integrating with trends such as technology development, the growth of social entrepreneurship and the development of new investment portfolios and themes.

**9. For-profit development**

Social enterprises have shown the capability to solve social issues (poverty) with economic solutions (job creation and employment) and simultaneously improve environmental challenges. This growth in new concepts such as inclusive development, and in particular the circular economy, has proven that an integrated development approach (economic, social and environmental development) can lead to sustainable development. The notion that development support should be provided for free does not apply anymore. New concepts such as "pay for services" are changing the development landscape forever.

**10. Africa came into its own**

In 2017, social and impact investment, philanthropy and grantmaking became institutionalised in Africa. Indigenous funding and development models got the recognition they deserved. Although international organisations are still needed to contribute to Africa's sustainable development, they can no longer dictate development strategies and policies with their own agendas. Africans are demanding local content, local resources and implementation.

**Conclusion**

"Innovative funding models have entered the development landscape and investors now put their money where deeper impact, greater sustainability and return on investment can be guaranteed," Rossouw says. "Leveraging technology, the sector is moving faster, changing the investment focus, investing bigger and taking a greater risk to make a lasting difference in communities and the environment, while making a profit."

- For a more in-depth look at these trends, download the full research report:
https://nextgeneration.co.za/2018-csi-trends-forecasts-and-impacts-research-report/

***For enquiries and further details, contact Reana Rossouw of Next Generation Consultants at rrossouw@nextgeneration.co.za or on 011 593 2316 or 083 440 0654.***

- **Global polycrisis requires transformative philanthropy** 12 Mar 2024
- **Measuring the impact of impact investments and innovative finance** 30 Sep 2022
- **New skills for a new year!** 29 Sep 2022
- **Impact management and impact investing** 27 Sep 2021
- **Now is the time to include an environmental focus in grantmaking strategies in Africa** 20 Sep 2021

**Next Generation**

Next Generation helps clients develop strategies that strengthen their business and address persistent, complex and challenging social issues. Our 20 years' experience comes from working with companies across Africa.

Profile | News | Contact | Twitter | Facebook | RSS Feed