A Fusion of Charity and Commercial Investment Principles to Maximise Social Investment in South Africa

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by

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ABSTRACT

South Africa faces a raft of social problems, the enormity of which make it impossible for the government to tackle alone. This has necessitated private sector involvement through socially responsible investments (SRI) and charity. Despite the growth of the SRI industry and years of charitable contributions, social investment into the high-impact areas that need it most remains far too low. This study seeks to understand what is holding back social investment, and how to address this. Using grounded theory methodology, the research finds that traditional SRI investors are inappropriate sources of funding and that charitable funds have largely been deployed inefficiently. The proposed solution is for more use to be made of charitable funders, with the disbursement process employing some commercial investment principles in order to facilitate the recycling of capital, resulting in the growth of social investment over time.

EXECUTIVE SUMMARY

South Africa faces a raft of social problems such as high unemployment, poor quality education, poor infrastructure, an overstretched public health system, corruption and poor service delivery. Most of these issues are interrelated and feed off each other. Unsurprisingly, the government has been unable to deal with these enormous social issues on its own, which has necessitated the use of private sector solutions to accelerate progress. This provides the backdrop for the research, which focuses on two private sector approaches to dealing with South Africa's social problems: socially responsible investments (SRI) and charity.

The SRI industry has grown remarkably since the 1990s. The key to getting SRI accepted as a mainstream investment strategy was to describe it as a risk management tool which allows investors to make superior returns by applying environmental, social and governance criteria to their investment decision-making processes. Consequently, the focus of what is today widely known as SRI is still very much on financial returns. At the other end of the spectrum is charity, which has the potential to reach more people because it does not have a profit motive. However, charity has been subject to some important criticisms, mainly that it creates dependency and is unsustainable. A combination of the two approaches is needed to truly accelerate social investment.

The research concern centres on the gap between the current and optimal level of social investment in South Africa. The social investments in question are those that generate a high social impact, but carry too high a risk and/or too low a return to attract traditional SRI investors. Currently, social investment into these under-served, high-impact sectors of society is too low. The study seeks to answer two research questions, namely "Why is the level of social investment in South Africa so low, despite the growth of the SRI industry and years of donor funding?" and "How can the Rand amount of social investment be increased over time?". The answer that is proposed for the first question is twofold. Firstly, social investment to date has been largely dominated by inappropriate funders. The lion's share of investments in South Africa comes from pension funds and other fiduciary investors such as insurance companies. These traditional SRI investors do not have the stomach for the higher risk and cannot accept the below-market returns associated with truly socially-focused investments. Secondly, the manner in which charity funding – which is more appropriate – is deployed is largely inefficient. The unfettered use of non-repayable grants has led to funds being disbursed in a

wasteful manner, either to unsustainable organisations that should be left to fail or to organisations that would be able to reach sustainability and repay the funding.

The solution to the low level of social investment, therefore, lies in addressing the two identified blockages. The fact that traditional providers of charitable funds are more often than not driven by social rather than financial motivations makes them ideal funders for social investment. Secondly, the type of funding provided to the social enterprises should be changed from non-repayable grants to some form of repayable finance as this allows for cash to be returned to the fund and recycled. It follows then, that a thorough due diligence should be conducted on potential investees in order to make an educated assessment of their chances of survival and success, and the amount of subsidy that will be required to help them get there.

The rationale for undertaking a study of this nature was to find out exactly what the causes are behind the continued social underinvestment in the sectors that need it the most. Previous studies about social investment focused on traditional SRI, which is primarily about risk management and financial return-driven, rather than more community-based investments which are often high-risk and offer low returns.

The study used documentary research techniques for data collection, and grounded theory for data analysis. Data was collected from a wide array of reputable sources and steps were taken to ensure that the voices of major stakeholder groups were adequately represented. Such triangulation reduced the risk of systematic biases and chance associations, which also allowed for better generality of the theory. Existing academic literature was selected based on an above average journal impact factor, a high citation count for that particular paper or based on whether the authors are considered to be authorities in their fields. In order to evaluate the practical adequacy of the theory, three social investment professionals were interviewed who represented the three broad types of investors to be found in the social investment space: foundations, development finance institutions and traditional SRI investors. These numerous actions that were taken are believed to have been sufficient to ensure the validity of the research.

Social investment will continue to be an important consideration as long as an unequal and unjust society exists. The continual social underinvestment that has occurred over the years shows that a different approach is warranted. The middle ground proposed in this paper is one attempt at finding a different type of solution.

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LIST OF ACRONYMS

CSI	Corporate Social Investment
DFI	Development Finance Institution
ESG	Environmental, Social and Governance
NGO	Non-Governmental Organisation
NPO	Non-Profit Organisation
SIF	Social Investment Forum
SRI	Socially Responsible Investments
UK	United Kingdom
US	United States
USA	United States of America

ACKNOWLEDGEMENTS

I would like to give thanks to my LORD, who has brought me this far and made it possible for me to study again. I thank him for the strength and encouragement, discipline and focus that he gave me to see another two years of study through to the end (even though I had vowed never to go back down this road again!).

Thanks also go out to my supervisor, Professor Tom Ryan.

1 INTRODUCTION

1.1 Background to the Research

South Africa faces a raft of social problems, many of which are well-documented. The National Development Plan identifies high unemployment, poor quality education, poor infrastructure, an overstretched public health system, corruption and poor service delivery as some of the key challenges hindering the pace of development (National Planning Commission, 2012). Most of these issues are interrelated and feed off each other.

Much discussion has been had by the government and civil society on how to tackle South Africa's social ills. One thing that remains clear is that the government cannot deal with these issues alone (Palitza, 2012) – whether due to a lack of skills or finances, or both. This has necessitated the use of private sector solutions to accelerate progress in this space. This research paper focuses on two private sector approaches to dealing with South Africa's social problems: socially responsible investments (SRI) and charity.

The SRI industry has grown remarkably since the 1990s (Woods, 2015). SRI has no clear definition but is often mentioned in various contexts under different names such as: community investing, ethical investing, impact investing, mission-related investing, socially responsible investing, values-based investing and a raft of others (US SIF, n.d.). The key to getting SRI accepted as a mainstream investment strategy, as it is today, was to describe it as a risk management tool which would allow investors to make superior returns by applying environmental, social and governance (ESG) criteria to their investment decision-making processes (Woods, 2015). At the same time, SRI proponents went to great lengths to prove that investors in SRI need not sacrifice financial returns (Juravle & Lewis, 2008). Consequently, the focus of what is today widely known as SRI is still very much on financial returns.

At the other end of the spectrum is charity which, for the purposes of this study, includes: donations, aid, grants and philanthropy (Brest & Born, 2013). Charity has the potential to reach more people because it does not have a profit motive (Sparkes, 2001). However, it has been subject to some important criticisms, mainly that it creates dependency and is unsustainable (Elumelu, 2013). Charitable projects are often dependent on donor budgets. With most

developed countries implementing austerity measures, smaller budget allocations will be made towards aid programmes in future, negatively impacting the continuance of many charitable projects (Myers, 2011; Smyth, 2015).

So where does that leave us? The SRI sector has shown itself to be sustainable, but often neglects the segments of society that need it the most – those where good financial returns cannot be made (Snider, 2015). On the other hand, charity caters to the neediest people but in an unsustainable manner (Elumelu, 2013). A combination of the two approaches is needed to truly accelerate social investment.

1.2 Introducing the Concern Variable

The research problem centres on the gap between the current and optimal level of social investment in South Africa. Currently, social investment into the under-served, high-impact sectors of society is too low. The research seeks to understand what is causing the low level of social investment and how to address this. The level of social investment is measured by the Rand amount invested. The social investments in question are those that generate a high social impact, but carry too high a risk and/or too low a return to attract traditional SRI investors. The concern variable is, therefore, the amount of money invested in these types of social investments.

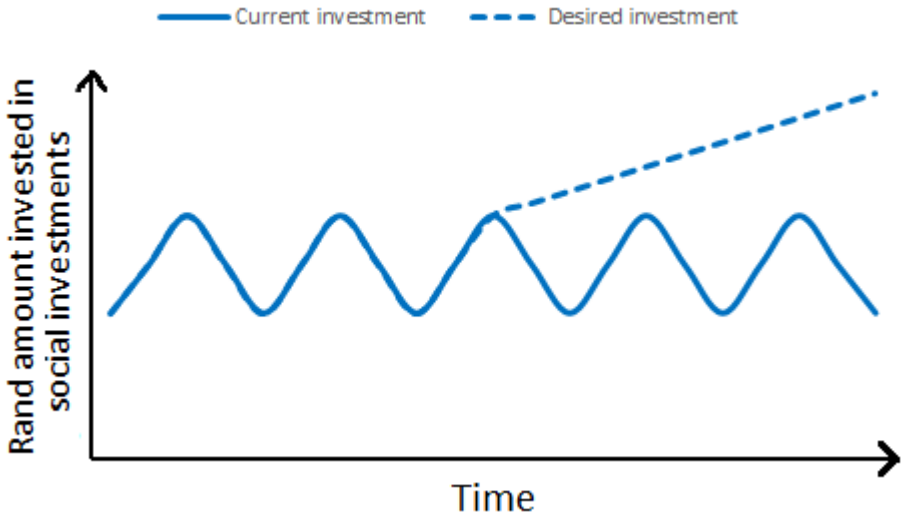

Figure 1: Visualisation of the amount of money invested in social investments

Figure 1 illustrates the movement of the concern variable over time. In the absence of any intervention, the level of social investment will oscillate as shown by the solid line. These periodic increases and decreases are the result of changes in donor sentiment and donor budgets (Eifert & Gelb, 2005). For example, when economies are doing well or appeals for more aid prick donor consciences, the amount of funding poured into social investments increases (Shah, 2014). At some point, the economic climate becomes unfavourable, putting a strain on donor purses and causing them to reallocate funding away from deemed unnecessary expenditure (Myers, 2011; Smyth, 2015) then the amount of funding for social investments decreases until the cycle starts all over again.

The dotted line represents the ideal result should an intervention be introduced that allows for social investment to be less reliant on consistent donor funding. In this case, an initial outlay would still be required from donors, which is then invested in such a way that those funds can be continually recycled, resulting in an increasing cumulative amount of social investment over time. Hence, this study seeks to understand the underlying mechanisms that can be used to achieve this.

The next three subsections deal with the research goals, the research questions and the conceptual framework used for the study, based on Maxwell's (2005) interactive model of research design. The interplay between the three can be seen in the top triangle of Figure 2. The goals stem from the context provided by conceptual framework and inform the research questions. The conceptual framework informs the goals and what is unknown determines the research questions. The research questions are based on knowledge gaps identified in the conceptual framework, and when answered, the research questions help to achieve the goals.

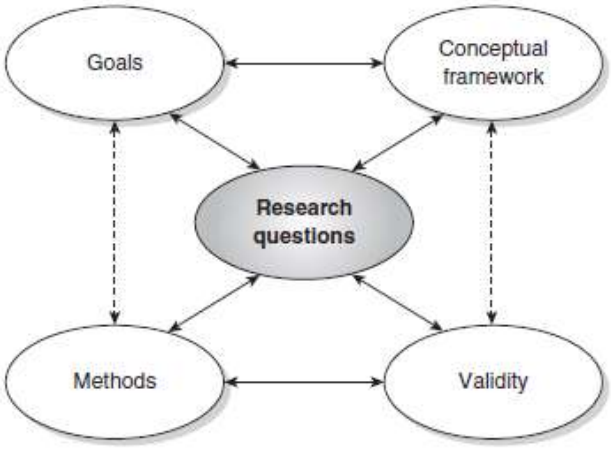

Figure 2: Interactive model of research design (Maxwell, 2005)

The methods used to conduct the study and threats to validity will be discussed later in the Research Methodology chapter.

1.3 Research Goals

The research goals play two key roles in the research design. Firstly, by focusing the research, these goals guide the other design decisions to ensure that the study is worthwhile. Secondly, the goals provide a justification for the study (Maxwell, 2009). This study has three goals that the researcher will seek to achieve: the intellectual goal, the practical goal and the personal goal.

The intellectual goal is to understand why the Rand amount of social investment remains low despite the growth of the SRI industry and years of donor funding. New grounded theory will be generated explaining the factors influencing social investment in South Africa, with the result being a causal model that provides an explanation for the low level of social investment.

The practical goal is to find a way to increase the Rand amount of social investment. Traditional SRI funds are too commercially driven and risk-averse, while traditional charity is not sustainable; together, these factors result in continued social underinvestment. The research aims to come up with a mechanism that will allow more funds to be channelled into social investment over time.

The researcher's personal goal is to maximise the Rand amount of social investment in order to contribute towards addressing the social ills of the country. Together with the researcher's professional experience providing commercial finance and keen interest in social upliftment and economic empowerment, the study will assist the researcher in carving out a career niche that aims to serve the greater good.

1.4 Conceptual Framework

The role of the conceptual framework in the research design is to explain the key factors, concepts and variables to be studied, and their presumed relationships (Miles & Huberman, 1994) in order to provide a tentative theory of what is going on, and why (Maxwell, 2009).

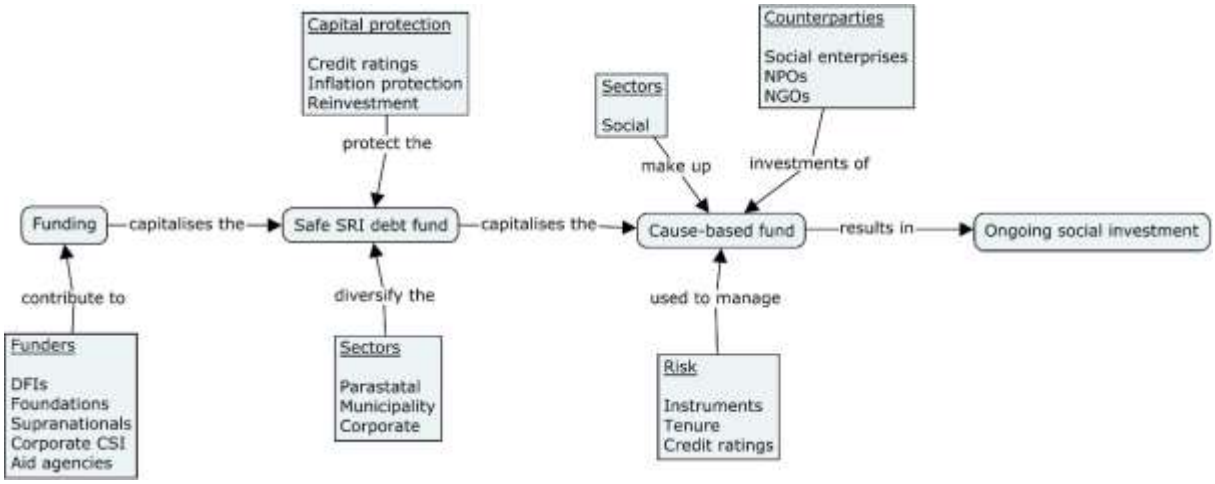

Figure 3: Conceptual framework for social investment

The conceptual framework is shown in Figure 3. The figure illustrates the key factors that need to be present for ongoing social investment to be possible. To begin with, social investment requires funding allocations from typical concessional funders such as development finance institutions (DFIs), foundations, supranational organisations such as the United Nations, corporate social investment (CSI) programmes and aid agencies (Baloyi, 2011; Brest, 2016; Elumelu, 2013; National Planning Commission, 2012; Owen & van Domelen, 1998). Traditional SRI investors such as pension funds are excluded due to their onerous return requirements, which would result in the exclusion of many of the social investments that need funding (Heese, 2005). Another reason for using donor funding is that there is no need to return funds to their source (Kathuria & Murray, 2013), which allows for reinvestment of returns.

Social investments can be split into commercial (safe) and non-commercial (cause-based) investments, which may be segregated in order to manage their differing risks. The "safe" social investments may be vetted in the same manner that all commercial investments are, by making an assessment of the credit rating and ensuring that the returns earned on each investment are high enough to protect the fund against erosion due to inflation. The "safe" social investments may comprise sectors that regularly issue bonds on the debt market, which are involved in providing social goods or services. These include state-owned entities, municipalities and certain corporations (Futuregrowth, 2016). The size and creditworthiness of these investments allows for the creation of a constant return that can be channelled into riskier cause-based investments.

Cause-based investments may be made into any social enterprises, non-profits or non-governmental organisations in any social sector (London Funders, 2008). These types of investments are riskier and offer a lower return than the "safe" social investments (Kathuria & Murray, 2013); therefore, consideration must be made of the funding instruments used (Rotheroe, Hedley, Lomax, & Joy, 2013), as well as the tenure of funding provided and the high default risk in order to provide funding under terms that are sufficiently favourable to nurture the investees, while commercial enough for the funding to ultimately be repaid (Joy, de Las Casas, & Rickey, 2011).

The constant repayment of loans by the cause-based investments allows for the funds to be recycled and used to invest in other entities, resulting in ongoing social investment (Kathuria & Murray, 2013). The constant stream of funding from the returns on the "safe" investments serves to cover the losses from cause-based investments that go bad, allowing for overall social investment to continue regardless (McLaughlin, 2013).

1.4.1 Tentative Theory

If all of the factors explained above need to be present in order for there to be increasing cumulative social investment over time, then the reason for the low level of social investment currently being witnessed in South Africa may be a breakdown in some part of the conceptual framework (Figure 3). The growth in the number of investors interested in SRI has been well-documented by South African academics (Heese, 2005; Herringer, Firer, & Viviers, 2009). A common thread is that growth in SRI has largely been driven by pension funds. Pension funds have a fiduciary responsibility to invest in a manner that maximises returns for their beneficiaries (Heese, 2005). This requirement for maximum returns is incompatible with the needs of many social investments, which cannot provide market-related returns (Kathuria & Murray, 2013; Snider, 2015). The requirement of pension funds to withdraw cash in order to meet their pension obligations is also incompatible with the constant need to reinvest returns when dealing with social investments (Heese, 2005). Instead of returns being used to cover losses from bad investments and to drive more social investment, as it stands the returns are extracted and returned to investors. Given the current make-up of the SRI landscape in South Africa, which is dominated by fiduciaries such as pension funds and insurance companies (Heese, 2005; Herringer et al., 2009), it is postulated that one reason for the low overall level of social investment is that the funds available are coming from inappropriate sources.

The second reason deals with why concessional donor funding has made little difference over the years. Here it is postulated that donors have been investing in an inefficient manner, not taking into account the risk and sustainability of the organisations to which funding was being extended (Elumelu, 2013; Lupton, 2012). The result of this is funds being wasted on unsustainable investments, which does not bring about the long-term change desired.

1.5 Research Questions

The research questions play two main roles. The first is to focus the study through their relationship with the goals (what the researcher wants to achieve) and the conceptual framework (what the researcher already knows or thinks they know). The second role is to provide guidance on how to conduct the study by taking into account the feasibility of methods and the seriousness of validity threats.

This study seeks to answer the following research questions:

- Why is the level of social investment in South Africa so low, despite the growth of the SRI industry and years of donor funding?
- How can the Rand amount of social investment be increased over time?

The first research question seeks to understand what constrains social investment in South Africa, which is the intellectual goal. The second research question seeks to find ways in which the level of social investment can be sustainably increased, which is the practical goal.

1.6 Justification for the Study

The considerable social service and social infrastructure backlog in South Africa has severely hindered the country's development. This emphasises the dire need for more social investment (Herringer et al., 2009). A study of this nature is useful because the social challenges are too vast and the financial resources too limited for the current approaches to work (Bugg-Levine & Emerson, 2011). A continuation of the status quo would merely result in more social underinvestment, exacerbating the problem over time.

Given that the government does not have adequate resources to properly address the country's social problems (Palitza, 2012), the private sector can and should contribute to plug the gap.

However, private sector solutions so far have either neglected the poorest parts of society – as with traditional SRI – or have been conducted unsustainably, as with charity. This study, therefore, intends to come up with a solution somewhere in-between to address the issues that currently hamper the amount of social investment into the areas that need it most.

1.7 Conclusion

This research paper consists of a further five chapters, the layout of which is as follows. The next chapter (Chapter 2) discusses the research methodology employed. Chapter 3 details the empirical results uncovered during the research. A review of the existing literature is presented in Chapter 4, while Chapter 5 details the process used to build the final theory. Finally, Chapter 6 provides a conclusion based on the research findings and a discussion of their implications.

2 RESEARCH METHODOLOGY

2.1 Introduction

This chapter details how the research was conducted, why the specific research methods were chosen and how threats to validity were addressed. By documenting how the research was conducted and the rationale behind the actions taken – specifically in the course of maintaining validity – this chapter serves to support the credibility and validity of the research results and ultimately the theory derived therefrom.

In terms of its place in the research design, this chapter introduces the last two elements of Maxwell's interactive model, introduced in Chapter 1, Figure 2 – namely methods and validity. Chapter 2 introduces the methodology used to answer the two research questions: (i) "Why is the level of social investment in South Africa so low, despite the growth of the SRI industry and years of donor funding?" and (ii) "How can the Rand amount of social investment be increased over time?". In the course of seeking answers for these research questions, documentary research was used for data collection and grounded theory was used for data analysis.

The chapter begins with the conceptual and theoretical foundations of the chosen data collection and analysis methods, then goes on to describe the individual research processes for each. A detailed discussion of the integrated research process follows, where it is shown how the documentary research and grounded theory processes where used together. This is followed by a discussion on threats to validity and how these were addressed, before the chapter concludes.

2.2 Conceptual and Theoretical Foundations of the Methodology

2.2.1 Grounded Theory

Grounded theory is a systematic methodology involving the discovery of theory through data analysis. It involves collecting data, coding and categorising it, and creating a theory using those categories ("Grounded theory (Strauss)," n.d.). Grounded theory falls under qualitative research. Despite the fact that grounded theory was developed at a time when qualitative

research was thought to be unscientific, today it has gained wide acceptance for its academic rigour ("Grounded theory (Strauss)," n.d.).

An advantage of grounded theory is that it provides a way of thinking about a phenomenon that takes into account the complex relationships between concepts (Vincze, 2010). The research questions for this study seek to identify and understand the factors that affect the level of social investment in South Africa. By understanding the various relationships involved, the key drivers and restrainers of social investment can be identified, which will help to answer the two research questions.

2.2.1.1 Key Attributes of Grounded Theory

A key characteristic of grounded theory that differentiates it from other qualitative research is that the collection and analysis of data happens simultaneously. This happens over multiple cycles and entails the combined use of constant comparison and theoretical sampling, with a view to achieving saturation. Constant comparison is a process in which new data is compared with previously collected data (Glaser & Holton, 2004). It is a continuous, ongoing process as theories can either be formed, enhanced, confirmed or sometimes discounted as new data emerges in each cycle.

Theoretical sampling is the process of collecting data for theory generation, where the researcher simultaneously collects, codes and analyses the data – and decides what data to collect next in order to develop the theory as it emerges (Glaser & Holton, 2004). This is different to statistical sampling, which uses random sample selection methods. The purpose of theoretical sampling is to generate categories and their properties; it is one of the sources of grounding while doing constant comparison. By identifying emerging gaps in the theory, the researcher is guided as to the next sources of data for collection.

Saturation occurs when further research does not add anything new to what is already known about a category, at which point the researcher stops coding for that category (Glaser & Holton, 2004). As several workable categories are developed, the researcher seeks to saturate as far as possible those that appear to have explanatory power.

2.2.1.2 Antecedents of Grounded Theory

Antecedents are conditions which are needed for grounded theory to work as a choice of research methodology. In grounded theory, the researcher does not begin with a theory and then prove it. Instead, the researcher, begins with an area of study and then whatever is relevant to that area is given the chance to emerge (Strauss & Corbin, 1990). This approach made sense in the context of this study because the researcher's interest in social investment was based on the low level already observed, which then required an investigation of the underlying causes of underinvestment, rather than a proof of the underinvestment. A research design is also needed which articulates the research questions and conceptual framework (Pandit, 1996). The research questions focus the researcher's efforts, while a clearly defined conceptual framework enhances external validity.

Finally, concepts form the basic units of grounded theory, since it is from the conceptualisation of data that theory is developed, not the raw data itself (Pandit, 1996). In other words, theories cannot be built with the actual incidents as observed, but rather by comparing incidents and giving like phenomena the same conceptual label in order to accumulate the basic units required to build a theory (Corbin & Strauss, 1990).

2.2.1.3 Consequences of Using Grounded Theory

A consequence of using grounded theory is the production of valid results. Theoretical sampling can fulfil one of two roles to this end: it maximises the similarities already identified in previous cycles, which increases internal validity; or it maximises the differences identified in line with the scope of the theory to enable better theoretical coverage, which increases external validity (Vincze, 2010).

Constant comparison distinguishes between adequate and inadequate knowledge; as long as adequacy is improved, research activity accelerates and becomes more focused (Vincze, 2010). This focus imposes more self-validating constraints on the research, thereby proving the adequacy of the theory.

2.2.2 Documentary Research

The documentary research method involves an analysis of documents that contain information about the phenomenon under study (Bailey, 1994). This analysis produces the data that then feeds into the grounded theory process in order to generate a theory.

2.2.2.1 Key Attributes of Documentary Research

The documents analysed are generally those produced by individuals or groups in the course of their everyday practices and are geared towards their own immediate and practical needs (Mogalakwe, 2006). Examples include government releases, reports, written speeches, newspapers and periodicals. The implications are that the documents are written with a particular purpose in mind, based on particular assumptions and presented in a certain way (Mogalakwe, 2006). Therefore, the researcher must be aware the origins, purpose and original audience of a text (Grix, 2001).

2.2.2.2 Antecedents of Documentary Research

Documentary sources comprise anything with written text. These range from public documents, to private and personal documents. Public document sources include government publications, policy statements, statistical bulletins, ministerial annual reports, consultancy reports, etc. (Mogalakwe, 2006). Private documents often emanate from civil society players, such as private sector businesses, trade unions, NGOs and individuals (Mogalakwe, 2006).

Scott (1990) provides a list of the quality control measures that must be taken when handling documentary sources:

- Authenticity – documents must be genuine and of reliable and dependable origin.
- Credibility – documents must be free from error or distortion.
- Representativeness – a document must represent a collection of produced materials, rather than an idiosyncratic portrayal.
- Meaning – the document must be clear and comprehensible.

2.2.2.3 Consequences of Using Documentary Research

Documentary research is a highly effective and efficient method of collecting data when time and money are limited, as large amounts of data from divergent sources can be accessed, gathered and analysed in a shorter period of time than would be possible with other more direct data collection methods, such as in-depth interviews and observation. With the advent of the internet, documentary research allows the researcher to easily and cheaply access a wide range of documentary sources across sectors, geographies and time.

The multiplicity of sources of documentary data allows for the triangulation of information, which enhances the validity of the grounded theory data analysis process by reducing the risk of a certain interest group's bias dominating the research results. Furthermore, the availability of an enormous amount of documentary data – particularly online – means that large volumes of data can be gathered and analysed in a shorter period of time than would be possible using other data collection techniques. This aids the grounded theory process through better categorisations and makes it more possible for those categories to be saturated.

Finally, documentary research allows the researcher to augment the documentary data using in-depth interviews with a few people who are knowledgeable about the phenomenon under study (Mogalakwe, 2006). This is known as method triangulation. These interviews are intended to help subject the documentary research to additional and even more rigorous interrogation.

2.3 Individual Research Processes

2.3.1 Grounded Theory Process

2.3.1.1 The Research Design

The research design helps the researcher to understand the structure of the study, to plan the study and to carry it out (Maxwell, 2009). Maxwell (2009) states that in a qualitative study, "the activities of collecting and analysing data, developing and modifying theory, elaborating or refocusing the research questions, and identifying and dealing with validity threats" usually happen simultaneously – and each one influences all of the others. Additionally, the researcher may change the research design in response to new developments. Whereas traditional

approaches prescribe a model for conducting research, Maxwell's (2009) approach treats the research design as a dynamic entity rather than a static plan.

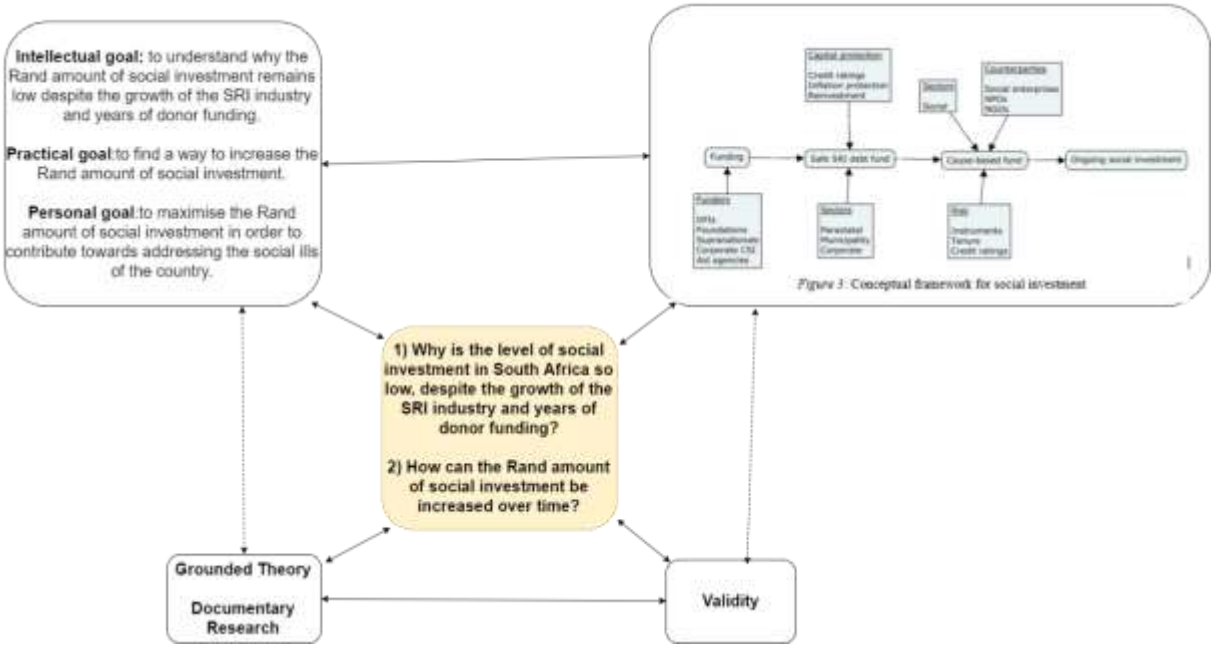

Figure 4: Adapted interactive model of research design (arrows indicate bidirectional influence)

An important initial step is to define the research goals, research questions and conceptual framework (Figure 3). These were introduced in Chapter 1 and are recreated in the top half of Figure 4 above. This chapter (Chapter 2) discusses the last two elements in the bottom half of the model. The next three subsections detail the phases of a single data cycle. A total of four such data cycles were conducted.

2.3.1.2 Phase 1: Data Collection

In the data collection phase, a rigorous data collection protocol is applied which increases the results' reliability and construct validity. Data is collected from multiple sources in order to strengthen the grounding of theory by the triangulation of evidence collected, which serves to enhance internal validity. Data collection may overlap with data synthesis as prior analyses may reveal helpful insights that lead to adjustments to the data that will be collected next.

2.3.1.3 Phase 2: Data Analysis

Data analysis consists of coding, theoretical sampling and saturation. Coding represents the operations by which data are broken down, conceptualised and reassembled in a new way; it is the central process by which theories are built (Strauss & Corbin, 1990). Open coding is the labelling and categorisation of phenomena as indicated by the data. Through the process of constant comparison, data is initially broken down by asking questions such as what, where, how, when, how much, etc. The data are subsequently compared and similar incidents are grouped together and given the same conceptual label. The process of then grouping concepts at a higher, more abstract, level is called categorisation.

Axial coding is putting the data back together in a new way by making connections between categories and their sub-categories. Selective coding involves the integration of categories to build a theoretical framework. All forms of coding serve to enhance internal validity. Theoretical sampling helps to confirm, extend and sharpen the theoretical framework, until the point of saturation (when possible). According to Martin and Turner (1986), by the time three or four sets of data have been analysed, the majority of useful concepts will have been discovered. Therefore, in order to as far as possible attempt to achieve saturation, this study consisted of four data collection and analysis cycles.

2.3.1.4 Phase 3: Literature Comparison

This final phase only applies at the end of Cycle 3. It seeks to compare the emergent theory with existing literature. This helps the researcher improve the constructs' definitions and thereby enhance internal validity. This phase also improves external validity by establishing a domain to which the research findings can be generalised.

2.3.2 Documentary Research Process

The documentary research process can be summarised as shown in the diagram below. Each of the steps are discussed in the subsections that follow.

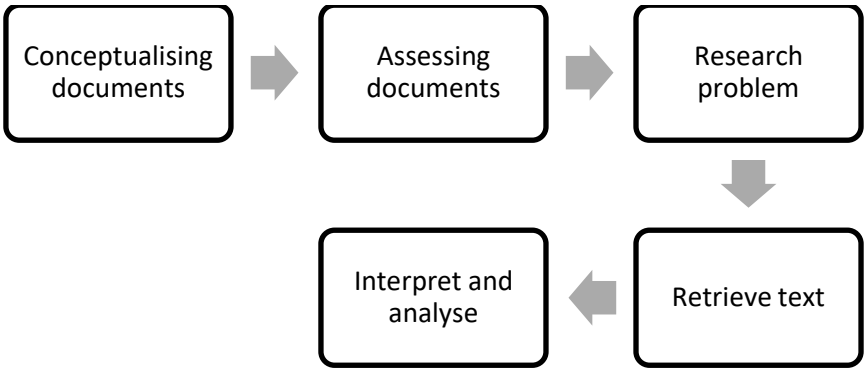

Figure 5: Documentary research process

2.3.2.1 Conceptualising and Assessing Documents

The researcher approaches the documents in an engaged, and not detached, fashion (Sanghera, 2007). Documents are viewed as a media through which social mechanisms, structures and powers are expressed. Therefore, the documents must be approached in a manner that takes into account the economic, social and political context in which they were written. Documents must also be assessed according to the quality control criteria for documentary research discussed above: authenticity, credibility, representativeness and meaning.

2.3.2.2 Analysing Documents

A document must be situated within a theoretical frame of reference so that its content can be understood (Sanghera, 2007). There are three stages to analysing documents: (i) stating the research problem, (ii) retrieving the text and employing sampling methods and (iii) interpretation and analysis.

Stating the research problem upfront focuses the researcher's efforts. The research problem for this study was introduced in Chapter 1 and is represented diagrammatically in Figure 4 as the research goals and the corresponding research questions, with the conceptual framework providing the backdrop against which the research was being conducted. For the purposes of this study, the text was retrieved by using publicly available information published online by various stakeholders who make up the social investment ecosystem.

As data is analysed and coded, theoretical sampling is used to determine what kind of data needs to be searched for next. The raw data is interpreted by forming propositions that state the

relevance of the data piece to the concern variable, and its effect on the concern variable. These propositions are then captured in a proposition log, after which they are compared and categorised.

2.4 Integrated Research Process

The figure shown below is an adaptation of the theory-building process advocated by Christensen (2006). It illustrates the integration of the grounded theory and documentary research approaches that were utilised to conduct this study.

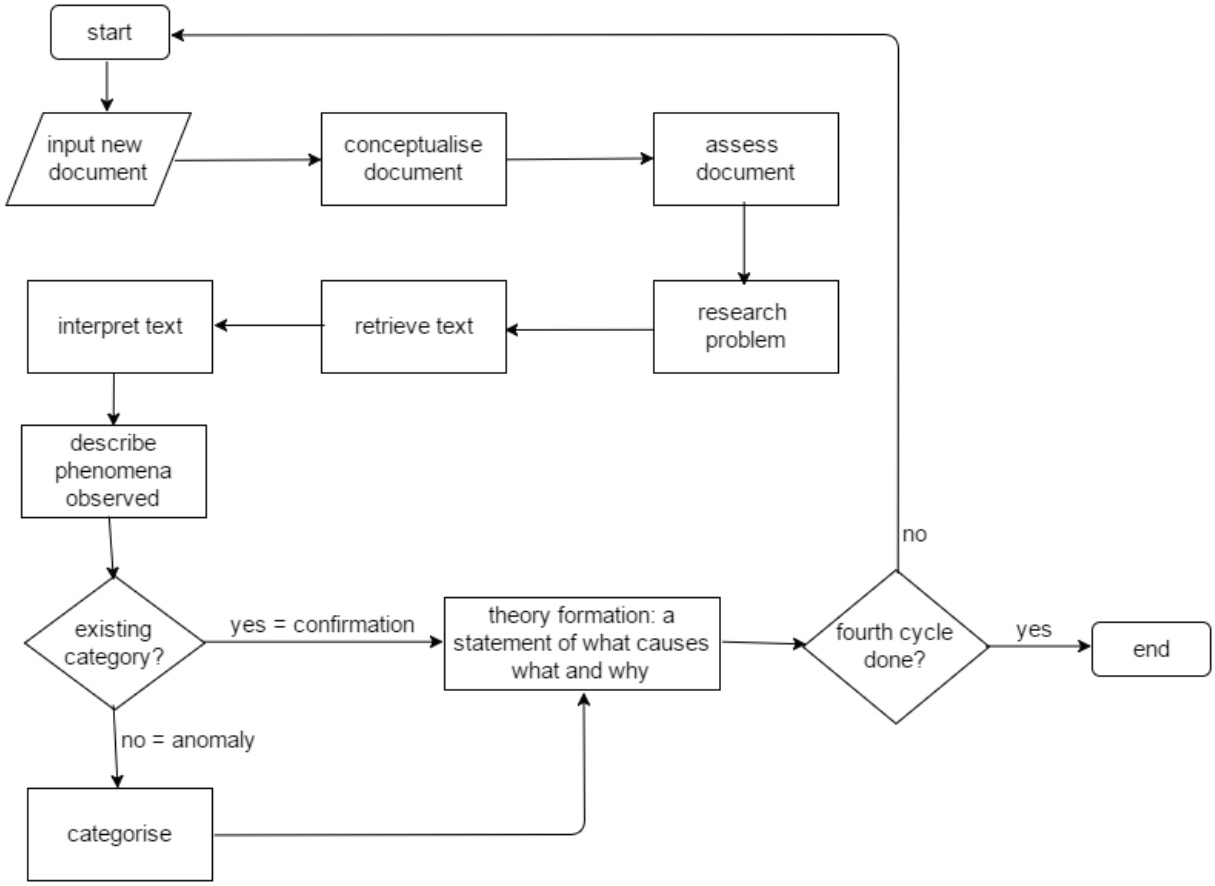

Figure 6: Flowchart of the research framework

As can be seen from the figure above, the entire process begins with the "start" box in the top left-hand corner. The input to the process is a new document, which must be conceptualised and then assessed. The research problem is revisited in order to focus the researcher, after which the document is read and all relevant text retrieved and then interpreted. The researcher is then able to make an observation about the phenomena of study from the text, which begins the

analysis process. Up until this point, these steps have mirrored the documentary research process illustrated in Figure 5.

Once the researcher has described their observation, it is determined whether that description can be added to a pre-existing category or not. If it can, this represents a confirmation of the prior category. If no such category exists, this represents an anomaly, which results in the creation of a new category. The resultant categories contribute towards the formation of a theory. The entire cycle then repeats from the beginning ("start") until four cycles have been completed, at which stage the process stops. A description of each individual cycle follows.

2.4.1 Cycle 1

In the first cycle, various sources of information about social investments were studied in order to collect relevant data. The information sources included industry and practitioner magazines, reports, interviews and reputable blogs. Each piece of data was added to a proposition log, which detailed the data's relevance and impact on the concern variable, with the final result being a proposition. At least 80 propositions were collected in cycle 1. The propositions were then sorted into identifiable categories.

2.4.2 Cycle 2

In the second cycle, further data was collected with the aim of developing the initial categories identified in cycle 1. The sources from which data was collected in cycle 2 were similar to the previous cycle. This time around, a stakeholder perspective was employed in which the propositions from cycle 1 were categorised according to the stakeholder whose voice they represented. The categorisation of the propositions by data source aided the research process by identifying underrepresented stakeholders from whom more data needed to be collected. This explicit attempt to take into account the voice of all important stakeholders helped with triangulation of data, adding validity to the research results. With a specific focus on collecting data from underrepresented stakeholder groups, at least another 70 propositions were added. The new propositions were then categorised, with each proposition either being added to an existing category or used to create a new category where an appropriate category did not already exist.

2.4.3 Cycle 3

The third data collection cycle required the addition of at least another 50 propositions. The number of categories was then reduced to a few core categories to be carried over to the theory-building stage. This was done through two interrelationship diagraphs that mapped the relationship of each category to all of the others. The first interrelationship diagraph was constructed based on the question "Is A a kind/type of B?" – A and B being two separate categories, with every possible combination of A and B being applied. The second interrelationship diagraph was constructed by asking "Is A a part of B?". The seven strongest outcomes are identified, which then become seven core categories.

After the determination of the seven core categories, a mini-literature review was conducted on each. The purpose of the mini-literature review was to understand what research had already been done about each category and to widen the researcher's own understanding of each concept.

2.4.4 Cycle 4

The fourth data collection cycle involved adding only propositions that fitted into one of the seven core categories, with the aim of saturating each core category. Cycle 4 required the addition of 50 propositions, bringing the total number 250. A final interrelationship diagraph was then constructed based on the question "Does A influence/affect B?".

2.5 Validity

2.5.1 Key Threats to Validity

Validity has long been a source of contention with respect to the legitimacy of qualitative research (Maxwell, 1992). Maxwell (2009) describes two broad types of threats to validity in qualitative research: researcher bias, which refers to the ways that data collection or analysis can be distorted by the researcher's theory, values or preconceptions; and reactivity, which is the effect of the researcher on the individuals or settings being studied. Rather than completely eliminate threats to validity, the goal is to understand how the researcher influences the process,

and how to productively and ethically use this influence to answer the research questions (Maxwell, 2009).

Descriptive validity refers to the factual accuracy of the researcher's account of an event or situation and interpretative validity refers to the correct interpretation of the raw data (Maxwell, 1992). Theoretical validity refers to the validity of the theory formulated about the phenomenon being studied (Maxwell, 1992).

2.5.2 Dealing with Validity Threats

Descriptive validity can be compromised by the researcher giving a biased account of that event or situation. The threat to descriptive validity in this study is considered to be low due the documentary nature of the research conducted. In the case were interviews were used, namely to test the proposed theory, audio recordings of these were made in order to maintain descriptive validity.

In documentary research, the social context and identity of the researcher may lead to them employing a selective and biased interpretation of a document (Sanghera, 2007). The researcher may even deliberately choose particular documents because of this bias. This threat was addressed by using a stakeholder approach to ensure that the documentary evidence collected represented the voices of all major stakeholders. This approach compelled the researcher to also take into account evidence that represented a view contrary to their own.

Theoretical validity has two components: construct validity, which refers to the concepts or categories employed; and internal validity, which speaks to the relationships between them (Maxwell, 1992). Triangulation was used to maintain theoretical validity by reducing the risk of systematic biases and spurious associations (Maxwell, 2009). The collection of data from diverse sources also allowed for better assessment of the generality of conclusions reached (Maxwell, 2009).

2.6 Conclusion

This chapter contributed to the research paper by documenting the data collection and analysis techniques that were used for the study, as well as how threats to validity were addressed. The chapter drew on the grounded theory and documentary data collection methods to construct the research process that was to be followed, the outcomes of which are detailed in the next chapter.

3 EMPIRICAL RESULTS

3.1 Introduction

The purpose of this chapter is to document the manner in which the research study was conducted using the integrated research process developed in Chapter 2. At a high level, empirical data was collected through four data collection cycles and used to develop various categories relevant to social investment. These categories were then carried forward in order to develop a causal model.

3.2 Data Collection

3.2.1 Cycle 1

A total of 98 propositions were collected in cycle 1 and added to a proposition log. Each proposition was formulated by first extracting a piece of text from the documentary source with its relevance to, and impact on, the concern variable being documented as well. These statements on relevance and impact were then combined in order to form a rich and descriptive proposition about the phenomenon under study. An example of such a proposition is “The fund manager should take the necessary amount of time to thoroughly screen each investment and consider its risks, in order to mitigate the risk of loss.”. The full proposition log can be seen in Appendix A.

The table below summarises the initial eight categories discovered, together with the number of propositions attached to each. Refer to Appendix B to see the propositions falling under each category.

Category	Number of propositions
1. Type of funding provided	12
2. Portfolio management	15
3. Investment process	15
4. Sources of funding	15
5. Broad mandate	16
6. Risk and return profile	11
7. Hybrid model	9
8. Sustainable investments	5
Total	*98*

Table 1: Initial categories from cycle 1

3.2.2 Cycle 2

A stakeholder analysis was conducted on the propositions from Cycle 1. The stakeholders identified were government, funders, investors, recipients, beneficiaries and service providers. Using theoretical sampling to extract data from underrepresented stakeholders, another 73 propositions were added, taking the total number of propositions to 171.

Cycle 2 resulted in the discovery of two new categories – Types of Counterparties and Knowledge About the Social Fund – bringing the number of categories to 10. Six of the initial categories from cycle 1 were now considered to be at a very high level of abstraction; these were expanded, creating more categories such that the total number of categories increased from 10 to 29. Refer to Appendix C for an example of how this was done. The six categories that were expanded, together with the new categories that came from them, are shown in the diagram below.

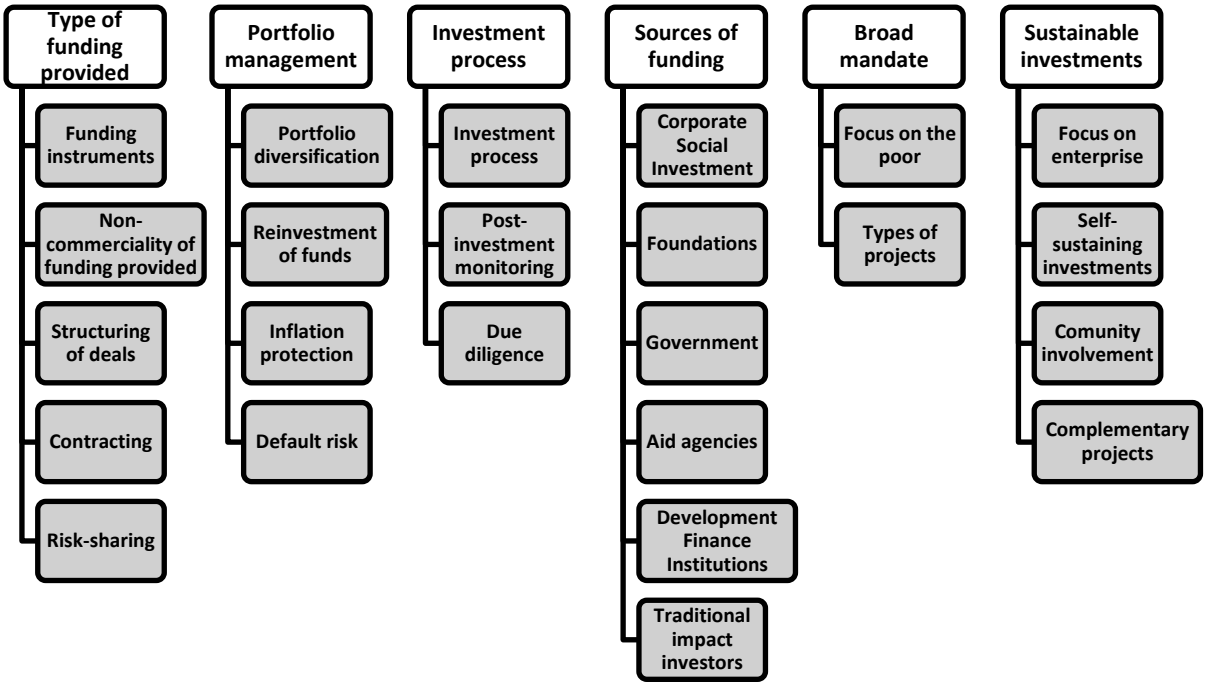

Figure 7: Expanding initial categories into more concrete categories

The intention behind splitting up the more abstract categories was to make the categories that would ultimately feed into the causal model more concrete, resulting in a better model with more explanatory power.

The table below summarises the 29 categories that were developed as a result of cycle 2.

Category	Number of propositions
1. Funding instruments	8
2. Non-commerciality of funding provided	5
3. Structuring of deals	9
4. Contracting	1
5. Risk-sharing	2
6. Portfolio diversification	6
7. Reinvestment of funds	5
8. Inflation protection	2
9. Default risk	3
10. Investment process	7
11. Post-investment monitoring	3
12. Due diligence	8
13. Corporate Social Investment	6
14. Foundations	7
15. Government	13
16. Aid agencies	3
17. Development Finance Institutions	4
18. Traditional impact investors	5
19. Focus on the poor	5
20. Broadness of mandate	15
21. Types of projects	7
22. Risk and return profile	10
23. Hybrid model	9
24. Focus on enterprise	7
25. Self-sustaining investments	5
26. Community involvement	12
27. Complementary projects	2
28. Types of counterparties	4
29. Knowledge about the social fund	2
Total	*175*[1]

Table 2: Developed categories from cycle 2

[1] Propositions total more than 171 because some propositions were equally relevant to more than one category.

3.2.3 Cycle 3

The third data collection cycle resulted in the addition of 33 propositions, bringing the total number to 204. Furthermore, this cycle resulted in the creation of three new categories, bringing the total number of categories to 32. The Risk and Return Profile category was split into two separate categories, one for risk and one for return, while two new categories – Successful Enterprises and Policy Environment – were added.

The number of categories was then reduced using two interrelationship diagraphs. These can be seen in Appendix D. With the two interrelationship diagraphs done, the seven strongest outcomes were identified which then became the seven core categories. The remaining 22 categories were subsumed into the seven core categories. The sub-categories that were subsumed and the seven core categories are shown in the diagram below.

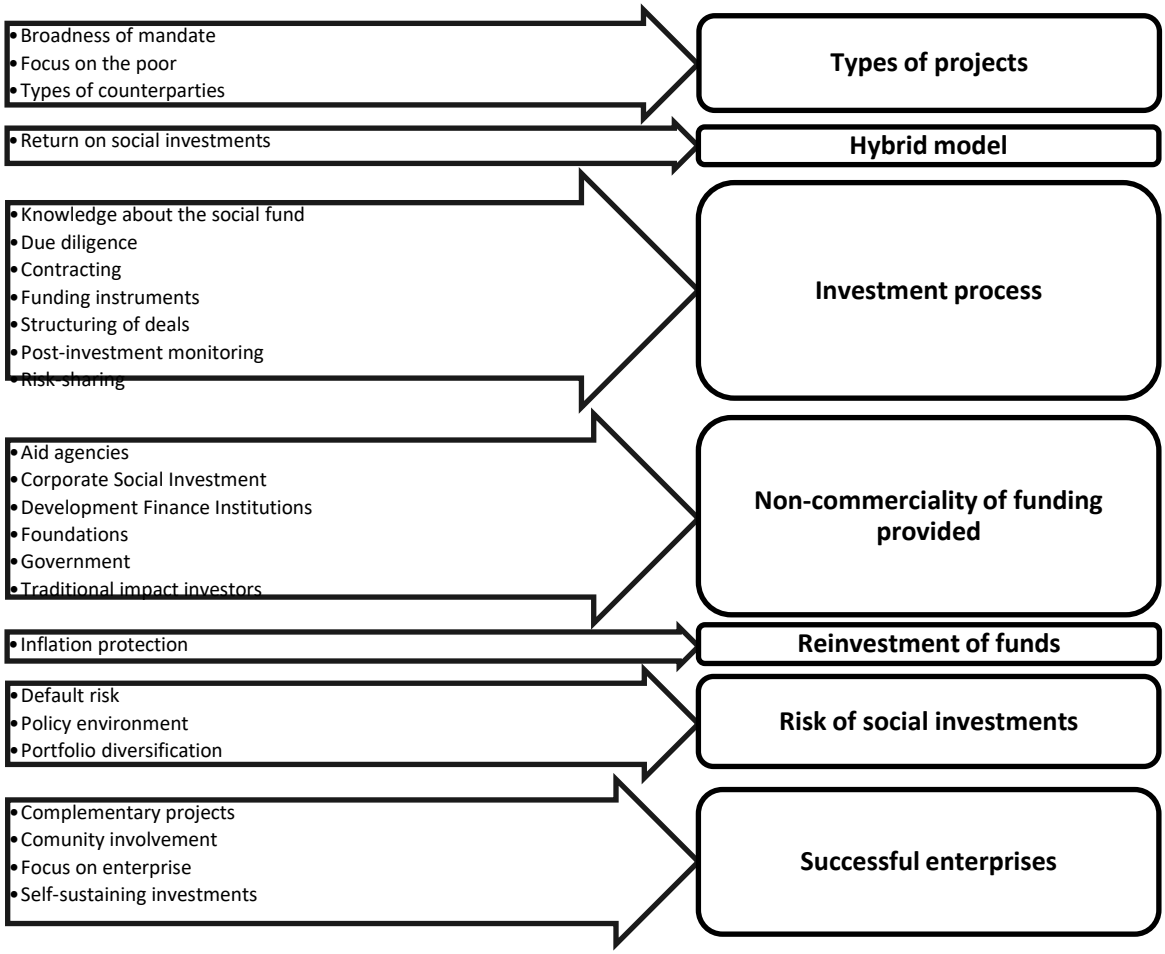

Figure 8: Reduction in the number of categories

A mini-literature review was conducted on the seven core categories. It was found that investors will generally pick a project based on its size, sector, geography and stage of development (Tyebjee & Bruno, 1984). Popular sectors for social investors included education, healthcare, housing, transport, water and sanitation (Inderst, 2015; Miller & Wesley, 2010; Newman et al., 2002). An important distinguishing factor of social investments is that they focus particularly on historically underserved areas (Newman et al., 2002).

In a hybrid fund model, the profits from high-yielding high-value loans are used to subsidise smaller, loss-making loans (McLaughlin, 2013). This portfolio mix is necessary because in social investments it is difficult to find a consistent pipeline of investable projects (Inderst, 2015). The investment process broadly consists of the following steps: deal origination, screening, evaluation, structuring and post-investment activities (Paul, Whittam, & Wyper, 2007; Tyebjee & Bruno, 1984). Contracts are used to limit the agency costs associated with moral hazard and adverse selection, with restrictive covenants often being included (Cornell & Bushong, 1992; Van Osnabrugge, 2000). The loaning of funds to projects that service the poor requires below-market interest rates to be charged (McLaughlin, 2013) and longer exit timelines (Paul et al., 2007), given the low margins and lack of investment readiness of most projects (Sunley & Pinch, 2012).

The reinvestment of funds comes with reinvestment risk, as new investments may not make the same returns as maturing investments (Long, 2001). Other risks arising from social investments include political and social risk (Inderst, 2015); high information asymmetry (Miller & Wesley, 2010; Moss, Neubaum, & Meyskens, 2015; Paul et al., 2007); misappropriation of funds (Platteau & Gaspart, 2003); and macroeconomic, tax, regulatory and environmental risk (Austin, Stevenson, & Wei-Skillern, 2006). Successful enterprises are those that proactively develop a strategy to cope with these risks (Dees & Anderson, 2003). These also demonstrate the ability to generate their own income and to operate profitably so as to be able to repay the loan (Chell, 2007; Miller & Wesley, 2010; Moss et al., 2015). A high level of community involvement is also identified as a critical success factor (Austin et al., 2006; Chell, 2007; London, 2008; Miller & Wesley, 2010; Newman et al., 2002).

After the mini-literature review was conducted, the names given to the seven core categories were refined in order to develop highly relevant and rich labels. The table below shows how the relevant categories were renamed.

Original category	Developed (renamed) category
1. Types of projects	Investment focus
2. Hybrid model	Hybrid fund
3. Investment process	Investment process
4. Non-commerciality of funding provided	Patient capital
5. Reinvestment of funds	Revolving funds
6. Risk of social investments	Investment challenges
7. Successful enterprises	Successful social enterprises

Table 3: Renaming the core categories

The category Types of Projects was renamed to Investment Focus, as it became apparent in the literature that the investment focus is what dictates the kind of projects that can be invested in. The Hybrid Model category was changed to Hybrid Fund to reflect the fact that the hybrid in this case is an investment fund, rather than a business model. Non-Commerciality of Funding Provided was renamed to Patient Capital, in line with the generic term used in the literature to denote subsidised funding given to social enterprises. The category Reinvestment of Funds was renamed to Revolving Funds as that term was deemed more appropriate to illustrate the actual movement of funds. Risk of Social Investment was renamed to Investment Challenges to better reflect the situation when investing in social enterprises, as risk cannot merely be priced in as is the case in commercial deals. Finally, Successful Enterprises was renamed to Successful Social Enterprises to reflect the nuances that are required specifically for social enterprises to succeed, which are over and above the requirements for purely profit-driven enterprises.

3.2.4 Cycle 4

Cycle 4 resulted in the addition of 47 propositions, bringing the total number 250. The table below shows the seven core categories and the final number of propositions for each.

Category	Number of propositions
1. Investment focus	42
2. Hybrid fund	19
3. Investment process	72
4. Patient capital	41
5. Revolving funds	17
6. Investment challenges	26
7. Successful social enterprises	37
Total	*254*[2]

Table 4: Final core categories

Having attempted as far as possible to saturate the seven core categories above, a final interrelationship diagraph, shown below, was constructed based on the question "Does A influence/affect B?". The arrows flow from A to B in each case.

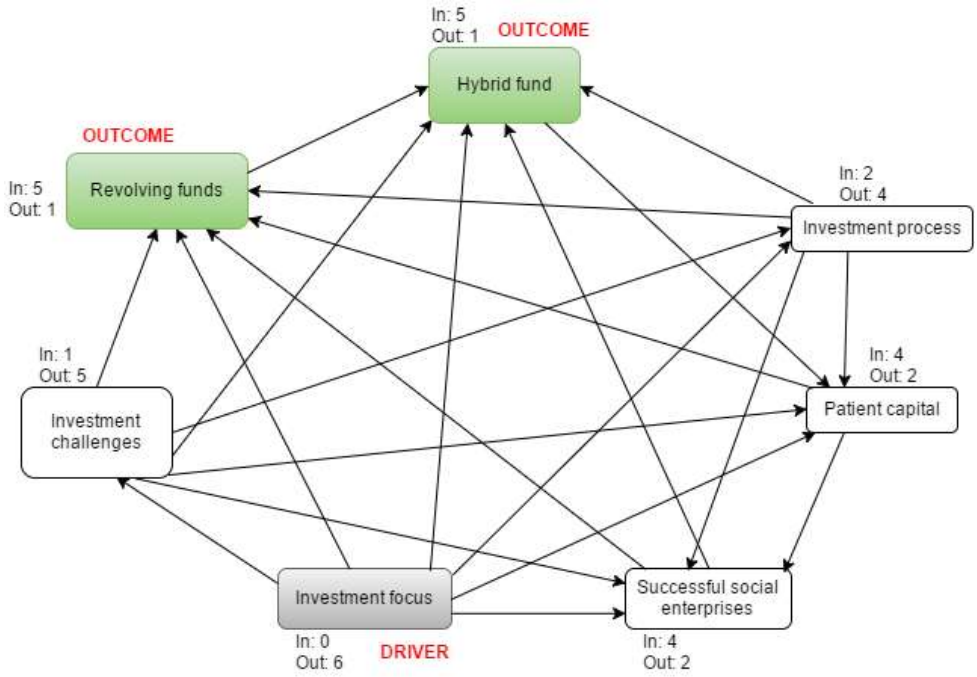

Figure 9: Final interrelationship diagraph

The arrows represent the hypothesised relationships between the core categories. These relationships were hypothesised based on a combination of the information obtained from the

[2] Propositions total more than 250 because four propositions from cycle 2 were allocated to more than one category.

mini-literature review, the researcher's own work experience in an investment environment, and the practitioner research encountered during the data collection cycles. An explanation of each relationship follows.

The investment process determines the type of patient capital to be deployed and, if conducted properly, results in investment into successful social enterprises. It also positively affects the performance of the hybrid fund and the revolving fund as more profits are generated from investments. The investment process is itself affected by the investment focus, which dictates the kinds of deals that may be taken through the process, and the investment challenges, which affect the chosen structure for each deal in order to mitigate risk.

Patient capital gives social enterprises the breathing room that they need to reach sustainability and profitability, allowing them to become successful. Patient capital is also likely to result in fewer defaults, which allows for funds to ultimately be repaid and reinvested in the revolving fund. The performance of the hybrid fund determines the amount of patient capital available to be deployed, while the investment challenges faced dictate the type of patient capital to be deployed. The investment focus, by dictating the stage of development of investments that may be undertaken, will also affect the extent to which patient capital is needed.

Successful social enterprises affect the performance of both the revolving and hybrid fund, as the successful repayment of the loan results in funds being recycled and used to cross-subsidise underperforming investments. The investment challenges affect the likelihood of a social enterprise becoming successful, while the investment focus dictates the types of social enterprises that are candidates for investment.

The investment focus also determines the kinds of investment challenges that will be encountered from the types of projects that may be invested in. The investment focus affects the performance of both the revolving and hybrid funds, as a very narrow investment focus limits opportunities for diversification, which increases the risk of losses due to systemic defaults. The investment challenges faced also affect the performance of the revolving and hybrid funds, as failure to address the challenges will result in capital losses. And finally, the revolving funds affect the hybrid fund, as the reinvestment of funds allows for the hybrid fund to grow in size over time.

In terms of these hypothesised relationships, the main driver came out as being the investment focus, with the two main outcomes being revolving funds and a hybrid fund. This can be understood as meaning that a broad investment focus allows for diversification, which mitigates the risk of capital loss. The loans repaid by investees can then be recycled in the revolving fund; excess returns also allow for greater cross-subsidisation, which is a key feature of the hybrid fund. This allows for more social investment, both in amount and in scope.

3.3 Discussion of the Research Results

The iterative process of data collection and categorisation over four cycles resulted in the discovery of seven core categories relevant to social investment. Each core category, and its relation to the concern variable, is briefly discussed below.

The investment focus, which is explicitly stated by the mandate of the social investment fund, has to do with the investment universe relevant to social investments. It sets the parameters within which the fund may invest. The investment focus would specify that the fund makes investments targeted at benefitting the poor. It would also specify the types of counterparties that the social investment fund may provide financing for, such as early-stage enterprises. An overly narrow investment focus hampers the social fund's ability to maximise social investment.

A hybrid fund is operated on similar principles to hybrid enterprises. The hybrid business model is one in which a social enterprise uses the profits from its more profitable business lines to subsidise the losses on its socially-focused business lines. Similarly, a hybrid fund is one in which the returns from more profitable social investments are used to cover capital losses from investments that go bad, protecting the ultimate sustainability of the fund.

The investment process covers the whole chain of social investment, from sourcing deals to post-investment monitoring and support. A large part of the investment process is the due diligence, in which prospective investments are screened and the risks determined. The risks identified may then be addressed through contracts, the use of appropriate funding instruments and structuring, as well as sharing the risk with co-investors. Properly executed, the investment process increases the likelihood of investing in sustainable social enterprises, which results in capital repayment and more social investment over time as funds are redeployed.

Patient capital is appropriately subsidised funding that may be extended to social enterprises in order to give them the breathing room to reach sustainability without having to meet the demands of commercial funders. Social enterprises that reach self-sustainability are able to repay the funds borrowed, allowing the social fund to make more investments with the recycled funds.

Revolving funds are those that reinvest the interest and capital repayments from their investees. If the interest earned is at least equal to inflation, revolving funds also provide a measure of inflation protection for the fund's capital base. Revolving funds provide repayable finance, as opposed to grants, because the continued existence of the fund is dependent on investees repaying capital so that it can be redeployed.

Investment challenges are those that may result in a permanent loss of capital from the social fund's investments. One of the largest challenges from investing in social enterprises is dealing with default risk, as there are many factors that can cause the social enterprise to fail, including the policy environment. The risks of investing in social enterprises may be dealt with at a portfolio level by diversification across sectors and counterparties, which can protect the fund against systemic losses.

Successful social enterprises are those that earn an income and are able to reach self-sustainability, without a constant reliance on donor funding. These are largely collaborative enterprises that provide complementary goods and services to existing social service programmes. The most successful social enterprises have a high degree of community buy-in borne out of a high level of community involvement with the enterprise.

3.4 Conclusion

This chapter followed and documented the application of the research process and its milestones, with the primary output being seven core categories. Therefore, this chapter has contributed to the rest of the study by providing the building blocks that will be used to construct a final theory. The qualitative research process can be quite fluid, and certain adaptations were required along the way which were also discussed. The purpose of all adaptations was no more than to enhance the validity of the research results.

The next chapter provides an overview of the prevailing academic literature for each of the seven core categories identified in this chapter, and how they all fit together, which will set the stage for the theory-building process.

4 LITERATURE REVIEW

4.1 Introduction

The literature review serves three purposes. Firstly, it helps the researcher to locate their research results within the broader body of knowledge that is relevant to the area of study. Secondly, it increases the researcher's theoretical sensitivity about the area of study (Strauss & Corbin, 1990). Finally, it prepares the researcher for the theory-building process by providing a secondary source of data, which further enhances the validity of the theory proposed (Strauss & Corbin, 1990).

The framework used for the literature review is a three-level grounded theory review, as depicted in the ladder of abstraction in Figure 10 below. Beginning with the parent discipline, level zero focuses on three core concepts from that area. Level one zooms in to the research focus, also covering three core concepts from the research focus. Level two focuses on the concepts for the seven core categories identified in Chapter 3.

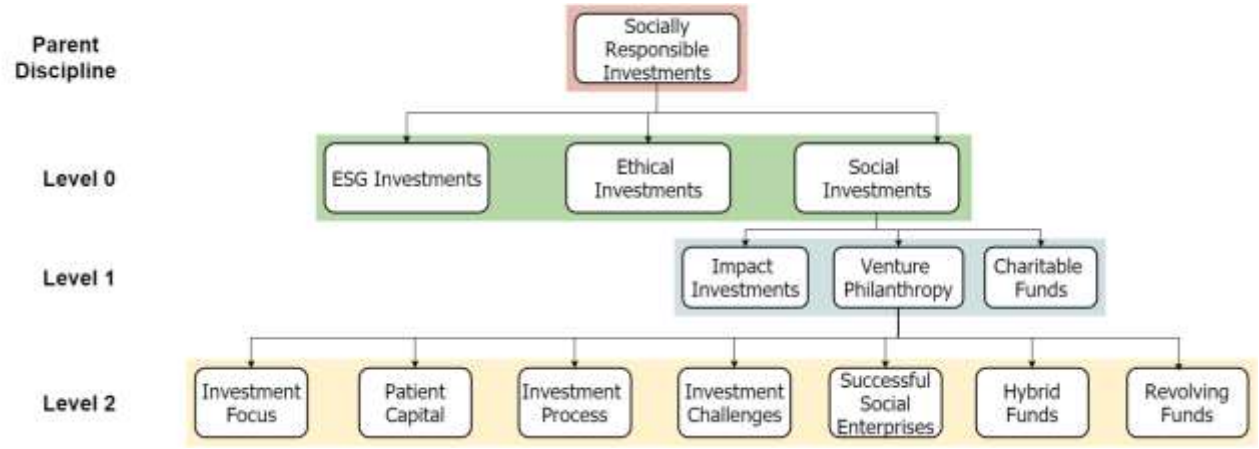

Figure 10: Outline of the three-level grounded theory review

In terms of structure, the literature review applies both vertical and horizontal integration. With vertical integration, the attribute of a higher level becomes a concept for the next lower level. Horizontal integration links concepts that are on the same level, whereby the consequences of one concept become the antecedents of the next concept, and so on.

4.2 Introducing the Parent Discipline: Socially Responsible Investments

Socially responsible investments, also known by the acronym SRI, integrate environmental, social and governance factors into the investment decision-making process (Louche & Lydenberg, 2011). There are three major concepts associated with SRI, which are dealt with in turn below.

SRI is underpinned by a long-term investment perspective. The environmental, social and governance issues specific to a particular company or industry are not always captured by the market as their effects tend to manifest over a long period of time, while markets are short-term focused (Louche & Lydenberg, 2011). In contrast, SRI encourages investors and company executives to have a long-term focus, balancing environmental and social concerns against profits.

SRI is also associated with a strong stakeholder perspective. Investors must examine the environmental and social implications of a company's operations, actions and behaviours for various stakeholders (Louche & Lydenberg, 2011), which include employees, customers, suppliers, the communities within which the company operates and the government.

Finally, SRI encourages increased interaction between corporations and society. By encouraging corporate transparency with regards to environmental, social and governance issues, SRI facilitates better dialogue between corporations and their stakeholders (Louche & Lydenberg, 2011). This ongoing dialogue fosters the development of trust between stakeholders and corporations, which also results in better stakeholder responses to corporate activity, a better operating environment and enhances investment returns (Louche & Lydenberg, 2011).

4.3 Relevant Concepts in Socially Responsible Investments (Level 0)

Socially responsible investments consist of a number of sub-categories, three of which include: environmental, social and governance investments; ethical investments; and social investments. Each sub-category is presented below in the form of a concept analysis.

4.3.1 Environmental, Social and Governance Investments

4.3.1.1 Defining attributes of Environmental, Social and Governance Investments

Environmental, social and governance (ESG) investing targets superior returns. The integration of ESG factors help fund managers to manage the risk-return relationship by identifying company-specific risks stemming from poor ESG practices and the financial rewards that may manifest as a result of good ESG practices (Sandberg, Juravle, Hedesström, & Hamilton, 2009).

ESG investors apply various screening methodologies in stock selection, such as exclusion or negative screening criteria and inclusion or positive screening criteria (Derwall & Koedijk, 2009; McLachlan & Gardner, 2004). Positive screens explicitly include desirable companies engaged in socially responsible practices (Michelson, Wailes, Van Der Laan, & Frost, 2004), such as good labour and community relations, and good environmental practices (Derwall & Koedijk, 2009). Negative screens exclude companies engaging in undesirable practices.

ESG investors also use a best-in-class approach for portfolio stock selection (Derwall & Koedijk, 2009). After negative and positive screens have been applied, the remaining stocks are ranked and the best ESG performers in each industry are picked for inclusion in the portfolio. Unlike ethical investing, the ESG investing does not exclude entire industries on the basis of their non-desirability (Michelson et al., 2004).

4.3.1.2 Antecedents of Environmental, Social and Governance Investments

Most institutional investors have a legally enforceable fiduciary duty to not accept any reduction in expected returns (Sparkes, 2001). A practical concern when it comes to taking into account ESG considerations in investment decision-making, is that any non-financial constraints on fiduciary investors such as pension funds could adversely affect the fund's ability to service its pension liabilities. Therefore, ESG considerations are pursued only so far as they enhance the risk-adjusted return of the portfolio (Sparkes, 2001).

In an age of growing concern and activism around environmental, social and governance abuses at large corporations, the entrance of better educated and more informed investors has been a major growth driver of ESG investing (Schueth, 2003). As more and more research has come

out showing that ESG funds have not performed worse than conventional funds, this has brought about the belief that investors do not have to sacrifice financial performance when investing in ESG funds (Schueth, 2003).

The availability and accuracy of company information about ESG practices and performance is a crucial input to the ESG investment process (Michelson et al., 2004), as without this information it would be impossible for the fund manager to assess the risks and rewards stemming from a company's ESG practices. This largely has to do with the company's disclosure and reporting of ESG factors (Michelson et al., 2004).

4.3.1.3 Consequences of Environmental, Social and Governance Investments

ESG fund performance is largely measured using the same or similar benchmarks as conventional funds (Juravle & Lewis, 2008). The financial benefits of good ESG performance are expected to manifest over the long-term, while the performance evaluations of ESG investment professionals are based on short-term financial measures (Juravle & Lewis, 2008). This dynamic is one of the leading impediments to ESG investing.

ESG funds appear to yield neither superior nor inferior financial performance when compared to mainstream funds. In a study of fixed income ESG mutual funds in the US, Derwall and Koedijk (2009) found that the ESG funds performed no better or worse than conventional funds. Juravle and Lewis (2008) had also found, in a study of European funds, that there was no financial penalty for investing in ESG funds as opposed to conventional funds.

Finally, ESG investing results in higher transaction costs. As the total amount invested in ESG funds is dwarfed by the amount invested in conventional funds, ESG fund sizes tend to be smaller, resulting in relatively higher management fees due to a lack of scale economies (Michelson et al., 2004). Secondly, the need to collect specialised ESG company information, coupled with a lack of standardised corporate reporting and disclosure, leads to the use of multiple resources to collect sufficient data to make an investment decision (Michelson et al., 2004).

4.3.2 Ethical Investments

4.3.2.1 Defining attributes of Ethical Investments

In a study comparing ethical and conventional individual investors, McLachlan and Gardner (2004) found that financial returns were less important for ethical investors. Ethical investors will often avoid investing in some companies on moral or religious grounds, which are also often dictated by cultural norms and values (Sandberg et al., 2009). Negative screens are used to exclude companies or industries which cause unacceptable harm to certain stakeholder groups or to society in general (Waddock, 2000). Frequently avoided industries include tobacco, alcohol, gambling, pornography, weapons and nuclear power (Waddock, 2000). Negative screening criteria can also be based on a company's practices – such as animal testing or child labour (Waddock, 2000).

Ethical investors often follow a conservative investment style (McLachlan & Gardner, 2004). As a result, Juravle and Lewis (2008) found that ethical fund managers are just as cautious in their approach to investing as their conventional counterparts, often erring on the side of caution in order to ensure that their decisions are easy to defend. Sparkes (2001) criticises the use of the "ethical" label for these types of investments due to their conservative and profit-maximising style.

4.3.2.2 Antecedents of Ethical Investments

Ethical investors need a universe of companies that meet their requirements, namely socially responsible businesses which seek to achieve commercial success in a manner that respects people, the communities in which they operate, the environment and generally accepted societal ethical values (Dees & Anderson, 2003). Socially responsible companies may also support or actively work with public benefit organisations or non-profit organisations in pursuance of a specific social cause (Dees & Anderson, 2003).

Sparkes (2001) suggests that the term "ethical investing" should be restricted to only values-based investors such as churches or charities. Ethical investing is deeply rooted in individual or organisational ethics, and ethical investment funds generally are tailored to meet the niche

needs of religious investors, charitable organisations and ethically-minded retail investors (Sandberg et al., 2009).

McLachlan and Gardner (2004) found that although financial returns are less important to ethical investors as compared to conventional investors, ethical investors still care about making a moderate financial return. Ethical investors are not interested in making unprofitable investments or paying a significant penalty for their ethical choices (Michelson et al., 2004). Sparkes (2001) is critical of this return-seeking behaviour on the basis that the term "ethical" implies helping others even at cost to oneself.

4.3.2.3 Consequences of Ethical Investments

According to Sparkes (2001), most ethical unit trusts are run by conventional fund managers. The manner in which conventional fund managers are incentivised means that ethical funds end up being run in order to maximise investment returns within the constraints set by the client (Sparkes, 2001). Sparkes (2001) is sceptical about the extent to which such profit-maximising commercial behaviour is ethical, as the absence of pure altruism is at odds with the general principle of sacrifice, which is part and parcel of any investment that purports to be ethical.

The exclusion of certain industries, such as gambling, tobacco and arms (Sandberg et al., 2009), results in limited diversification of the portfolio, which exposes it to more idiosyncratic company risk (Michelson et al., 2004). Therefore, although ethical investing itself is not more risky than conventional investing due to the conservative approach of fund managers (Juravle & Lewis, 2008), the portfolio ends up being more risky due to a lack of diversification.

In a study of individual ethical investors in the UK, Lewis and Mackenzie (2000) found that although there was no straightforward trade-off between ethical principles and money, people were prepared to put their money where their morals were. Investors derive a psychic income from investing ethically which allows them to feel good about investing according to their beliefs (Michelson et al., 2004).

4.3.3 Social Investments

4.3.3.1 Defining attributes of Social Investments

Similarly to ethical investors, social investors look for investments that are aligned to their personal values (Schueth, 2003). However, social investors are also driven by another, equally important motivation: they look for investments that will support improvements in the quality of life; that is, they are focused on catalysing positive social change (Schueth, 2003). Social investments are those specifically aimed at benefiting society or specific disadvantaged groups (Waddock, 2000).

Social investing, which Schueth (2003) also terms community investing, aims to provide financial capital to people from low-income communities, who would normally not be able to access conventional finance such as traditional bank loans. By deploying capital in communities where it is not readily available, social investors are able to stimulate job creation, the provision of affordable housing, and the supply of environmentally friendly goods and services (Schueth, 2003).

Sparkes (2001) differentiates social investments from traditional SRI strategies by referring to them as socially directed investments. In the case of socially directed investments, a subnormal return may be voluntarily accepted for the sake of community development and other altruistic purposes (Sparkes, 2001).

4.3.3.2 Antecedents of Social Investments

Due to a dearth of resources, there are numerous social areas where marginalised communities' needs are not being met, such as low income housing and microenterprise finance (Schueth, 2003), community development (Waddock, 2000), community healthcare and transportation (Miller & Wesley, 2010), homeless housing, family planning for the poor and food for the needy (Dees & Anderson, 2003). Through investments into social enterprises, social investing focuses on serving basic, long-standing needs more effectively than is currently being done by using innovative approaches (Austin et al., 2006).

Social investors are willing to commit their funds for the development of disadvantaged communities, with the upfront expectation of making less-than-market returns (Waddock, 2000). According to Sparkes (2001), the action of running a social fund so as to make commercial returns is fundamentally at odds with concept of sacrifice that underpins social investments, which are intended to help others even at cost to the investor.

Social investments are predominantly venture-based (Waddock, 2000). For example, social investors will either target investments into micro, small and medium size ventures which operate in disadvantaged communities or they will proactively invest in underfunded areas in order to generate large social gains. By investing in these areas, the social investors actually place their capital at risk (Waddock, 2000).

4.3.3.3 Consequences of Social Investments

The investment into previously underfunded social sectors enables and catalyses the economic and social development of poor and marginalised communities (Waddock, 2000). Economic and social development comes with higher employment rates, lower poverty rates, better health, better future prospects and less crime. These benefits accrue directly to the communities that are targeted for investment, and indirectly to greater society through lower taxes, more social justice and safer streets – a better society for all (Waddock, 2000).

By targeting neglected areas (Schueth, 2003), social investments bring in the capital that is needed to build up an economic base within poor communities (Waddock, 2000). Dees and Anderson (2003) discuss how the economic base-building can happen at any point along what they term the social value chain. This includes procuring goods from disadvantaged suppliers; employing disadvantaged people; providing goods and services that have an inherent social value; using specific production methods to serve a social purpose; and marketing particularly to disadvantaged customers (Dees & Anderson, 2003).

The best way of conducting social investment and development is to allow people to improve their own circumstances by using the resources that they already have, such as their talents, energies, home-grown knowledge and interests (Waddock, 2000). This perspective assumes that poor people have many of their own strengths and assets, and if they are given the right

opportunities, will find a way bootstrap themselves out of their dire circumstances and into a more advantaged position (Waddock, 2000).

4.4 Relevant Concepts in Social Investments (Level 1)

Social investments can be broken down into further sub-categories, of which the literature for three is presented below in the form of a concept analysis. These are: impact investments, charitable funds and venture philanthropy.

4.4.1 Impact Investments

4.4.1.1 Defining attributes of Impact Investments

Impact investors have two equally important objectives: making money while making a difference (Schueth, 2003). Impact investing explicitly aims to make a return on investments that improve service delivery and focus on the social welfare of marginalised populations (McGoey, 2014). However, there is a natural tension between doing well and doing good, making it very difficult to achieve market returns together with social impact (Brest & Born, 2013).

Impact investing tends to favour private equity investments and direct loans (Bugg-Levine & Emerson, 2011). Loan guarantees are another type of instrument often used by impact investors (Brest & Born, 2013). The wide use of unlisted instruments is because these types of investments are believed to have a good ability to generate a high social impact (Bugg-Levine & Emerson, 2011).

Impact investing has a greatly constrained universe of investable opportunities due to impact investors' dual requirement to make both a financial and social return (Schueth, 2003). According to McGoey (2014), there is no shortage of organisations that provide a social benefit of some kind, but it is highly questionable whether they can offer investors returns comparable to that of the market. Due to the difficulty of finding investment opportunities, Brest and Born (2013) are sceptical about how much of the impact investing industry actually fits this description.

4.4.1.2 Antecedents of Impact Investments

For many years, social and community development programmes were the domain of governments (McGoey, 2014). However, the failure of state-dominated programmes has resulted in a more market-based approach to development being viewed as desirable, with a growing consensus among both public and private sector players that the private sector can and should play a much larger role in poverty reduction than it historically has (Clyde & Karnani, 2015).

The general idea underpinning impact investing is that investors can earn market-type financial returns for investing in projects that are geared at providing environmental or social benefits (McGoey, 2014). This type of investing is not primarily values-driven, but rather driven by beliefs about financial returns (Jansson & Biel, 2011), with social returns being a secondary criterion.

Impact investors need profitable companies in desirable sectors to invest in, that are making a positive contribution to society (Schueth, 2003). The enterprise invested in must be able to generate a positive impact from the social or environmental goods and services it provides, or by creating ancillary benefits such as job creation (Brest & Born, 2013).

4.4.1.3 Consequences of Impact Investments

The typical impact investor, who is primarily returns-oriented and only secondarily values-oriented, may undermine social value creation by shunning high-impact investments that do not offer the required financial return or by pressuring investee companies to operate in a more commercial manner in order to meet the required return target (Dees & Anderson, 2003). Secondly, impact investing may undermine support for philanthropy, which is able to provide high social value in areas where market-related returns cannot be generated (Bugg-Levine & Emerson, 2011).

Achieving a high social impact while making market returns is neither as simple nor happens as frequently as asserted by impact investing proponents (Brest & Born, 2013). Only a small segment of the investment universe enables impact investors to make the targeted financial gains (McGoey, 2014).

The private sector is only effective at serving social needs so long as the profitability of the social good or service can be demonstrated (Clyde & Karnani, 2015). For example, impact fund investees can profitably sell to the poor only if they can reduce costs significantly enough to be able to drop prices to a level affordable for the poor (Clyde & Karnani, 2015). However, the resultant low profits would be unattractive for impact investors seeking market-related financial returns.

4.4.2 Charitable Funds

4.4.2.1 Defining attributes of Charitable Funds

According to Bugg-Levine and Emerson (2011), the social and environmental issues are too many and too large, and the financial resources too few for current approaches to be effective. A key driver of the scarcity of financial resources is the lack of institutional investors, as these are bound by a fiduciary duty to make only investments that will maximise financial returns (Sparkes, 2001).

The philanthropic end of the social investing spectrum is often dominated by non-profit organisations whose beneficiaries do not and cannot pay for the goods or services received (Chell, 2007). The ultimate consumers are often unable to pay to cover even the cost of the goods or services provided (Austin et al., 2006). This has significant implications for the sustainability of non-profit organisations and charitable funds.

Most charities run at an economic loss, and so rely on subsidies in order to survive (Chell, 2007; Clyde & Karnani, 2015). The most common kind of subsidy is that of suppliers or donors accepting returns below what they would have received from a profit-maximising firm (Clyde & Karnani, 2015). Another common form of subsidy, which is often not recognised as such due to its non-monetary nature, is the use of volunteer labour (Chell, 2007).

4.4.2.2 Antecedents of Charitable Funds

Most non-profit organisations rely on grants and donations in order to survive (Chell, 2007). The non-profit has to appeal to some individual philanthropist, foundation, corporation,

international organisation or government for grants in order to help it subsidise its economic loss (Clyde & Karnani, 2015). According to Clyde and Karnani (2015), donors have to be driven by motives other than economic self-interest, such as generosity, altruism, morality or social justice.

Other than financial support, non-profit organisations need to attract volunteers for free labour, pro bono professionals for free technical support, and non-cash donations for their physical asset base (Battilana, Lee, Walker, & Dorsey, 2012). This is normally achieved by the organisation gaining social legitimacy and goodwill within the society in which it operates (Battilana et al., 2012).

Many poor people cannot afford to pay the market prices for many of the basic goods and services that they need (Chell, 2007; Clyde & Karnani, 2015). This segment of the market cannot be served by for-profit social ventures, which are designed to serve a social purpose while making a profit (Dees & Anderson, 2003). Because of the limits of the for-profit structure, many for-profit social ventures partner with non-profit organisations to provide complementary services that need to be subsidised through philanthropic support (Dees & Anderson, 2003).

4.4.2.3 Consequences of Charitable Funds

Non-profit organisations play a somewhat redistributive role by using funds from the resource-rich parts of society to provide socially beneficial goods and services at below-market prices, making them affordable to the poor (Clyde & Karnani, 2015). In many cases, the social goods and services are not only provided at below-market prices, but also below cost because very poor customers are unable to afford even the cost of basic goods and services (Austin et al., 2006).

A problem with subsidies is that a business that has its costs or assets subsidised has less incentive to economise on costs (Clyde & Karnani, 2015). Therefore, inefficient organisations that would be punished in a market-based environment are enabled to survive longer than they should, as they have little incentive to run themselves efficiently. Government grants and aid have been declining over the years (Miller & Wesley, 2010). Therefore, the wasteful use of funds by inefficient non-profit organisations actually diverts the limited available funding away from more effective and worthy organisations.

By subsidising certain goods and services, well-meaning charity can undermine and displace the business sector, which cannot compete with the deeply discounted prices at which charitably funded goods and services are provided (Clyde & Karnani, 2015). This has the effect of crowding enterprises out of the market, thereby hindering long-term development (Clyde & Karnani, 2015). The knock-on effect can be quite severe, as social enterprises not only provide affordable goods and services to the poor, but also generate employment in the community (Dees & Anderson, 2003).

4.4.3 Venture Philanthropy

4.4.3.1 Defining attributes of Venture Philanthropy

In venture philanthropy, venture capital is used affirmatively to fund small businesses that operate in marginalised communities or that are run by disadvantaged people or groups (Waddock, 2000). Thompson and Doherty (2006) define social enterprises as being organisations that are seeking business-like solutions to social problems. Sabeti (2011) refers to for-benefit enterprises, which generate an income but prioritise an explicit social mission.

As opposed to traditional charity, venture philanthropy introduces 'hard-nosed' strategy, which includes innovative financing models, performance measurement, and increased oversight of the grantee's activities leading to increased control by funders (McGoey, 2014). The performance measurement and oversight functions result in greater accountability and rigor than was present in traditional charitable grant-making processes.

Similarly to venture capital, venture philanthropy often invests in young businesses with little performance history (Tyebjee & Bruno, 1984), which significantly increases the risk of capital loss due to high new business failure rates. Another source of risk is the instruments that venture philanthropy uses, such as subordinated debt and equity (Brest & Born, 2013), which have a low-ranking status in the event of a business liquidation.

4.4.3.2 Antecedents of Venture Philanthropy

According to Dees and Anderson (2003), investors can be church groups, foundations and socially committed individuals. Corporate philanthropy budgets are also sometimes used to finance micro, small and medium ventures, either because they operate in disadvantaged communities or for proactive social gains (Waddock, 2000). The socially committed individuals who invest in social ventures tend to be high net-worth individual philanthropists (McGoey, 2014). Governments are increasingly championing market-based solutions to social and community development, and are another major source of funding for social ventures (McGoey, 2014).

Most for-profit investors are reluctant to invest in situations where the financial pay-off is uncertain (McGoey, 2014). The high amount of uncertainty tends to deter institutional investors from investing in social ventures (Juravle & Lewis, 2008). The market need is generally for concessionary funding, in which the investor is willing to take on higher risks or make lower returns (Brest & Born, 2013).

The intention of investors going into venture philanthropy must be the targeting of profits only so far as needed for sustainability. In this way, venture philanthropy mimics hybrid enterprises, which pursue social interventions with profitability and growth potential as a means of ultimately becoming self-funding (Haigh, Walker, Bacq, & Kickul, 2015). In what Dees and Anderson (2003) term "for-profit social ventures", the business determines the minimum profit levels required for sustainability and keeps track of these together with social performance. Chell (2007) refers to "not-for-personal-profit enterprises" that generate wealth mainly to enable reinvestment and sustainability.

4.4.3.3 Consequences of Venture Philanthropy

The multi-causality of social benefits created and the long time period before the benefits become apparent make the impact of investments difficult to quantify (Austin et al., 2006). Given the difficulties in measuring the social value created, customers often lack sufficient information to decide on the quality of the social goods or services provided (Dees & Anderson, 2003). The quality of most social services is not transparent, and therefore customer demand,

or a lack thereof, is not a reliable indicator of whether social value is being produced efficiently or effectively (Dees & Anderson, 2003).

One of the goals of venture philanthropy is to help entrepreneurs to build their own economic base (Waddock, 2000). One way in which venture philanthropy acts as a catalyst is by capitalising microenterprise finance institutions that provide small business financing in disadvantaged communities (Schueth, 2003). Venture philanthropists are many times also directly involved in the economic empowerment of beneficiaries by making a financial contribution to a social enterprise, as well as providing value-added services such as technical business advice (Brest & Born, 2013).

If a community development project proves to be successful, the government can take it on and assume the responsibility for its widespread implementation through the relevant government agencies (Letts, Ryan, & Grossman, 1997). Despite years of declining spend on social sector projects, the government remains a powerful player from a resourcing and a scale perspective (McGoey, 2014), which makes it best placed to spread an effective intervention to a much wider group of beneficiaries.

4.5 Relevant Concepts in Venture Philanthropy (Level 2)

Seven core concepts to do with venture philanthropy were identified from the research process, for which a concept analysis of each is presented below, beginning with the investment focus as the lead concept.

4.5.1 Investment Focus

4.5.1.1 Defining attributes of the Investment Focus

The geographic location of the investee is important as it determines the extent to which regular interaction between the investor and the investee's management team is possible (Tyebjee & Bruno, 1984). Given the amount of time and effort that post-investment activities take from the investor's perspective, having an investee who is located close by helps the venture investor to keep the time spent travelling and associated expenses at a manageable level (Tyebjee & Bruno, 1984).

Social venture capital has been observed to invest in every social sector from healthcare to transport and other social and environmental areas (Miller & Wesley, 2010). Other social areas specifically focused on the poor are homeless housing, family planning, food for the needy and community development (Dees & Anderson, 2003; Waddock, 2000).

Social venture investors often invest in the early stages through equity, as a nascent enterprise cannot handle debt (Miller & Wesley, 2010). Early-stage ventures require seed or start-up funding (Tyebjee & Bruno, 1984).

4.5.1.2 Antecedents of the Investment Focus

The investment focus for a social venture fund should be informed by a recognisable market need (Tyebjee & Bruno, 1984). The presence of a recognised social need, demand or market failure guarantees a sufficient market size for investee enterprises to reach the scale that they need to become sustainable (Austin et al., 2006).

Given the localised nature of investments, the social venture investor should have sufficient regional knowledge about the areas where the investees are located (Kerr, Lerner, & Schoar, 2014). In the event that the social investor does not have much knowledge about the region in which a potential investee is located, the risk can be mitigated by co-investing with a local syndication partner who knows that region well (Paul et al., 2007).

The industry specialisation that is typical of venture capital firms also benefits their deal selection procedures (Van Osnabrugge, 2000). Most venture capital firms will not invest in a sector that they are unfamiliar with (Tyebjee & Bruno, 1984). In the case of angel investors, if a business angel is presented with a seemingly compelling deal in an unfamiliar sector, they may seek advice from a more knowledgeable business associate, sometimes with a view to co-invest (Paul et al., 2007).

4.5.1.3 Consequences of the Investment Focus

A limited investment focus allows for specialisation along both sectoral and geographic lines, resulting in better deal selection (Kerr et al., 2014). Because venture investors sometimes are

inundated with requests for funding, the application of investment filters also helps to reduce the number of deals to a manageable level (Tyebjee & Bruno, 1984).

The specialist industry knowledge of venture capitalists allows them to better evaluate the viability of potential investments and thereby reduce their risk of capital loss by declining deals that are clearly unviable (Mason & Stark, 2004). Although the risk on individual deals is reduced by having an investment focus, this can be partially offset by the increased portfolio risk due to less diversification (Schueth, 2003).

Investments that fall outside of the focus area are not pursued, regardless of the returns that they can offer (Mason & Stark, 2004). Similarly to the social enterprises in which it invests, the social mission of the social venture fund is paramount, as it defines the fund and its beneficiaries and reveals its identity and goals (Miller & Wesley, 2010).

The diagram below summarises the antecedents and consequences of the investment focus. The coloured circles indicate factors that are also relevant to other categories in this study.

Figure 11: Summary of Investment Focus

Two of the consequences are highlighted because they become antecedents for two other core concepts, which are analysed in the next two subsections. The core concepts in question are the investment process and patient capital. The smaller investment universe that results from the investment focus dictates the deals which are put through the investment process, that is, the deal pipeline. The return inelasticity resulting from the investment focus is one of the major objectives that must be in place in order to deploy patient capital. A concept analysis of patient capital follows.

4.5.2 Patient Capital

4.5.2.1 Defining attributes of Patient Capital

Patient capital has a longer investment period compared to other forms of capital investment. Venture investors invest for five to seven years, and sometimes even longer (Letts et al., 1997). Venture philanthropists could remain in their investments for even longer, as they often have fewer exit options available to them compared to traditional venture capitalists (Miller & Wesley, 2010).

According to London (2008), patient capital goes together with patient innovation, which means that investment strategies that focus on the poorest segments of society must follow an incremental approach. This is also known as a real options approach to investing (London, 2008), in which investors hold back from injecting capital all at once in order to have the option to pivot on strategy or cut their losses should the need arise.

A social enterprise may show a lot of promise, but be unprofitable for years before breaking even, and therefore subsidies are often needed in the form of grants, soft loans or guarantees (McGoey, 2014). From the perspective of the investors, the subsidy element comes in when they have to forgo earning a market rate of return on their capital (Clyde & Karnani, 2015).

4.5.2.2 Antecedents of Patient Capital

The venture philanthropist must have clear objectives, which provide both investors and the managers of enterprises a common point of reference for their working relationship (Letts et al., 1997). This is particularly pertinent for social investments due to the high risk of resource misappropriation by community project leaders (Platteau & Gaspart, 2003) and the high risk of funds being wasted (Clyde & Karnani, 2015).

Patient capital enters into investments with the express intention to exit the investment at some point (Letts et al., 1997). The exit normally happens once a start-up has strong enough organisational structures and a viable future (Letts et al., 1997). Due to the shortage of exit options relative to venture capital (Miller & Wesley, 2010), business angels – and similarly venture philanthropists – tend to have exit timescales that are elastic (Paul et al., 2007).

Also known as slow money investors, providers of patient capital must be willing to take a long-term view with respect to the quantum and timing of investment returns, as well as their expectations about the repayment dates of capital (Jayashankar, Ashta, & Rasmussen, 2015). The longer term of funding allowed by the venture philanthropist gives early-stage social enterprises the breathing room they need to establish themselves and grow (Brest & Born, 2013).

4.5.2.3 Consequences of Patient Capital

Patient capital results in the realisation of a more sustainable social outcome by combining the efficiency of commercial capital with the social impact of philanthropy (Jayashankar et al., 2015). A minimal financial return is also expected (Jayashankar et al., 2015), but only insofar as it protects the overall capital base from being eroded by inflation or defaults from other investments (Holcombe, 1992).

Most social enterprises, especially start-ups, require that initial financial investment in order to get themselves into a position where they are self-sustaining (Jayashankar et al., 2015). Typical development initiatives often provide only short-term funding, which does not provide social enterprises with the opportunity for experimentation and trial-and-error inherent to the business development process (London, 2008). Patient capital helps to address this issue due to its long-term tenure.

Related to helping businesses reach sustainability, patient capital helps these businesses to transition to traditional sources of finance later on (Jayashankar et al., 2015). This is especially true for start-up enterprises with no track record, which most traditional financiers would refuse to fund due to the high risk (Van Osnabrugge, 2000). According to Brest and Born (2013), the ideal outcome is for most enterprises that initially rely on patient capital to get to the stage where they generate market-type returns that would then attract more conventional and profit-seeking investors.

The diagram below summarises the antecedents and consequences of patient capital.

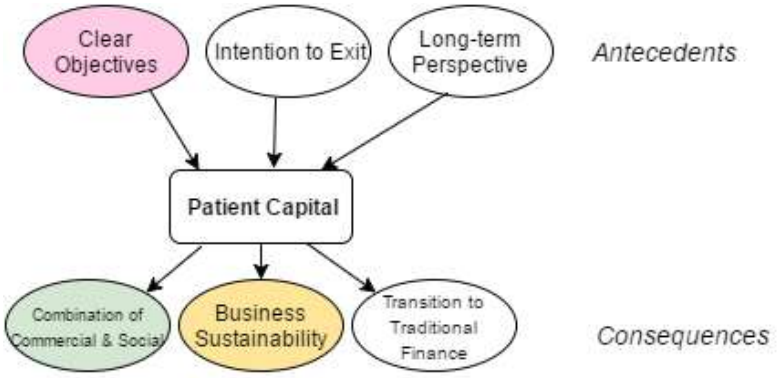

Figure 12: Summary of Patient Capital

Patient capital is highly effective in helping a young business to flourish. But in order to maximise its full potential, patient capital must be coupled with an effective investment process. This serves to increase the number of good deals that are taken on by the social investment fund. A concept analysis of the investment process follows in the next subsection.

4.5.3 Investment Process

4.5.3.1 Defining attributes of the Investment Process

Due diligence begins with the screening of prospective investments, which whittles down the workload to a few deals to be analysed in detail (Tyebjee & Bruno, 1984). A detailed due diligence includes meeting the entrepreneur; assessing the business plan; conducting sector research; analysing the financials; and getting independent references on the entrepreneur (Van Osnabrugge, 2000). Social venture investors also look for attributes such as social mission, the entrepreneur's passion for social change and the existence of a community-based network (Miller & Wesley, 2010).

The deal structuring stage involves deciding on the type of funding instrument; the price of the funding to be provided; protective covenants and restrictions on certain activities; restrictions on further fundraising; and when the venture investor can take control or liquidate the investment (Tyebjee & Bruno, 1984). The different types of funding instruments that are normally used by social venture capital include working capital loans, asset finance, revolving credit lines and equity (Waddock, 2000). Equity investments often take the form of convertible

preference shares (Tyebjee & Bruno, 1984) or ordinary shares with diluted or no voting rights (Dees & Anderson, 2003).

In conventional venture capital, post-investment activities include the venture capitalist taking a seat on the investee's board and connecting the venture to markets, creditors and suppliers (Tyebjee & Bruno, 1984). Social venture capitalists also provide technical assistance and inter-organisational relationships to investees (Miller & Wesley, 2010).

4.5.3.2 Antecedents of the Investment Process

Post-investment activities make up a large and important part of the investment process, and therefore the investor must believe that they have a contribution to make either strategically or at least operationally to the venture (Paul et al., 2007). Venture capitalists often offer a range of non-monetary value-add assistance to their investees, including taking a seat on the board in order to contribute towards the strategic direction of the company, and coaching and mentoring of the management team (Letts et al., 1997).

Both traditional venture capitalists and their social counterparts can receive deals from numerous sources, including unsolicited calls from entrepreneurs, referrals and active searching by the investor (Tyebjee & Bruno, 1984). Referrals that come through the venture investor's network tend to be better quality deals (Van Osnabrugge, 2000). These referrals can come from the venture investing community, past investees, personal acquaintances, banks or investment brokers (Tyebjee & Bruno, 1984).

Because of the multiplicity of skills involved in the investment process, the venture investment fund should recruit staff with varied backgrounds in business, finance and consulting (Letts et al., 1997). Getting access to appropriately skilled personnel may prove challenging for a social venture fund, as the financial payoffs from investing in the social sector are not as high as those that would earned in a traditional venture capital firm while staff with social sector skills may be sceptical of the actual social value created by a fund that in many ways mimics a commercial investment fund (Dees & Anderson, 2003).

4.5.3.3 Consequences of the Investment Process

Post-investment activities, such as mentoring the management team, take up more time and require more effort than the mere provision of finance (Letts et al., 1997). The time required to monitor, assess and actively manage the investment becomes a limiting factor with respect to the number of investments that can actually be made (Paul et al., 2007). This can, however, be partially mitigated by the investor being careful not to get involved in the day-to-day operations of the venture (Tyebjee & Bruno, 1984).

There are two agency costs in venture investing – moral hazard and adverse selection – and the investment process addresses both using screening, contracts and post-investment monitoring (Van Osnabrugge, 2000). Screening establishes the integrity of the entrepreneur through background checks (Paul et al., 2007). Contracts can either stipulate appropriate behaviours or they can stipulate desired outcomes and their rewards (Van Osnabrugge, 2000).

Business ventures that pass the investment process: have a higher chance of survival; have a higher chance of a successful exit for the investor through capital repayment or buyout; create more employment; and are able to secure further financing from other sources (Kerr et al., 2014). According to Kerr, Lerner and Schoar (2014), the inputs from the investment process lead to improved governance and operations at the investee; lower capital constraints; and stronger enterprise performance and growth.

The diagram below summarises the antecedents and consequences of the investment process.

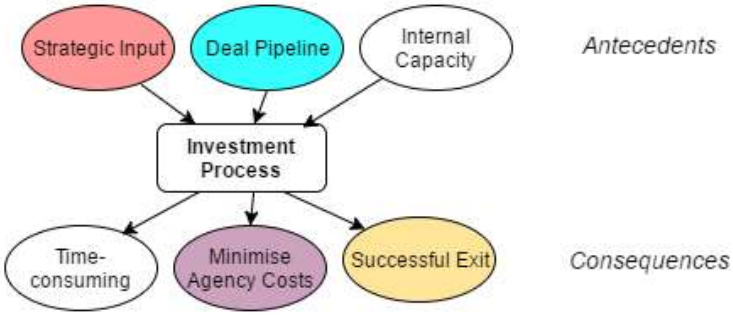

Figure 13: Summary of Investment Process

An effective investment process increases the probability of undertaking a good deal by properly vetting the social entrepreneur and putting mechanisms in place to minimise agency

costs. These mechanisms ensure that the social entrepreneur acts in the best interests of the business (and investors), which also serves to enhance the reputation of the social enterprise – an antecedent of successful social enterprises. But before a social enterprise can be successful, it must also develop strategies to cope with the challenges that lead to business failure. These represent investment challenges for the social investment fund, which are discussed in the following subsection.

4.5.4 Investment Challenges

4.5.4.1 Defining attributes of the Investment Challenges

According to Dees and Anderson (2003), there is no compelling evidence to indicate that for-profit social ventures are more likely to survive than other types of organisations, including non-profits and public agencies. In fact, the combination of a profit and social motive introduces an element of complexity that purely profit-focused and purely socially-focused organisations do not have to deal with (Dees & Anderson, 2003).

The investment decision is challenged by very limited information about the enterprise's true characteristics and the entrepreneur's behavioural intentions (Moss et al., 2015). Where there is high information asymmetry, the investment process is characterised by less information, little precedent to rely on and few resources for in-depth market analysis (Paul et al., 2007). The lack of credible, reliable information about the potential investee poses a serious challenge (Moss et al., 2015), which can lead to adverse selection (Van Osnabrugge, 2000).

The external context that affects the nature and outcome of a social venture includes the general economy, tax, regulations and the socio-political environment (Austin et al., 2006). Government policies affect the need for solutions to social issues, as well as the resources available to address social needs (Austin et al., 2006; Weerawardena & Mort, 2006). For-profit social ventures often face strong social and political pressures against making profits, which can easily be perceived to be excessive due to a lack of timely and reliable social performance measures (Dees & Anderson, 2003).

4.5.4.2 Antecedents of the Investment Challenges

The lack of ownership of projects by beneficiary groups has been cited as one of the main limitations of the World Bank's social funds programme (Platteau & Gaspart, 2003). When a social intervention is being implemented, the target communities may resist the product or service being offered (Dees & Anderson, 2003), and therefore local ownership and involvement is critical to the success of a social project (London, 2008).

Environmental forces affecting social investments can emanate from the economic, socio-cultural, political and technological environment (Paul et al., 2007). Austin, Stevenson and Wei-Skillern (2006) also cite regulations and taxes as a salient environmental factor, while Weerawardena and Mort (2006) discuss the changing social and business contexts as being key environmental dynamics affecting social enterprises. Public opinion is another environmental force, and public scepticism about a social venture can have dire consequences, leading to resistance and distrust (Dees & Anderson, 2003).

The quality of the social enterprise's management, including its skills, characteristics and track record has been cited by Mason and Stark (2004) as being an important factor to mitigate investment risk. Having the right management skills is not easy, as it requires a blended skillset. An ex for-profit manager may have strong business skills, but may not identify with the social mission of a social venture (Miller & Wesley, 2010). Social sector workers have stronger values and altruistic motivations compared to for-profit managers, but may lack the skills and experience required to run a business (Miller & Wesley, 2010).

4.5.4.3 Consequences of the Investment Challenges

Paying attention to the environment and actively monitoring it for opportunities and threats enables the social enterprise to develop an adaptive strategy that takes into account the various contingencies (Austin et al., 2006). The social enterprise must assess the socio-political environment and develop appropriate strategic responses for dealing with it, such as co-opting critics, operating transparently, avoiding excess and being a good corporate citizen (Dees & Anderson, 2003).

Community development projects that are implemented through local community-chosen leaders have a greater probability of resource misuse by the local elites (Platteau & Gaspart, 2003). Platteau and Gaspart (2003) assert that poor people are inclined to continue to support corrupt leadership on the grounds that even a little benefit to the community is better than no benefit; the leaders are sometime even thought to be entitled to disproportionate rewards as long as they have provided some improvement to the community.

The most prevalent consequence of failing to address investment challenges is the loss of capital. Unlike a traditional financial institution like a bank, which takes security against the assets of a borrower, a social venture investor's investment is fully exposed to loss in the event that the business fails (Mason & Stark, 2004).

The diagram below summarises the antecedents and consequences of the investment challenges.

Figure 14: Summary of the Investment Challenges

A key consequence of the investment challenges with respect to social enterprises, is the development of coping strategies to deal with the risks. These include a requirement by the social investment fund that the social enterprise have its own coping strategies to deal with the challenges it faces. One such strategy is community involvement, which is an antecedent for successful social enterprises. A concept analysis of successful social enterprises follows.

4.5.5 Successful Social Enterprises

4.5.5.1 Defining attributes of Successful Social Enterprises

Social enterprises need to make profits in order to ensure survival, and they need to become entrepreneurial in order to do so in the long-term (Chell, 2007). Earned income is a necessary precondition to make profits, which demonstrates self-sufficiency (Miller & Wesley, 2010). Sustainability is crucial for survival (Thompson & Doherty, 2006; Weerawardena & Mort, 2006). It underlies everything that the social enterprise does, and all projects undertaken must be at least financially viable (Weerawardena & Mort, 2006).

A passion for social change is an important characteristic of a social entrepreneur, together with the requisite experience (Miller & Wesley, 2010). Successful social entrepreneurs have backgrounds and experience that enable them to build effective links with very diverse stakeholders (Alvord, Brown, & Letts, 2004) including funders, managers, staff with various professional backgrounds, volunteers, partners, peers and the government (Austin et al., 2006). The social entrepreneur should be able to recognise and pursue opportunities, draw upon any available resources, and translate these elements into realised opportunities (Chell, 2007).

Given the resource-scarce environment in which social enterprises operate, it is important for the enterprise to develop a large network of supporters that it can tap to leverage resources outside of its organisational boundaries (Austin et al., 2006). Community-based social networks provide context and support for the social venture by helping to catalyse volunteers, managing public and private support and understanding stakeholders (Miller & Wesley, 2010). Both vertical and horizontal networks are important (Flora & Flora, 1993).

4.5.5.2 Antecedents of Successful Social Enterprises

Successful social enterprises demonstrate a large degree of social inclusiveness and allow communities to take responsibility for their own development (Chell, 2007). According to London's (2008) principle of co-creation, local ownership and involvement is critical to the success of any enterprise targeting the bottom of the pyramid, as locals add wisdom and expertise about the local context.

Every social enterprise needs to be recognised for delivering good value (Thompson & Doherty, 2006). In order to get to this stage, the social enterprise has to develop a brand reputation for good quality and high performance (Dees & Anderson, 2003). Brand credibility can either be built or borrowed through strategic alliances with trusted organisations (Dees & Anderson, 2003). The social enterprise must have a strong reputation engendering trust in order to attract external resources, such as funding, skilled board members, management and staff (Austin et al., 2006).

The social mission is central to the organisation and guides the overall strategy, including what products and services are initiated and grown, and how fast to grow (Weerawardena & Mort, 2006). According to Miller and Wesley (2010), the venture's social mission is an important predictor of venture effectiveness, as it defines the organisation and its customers and reveals its identity and goals. Dees and Anderson (2003) recommend that social enterprises should avoid strategic vagueness around their missions, as the mission helps to screen prospective investors, employees and customers, and helps to guide key strategic decisions.

4.5.5.3 Consequences of Successful Social Enterprises

Many of the products and services provided by social enterprises have an inherent social value, such as products aimed at alleviating major social problems like hunger, crime and substance abuse (Dees & Anderson, 2003). Alvord, Brown and Letts (2004), discuss how through innovation, information and technological resources can be reconfigured into more user-friendly forms that make them accessible to marginalised groups.

Alvord, Brown and Letts (2004) discuss how social enterprises provide the tools and resources to enhance the individual productivity of beneficiaries, helping them to transform their own economic circumstances. A more direct approach is for the social enterprise to use its employment practices for social purposes by specifically employing disadvantaged people with a view to providing training and development (Dees & Anderson, 2003).

According to Kerr, Lerner and Schoar (2014), successful ventures have a higher chance of survival, resulting in sustainable social value creation, and are able to return capital to the investor. Successful social enterprises are able to wean themselves off concessional funding and graduate towards more traditional sources of financing (Brest & Born, 2013).

The diagram below summarises the antecedents and consequences of successful social enterprises.

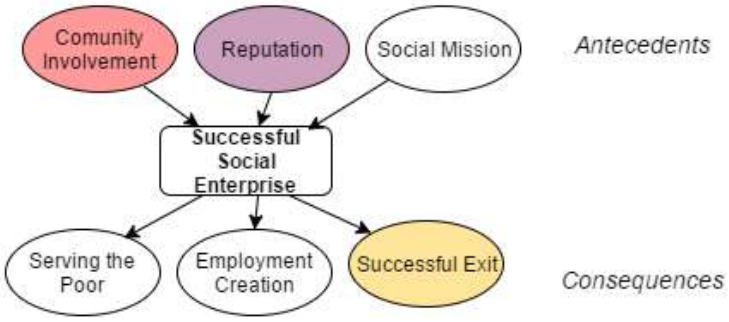

Figure 15: Summary of Successful Social Enterprises

A key consequence of successful social enterprises is the successful exit of the investor from the deal. A successful exit means that the social investment fund gets back not only the funding it had provided the social enterprise, but also a modest return. Such returns are an antecedent for hybrid funds, which are discussed in the following subsection.

4.5.6 Hybrid Funds

4.5.6.1 Defining attributes of Hybrid Funds

In the case of social enterprises, a hybrid business model combines social welfare and revenue generation models (Battilana et al., 2012). A hybrid fund follows the same approach with regards to its investments, which uses profits from commercial activities to fund its social mission and serves to reduce its long-term dependence on donations and grants (Battilana et al., 2012).

The hybrid fund seeks profits in order to be sustainable, rather than to generate wealth for investors, which is similar to hybrid business models that target social interventions that have growth potential and profitability so that they can ultimately become self-sustaining (Haigh et al., 2015). Therefore, profits are pursued only insofar as they aid sustainability. In a hybrid fund, the returns from more profitable investments are retained within the fund and used to subsidise less creditworthy investments (Holcombe, 1992).

Hybrid organisations' business models are often created to service markets that have traditionally been neglected by mainstream firms and governments (Haigh et al., 2015). Similarly, a hybrid fund exists in order to provide capital to enterprises in social sectors that have traditionally been neglected by mainstream and return-seeking investors. These are enterprises to which a return-seeking investor, including the typical impact investor, would fail to provide capital on favourable terms, if at all (Brest & Born, 2013).

4.5.6.2 Antecedents of Hybrid Funds

Dees and Anderson (2003) point out that even foundations with an unambiguous social mission will invest most of their assets to generate high returns, which they can then use to fund their grants. In a similar manner, the hybrid fund would invest a significant amount in assets that generate high returns, which can then be used to fund investments into high-risk or low-return social enterprises, with some ventures being both high-risk and low-return (Brest & Born, 2013).

In the social enterprise sphere, the recent increase in the number of hybrid organisations has partially been the result of social entrepreneurs' newfound willingness to disengage from the constant dependence on donations and subsidies (Battilana et al., 2012). This is not to say that the need for donor funding is completely absent because seed funding from donors is still needed at the beginning in order to capitalise the fund (Holcombe, 1992).

As returns are retained within the fund and used for cross-subsidisation of weaker investments, return-seeking investors are not suitable seed funders for a hybrid fund (Brest & Born, 2013). Suitable sources would be the traditional non-profit sources of funding, such as donations and grants (Battilana et al., 2012). Grant sources for seed money include the government, corporations, foundations and churches (Dees & Anderson, 2003; McGoey, 2014; Waddock, 2000).

4.5.6.3 Consequences of Hybrid Funds

A hybrid structure results in a more sustainable fund, as the commercial revenues generated help to sustain the overall operations (Battilana et al., 2012). In the case of any investment fund, especially a social investment fund, the largest threat to the sustainability of the fund is

continuous investee defaults (Holcombe, 1992). Investee defaults result in capital losses, which shrink the size of the fund and reduce its ability to make further investments (Waddock, 2000). The higher returns from commercial investments help to cushion the fund against default losses, protecting the capital base (Holcombe, 1992).

In the case of hybrid social enterprises, the business model uses the profits from the commercial activities not only to fund its social mission, but also to scale up (Battilana et al., 2012). In a hybrid fund, the high investment returns from commercial investments create a continuous flow of funding to increase the number and magnitude of social investments. The integration of social and commercial value creation results in a virtuous cycle of profit generation and reinvestment that can build up large-scale solutions to social problems (Battilana et al., 2012).

Mission drift, which hybrid social enterprises may fall prey to, occurs when the focus shifts to profits at the expense of providing social value (Battilana et al., 2012). A hybrid fund's manifestation of this would be the gradual shift in focus from providing social value sustainably, to increasing investment returns. When social enterprises succumb to mission drift, the drifting may lead either to charging higher prices or targeting more profitable market segments (Battilana et al., 2012). Similarly, a hybrid fund may charge investees higher rates for the financing provided, or may target more lucrative investments.

The diagram below summarises the antecedents and consequences of hybrid funds.

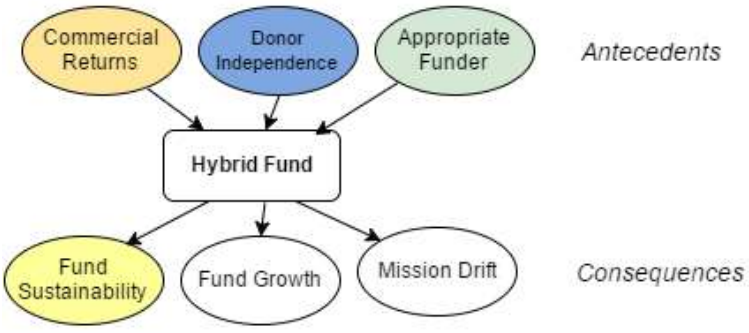

Figure 16: Summary of Hybrid Funds

The manner in which the hybrid fund is structured, which allows for losses from bad deals to be absorbed by profits from good deals, enables to the fund to be sustainable. Fund sustainability is evidenced by the size of the fund at the least remaining stable in real terms.

This capital preservation is a key antecedent of revolving funds, a concept analysis of which follows.

4.5.7 Revolving Funds

4.5.7.1 Defining attributes of Revolving Funds

The payback of financing provided to social enterprises creates revolving funds that can be used for additional loans (Waddock, 2000). Brest and Born (2013) list grants and concessionary investments as the kinds of investments that can have a social impact, with the concessionary investments being patient capital in the form of subordinated loans or equity. Grants, however, are not suitable for a revolving fund as they are not repayable.

The money initially invested in a revolving fund goes further, as it can be used over and over again (Keynes, 1937). When an investment is realised, such as repayment in the case of a loan or a buyout in the case of equity, the money repaid is returned to the fund pool and can be used again as a continuous source of funding (Holcombe, 1992).

Due to the replenishing effect of the funds being repaid by the investees the revolving fund does not absorb or exhaust any resources (Keynes, 1937). Therefore, is has the potential to go on indefinitely. Holcombe (1992) makes the same point in a study of how the US used revolving fund finance for wastewater treatment infrastructure. Whether the fund actually manages to run into perpetuity is contingent upon there being minimal defaults by investees and the appropriate management of inflation risk (Holcombe, 1992).

4.5.7.2 Antecedents of Revolving Funds

In the late 1980's and early 1990's revolving funds were being established in the USA at state level to finance wastewater treatment – this was done using federal seed money (Holcombe, 1992). The source of seed funding for a revolving fund involving social enterprises can be the government or any other interested donor. Non-governmental sources of seed funding can be corporate philanthropy (Waddock, 2000), high net-worth individual philanthropists (McGoey, 2014), church groups and foundations (Dees & Anderson, 2003).

Loan repayment is of paramount importance. Waddock (2000) uses the example of Accion International, a popular global microenterprise financing organisation. By emphasising the repayment of loans to its investees, Accion International was able to grow its loan book from 3 051 people in 1988 to over 340 000 people in 1997. One of the things that facilitated this growth was the recycling of money from repaid loans, with Accion International boasting a 98% repayment rate over that 10-year period.

The revolving fund must have in place mechanisms to protect itself against capital losses. Inflation is one of the main factors that can cause the value of the revolving fund to erode over time (Holcombe, 1992). If the interest rate at which the revolving fund lends out money is less than the inflation rate, then the real value of the capital within the fund will decline over time. Loan defaults also cause capital losses and may also threaten the viability of the revolving fund (Holcombe, 1992).

4.5.7.3 Consequences of Revolving Funds

The repayment of funding by investees and the reinvestment of the recycled money into new investees fosters the creation of additional social enterprises for every unit of currency initially invested by the seed funder (Waddock, 2000). This is in stark contrast to the grant-making process, where the funding deployed would become a sunk cost.

The money repaid into the fund by investees can be used again as a continuous source of funding (Holcombe, 1992). According to Keynes (1937), a revolving fund of a more or less constant amount in real terms is able to supply the finance for a steady rate of investment into perpetuity. The corollary to this, is that a revolving fund whose capital base is growing due to a higher-than-inflation reinvestment rate, can supply finance for an increasing rate of investment.

According to Holcombe (1992), the US government had provided states with financial assistance through construction grants for wastewater treatment before 1987. A change in the law brought about the phasing out of the grants programme and established state revolving funds to replace the grants. Because of the revolving fund's self-replenishing capabilities – in the absence of uncontrolled defaults by investees – the need for consistent donor funding falls away. Donor reliance is reduced to the initial capitalisation of the revolving fund.

The diagram below summarises the antecedents and consequences of hybrid funds.

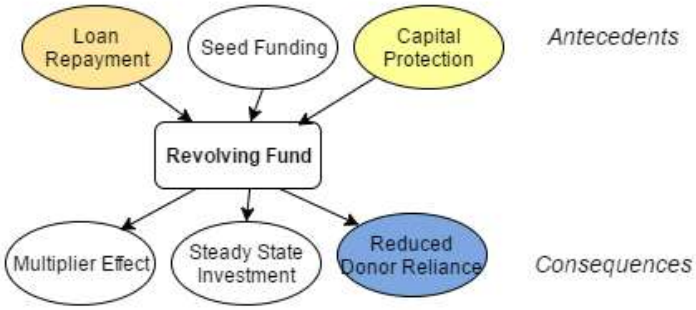

Figure 17: Summary of Revolving Funds

The figure below is a synthesis of the seven core categories discussed in the literature review, showing how they are all connected to each other. The arrows going into the boxes represent antecedents, while the arrows come out of the boxes represent consequences.

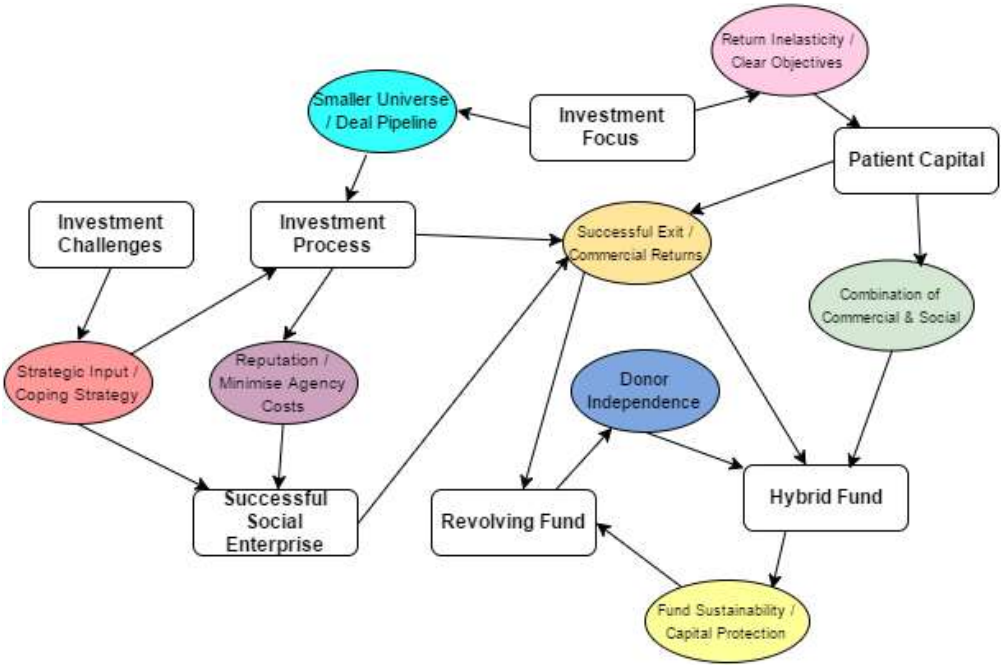

Figure 18: Synthesis of the seven core categories

4.6 Conclusion

This chapter produced a body of knowledge about the parent discipline, the research focus and the seven core categories discovered in Chapter 3. The literature review fulfilled the purpose of increasing the researcher's theoretical sensitivity about the area of study, as well as giving a sense of the causal relationships between the core variables. All of this was in preparation for the theory-building process, which is detailed in the next chapter.

5 THEORY-BUILDING

5.1 Introduction

This chapter uses the categories uncovered in the empirical section, together with the theoretical sensitivity obtained from the literature review, to construct a theory about the concern variable. The role of this chapter is pivotal as it ultimately provides the answers to the research questions. The chapter follows an analogical reasoning process based on Beer's (1984) work, which contains seven steps. Finally, the practical adequacy of the theory is tested by interviewing three social investment professionals.

5.2 Key Concepts Underlying the Analogical Reasoning Process

The process of analogical reasoning was detailed by Tsoukas (1991) in his paper about the use of metaphors in organisational science, which was adapted from Beer's (1984) earlier work about modelling managerial situations using scientific analogies.

The use of metaphors in scientific discourse can provide significant insights about the mechanisms that produce various observable phenomena (Tsoukas, 1991). Live metaphors are used with the knowledge that the words are substitutes for literal expressions, and therefore lend themselves to further conceptual development. On the other hand, analogies help to operationalise metaphors by focusing on the relationship between items. A defining characteristic of analogical reasoning is the transfer of an explanatory structure from the source domain, with which the researcher is more familiar, to the target domain, about which there is less familiarity (Tsoukas, 1991).

The various steps required to complete the scientific model-building process using analogy are illustrated in the figure below.

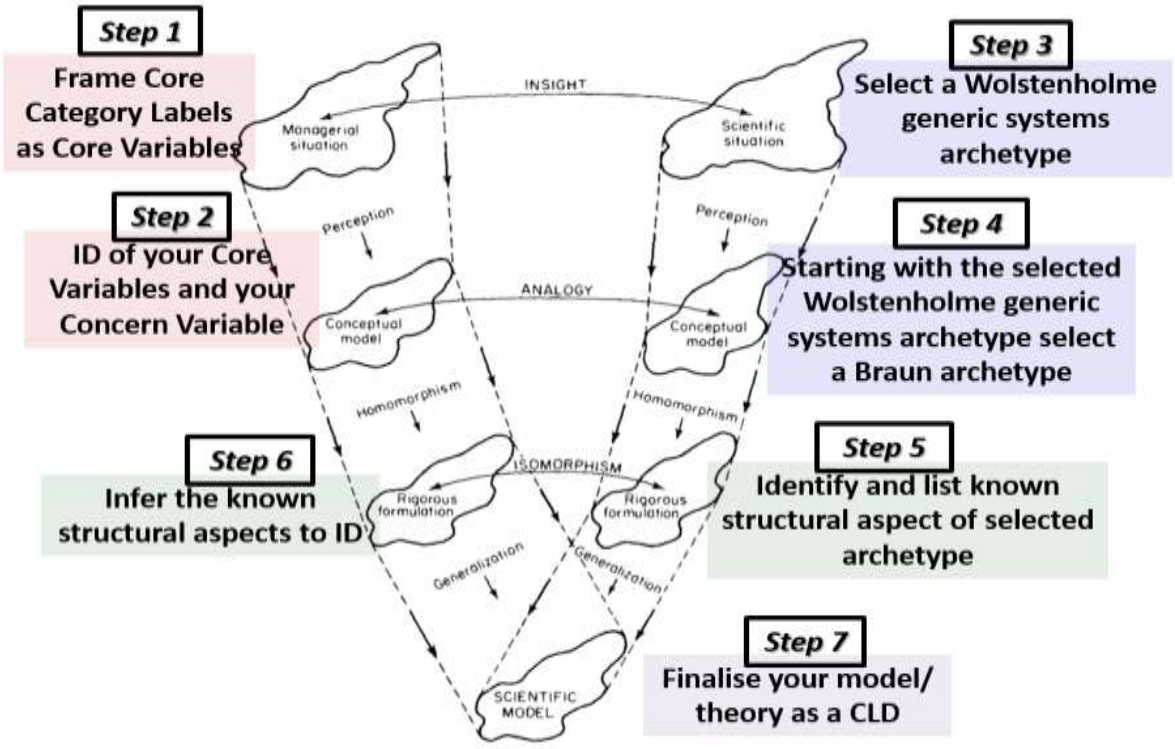

Figure 19: The transformation of metaphorical insights into scientific models, adapted from Beer (1984)

5.3 Description of the Theory-Building Process

5.3.1 Step 1: Framing the Core Level Two Categories as Variables

In the Chapter 4, seven core categories related to the research focus area, Venture Philanthropy, were discussed. A concept analysis was performed for each of the seven core categories which detailed the defining attributes, the antecedents and the consequences of each core category. One variable must be selected for each core category from this information, based on its particular importance within the context of this study.

5.3.2 Step 2: Interrelationship Diagraph

The seven variables from Step 1, together with the concern variable, are then used to create an interrelationship diagraph, which is the conceptual model. The conceptual model is a homomorphism, which is a simplified representation of many detailed sub-processes that are aggregated in order to keep the model simple and workable. This must necessarily be at a high

level of abstraction, as it is impossible to include all the knowable features of a system into its model (Tsoukas, 1991).

5.3.3 Step 3: Selecting a Wolstenholme Generic Systems Archetype

According to Wolstenholme (2003), the initiating acts required to bring about change in an organisation can be condensed into either actions that attempt to improve the organisation's achievement of a goal by initiating reinforcing feedback loops, or actions that attempt to control the organisation by introducing balancing feedback loops. Wolstenholme (2003) goes on a propose a set of four generic problem/solution archetypes known as underachievement, out of control, relative achievement and relative control.

5.3.4 Step 4: Selecting a "Braun" Archetype

Braun (2002) provides a decision tree to assist in selecting a more specific and detailed systems archetype, which is shown in the figure below. Braun's (2002) decision tree represents a summary of the different systems archetypes that were discussed by Senge (1990) in his seminal work, which focused on using systems thinking to solve organisational problems.

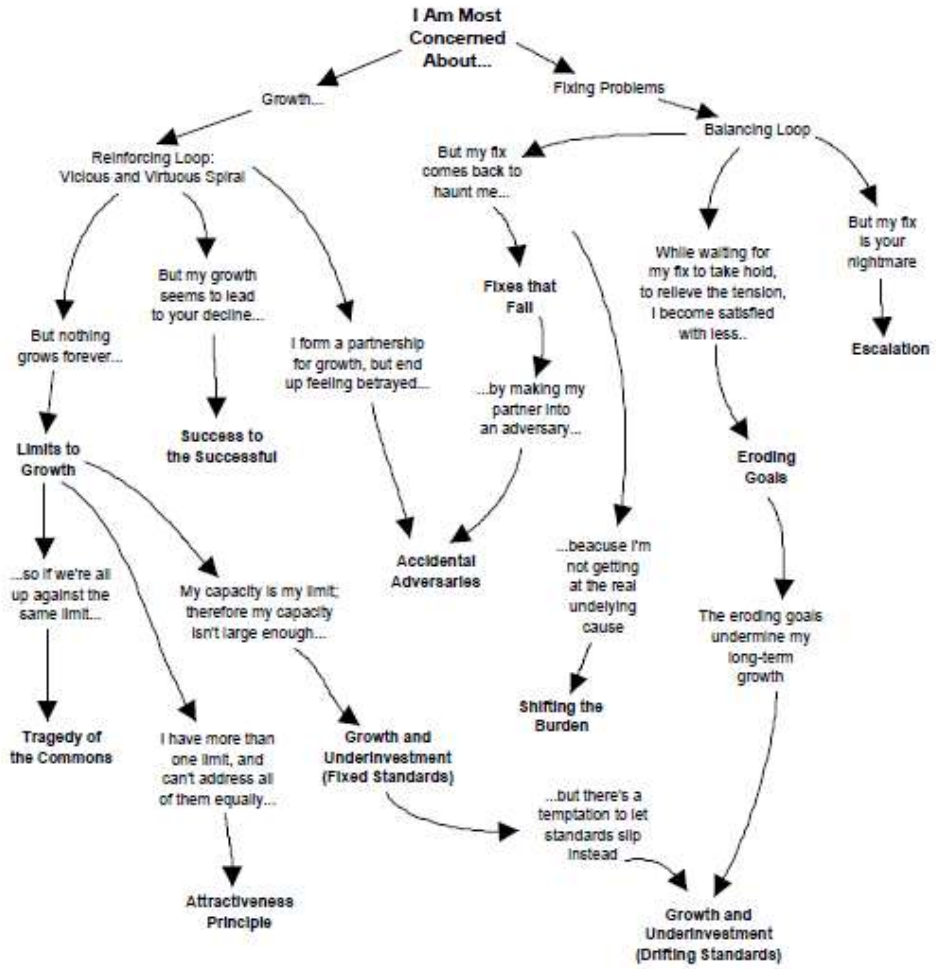

Figure 20: Braun's (2002) decision tree for selecting a systems archetype

5.3.5 Step 5: Identify and List Known Structural Aspects of Archetype

The known structural aspects of the chosen archetype are then identified and documented. This includes the number of feedback loops, whether these are reinforcing or balancing loops, how they interact with each other, as well as any interactions with the external environment.

5.3.6 Step 6: Infer Known Structural Aspects to the Interrelationship Diagraph

This step involves taking the variables from the interrelationship diagraph in Step 2, and inferring them to appropriate parts of the chosen systems archetype in such a manner that their relationships make sense once plugged into the systems archetype. This one-to-one transformation that also preserves operational relations is known as isomorphism (Tsoukas, 1991).

5.3.7 Step 7: Finalise the Model as a Causal Loop Diagram

Once the structural aspects of the chosen systems archetype have been inferred to the interrelationship diagraph, the final model can then be represented as a causal loop diagram that speaks specifically to the research problem.

5.4 Application of the Theory-Building Process

5.4.1 Step 1: Framing the Core Level Two Categories as Variables

The table below shows each core category, and the variable selected for it. The variables have been named in such a way as to reflect the fact that they are dynamic, rather than static.

Core Level Two Category	**Defining Attribute, Antecedent or Consequence Selected**	**Variable**
1. Investment focus	Recognised need	Recognised need
2. Patient capital	Subsidy	Element of subsidy
3. Investment process	Due diligence	Level of due diligence
4. Investment challenges	Business failure	Business failure rate
5. Successful social enterprises	Income stream	Enterprise income
6. Hybrid fund	Profit for sustainability	Fund profit
7. Revolving fund	Repayment of loans	Loan repayment rate

Table 5: Framing the core concepts as variables

5.4.2 Step 2: Interrelationship Diagraph

In the figure below, an interrelationship diagraph including the seven variables, as well as the concern variable, is depicted. The concern variable is italicised.

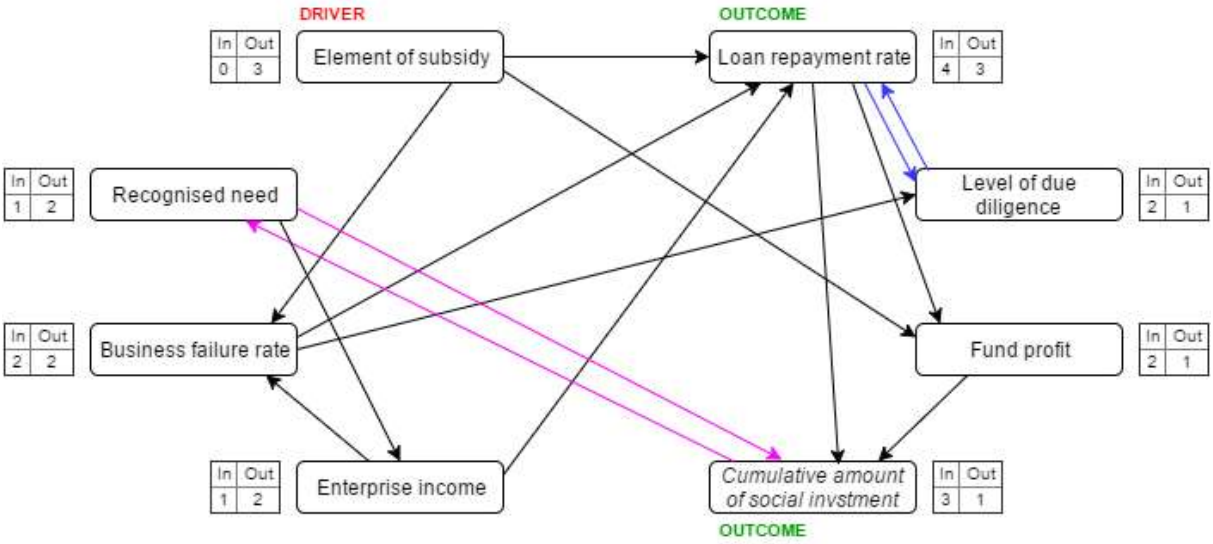

Figure 21: Interrelationship diagraph of seven variables and the concern variable

The interrelationship diagraph above takes into account the direct relationships between the variables, while ignoring indirect relationships in order to avoid double counting. The arrows indicate the direction of influence from one variable to another, while the coloured arrows show where there are circular relationships.

The element of subsidy affects the loan repayment rate by giving a young business the breathing room it needs to reach sustainability such that it can repay the loan. The element of subsidy also directly affects the fund's profit, as the provision of subsidised funding is less profitable than non-subsidised funding. Finally, the element of subsidy decreases the business failure rate, as businesses that are not burdened with expensive finance costs are more likely to survive.

There is a circular relationship between the loan repayment rate and the level of due diligence, whereby a lower loan repayment rate increases the required level of due diligence, and vice versa, and a higher level of due diligence increases the likelihood of a loan being repaid, and vice versa. This circular relationship is depicted by the blue arrows. Low loan repayment rates negatively affect the profit of the fund, while the return of capital through high loan repayment rates increases the cumulative amount of social investment that can be made. Higher business failure rates make it unlikely that borrowers can repay the funding provided, resulting in lower loan repayment rates. Finally, higher enterprise income increases the likelihood of an enterprise being able to repay its loan.

The higher the business failure rate, the higher the level of due diligence required to reduce the likelihood of investing in a future failure. Because fund profits are reinvested, higher fund profits result in more money being available for social investments, leading to a larger amount of cumulative social investment, which the concern variable. There is a circular relationship between the concern variable and the recognised need, depicted by the purple arrows. This is because a recognised need results in more social investment into an area, and greater social investment into a neglected area reduces the need. A high amount of enterprise income reduces the business failure rate by providing cash flow for the business to be able to meet its needs. And finally, a large recognised need creates a market from which the enterprise may be able to generate an income.

In conclusion, the interrelationship diagraph reveals the main driver in the conceptual model to be the subsidy element of financing provided to social enterprises. The conceptual model also identifies two main outcomes, being the loan repayment rate and the cumulative amount of social investment.

5.4.3 Step 3: Selecting a Wolstenholme Generic Systems Archetype

The underachievement archetype was selected due to its similarity to the workings of the social investment fund. The problem archetype consists of a reinforcing loop that is intended to achieve a successful outcome from an initiative in one part of an organisation, while a reaction from another part of the organisation creates a balancing loop which causes a delayed underachievement of the intended outcome over time (Wolstenholme, 2003). The underachievement archetype is illustrated in the figure below.

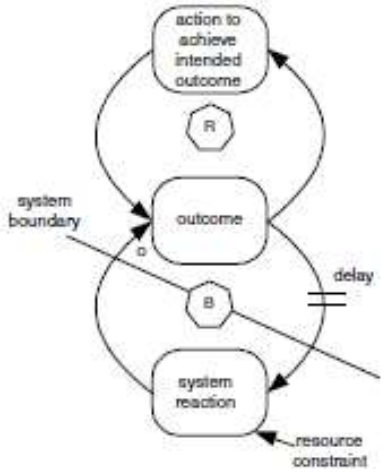

Figure 22: Underachievement archetype (Wolstenholme, 2003).

5.4.4 Step 4: Selecting a "Braun" Archetype

Wolstenholme (2003) suggests that the growth and underinvestment archetype is a special case of the underachievement archetype. The adapted diagram below shows how the growth and unerinvestment archetype was selected based on Braun's (2002) decision tree.

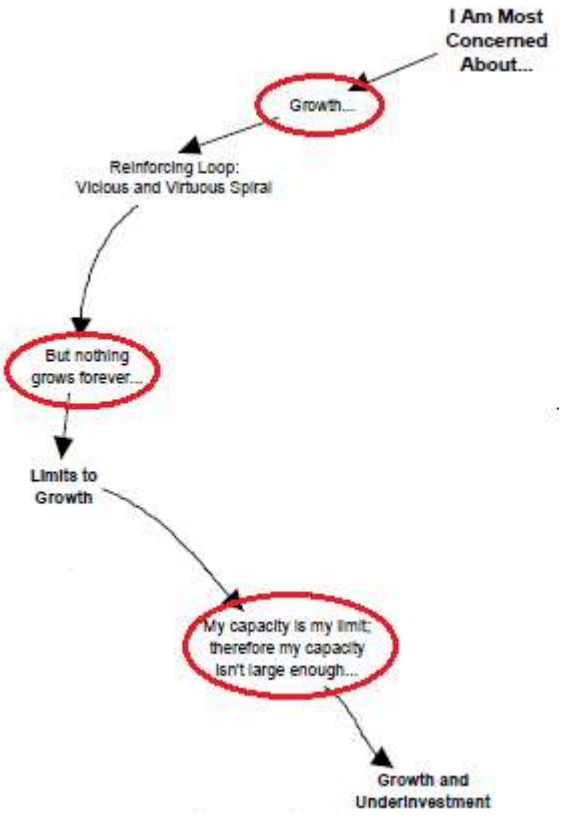

Figure 23: Choosing a system's archetype, adapted from Braun (2002)

5.4.5 Step 5: Identify and List Known Structural Aspects of Archetype

The growth and underinvestment archetype can be represented by the diagram below.

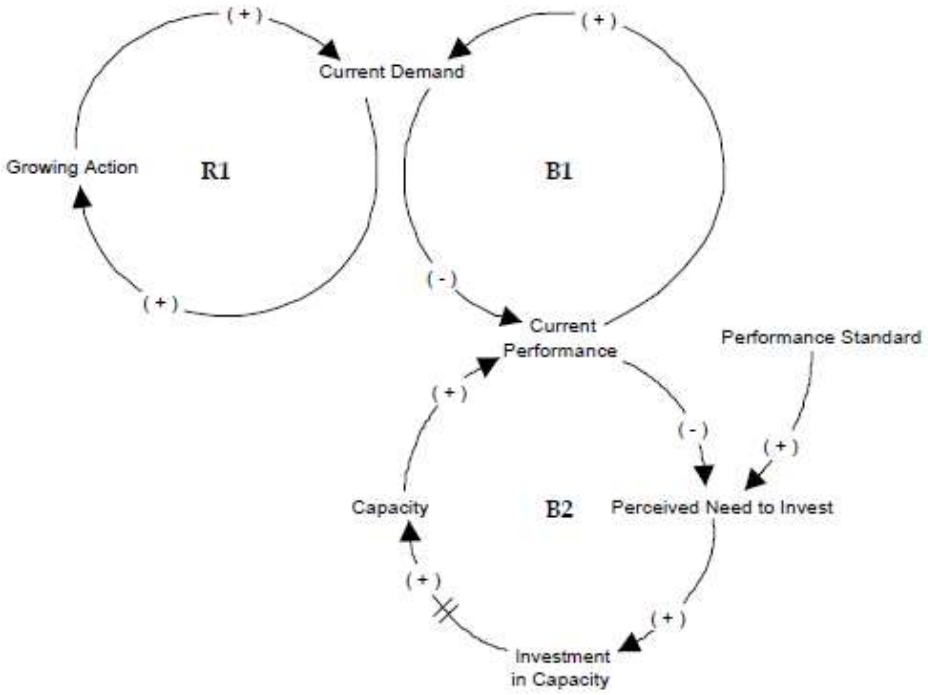

Figure 24: The growth and underinvestment archetype (Braun, 2002)

The growth and underinvestment archetype is characterised by a single reinforcing loop (R1) and two interconnected balancing loops (B1 and B2). R1 shows that a certain growing action, such as a marketing campaign, stimulates and reinforces demand while the company's current performance level acts as a limit to growth (B1). B2 shows that the current level of performance relative to performance standards affects the perceived need to invest, which results in increased investment in capacity, such as manufacturing capacity. There is a time lag before the extra capacity comes online, after which it is then able to contribute towards performance.

5.4.6 Step 6: Infer Known Structural Aspects to the Interrelationship Diagraph

The transformation of the various elements of the growth and underinvestment archetype into elements specific to a social investment fund is shown in the table below. An explanation of the rationale behind the mapping used follows.

Element from the growth and underinvestment archetype	Corresponding element from the social investment interrelationship diagraph
1. Growing action	Level of due diligence
2. Current demand	Recognised need
3. Current performance	Cumulative amount of social investment
4. Performance standard	Loan repayment rate
5. Perceived need to invest	Element of subsidy
6. Investment in capacity	Enterprise income
7. Capacity	Fund profit

Table 6: Transforming elements from the growth and underinvestment archetype to those relevant to a social investment fund

As there is a reinforcing loop between the growing action and current demand in the growth and underinvestment archetype, so there is a reinforcing loop between the level of due diligence conducted on potential social investments and the recognised need. Properly conducted, a more detailed due diligence should uncover more information about the need for the social project being vetted. A larger recognised need means that there are more projects that need to be screened, requiring a higher level of due diligence to avoid adverse selection.

In the growth and underinvestment archetype, an increasing amount of demand adversely affects the company's ability to perform as resources become overstretched, while a higher performance level attracts more customers, resulting in increased demand. Similarly, in social investments an increasing recognised need for social goods adversely affects the social fund's ability to meet those needs as financial and personnel resources become overstretched, while a greater amount of cumulative social investment (that is, a larger fund) attracts more requests for funding, resulting in an increased recognised need.

If a company is currently performing well relative to its performance standards, the perceived need to invest in further resources declines. This results in lower investment in further capacity, which after a time results in lower actual capacity and a lower ability to perform. A similar situation in social investments is that when the cumulative amount of social investment is high against high loan repayment rates, this decreases the perceived need to provide subsidised

funding to social enterprises. The provision of fewer subsidies results in lower enterprise income, as more of the enterprise's money is used to service debt repayments. After a time, the social fund's profit declines as more social enterprises default because they are unable to service their debt, with the loss of capital decreasing the cumulative amount of social investment that can be undertaken.

5.4.7 Step 7: Finalise the Model as a Causal Loop Diagram

The causal loop diagram shown below illustrates how the principles of the growth and underinvestment archetype apply to a social investment fund.

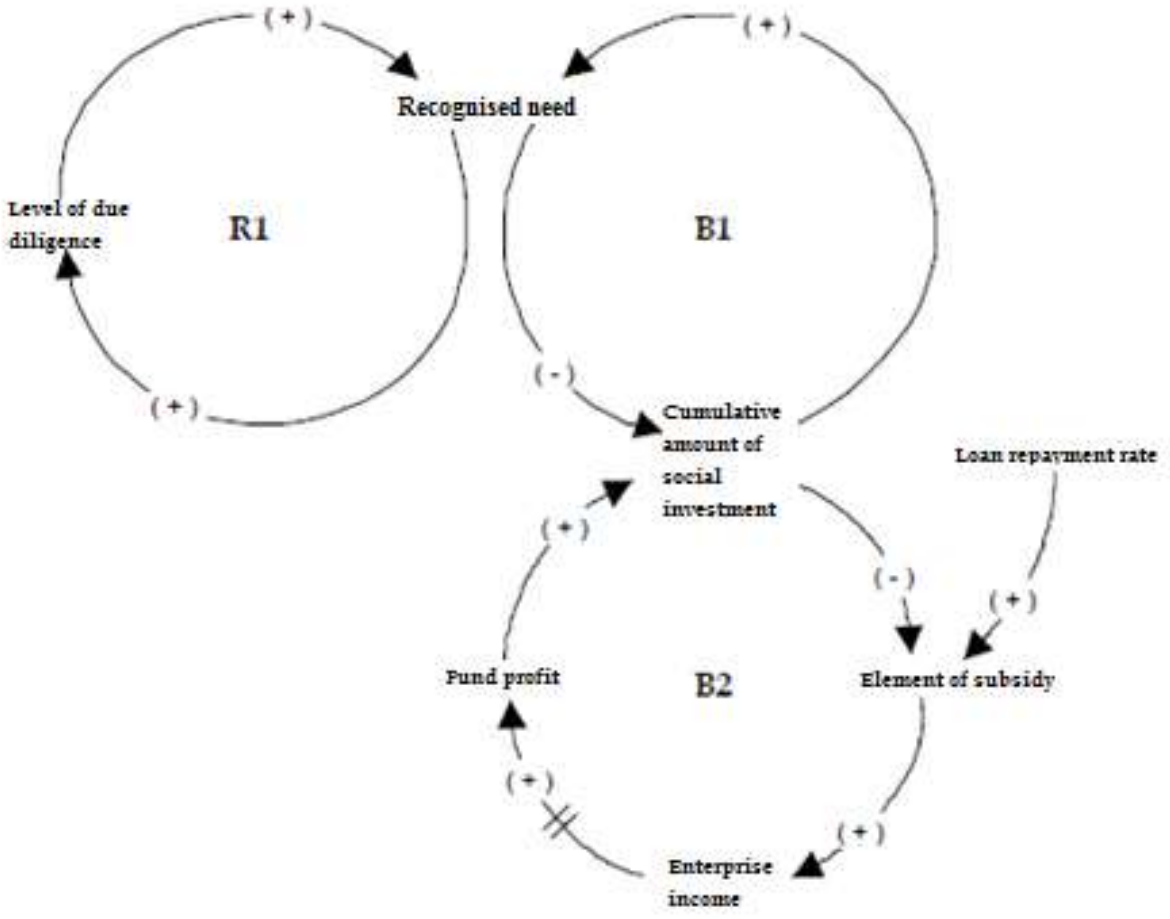

Figure 25: Scientific model for a social investment fund

The generality of the model is subject to some conditions, namely:

- Investments are made into social enterprises that generate an income;
- The recognised need is large enough to create a market for the social enterprises;
- The social enterprises are sufficiently profitable to repay their loans with modest interest;
- All profits are retained within the fund to be reinvested; and
- Loan defaults are idiosyncratic rather than systemic.

The scientific model depicted in Figure 25 explicitly addresses the social investment fund's need to invest in nurturing social enterprises by continually providing finance at subsidised rates. The model highlights the long-term requirement to keep the subsidised cost of finance to social enterprises at a level that ensures the social investment fund's maximum effectiveness in facilitating the development of as many sustainable social enterprises as possible, which creates a virtuous cycle of more capital being returned to the fund and reinvestment into other social projects.

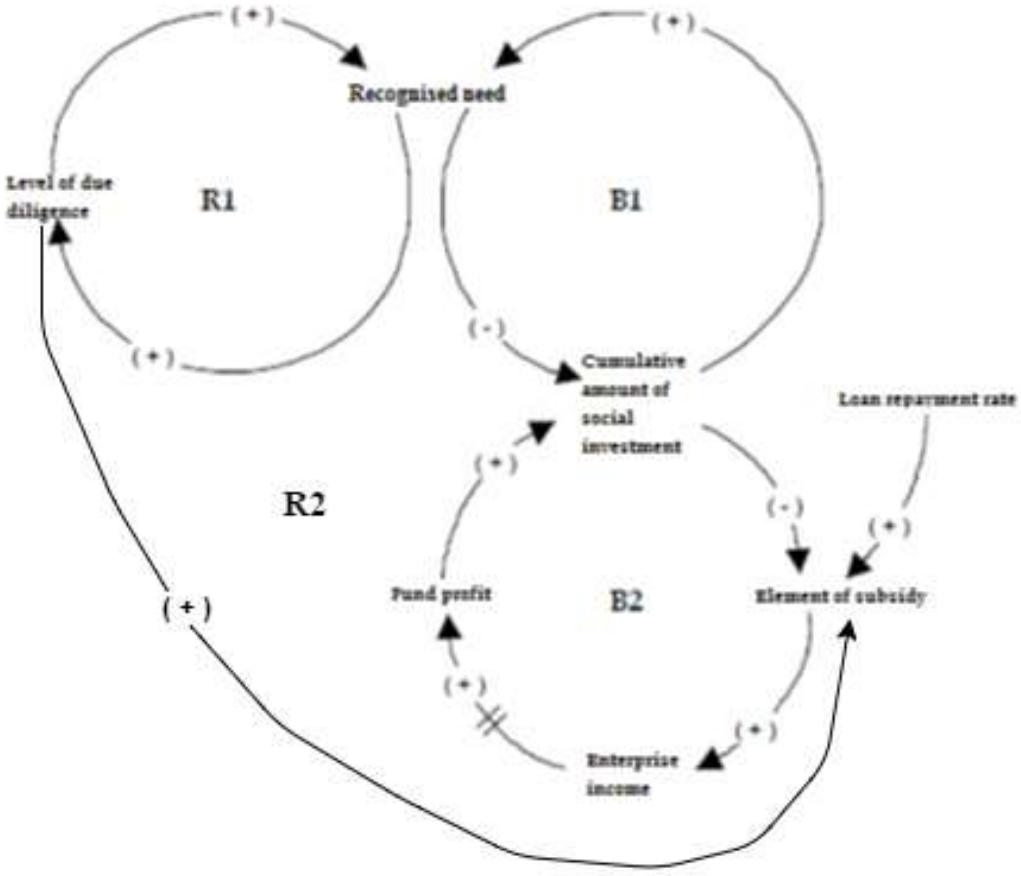

Figure 26: Solution loop for a social investment fund

Figure 26 illustrates how the social investment fund can retain a high element of subsidy in the financing that it provides. A new reinforcing (R2) loop is introduced in which an increased level of due diligence increases the element of subsidy in the financing provided to social enterprises. How this works is that a more thorough due diligence is able to establish the precise funding cost at which a social enterprise would be unable to afford a loan, thereby allowing for a sufficient amount of subsidy to be extended to ensure that the social enterprise does not end up being overburdened by high finance costs.

5.5 Practical Adequacy of the Theory

Semi-structured interviews were conducted with three experienced social investment professionals in order to test the theory. The interview questions and key takeaways from each interview are summarised in Appendix E. To assist with triangulation, the three professionals chosen each represented one of the major investor types found in the social investment space: foundations, DFIs and traditional SRI investors. The various responses that had to do with the four grounded theory evaluation criteria are presented in the subsections that follow.

5.5.1 Fit

The interviewees' responses confirmed that the theory developed corresponds to the facts of the situation. All three social investment professionals agreed that the level of social investment in South Africa is too low, with two giving similar reasons for why this is. The foundation professional believed that available funding is not being used efficiently, while the DFI professional believed that too much use is made of grant funding, which does not allow funds to be recycled. The SRI professional indicated that although pension regulations have been relaxed to allow pension funds to embark on social investment, the take-up has been poor due to pension trustees' beliefs that social investments are riskier and provide lower returns.

5.5.2 Understanding

The DFI professional stressed that social investments need to be deployed more responsibly, unlike the wasteful grant-giving of the past, which has contributed to the current suboptimal level of social investment. On being asked about the criteria for an appropriate funder to drive social investment, all three interviewees indicated that social investors must follow a shared

value approach, with the SRI professional adding that this tends to become a grey area on the commercial SRI end of the social investment continuum.

The responses of the interviewees show that the theory adequately explains the behaviour of the concern variable, by confirming that a proper investment process, together with the correct mind-set and appropriate returns expectations from funders, would drive an increase in social investment.

All three interviewees also mentioned the need for more collaboration and partnering between social investment players to increase the level of social investment. This further requirement was not addressed by the theory. However, it is submitted that this omission does not take away from the validity of the drivers that *have* been identified.

5.5.3 Generality

The theory sought to answer the research question, which focused specifically on social investment in South Africa. However, during the course of the study, a wide range of data and both practitioner and academic literature from all over the world was drawn upon in developing the core categories and determining the causal relationships between them. The result of this, therefore, is that the theory does not only apply to South Africa, but can also be applied in other geographies where there is social underinvestment.

5.5.4 Control

Each interviewee shared their view on investment practices, with the foundation professional stressing the need to conduct a proper upfront assessment of funding applicants so as to avoid underfunding and to determine the correct type of funding instruments and terms. The DFI professional echoed those views, commenting that investors must master the design of intervention programmes so as to avoid underfunding – which merely sets ventures up for failure – and to be responsive to the needs identified. The SRI professional noted that the cost-benefit analysis for social investments should not be just about finances.

These responses confirmed the usefulness of the theory in informing management actions, as they speak to the due diligence process required and the determination of an adequate amount of subsidised funding, both of which are recommended actions in the theory.

5.6 Conclusion

This chapter used knowledge accumulated in previous chapters to construct a theory about social investment using an analogical reasoning process. The end result was a causal loop diagram showing the causes behind the constrained social investment witnessed in South Africa. A solution loop was also presented to address the constraints identified, and the theory was tested by interviewing three social investment professionals. Both causal loop diagrams contribute to the study by providing answers to the two research questions articulated in Chapter 1. The following chapter is a conclusion of the study, and brings together all of the elements discussed thus far.

6 CONCLUSIONS AND EVALUATION

6.1 Introduction

This chapter concludes the study by providing an overview of the research findings. It contributes to the rest of the paper by pulling together the elements from all of the previous chapters in order to establish whether the study fulfilled the purpose stated in the introduction. The chapter does this by first going through the research results, their implications and their consequences. This is followed by an evaluation of the overall research process and its ethicalness. The limitations of the study are discussed, followed by proposed areas for future study. The paper then ends with concluding remarks.

6.2 Implications and Consequences of the Research Results

6.2.1 Optimal Versus Current Level of Social Investment

The research problem centred on the gap between the current and optimal levels of social investment in South Africa. The social investments in mind were those that have a high social impact, but carry too low a return or are too risky for traditional SRI investors. The concern variable was therefore introduced as being the Rand amount invested in these types of social investments.

6.2.2 Understanding the Hindrances to Social Investment

The intellectual goal of the research, which was also related to the first research question in Chapter 1, was to understand the reasons for the low level of social investment in South Africa. Based on the research results, the reasons can be summarised as follows:

- **Inappropriate funders**. The lion's share of SRI funds invested in South Africa belongs to pension funds and, to a lesser degree, other fiduciary investors such as insurance companies and smaller return-seeking ethical investors. This has resulted in almost all SRI being channelled into the larger, more commercial entities (which happen to qualify as social investments). Very little has been invested into social projects that are high-

risk and low-return, which often have the greatest social impact, as traditional SRI investors do not have the stomach for the higher risk and cannot accept below-market returns.

- **Inefficient investment practices**. The presence of charitable funding has made little difference to the social investment landscape over the years. This is because the manner that the funding was deployed was inefficient. The unfettered use of non-repayable grants as funding instruments led to funds being disbursed in a wasteful manner, either to unsustainable organisations that should have been left to fail, or to organisations that would have been able to reach sustainability and repay the funding. The result of this has been largely that donor funding goes into a black hole, never to be seen again – and with nothing to show for it.

6.2.3 Addressing the Hindrances to Social Investment

The practical goal, which was related to the second research question, was to find out how to increase the Rand amount of social investment. This can be done by addressing the two blockages addressed above. The recommendations are as follows:

- **Use of appropriate funders.** The fact that traditional providers of charitable funds are more often than not driven by social rather than financial motivations makes them ideal funders for social investment. These funders include development finance institutions, foundations, supranational organisations such as the United Nations, corporate social investment programmes and aid agencies. Having the correct type of funders allows the social fund to provide subsidised finance to the currently underinvested high-risk, low-return but high-impact social projects.

- **Use of repayable finance**. The type of funding provided to the social enterprises should be changed from non-repayable grants to some form of repayable finance. Repayable finance can include repayable grants (which are effectively interest-free loans), low-interest loans, quasi-equity and even pure equity (which may be bought back or sold). This allows for cash to be returned to the fund and recycled.

- **Proper due diligence of potential investments.** A thorough due diligence should be conducted on potential investees in order to make an educated assessment of their chances of survival and success, which would facilitate them repaying the financing. Furthermore, the due diligence allows the social fund manager to determine the precise extent of subsidy required for the financing being requested, so that an appropriate amount of subsidy can be built into the funding to help the social enterprise reach self-sustainability.

6.2.4 Implications for the Parent Discipline (Socially Responsible Investments)

The scientific model made explicit the requirement for the social investment fund to invest in nurturing social enterprises through the provision of subsidised finance. The long-term provision of funding to social enterprises at subsidised rates facilitates the development of many more sustainable enterprises, which improves the repayment rate and creates a virtuous cycle of capital being returned to the fund and then reinvested into other worthy projects. Over time, this would result in the cumulative amount of social investment increasing for every Rand of funding received.

At this stage, two implications of the scientific model become clear. The first is that, because of the need to provide finance at subsidised rates, funders of social investment must be willing to forfeit market-related returns. Furthermore, the fact that capital and interest payments are retained within the fund to be reinvested means that funders must be willing to part with their cash permanently, as it will not be returned to them as long as the social fund is still running. This leads to the conclusion that fiduciary investors such as pension funds and insurance companies, and any other financial return-seeking investors, are not suitable sources of funding for social investment.

The second implication is that there must be a proper vetting process of potential investees in order to be able to make an educated assessment of their chances of reaching sustainability. This becomes important because, contrary to giving out grants, the social investment fund extends financing under the expectation that it will be repaid. It is this repayment that enables the recycling mechanism to kick in.

6.3 Evaluation of the Research

6.3.1 Relevance of the Research Findings

South Africa is currently facing numerous social issues, including high unemployment, poor infrastructure and poor service delivery. Issues such as these result in building frustration over time and are a ticking social time bomb, exploding into violent service delivery protests. The government's constrained resources stop it from being able to address the social issues on its own. Private sector investment into the social sectors has either been too commercially-focused in the case of traditional SRI or inefficiently deployed in the case of traditional charity. The joint result is that currently a large portion of the social investment landscape is underserved.

This study has contributed to the existing body of knowledge by illuminating exactly what the causes are behind the continued social underinvestment in the sectors that need it the most. A study of this nature was necessary, as most research about the growth of social investment has focused on traditional SRI, which is primarily about risk management and financial return-driven, often discounting the more community-based investments which are high-risk and offer low returns. Having identified the blockages, recommendations have been put forward on how to overcome these blockages to get the flow of funds going into underinvested social areas in a sustainable manner that gets more bang for the donor's buck.

6.3.2 Utility of the Research Findings

The intellectual and practical goals focused respectively on bringing to light the causes behind the low level of social investment in South Africa, and finding ways to increase the Rand amount of social investment. The research was able to achieve these goals. With the intellectual and practical goals achieved, the researcher now has a starting point from which to pursue their personal goal of contributing towards the development of the country by taking action to increase the level of social investment.

6.3.3 Validity of the Research Findings

The qualitative research process can be quite fluid. This is because data collection, data synthesis, theory development, theory modification, refocusing the research question, and identifying and addressing validity threats all happen simultaneously. A result of this is also that the research design must constantly change as new developments arise. However, such alterations to the research design are necessary in order to maintain or enhance validity.

Validity has long been a source of contention when it comes to the trustworthiness of qualitative research due to the high risk of researcher bias. Rather than eliminate the effect of the researcher, this study attempted to understand the influence of the researcher and channel it constructively while taking steps to ensure that it would not become a threat to validity. Various steps were taken, wherever possible, to address the threats to descriptive, interpretative and theoretical validity detailed in Chapter 2. These steps are listed below:

- The conceptual framework was defined upfront in order to enhance external validity.
- Multiple data sources for triangulation were used to reduce the risk of systematic biases and chance associations, enhancing the internal validity as well as the generalisability of the theory.
- A rigorous data collection protocol was applied to increase reliability and construct validity.
- Open, axial and selective coding were used to enhance internal validity.
- The literature review helped to enhance construct and internal validity by providing a secondary source of data. The academic literature used was selected based on an above average journal impact factor, a high citation count for that particular paper or based on whether the authors were considered to be authorities in their fields.
- Audio recordings were taken of interviews in order to maintain descriptive validity.
- Theoretical sampling was used to test developing ideas by selecting phenomena crucial to their validity.

The articulation of the research problem was based on the researcher's previous experience as an investment analyst and the researcher's perceptions of the South African social investment

landscape. Although the dynamic qualitative research process discussed above did not result in any significant modifications to the research questions, the multiple data collection cycles and the use of data emanating from different stakeholder groups forced the researcher to acknowledge other points of view which were pertinent to the development of the final theory. A stakeholder approach was followed during the data collection process in order to ensure the adequate representation of all major stakeholder voices in the final theory.

Each piece of data collected was transformed into a rich proposition that spoke to its relevance and effect on the concern variable, which aided in better categorisations. The use of open, axial and selective coding over the various data collection cycles resulted in the formulation of clear and concrete categories that would contribute to a more valid theory.

6.3.4 Ethicalness of the Research Findings

The study upheld the ethical principles of justice, rights and utilitarianism – each of these is addressed in turn. Firstly, by seeking a way to address the shortfall in social investment, whose aim is ultimately to eradicate poverty and social inequality, the study itself and the implementation of its recommendations would help to further the cause of social justice. The Universal Declaration of Human Rights lists the right to social welfare as one of the core human rights (United Nations, 1948). The implementation of the recommendations of this study is intended to further the social welfare of poor and marginalised groups.

The manner in which the research was conducted respected the rights of all stakeholders. Due to the documentary nature of the research conducted, the risk to stakeholders in the research process was very low. Only publicly available information published by the various stakeholder groups was used. No harm is anticipated to come to any of the authors of the documentary sources as a result of the use of their writings.

The identities of the three social investment professionals interviewed were kept anonymous in order to protect their right to privacy. Furthermore, written informed consent was obtained for all three interviews. No harm is expected to befall any of the interviewees as a result of participating in the study.

Finally, by addressing social inequality and upholding the basic human right to social welfare, a better society for all can be achieved. The research findings will assist stakeholder groups in either embarking on or engaging with social investment in a more constructive manner, with the result being the eradication of social injustice and inequality, resulting in a better society for all.

6.4 Limitations of the Study

The causal model created was necessarily a simplification of what would be found in the reality. The model does not apply to all situations, and therefore its generality must be subject to some limiting assumptions. These assumptions are that: the social enterprises invested in have an income-generating business model; there is a large enough market for the social enterprises' goods or services; the social enterprises can be run on a sufficiently profitable basis to be able to repay their loans with modest interest; and loan defaults are idiosyncratic rather than systemic. The validity of the theory, therefore, does not extend to situations where any one of these assumptions is relaxed.

The main limitation of this study is that the theory has not been tested using real money and real investments. At best, the theory forms a hypothesis which would then be the subject of further research.

6.5 Areas of Further Study

A more detailed analysis could be conducted in future by lifting some of the assumptions that were used to restrict the scope of the model. For instance, the most critical assumption in the model is that only social enterprises that earn an income are considered for investment. However, many socially-focused organisations serve beneficiaries who absolutely cannot pay for the goods and services provided. Restricting these types of organisations from the model potentially excludes a significant part of the social investment landscape, which would aggravate the continued underinvestment that the study seeks to address. Further research would be needed to determine how to boost investment into these non-revenue generating social sectors.

6.6 Concluding Remarks

Social investment will continue to be an important consideration as long as an unequal and unjust society exists. Albert Einstein defined insanity as “doing the same thing over and over again and expecting a different result”. The continuous social underinvestment that has occurred over the years, despite donor funding and the rise of SRI, shows that a different approach is warranted. The middle ground proposed in this paper is just the beginnings of a different type of solution.

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APPENDICES

Appendix A: Proposition Log

Note: Article Reference is the number under which the relevant article citation can be found at the end of this appendix. The numbers in the Data column indicate what number proposition emanated from that data piece.

Article Reference	Data (observation, description passage)	Relevance (to Concern Variable)	Impact (on Concern Variable D/R)	Proposition Subject⇔Relevance Predicate⇔Impact
1	1) "But there are also likely many more areas in which making impact and making a financial return don't coexist easily."	True social investments generally offer low financial returns.	Low financial returns from true social investments deter funders looking to make high returns.	Low returns offered by true social investments deter funding from investors seeking high returns.
2	2) ""Impact" is a label that Jackson is wary of because it carries with it the stigma of lower returns in exchange for social benefit."	True social investments generally offer low financial returns in exchange for social benefits.	Low financial returns from true social investments deter funders looking to make high returns.	True social investments offer low financial returns but high social benefits, which deters most funders.
2	3) ""If the financial side doesn't stack up it doesn't matter what the impact is, we won't back the project," she says."	Traditional impact investors' financial return hurdles make them unlikely to invest in true social investments.	Low financial returns from true social investments deter funders looking to make high returns	Traditional impact investors' financial return hurdles preclude them from investing in true social investments.
2	4) ""If the financial side doesn't stack up it doesn't matter what the impact is, we won't back the project," she says."	Traditional impact investors' risk aversion makes them unlikely to invest in true social investments.	The high risks associated with true social investments deter traditional impact investors.	Traditional impact investors' risk aversion precludes them from investing in true social investments.
2	5) "However while many investment companies pay lip service to the practice, there are only a handful of industry leaders that are able to demonstrate that they do it consistently well"	Traditional impact investors do not actually invest in true social investments.	The misclassification of impact investing means that less money is actually invested in true social investments.	Traditional impact investors claim to, but do not, invest in true social investments, resulting in continued underinvestment.
3	6) "The traditional approach to solving Africa's problems has been to rely on charity and aid from international donors"	Charity and aid from international donors are sources of funding for true social investments.	Increased charity and aid allocations increases the level of true social investment that is attainable.	Charity and aid from international donors are appropriate sources of funding to increase true social investment.
3	7) "Africa finds itself continually going back to donors simply to maintain the status quo."	Traditional charity and aid has been disbursed in an unsustainable manner, jeopardizing the prospect of ongoing true social investment.	The lack of sustainability means that less money goes into true social investments in the long-run.	Traditional charity and aid has been disbursed in an unsustainable manner, resulting in declining true social investment over time.
3	8) "What the continent needs is to…achieve self-sufficiency."	The aim is for true social investments to achieve self-sufficiency.	Self-sufficient investments are able to repay the capital, resulting in further true	When the social projects invested in become self-sufficient, they are able to repay the capital, resulting

Article Reference	**Data** (observation, description passage)	**Relevance** (to Concern Variable)	**Impact** (on Concern Variable D/R)	**Proposition** Subject⇔Relevance Predicate⇔Impact
			social investment through the recycling of funds.	in increased true social investment through the recycling of funds.
3	9) "Philanthropy and development aid should be components of Africa's growth strategy. But perhaps it is time to rethink how that capital is deployed and to focus more on sustainable private-sector solutions."	The manner in which philanthropy and development aid is deployed determines the sustainability of true social investment.	A sustainable manner of deploying funds results in increased true social investment in the long-run.	Philanthropy and development aid deployed in a sustainable manner results in increased true social investment in the long-run.
3	10) "…philanthropies should report how successful their donations are in creating long-term solutions and reducing the chance that more charity will be needed in the future to address the same issue."	Investing money in true social investments that can become self-sustaining yields a long-term solution.	Self-sustaining investments are able to repay the capital, resulting in more true social investment through the recycling of funds.	Investing money in investments that can become self-sustaining and repay the capital, results in more true social investment through the recycling of funds.
4	11) "BOP customers face a dearth of critical services in health care, clean energy, water, education, and financial services."	True social investment can address issues in health care, clean energy, water, education, and financial services.	Optionality regarding the types of projects that can be invested in increases the reach of the investment fund, resulting in increased true social investment.	A true social investment fund should address a wide variety of social concerns, which increases the reach of the fund and results in increased true social investment.
4	12) "One way to address this market is with enterprises that employ "cross-subsidy" business models, defined broadly as business models in which support for one product or service comes from revenues generated from another product or service."	The cross-subsidisation model creates a self-sustaining fund structure, where the returns from a more profitable portfolio are used to finance true social investments.	A self-sustaining fund structure results in more money that can be invested in true social investments in the long-run.	A cross-subsidisation model creates a self-sustaining fund structure, which results in more money being invested into true social investments in the long-run.
4	13) "Its business model serves as an example for impact investment projects in other sectors—financial viability and social responsibility are not mutually exclusive."	The cross-subsidisation model creates a viable structure which does not preclude true social investment.	A viable fund structure results in more money that can be invested in true social investments in the long-run.	A cross-subsidisation model creates a viable fund structure through which true social investment can be increased.
5	14) "Established funders such as the Ford Foundation, Rockefeller Brothers and Kresge Foundation are to focus more on impact investing producing a double-bottom line that will…accelerate and sustain social change."	A focus on both social and financial returns *is* needed in order to make sustainable true social investments.	A double-bottom line focus increases the likelihood of making investments that can repay the capital, resulting in increased true social investment over time through the recycling of funds.	A focus on both social and financial returns increases the likelihood of making investments that can repay the capital, resulting in increased true social investment over time through the recycling of funds.

Article Reference	**Data** (observation, description passage)	**Relevance** (to Concern Variable)	**Impact** (on Concern Variable D/R)	**Proposition** Subject⇔Relevance Predicate⇔Impact
6	15) "There are still plenty of naysayers, and there probably always will be, who insist that investing is about making money first, while social and environmental issues are noble impediments to that cause."	True social investments take away from the ability of an investor to make financial returns.	The limited ability of true social investments to yield any financial returns deters funders.	The nature of true social investments restricts funders from extracting maximum financial returns, which deters many funders from investing in this space.
7	16) "DFIs…usually provide seed or developmental funding"	DFIs are a source of funding for true social investments.	Increased DFI funding would increase the level of true social investment that can be attained.	DFIs should be targeted as a natural source of funding in order to increase true social investment.
7	17) "DFIs…usually provide seed or developmental funding in the following economic sectors: transport; telecommunications; oil and gas; mining and minerals; electrification; power generation; infrastructure; healthcare; education; agriculture; rural economy; small, medium and micro-enterprise development and industrial development."	There are a number of developmental sectors that can be invested in for true social investment.	Optionality regarding sectors that can be invested in increases the reach of the fund, resulting in increased true social investment.	The large number of developmental sectors that can be invested in increases the reach of the investment fund and the level of true social investment that can be attained.
7	18) "DFIs…usually provide seed or developmental funding in the following economic sectors: transport; telecommunications; oil and gas; mining and minerals; electrification; power generation; infrastructure; healthcare; education; agriculture; rural economy; small, medium and micro-enterprise development and industrial development."	Diversification across sectors would protect the true social investment fund against excessive concentration risk.	Diversification protects the portfolio against excessive losses, resulting in more true social investments that can be attained over time.	Diversification across sectors protects the portfolio against excessive losses, resulting in more true social investments that can be made over time.
8	19) "The purpose of DFIs is to ensure investment in areas where the market fails to invest sufficiently."	DFIs are a source of funding for true social investments.	Increased DFI funding would increase the level of true social investment that can be attained.	DFIs are a natural source of funding in order to increase true social investment.
9	20) "DFIs share a common focus on fostering economic growth and sustainable development. Their mission lies in servicing the investment shortfalls of developing countries and bridging the	By bridging the gap between commercial investment and development aid, DFIs are a natural funder for true social investments.	Increased DFI funding would increase the level of true social investment that can be attained.	By bridging the gap between commercial investment and development aid, DFIs are an appropriate funding source for true social investments.

Article Reference	**Data** (observation, description passage)	**Relevance** (to Concern Variable)	**Impact** (on Concern Variable D/R)	**Proposition** Subject⇔Relevance Predicate⇔Impact
	gap between commercial investment and state development aid."			
10	21) "He referred to the potential of hybrid, mission-driven financial institutions working in collaboration with foundations and public sector funders to provide funding for affordable housing, micro-credit and capital for social innovation as part of their mission."	A hybrid business model focused on social and financial returns is suitable to achieve true social investment.	A hybrid model creates sustainable financial flows that result in increased true social investment over time.	A hybrid business model focused on social and financial returns creates sustainable financial flows that result in increased true social investment over time.
10	22) "He referred to the potential of hybrid, mission-driven financial institutions working in collaboration with foundations and public sector funders to provide funding for affordable housing, micro-credit and capital for social innovation as part of their mission."	Foundations and public sector funders are sources of financing for true social investments.	Increased allocations from foundations and the public sector result in increased true social investment.	Foundations and the public sector are suitable sources of finance for increasing the level of true social investments.
10	23) "He referred to the potential of hybrid, mission-driven financial institutions working in collaboration with foundations and public sector funders to provide funding for affordable housing, micro-credit and capital for social innovation as part of their mission."	Developmental areas to be focused on in true social investments include affordable housing, micro-credit and capital for social innovation.	Optionality regarding areas of focus increases the reach of the fund, resulting in increased true social investment.	The large number of developmental areas that can be invested in increases the reach of the investment fund and the level of true social investment that can be attained.
11	24) "Social investment promotes greater alignment between funders' social mission and investment portfolio, and creates the potential to achieve greater social impact through the recycling of funds."	The recycling of funds allows for ongoing true social investment.	Investment gains and repaid capital can be recycled, which increases the level of true social investment in the long-run.	The recycling of funds increases the level of true social investment in the long-run.
11	25) "Social investment is the provision of repayable finance to charities and social enterprises with the aim of creating social impact, and sometimes generating a financial return."	True social investment focuses on providing repayable finance to charities and social enterprises.	The focus on repayment the capital results in increased true social investment over time through the recycling of funds.	A focus on providing repayable finance to charities and social enterprises results in increased true social investment over time through the recycling of funds.

Article Reference	**Data** (observation, description passage)	**Relevance** (to Concern Variable)	**Impact** (on Concern Variable D/R)	**Proposition** Subject⇔Relevance Predicate⇔Impact
11	26) “Also known as impact investing or social finance, it covers a wide range of products and structures, generally falling within one of three main categories: debt, equity and quasi-equity.”	The instruments for true social investment can comprise debt, equity and quasi-equity.	Optionality regarding the type of instrument can help address risk appropriately, resulting in capital preservation and increased true social investment in the long-run.	The use of debt, equity and quasi-equity as instruments for true social investment helps to address risk appropriately, resulting in capital preservation and increased true social investment in the long-run.
11	27) If there is no income stream, no prior investment in the sector or organisation, or the organisation is not at an optimum stage of development, then the investment is more suited to grant funding.	Traditional investors do not have the risk appetite invest in early stage projects without a track record, a category that many true social investments fall into.	The high-risk nature of many true social investments deters traditional investors.	Traditional investors do not have the risk appetite invest in early stage projects without a track record, which precludes many true social investments.
12	28) The majority of demand from social investees is for soft capital – patient, semi-commercial capital and grants.	True social investment involves investing soft capital into promising social enterprises.	The ability of the fund to invest soft capital increases the level of true social investment that can be attained.	True social investment involves investing soft capital into promising social enterprises, the availability of which increases the level of true social investment that can be attained.
13	29) “social investment is an inherently risky business”	True social investment is inherently risky.	The high risks deter traditional investors, resulting in underinvestment.	True social investments are inherently risky, which deters traditional investors and results in underinvestment.
14	30) “Another danger that bond investors face is reinvestment risk, which is the risk of having to reinvest proceeds at a lower rate than the funds were previously earning.”	True social investment involves the reinvestment of funds received, which gives rise to reinvestment risk.	Lower returns on new investments results in less money being generated for new true social investments.	Reinvestment risk in the true social investment fund may result in less money being generated for new true social investments.
14	31) “Put another way, suppose that an investor earns a rate of return of 3% on a bond. If inflation grows to 4% after the bond purchase, the investor's true rate of return (because of the decrease in purchasing power) is -1%.”	Inflation diminishes the real value of the capital invested in the true social investment fund over time.	A lower real value of capital in the true social investment fund results in less real money being available to invest in new investments.	Inflation diminishes the real value of capital, resulting in less real money being available to invest in future true social investments.
14	32) “Investors must consider the possibility of default and factor this risk into their investment decision.”	Default risk presents a risk to the capital and sustainability of the true social investment fund.	Defaults result in capital losses, which reduces the ability of the fund to make future true social investments.	Default risk threatens the capital and sustainability of the fund, as defaults reduce the ability of the fund to make future true social investments.
14	33) “A company's ability to operate and repay its debt…is frequently	The credit ratings of investments in the true social investment fund give	Higher credit ratings result in lower default risk, which increases the likelihood of	Higher credit ratings protect the fund against capital losses, which results

Article Reference	**Data** (observation, description passage)	**Relevance** (to Concern Variable)	**Impact** (on Concern Variable D/R)	**Proposition** Subject⇔Relevance Predicate⇔Impact
	evaluated by major ratings institutions such as Standard & Poor's or Moody's."	an indication of default risk.	capital repayment and increased true social investment in future.	in increase true social investment in future.
15	34) "In South Africa, the primary development focus is around the provision of basic services and infrastructure development."	True social investment in South Africa should focus on provision of basic services and infrastructure development.	Focusing on investments in enterprises that provide basic services result in a greater true social investment.	A focus on the provision of basic services and infrastructure development in South Africa increases true social investment.
16	35) "This can hold true for retail investors wanting to inflation-proof a sum earmarked for a future goal. Here treasury's retail RSA inflation-linked bonds come into their own, providing a full hedge against inflation with no risk of capital loss."	Inflation-linked bonds can protect the true social investment fund's capital from being eroded by inflation.	A higher real value of capital in the true social investment fund results in more real money being available to invest in new investments.	Inflation-linked bonds can be used to protect the real value of the fund's capital, resulting in more real money being available to invest in future true social investments.
17	36) Charitable organisations suffer from high overhead costs.	Overhead costs must be covered from the grant received, which is also meant for social investment.	Charities' high overhead costs decrease the amount of money that can be invested in true social investments.	Overhead costs must be minimized in order for the investment vehicle to maximise true social investment.
18	37) Delivering supplies to poor communities and building schools are among traditional aid programmes.	True social investment consists of investment in social development areas yielding little profit.	Delivering supplies to poor communities and building schools results in an increase in true social investment.	Investments such as delivering supplies to poor communities and building schools increase the level of true social investment.
19	38) "The Bill & Melinda Gates Foundation, the world's largest family foundation, is also one of the world's largest impact investors. Since 2009, the foundation has complemented its grants budget with a substantial allocation for program-related investments (PRIs)."	Large foundations are prolific investors into true social investments.	More allocations from large foundations increase the level of true social investment.	Large foundations should be a key source of funding in order to increase the level of true social investment.
19	39) "The Bill & Melinda Gates Foundation, the world's largest family foundation, is also one of the world's largest impact investors. Since 2009, the foundation has complemented its grants budget with a substantial allocation for program-related investments (PRIs)."	Grants can complement programme-related investments in order to make appropriate true social investments.	Optionality in how funding can be disbursed increases the level of true social investment that can be attained.	Using grants and programme-related investments as complements provides more options through which the level of true social investment can be increased.

Article Reference	**Data** (observation, description passage)	**Relevance** (to Concern Variable)	**Impact** (on Concern Variable D/R)	**Proposition** Subject⇔Relevance Predicate⇔Impact
19	40) "A PRI…is a loan, equity investment, or guaranty, made by a foundation in pursuit of its charitable mission rather than to generate income."	Loans, equity investments or guarantees can be used to pursue true social investment. Subject = optionality	Optionality in instruments that can be used increases the level of true social investment that can be attained. Predicate = can be structured to meet the specific needs of the investment	A loan, equity investment or guarantee can be selected as appropriate for each case, which can increase the level of true social investment.
19	41) "The recipient can be a nonprofit organization or a for-profit business enterprise."	Both for-profit and nonprofit organisations can be invested in for true social investments.	Optionality in the type of counterparty increases the level of true social investment that can be attained.	Investments in appropriate for-profit or nonprofit organisations can increase the level of true social investment.
19	42) "foundations do not expect PRIs to produce market-rate returns."	PRIs can invest in true social investments, which do not produce market-rate returns.	PRI funding increases the level of true social investment.	PRIs from foundations are a source of funding suited for increasing the amount of true social investment.
19	43) "With its PRIs, the Gates Foundation has invested to scale up enterprises that serve the poor."	True social investment is that which targets the parts of society that need it most.	Focusing on enterprises that serve poor increases the level of true social investment.	Investing in enterprises that serve the poor increases the level of true social investment.
19	44) "To establish asset-backed lending to the poor as a bankable proposition, the foundation made a loan secured by receivables from the company's customers, who pay for their solar products over time."	Structuring, such as using secured loans, is one commercial financing principle that can be used to safe-guard true social investments made.	Being able to receive the capital invested back increases the amount of true social investment that can be made in the long-run.	Commercial structuring principles, such as secured loans, increase the likelihood of recovering the capital invested, thereby allowing for more true social investment in the long-run.
19	45) "This 2013 loan was made in partnership with a local commercial bank, allowing M-KOPA to develop a credit history that would attract future commercial lenders."	Providing initial risk capital to social enterprises allows them to build a track record which will attract commercial funders, resulting in a lasting social impact from the sustainable enterprise and a return of capital to make other true social investments.	Funding a sustainable enterprise and being able to receive the capital invested back increases the amount of true social investment that can be made in the long-run.	Providing initial risk capital to sustainable social enterprises generates a greater social impact and a return of capital, resulting in a higher level of true social investment in the long-run.
19	46) "PRIs in companies such as M-KOPA, the biotech firms, and bKash are particularly useful where, without some external stimulus, private markets fail to meet the needs of the world's poorest inhabitants for essential goods or services."	PRIs are useful in driving true social investment as they focus on areas where private markets have failed to meet the needs of the poor for essential goods and services.	PRI funding increases the level of true social investment.	PRIs focus on areas where private markets have failed to meet the needs of the poor for essential goods and services, resulting in increased true social investment.

Article Reference	**Data** (observation, description passage)	**Relevance** (to Concern Variable)	**Impact** (on Concern Variable D/R)	**Proposition** Subject⇔Relevance Predicate⇔Impact
19	47) "For a foundation, "impact" means achieving outcomes that would not otherwise have occurred in the areas of its concerns."	True social investments focus on social impact in areas that would otherwise have not been funded by private capital.	A focus on underfunded, underserved social areas increases the level of true social investment.	Underfunded, underserved social areas that would otherwise have not been funded by private capital should be a key focus in order to increase the level of true social investment.
19	48) "Grants are by far the main form of foundation funding of nonprofits."	Grants are a natural source of funding for true social investments.	Increased grant allocations increases the level of true social investment.	Grant funding can be used to increase the level of true social investment.
19	49) "Aside from some PRIs in the form of low-interest loans and …nonprofits have not been the recipients of investments"	Low-interest loans are one instrument that can be used in true social investments.	Optionality in funding instruments increases the level of true social investment that can be attained.	Low-interest loans are one instrument that can be utilized to drive the level of true social investment.
19	50) "When a foundation's charitable objectives are served by for-profit organizations, it can further those objectives through a grant, contract, equity investment, loan, or guaranty."	Grants, equity investments, loans or guarantees are instruments that can be used in true social investments.	Optionality in instruments increases the level of true social investment that can be attained.	Grants, equity investments, loans or guarantees can be selected as appropriate to the risk for each case, which can increase the level of true social investment.
19	51) "Private foundations making PRIs face several major internal organizational questions centering on initiating the investments, conducting due diligence on their charitable and financial prospects, and monitoring and supporting the investments after they are made."	True social investments requires due diligence on an investment's social and financial prospects.	Proper due diligence ensures a maximum social impact and a realization of the expected return, resulting in maximum true social investment in the long-run.	Proper due diligence conducted on an investment's social and financial prospects should result in maximum social impact and a realization of the expected return, resulting in maximum true social investment in the long-run.
19	52) "Private foundations making PRIs face several major internal organizational questions centering on initiating the investments, conducting due diligence on their charitable and financial prospects, and monitoring and supporting the investments after they are made."	It is important to monitor a true social investment after it is made and to provide support as necessary, in order to ensure its continued viability.	Proper monitoring and support reduces the likelihood of capital loss, resulting in more true social investment that can be attained in the long-run.	Monitoring and support is necessary to protect investment capital, resulting in an increased level of true social investment in the long-run.
19	53) "A PRI team, with expertise in private equity and venture capital, structures the transaction and evaluates its financial risk."	Structuring allows the fund manager to manage investment risk and protect capital in the true social investment fund.	Capital protection allows for more funds to be invested in true social investments in the long-run.	The capital protection that arises from proper structuring of deals allows for more true social investment to be made in the long-run.
19	54) "The PRI team brings to bear many of the same	Commercial investment analysis and management	Proper investment analysis and management makes it	Commercial investment analysis and management

Article Reference	**Data** (observation, description passage)	**Relevance** (to Concern Variable)	**Impact** (on Concern Variable D/R)	**Proposition** Subject⇔Relevance Predicate⇔Impact
	analytic skills and tools that a commercial investor would."	skills are necessary for all investments, including true social investments.	less likely that capital will be lost, resulting in more true social investment in the long-run.	skills prevent capital loss, which increases the level of true social investment that is attainable.
19	55) "Unlike some impact investors who demand competitive rate-of-return along with social impact, the Gates Foundation never makes PRIs for the purpose of achieving financial returns. The foundation invests even though it is likely to lose capital."	True social investments can also include projects where the risk of capital loss is high.	Focusing on social projects where the risk of capital loss is high, increases true social investment.	Investing into areas where the risk of capital loss is high increases the level of true social investment.
19	56) "The foundation is realistic about the types of often high-risk and low-return investments that it makes on behalf of its beneficiaries."	True social investments often carry high risk and offer low returns.	Focusing on high-risk, low return social projects increases true social investment.	Investing into social projects with high risk and low returns increases the level of true social investment.
19	57) Sharing the financial risk "gives the foundation flexibility to undertake a variety of types of investments that individually may have expected losses ranging from 100 percent (such as equity to support a very early-stage, high-risk technology in an uncertain market) to as little as 1 percent (for example, guaranties that result in tens of millions of dollars in savings for global health funders but have low likelihood of being called)."	Diversification across investments of varying risk gives flexibility to the true social investment fund to manage risk.	Appropriate risk management results in a sustainable portfolio, resulting in more true social investment in the long-run.	Diversification across investments of varying risk gives flexibility to the true social investment portfolio to manage risk, resulting in a sustainable portfolio and increased true social investment.
19	58) "a PRI may have other advantages over a grant. In general, a company's management is more disciplined in meeting its obligations to an investor than a grantee is to a grantmaker."	Quasi-commercial investments like loans and equity can be more behaviorally effective in driving true social investment.	Bringing commercial investment rigour to true social investments increases the likelihood of capital being returned and recycled.	Investment such as loans and equity are more likely to result in capital being returned, as opposed to grants, which increases the level of true social investment that can be attained.
19	59) "Unlike a grant, most PRIs don't "cost" the full amount of the disbursed amount, because the foundation expects to recover at least some portion of the disbursement."	True social investments can be split between grants (sunk cost) and PRIs, where some capital is expected to be recovered.	The PRI-like aspect allows for funds to be recycled, resulting in a higher level of true social investment.	As opposed to traditional grant giving, the PRI model allows for some capital to be returned and reinvested, resulting in increased true social investment in the long-run.

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20	60) "The other one is more powerful, would be a more general kind of thing, support social businesses. Invest in social businesses."	True social investment involves investing in social enterprises.	More investment into social enterprises increases the level of true social investment.	Targeting investments into social enterprises increases the level of true social investment.
20	61) "Empowering women is a social objective so we'll invest this money into empowering women in a business way so that that money comes back again."	Investments made to empower women are one form of true social investment.	Money invested in woman-run businesses is more likely to be paid back, resulting recycling of funds and increased true social investment in the long-run.	Investing in woman-run businesses, through capital return and the recycling of funds, leads to increased true social investment in the long-run.
20	62) On social businesses: "I run it as a business so every year I don't have to go around passing round a hat to collect money, because as a business it generates its own money and it continues"	Social businesses invested in must become self-supporting in order for the true social investment fund to be sustainable.	Social businesses that become self-supporting can repay capital, resulting in increased true social investment that can be attained over time.	Investing in social businesses that become self-supporting allows for increased true social investment over time through the recycling of repaid capital.
20	63) On social businesses: to "solve the social problems, solve an economic problem, like I want to bring safe drinking water to the community where it doesn't exist and I run it as a business and people get their drinking water...It could be health care programme, it could be environment programme or whatever."	True social investment involves investing in social enterprises that look to address socio-economic problems, such as healthcare and environmental issues.	Optionality in the subsectors that investees can operate in increases the level of true social investment that can be attained.	Being able to invest in social enterprises that address a wide array of socio-economic problems increases the reach of the investment fund, thereby increasing the level of true social investment that can be attained.
20	64) On large corporations: "Their foundation money can be invested in social businesses very easily because, after all, foundation is created to give away money and good causes"	Corporate philanthropy, or CSI in South Africa, is a natural source of funds for true social investments.	Increased CSI allocations increases the level of true social investment.	CSI in South Africa is a natural source of charitable capital to fund increased true social investment.
20	65) On large corporations: "it's much better to give it in the social business so that it stays on and become bigger and bigger each year…and this money is coming back so your fund becomes bigger and bigger"	Investing in social enterprises is one strategy required for sustainable true social investments.	Investing in social enterprises that become self-supporting allows for return of capital, resulting in increased true social investment over time.	Investing in social enterprises that become self-supporting allows for increased true social investment over time through the recycling of repaid capital.
20	66) On large corporations: "it's much better to give it in the social business so that it stays on and become bigger and bigger each	Reinvestment is a crucial element of a true social investment fund in order to grow the fund and increase its reach.	Reinvestment of capital and returns allows for the true social investment fund to grow, increasing the	Reinvestment of capital and returns is a crucial element of the true social investment fund, as it allows for the true social

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	year…and this money is coming back so your fund becomes bigger		amount of money that can be disbursed in future.	investment fund to grow, increasing the amount of money that can be disbursed in future.
20	67) "I want to solve those water problem, I want to solve the disease problem, I want to solve the medicine problem, I want to solve the housing problem of the poor, otherwise nobody will come to them."	True social investment can address any of a variety of issues affecting the poor, such as managing disease, providing medicine and providing housing.	Optionality in the subsectors that investees can operate in increases the level of true social investment that can be attained.	The ability to invest in a range social enterprises that address different socio-economic issues increases the reach of the investment fund, thereby increasing the level of true social investment that can be attained.
21	68) "What Americans avoid facing is that while we are very generous in charitable giving, much of that money is either wasted or actually harms the people it is targeted to help."	Charity as is currently done is a wasteful attempt at true social investment.	Charity in its current form is a sunk cost to the funder, resulting in less true social investment in the long-run.	Charity as is currently done is wasteful, resulting in less true social investment in the long-run.
21	69) "Giving to those in need what they could be gaining from their own initiative may well be the kindest way to destroy people."	True social investment focuses on enterprise, rather than handouts.	The focus on enterprise instead of handouts results in an increased level of true social investment due to capital repayment and recycling.	A focus on enterprise, rather than handouts, results in a more sustainable outcome for beneficiaries and for the level of true social investment, through capital repayment and recycling of funds.
21	70) Most charitable projects do not empower those being served, improve local quality of life, relieve poverty or increase support for long-term contributions. Contrary to popular belief, most charitable projects actually weaken those being served, erode recipients' work ethic and deepen dependency.	The focus of charity on predominantly handouts instead of enterprise for true social investment creates negative outcomes.	Negative outcomes of charitable projects serve as a disincentive for funders to invest in true social investments.	The negative outcomes from the focus of charity on predominantly handouts instead of enterprise provides a disincentive for funders to invest more in true social investments.
21	71) "People say 'Why should we borrow money when the churches give it to us?' "	The focus of charity on predominantly handouts instead of enterprise for true social investment creates negative outcomes.	Giving out funding for free does not result in returns and capital repayment, which hampers future true social investment.	Free money from charity hampers the level of true social investment that can be attained, as it does not result in returns and capital repayment.
21	72) "But because this was all pro bono—for the good of the community—they entered into agreements based upon goodwill rather than good business sense."	True social investments take into account both goodwill and good business sense.	Not taking into account the business case for investments hampers the level of true social investment that can be attained.	Taking into account both goodwill and the business case for investments can increase the level of true social investment that can be attained.

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21	73) "But unselfish investment should: never be mindless, never be irresponsible, always calculate the cost, always consider the outcome, always be a partnership."	True social investment is carefully considered qualitatively and quantitatively.	Investments that are carefully evaluated qualitatively and quantitatively result in a higher level of true social investment through capital repayment and recycling of funds.	If investments are evaluated both qualitatively and quantitatively, this will result in better utilization of funds and more true social investment in the long-run.
21	74) "But unselfish investment should: never be mindless, never be irresponsible, always calculate the cost, always consider the outcome, always be a partnership."	True social investment often involves the provision of patient capital to social enterprises.	Patient capital gives social enterprises time and guidance to succeed, increasing the likelihood of capital repayment and recycling of funds in further true social investments.	Providing patient capital to social enterprises gives them time and guidance to succeed, increasing the likelihood of capital repayment and recycling of funds in other true social investments.
21	75) "Again and again we are finding that when it comes to global needs in organizational development and human development, the granting of money creates dependence and conflict, not independence and respect."	The focus of charity on predominantly handouts instead of enterprise for true social investment creates negative outcomes.	The funding of social projects that become dependent on further funding to survive restricts true social investment into new projects in future.	By focusing on handouts instead of enterprise, charities create dependency which restricts true social investment into new projects in future.
21	76) "Emergency, charity-based, and government—are the three forms of aid flowing into Africa."	Charities and governments are natural funders of true social investments.	Allocations from traditional concessional funders increase the level of true social investment.	Funds from charities and governments are best suited to increased true social investment.
21	77) "…urges aid recipients to do the following: Get off aid. Promote entrepreneurship… Secure reasonable loans, not grants…Don't subsidize poverty. Reinforce productive work. Create producers, not beggars. Invest in self-sufficiency. "	Funding social enterprise using loans instead of grants promotes productivity and self-sufficiency, which is vital for true social investments.	When investees become self-sufficient, they can generate returns and repay capital, which can be recycled in further true social investments.	Using loans instead of grants to fund social enterprises promotes productivity and self-sufficiency, which results in capital repayment and increased true social investment in the long-run.
21	78) "Due diligence is the cornerstone of wise giving."	Proper screening is required in true social investments to ensure that the appropriate investments are made.	Proper due diligence ensures a maximum social impact and a realization of the expected return, resulting in maximum true social investment in the long-run.	Proper due diligence conducted on an investment's social and financial prospects results in a higher likelihood of capital repayment and increased true social investment in the long-run.
22	79) "The Futuregrowth Infrastructure & Development Bond Composite…targets high returns through…moderate credit concentration limits."	A part of the investment fund should target high returns in order to be able to subsidize true social investments.	High returns in the market-related investment fund result in increased true social investment due to more cash being generated to invest.	If part of the investment fund targets high returns, more cash will be generated to invest into true social investments.

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22	80) "The Futuregrowth Infrastructure & Development Bond Composite…targets high returns through…moderate credit concentration limits."	The use of credit concentration limits protects the true social investment fund against severe losses, resulting in a more sustainable fund.	Concentration limits spread the risk of default between numerous investments, protecting the sustainability of the portfolio and resulting in more true social investment in future.	The use of credit concentration limits minimizes the impact of a default on the portfolio, resulting in more capital being preserved to invest in future true social investments.
22	81) "The Composite may invest in a wide range of debt instruments including those issued by government, parastatals, corporates as well as securitised assets."	Diversification across several types of issuers protects the true social investment fund against concentration of credit losses.	Diversification spreads the risk of default across sectors, protecting the sustainability of the portfolio and resulting in more true social investment in future.	Issuer-type diversification minimizes the default risk in the portfolio, resulting in more capital being preserved to invest in future true social investments.
22	82) "The Composite aims to provide investors with a vehicle that facilitates infrastructural, social, environmental and economic development in southern Africa and delivers on a variety of social impact requirements such as job creation, affordable housing, access to services and healthcare."	A part of the true social investment fund may target traditional SRI investments, which contribute towards social investment while generating market-related returns.	Investing in traditional SRI assets produces market-related returns, which can in turn be used to increase true social investment.	A part of the fund may target traditional SRI investments, whose market-related returns can be used to fund increased true social investment.
22	83) "The Composite aims to provide investors with a vehicle that facilitates infrastructural, social, environmental and economic development in southern Africa and delivers on a variety of social impact requirements such as job creation, affordable housing, access to services and healthcare."	A part of the true social investment fund may target traditional SRI investments, which may deliver job creation, affordable housing, access to services and healthcare.	The trickle-down of benefits from investing in traditional SRI assets contributes towards increased true social investment.	A part of the fund may target traditional SRI investments whose benefits trickle down to poor communities, which also contributes towards true social investment.
22	84) "The Composite aims to provide investors with a vehicle that facilitates infrastructural, social, environmental and economic development in southern Africa and delivers on a variety of social impact requirements such as job creation, affordable housing, access to services and healthcare."	True social investments may include projects that deliver job creation, affordable housing, access to services and healthcare.	Optionality in the sectors that investees can operate in increases the level of true social investment that can be attained.	The ability to invest in a range of sectors increases the reach of the investment fund, thereby increasing the level of true social investment that can be attained.
22	85) Futuregrowth's investment grade SRI bond fund provides long-term stable returns.	A part of the fund may target traditional SRI investments, whose stable returns can provide	Continuous funding increases the level of true social investment that is attainable in the long-run.	A part of the fund may target traditional SRI investments, whose stable returns can provide

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		continuous funding for true social investments.		continuous funding which increases the level of true social investment over time.
22	86) Futuregrowth's investment grade SRI bond fund has a low risk profile and lower volatility than traditional corporate bond funds.	A part of the fund may target traditional SRI investments which are more stable and carry less risk, enabling the fund to provide continuous funding for true social investments.	Continuous funding increases the level of true social investment that is attainable in the long-run.	A part of the fund may target traditional SRI investments which are more stable and carry less risk, whose stable returns can provide continuous funding which increases the level of true social investment over time.
22	87) Infrastructure development and social services includes water and sanitation, transport, communications, development finance, energy, health, education and tourism.	The true social investment fund can invest in a wide variety of sectors.	Optionality in the subsectors that investees can operate in increases the level of true social investment that can be attained.	The ability to invest in a range of sectors increases the reach of the investment fund, thereby increasing the level of true social investment that can be attained.
22	88) Other sectors include finance, agriculture, SMME development, affordable housing, and municipal.	The true social investment fund can invest in a wide variety of sectors.	Optionality in the subsectors that investees can operate in increases the level of true social investment that can be attained.	The ability to invest in a range of sectors increases the reach of the investment fund, thereby increasing the level of true social investment that can be attained.
23	89) "We believe that the success of our portfolio demonstrates that it is possible to achieve sound risk adjusted returns for our pension fund investors while at the same time generating positive social impact in the communities and businesses we support."	Pension funds, who are the traditional funders of SRI in SA require good financial returns, which precludes many true social investments.	The focus on pension fund money for SRI has led to underinvestment in true social investments.	Pension funds, due to their requirement to make market-related returns, contribute to the underinvestment in true social investments.
23	90) "impact investing seeks to generate a competitive financial risk adjusted return while addressing environmental, social and governance needs."	Impact investing's requirement of market-related returns precludes many true social investments.	The focus of traditional impact investors on market-related returns has led to underinvestment in true social investments.	Impact investing which requires a market-related rate of return results in underinvestment in true social investments.
23	91) In traditional impact investing, capital and investment gains are returned to investors at the end of the fund's life.	True social investment relies on the reinvestment of capital and investment gains in order for the fund to be sustainable.	Lack of reinvestment leads to declining true social investment over time.	Reinvestment of capital and investment gains is required to be able to increase the level of true social investment over time.
23	92) High impact areas in SA include: rural infrastructure, housing, green energy, education,	The diverse investable sectors increases the reach of the true social investment fund.	Optionality in the subsectors that investees can operate in increases the level of true social	The diverse investable sectors increases the reach of the true social investment fund, thereby

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	job creation/enterprise development and transport.		investment that can be attained.	increasing the level of true social investment that can be attained.
23	93) "While South Africa has one of the highest Gini coefficients in the world, many aid agencies consider South Africa to be a middle-income country and have begun to withdraw aid funding from many NGOs, thereby limiting their worthwhile and necessary initiatives."	Aid agencies are a natural funder of true social investments.	Withdrawal of funding from aid agencies reduces the level of true social investment that is attainable.	Aid agencies cannot be relied on as an indefinite source of funding for true social investments, as they are withdrawing funding from South Africa.
23	94) "Interventions are required to assist these NGOs to ensure their sustainability beyond the requirement for donor funding"	The manner in which grant funding is disbursed affects the sustainability of true social investments.	Grant funding disbursed in a sustainable manner increases the level of true social investment that can be attained.	Changes to the manner in which grant funding is disbursed can result in a sustained increase in true social investment.
23	95) The "risk management process includes in-depth initial due diligence"	Due diligence on individual social investments is required to manage the risk of capital loss.	Due diligence allows the fund to manage the risk of capital loss, thereby increasing the level of true social investment that can be attained.	Due diligence on individual investments allows the fund to manage the risk of capital loss, thereby increasing the level of true social investment that can be attained.
23	96) "Mergence also manages the overall risk of the fund portfolio by enforcing strict exposure limits across sectors and investment concentration limits."	Sector and counterparty exposure limits protect the true social investment portfolio against excessive losses.	Protecting the investment portfolio against losses increases the level of true social investment that can be attained in future.	Sector and counterparty exposure limits protect the investment portfolio against losses, which increases the level of true social investment that can be attained.
23	97) "Portfolio diversification is considered to be a key risk mitigation measure."	Diversification protects the true social investment portfolio against excessive losses.	Protecting the investment portfolio against losses increases the level of true social investment that can be attained in future.	Diversification protects the investment portfolio against excessive losses, which increases the level of true social investment that can be attained.
24	98) "Millions who were previously excluded have access to education, water, electricity, health care, housing"	Provision of basic services should be a large area of focus in social investment.	Targeting investments in basic services increases social investment.	The provision of basic services is an area that directly contributes to the level of social investment.
24	99) "Public infrastructure investment…financed through tariffs, public-private partnerships, taxes and loans and focused on transport, energy and water."	Government investment focuses on providing social goods on a non-commercial basis.	Government funds are highly suited to true social investment as they do not require a return.	Government funding, due to its non-commerciality, is a suitable source of finance for true social investments.
24	100) "Public infrastructure investment…financed	Partnering with the government allows the	Layering of funding from the private sector and the	Partnering with the government allows for the

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	through tariffs, public-private partnerships, taxes and loans and focused on transport, energy and water."	private sector to address pressing social challenges.	government allows for social investment deals to be more appropriately structured between grants and repayable finance if need be.	layering of funds from different sources, so that social investment deals can be structured between a grant element and repayable finance if necessary.
24	101) "In many poor communities, welfare nongovernmental organisations (NGOs) and other community-based organisations deliver vital social and employment programmes."	Welfare NGOs and community-based organisations are key private sector avenues for providing services to the poor.	Identifiable counterparties help to operationalize the disbursement of funds for social investment.	Identifying suitable NGOs and community-based organisations to be recipients of funding helps operationalize the objective of the social investment fund.
24	102) Elements of a decent standard of living consist: nutrition; housing, water, sanitation and electricity; transport; education and skills; safety and security; healthcare; employment; recreation and leisure; and clean environment.	The large range of social issues to that need addressing require a social investment fund with a broad mandate.	Being able to invest across a large variety of social issues increases the reach of the social investment fund.	A broad mandate to target a variety of social issues increases the reach of the true social investment fund.
24	103) "A higher rate of investment, with public sector investment crowding in private investment. This will depend on partnerships with the private sector"	Partnering with the government can give momentum to social investment efforts.	Layering of funding from the private sector and the government allows for deals to be more appropriately structured between grants and repayable finance if need be.	By partnering with the government, social investment deals can be structured between a grant element and repayable finance as necessary.
24	104) "policy should focus on…investing in new infrastructure in areas that directly affect the poor, such as the food value chain, public transport, education and health, and telecommunications."	Social investments focus on a variety of areas that directly affect the poor.	Investing in areas that directly affect the poor has a higher social impact.	A focus on areas that directly affect the poor is key for driving true social investment.
24	105) "Social infrastructure that does not generate financial returns – such as schools or hospitals – should be financed from the budget."	Government funding is normally used to provide low or non-return social goods.	Government funds are highly suited to true social investment as they do not require a return.	Government funding, due to its non-commercial requirement, is a suitable source of finance for true social investments.
24	106) "Legislation requires business to consider…community social responsibility"	South African legislation compels corporates to invest in the communities in which they operate.	Corporate CSI, which is a sunk cost for the corporate, can be used for true social investment.	Legislation compelling corporates to engage in CSI facilitates true social investment funded by corporates.
25	107) "our children are dying of diarrhoea now, our old people and disabled people are dying in shack	Key social issues to address in South Africa are water & sanitation, housing and energy.	Addressing issues directly affecting the poor constitutes true social investment.	Some key social issues to address in South Africa include water and sanitation, housing and

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	fires right now, we are being evicted and disconnected right now"			energy, which directly affect the poor.
25	108) "the poor have agency. They are deciding by themselves, for themselves and are more than able to do so without external - patronising or well-meaning - interventions."	True social investment focuses on enterprise – the provision of affordable goods and services to the poor – rather than handouts.	The emphasis on enterprise allows for more sustainable investments to be made, resulting in capital repayment and recycling of funds.	Investing in enterprise – the provision of affordable goods and services to the poor – results in more sustainable investment, capital repayment and recycling of funds.
26	109) "Without the help of NGOs and private initiatives, it is difficult to make sense of any changes in the education system. The public is often more interested in the matric pass rate at the end of every year than the literacy rate among younger learners"	Education is one social issue that directly affects the poor.	Investing in projects dealing with education contributes towards true social investment.	Education is one of the issues that directly benefits the poor, and therefore a social investment fund could include projects that deal with education.
27	110) Poor people want to be included in decision making that affects their communities.	Where traditional charity enforces an outside solution to community issues, social investment through enterprise allows the poor to choose the goods and services that they want to use.	As customers, the poor can pay for the goods and services they actually need, resulting in an income stream for those social enterprises and sustainability of the projects.	Social investment through enterprise allows the poor to choose the goods and services that they want to use, resulting in an income stream for those social enterprises and sustainability of the projects.
28	111) Poor people want to be involved in the service delivery tasks for their communities to ensure the legitimacy of these services.	Investing in locally-owned social enterprises increases the legitimacy of the goods and services offered.	A perception of legitimacy among community members makes them more likely to patronize the social enterprise, resulting in its sustainability.	Local social enterprises carry legitimacy with the community being serviced, which make community members more likely to use them, resulting in their sustainability.
28	112) "Parks for children to play in, better housing and closer schools are some of the promises that were highlighted for shack dwellers."	Housing and social infrastructure, such as parks and schools, are areas that need investment in poor communities.	A focus on providing affordable goods and services for poor communities meets the criteria for true social investment.	Providing affordable housing and social infrastructure to poor communities addresses social areas traditionally neglected by commercial investors.
29	113) "Social funds are agencies that channel funds to small-scale projects covering a wide range of investments, including economic and social infrastructure, social assistance and microfinance."	The scope of social investment is wide, covering a range of different social issues and needs.	A social investment fund with a broad mandate has greater reach to make investments as necessary.	A broad mandate increases the reach of the social fund to be able to make investments where they are most needed.

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29	114) "In response to demand from poor communities, social funds appraise, approve, and supervise the implementation of targeted small-scale investments executed through line ministries, local governments, NGOs and beneficiary groups."	A social fund invests in projects that provide goods and services demanded by the poor.	By targeting projects that service the poor, social investment is increased.	Providing affordable and essential goods and services to the poor is an important element of social investment.
29	115) "In response to demand from poor communities, social funds appraise, approve, and supervise the implementation of targeted small-scale investments executed through line ministries, local governments, NGOs and beneficiary groups."	The investment process of a social fund includes project appraisal, approval, implementation and supervision.	A rigorous investment process ensures that appropriate and sustainable investments are made, which increases the likelihood of capital repayment and recycling of funds.	An investment process including project appraisal, approval, implementation and supervision ensures that appropriate and sustainable investments are made, increasing the likelihood of capital repayment and recycling of funds.
29	116) "In response to demand from poor communities, social funds appraise, approve, and supervise the implementation of targeted small-scale investments executed through line ministries, local governments, NGOs and beneficiary groups."	Investments into social enterprises and social projects are small.	Smaller investments bring diversity to the social fund and protect it against excessive losses.	Smaller deal sizes help diversify the social investment fund and protect it against excessive capital losses.
29	117) "In response to demand from poor communities, social funds appraise, approve, and supervise the implementation of targeted small-scale investments executed through line ministries, local governments, NGOs and beneficiary groups."	The recipients of funds disbursed can include churches, NGOs and community groups.	Being able to disburse to different recipient groups increases the reach of the social investment fund.	The ability to disburse funds to different types of counterparties increases the reach of the social investment fund.
29	118) "The World Bank has supported more than 50 such Funds around the world, and these agencies account for a growing share of the Bank's portfolio in the social protection and human development areas."	Multilateral banks are a source of funding for social investment funds.	Getting appropriate funding allows the social fund to be able to investments to help the poor, where funds are most needed.	Multilateral banks are a natural funder for social investment, as they have the mandate to invest on non-commercial terms in order to help poor communities.
29	119) "social fund projects overwhelmingly reflect felt	A social fund invests in projects that provide goods	The existence of demand from the target market (i.e.	Investing in demand-driven social projects with a

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	needs of poor communities. This is a significant finding and one that confirms the demand-driven nature of social funds."	and services demanded by the poor.	the poor) implies that each project has a revenue stream, which can allow the project to be sustainable, resulting in capital repayment and the recycling of funds.	revenue stream results in a more sustainable outcome, as the project is more likely to be able to repay the capital.
29	120) "in poor communities that lack access to most basic services and infrastructure, the list of 'priorities' may be extensive."	Social investment covers a wide variety of issues affecting poor communities.	The ability to invest across a range of causes increases the reach of the social investment fund.	A wide range of investable social causes increases the reach of the social investment fund.
29	121) "Although social fund projects appear appropriate to community needs, there is some indication that the menus of eligible projects may not be inclusive enough and projects may be too narrowly defined."	The social fund should have a broadly framed mandate to cover a wide variety of issues affecting poor communities.	A social investment fund with a broad mandate has greater reach to make investments as necessary.	A broadly framed mandate enables the social fund to address as many social issues as possible.
29	122) "Several beneficiary assessments…pointed out the need for complementary actions within types of projects, such as educational material, equipment and other inputs in tandem with infrastructure in school projects"	Complementary social investments may need to be made in order for a single investment to be sustainable.	The provision of one good or service to the poor may only be sustainable if a complementary good or service is also provided.	Complementary social investments need to be made if the sustainability of a project depends on it being complemented by another.
29	123) "Most of the community profiles and beneficiary characteristics confirmed social funds reach poor communities."	The ultimate beneficiaries of a social fund are the poor.	Investing in projects that directly service poor communities fulfils the requirement of a social fund.	The poor should be the direct beneficiaries of social fund projects.
29	124) "In Zambia, over time the Social Recovery Fund has encouraged democratic election of project committees and the holding of regular meetings, both of which have been linked to improved community organization and better project implementation."	Social investments may include community-led projects.	Community involvement may result in better project implementation, leading on to project sustainability and capital repayment.	Community-led projects may result in better project implementation, resulting in sustainability and capital repayment.
29	125) "Weaker or less inclusive participation in [design and preparation] lead to several problems during execution, such as the generation of community disputes, improper siting of projects,	Community involvement in the social projects invested in is necessary for the projects to work.	Community involvement results in the social project being better-run, generating revenues and becoming sustainable.	Community involvement in the social project results in better implementation and revenue generation, which aids in sustainability.

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	lack of clarity on the community counterpart obligations, lack of confidence in selection of contractors, etc."			
29	126) "In many instances, beneficiaries felt that community contributions were simply filling in for what government should be providing."	The sustainability of social enterprises depends on the community's willingness to pay for the goods and services being offered.	If a community is unwilling to pay, the project cannot be sustainable, resulting in loss of capital.	The community's willingness to pay for the goods and services provided determines the sustainability of social investments.
29	127) "Communities displayed either passive or active characteristics, with the more active communities better able to access and implement social fund projects regardless of poverty levels."	Active communities are better candidates for social investment.	Better implementation associated with active communities means better project performance and sustainability.	Active communities are better at implementation, which results in a more sustainable project.
29	128) "the most important exogenous factor in the positive impact and sustainability of projects are characteristics of the beneficiaries, particularly the degree of entrepreneurial spirit, pre-existing leadership, and previous experience with social projects."	Communities with an entrepreneurial spirit, existing leadership and experience with social projects are good candidates for social investment.	Competent communities can better implement social projects, resulting in sustainability.	Communities with an entrepreneurial spirit, existing leadership and experience with social projects are better implementers of social projects.
29	129) "In the Chile case, intermediaries…were better able to reach the poor passive population (i.e., organize projects for them)."	Passive poor communities are better serviced by intermediaries.	An appropriate intermediary is more likely to be able to run a sustainable social project in a passive poor community.	Passive poor communities require intermediaries to sustainably run social projects.
29	130) "The assessments point to a significant and fairly universal problem with the lack of information and/or misunderstanding on the part of beneficiaries about the role and rules of the game of the social funds."	Knowledge of the social investment fund and its capabilities is required in order for social entrepreneurs and communities to be able to seek funding.	Lack of information about the social investment fund hinders potential investees from making themselves visible.	Knowledge of the social fund and its capabilities motivates social entrepreneurs to come forward, resulting in more investment options.
29	131) "These information gaps were closely associated with negative outcomes, including lower levels of participation and sustainability"	Knowledge of the social investment fund and its capabilities is required in order for social entrepreneurs and communities to be able to seek funding.	Lack of community knowledge about the social fund can constrain the investment universe, foregoing the opportunity to diversify the fund.	Community knowledge about the social fund allows for more investable opportunities to be identified and greater fund diversification.
29	132) "well over half of beneficiaries expressed	The sustainability of social projects depends on the	If a community is willing to pay, a revenue stream is	A community's willingness to pay for the goods and

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	their willingness to pay for better water, electricity, education, roads and health services."	community's willingness to pay for the goods and services being offered.	generated that allows the project to be sustainable, resulting ultimately in capital repayment.	services provided allows a project to generate revenue, which makes it more sustainable.
29	133) "For instance, in Zambia the strong presence of an 'external' intermediary (line ministries, churches, NGOs, etc.) tended to reduce the sense of community ownership."	Community involvement in social projects increases their sense of ownership.	Community-led initiatives are more likely to be taken seriously by the community, resulting in more sustainability.	A community's sense of ownership aids in making the project more sustainable.
29	134) "In addition, participation and transparency was relatively low in NGO-implemented projects (compared to beneficiary-implemented projects)."	Community-led projects motivate community participation due to a sense of ownership.	Community participation and patronage helps a project generate revenues, which make it more sustainable.	Community participation results in higher project revenues and better sustainability.
29	135) "NGO-implemented projects scored high on workmanship and accountability."	NGO-run projects have better workmanship.	Good workmanship encourages community to be more willing to pay, resulting in revenue and better sustainability.	Good workmanship on social projects motivates the community's willingness to pay, resulting in the project generating revenues and becoming more sustainable.
29	136) "NGO-implemented projects scored high on workmanship and accountability."	NGO-run projects have better accountability.	If the funds disbursed are used for what they were intended for, then more social investment actually takes place.	Accountability results in funds being used for what they were intended for, with more funds actually being deployed for social investment.
29	137) "Issues of location of project, community commitments, type and level of services, and optimal implementation arrangements are all better dealt with in discussion with community members."	Collaboration with the community is necessary for social investments.	Crucial input can be obtained from the community which determines the success of the project.	Collaboration with the community is necessary in order to make the project a success.
29	138) "In terms of supervision, formal mechanisms to incorporate beneficiaries (and not just committee members) into monitoring the execution of projects should be explored."	Post-investment supervision is required for all social investments.	Monitoring of investments increases the likelihood of identifying and addressing threats to the investment, resulting in better sustainability.	Post-investment supervision allows the investor to identify and address arising threats to the investment.
29	139) "For funds that have experimented with project committees and direct execution by beneficiaries, the increased relevance and	Working together with the community has a fundamental impact on the success of the project.	Community-led projects have better execution and buy-in, resulting in better sustainability.	Working with the community results in better project execution and community buy-in.

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	quality, improved transparency and local capacity-building effects of this experience have been confirmed across countries."			
29	140) "Many social funds are making moves away from isolated projects to embed their activities in the local context and coordinate with other local initiatives."	An integrated approach to social projects can build synergies with different social interventions.	Increased synergies with existing interventions improves the quality and sustainability of social investment.	Integrating with existing social interventions brings increased synergies, which improves the quality and sustainability of social investments.
30	141) The South African government prioritises the provision of housing, security, health care, and social services.	Government may be a source of funding for social projects involving housing, security, health care and social services.	A funding allocation from the government increases the amount of investment that is possible for social projects.	The government is an appropriate source of funding for social investment due to its mandate to increase access to social services.
30	142) "Getting these partnerships right, a common understanding of shared and complementary responsibilities between the public and private sectors, is really the bedrock of the social and economic development project."	Partnering with the government allows the private sector to address pressing social challenges.	Layering of funding from the private sector and the government allows for social investment deals to be more appropriately structured between grants and repayable finance if need be.	Partnering with the government allows for the layering of funds so that deals can be structured between a grant element and repayable finance if necessary.
30	143) "the whole universe of development and social advancement is characterized by exactly this problem: many well-meaning advisors, many unscrupulous opportunists; multiple rewards, multiple risks."	Not all social projects are desirable or sustainable.	Investing in the wrong types of projects will result in capital losses and threaten the sustainability of the social investment fund.	Social projects should be properly vetted for desirability and sustainability to protect the social fund against capital losses.
30	144) "the whole universe of development and social advancement is characterized by exactly this problem: many well-meaning advisors, many unscrupulous opportunists; multiple rewards, multiple risks."	Social projects carry the risk of funds being misappropriated by the recipients of the disbursement.	If funds are not used by recipients to provide goods and services to the poor, then no social investment occurs.	The risk of misappropriation of funds should be managed by properly vetting the integrity and track record of the recipients.
30	145) "the whole universe of development and social advancement is characterized by exactly this problem: many well-meaning advisors, many unscrupulous opportunists; multiple rewards, multiple risks."	Social enterprises carry a moderate to high level of risk.	High investment risk makes it more likely that the fund will suffer capital losses, which threatens the sustainability of the social investment fund.	The high risk of social investments makes it more likely that the fund's sustainability will be threatened by high capital losses.

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30	146) "a lot of what we have done in…steering a progressive course in social and economic development…is simply about sorting out good advice from bad, planning carefully and contracting with eyes wide open"	Not all social projects that need funding are good investments.	Investing in the wrong types of projects will result in capital losses and threaten the sustainability of the social investment fund.	Social projects should be properly vetted for desirability and sustainability to protect the social fund against capital losses.
30	147) "a lot of what we have done in…steering a progressive course in social and economic development…is simply about sorting out good advice from bad, planning carefully and contracting with eyes wide open"	As with any investment, careful due diligence should be conducted to ensure that the investment is appropriate and risks are managed appropriately.	Choosing appropriate deals and putting appropriate risk management mechanisms in place increases the likelihood of capital repayment.	Due diligence should be conducted to ensure that investment risk is managed, reducing the likelihood of capital losses.
30	148) "a lot of what we have done in…steering a progressive course in social and economic development…is simply about sorting out good advice from bad, planning carefully and contracting with eyes wide open"	Social investment deals should be formally documented, with contracts detailing each party's rights and obligations.	Proper contracts can increase the fund's chances of recovering capital.	Contracts detailing each party's rights and obligations are necessary in social investment deals to increase the fund's chances of recovering capital.
30	149) The South African government prioritises "Promoting opportunities for participation of marginalized communities in economic activity, and improving the quality of livelihoods of the poor"	The South African government's pro-poor mandate allows it to make investments to benefit the poor.	A funding allocation from the government would increase the amount of investment that is possible for social projects.	The government is a natural funder for social investments due to its mandate to provide social services to the poor.
30	150) The South African government prioritises "community services and human development"	The South African government's focus on community services and human development is the same as that of the social investment fund.	A funding allocation from the government would increase the amount of investment that is possible for social projects.	The South African government's focus on community services and human development makes it a natural funder for the social investment fund.
30	151) The South African government views investment in infrastructure and education and training as long term priorities.	Infrastructure and educational sectors are long-term priorities for social investment.	Increasing investment in infrastructure and educational sectors contributes towards social investment.	Investments in the infrastructure and educational sectors require a long-term commitment.
30	152) "All of these broad strategic policy challenges involve important kinds of cooperation and partnership between the public and private sectors."	Social investment requires partnering with government in tackling social challenges.	Increased funding from government results in more social investments being possible.	The government is an appropriate source of funding for social investment due to its mandate to increase access to social services.
30	153) "All of these broad strategic policy challenges	Social investment requires partnering with	Co-investing with the government allows for	Partnering with the government as a co-

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	involve important kinds of cooperation and partnership between the public and private sectors."	government in tackling social challenges.	deals to be structured between grants and repayable finance if need be.	investor allows for deals to be structured between a grant element and repayable finance if necessary.
30	154) "We have an active programme of formal contractual public-private partnerships"	PPPs can be used as a mechanism to access government funding for social investment.	Increased funding from government results in more social investments being possible.	The government is an appropriate source of funding for social investment due to its mandate to increase access to social services.
30	155) "We have an active programme of formal contractual public-private partnerships"	PPPs can be used as a mechanism to co-invest with government in social projects.	Co-investing with the government allows for deals to be structured between grants and repayable finance if need be.	Partnering with the government as a co-investor allows for deals to be structured between a grant element and repayable finance if necessary.
30	156) "Small-business development, housing finance, support for emerging farmers…and investment in social infrastructure will all…benefit from Financial Sector Charter commitments."	Various regulations and legislation compel South African corporates to dedicate a portion of their profits towards social investment.	Funding acquired from corporates under the various sector charters can result in more social investments being possible.	Corporates are another source of funding due to various sector charters requiring corporates to dedicate some of their profits towards social investment.
30	157) "it is the combination of targeted public spending and expanding market-based opportunities that opens real opportunities for accelerating the pace of social and economic development"	Partnering with the government as a funder allows the private sector to propel social and economic development.	Increased funding from government results in more social investments being possible.	The government is an appropriate source of funding for social investment due to its mandate to accelerate social and economic development.
30	158) "it is the combination of targeted public spending and expanding market-based opportunities that opens real opportunities for accelerating the pace of social and economic development"	Partnering with the government as a co-investor allows the private sector to propel social and economic development.	Co-investing with the government allows for deals to be structured between grants and repayable finance if need be.	Partnering with the government as a co-investor allows for deals to be structured between a grant element and repayable finance if necessary.
30	159) "I am deeply mindful that the quality and impact of this mobilization of capital…will be shaped by both private initiative and incentives, and the influence of government programmes and the regulatory environment."	Various government programmes can be used as a mechanism to access government funding for social investment.	Increased funding from government programmes results in more social investments being possible.	Government programmes targeting specific issues are a potential source of funding for social projects dealing with the same issues.

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30	160) "Our success in redressing our social and economic deficit will depend on this interface between public policy and private initiative"	Partnering with the government as a funder allows the private sector to drive social and economic development.	Increased funding from government results in more social investments being possible.	The government is an appropriate source of funding for social investment due to its mandate to pursue social and economic development.
30	161) "Our success in redressing our social and economic deficit will depend on this interface between public policy and private initiative"	Partnering with the government as a co-investor allows the private sector to drive social and economic development.	Co-investing with the government allows for deals to be structured between grants and repayable finance if need be.	Partnering with the government as a co-investor allows for deals to be structured between a grant element and repayable finance if necessary.
30	162) Private sector contribution is required in: agricultural development; housing and social infrastructure in townships and low-income communities; small business support; education and training; healthcare and social development services.	The wide range of social issues requires to the private sector to step in to assist the government.	Ability to invest in a wide range of issues increases the reach of the social investment fund.	A broad mandate to target a variety of social issues increases the reach of the fund, resulting in more investment being possible.
31	163) "Minister of Social Development…met with over 40 representatives of the corporate sector responsible for corporate social investment (CSI) programmes to explore various ways…to advance the developmental agenda in South Africa."	CSI programmes can be used as a mechanism to access corporate funding for social investment.	Increased funding from CSI programmes results in more social investments being possible.	CSI programmes targeting specific issues are a potential source of funding for social projects dealing with the same issues.
31	164) "Through this engagement, the Department [of Social Development] seeks to lobby the corporate sector to partner with us through their CSI"	Partnering with the government as a co-investor allows the private sector to drive social and economic development.	Co-investing with the government allows for risk-sharing, resulting in more social investment being possible.	Partnering with the government as a co-investor allows for risk-sharing, which allows the fund to take on more investments.
31	165) "Minister Dlamini highlighted that the corporate sector representatives that there is a need for collaboration, focusing on nodal areas where people are mostly poor and reliant on social assistance from the state."	Collaborating with the government allows the private sector to focus on providing goods and services to the poor, where they are most needed.	Co-investing with the government allows for risk-sharing, resulting in more social investment being possible.	Collaborating with the government as a co-investor allows for risk-sharing, which allows the fund to take on more investments.
31	166) "we need to enable short-term beneficiaries to become self-supporting	Social investment focuses on enterprise, rather than handouts.	The focus on enterprise results in a more sustainable outcome, as investments	A focus on enterprise, results in a more sustainable outcome

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	in the long run"		become self-sufficient and repay capital.	through capital repayment and recycling of funds.
31	167) "The Minister added that the corporate sector can make a huge contribution to both economic and social development of impoverished areas."	CSI funding, which does not require a return, can be used to invest in the economic and social development of poor communities.	Funding from CSI re results in more true social investments being possible due to its non-commercial nature.	CSI is a natural source of charitable capital to fund increased social investment.
31	168) "South Africa is still confronted by many developmental challenges that government alone cannot successfully address"	The magnitude of social investment required means that government funding alone is not enough.	Reliance on government only for social investment results in insufficient funds available to be deployed and underinvestment.	The government cannot fund the magnitude of required social investment alone, which has resulted in underinvestment.
31	169) "In addition to legislative mandate business South Africa has fully embraced the concept of social responsibility"	Various regulations and legislation compel South African corporates to dedicate a portion of their profits towards social investment.	Funding acquired from corporates under CSI requirements can result in more social investments being possible.	Legislation compelling corporates to engage in CSI facilitates social investment funded by corporates.
31	170) "A desk top review of the current patterns in development funding shows that business spent a large portion of the current CSI funding on education, health and community development initiatives."	CSI programmes, which can be used as a mechanism to access corporate funding for social investment, target a wide range of issues.	Being able to invest across a large variety of social issues increases the likelihood of attracting CSI funding for more social investment.	A broad fund mandate can attract different types of CSI funders who would normally invest in the same issues as the fund.
32	171) "At the initial stages, grant funding was essential to enable us to 'play in the sand box' without the risk of losing IP through early equity investments."	Early-stage social ventures require the appropriate type of funding in order to survive and grow.	Investing using the correct type of instruments helps social enterprises to survive and grow, ultimately resulting in capital return.	Investments made through the appropriate type of funding instrument help social enterprises to survive and grow, resulting in the ultimate return of capital.
32	172) "At the initial stages, grant funding was essential to enable us to 'play in the sand box' without the risk of losing IP through early equity investments."	Grants and equity are two types of funding instruments that can be used as options in social investment.	Deals can be appropriately structured to meet the social project's needs, helping with the sustainability of the project.	Grant or equity funding can be used as appropriate to each individual project's needs, which would help the enterprise to survive and grow.
32	173) "Sadly though, I feel most innovations in Africa are over-funded too early, which can be distracting."	Too much funding disbursed too early can be bad for a social enterprise.	Overfunding distracts the social entrepreneur's attention from the business, which can result in its failure.	Too much funding given too early distracts the social entrepreneur's attention from the business, which may result in its failure.
32	174) "Grant funding should be small and given in tranches based on performance to keep innovators focused and performance-driven."	The best way to disburse funding is in small tranches according to milestones.	Small cash injections based on milestones keeps social entrepreneurs focused on performance, which helps the enterprise to survive and grow.	Funding disbursed in small tranches based on milestones helps to keep the social entrepreneur focused on performance, which helps the venture to survive and grow.

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33	175) "[T]he initiative in this case came from the local people themselves…Njau is an advocate for such local solutions, which are invariably more sustainable."	Locally-produced solutions are more likely to get community buy-in and support.	Community buy-in and support helps the social enterprise to generate revenues and therefore become sustainable.	Locally-produced solutions encourage community buy-in and support, helping the enterprise to generate revenues and become sustainable.
34	176) "In the social impact space, it's generally accepted that the most successful projects are those that get community buy-in."	Community buy-in is needed in order for social projects to be successful.	Community support allows the social enterprise to generate revenues and become sustainable.	Community buy-in leads to the community supporting the social enterprise, which allows it to generate the revenues necessary for it to become sustainable.
34	177) "The first step was to make the project community-owned…This is done by working with the people who are most intimately involved with and targeted by the project. By understanding their needs and aspirations, you can translate them into a winning brand and communication strategy."	Community involvement in social projects allows the enterprise to strategise appropriately for that target market.	Providing goods and services that the community actually needs allows the social enterprise to generate revenues, which is necessary for sustainability.	A social enterprise with an appropriate strategy for the community being served will get more business from the community, which will help the enterprise to become sustainable.
34	178) "The community can be your worst enemy if you can't convince them it's right for [them]…residents need to see and feel the benefits if they're going to give a project their support.	Community buy-in is needed in order for social projects to be successful.	Community support allows the social enterprise to generate revenues and become sustainable.	Community buy-in leads to the community supporting the social enterprise, which allows it to generate the revenues necessary for it to become sustainable.
35	179) "That's why it's crucial to involve the target audience in design, piloting and marketing. They need to feel they "own" the innovation."	Community involvement in the social project is necessary in order to have a successful project.	A feeling of ownership encourages the community to support the project, allowing it to generate revenues and become sustainable.	Community involvement fosters a feeling of ownership, which results in the community supporting the social project, allowing it to generate the revenues necessary to become sustainable.
35	180) "Too many innovations also suffer due to political interference."	Government action can have far-reaching effects on social projects.	Political interference can result in a social project having to shut down.	Political interference from the government can affect the sustainability of social projects, and even force them to shut down.
35	181) "While a capable organisation with a competent leadership, focused strategy and enabling culture can uplift an innovation, an incompetent organisation can sink it."	Potential investments should be properly vetted to ensure that the leadership and strategy of the organisation can result in a successful investment.	Investing in organisations with competent leadership and good strategy reduces the likelihood of default and capital loss.	Proper vetting is required to ensure that the leadership and strategy of the social enterprise are appropriate, in order to reduce to likelihood of default.

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35	182) "LOANS. If the innovation is able to generate profits, then social investors may be persuaded to invest in the enterprise in order to get both a social and financial return."	Loans are an instrument that can be used to make social investments.	Deals which are more suited to debt may be advanced a loan, which would be the most appropriate investment for the project be successful.	Loans may be used for social investment deals more suited to debt, which would result in interest earned and capital repayment.
35	183) "LOANS. If the innovation is able to generate profits, then social investors may be persuaded to invest in the enterprise in order to get both a social and financial return."	Social enterprises that are making a profit may be able to take on loan financing.	Advancing loans to profit-making social enterprises results in capital being returns and interest earned, that can be recycled for further investment.	Loans may be advanced to profit-making social enterprises so that capital may be returned in time and interest earned, which can then be recycled.
35	184) "SALES. This is income-generation as per a traditional social enterprise model – both Reel Gardening and Shonaquip…sell their products to cover operating costs and subsidise other philanthropic work."	Investable projects must have a revenue stream to qualify as social enterprises.	Projects generating revenues are more likely to repay capital and become sustainable.	An investable social project must have a revenue stream in order to repay capital and to be sustainable.
35	185) "INVESTMENT. If the innovation is housed in a privately owned enterprise, then social investors may choose to purchase equity and fund the upscaling of the innovation in return for a share of profits."	Equity is an instrument that can be used to make social investments.	Deals which are not suited to debt may be given an equity injection, which would be the most appropriate investment for the project be successful.	Equity may be used for social investment deals not suited to debt, which would protect the sustainability of the project.
35	186) "Quality control is crucial to protecting the innovation's integrity and "brand"."	The products and services provided must be of good quality in order for the social enterprise to build up a good brand.	Good quality encourages the community to buy the goods and services on offer, resulting in revenue generation and better sustainability.	Good quality on social projects motivates the community's willingness to buy the goods or services, resulting in the project generating revenues and becoming more sustainable.
36	187) "To me, innovative finance means finding a sweet spot where traditional philanthropy and commercial investment can combine. For philanthropists, it provides an opportunity to increase sustainability by introducing financial return, which can be reinvested into more social development."	Social investments should be able to produce financial returns.	Financial returns from investments can be reinvested into more social projects.	Social investments should be able to produce financial returns, which can be reinvested into more social projects.
36	188) "The role of philanthropy involves an	Social investment involves high social risk, which	Reputational risk may deter investors from putting	The high social risk associated with some social

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	acceptance of social and financial risk…and independence from profit-making, shareholders and voters."	poses a reputational risk to the investor.	funds into contentious social projects.	projects may deter investors due to reputational risk.
36	189) "The role of philanthropy involves an acceptance of social and financial risk…and independence from profit-making, shareholders and voters."	Social investment involves a high amount of financial risk.	High financial risk increases the likelihood of capital losses, which would shrink the size of the social fund.	The high financial risk associated with social projects increases the likelihood of permanent loss of capital.
36	190) "The role of philanthropy involves an acceptance of social and financial risk…and independence from profit-making, shareholders and voters."	Social investment involves a high amount of financial risk.	High financial risk may deter investors who are seeking to protect capital from putting money into social investments.	The high financial risk associated with social investments may deter investors seeking to protect their capital.
36	191) "The role of philanthropy involves an acceptance of social and financial risk…and independence from profit-making, shareholders and voters."	Social investments do not seek to make a commercial financial return.	The absence of a need for commercial financial returns allows for low-return social projects to be invested in.	Investors should be willing to forgo commercial returns in order to be able to invest in most social projects, most of which are low-return.
37	192) "Commercial investors are reluctant to invest in early-stage innovations and entrepreneurships in Africa. Why? Because they're considered too risky."	Most early-stage social enterprise ventures are considered to carry high financial risk.	High financial risk may deter investors who are seeking to protect capital from putting money into social investments.	The high financial risk associated with most early-stage social ventures may deter investors seeking to protect their capital.
37	193) "It's a risky business and many of the projects we support are unlikely to achieve scale or financial sustainability."	Many early-stage social ventures will not achieve financial sustainability.	Investments that do not achieve financial sustainability cannot repay capital, which shrinks the size of the social fund.	A common outcome is that many early-stage social ventures do not achieve financial sustainability, which results in permanent capital loss.
37	194) "Some of these even have the potential to become financially sustainable, removing the on-going reliance on aid that often leads projects to peter out at the end of a funding cycle."	Projects that achieve financial sustainability live on beyond the funding cycle, and require no further aid.	A self-sustaining project can repay capital, which can then be reinvested in other social projects.	Achieving financial sustainability allows a projects to live on without further aid, which allows capital to be repaid and reused in other social projects.
37	195) "Few investors will come in at the critical early stages from ideation to prototype and, sometimes, beyond. While they're willing to take some risks, they're seldom ready to	Most early-stage social ventures are considered to carry very high financial risk.	Very high financial risk deters many investors, who are seeking to protect capital, from putting money into social ventures.	The very high financial risk associated with early-stage social ventures deters traditional investors.

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	take a leap of faith before being confident in their investment."			
37	196) "While they're willing to take some risks, they're seldom ready to take a leap of faith before being confident in their investment. And, for social entrepreneurships…this can take a good deal of time."	Social investment often involves the provision of patient capital to social enterprises.	Patient capital gives social enterprises the time and guidance needed to succeed, increasing the likelihood of capital repayment and recycling of funds.	Providing patient capital to social enterprises gives them the time and guidance needed to succeed, increasing the likelihood of capital repayment and recycling of funds.
37	197) "Firstly, in many [African] countries, the policy environment, high costs and poor infrastructure minimise the likelihood of a project's success."	Unsupportive policy, high costs and poor infrastructure often hinder the success of social projects.	Social projects that do not succeed are likely to default, resulting in loss of capital to the social fund.	Unsupportive policy, high costs and poor infrastructure often hinder project success, resulting in default and permanent capital loss.
37	198) "So investors entering this space need to adopt new investment models and shift their expectations in terms of returns on investment."	Social investments do not seek to make a commercial financial return.	The absence of a need for commercial financial returns allows for low-return social projects to be invested in.	Investors should be willing to make low returns in order to be able to invest in most social projects.
37	199) "While we are happy to make high-risk grants, we do take a portfolio approach, so the risk is managed across lots of different grants.	Counterparty limits protect the social fund against large losses.	Counterparty limits spread the risk of default between numerous investments, protecting the sustainability of the portfolio.	Counterparty limits minimise the impact of a default on the portfolio, resulting in more capital being preserved to invest in future social investments.
37	200) "It isn't easy for projects to become financially sustainable in the social space, but a number of models are beginning to emerge."	Many social projects do not achieve financial sustainability.	Investments that do not achieve financial sustainability cannot repay capital, which shrinks the size of the social fund.	Many social projects do not achieve financial sustainability, which results in permanent capital loss.
37	201) "Some work by charging end-users…while others are exploring "freemium" models…There are organisations that generate income through advertising, chargeable services like consulting, data-mining and analysis"	Various revenue generation models can be used by social enterprises, such as user-pay, freemium, advertising, consulting or data-mining, to name a few.	Revenue generation helps social enterprises to become sustainable, resulting in possible returns and capital repayment.	Various revenue generation models such as user-pay, freemium, advertising, consulting or data-mining can be used by a social enterprise in order to become sustainable.
37	202) "The organisation needs to work well. Grantees need to be transparent and open about their work. Ideally their solutions should be sustainable, replicable	Social enterprises must be transparent, sustainable, and scalable and have low operating costs.	Social enterprises that work well are more likely to achieve sustainability and repay capital.	Social enterprises that are transparent, sustainable, and scalable and have low operating costs are more likely to achieve sustainability.

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	and/or scalable, with low operating costs."			
37	203) "we so often find that it is a passionate individual who drives a team and a project forward. Success can truly follow someone who understands the sector or local context and is dedicated to the cause. In many ways, the investment is in the person and not just the project they create."	The social entrepreneurs should be vetted to ensure that they have the passion, knowledge and capability to successfully run the project.	Good management is more likely to result in project success and the project achieving sustainability and repaying capital.	Social entrepreneurs with the right passion, knowledge and capability are more likely to run a project successfully, resulting in its sustainability.
38	204) "Recycling provides flexibility and greater access to capital and effectively increases the size of the fund."	Recycling provides greater flexibility and access to capital by locking funds up within the portfolio.	The increased size of the fund means that more capital is available to deploy in social investments.	Recycling of funds increases the size of the portfolio and allows more capital to be deployed in social investments.
38	205) "Some investors are sensitive to recycling and may seek to limit its use. They may prefer to pocket returns rather than put their capital at additional risk."	Overly risk-averse and return-seeking investors limit the use of recycling in the portfolio.	Disallowing the recycling of funds curtails the amount of social investment that can be made due to a smaller fund size.	Risk-averse and return-seeking investors are not inclined to allow the recycling of funds, which would result in a smaller size portfolio.
38	206) "recycling: it enables a manager that successfully realizes early returns to deploy capital throughout the investment period, maximize the number of investments the fund makes, and potentially generate greater net returns."	Recycling prolongs the life of the social investment fund.	An evergreen fund is able to make more investments over in the long-term.	Recycling allows the social investment fund to be an evergreen fund that can continue to make investments in the long-term.
38	207) "recycling: it enables a manager that successfully realizes early returns to deploy capital throughout the investment period, maximize the number of investments the fund makes, and potentially generate greater net returns."	Recycling increases both the life and the size of the social investment fund.	A long-lived and growing fund can make more and more social investments over time.	Recycling increases both the life and size of the social fund, allowing more and more investments to be made over time.
38	208) "recycling: it enables a manager that successfully realizes early returns to deploy capital throughout the investment period, maximize the number of investments the fund makes, and potentially generate greater net returns."	Recycling allows the social fund to generate better net returns by using gains from one investment to cover the losses in another.	The portfolio effect of gains covering losses allows for more of the original capital to be preserved, protecting the sustainability of the fund.	Recycling allows the social fund to retain gains from one investment to cover losses from another, which preserves the original capital and protects the sustainability of the fund.

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38	209) Recycling allows the fund manager to retain and reinvest proceeds (both capital and gains).	Recycling allows for both capital repayments and investment gains to be ploughed back into the fund.	A growing fund can make more and more investments over time.	Recycling allows for both capital repayments and gains to be ploughed back into the fund, resulting in more investment over time.
39	210) The social investment process involves the following steps: deal screening, due diligence, deal structuring, investment management and exit.	The investment process consists of the steps of deal screening, due diligence, deal structuring, investment management and exit.	Following an appropriate investment process mitigates the risk of capital loss, ensuring the sustainability of the social fund.	The investment process consisting of deal screening, due diligence, deal structuring, investment management and exit mitigates the risk of capital loss from investments.
39	211) "The VPO chooses the investment focus in terms of sectors and geographies it serves. Challenges arise if the investment focus becomes a limitation. This happens when there is not enough deal flow, either in the geographical area of intervention chosen or in the sector targeted."	A broad investment focus in terms of geographies and sectors allows the social fund to have a wide choice of investments it can make.	Being flexible with regards to geography and sector enables the social fund to be able to make more investments to meet a multitude of social needs.	A broad investment focus in terms of geographies and sectors enables the social fund to make more investments to meet a multitude of social needs.
39	212) "It is important to stay flexible and adapt or change the investment model when needed."	The social context and social needs for social investment are constantly changing.	Being flexible and able to adapt allows the social fund to stay relevant by being able to meet evolving social needs.	The constantly changing social needs require the social fund to be able to adapt in order to be able to keep meeting these needs.
39	213) "Stronger focus on a specific social sector or thematic areas can generate and demonstrate more impact. This logic is based on lessons learned from past mistakes and from experimentation"	Social funds that focus on a specific social area have the advantage of specialized experience and skills.	Specialist knowledge of sector helps the fund to make appropriate investments that are less likely to result in capital loss.	Social funds that are focused on a specific social areas have the benefit of past experience, which helps them to make better investments.
39	214) "As part of their investment strategy, VPOs choose the type of SPO they want to finance in terms of organisational structure and stage of development."	The investment universe dictates the type of counterparties invested in and investees' stage of development.	A broadly defined investment universe allows the social fund to invest in a counterparties across a range of legal structures and stages of development.	The investment universe should be broadly defined in order to give the social fund more choice among investable deals.
39	215) "When starting to experiment with VP, using debt is a good funding solution: convertible loans can be used instead of equity to avoid costly valuations."	Debt in the form of convertible loans is a good form of funding for social investments.	Convertible debt can be repaid and the funds recycled, or converted into equity to keep the investee viable and mitigate the risk of default.	Convertible debt is a flexible form of finance that can be repaid and the funds recycled, or converted to help the investee remain viable, thereby mitigating the risk of complete capital loss.
39	216) "Often VPOs decide to co-invest with other	Co-investing is one way to mitigate the risk of a single	Being a co-investor means that the social fund has a	Co-investing allows the fund to mitigate risk by

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	funders to provide the SPO with additional funding, promote VP activities among a wider audience and spread the risk."	investment by spreading the risk.	smaller exposure and therefore a smaller loss in the event of a default.	spreading it among different investors, minimizing the fund's loss in the event of a default.
39	217) "To avoid failure the VPO has to be close to the investee, for example by co-investing with someone with local presence."	The screening of a potential investment takes into account the investee's geographic location relative to the investor.	Being close to the investee allows the investor to monitor the investee for signs of trouble and take steps to mitigate loss should the need arise.	At the screening stage, the investee's location should be considered as this has implications for how well the fund manager can monitor the investee for signs of trouble.
39	218) "To avoid failure the VPO has to be close to the investee, for example by co-investing with someone with local presence."	Co-investing with someone who is geographically close to mitigates the risk of the investee being far away.	Being close to the investee allows the investor to monitor the investee for signs of trouble and take steps to mitigate loss should the need arise.	Co-investing with locally based partners allows the social fund to invest across a larger geographic area.
39	219) "Building strong and close partnerships with investees is a key risk mitigation strategy as it allows the VPO to monitor how the investee is progressing and identify early on where further support is needed."	Providing non-financial assistance helps the investor to monitor the investee and identify areas where support is needed.	Keeping a close relationship with the investee allows the investor to monitor the investee for signs of trouble and take supportive steps to mitigate risk of default.	Non-financial support involves building a close partnership with the invest, which allows the social fund manager to monitor the investee and identify areas for support early to mitigate the risk of default.
39	220) "The so-called execution risk is embedded in each investment made by the VPO and in each of the steps of the investment process: deal screening, due diligence, deal structuring, investment management and exit."	Execution risk arises during each of the steps of the investment process.	If execution risk if not properly mitigated, it can lead to deal failure and capital loss.	Execution risk should be mitigated by properly following each step of the investment process in order to mitigate the risk of deal failure.
39	221) "In the experience of the VPOs interviewed, deal screening and selection failed for five main reasons: the SPO had a high product/service risk, the VPO did not understand the sector, the VPO invested too quickly or invested to fill quotas, it could not add strategic value, or finally because the SPO was not ready for the VP approach"	The investment screening process can fail if the social enterprise carries too high a risk.	Very high risk investments are likely to result in capital loss, which shrinks the social fund and can compromise its sustainability.	The level of risk of a potential investment should be well-understood during the investment screening process in order to screen out high risk, non-viable investments that will inevitably lead to capital loss.
39	222) "In the experience of the VPOs interviewed, deal screening and selection failed for five main	The investment screening process can fail if the fund manager does not properly understand the sector.	Lack of sector understanding leaves the fund manager blind to certain risks, which if left	The sector of an investment should be well-understood during the investment screening process in order

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	reasons: the SPO had a high product/service risk, the VPO did not understand the sector, the VPO invested too quickly or invested to fill quotas, it could not add strategic value, or finally because the SPO was not ready for the VP approach"		unmitigated can result in capital loss.	to identify and mitigate important risks.
39	223) "In the experience of the VPOs interviewed, deal screening and selection failed for five main reasons: the SPO had a high product/service risk, the VPO did not understand the sector, the VPO invested too quickly or invested to fill quotas, it could not add strategic value, or finally because the SPO was not ready for the VP approach"	The investment screening process can fail if the fund manager is impatient to invest.	A rushed or forced investment process may fail to pick up on or ignore important risks, resulting in capital loss.	The fund manager should take the necessary amount of time to thoroughly screen each investment and consider its risks, in order to mitigate the risk of loss.
39	224) "In the experience of the VPOs interviewed, deal screening and selection failed for five main reasons: the SPO had a high product/service risk, the VPO did not understand the sector, the VPO invested too quickly or invested to fill quotas, it could not add strategic value, or finally because the SPO was not ready for the VP approach"	The investment screening process can fail if the fund manager is unable to provide appropriate non-financial support to the investee.	If the fund manager does not provide the necessary non-financial support for an investee that gets into trouble, the investee is likely to default, resulting in capital loss.	The fund manager should take into account her ability to provide non-financial support to an investee at the screening stage, as this is an important factor in mitigating the risk of default should the investee become troubled.
39	225) "In the experience of the VPOs interviewed, deal screening and selection failed for five main reasons: the SPO had a high product/service risk, the VPO did not understand the sector, the VPO invested too quickly or invested to fill quotas, it could not add strategic value, or finally because the SPO was not ready for the VP approach"	The investment screening process can fail if the social enterprise was not investment-ready.	Investing too early in an enterprise that is not ready for outside investment is highly likely to result in a default and capital loss.	The fund manager should consider the investment-readiness of a potential investment in order to mitigate the risk of a loss arising from investing too early.
39	226) "A risk mitigation strategy is to make pilot	Small pilot investments can be used to test the viability	Risking only a small amount upfront allows the fund to avoid capital loss	Small pilot investments used to test the viability of a project can help the

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	investments before putting more capital in."	of an investment before committing more capital.	should it turn out that the investment was not viable.	social fund to avoid larger losses where it turns out that the project was not viable.
39	227) "Investments can fail if the VPO does not conduct sufficient due diligence on the investee's governance (and in particular on the board), on the management team and on the market."	An investment can fail if the fund manager does not conduct sufficient due diligence on the investee's governance.	Lack of good governance is a business risk that can threaten the viability of the business and cause capital loss to the social fund.	Proper due diligence should be conducted on the potential investee's governance in order to identify and mitigate the business risk.
39	228) "Investments can fail if the VPO does not conduct sufficient due diligence on the investee's governance (and in particular on the board), on the management team and on the market."	An investment can fail if the fund manager does not conduct sufficient due diligence on the investee's management team.	A management team with a good track record is more likely to run a successful enterprise and repay capital, which can then be recycled.	Proper due diligence should be conducted on the potential investee's management team to identify and mitigate any risks.
39	229) "Investments can fail if the VPO does not conduct sufficient due diligence on the investee's governance (and in particular on the board), on the management team and on the market."	An investment can fail if the fund manager does not conduct sufficient due diligence on the investee's market.	In order for the social enterprise to be viable – and be able to repay capital – there must be an identifiable and large enough market for its products or services.	Proper due diligence should be conducted on the potential investee's market prospects to determine whether or not the investment is viable.
39	230) "Investment can fail because of issues in deal structuring for a number of reasons. First, the VPO might not have been realistic about risks and did not protect itself from such risks."	Deal structuring allows the social fund to protect itself against risks identified earlier in the investment process.	An inappropriately structured deal may fail to protect the fund against risks, resulting in capital loss.	Deals should be appropriately structured to protect the social fund against risks arising from the investment.
39	231) "Second, the VPO could overemphasise the appeal of a project and invest at too high valuation. VPOs admit that they have been too optimistic about some geographies and sectors that then turned out to be difficult, so they stressed that trying to be always realistic is the key to success.'	The decision to invest should be backed up by realistic assumptions about the project.	Overly optimistic assumptions result in overinvestment, which increases the likelihood and magnitude of capital losses.	The investment decision should be based on realistic assumptions to ensure that an appropriate amount is invested with appropriate conditions to protect the social fund against capital losses.
39	232) "VPOs have failed at investment management because they did not monitor the investee's work and consequently the	By monitoring the investee's activities, the fund manager can ensure that the money is deployed for its intended social purpose.	If the funds given to an enterprise are diverted towards other uses not within its social mission, this reduces the actual	The fund manager should monitor the investee's activities to ensure that the funds are not diverted to other uses not within its social mission.

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	SPO strayed from objectives."		social investment achieved by the social fund.	
39	233) "The last step in the investment process is the exit…a big challenge is defining the right timing of an exit."	Exiting an investment should be planned in advance and appropriately timed.	An inappropriately conducted exit can actually destroy social value if done at the wrong time or in the wrong way.	The investment exit should be planned and appropriately timed so as to ensure that social value creation continues after the investment is concluded.
39	234) Recycled returns on investments are one source of funding for VPOs (venture philanthropy organisations).	Social investments require initial and ongoing funding, of which recycled returns is a source.	Increased funding endogenously generated by reinvesting capital and returns grows the size of the fund and allows it to make more investments.	Recycled investment returns are a source of funding that can be used to grow the size of the social fund.
39	235) Recycled returns on investments are one source of funding for VPOs (venture philanthropy organisations).	Social investments require high-risk funding that can be put at risk, of which recycled returns is a source.	Increased risk capital available to the social fund allows it to make many investments that traditional impact investors deem too risk.	Recycled investment returns are a source of high-risk capital, which can be used to make investments that most traditional impact investors deem too risky.
39	236) "NESsT has begun to introduce financing instruments other than grants, e.g. Infrastructure and growth loans, working capital loans and recoverable grants that are repaid once milestones are reach(ed). Such funds will help the portfolio to begin the growing process…while also recycling funds back to NESsT."	Repayable finance, such as loans and recoverable grants, extended to social enterprises facilitates the recycling of capital within the social fund.	Once the financing is repaid by the investee, the funds can be redeployed in other investments, increasing the overall social investment attained over time.	The use of repayable finance in social investment facilitates the recycling of capital within the social fund, which allows the fund to grow in size.
39	237) Finding ways to recycle capital helps to avoid failures related to organisational risks stemming from the funding model of the VPO.	The social fund requires ongoing funding, of which recycled returns is a key source.	A consistent flow of funding into the social fund helps to cover losses and make new investments, keeping the fund sustainable.	Recycled investment returns are a source of ongoing funding that can be used to cover losses and protect the sustainability of the social fund.
39	238) "Mistakes can be made at any point in the investment process… Such mistakes may result in failed investments or sub-optimal outcomes of the investments."	Failure to properly follow the investment process may result in failed investments.	Investment failure results in capital loss, which shrinks the size of the social fund.	Mistakes made in the investment process may result in failed investments, which cause capital loss and shrink the social fund.
39	239) "Mistakes can be made at any point in the investment process… Such mistakes may result in failed investments or sub-	Failure to properly follow the investment process may result in sub-optimal investments.	Sup-optimal investments present an opportunity cost in that the funding could have been used in another investment to achieve a better social impact.	Mistakes made in the investment process may result in sup-optimal investments, where the funding could have been used in another investment

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	optimal outcomes of the investments."			to achieve a better social impact.
39	240) The investment process requires people from diverse professional backgrounds from the private and social sector.	The investment process for social enterprises requires people with private and social sector experience.	Having a balanced team allows the fund manager to identify all relevant risks and take appropriate steps to mitigate them, resulting in the ultimate capital protection.	Both private and social sector experience is required in the investment process in order to identify and deal appropriately with investment risks.
39	241) "VPOs need to define the geographical scope of their activities."	The geographical area covered by the social fund has implications for the depth of due diligence and investee monitoring that can be achieved.	A larger geographic makes it difficult to conduct thorough due diligence and post-investment monitoring on all investments, which raises the risk of capital loss.	The larger the geographic area in which the social fund invests, the less possible it is to conduct thorough due diligence and post-investment monitoring, raising the risk of capital loss.
39	242) "Having a broad-based portfolio allows a start-up VPO to appeal to a wide variety of stakeholders."	A broad investment focus in terms of sector may attract a wide variety of funders.	A wider variety of funders allows for more initial funding to be raised to capitalize the social fund.	A broad investment sector focus may attract a wide variety of funders to capitalize the social fund, which would result in a larger fund size.
39	243) "Having a broad-based portfolio allows a start-up VPO to appeal to a wide variety of stakeholders."	A broad investment focus in terms of sector will qualify a wide variety of investees for consideration for funding.	A wider variety of potential investees improves the choice of the fund, which allows more quality deals to be chosen.	A broad investment sector focus qualifies a wide variety of investees, which improves the choice of the social fund and allows for more quality deals to be picked.
39	244) "Having a broad-based portfolio allows a start-up VPO to appeal to a wide variety of stakeholders."	A broad investment focus in terms of sector will qualify a wide variety of investees for consideration for funding.	A wider variety of potential investees improves the diversification of the fund, which may protect the portfolio against concentration risk.	A broad investment sector focus qualifies a wide variety of investees, which improves the diversification of the social fund.
39	245) "As the VP industry becomes more established, many VPOs have started to focus on one or several social sectors, recognising the importance of sector-specific knowledge to better assist their investees and to leverage the VPO's resources."	Sector-specific knowledge helps the fund manager to better assist investees in terms of non-financial support.	The provision of appropriate non-financial support to investees may help them to become sustainable, which allows them to repay capital to the social fund.	Sector-specific knowledge helps the fund manager to provide appropriate non-financial support to help investees become sustainable.
39	246) "As the VP industry becomes more established, many VPOs have started to focus on one or several social sectors, recognising the importance of sector-specific knowledge to better assist their investees and to leverage the VPO's	Sector-specific knowledge allows the fund manager to be more efficient at investments within that sector.	Knowledge of a sector helps the social fund to make more rapid and appropriate investment decisions, resulting in a greater quantum and quality of investments.	Sector-specific knowledge increases the efficiency of the social fund through a greater quantum and quality of investments made.

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	resources."			
39	247) "Economic and social development, education, research, health and culture and recreation are the sectors that have received most attention by European VPOs in the past year."	Social investment areas include economic and social development, education, research, health, culture and recreation.	The social fund should focus on social and economic development areas that are lacking in funding in order to increase the level of social investment.	Social investment areas such as economic and social development, education, research, health, culture and recreation which are typically underinvested are candidates for the social fund.
39	248) "First, the funding model can pose challenges, especially when it comes to the financial sustainability of those VPOs that do not have an endowment and thus have to count on fundraising to find enough and sustainable funding."	Having an endowment mitigates the funding challenges faced by a social fund.	An endowment structure can provide a regular flow of income that can be used to make more social investments without relying on further fundraising.	Using an endowment structure provides a regular income stream within the overall social fund, that can be used to make more and more social investments over time.
39	249) Income from its own endowment or trust is one source of funding for VPOs (venture philanthropy organisations).	A social fund can have its own endowment that provides it with another source of income.	A regular income source allows the social fund to make more and more investments over time.	An endowment can provide be a regular source of income for the social fund, allowing it to make more investments without requiring further external funding.
39	250) The elements of the investment strategy, which is implemented using the investment process are: investment focus, models of intervention, type of SPO (social purpose organization), financing instruments, co-investment policy and non-financial support	The investment strategy is implemented using the investment process and is made up the investment focus, models of intervention, type of organisations funded, financing instruments, co-investment policy and non-financial support given.	An appropriate investment strategy works as a risk management tool to mitigate the risk of capital loss from investments, allowing capital to be repaid and recycled into further investments.	The investment strategy – consisting of the investment focus, models of intervention, type of organisations funded, financing instruments, co-investment policy and non-financial support – works as a risk management tool which mitigates the risk of capital loss arising from making inappropriate investments.

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Appendix B: Affinity Diagram

The depiction below illustrates how the propositions from cycle 1 were grouped into their initial categories using an affinity diagram. Due to the large amount of data involved it is not possible to include the same for cycles 2 to 4 in a readable format. The researcher trusts that this illustration is sufficient to give evidence as to the veracity of the claims made.

Type of funding provided	Portfolio mgt	Investment process	Sources of funding	Broad mandate/ Investment universe	Risk/return profile	Hybrid model	Sustainable investments
A loan, equity investment or guarantee can be selected as appropriate for each case, which can increase the level of true social investment.	Diversification across sectors protects the portfolio against excessive losses, resulting in more true social investments that can be made over time.	Monitoring and support is necessary to protect investment capital, resulting in an increased level of true social investment in the long-run.	CSI in South Africa is a natural source of charitable capital to fund increased true social investment.	Investing in enterprises that serve the poor increases the level of true social investment.	Traditional investors do not have the risk appetite invest in early stage projects without a track record, which precludes many true social investments.	A hybrid business model focused on social and financial returns creates sustainable financial flows that result in increased true social investment over time.	Investing in social businesses that become self-supporting allows for increased true social investment over time through the recycling of repaid capital.
Using grants and programme-related investments as complements provides more options through which the level of true social investment can be increased.	Reinvestment of capital and investment gains is required to be able to increase the level of true social investment over time.	Changes to the manner in which grant funding is disbursed can result in a sustained increase in true social investment.	PRIs focus on areas where private markets have failed to meet the needs of the poor for essential goods and services, resulting in increased true social investment.	Investments in appropriate for-profit or nonprofit organisations can increase the level of true social investment.	Traditional impact investors' risk aversion precludes them from investing in true social investments.	A cross-subsidisation model creates a viable fund structure through which true social investment can be increased.	Investing money in investments that can become self-sustaining and repay the capital, results in more true social investment through the recycling of funds.
Low-interest loans are one instrument that can be utilized to drive the level of true social investment.	Inflation diminishes the real value of capital, resulting in less real money being available to invest in future true social investments.	Proper due diligence conducted on an investment's social and financial prospects results in a higher likelihood of capital repayment and increased true social investment in the long-run.	Funds from charities and governments are best suited to increased true social investment.	Being able to invest in social enterprises that address a wide array of socio-economic problems increases the reach of the investment fund, thereby increasing the level of true social investment that can be attained.	Investing into social projects with high risk and low returns increases the level of true social investment.	If part of the investment fund targets high returns, more cash will be generated to invest into true social investments.	When the social projects invested in become self-sufficient, they are able to repay the capital, resulting in increased true social investment through the recycling of funds.

Type of funding provided	Portfolio mgt	Investment process	Sources of funding	Broad mandate/ Investment universe	Risk/return profile	Hybrid model	Sustainable investments
The capital protection that arises from proper structuring of deals allows for more true social investment to be made in the long-run.	Reinvestment risk in the true social investment fund may result in less money being generated for new true social investments.	If investments are evaluated both qualitatively and quantitatively, this will result in better utilization of funds and more true social investment in the long-run.	Foundations and the public sector are suitable sources of finance for increasing the level of true social investments.	The diverse investable sectors increase the reach of the true social investment fund, thereby increasing the level of true social investment that can be attained.	True social investments offer low financial returns but high social benefits, which deters most funders.	Overhead costs must be minimized in order for the investment vehicle to maximise true social investment.	Investing in social enterprises that become self-supporting allows for increased true social investment over time through the recycling of repaid capital.
True social investment involves investing soft capital into promising social enterprises, the availability of which increases the level of true social investment that can be attained.	Reinvestment of capital and returns is a crucial element of the true social investment fund, as it allows for the true social investment fund to grow, increasing the amount of money that can be disbursed in future.	A focus on enterprise, rather than handouts, results in a more sustainable outcome for beneficiaries and for the level of true social investment, through capital repayment and recycling of funds.	Aid agencies cannot be relied on as an indefinite source of funding for true social investments, as they are withdrawing funding from South Africa.	The ability to invest in a range of sectors increases the reach of the investment fund, thereby increasing the level of true social investment that can be attained.	Investing into areas where the risk of capital loss is high increases the level of true social investment.	A part of the fund may target traditional SRI investments whose benefits trickle down to poor communities, which also contributes towards true social investment.	Providing initial risk capital to sustainable social enterprises generates a greater social impact and a return of capital, resulting in a higher level of true social investment in the long-run.
A focus on providing repayable finance to charities and social enterprises results in increased true social investment over time through the recycling of funds.	Diversification protects the investment portfolio against excessive losses, which increases the level of true social investment that can be attained.	By focusing on handouts instead of enterprise, charities create dependency which restricts true social investment into new projects in future.	By bridging the gap between commercial investment and development aid, DFIs are an appropriate funding source for true social investments.	The large number of developmental areas that can be invested in increases the reach of the investment fund and the level of true social investment that can be attained.	Impact investing which requires a market-related rate of return results in underinvestment in true social investments.	A cross-subsidisation model creates a self-sustaining fund structure, which results in more money being invested into true social investments in the long-run.	
Investment such as loans and equity are more likely to result in capital being returned, as opposed to grants, which increases the level of true social investment that can be attained.	As opposed to traditional grant giving, the PRI model allows for some capital to be returned and reinvested, resulting in increased true social investment in the long-run.	Charity as is currently done is wasteful, resulting in less true social investment in the long-run.	DFIs should be targeted as a natural source of funding in order to increase true social investment.	A true social investment fund should address a wide variety of social concerns, which increases the reach of the fund and results in increased true social investment.	Traditional impact investors' financial return hurdles preclude them from investing in true social investments.	A part of the fund may target traditional SRI investments, whose stable returns can provide continuous funding which increases the level of true social	

Type of funding provided	Portfolio mgt	Investment process	Sources of funding	Broad mandate/ Investment universe	Risk/return profile	Hybrid model	Sustainable investments
						investment over time.	
Commercial structuring principles, such as secured loans, increase the likelihood of recovering the capital invested, thereby allowing for more true social investment in the long-run.	The recycling of funds increases the level of true social investment in the long-run.	Taking into account both goodwill and the business case for investments can increase the level of true social investment that can be attained.	Charity and aid from international donors are appropriate sources of funding to increase true social investment.	Targeting investments into social enterprises increases the level of true social investment.	Investing into social projects with high risk and low returns increases the level of true social investment.	A part of the fund may target traditional SRI investments which are more stable and carry less risk, whose stable returns can provide continuous funding which increases the level of true social investment over time.	
Providing patient capital to social enterprises gives them time and guidance to succeed, increasing the likelihood of capital repayment and recycling of funds in other true social investments.	Diversification across investments of varying risk gives flexibility to the true social investment portfolio to manage risk, resulting in a sustainable portfolio and increased true social investment.	The negative outcomes from the focus of charity on predominantly handouts instead of enterprise provides a disincentive for funders to invest more in true social investments.	Large foundations should be a key source of funding in order to increase the level of true social investment.	The ability to invest in a range of sectors increases the reach of the investment fund, thereby increasing the level of true social investment that can be attained.	True social investments are inherently risky, which deters traditional investors and results in underinvestment.	A part of the fund may target traditional SRI investments, whose market-related returns can be used to fund increased true social investment.	
The use of debt, equity and quasi-equity as instruments for true social investment helps to address risk appropriately, resulting in capital preservation and increased true social investment in the long-run.	Default risk threatens the capital and sustainability of the fund, as defaults reduce the ability of the fund to make future true social investments.	Commercial investment analysis and management skills prevent capital loss, which increases the level of true social investment that is attainable.	Pension funds, due to their requirement to make market-related returns, contribute to the underinvestment in true social investments.	Underfunded, underserved social areas that would otherwise have not been funded by private capital should be a key focus in order to increase the level of true social investment.	The nature of true social investments restricts funders from extracting maximum financial returns, which deters many funders from investing in this space.		

Type of funding provided	Portfolio mgt	Investment process	Sources of funding	Broad mandate/ Investment universe	Risk/return profile	Hybrid model	Sustainable investments
Grants, equity investments, loans or guarantees can be selected as appropriate to the risk for each case, which can increase the level of true social investment.	Sector and counterparty exposure limits protect the investment portfolio against losses, which increases the level of true social investment that can be attained.	Proper due diligence conducted on an investment's social and financial prospects should result in maximum social impact and a realization of the expected return, resulting in maximum true social investment in the long-run.	Traditional impact investors claim to, but do not, invest in true social investments, resulting in continued underinvestment.	A focus on the provision of basic services and infrastructure development in South Africa increases true social investment.	Low returns offered by true social investments deter funding from investors seeking high returns.		
Using loans instead of grants to fund social enterprises promotes productivity and self-sufficiency, which results in capital repayment and increased true social investment in the long-run.	Inflation-linked bonds can be used to protect the real value of the fund's capital, resulting in more real money being available to invest in future true social investments.	Traditional charity and aid has been disbursed in an unsustainable manner, resulting in declining true social investment over time.	DFIs are a natural source of funding in order to increase true social investment.	The ability to invest in a range of sectors increases the reach of the investment fund, thereby increasing the level of true social investment that can be attained.			
	Issuer-type diversification minimizes the default risk in the portfolio, resulting in more capital being preserved to invest in future true social investments.	Due diligence on individual investments allows the fund to manage the risk of capital loss, thereby increasing the level of true social investment that can be attained.	PRIs from foundations are a source of funding suited for increasing the amount of true social investment.	Investing in woman-run businesses, through capital return and the recycling of funds, leads to increased true social investment in the long-run.			
	The use of credit concentration limits minimizes the impact of a default on the portfolio, resulting in more capital being preserved to invest in future true social investments.	A focus on both social and financial returns increases the likelihood of making investments that can repay the capital, resulting in increased true social investment over time through the	Philanthropy and development aid deployed in a sustainable manner results in increased true social investment in the long-run.	The large number of developmental sectors that can be invested in increases the reach of the investment fund and the level of true social investment that can be attained.			

Type of funding provided	Portfolio mgt	Investment process	Sources of funding	Broad mandate/ Investment universe	Risk/return profile	Hybrid model	Sustainable investments
		recycling of funds.					
	Higher credit ratings protect the fund against capital losses, which results in increase true social investment in future.	Free money from charity hampers the level of true social investment that can be attained, as it does not result in returns and capital repayment.	Grant funding can be used to increase the level of true social investment.	Investments such as delivering supplies to poor communities and building schools increase the level of true social investment.			
				The ability to invest in a range social enterprises that address different socio-economic issues increases the reach of the investment fund, thereby increasing the level of true social investment that can be attained.			

Table 7: Cycle 1 affinity diagram

Appendix C: Example of How Categories Were Expanded

The figures below illustrate how the Portfolio Management category in cycle 2 was expanded into four separate categories i.e. from Initial Category to Expanded Categories on the next page.

Initial Category

Portfolio mgt	
Diversification across sectors protects the portfolio against excessive losses, resulting in more true social investments that can be made over time.	The recycling of funds increases the level of true social investment in the long-run.
Reinvestment of capital and investment gains is required to be able to increase the level of true social investment over time.	Diversification across investments of varying risk gives flexibility to the true social investment portfolio to manage risk, resulting in a sustainable portfolio and increased true social investment.
Inflation diminishes the real value of capital, resulting in less real money being available to invest in future true social investments.	Default risk threatens the capital and sustainability of the fund, as defaults reduce the ability of the fund to make future true social investments.
Reinvestment risk in the true social investment fund may result in less money being generated for new true social investments.	Sector and counterparty exposure limits protect the investment portfolio against losses, which increases the level of true social investment that can be attained.
Reinvestment of capital and returns is a crucial element of the true social investment fund, as it allows for the true social investment fund to grow, increasing the amount of money that can be disbursed in future.	Inflation-linked bonds can be used to protect the real value of the fund's capital, resulting in more real money being available to invest in future true social investments.
Diversification protects the investment portfolio against excessive losses, which increases the level of true social investment that can be attained.	Issuer-type diversification minimizes the default risk in the portfolio, resulting in more capital being preserved to invest in future true social investments.
As opposed to traditional grant giving, the PRI model allows for some capital to be returned and reinvested, resulting in increased true social investment in the long-run.	The use of credit concentration limits minimizes the impact of a default on the portfolio, resulting in more capital being preserved to invest in future true social investments.
The recycling of funds increases the level of true social investment in the long-run.	Higher credit ratings protect the fund against capital losses, which results in increase true social investment in future.
	Smaller deal sizes help diversify the social investment fund and protect it against excessive capital losses.

Please note: the two columns above should be one, but had to be split up to facilitate readability.

Expanded Categories

Portfolio diversification	Reinvestment of funds	Inflation protection	Default risk
Diversification across sectors protects the portfolio against excessive losses, resulting in more true social investments that can be made over time.	Reinvestment of capital and investment gains is required to be able to increase the level of true social investment over time.	Inflation diminishes the real value of capital, resulting in less real money being available to invest in future true social investments.	Default risk threatens the capital and sustainability of the fund, as defaults reduce the ability of the fund to make future true social investments.
Diversification protects the investment portfolio against excessive losses, which increases the level of true social investment that can be attained.	Reinvestment risk in the true social investment fund may result in less money being generated for new true social investments.	Inflation-linked bonds can be used to protect the real value of the fund's capital, resulting in more real money being available to invest in future true social investments.	The use of credit concentration limits minimizes the impact of a default on the portfolio, resulting in more capital being preserved to invest in future true social investments.
Diversification across investments of varying risk gives flexibility to the true social investment portfolio to manage risk, resulting in a sustainable portfolio and increased true social investment.	Reinvestment of capital and returns is a crucial element of the true social investment fund, as it allows for the true social investment fund to grow, increasing the amount of money that can be disbursed in future.		Higher credit ratings protect the fund against capital losses, which results in increase true social investment in future.
Sector and counterparty exposure limits protect the investment portfolio against losses, which increases the level of true social investment that can be attained.	As opposed to traditional grant giving, the PRI model allows for some capital to be returned and reinvested, resulting in increased true social investment in the long-run.		
Issuer-type diversification minimizes the default risk in the portfolio, resulting in more capital being preserved to invest in future true social investments.	The recycling of funds increases the level of true social investment in the long-run.		
Smaller deal sizes help diversify the social investment fund and protect it against excessive capital losses.			

Appendix D: Interrelationship Diagraphs

This interrelationship diagraph was used during Cycle 3 to reduce the number of categories from 29 to seven using the question "Is A a kind/type of B?" – A and B being two separate categories, with every possible combination of A and B being applied. Each arrow leads from A to B.

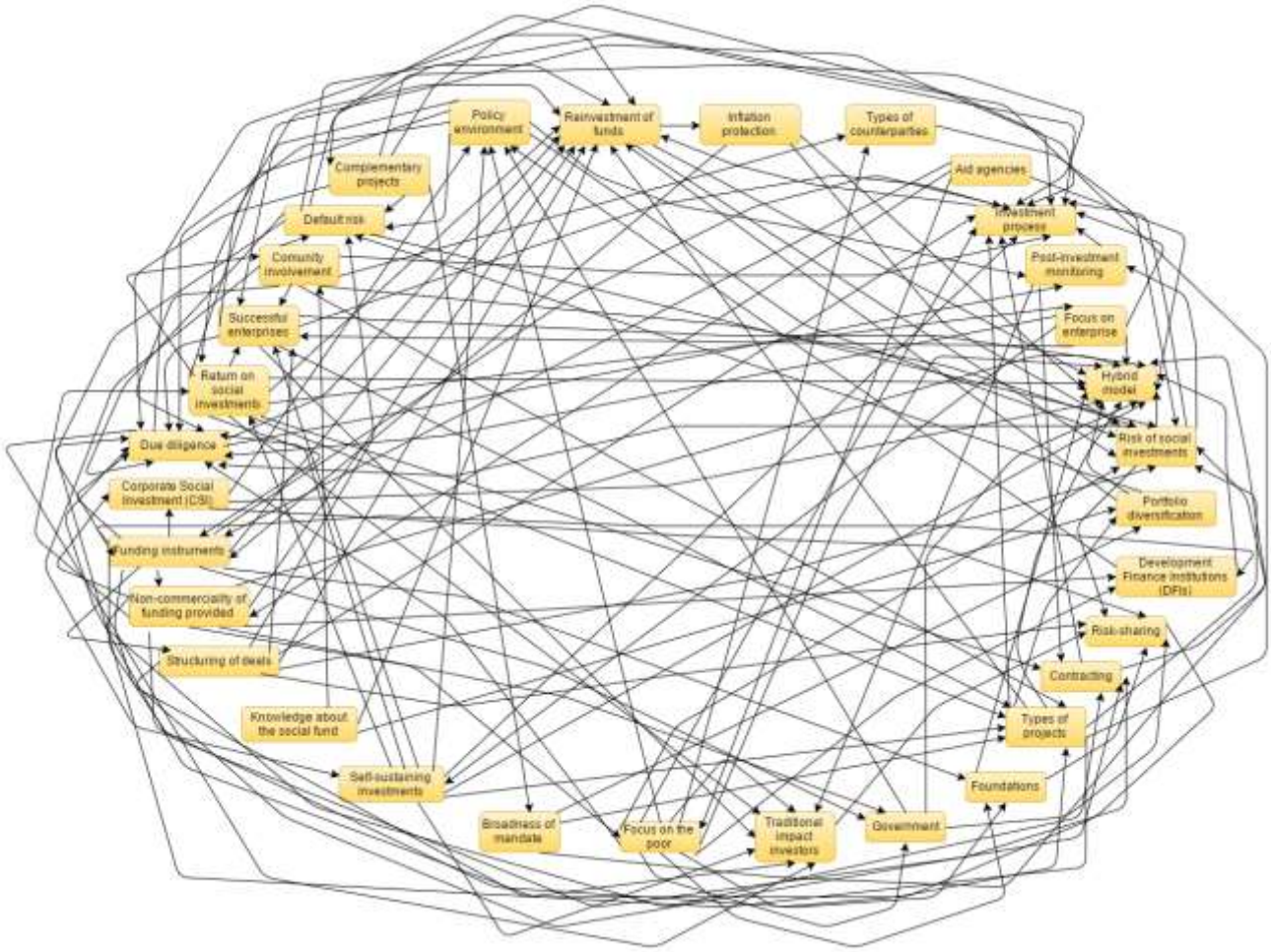

Figure 27: Interrelationship diagraph based on the question "Is A a kind/type of B?"

The following interrelationship diagraph was used during Cycle 3 to reduce the number of categories from 29 to seven using the question "Is A a part of B?" – A and B being two separate categories, with every possible combination of A and B being applied. Each arrow leads from A to B.

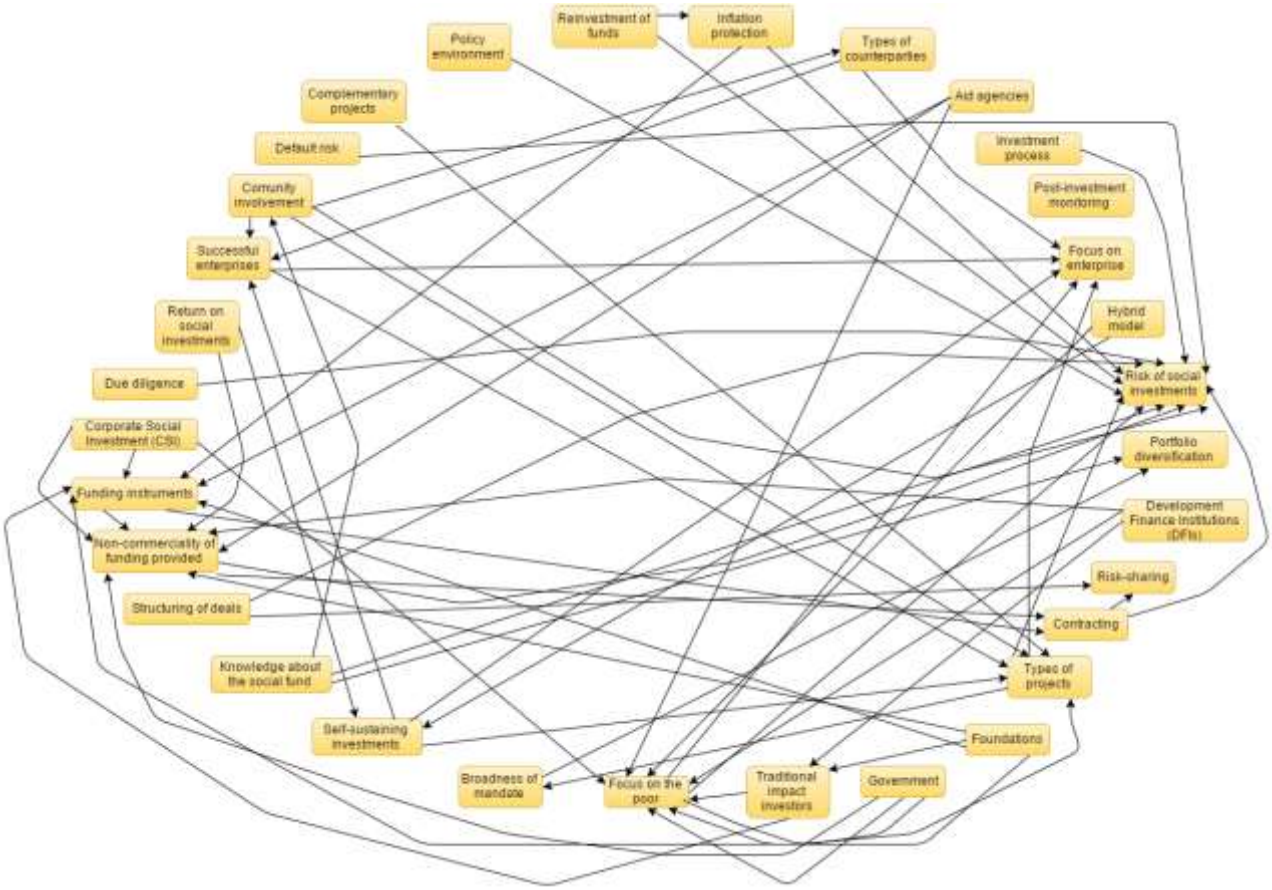

Figure 28: Interrelationship diagraph based on the question "Is A a part of B?"

Appendix E: Interview Results

	Foundation Professional	DFI Professional	SRI Professional
1. Do you think that the amount of social investment in South Africa is sufficient?	We could do with more.	No.	No.
Why/why not?	The amount of funding we have available is not being used efficiently.	Too much use of grant funding, which is wasteful, as the funds cannot be recycled.	The government is not meeting social and economic transformation needs, and they cannot do it alone. No single entity can. Pension fund regulations allow for them to participate, but the take-up so far has been poor as they view social investments as having more risk and less returns. Pension funds have cared more about financial returns than social impact.
2. If social investment in South Africa is insufficient, how can it be increased?	More collaboration is needed between private sector social investors in order to share resources and lessons learnt (especially failures) to increase the efficiency of social spend.	By optimising the little money that we have. This involves not funding consumption, but rather enablers or productive infrastructure. Better coordination between government and the private sector is also needed.	We need partnerships between commerce and industry, NPOs and civil society. Institutional investors can be drawn in using guarantee mechanisms or a good fund track record, as the market dislikes uncertainty. Large corporates are also looking to do more around small businesses.
3. Who are suitable funders of social investment?	The starting point is government, but partnerships between the private sector and government are desirable – business must contribute as its licence to operate. Philanthropic organisations are also suitable funders.	Anyone who has the money and is interested in shared value. Funders should have a clear social mission and be able to design long-term, sustainable solutions that are responsive to the needs identified e.g. being able to give low-interest loans, non-financial support or payment breaks as needed.	All should play their role fully within their scope. Foundations should take a more investment attitude to their grant-giving processes and endowments (how its invested). Philanthropic trusts. Commercial return-seeking SRI investors.
What makes these funders suitable?	The private sector is legally required to contribute a percentage	Funders cannot come with a commercial approach.	Having an explicit social mission, although this becomes very grey at the

	Foundation Professional	DFI Professional	SRI Professional
	of profits. Funders must have a shared value approach, the right attitude and a long-term view.		commercial SRI end of the continuum.
4. Can social investment be done sustainably? What factors influence the sustainability of social investment?	Probably yes. Companies are legally compelled to dedicate a certain amount of their profits to social spend, but the efficiency of that spend is crucial. The development of social enterprise, leading to less reliance on donors. Partnerships and participatory management of projects is important as recipient organisations understand their own environments. Reviewing and documenting lessons learnt to avoid repeating past mistakes.	Yes, it is possible. Investors must master the programme design. Sometimes we try to do too much, but with little impact. We need to design programmes that respond to the need and can have a multiplier effect. We need to stop underfunding projects. More collaboration is needed between social investors, because a lot of money could be used more optimally.	If is about "Am I going to make money?" then the answer is no, as a significant part of the upfront investment will never be recovered. Organisational philosophy is crucial. Investors must look to create shared value (societal value). Cost-benefit analyses should consider the wider social outcomes, not just Rands and cents.
5. What type of funding instruments are used in social investment? If there are different funding instruments, in what situation is each one normally used?	There is a range. Grants, a hybrid funding model consisting of grants and loans, equity. Grants are suitable for pure philanthropic giving to tiny non-profits where too onerous conditions would be a problem. Hybrid funding is suitable in the enterprise development space. It is important to get small business to the place where they can tap into commercial funding from banks. Reliance on grant funding not	Grants, loans, equity. In the enterprise development space, we need to look at quasi-equity, as one cannot take equity in an enterprise that has no balance sheet. We must look at combination of instruments as opposed to just giving grants. Also, 100% debt is overly burdensome.	Grants, debt and equity. You must match what you want to achieve with the instruments you have to play with. Equity plays critical role in early stage and start-up businesses. Debt tends to play a better role in later stages and is inappropriate for early-stage ventures needing patient capital. But there is no reason why these cannot be swapped around.

	Foundation Professional	DFI Professional	SRI Professional
	healthy. Non-profits should run more like businesses, watching costs and accountability. Non-financial support is also important, such as business development support. Investors must make sure they've assessed a business correctly upfront to avoid underfunding and to determine right type of funding instruments and terms.		