

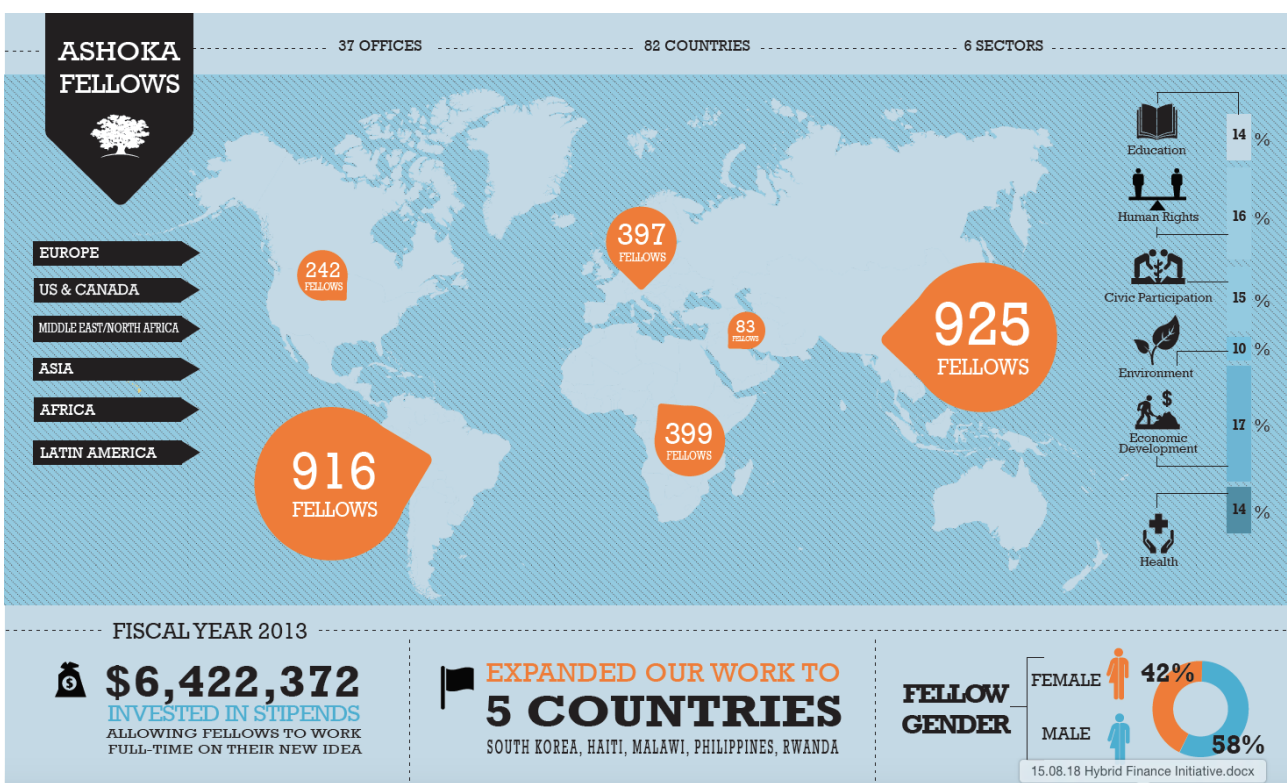
ASHOKA'S HYBRID FINANCE INITIATIVE

INNOVATION AT THE INTERSECTION OF PHILANTHROPY AND INVESTMENT

The pace of change is accelerating. Social problems are intensifying worldwide. We believe it is essential for humanity to live and work differently from now on. **As the boundaries between sectors are blurring, we are fuelling to innovate at the intersection of the business and social sector.**

Ashoka is the first and largest global network of social entrepreneurs. This exposure has provided us key insights into new forms of business and ways of tackling social issues. We have found that the majority of organisations at the cusp of innovation do not adhere to the traditional split between business and charity – they are a blend of both. These hybrid enterprises want to go beyond grants to financially self-sustaining business models, but don't fit the pure business mould for large-scale impact investment. They lack guidance, expertise and the right opportunities to successfully scale their impact.

When looking across the full field of social finance – ranging from venture philanthropy (strategic grant giving) to impact investment (investment into for-profit social businesses) there is a huge overlooked gap of financing solutions. The *Hybrid Finance Initiative* was born to solve this missing piece in the social finance ecosystem by supporting hybrid enterprises undergoing the transition and scaling process to become self-sustainable. We provide innovative financing solutions so that hybrid enterprises no longer need to rely on donations in the long run. It is further core to our mission to build the ecosystem and infrastructure to bridge the gap between philanthropy and investment by engaging in thought leadership and building the right partnerships.



HYBRID FINANCE ACCELERATOR

The Accelerator works with 5 to 10 unique hybrid businesses a year, guiding them to develop a model that is investable and to secure the right blend of capital to meet their needs. These transformational processes and structures become examples for the larger field of social entrepreneurship. The Accelerator follows four steps:

1. Adapt **business models** to develop sustainable revenue-generating models.
2. Develop the right **corporate and capital structure** to ensure the right blend of financing can effectively support growth.
3. Find the **right investors** through Ashoka's extensive network of institutional partners and individual supporters. We find mutually beneficial terms of engagement and manage the negotiations.
4. **Measure impact** and document the transformational journey through a series of internal and external metrics.

An example is Fair Finance: founded by Faisal Rahman in 2004 to cater to the financially excluded in London by providing access to affordable credit, while providing debt advice and other financial support services.

The Accelerator helped Faisal transform his company from one entirely dependent on grants to a hybrid model of a non-profit providing debt advice and a for-profit company providing loans. The growth was funded by angel investors, who de-risked the proposition for institutional capital to enter as well.

THOUGHT LEADERSHIP

Because of Ashoka's involvement in social entrepreneurship since the 1980s, the organisation holds significant knowledge on the macro trends in the sector. In fact the term 'social entrepreneurship' was coined by Ashoka's president, Bill Drayton.

In order to inspire people to innovate we disseminate learnings and insights we gather from our accumulated case studies on hybrid models.

This is typically achieved through:

1. **Media:** publish articles and write blogs which we distribute through Virgin Unite, Forbes, Stanford Social Innovation Review and Business Fights Poverty.
2. **Events:** host events to engage larger audiences and bring together social entrepreneurs, social investors and partners to showcase Fellows, their investment pitches and best practice in social finance.
3. **Case studies:** produce case studies to describe the outcome of the journey that a social entrepreneur undergoes through the Accelerator; highlighting key insights into the success of these models.
4. **Academia:** engage educational partners through co-producing MOOCs, engage in research studies, and educate the next generation of entrepreneurs.
5. **Conferences:** we attend and speak at key sector conferences to inform large audiences of advances in the sector and give Fellows the opportunity to describe their ideas, successes and failures.

PARTHERSHIPS

To build the right supportive infrastructure for this financing gap, it is very important to build the right partnerships across different sectors to accelerate the knowledge of hybrid finance.

By partnering with different stakeholders and sharing insights that are most relevant to them, we leverage the insights, incite involvement in the sector and contribute to the critical change in mentality that is needed to accelerate hybrid financing practices.

Partners seek to engage with newest trends in social finance globally, and we guide them to put that into practice. Partnerships are very bespoke, depending on the type of institution and their regulatory limitations, as well as their desired level of engagement.

An example is our partnership with Hogan Lovells, a leading international law firm. They have been a founding supporter of the Initiative and provide pro bono legal advice to our hybrid Fellows to gain insights into new ways of business and financing social innovation. We further engage the new graduates entering the company on these topics through a training programme we co-lead.

