

Social Enterprise. Ideas. People.

# beyond profit »

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A photograph of three women in traditional Indian attire, including colorful saris and headscarves, carrying large white and yellow water pots on their heads. They are smiling and appear to be in a rural, hilly area. The background shows a dry, rocky landscape with some sparse vegetation.

## What's Wrong with Being Poor? Inverting the Global Conversation about Poverty

**New Social Enterprise Landscape Study**

**How Big is your Water Footprint?**

**Dharavi, The Remaking of a Slum**

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# CONTRIBUTORS

*In this issue, we asked, "Who's your favorite author?"*

## Matias Echanove and Rahul Srivastava

**WHO:** Matias Echanove studied economics at the LSE in London and urban planning at Columbia University in New York. He is currently completing a Ph.D in participatory planning and information systems at the University of Tokyo and resides in Mumbai. Rahul Srivastava studied social and urban anthropology in Mumbai, Delhi, and Cambridge (UK), and later taught at Wilson College, Mumbai. He also writes fiction and splits his time between Mumbai and Goa.

**WHAT:** They founded The Institute of Urbanology and co-founded Dharavi-based URBZ with Geeta Mehta. Their writings on urban development, the informal economy, unplanned settlements, participatory politics, and information technology can be found on [www.airoots.org](http://www.airoots.org). They share their perspective on the development of Dharavi, Mumbai's largest slum, on p28.

**AUTHOR:** We're both big fans of Ivan Illich.



## Daniela Papi



**WHO:** Daniela is Director of PEPY, an educational development organization based in Cambodia.

**WHAT:** Having funded the construction of a school in Cambodia, Daniela and her friends realized that providing quality education would take more than building school and have worked to create an organization focused on leadership and capacity building. To provide a responsible tourism option and increase understanding about development lessons, Daniela founded PEPY Tours. Read Daniela's article, Much Ado about Scale on p44.

**AUTHOR:** William Easterly—while some of his conclusions are extreme, the first 100 pages of "White Man's Burden" should be required reading for anyone working in the social sector

## Sarika Bansal



**WHO:** Sarika is based in Mumbai and enjoys short stories, guerilla art, and hats.

**WHAT:** Sarika is a freelancer focusing on international development, microfinance, and Indian society. She has previously worked in microfinance and in management consulting. See her analysis of Thrust Funds on p36.

**AUTHOR:** It's a toss-up between Isabel Allende, VS Naipaul, and David Sedaris.

## Andrew Kassoy and Beth Richardson



**WHO:** Andrew Kassoy is co-founder of B Lab along with partners Jay Coen Gilbert and Bart Houlahan. Beth Richardson oversees the development of GIIRS, NC Business Development, and auditing for B Lab. B Lab is a nonprofit organization whose mission is to create a new sector of the economy that harnesses the power of business to solve social and environmental problems.

**WHAT:** Andrew Kassoy and Beth Richardson are helping launch a new entity within B Lab called GIIRS which rates the comparative social and environmental performance of private equity/venture capital investments. B Lab's vision is that GIIRS Ratings will make it easier for new investors to enter into the impact investing marketplace freeing up additional capital to flow to companies and funds generating positive social and environmental impacts. Learn more about GIIRS on p25.

**AUTHORS:** Beth's favorite is Gabriel Garcia Marquez. Andrew loves Wallace Stegner.

# Who is the Fairest of them All?

## Creating a Rating System to Compare Social and Environmental Performance

*How can we, as investors or consultants or entrepreneurs, determine which enterprise is having the most impact? Andrew Kassoy, co-founder of B Lab, and Beth Richardson, B Lab's head of financial services, are launching a new product to rate the comparative social and environmental performance of private equity/venture capital investments. In this article, they explain how the Global Impact Investing Rating System ("GIIRS") will help drive more capital to impact investments.*

According to the Rockefeller Foundation's Managing Director Antony Bugg-Levine, "A standard with a rating system can help hold the line on social impact and differentiate those who are truly making a difference from those who are simply telling a story." Building on B Lab's current B Impact Ratings System as a tool for certifying B Corporations, B Lab will launch the Global Impact Investing Rating System ("GIIRS") in January, 2011. GIIRS will provide ratings to assess the social and environmental impact of companies and investment portfolios and funds similar to Morningstar Ratings or S&P credit risk ratings. In other words, GIIRS will provide comparable and transparent judgments about what is "good" or "good enough" in terms of a company's social or environmental performance. GIIRS will include the following features:

- Ratings throughout developed and emerging markets
- Aggregate ratings, as well as ratings within numerous impact areas and industry sectors
- Social and environmental performance metrics and key performance indicators specific to different industries, impact areas, and investor preferences
- Benchmarking and analytics for longitudinal comparability
- Driven by IRIS, an industry-recognized taxonomy and reporting standard co-developed by B Lab

GIIRS will provide both company and fund impact ratings. At the company level, GIIRS will provide a rating of the social and environmental impact of an individual company, including an overall rating, ratings in approximately 15 sub-categories, and key performance indicators (KPIs) relevant to the company's industry, geography, size, and social mission. At the fund level, GIIRS will measure impact based on the aggregated and weighted impact ratings of its underlying portfolio companies, including the aggregated Company sub-category ratings and relevant KPIs for the fund. GIIRS will also offer fund managers the opportunity to receive a Fund Target Rating to assist in their fundraising process and a Track Record Report at the end of their fund cycle to assist in raising a follow-on fund.

GIIRS provides value to numerous stakeholders in the impact investing community. *Fund managers and companies* can raise capital from mission-aligned investors based on the social and environmental impact of their underlying businesses or portfolio companies. *Institutional and high net worth investors* can conduct better due diligence, make better investment decisions, track and improve social and environmental performance throughout the investment lifecycle, and report absolute and relative impact. *Consultants, investment bankers, and other intermediaries* can use data and analytical tools to

## Putting the Global Impact Investing Rating System to Good Use

» A company raising growth-stage capital might print the cover of its offering memorandum with a GIIRS 4-Star Company Impact Rating

» A fund manager might say that it is currently raising capital for its Green Community Impact Fund II, LP which has a Target GIIRS 4-Star Fund Impact Rating

» An investment advisor might create GIIRS-licensed products and subscribe to the GIIRS data platform to provide investors with due diligence and reporting

» An institutional investor might subscribe to the GIIRS data platform to access detailed data for each of its direct investments and fund investments

improve their own proprietary products or value-added services.

Even during its development phase, investors are starting to adopt GIIRS ratings as an industry standard. The Rockefeller Foundation is now requiring that all funds in its PRI portfolio adopt GIIRS for reporting on the impact of their investments. Investors' Circle, a network of angel investors who seek financial, social, and environmental returns on their investments, has made GIIRS its exclusive metrics provider: all presenting entrepreneurs at Investors' Circle venture fairs will be required to get GI-

IRS rated, and all companies that apply to present at Investors' Circle will be given the option of receiving a GIIRS rating for free. B Lab is also talking with the nascent impact investing stock exchanges and trading platforms in South Africa, Singapore, America, London, and Canada about using GIIRS as their social impact listing requirement, and several other institutional investors and global development finance institutions are exploring how to use GIIRS to drive investment due diligence and impact reporting. In preparation for launch in January 2011, B Lab is now focused on expanding the B Impact Ratings System to meet the needs of investors and is recruiting Pioneer GIIRS Funds, leading private equity and venture capital fund managers, who will become the first fund managers to receive GIIRS Fund Ratings.

GIIRS is driven by the vision of a scaled up impact investing marketplace with reduced barriers to entry and lower transaction costs. It is not the expertise of most investors to conduct an in-depth social or environmental performance analysis. Those that do have this expertise struggle to be able to compare the impact of their investments with investments outside of their impact investing portfolios. GIIRS Ratings will make it easier for new investors to enter into

the impact investing marketplace by removing the need for an investor to have someone with social and environmental performance analysis skills on staff. Existing impact investors will be better able to track the performance of their portfolio as it relates to their peers. Invest-

**“Investment ratings are key to keeping capital flowing in the traditional financial markets. Similarly, a ratings product designed for the impacting marketplace will free up additional capital to flow to companies and funds generating positive social and environmental impacts...”**

ment ratings are key to keeping capital flowing in the traditional financial markets. Similarly, a ratings product designed for the impacting marketplace will free up additional capital to flow to companies and funds generating positive social and environmental impacts, which will ultimately result in individuals

and communities having greater economic opportunity, society moving closer to achieving a positive environmental footprint, and more people employed in great places to work.

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*Andrew Kassoy is a co-founder of B Lab along with partners Jay Coen Gilbert and Bart Houlihan. Andrew previously worked in the private equity business and serves on many non-profit boards including the Freelancers Union and Echoing Green. Beth Richardson oversees the development of GIIRS, NC Business Development, and auditing for B Lab. B Lab is a nonprofit organization whose mission is to create a new sector of the economy that harnesses the power of business to solve social and environmental problems.*