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**TRABAJO DE TITULACIÓN PREVIA A LA OBTENCIÓN DEL  
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RELACIONES INTERNACIONALES**

**THE USE OF ACUMEN FUND “PATIENT CAPITAL” IMPACT INVESTING  
MODEL AS A FORM OF STRATEGIC CORPORATE SOCIAL  
RESPONSIBILITY IN SOCIAL ENTERPRISES THAT OPERATE IN HIGH  
RISK ENVIRONMENTS 2002 – 2018**

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*“Saving our planet, lifting people out of poverty, advancing economic growth...these are one and the same fight. ”*

*— Ban Ki-moon*

*Agradecimientos:*

*A mi familia;*

*A mis padres, Julio y Carmen, quienes se han esmerado en apoyarme en todo momento y de diferentes maneras.*

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## **THEME**

THE USE OF ACUMEN FUND “PATIENT CAPITAL” IMPACT INVESTING MODEL AS A FORM OF STRATEGIC CORPORATE SOCIAL RESPONSIBILITY IN SOCIAL ENTERPRISES THAT OPERATE IN HIGH RISK ENVIRONMENTS 2002 – 2018

### **I. ABSTRACT**

The present investigation explores an alternative model called “*Patient Capital*” impact investment; developed by Acumen Fund, and implemented to bring together financial capital and diverse types of resources from Acumen itself, other corporations, international organizations, NGO’S, governments, and other society actors closer to *social enterprises*, with the final goal to serve communities effectively at the eradication or mitigation of problems related to poverty in the housing, health, education, workforce development, financial inclusion, agriculture, energy, water and sanitation sectors.

Since, patient capital investment in social entrepreneurship could represent a new way of doing *strategic corporate social responsibility* efforts to reach the needs of communities and give space to a sustainable advancement in the relations between big corporations and society. Acumen and patient capital will be analyzed through the study of two projects in the health sector in a 16-year period with the theories *corporate social responsibility*, *corporate social investment* and *sustainable development*, taking into account its social and financial components, and under the “*Case Study*” methodology, to make an in depth appreciation of the dynamic of the different stakeholders such as, Acumen, and the social enterprises; Ziqitza and A to Z Textile Mills with their interconnections to gather and deliver resources, manage and provide the final products or services to communities and if it existed quantitative social impact in their niches.

**Key Words:** Patient Capital, Social Enterprises, Strategic Corporate Social Responsibility, Corporate Social Responsibility, Sustainable Development, Case Study.

## II. SUMMARY

La presente investigación explora un modelo alternativo de inversión denominado “Patient Capital”; desarrollado por Acumen, e implementado para reunir capital financiero y otros tipos de recursos Acumen propiamente, corporaciones, organizaciones internacionales, ONG, gobiernos y otros actores de la sociedad para cercarlos a Empresas Sociales, con el objetivo final de servir a las comunidades de manera efectiva en el erradicación o mitigación de problemas relacionados con la pobreza en los sectores de vivienda, salud, educación, desarrollo de la fuerza laboral, inclusión financiera, agricultura, energía, agua y saneamiento.

Debido a que las inversiones de “Patient Capital” introducidas en emprendimientos sociales podría representar una nueva forma de realizar actividades de responsabilidad social corporativa estratégica para llegar a las necesidades de las comunidades y dar espacio a un avance sostenible en las relaciones entre las grandes corporaciones y la sociedad. Acumen y el modelo de “Patient Capital” serán analizados a través del estudio de dos proyectos en el sector salud en un período de 16 años con las teorías responsabilidad social empresarial, inversión social empresarial y desarrollo sostenible, tomando en cuenta sus componentes sociales y financieros, y bajo la metodología de “estudio de caso”, con el fin de apreciar a profundidad la dinámica de los diferentes actores como Acumen y las empresas sociales; Ziqitza y A to Z Textile Mills y sus interconexiones para recolectar y entregar recursos, administrar y brindar los productos o servicios finales a las comunidades y a su vez verificar si existió un impacto social cuantitativo en sus nichos.

**Palabras clave:** Capital paciente, Empresas sociales, Responsabilidad social corporativa estratégica, Responsabilidad social corporativa, Desarrollo sostenible, Estudio de caso.

### III. RIASSUNTO

Questa ricerca esplora un modello di investimento alternativo chiamato "Patient Capital"; sviluppato da Acumen e implementato per raccogliere capitale finanziario e altri tipi di risorse da Acumen, corporazioni, organizzazioni internazionali, ONG, governi e altri attori della società per circondarli di imprese sociali, con l'obiettivo finale di servire efficacemente le comunità nell'eliminazione o mitigazione dei problemi legati alla povertà nei settori dell'edilizia abitativa, della sanità, dell'istruzione, dello sviluppo della forza lavoro, dell'inclusione finanziaria, dell'agricoltura, dell'energia, dell'acqua e dei servizi igienici.

Gli investimenti di "Patient Capital" introdotti nelle imprese sociali potrebbero rappresentare un nuovo modo di svolgere le attività di responsabilità sociale d'impresa strategica per raggiungere i bisogni delle comunità e dare spazio ad un avanzamento sostenibile nelle relazioni tra grandi aziende e la società. Acumen e il modello "Patient Capital" saranno analizzati attraverso lo studio di due progetti nel settore sanitario per un periodo di 16 anni con le teorie di responsabilità sociale d'impresa, investimento sociale aziendale e sviluppo sostenibile, tenendo conto dei componenti sociali e finanziarie e sotto la metodologia del "Case Study", per apprezzare in profondità le dinamiche dei diversi attori come Acumen e le imprese sociali; "Ziqitza" e "A to Z Textile Mills", le loro interconnessioni saranno anche esaminate nel processo per raccogliere e fornire risorse, gestire e fornire i prodotti o servizi finali che sono per le comunità e anche per verificare se ci si è stato un impatto sociale quantitativo nelle loro nicchie.

**Parole chiave:** Patient Capital, Imprese sociali, Responsabilità sociale d'impresa strategica, Responsabilità sociale d'impresa, Sviluppo sostenibile, Case study.

#### IV. INTRODUCTION

The main purpose of this investigation is to understand if “Patient Capital” impact investment model can work as a form of Strategic Corporate Social Responsibility known as “CSR” in the relation between *Corporations* and *Social Enterprises*, plus understanding the role and dynamic of a third party intermediary like Acumen Fund and what is and how their patient capital model works, additional to its functionality to help social enterprises deliver products or services needed in communities who live under poverty conditions. Finally, the present research looks to analyze the quantitative impact that the association of different *stakeholders’* and social enterprises that operate in high risk environments could bring.

Since, there are many factors included in the analysis of the research and the nature of itself mixes social and financial approaches, plus different stakeholders are included, the case study methodology has been selected to explore the phenomenon and execute an in depth observation and quantitative analysis of the variables and outcomes of the study (Tellis, 1997). Two cases managed by Acumen in the health sector; Ziqitza Health Limited in India that implemented a cross-subsidy model of ambulances in the country and A to Z Textile Mills a social enterprise in South Africa that produces anti-malaria long lasting bed nets will be subjected to a longitudinal examination process to examine the events, collect data, analyze, and report the results over a 16-year period (Yin, 1984).

This investigation is brought upon since, adversities with CSR programs that companies support and develop are believed not to reach the real needs of communities. According to White, 2011; during the last decades, the relationship between corporate companies and the society has been under intense scrutiny (White A., 2011). The urgency to commit with society’s needs has put pressure on big corporations to be more than good corporate citizens (UNCTAD, 2004). Becoming part of an inclusive economy and engaging with social movements has been a challenge for *big corps* who struggle to match their

corporate culture and core business to create social impact especially in *high risk environments* (White G. F., 2015).

The research looks to correlate the external dimension of CSR theory, Strategic CSR, which is part of corporate social responsibility theory, corporate social investment and sustainable development theory to understand Patient Capital model implemented by Acumen, to attend on one hand the sustainable financial and business related concerns of companies doing CSR, and on the other, the difficulties presented by society and communities where CSR or aid efforts could reach effectively environmental, financial or social related problems while being sustainable over time. Looking to the critics Of CSR in different cases as; cash contributions and walk away or philanthropic CSR activities with their own corporate control; but with a limited reach to the most needed environments which consequently leads to the lack of external credibility (Balch, 2017). This paper looks to explore an alternative model such as “patient capital” impact investment model. Which has components of business and International relations worlds, in an interconnected space its appropriate for the present dissertation to explore a bi-dimensional case that is also close to the fourth debate theories in the international relations field.

To understand the components of the research the first chapter will describe and analyze, theories such as CSR, Strategic CSR, Sustainability, additional to useful concepts, its development, and its relationship with patient capital. In the second chapter Acumen will be reviewed alongside with an extensive explanation of the functionality and processes of the model and in the last section of the second chapter particularities of the measurement methods of the impact of patient capital will also be explored in order to make the analysis of two different cases. In the third and final chapter two cases will be reviewed: A to Z textile Mills in Tanzania and Ziqitza in India with the respective quantitative measurements. Finally, an analysis of the investigation, conclusion and recommendations will be presented.

## **CHAPTER 1. REVIEWING THE BASES; THEORIES AND KEY CONCEPTS. UNDERSTANDING CORPORATE SOCIAL RESPONSIBILITY, CORPORATE SOCIAL INVESTMENT AND SUSTAINABLE DEVELOPMENT.**

The purpose of this chapter is to review the main theories and concepts that will help the readers to gain a better understanding on the grounds of the topic. From different author's perspectives, corporate social responsibility, corporate social investment, and sustainable development will be discussed. Starting with the description of key concepts of the theories, a brief examination of the history and development of each one, followed by an analysis of the challenges and critics involving the theories and their practices. Finally, other concepts such as "social enterprises" and "high risk environments" will also be discussed to have a clear definition and guidelines for the development of the investigation in the next chapters.

### **1.1 Corporate Social Responsibility and Strategic Corporate social responsibility.**

In this section corporate social responsibility and strategic corporate social responsibility are discussed alongside with its components. From previous related concepts such as social responsibility or *corporate philanthropy*<sup>1</sup>. Corporate social responsibility and strategic corporate social responsibility from now on referred as "CSR" and "Strategic CSR" respectively, will be explored to acquire an overview of how the theory and the concepts have evolved through the time and how the theory has been put into practice as well. Different tools and actors in CSR and strategic CSR will also be considered to understand the challenges, critics, relation to the present research and other particularities of the theory.

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<sup>1</sup> The act of enterprises promoting welfare of other actors, generally through charitable donations of funds or time.

### 1.1.1 Corporate Social Responsibility

Corporate social responsibility is a large, developed concept that has had different connotations and can be referred to in different ways. Corporate social responsiveness, corporate social performance, corporate accountability among other terms that scholars use to talk about CSR practices. Since, CSR is a main topic of discussion, there are different concepts and approaches in the theory and practice. Numerous authors like Carrol, Davis and Shabbana have considered various dimensions such as social, economic, and environmental approaches. However, with the time the concept has expanded to other areas that have been considered by various modern researchers (Basu & Palazzo, 2008).

Early approaches of CSR can be found in the concept of Social Responsibility; in the 1950s. The concept written by Bowen defined social responsibility as the obligation that companies have for their actions. Since, rather than only worry about a positive financial performance. Internal policies and the company's objectives should be consistent with the needs and values of society (Bowen, 1953). However, older concepts related to CSR such as business philanthropy or corporate philanthropy can be traced in the "*Gospel of wealth*"<sup>2</sup> written by Carnegie in 1889 who argued that the wealth of businessmen and companies should also be at the service and for the benefit of society and vulnerable communities. Putting on the spot the responsibility that companies should fulfill with the society through philanthropic actions such as funding nonprofit organizations, international aid groups and helping other vulnerable groups (SAGE, 2018)

After the 1950s with the contributions and exigencies of social responsibility of the labor movements and the impulse of business philanthropy promoted mainly by religious

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<sup>2</sup> Article written by philanthropist and entrepreneur Andrew Carnegie titled "The Gospel of Wealth" that describes the importance of philanthropy.

associations as the *YMCA or Young Men's Christian Association*<sup>3</sup> (Carrol, 2008). The CSR concept started to get shape in the 1960s when Frederick described CSR as a private contribution that companies can make to meet social goals. The author explained that CSR could be defined as a match of different ideas that consisted of the acceptance of corporate philanthropy, the balanced distribution of business resources and the need of corporate managers to be trusted by the society (Carrol, 2018). Later in the 1970s the concept broadened as Johnson and Davis conclude that business should be responsive not just to the stockholders and investors but also consider the needs and interests of other *stakeholders*<sup>4</sup>, a concept that includes stockholders or investors, managers, employees, suppliers, involved communities and other actors of society related directly and indirectly with the companies (Davis, 1973) (Johnson, 1971).

In late 1979 Carrol presented a multidimensional comprehensive framework of CSR that includes social concerns, actions of corporate business, and their responsibilities. Carrol added a classification of CSR in the economic, legal, ethical, and philanthropic dimensions that highlighted various issues in each area such as environment, corruption, human rights, labor rights, international aid, among others (Carrol, 1979). The author model stated that the dimensions of work of CSR explained above should be sorted out by each company, and the actions conducted by the companies should also go according to this selection. The process to pursue a determined dimension and consequently actions according to Carrol should be made by the needs of the company and go according to the communities' actual issues or difficulties. So, it would be easier for managers to adapt CSR effort in their daily activities (Carrol, 1979).

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<sup>3</sup> Worldwide youth organization based in Geneva, aims to put Christian principles into practice by developing a healthy "body, mind, and spirit" practices.

<sup>4</sup> Term used to refer to different participants in different activities, dynamics, or society.

In the following decades the first framework or model proposed by Carroll was refined by various authors, adding dimensions and understanding CSR as an evolving process that according to Jones in 1980 should be regulated with specific principles and policies (Jones 1980). Taking into account that CSR is an evolutionary dynamical system a different dimension denominated legitimacy was suggested by Wood in 1991 who explained that society should grant permission to companies in order for them to carry on with certain CSR activities, the author pointed out the inconvenient that could arise if CSR efforts were not aligned with the history, culture, religion and traditions of the involved community (Wood, 1991). In the next years the development of CSR led to the origin of concepts, such as; business ethics, stakeholder theory and corporate citizenship, which were gradually also integrated and analyzed with the CSR bases and principles in the following years.

Finally, in the 21st century CSR many discussions about the topic have arisen around the focus of CSR and the critics about the efforts and benefits for companies and society. Zadek argued that CSR should benefit the companies and the surrounding activities should also be designed to protect the reputation of the firms and that it should not be necessary to put up with risks of doing CSR above the costs (Zadek, 2000). Other recent definitions took an integral approach as the “ILO” or “*International Labor Organization*”<sup>5</sup> defined CSR as the consideration of the impact made by companies with their operations in society, where CSR main principles should be integrated in the internal and external processes of the companies (Hahn, 2013). And the most recent; the *European Commission*<sup>6</sup> definition on CSR in 2011 that stated that companies have responsibility for the impacts that they produce in society and that it is necessary that enterprises integrate a CSR agenda with processes,

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<sup>5</sup> The International Labor Organization (ILO) is a United Nations agency whose mandate is to advance social and economic justice through setting international labor standards.

<sup>6</sup> Executive branch of the European Union, that is responsible for proposing legislation, implementing decisions, among other functions.

operations and core strategies with the help and cooperation of different stakeholders (Hahn, 2013).

The long history and roots of CSR respond to the concerns of society and people involved in the business circle. Understanding the problematic in the relation between business and stakeholders if they are not managed properly is a key element to explore CSR practices. In this research it's important to understand the origin of the theories that support the bases of patient capital impact investment model and its relation with the principles of CSR in order to have a better understanding of the concepts and development in the next chapters. Since, it's primary to make remarks on the differences and characteristics that strategic CSR has; the next section will provide an overview on the concept, the development of strategic CSR and key point discussions about its comparison with traditional CSR. Finally, in the third section critics that have aroused in torn Traditional CSR and Strategic CSR from general view of the theory, its operation in practice and various point of view from different stakeholders will be taken into account for an analysis.

### **1.1.2. Strategic Corporate Social Responsibility**

Strategic corporate social responsibility from now on referred as “strategic CSR” is a term that appeared in the last decades as a different approach to traditional CSR, also called a development of the CSR traditional theory. The win – win strategy; Strategic CSR can also be considered a branch of CSR that aims to have a strategic point of view in CSR efforts and uses all the prospects that CSR can bring in benefit of the company and other stakeholders. (Martinuzzi, Krumay 2013). In this section Strategic CSR origins and differences with traditional CSR will be reviewed to have a better comprehension of the model and its bases explained in the next chapter.

To have a clear approach to the term is essential to review its components. The concept has been described as an important approach to create simultaneous benefits in the

social and economic field. Noticing that the main purpose of Strategic CSR is to have a close tie between the company's businesses and social issues. In other words; enterprises must target specific efforts of CSR that are closely related with their core business in order to provide a better delivery when working in a determined CSR program and to elevate the impact for the company and the community (Porter; Kramer,1996).

The development of Strategic CSR can be tracked into the Porter and Kramer study about competitive advantage of strategic philanthropy written in 2002 that explored a converged area of interests that mixed the economic and social spectrum. This study argues that for obtaining success in CSR practices; companies should focus on philanthropic investments using key factors of the market to achieve favorable results for stakeholders; since the association of a company's services and products with causes can result in a profit maximization (Baron, 2001).

Later in 2006 Porter and Kramer expanded the discussion of Strategic CSR, involving all the processes in companies that could or should integrate CSR activities. Their analysis showed that it is important to have an strategic approach to CSR rather than a responsive one; since there are evident ties between competitive advantage and corporate social responsibility that can put companies in a special position (Porter and Kramer, 2006). The authors also argued that if the CSR activities are coordinated with the main strategy of the companies it is easier to have an approach to the interests of all the stakeholders, creating a shared value that can benefit directly the company's image and produce other kinds of benefits (Porter and Kramer, 2011).

The concept has also been formalized by the *European Union* <sup>7</sup>In recent years, the implemented strategy of the EU for 2011-2014 explained that Strategic CSR is to maximize

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<sup>7</sup> The European Union (EU) is a political and economic union of 27 member states, located primarily in Europe.

the creation of shared value for their owners/shareholders and for the other stakeholders and society at large. Focusing on using CSR as a driver of innovation that can match CSR efforts and competitiveness (European Commission, 2011).

### **1.1.3. Corporate Social Responsibility and Strategic CSR critics.**

From some companies or investors perspectives, researchers as Friedman support the idea that a company's main responsibility is to generate profits and to maintain long-term stable earnings for the shareholders. Consequently, CSR can be perceived negatively and instead of just being a responsibility that must be fulfilled, it is a difficult task to carry on or even a burden that has to be managed. Certainly, CSR is a difficult task to handle since; public opinion, needs of society and other factors involving CSR are variable and tend to change with time. Hence, investors can perceive CSR as a difficult practice that costs, money, time, and resources from the company without perceiving any returns, especially talking about financial incomes. Friedman claimed that enterprises and the directives main responsibility is to maximize the returns instead of worrying about being involved in CSR activities (Friedman, 1962).

Contrarily stakeholders such as employees and external society argue the responsibility that companies have with them and especially criticize the limitations of the efforts made in most cases. The comments focus mainly in big organizations, since their size, resources and power are more visible to the public and are consequently the ones that affect in big scales to the communities and ecosystems but also the ones that have a larger number of employees. The criticism about companies doing the least for the employees, damaging the environment, affecting the communities where they operate, and especially disregarding their attention to the most vulnerable parts of society are the main challenges that enterprises can face nowadays (Carrol, 2008).

Other reports also highlighted that the drive for involving in CSR activities is not to do good and benefit the communities, but instead an increasing preoccupation about the reputation of the brands, negative public opinion and *public boycott*<sup>8</sup> has become an overwhelming task to manage, since controlling these potential risks is important to secure profits (Christian Aid, 2004). The view of CSR according to the United Nations in 2009 has been treated and portrayed as aggregate anecdotes of uncoordinated activities that seek to demonstrate the efforts made by the companies to be socially responsible. However, according to the Corporate Watch report in 2008 no more than 20% of the companies worldwide have done CSR with real coordinated impact in the communities (Corporate Watch Report, 2009).

It is significant to notice the gaps between some stakeholders involved into CSR and point out there are still a few practices, effects and conditions that need to be cleared out in CSR practices, as reducing nonconformity from the society and from the company's side is important to lead to a better ambiance of CSR practices. On the other hand it is relevant to make a remark on the importance that strategic CSR puts into measure the activities developed within the programs, since there is a relation between the goals of the company and CSR efforts, strategies into the company's long term objectives are designed and hence they can be measured through the time. The consequence can be the creation of business models that can bring a win-win situation (Sousa, 2010).

The development of these strategies can be explained by the massive pressure and social implications that doing business globally has brought in the last decades. Since CSR has had a direct impact in the image of firms and because of the legal implications that has

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<sup>8</sup> Act of nonviolent, voluntary, and intentional abstention from using, buying, or dealing with a person, organization, or country as an expression of protest, usually for moral, social, political, or environmental reasons.

in some countries as there are different laws and social expectations that demand more responsibility from the enterprises. But also, the fact that the altruistic efforts did not bring in most cases measurable benefits that stockholders demand (Krumay, 2013).

Strategic CSR is viewed by authors as Lantos; as the middle term that can help stockholders acquire their objectives while giving aid to other stakeholders (Lantos, 2001). Claiming that there is not questionable, that stockholders will want to have the best benefits for investing their money or running their businesses, but that they can also earn while doing good, since this type of strategy would balance the social and environmental consequences, without affecting profits, because the processes would speed up and adjust to daily core activities of the companies (Quisenberry 2012).

However, there are still some critics and troubles with strategic CSR. Measuring the effectiveness is still a challenge since the efforts are integrated in the whole business strategy (Porter, Kramer 2006). There can also be setbacks considering that some stockholders can still be worried or against integrating CSR into the main business strategy since the costs are considered high but also the risks of public opinion into CSR are difficult to manage. It should be considered as well that Strategic CSR has a strong link with societal trust and of course the market value can plum in short terms if the strategies are not well implemented (Martinuzzi, Krumay; 2013).

Nonetheless, it is still key to acknowledge that there are still traits of Strategic CSR that can be developed further in order to reduce the risks that can involve Strategic CSR practices, also since, the concepts and investigation are recent, there are still aspects of Strategic CSR that need further investigation. Yet for the purposes of this investigation the different aspects and development of strategic CSR will help to understand and assess Patient Capital Impact Investment model and its use in the next chapter. To gain a better

understanding of the differences and dimensions of CSR and Strategic CSR a comparable table can be seen in (Appendix 1).

## **1.2. Understanding Corporate Social Investment**

Corporate social investment or impact investment will be discussed in the present section. Since, Corporate social investment has little exposure it is important for the present research to explore the contributions, structure, and other components on the topic. Definitions of the terms, tools and actors involved in the corporate social investment dynamic will be described. Other terms related to the topic along with the history and development of Corporate Social Investment will also be studied. Finally, different perspectives on corporate social investment or CSI will be analyzed in order to understand the challenges, critics and contributions of Impact Investment to the corporate world but also to understand the relation and contribution of CSI into the corporate social responsibility discussions, putting an emphasis on the economic side that mixes the corporate world and the social spectrum.

### **1.2.1. Concepts related to Corporate Social Investment**

Corporate social investment has various related terms such as Impact Investing, socially responsible investment, mission-based investing, blended value investing, community-oriented investment, among others. This factor has caused many confusions and misleading statements on the term and its use (GSIA, 2016). The term corporate social investment is relatively new. The definition given by; The Rockefeller Foundation; which currently practices CSI Efforts has stated that impact investing is the capital that generates social, economic, and environmental value that is placed outside the public equities market. (Kohler et al, 2011)

According to the “GIIN” *Global Impact Investing Network*<sup>9</sup> Corporate Social Investment refers to the practice where investment tools are employed with a balanced focus, this includes to meet social and financial goals (See Appendix 2). Since, corporations started to enroll in activities that could benefit their enterprises as well as making an impact in society. New approaches for investing to tackle social and economic challenges are flourishing (GIIN, 2016).

Corporate social investment has a wide perspective, as the practices can be viewed as a more commercial model that can adapt to the necessities of communities and other stakeholders, but at the same time CSI can relate with other types of organizations as; social enterprises, NGO’s, International Organizations like the United Nations, International funds, among others. Another characteristic of CSI is that the dynamic can function in developed and emerging markets, especially because Impact Investment can be adapted to function in high risk environments (Szegedi, 2016).

Initiatives of CSI have been led by different actors in society. Governments, investors, international funds have turned into this new investment approach. Fact that has let the market of Impact Investment develop rapidly. (Jackson and Associates, 2012). Despite various difficulties to execute CSI projects since it can include large international operations; the social investment market potential is estimated to grow. In perspective in 2011, Rangan made an estimation of the growth of the market for impact investing. Concluding that for the next 50 years social issues would receive an investment of approximately 6 trillion USD from the overall 41 trillion that would be directed for aid, considering a stable growth of the international budget for assistance (Rangan et al, 2011). But also, other estimations conducted by Freireich and Fulton showed that impact investing market could surpass and

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<sup>9</sup> Network that is dedicated to increasing impact investing, its scale, and effectiveness around the world

double the quantity of money that was being donated as philanthropic actions in 2011 by the United States. The amount that could reach if 1% of the estimated professionally managed global assets were enforced in the market would be 500 billion USD with a 5-10% growth depending on the stability of the market and the exposure of impact investing (Freireich and Fulton, 2009).

At the beginning, CSI was often confused with CSR practices and often interpreted as strategic philanthropy that emphasized in helping and the welfare of communities, or that was involved in activities regarding education, poverty, health aids, and structure development. However, in the past two decades additionally to being involved in the activities explained above, CSI started to take a sustainable development approach that includes the partnership of global companies, governments, international organizations, social enterprises, social movements, NGOs, and various types of organizations that formed a public-private collision that started to work on emergent social issues that happen around the world (Friedman, Hudson, & Mackay, 2008).

### **1.2.2. Development of Corporate Social Investment and CSI Frameworks**

Impact investment can be found in early stages and understood in ethical investing and shareholder activism. CSI highlighted deficiencies in society and the lack of effective measures to reach needs in social, political, and environmental aspects. After this period thanks to the development of CSR and the critics that revolved around the lack of sustainability of CSR practices and adding the disasters by big corporations as the Exxon oil spill. Alternative options as impact investing were developed to have expand options to reach conscientious investments. Reaching a financial-social solution that would be at the same time sustainable and environmentally friendly was a challenge that needed to be solved in the need to minimize social and environmental disasters. Fact that generated pressure in the

stockholders and investors who could observe an increased negative public opinion if they did not act in favor of this kind of cause (Clarke, 1994).

CSI activities have been mainly applied in governments and corporation processes. In the United States, Canada, and various countries in Europe, various regulations and performance indicators have been developed to measure the impact that CSI activities have in terms of finances, social and environmental activities. New guidelines have been proposed by *The Australian Financial Service Reform Act*<sup>10</sup> in 2002 since the government understood that ground rules were needed to develop CSI activities for investing in communities. The principles for responsible investment were outlined by the United Nations Global Compact to impulse international investment and the implementation of CSI practices in different institutions and levels of society. The guide recommends the integration of CSI practices as a risk management tool and later in the *Conference on Trade and Development*<sup>11</sup> started the Responsible Investment in Emerging Markets; a referential framework was proposed to make transparent and regulate the behavior of CSI practices in the financial market avoiding crisis in the investment market (UNCTAD, 2008).

Finally, recent development on Corporate social investment point out that the principle of social investment should be not to rely on incidental effects of investing managing but that should have a clear approach as impact investing since the beginning, with clear financial goals and social goals as well that can be measured in the long term but that have also been projected a-priori. This considering the accountability that must be held for the stakeholders (GSIA, 2016).

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<sup>10</sup> The Bill aims to harmonize the regulatory regime for the financial services industry.

<sup>11</sup> Permanent organ of the United Nations (UN) General Assembly, established in 1964 to promote trade, investment, and development in developing countries.

### **1.2.3. Corporate Social Investment Critics**

Highlighting that impact investing has been in recent years a practice that has a strong presence in the market and as a result, it has become relevant in many communities and economies, it is essential to investigate the gaps in the mechanism that could affect CSI practices. Since researchers suggest that an incorrect delivery could damage the society's bottom line and important image delivery and finances of companies and even governments. Therefore, is primary to notice that impact investment has a sensitive approach in the markets and in competition (Porter and Kramer, 2011).

Considering the aspects of impact investment is crucial also to identify the risks that can come along with this practice. Since, it cannot be considered a silver bullet but rather a practice that involves different contracts, processes, financing and operational tasks that need to be done (Zadek, Simon, 2001). Measuring is another task that is primary for impact investing and that can be managed properly to ensure the sustainability and viability of the projects to be done. Depending on the delivery of the project and the social or environmental value that can assure the benefits for the parties involved in the project can increase or decrease. Moreover, is significant to delineate the practices of CSI done in the field and the sensibility that can produce specially if is managed directly without intermediate partners since basically the initiatives bear with consequences for people's lives and have greater impact on their lives (THE GIIN, 2010).

The review of corporate social investment or impact investment is fundamental for this investigation, since the adaptation of the model explained in the next chapter is based on the guidelines, concepts but also critics and risks that involve dabbling in impact investment practices. Hence, is vital to have clear knowledge on what CSI is. Other explanations on the differences and dimensions of impact investing, corporate social responsibility and strategic

Corporate social responsibility will be exposed in the (Appendix 1) in order to compare and explore their use in the patient capital impact investing model explained in chapter two.

### **1.3. Understanding Sustainable development**

In the present section the concept “Sustainable Development” will be reviewed with the deconstruction of the concept into single terms to understand its elements and its upbringing. From different author’s perspectives, sustainable development is to be discussed. Terms related to the topic are going to be reviewed to have a global comprehension about sustainable development and its correlation with the model of patient capital investment model, explained in the next chapter. The history and development of “sustainable development” will also be studied to comprehend the origins and the reason for its appearance. Finally, different analysis and critics are going to be presented about the theory alongside with the reason for sustainable development to be used in this investigation.

#### **1.3.1. Concepts related to Sustainable Development theory**

Sustainable development also commonly mistaken as just sustainability has been widely discussed in the past decades, since the debate between environmental issues and economic growth seems to be a conflict hardly to agree with. The bases of the concept origin in the terms development and sustainability where both can have counterproductive effects. However, authors as Davidson have emphasized that not necessarily the terms are contradictory (Lele, 1991). Together the terms are considered to be designed to remove the conflicts and differences between economic growth and environmental issues widely debated in the 1960’s and 70’s period in which the environmental movement appeared with great force (Davidson, 2005).

The meaning of development from different perspectives is also related to underdeveloped areas. Concept that is operated to talk about the so called “Third World

Countries”, term used by Harry Truman referring to areas that have low standards and poor conditions to live. A supplementary expression related to this type of conditions and countries is “*High risk environments*”, concept that will be used to understand the model in the next chapter since it refers to all kind of harsh conditions that communities or groups of people can face in certain places; issues like, health risks, environmental risks, social risks, places with political turmoil’s and other kind of circumstances that can affect the quality of life and stability of communities (Estevo, 2010).

However, according to Shapley’s standpoint the term development can be conceived as experiences that have shaped the society positively. Being experiences formed by different actors in society such as; governments, NGOS and other different institutions involved in policy making at different levels, these actors can also be related for the purposes of this investigation to stakeholders term explained in the CSR section, since the “actors” in sustainable development and “stakeholders” into CSR can be closely related for their conditions of helping shape norms, processes, laws and other type of regulations and actions that can be carried in different areas (Sharpley, 2000).

On the other hand the term sustainability has been defined as the activities that can be carried out without having self-destruction as a consequence, but to be viable in the long term, with unlimited repetitions and high chances to be reversible. Klarin further defined sustainability as the capacity to maintain the activities or processes in the time without exhausting the resources for carrying out that certain activity (Klarin, 2018:80). Under other conditions Klarin in collaboration with other authors argued that is important to notice that sustainability must have environmental limits and viewed also from an ecological perspective since the respect of these limits through adapting the daily activities of society with sustainable ecological practices will enable people to continue living and doing their

activities, besides considering other aspects as economic sustainability (Klarin, 2018; Sachs, 2010).

Nonetheless, the formal term of sustainable development in fact was not employed first by economy theorists but from the field of *forestry*<sup>12</sup> where the deforestation and massive harvesting was creating global issues that needed to be pointed out. So, the term sustainable development was created to refer to the measures that the forestry sector should take in order not to undermine the resources and permit the renewal of forest and ecological systems (IUCN, 1980). Mentioned firstly by the *International Union for Conservation of Nature*<sup>13</sup> In 1980 it started as an ecological perspective of the practices concerning the environment that later spread to other sectors such as the economic and social aspects (IUCN, 1980).

### **1.3.2. Development of Sustainable Development theory and Frameworks**

The origins and history of sustainable development can be traced in economic research in the 18th century. First with Adam Smith who pointed out the difficulties that development can face and later with Marx, Ricardo, Malthus, and Mills, who postulated elements that can be related nowadays to sustainable development. From this point on, neoclassical theories of economy argued about topics like the importance of renewable resources, risks of the lack of pure air and water among others; as well as the urgency for the intervention of governmental entities to manage key resources and goods. (Willis, 2005)

As explained in the previous paragraph the discussion about sustainable development can be found from the 18th century. The *industrial revolution*<sup>14</sup> not only had an impact in the living conditions of society but also had an impact on the market and the increasing demands

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<sup>12</sup> Forestry is the science and craft of creating, managing, using, conserving, and repairing forests

<sup>13</sup> International organization working in the field of nature conservation and sustainable use of natural resources.

<sup>14</sup> The Industrial Revolution, now also known as the First Industrial Revolution, was the transition to new manufacturing processes in Europe and the United States

of goods and other services that led to the environmental exploitation of all types of ecosystems, from the Caribbean and tropics to the poles; the demands of the population gave birth to the mass consumption and employment of natural resources (Meadows, 2006).

Despite being started as an ecological term, sustainable development began to have different perspectives since many events occurred after the term was first used. In essence development was based on economic growth. But in the 1970s the fact that environmental consequences started to occur because of industrialization and mass consumption prompted the discussion about an inadequate management of resources and other practices that damaged the environment and diminished the quality of life of people (Romeiro, Ribeiro, 2012). After years of sustainable development discussion, in 1987, the Prime Minister of Norway along with 19 delegates from 18 countries made public the *Brundtland Report*<sup>15</sup>. Containing 12 chapters and apart from expressing a clear concept on sustainable development, define the conditions about the topic and draw a clear overview on the environmental degradation that the world is suffering, poverty, economic, social development, and politics. (Bermejo M, 2001). Yet the critics contemplated the definition given by the Brundtland Report “vague but optimistic” (Bartlett, 2016).

Another important steps to sustainable development were first; the Conference on the Environment and Development (UNCED), better known as the *Rio Conference*<sup>16</sup> in 1992 which established principles on sustainable development describing the rights and responsibilities of the United Nations (UNCED, 1992). And the *Kyoto protocol*<sup>17</sup> in 1997 that states the need for cooperation and understanding between the public and private sectors

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<sup>15</sup> Aims to maintain three main pillars of sustainable development include economic growth, environmental protection, and social equality.

<sup>16</sup> was a major United Nations conference held in Rio de Janeiro from 3 to 14 June in 1992.

<sup>17</sup> The Kyoto Protocol operationalizes the United Nations Framework Convention on Climate Change by committing industrialized countries and economies in transition to limit and reduce greenhouse gases (GHG) emissions in accordance with agreed individual targets.

and civil society. These events shifted the sustainable development proposal to an imposing approach to the countries that compromised to the reduction of emissions of greenhouse gasses (UNCED, 1992).

After years and development of the theory, the concept of sustainable development started to outline various core principles not focusing only on ecology and ecological related topics. Sustainable development evolved in a concept that encompassed production and consumption concerns, care for communities, innovative technologies, international and private cooperation, and strong networking to create a systemic framework of action (De Brouwer, 2008). For the present research various of these elements and principles are going to be reviewed as the basis of Patient capital, taking an approach from the private sector and other stakeholders that could involve in sustainable activities in order to tackle social problems, is also important to take into account the innovation element since its one of the main motivations and conditions to talk about patient capital and investment in the second chapter.

Finally, in the 21st century different guidelines and developments on the term appeared. The *World Summit on Sustainable Development*<sup>18</sup> addressed the challenges that governments and society must face concerning the environment but also the health and poverty issues of the modern world. From this point onward, the equity and ethical considerations started also being part of sustainable development that integrates various dimensions and not only concentrates in ecology or economy. Need for cooperation and understanding between the public, private sectors, and civil society. Additionally, The United Nations established a special division for Sustainable Development (UNSD) to coordinate the efforts to implement sustainable development in the international cooperation and inter-

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<sup>18</sup> The World Summit on Sustainable Development (WSSD), held in Johannesburg, South Africa, was the fourth major conference on the environment

generational. It not only coordinates efforts but also supports policy management and policy making regarding sustainable development actions (UNSDSD, 2015).

Further, research on the topic have been promoted and published by the GNSD best known as the *Global Network for Sustainable Development*<sup>19</sup> in 2015, after the establishment of the Millennium Development Goals. That is a guidance for what countries need to accomplish in the next years to come. Leading to the origin of conferences, laws, norms, meetings, declarations, resolutions, and other agreements that deal with societal problems (UNSDSN, 2015).

### **1.3.3. Sustainable Development critics.**

From the development of the concept itself and the interpretation of the term many criticisms have raised from different reasons. Considering the countless meanings and the numerous dimensions that sustainable development has. According to Dobson more than 300 definitions until 1996. The interpretation and use of the concept can be vague and subject to diverse uses (Dobson, 1996). However, other authors recognize the need for the term to have a holistic approach that does not observe social issues separated from economy, politics nor from environmental concerns. (Sharpley, 2000).

Is important also to make a remark on the theory of sustainable development and its current use and positioning; since the approach makes it a concept that can be used to talk about diverse modern problems in society with a wide approach from development to social changes including a sustainable process instead of focusing on development with a traditional view (Lele, 1991). The respect for the consequences of a development without sustainability also helped to visibility not only pollution but hunger and poverty in the so called under-developed countries. This theory can be recognized also for including a future perspective

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<sup>19</sup> GNSD aims to connect youth worldwide and empower young people to be change makers.

oriented in terms development, contradictory to previous approaches which mainly cared about present development (Ulhoi & Madsen, 1999). The commitments of the countries that were part of the UN commitments, and that have a compromise to accomplish the 2030 Agenda have challenges to achieve a Green Economy, eradicate poverty and establish an institutional framework implementing sustainable development policies (UNEP, 2012).

Nonetheless, sustainable development is also criticized for the use of general indicators and the difficulties that imply to monitor and control the goals that sustainable development framework proposes mainly because of the demanding or even problematic recollection of data that is not often available or is expensive to collect. In addition, assertions on the concept and its description in the Brundtland report can be questioned. Since it can be perceived as a western approach and little deepening to the term development and certain elements. For example, it doesn't explain clearly relations and cause-effect between variables such as; poverty and environmental issues; a clear framework to work on sustainable development goals is not explained in detail and has contradictions between their goals as eradication of poverty and economic development without having an environmental impact and at the same time be sustainable in the long run can be difficult to achieve. Paradoxes about the liberalization of the market for ensuring equality is also one of the big challenges since in the past two decades the statistics have shown an increased difference in equality terms in developed and underdevelopment countries arguing that globalization has had more negative effects in terms of ensuring a sustainable growth for society as it was promoted by the *World Bank*<sup>20</sup> and the *International Monetary Fund*<sup>21</sup> (OECD, 2017).

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<sup>20</sup> The World Bank is an international financial institution that provides loans and grants to the governments of low- and middle-income countries

<sup>21</sup> is an organization of 189 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world.

The research has shown certainly improvements in the application and use of sustainable development; renewable resources, the reduction of CO2 emissions and the reduction on use of fossil fuels have been primary issues that have seen many actions around the world and commitment to their improvement. However, there is still a long breach between solving environmental problems and to grow and enable a sustainable development of society and economy. (UNEP, 2012). The difficulties to work on such a huge concept has made the application of sustainable development on an international level very difficult, contrary to more local level of application of strategies and activities that push forward sustainable development. Research shows that the gap between developed and under-developed countries has widened, so it is questionable the application of equity and its remarks on sustainable development or rather there could be a lack of guidelines to its application. (Holden, 2014).

It's key to study about the social and financial dimension of sustainable development and even if the topic is not widely studied since primarily because of its origins, traditionally authors focus on ecology and environment, the UN has also designed a framework to work relating the entire concept with the *Triple bottom line*<sup>22</sup> framework on sustainable development which is often seen in human activities or strategies that are also relates with CSR and CSI and the *millennium development goals*<sup>23</sup> that framework which consists of three parts; social, environmental and financial. This framework proposed by the UN has helped to evaluate and have a clearer measurement of the performance of Sustainable development activities since it has a business value approach. (UNDP, 2015).

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<sup>22</sup> Social/environmental and economic dimensions

<sup>23</sup> The eight Millennium Development Goals (MDGs) promised to significantly reduce extreme poverty by 2015.

Imperative assertions have also highlighted that even if different strategies, plan, norms and regulations plus incentive policies and other instruments are implemented in governmental strategies the current problem of keeping with the implementation, the economic sustainability of these activities and the fulfillment of the government's responsibilities to implement these strategies and activities has lacked of compromise, long term procedures and incentives. (Drexhage & Murphy, 2010). In this direction it is easy to get lost in the economic growth that even if is a fundamental pillar for sustainable development can deviate human needs and sustainability having negative consequences in the long run. Noticing that sustainable development is a complex concept that has many dimensions and is hard to navigate between politics and what it needs to be done.

## **CHAPTER 2: Acumen Fund “Patient Capital” Investing Model**

The purpose of this chapter is to explore the organization that created the patient capital impact investing model, the model itself and certain characteristics of patient capital alongside measurement techniques. It is important to highlight in this section the ideas that originated the fund, that created “patient capital impact investment” and what are the purposes of it. Patient capital is also going to be explored deeply in its content, guidelines, and purposes but also the method to measure it, in the social and economic aspects. In the development of this chapter the relation between corporate social responsibility, strategic corporate social responsibility, corporate social investment, and sustainable development will be argued to understand its application into practical cases that are explored in the third chapter.

### **2.1. Acumen Fund**

#### **2.1.1. Acumen Origins**

Acumen Fund was established by Jacqueline Novogratz in 2001, the eldest of seven children graduated from international relations and economics at the University of Virginia. A former Manhattan Chase bank employee started to build the idea of creating what in the later years would be Acumen Fund (The New York Times, 2009). From quitting Chase bank and moving to Rwanda, to help building a microfinance institution and other entrepreneurial projects; to collaborating with the Rockefeller Foundation. Novogratz currently CEO of Acumen Fund, incorporated capital from; individuals, the Rockefeller foundation, and Cisco Systems to establish Acumen. The entity started to operate officially as a business mechanism that could fight poverty and invest in the most needed communities (Moyo K, Rodriguez W, 2011).

The main goal of Acumen is to transform communities and tackle social issues related to poverty. With a perspective of people as a global community. Acumen Fund proposed the “patient capital” model to invest in projects that could bring together the efficiency of scale market-based approaches and social impact (Acumen Fund, 2010). Using capital from philanthropy, corporations, international organizations, and other entities. Acumen creates a line of work with different stakeholders that connect with local entrepreneurs that work in and for communities in poverty. The key of Acumen model and line of work is to give access to communities that lack services such as; healthcare, clean water, energy sources and other services the means to build their own systems of basic services and products that are needed to improve their quality of life and improve their economic and social conditions by themselves (Acumen Annual Report, 2018).

The raising of Patient Capital of Acumen Fund according to Al Nor in 2009, lets social enterprises with low chances to grow in high risk environments to acquire investments that help them to establish and/or develop. Which means that social enterprises can provide from products and services to a major quantity of *low-income*<sup>24</sup> people. But at the same time generating financial returns to the investors and creating other kinds of benefits for the communities where they are located and to other stakeholders (Al Nor, Rangan, 2009). The drive of Acumen states that markets and aid by itself cannot solve problems related to poverty and inequality. Considering that more than 2 billion people globally have limited or non-access to basic services and goods including education and freedom to participate in the economy (United Nations Report, 2019).

The statement of Acumen Fund points out the failure of markets to include people in conditions of poverty as customers. Additionally, the deficiency of the system and

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<sup>24</sup> Individual that earns less than 2.5 dollars a day.

governments to provide direct resources and attention to the people in and under the poverty line. The problems that companies have when generating impact with philanthropic or individual CSR efforts are related mainly to the disconnection and unsustainability of the traditional aid, that has caused an increased average poverty line (Acumen, 2019). Even if extreme poverty has decreased in the developing world by 45% there is still a big breach and moreover for the people who struggle living on more than \$1 USD but less than \$2 USD a day who fall on the terminology that Acumen denominates as “Invisible in between poverty” where still, is extremely difficult to have access to basic goods and services to lead a life with dignity (The World Bank, 2019). The amount of people in the “Invisible in between poverty” are approximately 1.2 billion. To cover the needs of basic health, nutrition, education, agriculture, sanitation, housing, clean water among others, it would be needed, approximately 58 billion dollars per year. Amount that it is unsustainable and that has vague probabilistic to be funded each year (Noga; Wolbring, 2012)

The strategic approach of the fund is to invest at different levels and offer connections and knowledge. The Fund has different points of action. The first one consists of investing in social entrepreneurs and their ideas that must be related to reduce poverty and improve the living conditions of people on and under the average poverty line. The second one consists of connecting their partners who can be individual investors, international organizations, governmental institutions, or companies to guide them into associations, investment, or other kinds of collaborations, for social entrepreneurs to develop and achieve their goals. The third point of action consists on training individuals with one year global and regional programs to teach them how to drive positive changes into societies. As the fourth and last point the Fund offers accompaniment, technical assistance and strategic guidance to their partners when involving into the process of making patient capital impact investment or having any

type of collaboration with enterprises that develop and offer products or services in high risk environments (Urban Institute and Mission Investors Exchange, 2019).

The latest report of Acumen in partnership with the United Nations highlights the importance to invest in innovative ideas that can accelerate the process of solving issues related to poverty, involving the private sector in creating impact for society (UNDP, 2017). The report includes techniques of measurements suggested to align impact social priorities with the business approach. *Lean Data*<sup>25</sup>crossed variables and other types of measurement have been suggested to be a triple bottom line effective method that can also be used as a business investment approach tool that can convince investors and other stakeholders to collaborate with social enterprises (Boyd; Kimmet, n/d). In the next graphic the investments per office, partners and other useful statistics of Acumen will be shown.

### GRAPHIC 1 GENERAL OVERVIEW OF ACUMEN INVESTMENT



Elaborated by Michelle Hernandez  
Source: Acumen Fund Report 2018

<sup>25</sup> Centric approach to impact measurement

Following the general statistics of Acumen Fund the companies' approach of the Fund will be explained. As described before Acumen has different points of action. The Fund invests in financial capital but also in other aspects as; human capital, strategic guidance, technical assistance and the construction of platforms that enable stakeholders to collaborate and connect (Acumen Report, 2015) In order to access to this type of investment and assistance the social enterprises or ideas presented must be aligned with a certain criteria.

1) Have a social impact

Serve the Bottom of the Pyramid market

- Providing critical products or services.
- The product or service needs to have a reasonable and affordable price, be geographical accessible and dispensed, and finally to have international standards of quality.

2) Be financially sustainable

The Return on investment must be between 6-8 years

- It must support their own operations.
- Must be able to repay the capital in the established period.
- Must be viable and sustainable in financial terms in the long run.

3) Growth perspective

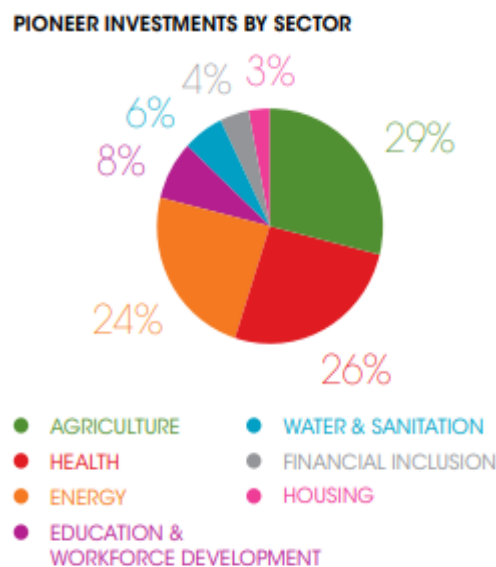
In 3 to 5 years the impact must reach 1 million lives

- The model of the enterprise must be flexible to be replicated and/or escalated up in regional, national, and international levels.

(International Finance Corporation, 2019)

The sector in which the Fund invests from the most to the least are agriculture, healthcare, energy, education and workforce development, water and sanitation, financial inclusion, and housing. Since, it is focused on reducing the poverty and inequality gaps. The graphics on the Acumen annual report in 2018 show that the regions in which the investment are concentrated in its majority in India and East Africa, where the inequality gaps are large, for example in India until 2011 approximately 21.9% of the population lived under the national poverty line (Asian Development Bank, Acumen; 2019). And in East Africa; where most of the countries have between 21.9 million and 15.8 million people living in extreme poverty (Redfern P. 2019).

**GRAPHIC 2 – ACUMEN SECTOR OF INVESTMENT**



Elaborated by Michelle Hernandez  
 Source: Acumen Fund Report 2018

After reviewing the general aspects and statistics of the operations of Acumen, and requirements to being able to acquire investments and assistance. Is important to understand the dynamic of the capital that revolves around all the processes made by the Fund considering that Acumen does not pursue financial return, but a sustainable way to operate and continue to invest and grow. Where the donations or investment enter the Fund, a

research is conducted to invest in early stage companies or ideas that comply with the requirements explained above. Patient capital along with a technical assistance is provided by the partners and/or Acumen working together to pursue and escalation, growth and sustainable impact from medium to long term, depending on the type or amount of assistance and finally when the social entrepreneurs reach a sustainable point, repaying the capital given plus returns and have acquired the knowledge Acumen and partners exit or renew the project to recycle the capital and returns in different programs (UNDP, 2018)

### **2.1.2 Patient Capital Impact Investment model of Acumen**

Patient Capital itself and its differences with other social investment models will be explained in the present section. From its definition to the characteristics that hold. The model will be explored to set the basis to understand the cases studied in the third chapter. A set of examples are being considered alongside with key characteristics. Starting with the definition of the concepts and following with a contrast of the theories reviewed in the first chapter. This section will be the ground to understand the cases that make use of this model and its approach.

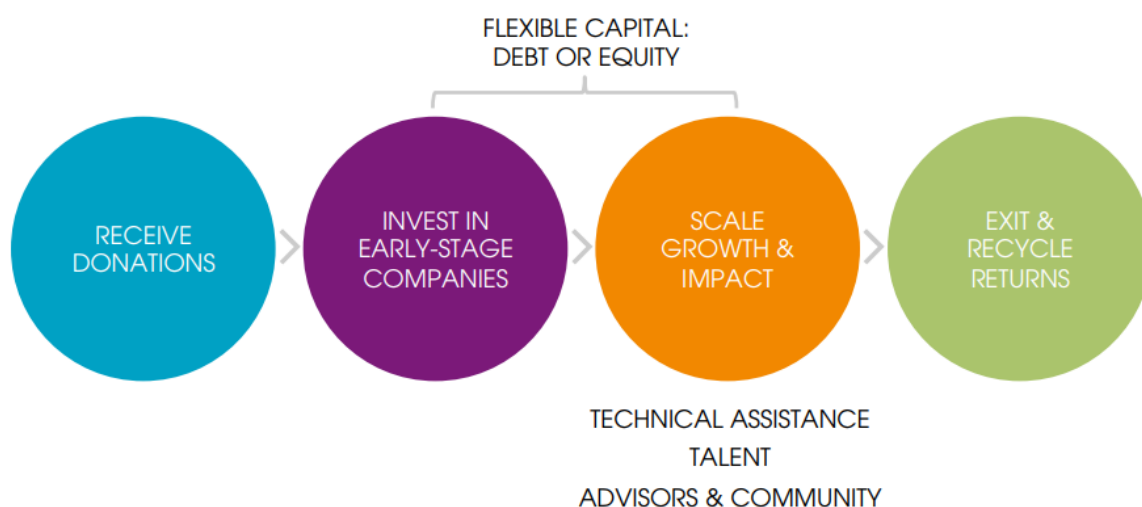
Acumen introduced a patient capital investment model as debt or capital that could be allocated in social enterprises; creating a bridge between the traditional market and the large capital that big companies can invest and the social impact that the focus of the social enterprises could bring into their communities. Acumen pointed out the gap between the money that big companies were putting into aid, CSR efforts and philanthropy and the lack or minimum results with their efforts directed to the communities. The disconnection between the resources and time invested in different actions and the results showed, added to a disconformity in both sides of the transaction led to the creation of patient capital (Basu, 2017)

Patient Capital that can be defined as an investment, works mainly in communities with harsh environments, since is expected to improve the quality of life and poor conditions of the people living in difficult situations on a determined territory. Because of this particularity patient capital is specifically designed to work as an investment of high risk. Debt or capital is allocated in the early stages or in the beginning of a social enterprise operation. Without expecting high returns, patient capital is a long term investment that requires a set of previous analysis as other investments and an accompaniment from Acumen Fund and the partners involved in order to reduce the risk of the investment (European Observatory, 2010).

Some other key characteristics of the model include; the capability to adjust to the needs of entrepreneurs who aim to satisfy customers with little resources; a certain amount of time and resources depending on the project which in terms of money vary between \$300,000 to \$2,500,000 dollars is given to social enterprises as an equity or debt with payback or exit in five to ten years (Osberg; Martin, 2015). Guidance and control are required from Acumen since products or services need to be efficient but also must meet international quality standards, taking in consideration that the money usually comes from big companies and is seen as an investment. The control also is important in view of the risks that the image and the capital of the big brands can be associated and affected. Difficulties can occur if social enterprises do not have adequate standards and fail to meet the customers and society needs. Another characteristic is that partners that invest patient capital must be concentrated in maximizing the social return and not in financial returns. Even if it's called an investment the compromise that Acumen seeks is to find a flexibility and sustainability point, non-prioritizing economic returns but prioritizing other goals or achievements of the investment that can be directed into their CSR actions/image and efforts to achieve sustainable development reaching to low/medium income customers (Barber; Goold; 2007)

An example of patient capital allocation can be reviewed in Ziqitza Healthcare Limited, a company in India that provides affordable and quality ambulance services. The investment started when the company had only nine ambulances in 2006 and at the end of 2018 Ziqitza surpassed the 2500 units and attended around 5 million people (Startup Grind,2018) Funded by Acumen to grow and reach to more population with low resources. Acumen assisted Ziqitza with 1.5 Million dollars in equity investment, in two parts; the first with : \$600,000 and one board set and the second part with 900,000 in 2007 concentrating the capital mainly in expanding the number of ambulances, personnel and increasing the awareness on accessible emergency systems. After some years Ziqitza developed into a sustainable social enterprise which has two principal sources of revenues; for advertisement placed in the ambulances that are partners of Ziqitza and help also to fund cheaper ambulance services and from the fees for transporting and treating patients in their ambulances. In short it can be said that inversions and donations that come into Acumen Fund or, are invested as a partnership with the fund are being reinvested steadily; creating an outflow that vary from the 7 to 10 years (D’Silva 2015) The approach of the model can be appreciated in the next graphic.

**GRAPHIC 3 ACUMEN PROCESS TO INVEST**



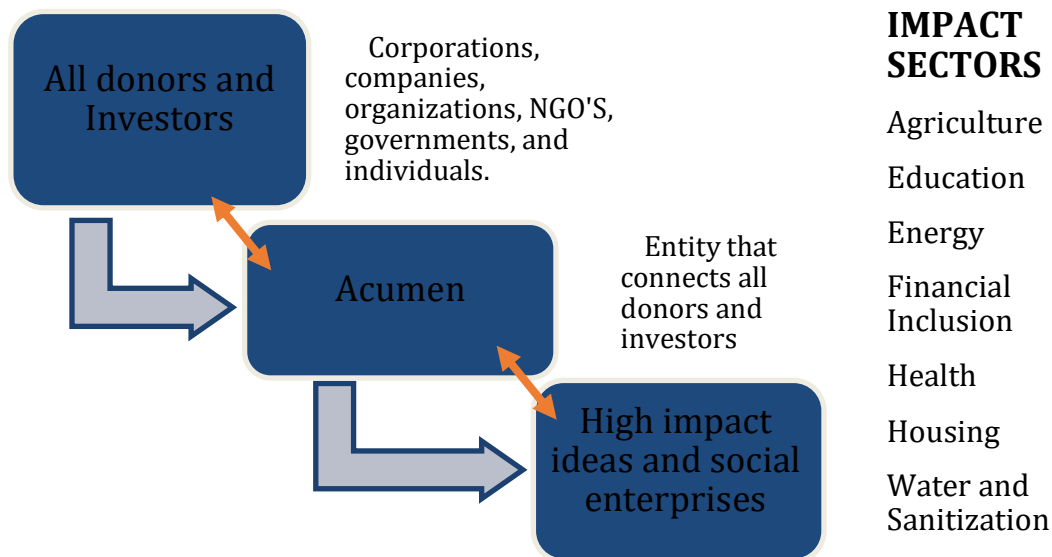
Source: Acumen Fund Report 2018

Evidence shows that patient capital can be treated as an especial investment with certain return requirements that can be monetary or a different type of return; taking into account that investors are supposed do not pursue or are motivated by financial returns but that social impact is the main factor driving the investment. Seeking projects that want to achieve sustainable development and can grow and impact local communities without an intrusion of other factors. These types of investments seek to work mainly with microfinance initiatives and are reinvested in other projects when social enterprises reach a self-sustainability point (Roundy, Holzhauser; 2017)

### **2.1.3 Patient Capital Model illustration**

In this section Patient Capital model will be explored with a graphic illustration and a brief explanation. The sequence of the process that Acumen does to acquire the capital, earn partners, administrate, create networking, pair social enterprises with big companies or entities and reinvest will be described. Further theoretical and practical application will be discussed in real cases to understand the spectrum in which works and how it can be linked to the theories and practical use. Also, patient capital will be compared with other practices related to CSR and philanthropy. Finally, the dynamic between the stakeholders will also be included in the illustration. As explained, Patient Capital of Acumen complies with a determined cycle to function and operate; as other companies Acumen operates with certain stages to acquire, use, and reuse its resources. In the next illustration the dynamic of the model will be represented.

## GRAPHIC 4 – GRAPHIC OVERVIEW OF PATIENT CAPITAL



Elaborated by Michelle Hernandez  
 Source: Acumen Fund Report 2018

As seen in the graphic various partners and investors make part of the dynamic to funding and being part of the network of Acumen to fund Social enterprises. This model not only works with corporations and companies but also with private donors, different philanthropists and other partners that can be the governments, international organizations and entities that comply with values and beliefs of Acumen (See Appendix 3) (Porter, Kramer; 1999). For the purposes of the investigation, a focus on Corporations and companies will be explored. In the next graphic it can be seen the specifications for each element and the detail of the sector in which the model works. Patient Capital as seen below works to create a cycle where main sectors that affect directly vulnerable populations are developed and funded with the same locals that work to attack poor living conditions.

However, the cycle does not finish in the investment and return of the capital from the social enterprise to the Fund and its investors but, instead makes a complete connection when the investment succeed, typically the capital and the resources impact their local

communities, bringing work and a boost of the economy in the sectors where the social enterprises operate. Some cases as seen in A to Z Textile Mills that will be explored in the third chapter show that even after paying to the Fund the connections, networking remains and it can also bring larger contracts and a further development of little enterprises (Kennedy and Novogratz, 2011). It is significant to notice that the investment not only consists of monetary funds but also managerial assistance, training programs, mentoring, technical advice and other administrative and operative processes in order to leave the project in a maximum of 10 years being sustainable on its own without fully depending on the Fund or other entities. Acumen as seen in the graphic is said to work as an intermediary with low profits but with a large network and connections, the function that accomplishes as said in their mission is to connect local entrepreneurs with investors in richer countries lowering the risks that involve investing in such projects. The relations and accomplishments of the organization, partners and projects will be explored in the next chapter with two practical cases (Zider, 1998)

After understanding the operation of Acumen, it is also important to link the practice with theories and the relation between social enterprise and corporations with social investments, strategic CSR, and sustainable development. “Patient Capital”, the term implemented by Acumen in 2001 works primarily differs with the motive of traditional capital providers, however even though it is a different approach to invest, the capital and other resources that are given to Acumen do not consist on pure philanthropic actions, instead, companies as Unilever, Facebook, Mitsubishi, SAP, IKEA and others, use the partnership of Acumen to invest in projects that are long term profitable and also include them into their Corporate Social Responsibility projects. Being in line with sustainable development practices that enables locals to achieve greater goals with social purposes with a lower risk because of the intermediate (Kennedy and Novogratz, 2011).

The Acumen Fund patient capital model combines both views. The idea is to take advantage of the best in the market and the best of development aid. The Fund provides resources to entrepreneurs who know their communities well and who, in addition to devising solutions in terms of health care, water supply, housing and alternative energy, do not treat low-income people as passive beneficiaries of charity, but as clients and consumers, that is, as people who want to make decisions about their own lives (Michigan School of Business, 2007)

Even if the model and sector where patient capital works is still unknown, in the last decade it has been growing rapidly, even if serving a “BOP” or “Bottom of the Pyramid” community is complex in many ways and can cause financial troubles for its approach. Considering these types of initiatives need a medium - long time to plan, execute and fund, due to the objectives to reach social and measurable results has attracted a non-traditional financing that differs from a grant and a typical investment that looks for a maximum return but at the same time has a low risk rate. This could create markets that might be able to tackle poverty problems without creating dependency as can happen with aids, but also avoiding non-goal reaching CSR projects (Kennedy and Novogratz, 2011).

## **2.2 Patient Capital in High risk environments**

The social impact that Patient Capital can produce also comes with high risks. The model requires from investors, intermediaries, and receivers to have a high tolerance for risk and a long-term perspective. Recognizing the challenges of the market and its limits, patient capital is designed to work in environments where political issues are common, not only corruption, legal inconsistencies and other problems could arise when invest in this type of environment; but also there are precarious structures and big social disparities; meaning that the markets for investing are constituted by people with very low incomes, between one or

three dollar a day and which culture of spending and saving is determined by their needs of the day. Secondly is important take into account that the social enterprises usually operate in places with poor infrastructure that means that the services and products could be difficult to produce or provide since, there could be no roads, other basic supplies, and finally considering the security risks that could come when working in a hostile environment (McAnany; 2012). However high-risk environments are the places where aid and investment are more needed but also, where usually investments do not reach precarious environments (Acumen, 2018).

### **2.2.1. Sustainable Development for the Bottom of the Pyramid (BOP)**

As explained above, Patient Capital works in unique and special situations, since the environments are not stable and there is still a lack of various products and services; many times social enterprises explore new markets and target populations with low incomes, depending on their social goals. These can represent an issue but moreover a challenge, and an opportunity to deal with the Bottom of the Pyramid market or “BOP” which in practice is different to deal in relation with the Top of the Pyramid or TOP markets. These differences force social entrepreneurs to design unique solutions to penetrate their markets and accomplish their goals (Kennedy and Novogratz, 2011).

Since the target of Acumen and their partners to invest patient capital is low income communities, the target corresponds to the BOP market, where there are key factors that Acumen uses to determine if the community where the social enterprise will operate is vulnerable and gathers the requirements to receive patient capital (McAnany; 2012).

First, to determine if the market is BOP there must be unaddressed needs, since often the government local or sectional and also the society structure cannot fulfil the basic needs of the people; for example if people in a certain community cannot afford to have access to

healthcare or housing. Second, there is none or minimum infrastructure that leads to an inadequate access to primary goods and services, such as electricity, clean water, or sanitary infrastructure. Difficulties with the access to information and lack of education can also be characteristics of a BOP market. On the other hand there are also factors such as; corruption which could affect the economic value of enterprises and create instability, low purchasing power and a lack of equity capital; for these factors the approach to BOP market will need to consider different strategies since its variables have risky connotations disparate to a TOP market (Ansari; Munir; 2012)

Strategies to handle BOP markets have distinctive characteristic, since the strategies need innovative and different forms of handling the markets. For example operating at a massive cost reduction with a centric approach/ humanistic approach which at the same time creates services and products that the bottom of the pyramid community can rely and have trust; and in that way grow the market. However, many times, reducing the cost could significantly reduce the quality but that should not be the case when working with a BOP community. Actions that could mean the success or failure of a social enterprise (Oliveira; Machado; 2017). Other factors include the lack of skills, resources, and knowledge within the enterprise. The compromise and load of work in social enterprises many times are not equitable, managing the team of work and have a clear team goal could mean a proper functionality and success (Ansari; Munir; 2012).

Therefore having a balance can be a challenge while working with BOP markets, is important to note that communities in poverty conditions can be reluctant to believe in social enterprises or any other organization, since often are objects of promises that maybe could not be fulfilled and also that could not meet their actual needs. Skepticism is a barrier that usually interferes in BOP market or community penetration however market resistance could

be overcome with knowledge about the community needs and an adequate service or product (Simanis, Duke; 2014).

### **2.2.2. Practical and Theoretical Impacts of Patient Capital**

Acumen has been operating since 2001. However, the focus of operation remained in continents such as Africa and Asia. But in 2013 Acumen started operations in Latin America, is meaningful to know the surface of projects in Latin America to later understand in a better way the cases studied in the third chapter (GIIN; 2016). The closest operation has been in Peru and Colombia. In Colombia since its context has aroused many social and political problems. A study made in Bogota in 2016 showed that the main problems were that the population suffered from economic, political and social exclusion; especially the vulnerable groups such as indigenous, afro Descendants, farmers and females. The groups that Acumen has worked with in Colombia are mainly farmers; as cacao hunters, the employees of the Arhuaca population, an indigenous community considered vulnerable in Colombia but also the farmers that are located in areas that are affected by armed conflicts. This social enterprise looks not only to support the community by giving jobs but also creating sustainable productions (IDB; 2016).

Is necessary to look at these cases and options. Since, in Ecuador there are similar experiences in terms of poverty and production. Having already experienced a slowdown in the fight against poverty and extreme poverty. According to the National Institute of Statistics in Ecuador “INEC” data, where in December 2007 income poverty was 36.7% and extreme poverty was 16.5%. By 2017, poverty had fallen to its lowest point of the period with an average of 22% and extreme poverty to 7.7%. However, two years later, poverty had risen to 25% and extreme poverty to 9% on average. According to the World Bank, in the current

situation due the Covid-19 pandemic, the improvement made in that period will be lost (INEC, 2019)

In Ecuador poverty has a rural connotation. Evidence shows that poverty main concentrations are located in the central Sierra of the country, of indigenous population; The Amazon is an area that has an incidence of poverty well above the national average, as does the rural area of Manabí, the agricultural areas of Guayas, and the poverty surroundings of large cities. Poverty in Ecuador is a phenomenon closely linked to socio-democratic characteristics. It primarily affects women, indigenous people, and rural areas. Talking about multidimensional poverty. Factors such as access to basic services and other factors are considered in this type of measurement. The INEC Technical Poverty Bulletin of December 2019 defines some elements of multidimensional poverty: access to education; work and social security; health, water, and food; habitat, housing, and healthy environment. The multidimensional poverty index in the Ecuadorian rural sector is 71%. Overlooking the situation in Ecuador patient capital can be an option to improve poverty related problems in the country (INEC,2019). Considering that systematic difficulties in the country have also been found, considering the rural poverty specially in women has arisen in Ecuador, points of action in financial independence, housing, and the lack of other basic services can be considered as an opportunity to improve these sectors.

Theoretically speaking patient capital support causes that tackle poverty. However, is important to notice that the projects impulse with patient capital can also be considered CSR strategies that would fall within to Strategic CSR, since the allocation of capital would bring benefits to the social enterprise but also the company that could be economic in the long run but also other type of benefits as marketing while supporting causes that could improve social, economic or structural conditions. The projects also that are funded with

patient capital must comply with conditions of not harming the environment or to being sustainable in the long run (Tonello; 2011)

### **2.2.3. High Risk environments where Paint Capital has been used**

High risks environments typically have low income communities, scarce resources, lack of primary infrastructure and services. Governments and sectional authorities usually have political, economic, plus other types of difficulties as civil wars, insurgent groups, and other structural difficulties. In high risk environments legal and corruption situations can happen since the ambits could lead to sporadic remedies and broken promises (KPGM International, 2018).

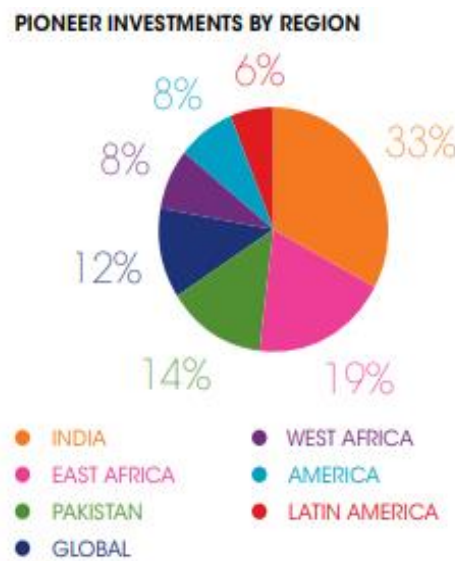
High risk environments can be difficult to begin an entrepreneurship since, there can be lack of administrative support and the infrastructure could be an impediment to develop in a sustainable way. Reaching out to corporations, big companies can be a challenge since distrust in a certain country's system is minimum or inexistent. However, cases of success with social entrepreneurships have happened. For example, in India Acumen Fund worked with the farmers in the region. The aid in the country being unsustainable for its large population and extensive people in the poverty line with 200 million earning less than a dollar per day lived in extreme poverty conditions. Being farmers one of the most affected since the resources for cultivation and the earning for the products is minimum (KPGM International, 2018)

The water for the production was a main preoccupation. But a local entrepreneur called Mr. Sandangi believed that the drip irrigation used in Israel could work in the Indian environment to cultivate and produce. After all, low income producers could not afford the systems and it would be difficult for them to operate and obtain loans to buy the systems. These entrepreneurs redesigned the drip irrigation system to work in Indian land and to be

affordable for local farmers with scarce land. Applying three principles Mr. Sandangi miniaturized the irrigation system to reduce it to a quarter of acres in little farms, reduce the cost of the system to be profitable for the farmers and finally being able to expand the system to the majority of regions (Novogratz, 2005).

Until 2014 the project of Mr. Sandangi “IDE” sold 300,000 systems to farmers in India that after drip irrigating the first acre increased the drip irrigation in the rest of acres. This entrepreneurship at the beginning had no investors since the risk to operate in India and targeting a Low-income market as the farmers increased the risk of the investments (Acumen Report, 2017). However, Fund specializing in high risk environments funded the project. Being Acumen and Rockefeller Foundation to impulse these projects, the opportunity to expand and export the system attracted different capitals and bigger collaborations with other companies and organizations permit IDE to expand to Pakistan and other countries with risk conditions, making IDE sustainable without the support of the Funds. (Acumen Report, 2017).

**GRAPHIC 5: Acumen investment % per region**



Figures represent Investments Under Management: \$65M, excluding unrealized gains and losses.

Source: Acumen report, 2018

As seen in the example, taking the risk to invest in a project in a high-risk environment could be challenging. However, the high risk can also make it profitable and increase the impact of the investment. Acumen and other Funds have remarked the importance of not making the vulnerable communities dependents of aid, instead regions that need improvement and development could undertake the challenge to improve their difficulties. The regions that have had beneficiaries of impact investments by Acumen have been mainly in India, followed by East Africa and Pakistan with a success rate of 83% (Acumen Report, 2017).

### **2.3 Measuring Patient Capital's Social Impact**

Measuring patient capital could be difficult and tricky. Since, its impact can be social, economic, environmental or all together. Common measurement of Patient Capital or different projects with a social connotation, needs a credible measurement to attract capital and communicate with the stakeholders and externals. In this case Acumen and Social Enterprises need a defined framework to measure patient capital impact. In the present section different tools for measuring impact will be explored to determine the adequate tool to explore the cases of study in the third chapter as well as its functionality. Is essential also to explain the use and functionality of each one (WHO; 2016)

As there is not a formal and only way to measure impact. Even if measurement is an imperative tool for social entrepreneurs. In the past decades there have been diverse measurement tools that difficult the communication between stakeholders. Historically social entrepreneurs, investors or other stakeholders relied on different measurement systems. Making the approach and understanding difficult for each stakeholder. Considering these difficulties creating a common system that could bring together all actors within a patient capital investment and make communication easier the communication (IRIS Report, 2016).

### **2.3.1. Approaches for measuring Patient Capital**

Measuring results or the impact that social enterprises cause with their operations funded with patient capital; can be done from different approaches. Quantitative and qualitative analysis can be done to obtain different types of views around a certain investment and its results. In the current investigation a quantitative analysis has been chosen to have a clear knowledge with metrical results and predictions of patient capital that will determine the amount of economic impact, social impact, and environmental impact. Being the leader to propose the model, Acumen has played an important role to develop a better understanding on the communication and understanding on impact investing with patient capital (JP Morgan; 2015).

Developing standardized metrics is important for the investigation and for the stakeholders to gain a better understanding on the matter and moreover to create trust between actions and results that could lead into a major funding from investors. A co-developed and self-developed of other metric standards as BACO, that will be explained in the next section has been seen in the last decade with important partners for Acumen such as; Google, Development entrepreneurs between others; designing a computing platform for metrics called Impact Reporting & Investment Standards (IRIS), platform that puts together evidence based on the industry's performance (IRIS Data Report, 2011). IRIS is the representation of an innovative way to solve metric problems of social financing to prove the expected performance and an integral analysis of the impact.

### **2.3.2. Expected Return Analysis and the Best Available Charitable Option (BACO)**

The expected performance analysis is a tool used by various social companies to adequately analyze the cost of an investment in relation to its expected social benefit in its

target population. The concept of expected return implies that a cost is justified to the extent (that it contributes to the net benefit (Brest, Harvey; 2009).

**The equation for the analysis of expected performance is:**

Result X Probability of contribution X / Expected investment = Result Return cost

- When it comes to an investment in an individual patient's capital mission, an organization should use this equation to see if this investment is likely not to exceed the Best Alternative Charity Option (BACO).

To further explanations, Acumen Fund uses BACO comparisons to determine if the investments have the possibility to generate more social production per dollar than conventional grant alternatives (Brest, Harvey, Low; 2009). An example that will be explained in the third chapter of the use of BACO is the loan from the Acumen to "A to Z Textile Mills" these will be the example to understand the use and practice of a BACO comparison. Acumen sought to help A to Z textile Mills produce mosquito nets treated with long-lasting insecticides which in abbreviate is "LLITN" to protect people from malaria, with a loan of \$ 325,000. These types of nets last twice if conventional bed nets treated with insecticide (WHO, 2010).

Performing these types of calculations has to do with both the process and the result. Necessarily, a social society like the Acumen Fund wants a clearer idea of the return on investment by providing capital financing to the patient. And although comparisons with BACO may present a large margin of error, they serve to inform the due diligence process of a social enterprise (Brest, Harvey, Low; 2009). As pointed out by the director of investments of the Acumen Fund, the value of the analysis "is not in the number it spits in the end, but in forcing the team to think through marginal analysis if we are really generating a social impact

significantly more than our dollar with respect to the prevailing approaches "(Brest, Harvey, Low; 2009)

### **2.3.3. Impact Reporting and Investment Standards (IRIS)**

The growing need for reports and investment standards to measure social impact has also led to a group of pioneers of the impact that investors have begun to address critical barriers to measure social and environmental impact. In 2008, the Rockefeller Foundation brought together a team of social impact investors to analyze the lack of transparency and credibility in the way in which funds are defined, tracked and reported on the social and environmental performance of their capital (IRIS Data Report, 2011).

Lack of consistency, credibility, information on non-financial performance continues to avoid fair impact comparisons, investment opportunities, social and environmental performance benchmarks and other analyzes of the aggregate sector. To know the difficulties that need to be faced organizations such as; The Rockefeller Foundation, Acumen Fund and others, joined together to launch the "Impact Report and Investment Standards" "IRIS" initiative, that aims to create a framework common to define and communicate the benefits of impact capital value (IRIS Data Report, 2011).

IRIS was developed to provide a common reporting language for impact terms and parameters." By standardizing the way in which organizations communicate and report on their social and environmental performance, IRIS aims to increase the value of non-financial performance comparisons and benchmarking data, while simplifying and simplifying the information obligations for companies and their investors. IRIS provides value to many stakeholders in the impact investment sector, including fund investors, direct investors, partner companies and organizations and intermediaries (IRIS Data Report, 2011).

IRIS is available as a free public good and provides a library of standardized social, environmental, and financial performance indicators designed to be applied in various sectors and regions (IRIS Data Report, 2011). IRIS indicators allow social entrepreneurs to speak the same language, helping them communicate the performance of their organization, which helps to receive and seek impact on investment capital. Where possible, IRIS aligns with widely accepted industry-specific reporting standards, such as the microfinance performance indicators used by MIX (IRIS Data Report, 2011).

In areas where it is not commonly accepted performance indicators, the IRIS team works with experts in the sector to fully develop indicators globally. However, it is important to keep in mind that IRIS does not provide prescriptive guidelines for reporting, value judgment, certification, or qualification of services (IRIS Data Report, 2011).

The three main components of the IRIS initiative are:

- 1) Develop and refine IRIS standards
- 2) Promote the adoption of IRIS standards
- 3) Allow the voluntary contribution of anonymous data on IRIS performance through data collection partners to establish a basic expansion of industry performance tests.

IRIS represents one of the innovative ways, where social entrepreneurs and other stakeholders seek to solve problems related to measuring social and environmental impact on social financing. Expected performance analysis is a good tool to assess the impact per dollar for investors who want to make the most effective investments with social awareness. In the present research, the data related to the A to Z Textile Mills and Ziqitza case, have been analyzed observed in the IRIS+ system, where the data has been collected and studied with the lean data that the studies made by Acumen and other partners and institutions have made and presented in the IRIS system (IRIS Data Report, 2011)

## **CHAPTER 3: THE USE OF IMPACT INVESTING MODEL IN PRACTICAL CASES**

In the present chapter, determined assertions regarding patient capital impact sector will be reviewed to continue with a background explanation respecting the cases that will be studied and followed with metrical explanations, comparisons and results of the investment on The A to Z textile Mills case in Tanzania and the Ziqitza case investment in India. Following by an explanation and exploring a broader context of Patient capital and other sectors with a different approach and use of the model.

### **3.1. Impact Sectors Characteristics**

In this section a review over the social enterprises' characteristics will be developed to understand the dynamic within the model and their use in the process of investing and impacting. Followed by a brief broader explanation of the differences, similarities and use of patient capital in strategic CSR. Finally, a comparison and differences between patient capital and traditional aid will be analyzed with the purpose of having a better understanding of the general view of the context.

#### **3.1.1. Key Characteristics of Social Enterprises**

Social Enterprises are considered by some authors as an operation or as a strategy to develop communities and markets. Creating spaces that contribute to the participation and inclusion of different groups within the communities (Kummitha, 2017). It has also been considered like an alternative organization with a directional strategy to produce places of work with a social drive. Social enterprises have risen since, economic, environmental, and social crises have determined inequities in the traditional market and the gap has been incrementing and leaving no space for a welfare state. It is important to express that social enterprises or "SE" can be considered as a link between the economic and human/social

aspects. Where determined values such as solidarity, sustainability, respect, tolerance, and reciprocity are part of the organization (Deloitte, 2018).

Social Enterprises make a clear remark from its differences compared with traditional companies. Delivering a social trade, through a process that engages participation could give a competitive advantage to Social Enterprises since, the relation with stakeholder is based on knowledge of the needs and culture but moreover a attach with the community is developed transforming into a piece of the present significance of the support enhanced by the affiliation (Jeffery, 2009).

The European Commission's Manual for Social Advancement refers to the term social business enterprise to depict the practices and drive of people engaged with the establishment of new organizations with social goals (OECD, 2017). Including the ambition to face difficulties in harsh environments and keep innovative approaches to use resources that have been ignored but at the same time badly utilized. Furthermore, social business could be portrayed as the mix of social and profit answers for current issues that persist in communities. Mainly financial improvement and the administration of an enduring system. (European Commission's Manual for Social Advancement, 2011).

Social issues have expanded because of the rise of the financial crisis, especially in European countries as Spain and Greece, among others. Considering the presence of these social issues, the European Commission, implemented a "social development program" in its Guideline, to navigate organizations into putting resources into perspectives of social issues. Understanding that from the point of view of having a social approach itself, it would mean an advantage for having a tool for mitigating the social effect (European Commission's Manual for Social Advancement, 2011).

Social enterprises or so-called social ventures are portrayed as a solid social contribution of individuals within the enterprise or in the administration and the looking for advantages to compensate capital. Said to put it plainly, the social undertaking coordinates it is improving the states of life by evacuating obstructions to social consideration, supporting debilitated or voiceless populaces, or lessen negative externalities (Austin, Stevenson, Skillern; 2006)

Be that as it may, social worth is hard to evaluate, in light of the fact that it is an emotional idea, dynamic, and multidimensional, in light of the fact that it is appropriate to a few regions wellbeing, nourishment, work, and others. Just as a *mind-boggling*<sup>26</sup>relationship as far as monetary worth. Social ventures arrive at the social and monetary scene with a solitary goal, right the issues of the open segment such a lot of that it doesn't effectively supply the social administrations, for example, the private part, which has inconsistencies and little pledge to both your representatives and clients, without overlooking the low worry for ecological issues (Rhode, Packel, 2009).

### **3.1.2. Patient Capital and Strategic CSR**

Patient Capital and Strategic CSR have been interchangeable for the results that produce and the marketing that revolves around them. However, in this section their similarities and differences will be analyzed. First, patient capital can be hard to define. Since, the term has not been employed long ago. But it can be clearly seen that it has its basis in the traditional social investment terminology (Cho, Young; 2019). The main characteristic that differentiates patient capital with other types of investments are the typical amount of money that is funded, which usually ranges between \$50 and \$100M maximum. Foundation and other companies as Kellogg's use these types of investment to job creations primarily in

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<sup>26</sup> Mentally or emotionally exciting or overwhelming.

South Africa, which can be said, is the focus of investments followed by with Asia, considering the poverty percentage that the countries have in these regions have. \$100M funds to invest in job creation and several initiatives across countries. Another larger investment is Water Funds developed by IFC with a portfolio that looks to invest \$8B approximately in the world to support development projects. These range usually is similar or less than strategic CSR initiatives (Kauffman Fellows, 2010)

As seen in the previous chapters Funds that manage and utilize patient capital investment usually not only provide the monetary investment but also provide management assistance which comes with a full assistance and support that can take a percentage up to 20% of the patient capital given (Hughes; 2008). However, each patient capital investment depends on the project, the structure, and the conditions that each fund or organization establishes. Patient capital model is still developing and has not a wide range recognition even if the model is not defined in the investment world it can be seen that its basis can relate a lot to strategic CSR initiatives, since the performance, accompaniment and the advertisement that can be done with these type of partnerships is similar to other type of actions of CSR (Brest, Born; 2013).

Thinking about other characteristics of patient capital, early stages for doing investments are the most common to invest. Funds often prioritize projects depending on the geographic and situation of the community in which the investment will go; being a focus Africa and India therefore there are larger populations and various issues related to social, economic, and environmental difficulties. In the case of Acumen sectors that are related to poverty and public health, energy sectors, and renewable energy funds are the favorites considering that in the long run is profitable for the Fund, partner and impacts larger populations (Acumen; 2019)

Funds that have a commercial focus typically have a passive approach, small funds and companies into patient capital investments are often more quick and responsive when making decisions and managing their project, here a similarity with bureaucratic problems in CSR can be seen since, in both larger funds and companies could struggle to accelerate processes. On the other side larger the funds are often more socially oriented (Baird, Katz, Lee, Palmer; 2012).

An example of a rapid scale up in projects it's the Water Health social entrepreneurship that had four rounds of financing; seeking investors in 2009 Acumen funded Water Health patient capital to expand to other countries and reach to communities without clean water. Later as the enterprise reached 4 different countries in the late 2009 Acumen rejoined the board and continued to invest and expand water health (Michigan School of Business; 2007).

The final characteristics that differentiate Patient capital for other types of investments, theories and models is that they can use various types of investment structures: debt, shares, preference shares, guarantees and even income shares or royalties structures (Kauffman Fellows; 2015). Some funds will try to do what best supports the company in its current development phase. Investment structures are generally guided by the exit options available in local markets. In some markets and asset classes, there is little liquidity for private companies. There are limited options for strategic buyers and public equity markets are emerging (Zider; 1998). As a result, some social investors only invest in markets that prefer debt or preferences or where capital markets are active or in sectors where acquisitions are possible. Others are willing to take risks on exiting. For example, Acumen Fund will first worry if the company can profit from a positive cash flow, so think about exit options. Performance expectations vary widely and depend on factors such as LP, structure, time zone, and shutdown options. In the most commercial aspect of the spectrum, investors expect

an IRR of 25-30%, while some funds go well with multiples of 1x or simply with the actual return on capital (Zider; 1998).

Experienced venture investors should not dismiss investors who are influenced by simple philanthropy chairs, stupid money, or excessive fashion. In the next decade, almost all venture capital funds, including IT, health, or clean technology, will be funded in some stages by investors who have at least one company impacting their portfolio. In part, patient capitalists exist to enable high-risk, low-profit businesses to the point where commercial markets can invest. Impact investor is here. There is too much evidence that combining social or environmental standards with a disciplined approach to investing in principle creates substantial change and a sufficiently attractive but coherent risk-adjusted commercial financial return (UNEP; 2008). The Rockefeller Foundation's Global Impact Investment Network seeks to build the infrastructure for this sector, especially in emerging markets. Even traditional large foundations, such as the Bill & Melinda Gates Foundation, recognized the need to use a wider range of tools to create positive social change through the “creative capitalism” Bill Gates (Rockefeller Foundation; 2012).

### **3.1.3 Aid vs Patient Capital**

There is intense debate about how we can get people out of poverty. On one hand, there are people who say that the aid system has collapsed and should be thrown away. On the other hand, there are people who say that the problem needs more help. Acumen Fund has developed a model to go beyond this discussion. Called patient capital (The guardian; 2013). Various examples and contrasts will be presented to understand the differences and struggles of Aid and Patient Capital.

Organizations and countries have been spending \$ 500 billion in Africa since 1970, asking what the consequences are: environmental degradation, amazing poverty levels, and corruption. Their policy prescription is to make the government responsible, focus on the capital market, invest, and give nothing. On the other hand, there are people who say that the problem requires more money (Moyo, 2009). As for the rich, incentive them to give a lot of aid, and for the poor to expect the aid by the rich population. Both approaches aid and investing have had an impact in the world. As seen the success of aid, can rely on examples as the eradication of smallpox and the distribution of tens of millions of malaria bed nets and anti-retroviruses that has also a relation con patient capital (Moyo, 2009).

After all, low income people must make dozens of fine decisions every day to navigate the market and pass society (Acumen; 2016). However, if one fatal health problem affects the family, this vulnerable group has the risk to fall into below the poverty line. Acumen Fund's patient capital model covers both perspectives. Patient capital tries to work between the market and aid and do its best. Know your community, build solutions for health care, water, housing and alternative energy, and make decisions in the investing life; for entrepreneurs who view low-income people as individual customers, consumers, and customers rather than passive recipients of charities People this kind of opportunity could be an opportunity (Sengupta; 2015).

Patient capital hits a tremendous tolerance for risk, entrepreneurs use the market as the best listening device and lower return than the market, but it requires a long-time horizon to ensure that it has socially great social value. Recognize that there are limits in the market. Patient capital therefore works with smart grants to extend the benefits of the global economy to include everyone. Entrepreneurs need patient capital for three reasons. First, people tend to work in markets where they earn 1-2 dollars a day and make all decisions within that income level. Secondly, there are terrible infrastructures in the areas where they work.

Nothing to say, sporadic electricity and high levels of decay. Third, they are often creating new innovative markets that can dynamist the economy and improve their incomes (Bhide; 1999)

Since many low-income people have seen so many agreements, contracts, and sporadic medicines, building trust requires a lot of time and patience. A connection to a lot of administrative support. Not only can build an integrated system, but also a business model that can reach low-income people in a sustainable way, as well as expand and connect these businesses with true partnerships with other markets, governments, and companies.

### **3.2. Case Studies in South Africa and India**

For the purposes of the present investigation, two cases; in two different regions, one in South America and one in Africa will be explored to have a practical understanding of patient capital investing, from the background to make an investment, earn and investment, the deployment of the project and the impact that it has in the community but also in other stakeholders will be examined to have a general view and a quantitative understanding of how the investment works and if it has a positive or negative impact. Moreover, this section will be useful to understand the use and approaches that patient capital can have from different perspectives.

#### **3.2.1. Background: Prevention of Malaria in South Africa**

Malaria is the most important of the debilitating diseases and causes hundreds of thousands of deaths every year. Malaria cases are mainly concentrated in sub-Saharan Africa, although it is also present in countries of America and Asia. During the rainy season, which begins in the summer months in Africa, Anopheles mosquitoes breed in stagnant waters (Lucke, Sachs; 2001). A bite of an adult female of this mosquito species, after feeding on the blood of an infected person, will be enough for the parasite to spread. Other less common

forms of malaria transmission are mother-to-child transmission during pregnancy or blood transfusion. Mosquito nets treated with insecticide or fumigation are the best way to prevent malaria from spreading through infected mosquito bites (WHO, 1997).

Today, malaria vaccines are still being researched, although no 100% effective have yet been found. Every 2 minutes, a child dies of malaria, € 5 is what a mosquito net costs to prevent a child from contracting this deadly disease (WHO; 2010). “When we heard that the seleka were coming, we took everything we could from the house; we took the mosquito nets because we know they can protect us from a very serious disease,” says Souzane, who escaped from the Central African Republic (Costaza; 2018). Among the thousands of refugees who have fled wars and conflicts in Africa, 44% have nothing to protect themselves from mosquito bites at night. UNHCR distributes mosquito nets and anti-mosquito spray so that malaria does not spread further (UNHCR; 2012)

### **3.2.2. Case Study: A to Z Textile Mills**

In 1966, A to Z Textile Mills started as a small garment manufacturing social enterprise with six sewing machines in Tanzania. An Indian Tanzanian, the Shah family owns a private company closer to Arusha’s city center. A to Z began producing traditional polyester mosquito net fabrics on a small scale from the mid-1970s, by generating little gains, they significantly increased production by 1997. A to Z firstly manufactured t-shirts, bed sheets, underwear, and household plastic products. In addition to bed nets nowadays the company's main product constitutes 80% of the total production. A-Z Textile Mills is a fully integrated textile that includes weaving, dyeing, knitting, cutting, and manufacturing departments (A to Z Textile Mills; 2017)

Nowadays, Acumen's funding projects produce about 6 million malaria nets each year, distributing them to Tanzania and other African countries (UNDP; 2008).Being A to Z

textile Mills one of them; becoming one of the cheapest manufacturers in Africa compared to Asian companies because it focuses on innovation and productivity. There are about 3,400 employees from A to Z, being the majority have a non-educated background and lack the skills. Involved in training that A to Z provides, related to stitching work. Women make up about 90% from A to Z (Harvard Medical School; 2011)

A to Z Textiles sells a significant portion of LICE to NGOs and development agencies such as NICE and UNICEF, Global Funds, Population Service International (PSI) and USAID's Presidential Malaria Initiative (PMI) (UNDP; 2008). Over the past four years, A to Z has expanded its capacity and product line. The company now produces bed nets of various colors and sizes. Olyset produces a variety of products to protect from malaria with door covers and curtains. It is an inexpensive option to protect from malaria with low-income bed nets because it can have multipurpose features (UNDP; 2008).

To determine the reason for carrying out such investments, results, and impacts; The BACO and IRIS data indicators will be examined. First, BACO is an especial tool designed to be effective mainly for investors and social entrepreneurs looking for funding. The question that BACO resolves is “How much social output per dollar invested, compared to the investment life are there the Best Available Charity Options?”. Assessing the social impact and cost effectiveness that the investment will have. Being an important analysis to inform and persuade portfolio decisions to stakeholders with a quantitative indication of patient capital investment as a plausible alternative (The GIIN; 2016)

For example, in the case of A to Z Textile Mills, the enterprise pursued the idea of producing anti malaria bed nets but, the money to obtain the chemicals for the nets and the connections to acquire it were very complicated. However, to locally produce these bed nets and expand manufacturers and their production capacity funding was needed. A to Z searched

to Acumen Fund for a less a risk-free subsidy of \$ 325,000 which was provided mainly; by two companies; UNICEF and international NGOs (The GIIN; 2016)

The \$ 325,000 loan pursued, as an Innovative Technology Transfer from the company Sumitomo Chemical Insecticide Bed Net (LLITN) in Japan, to A to Z in Tanzania. Mosquito nets treated with traditional insecticides to nets with international approval against malaria. The BACO analysis in general for this case will aim for the calculation of three essential elements:

- 1) Financial leverage: being invested in patient capital, Acumen Fund Capital through loans and capital, the net cost of the investment is generally lower than typical investment. Acumen repayment of loans and investments usually does not surpasses more than \$5M and annually has a low rate of interest in loans as seen in the table below in the case A to Z Textile Mills the investment given in 2002 was a total of \$ 325,000 with an interest of 6% that should be repaid in 5 years, covering a total return of \$ 422,500 being the total earning for Acumen and partners of \$97,500 which is the amount that the Fund uses in case social enterprises fail and lose the capital and respond to the investors.

(UNDP; 2008)

**TABLE 1: PROJECTION OF THE INVESTMENT OF ACUMEN TO A TO Z TEXTILE MILLS**

<b>NET COST INVESTMENT</b>	<b>TIME (YEARS)</b>	<b>RETURN</b>
<b>\$ 325,000</b>	<b>5</b>	<b>\$ 422,500</b>

Elaborated by Hernández M.  
Source: Acumen Report 2007

In the table below two options for the investment can be seen with a production cost of each bed net comparing for what it would be the best sustainable option for A to Z textile Mills and for Acumen.

**TABLE 2: A TO Z TEXTILE MILLS BACO ANALYSIS**

<b>COST ANALYSIS</b>	<b>BACO</b>	<b>ACUMEN INVESTMENT</b>
<b>Committed funds</b>	\$325,000	\$325,000
<b>Cost of disbursement and management</b>	\$65,000	\$130,000
<b>Expected return</b>	\$0	6% annually for 5 years
<b>Return [ principal + interest earned =] (financial leverage)</b>	\$0	\$422,500
<b>Net revenue (cost) [ return – disbursement – costs =]</b>	(\$390,000)	(\$32,500)

Elaborated by Hernández M.  
Source Acumen Report; 2007

As seen in the table above; the first case of what could be considered aid without a return of the committed fund or none expected return; including the cost of disbursement and management the net cost would be minus \$390,000. While a patient capital investment of the same committed amount (\$325,000) plus a major assistance in disbursements and management of \$130,000. But, with an expected return of \$97,500 in a period of 5 years with an interest of 6% could leave a cost for Acumen and partners of minus \$32,500 making the investment more sustainable and manageable for Acumen and the partners involved in the project.

**TABLE 3: COMPARISON BETWEEN BACO AND ACUMEN FUND INVESTMENT OUTPUTS**

<b>PRODUCT COST</b>		<b>BACO</b>	<b>ACUMEN INVESTMENT</b>
<b>Product cost</b>	-	\$3,50	-
<b>Total output</b>	Bed nets	92,857	2,000,000
<b>Investor share of output</b>	-	100%	20%
<b>Investor output (enterprise efficiency)</b>	Bed nets	92,857	400,000
<b>Impact factor</b>	persons protected / bed net	2	2
<b>Social impact [ total output * impact factor =]</b>		185,714	800,000
<b>Bottom of pyramid (BOP) penetration<sup>9</sup></b>	% customers in BOP	100%	50%
<b>BOP impact [social impact*bop penetration=]</b>		185,714	400,000
<b>Product efficacy (technology leverage)</b>	# of effective years of malaria protection	2.5	5
<b>Total social impact [ bop impact * product efficacy =]</b>	person years of malaria protection	464,286	2,000,000

Elaborated by Hernández M.  
Source Acumen Report; 2007

- 2) Enterprise efficiency: Acumen looks to attract private sector investors; so, the cost structure and incentives in the private sector Acumen investors could be from a 50 to a 100% cost recovery on the implementation of social projects. For example, various partners of Acumen are also investors with a business orientation and commonly use the partnership of Acumen to also make franchise strategies and alliances to reach to low-income populations on a larger scale. Bed net factory in the example below it can be seen that A to Z reaches economies of scale. In the table above it can be seen also that the enterprise efficiency and the social impact, bottom of the pyramid impact and the product

efficacy rises making the total social impact a total of a 2,000,000M people impacted that means that the Acumen investment impacts 1,535,714 people more even if the bottom of the pyramid and the share output decreases.

**TABLE 4: BACO RATIO SOCIAL OUTPUT COMPARISON BETWEEN BACO INVESTMENT AND ACUMEN**

<b>BACO RATIO</b>		<b>BACO</b>	<b>ACUMEN FUND INVESTMENT</b>
<b>Net cost</b>	[cost – return]	\$390,000	\$32,500
<b>Total social impact</b>	People protected each years of malaria	464,286	2,000,000
<b>Net cost / unit of social impact</b>	\$ / person year	\$0.839	\$0.016
<b>Net cost / unit of social impact</b>	cost-effectiveness multiple		52

Elaborated by Hernández M.  
Source Acumen Report; 2007

Making the investment in A to Z, the estimated next cost of \$32,500 as seen in the previous table increases the total social impact to 2,000,000 people since the durability of the nets including Sumitomo technology increment the amount of time of durability to 5 years. Also, increasing the amount of the enterprise efficiency and escalating the production the cost of making the nets would cost Acumen less than \$0.02 to cover one person from malaria for one year, compared to \$0.84 through the first BACO alternative.

3) Another important point consists of the leverage technology: referring to the new inventions of products or business systems that can change the output per unit. The

innovation with new products commonly brings a higher social performance compared with dollar investments.

Acumen Fund's investment in this scenario has shown quantitatively a better performance than the first BACO option. Showing that investing in fabrics from A to Z is more than the double in terms of efficiency and profitability than donating to BACO. In addition, with a low interest rate and an increasing management support the cost of each net reduces and reaches to more people (Brest, Harvey, Low; 2009).

The analysis of the situation of malaria and the use of bed nets in the following years, show that the percentage of households with at least one bed net, increased from 22.5% in 2004 to 38.3% in 2007 before the mass campaigns from the consortium were implemented. In contrast the study shows that in 2010, 63.4% of the kids under five in the region were being covered with bed nets. After the first campaign that motivated households to cover with bed nets, the most vulnerable population, kids under five, increased to 91.5% in 2011. As a general overview it can be said that the equity ratio of ownership of the poorest to the least poor households showed a marked improvement from 0, 1 in 2004 to 0.3 in 2008 units by 2011, which shows that the coverage of people under the BOP exposed to malaria reduced from 2002 to 2018 (Bonner, K., Mwita, A., McElroy, P.D. 2011).

Despite the progress made until 2018, only half of the people at risk of acquiring the malaria disease in Africa sleep under a long-lasting anti-malaria bed net. In 2017, the *Global Fund to Fight AIDS*<sup>27</sup>, Tuberculosis and Malaria estimated that 57% of the population they were protected by a mosquito net. Although this represents a significant increase from the

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<sup>27</sup> International financing and partnership organization that aims to "attract, leverage and invest additional resources to end the epidemics of HIV/AIDS, tuberculosis and malaria to support attainment of the Sustainable Development Goals established by the United Nations".

2010 estimates of 29% coverage, still leaves half the population at risk uncovered (UNICEF,2020)

The use of LLIN bed nets remains the most efficient approach to control and prevention of the malaria vector, according to the studies conducted by the WHO, and efforts to maintain the achievements made, depend on the availability of funds as a key driver of demand. To achieve universal long lasting anti malaria bed nets coverage in Africa, the *African Leaders Malaria Alliance (ALMA)*<sup>28</sup>, an intergovernmental body coalition of 49 African heads of state and government established in 2009, were reunited to work to eliminate malaria by 2030. In estimation there are economic gaps that surpass the 150 million to achieve the total protection of people from malaria with LLINs in the next three years, requiring approximately \$ 750 million in additional investments, with the most gaps in 2020 (UNICEF, 2020)

The problems and challenges that A to Z textile Mills, the consortium and moreover the communities affected by malaria can affront in the future, and according to the WHO, that, first prequalified manufacturers until 2020 estimate that their total global production capacity of LLINs need to reach 400 million nets per year. However, global purchases still use only fifty percent of the production capacity, even though the needs are much greater due to the lack of financed demand. Second a key priority for malaria endemic countries is having access to a variety of affordable vector control tools to manage insecticide resistance and a broader range of current existent products, this includes an increased efficacy against pyrethroid resistant mosquitoes. Third product registration requirements in certain countries continue to limit the availability of the product range, limiting flexibility and availability and increases dependency and insecurity of supply. Anti-Malaria bed nets manufacturers should

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<sup>28</sup> Is a coalition of African Union Heads of State and Government working across African countries with various partners including Regional Economic Communities and development partners to eliminate malaria by 2030.

search the product registry in countries to ensure they increase the manufacturers that are qualified, so they can offer more than one WHO prequalified provider of bed nets. Finally another challenge that the is to be reviewed is related to the inaccuracy of forecasts that quantify country requirements that remain a challenge due to the lack of reliable and acceptable quantification methods and tools, as well as the timeliness of funding and country planning. The result of this can be significant and cause congestion, especially when the scale of demand exceeds a manufacturer's production capacity and global supply. There is also the risk of a possible reduction in available production capacity due to the suspension of manufacturers or quality problems and, therefore, potential opportunistic price increases by manufacturers as A to Z Textile Mills (UNICEF, 20020)

### **3.2.3. Background: Health Sector in India**

While the budget for the Health sector in India has been reduced, the government announced in 2017 a new flagship program, the *National Health Protection Program (NHPS)*<sup>29</sup>, also known as 'Medicare'. Under this program, 100 million families will see their hospitalization expenses covered up to Rs. 500,000 (\$6777,59) per year for a family. Like other publicly funded insurance plans in India, only hospitalization is covered for a specific list of procedures, and treatment, emergency transportation and other can be provided in public or private facilities. In practice, the most benefited is the private sector. For example, in the state of Andhra Pradesh, where an older program is applied, the vast majority (77% in the period from 2007 to 2013) of public resources went to treatment in the private sector.

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<sup>29</sup> The scheme aims to provide quality health care to the poor and vulnerable families, a step forward toward the government's commitment on universal health care. The beneficiary households under the AB-NHPS will be based on the deprivation and occupation status of the family, drawn from the Socioeconomic and Caste Census database. The scheme will take care of all the secondary health care and most of the tertiary health care procedures.

Moreover, numerous infectious diseases, chronic diseases and other health problems that require prolonged treatment without hospitalization are not covered, despite their prevalence in the population. Consequently, public resources are deliberately transferred from the already neglected primary and secondary care services to tertiary care facilities where the private sector prevails (Darkoh; 1989).

In first place, the necessary assignments to respond to the demands of the workers have not been granted and, secondly, the government allocates public resources to strengthen a private health sector that already occupies a predominant place, guaranteeing a stable clientele through the " largest publicly funded health care program" (UNDP; 2011). This clandestine privatization strategy has been raised by the progressive public health community in India. On the other hand, the predominant place occupied by the private sector contributes to the non-application of existing laws, including labor laws, in private facilities. Generally, it seems that the health sector and the coverage of public health insurance is in high risk, without mentioning the high prices of private facilities (FAO; 2010)

One of the most expensive health services and scarce is the emergency vehicles. Riders of ambulance service. Some services were free, others were not. However, most people in Mumbai did not use ambulances in emergencies. Instead, the majority used taxis or rickshaws, which were widely available and cost effective. In addition, most health insurance plans did not cover EMS, and the government did not view EMS as a priority. According to ZHL's founder study, ambulances serviced only 10% of about 60,000 emergency cases a month in Mumbai. (Romeiro; 2012).

#### **3.2.4. Case Study Patient capital in India: Ziqitza case.**

The Ziqitza founders planned to differentiate Ziqitza Health Limited or “ZHL” from other companies by designating ZHL as a high quality, efficient and reliable high-quality EMS (Emergency Services) provider from the outset. As part of the rollout strategy, ZHL planned to first prove its concept in Mumbai and then expand operations to other city centers in India. The founders initially targeted Mumbai because it is the largest metropolis in India with over 1,000 hospitals supporting a population of about 14.5 million. In addition, about 40% of the population earned less than \$ 4 a day, giving ZHL an opportunity for entering the BOP market.

The founders of Ziqitza studied the model of ambulance services around the world for the first two years. They spent considerable time in management, observation and questions at London Ambulance Service, New York Presbyterian Ambulance Service, Delhi's Centralized Accident and Trauma Service and Apollo Hospital Ambulance Service in India. When the study was completed in 2004, the founders decided to use the London ambulance service as a map business model.

Ziqitza believed that this model would create a viable and scalable EMS platform that would perfectly handle the EMS needs of Indian cities, especially the top 20 cities. In April 2005, the founders started their first year with 10 ambulances and a state-of-the-art call center in Mumbai. Ambulances are equipped with sophisticated, life-saving medical devices, allowing doctors and paramedics to administer oxygen, monitor the patient's heart, and give and receive shocks (Michigan School of Business; 2009)

The 24-hour call center is designed with features such as detailed digital mapping of the city, an ambulance tracking system and advanced medical priority dispatch software. ZHL received an average of 34 calls per day following its first year of operation, of which 20%

were emergency calls. ZHL's implicit market share in Mumbai is about 3.4%. Ambulance service is the main goal of EMS. 8 minutes, according to international standards. What is the purpose of ZHL? The city of India achieved its 15-minute goal due to traffic congestion (Michigan School of Business; 2010). Bringing

- Basic life support: administer oxygen, treat splint fractures, control bleeding, and perform cardiopulmonary resuscitation (CPR).
- Advanced life support: Monitor, shock, and pace a patient's heart. The advanced call center and ambulances were equipped with global systems for mobile communication (GSM), allowing doctors and paramedics to communicate with emergency rooms about the ongoing condition of an incoming patient. Doctors and paramedics who administered the support were trained to United States and United Kingdom standards in a six-month postgraduate diploma program in EMS (Michigan School of Business; 2009)

Price ZHL has charged a standard fee of 29.21 dollars for basic living support and \$731,98 for advanced living support services. ZHL has adopted a pricing scheme based on its ability to pay to serve all categories of customers in the community. The victims of the accident and the poor received free services. The type of client was determined by the hospital that took the patient. Patients transferred to a reputable full-service hospital were charged a standard rate. Subsidies were imposed for those who were transferred from government hospitals to general wards. The victims of the accident and those who declared that they could not pay were transported free of charge (Michigan School of Business; 2010).

**TABLE 6: INITIAL PLAN OF FUNDING FOR ZIQITZA HEALTH LIMITED**

<b>NET COST INVESTMENT</b>	<b>TIME (YEARS)</b>	<b>RETURN</b>
\$1,500,000	5.5	\$2,872,800

Elaborated by Hernández M.  
The Michigan School of Business; 2010

The first approach of Ziqitza with Acumen was initially to acquire funding in two tranches: the acquisition of emergency vehicles and expansion of Ziqitza Tranche 1: \$600,000 by the end of 2006 and in the tranche 2: \$900,000 by the middle of 2007.

**TABLE 7: COST ANALYSIS OF BACO GRANT AND ACUMEN EQUITY FOR ZIQITZA**

<b>COST ANALYSIS</b>	<b>BACO (GRANT)</b>	<b>ACUMEN INVESTMENT (EQUITY)</b>
<b>Committed funds</b>	1,500,000	\$1,500,000
<b>Cost of disbursement &amp; management</b>	\$300	\$600
<b>Expected return</b>	0%	16.60%
<b>Return [ principal + interest earned =] (financial leverage)</b>	(\$1,500,000)	\$1,500,000
<b>Net revenue (cost) [ return – disbursement – costs =]</b>	(\$1,800,000)	(\$600,000)

Elaborated by Hernández M.  
Source: The Michigan School of Business; 2010

In the cost analysis comparison between BACO and the Acumen investment; again as in the previous case with the same amount committed for funding without a return of the initial fund the incurring loss is way bigger than with a reimbursement; so, the net revenue cost varies in (\$1,200,000) in comparison when having a revenue of the initial investment of \$1,500,000 with a period repayment of 5.5 years.

**TABLE 8: PRODUCTION COST AND OUTPUTS OF BACO AND ACUMEN**

PRODUCT COST		BACO	ACUMEN INVESTMENT
Product cost	-	\$26.35	-
Total output		56,925	807,480
Investor share of output	-	100%	6%
Investor output (enterprise efficiency)	People served	92,857	807,480
Impact factor	People using the service	1	1
Social impact [ total output * impact factor =]		56,925	145,346
Bottom of pyramid (BOP) penetration	% customers in BOP	100%	60%
BOP impact [social impact*bop penetration=]	People	56,92	87,207.06
Product efficacy (technology leverage)	#	1	1
<b>Total social impact [BOP impact * product efficacy =]</b>		56,925	87,207,066

Elaborated by Hernández M.  
Source Acumen Report; 2007

In this table the total output, the enterprise efficiency, BOP impact and the social impact increased in the equity investment doubles or quadruples the numbers with a BACO option. Is important to notice that with a low investor share output the total of the social impact still is major. Meaning that the efficacy of the equity administered with Acumen can proportion a development and increase on the welfare of communities.

**TABLE 9: BACO RATIO COMPARISON BETWEEN BACO AND ACUMEN FUND INVESTMENT IMPACT**

<b>BACO RATIO</b>		<b>BACO</b>	<b>ACUMEN FUND INVESTMENT</b>
<b>Net cost</b>	[cost – return]	(\$1,800,000)	(\$600,000)
<b>Total social impact</b>	People per year	56,925	145,346
<b>Net cost / unit of social impact</b>	\$ / person year	-\$31.62	-\$ (4.13)
<b>Cost-effectiveness multiple</b>			8

Elaborated by Hernández M.  
Source Acumen Report; 2007

In the BACO ratio analysis the total social impact considering the net cost / the unit from social impact result again is an advantage from the Acumen Fund proposal to equity investment being the impact per year the double of the BACO option and having a minor deficit in the net cost.

Considering other aspects, Ziqitza Health Care nowadays operates emergency medical response services under two models. The first Dial '1298' for Ambulance called model 1298 which refers to the Cross-subsidized fee-for-service model, where according to their incomes, the rich pay more and the poor pay less, and for the very poor / accidents / emergencies the service is free. Currently this service is operating in various cities and rural areas across India. On the other hand Ziqitza “108” number in case of emergencies, popularly called model 108 is usually covered by a public-private and other private partnership like TATA AIG, that make the emergencies free to the patient or the user, depending on the contract with state governments (UNDP,2013).

In its first full year of operation, ZHL handled an average of 28 calls per day, of which 20 percent were emergency calls and the percentage of free calls was around 25 percent. The number of ambulances owned and operated by ZHL grew steadily and emergency calls

increased at an impressive rate of 30% to 40% per year. Between 2005 and 2007, more than 30,000 were completed incoming phone calls (D'Silva 2007). About 15 to 20 percent of the services provided in the response to completed calls was free or subsidized, indicating that your services were ringing all social strata within Mumbai. As ZHL began to experience early success and gain momentum, his leadership was charting the five-year plan that would increase its effectiveness within Mumbai increasing your reach and reducing response time for EMS and taking the business further Mumbai (Basu, Sriparna, 2014).

The breakthrough of Ziqitza came when the Rajasthan government signed an agreement with ZHL in 2010 that allowed them to operate more than 300 state government medical ambulances across the state over a three-year period. This partnership in PPP mode generated a lot of excitement, as well as some apprehensions within the founder, but helped ZHL expand its services and achieve its social goal. From only 10 ambulances in 2005 to 407 in 2010, the number increased to more than 700 ambulances in Mumbai, Kerala, Bihar, Rajasthan and Punjab by 2012, which ZHL planned to expand to 1,000 ambulances to 2014. However, Shweta maintained that Ziqitza greatest achievement was the total number of calls completed during the seven years of operation through 2012, about 10 percent of calls were emergency calls and more than 12 percent of completed calls were free or subsidized, so Fulfill its main objective of making the service available to those in need regardless of their ability to pay. In just a few years, ZHL had responded to approximately 250,000 emergencies and was able to save more than 9,500 lives (Basu, Sriparna, 2014).

World health Organization (WHO) has projected that by 2020 in India, road accidents would be one of the leading causes of death in the country, representing approximately 546,000 deaths per year (WHO 2004). About 30 percent of accidents victims in India die due to delays in transportation or lack of access to timely medical care; 50 percent they die in

hospitals within five days due to an infection that can be caused by primitive means of transportation, and only 20 percent die on the spot as a result of injury (Mangal 2010).

Research indicates that Heart disease and stroke would be one of the leading causes of death and disability for Indians by 2020 and these patients require emergency and timely medical care. There was a currently across the country there is still the pressing need for a EMS. In India approximately a fleet of 10,000 ambulances for a population of over a billion people is needed to be able to attend effectively to the population. However, the biggest challenge would require an estimated operating cost of US \$ 280 million per year with an average operating cost of US \$ 24,000 to US \$ 28,000 per ambulance per year. Which explains the reason for the Government plan to increase spending on healthcare approximately the 3 percent of the Indian GDP, where the commitment for Ambulance and emergency services of US \$ 280 million is possible (Basu, Sriparna, 2014)

### **3.3. Patient Capital: Broader Context**

After having explored the model and the use of patient capital in a general context with a focus in big companies. A comparison and understanding of patient capital from the CSR, sustainable development theories was explored. However Patient Capital can be studied from different angles. Since, other authors and organizations or governments have used the model with different connotations and practices it is important to open the path to the study of these options.

#### **3.3.1. The Use of Patient Capital in Other Sectors**

The management of the capital of the bereaved as a tool of social financing in the fragment of health is an innovative progress in the way in which we can solve global health inequalities. The health care claim of households is susceptible to cost (negatively) and quality (positively), whether public or private, and persistently poor households are the ones

that show the highest need for the demand. Purely promising a service to the poor is not effective in supporting a proportionate demand and charging fees for services is dissatisfied with the decrease in inequality unless the poor are exempt from these rates. Even out of tariffs, these services still carry some costs (medicines, transportation), and the most efficient way to increase the request of poor households is to reduce these costs (OECD Development Center Policy Report; 2017)

Through the practice of innovative business models, the financing of the bereaved capital can often capture these rates for the poorest and poorest people in the method that compensates for costs in other ways. This ensures that the request remains central to the 48 health systems and that the needs of the BOP are met (The Michigan School of Business; 2011). The orientation of the health supply used in the countries in progress since the 1950s does not adapt perfectly to the payment measure. The provision of health services should not be based on an abstract and general notion of parallelism of rights for health care for all, but should be structured in line with the specific needs and procedure of BOP (Policy Report of the Development Center OECD)

For example, rural and urban areas may have different needs. Together, even when free medical care is provided, households bear a portion of the costs income wear for hours not working). If these costs are insignificant for higher income households, they are significant for payment weighting. Therefore, it is unavoidable to infer in terms of supply and request to accommodate health services to the needs of the poor, even when the reception is not affected by market forces because these services are provided free of charge (Report of Policy of the OECD Development Center).

The wear and tear of public health services has been mainly devastating for sub-Saharan Africa. These difficult services include monitoring of local health, disease care and

prevention, replication of emergency health threats, establishing and sustaining problems for the safeguarding of air, water and food, as well as a for health and safeguarding in the workplace, teaching and promotion of health; and inquiry and assessment of services and health problems (MacLean and MacLean, 2009). Many experts are concerned that the biased emphasis on pharmaceutical products against health systems has been exacerbated by the excessive authority that philanthropic and commercial actors now exert on the global health agenda. The brand-new massive infusion of external capital through private actors and PPPs, fundamentally connected with the war against AIDS, is that it can allow a connection of external actors to establish the terms of medical care in sub-Saharan Africa. This can produce superior wear of health and fragility systems (WHO; 2010).

Subsequently, health systems may be more stressed by the lack of relationship between PPPs and between them and other health actors. While there are significant criticisms regarding these models, a patient capital chart would work ideally with the knowledge of customary financing, but with superior efficiency and sustainability (Wolf, Toebes; 2016). It is not necessarily about the progress of the private sector because its final consequence is focused on social impact, not profit. PPPs are useful because governments can invest in initiatives with private actors that adjust to this new kind of social company, and their orientation also remains in social impact (Baxter; 2019). Significant efforts are being made to optimize the challenges outlined above and the generality of experts are optimistic that the global health initiatives of PPPs and others can help fortify health systems through mechanisms as more direct funding, increased advocacy, and better policy dialogue and alignment with recipient countries (MacLean & MacLean, 2009).

The fainting of a capitalist course for social needs lends support to calls for a new complete financial type grounded in a "social market wealth" (MacLean and MacLean, 2009). Meanwhile the last decades, neoliberalism subjected the global economic order,

exacerbating social inequalities. To overcome the exacerbation of the health crisis in sub-Saharan Africa, it is imperative that more support be directed to strengthening health systems, that local civil societies be more involved in the establishment of these systems and that the financial method be remodeled Global collapsed to create a superior social justice (Pfeiffer, Johnson; 2008).

Equitable distribution of resources through policies designed to achieve health will promote social endurance and certainty. The use of patient capital financing complies with policies designed to create good social and health justice. As a social investment, we seek to bridge the gap by providing funding for BOP to provide healthcare while supporting capacity development (McAnnany; 2012).

As an instrument of sustainable financing, its end is eventually realized by itself, among the local arguments in which the alteration was made first. The irrigation of capital offered by the patient's capital, with a long-term extension, often provides health systems with the necessary propulsion to induce their own space creation social entrepreneurs who are working to find solutions to health problems in their local communities seek to implement sustainable changes in their national health systems (The World bank; 2016). They are working in partnership with numerous actors to make this happen. Innovative partnerships, non-traditional models of health service tribute and creative people within civil society are part of the progress that is already underway in the creation of sustainable health solutions for BOP (Pfeiffer, Johnson; 2008).

### **3.3.2. Patient Capital in the Public Sector**

While the private sector plays a key role in creating new and innovative business models, public intervention is essential to ensure a situation that helps with innovation and growth in the financial market. Public institutions can also place standard points on both definitions and data collection to help increase the transparency of investment results. Policymakers can take some direct steps to help develop markets, support infrastructure, and create investment incentives. (OECD; 2019)

The OECD Framework for Social Impact Investments aims to assist public administrations in defining measures to support HEIs, in the context of private funding for the SDGs. Its application in practice, it will be twofold:

- 1) As an analytical basis for comparison international to monitor the progress of the national context intervention measures for impact investments; and
- 2) How orientation tool for decision-makers, within the scope of the conception, implementation, and evaluation of the measures of IIS intervention.

The framework, equally applicable to countries donors and developing countries, is made up of three pillars:

- 1) A program cycle overview to understand how the action public can be put in place.
- 2) A simplified theory of change to be applied in the definition, implementation and in the evaluation of IIS intervention measures; and
- 3) The identification of analytical dimensions to characterize the latter. (OECD; 2019)

### 3.3.3. Patient Capital in Private Sector

A growing number of actors in the private sector are showing their commitment to invest to achieve specific results social, environmental, or economic, including those illustrated in the SDGs. Among these, there are foundations and philanthropists, which traditionally use grants, but also increasingly test investment models focused on the achievement of financial sustainability as well as social returns (UNCTAD; 2014). At the opposite end of the spectrum capital, traditional investors are turning their attention from simple financial returns to trying to mitigate environmental, social and governance risks, even to the point of pursuing opportunities aimed at achieving specific positive results. In 2016, the assets that were estimated to be managed with investment strategies sustainable amounted to USD 22.89 trillion (Global Sustainable Investment; 2016)

The social impact investment market is growing rapidly, both for the entry of new players and for the increase in the portfolio of those already operating on the market. IIS attracts interest from the world of finance traditional commercial, including institutional investors, asset managers and multinational companies. According to the Global Impact Investing Network (GIIN) Annual Impact Investor Survey 2018, the number of investor impact has increased from less than 50 before 1997 to over 200 in 2017 (GIIN; 2018) The 229 investors reviewed in 2018 they represented USD 228.1 billion in managed assets (AUM) and of these, 56%, or USD 127.7 billion, were allocated for emerging markets. By way of comparison, in 2017, public development aid (APS) was USD 146.6 billion (GIIN; 2018).

Regional and global sources indicate that allocations to developing countries continue to grow. Despite the GIIN survey not representing a complete picture of the impact investment market, the data demonstrate the significant role that HEIs play in emerging

economies. In 2017, the main sectors for financial services (with the exception of microfinance) were the impact investments, benefiting 19% of the AUM; energy, beneficiary in the measure of 14%; microfinance and housing, for 9% each (GIIN; 2018).

Social enterprises are fundamental factors in creating new business models to deal with the social, environmental, and economic problems. However, these realities need different types and levels of funding in various stages of development. Flexible capital, including grants, guarantees, first loss capital and loans facilitated, is particularly important in the early stages and can help facilitate the orientation and development of innovative business models. Patient capital is also an enabling factor: investors will hire higher risks, will hold investments for longer periods and potentially accept more financial returns modest (GIIN; 2018).

## VI. ANALYSIS

For the analysis of the present research, each chapter and section will be examined. Starting from the review of the first chapter where theories and concepts were reviewed from its history to its development and critics. In the second chapter after setting the theoretical bases of concepts and theories related to the patient capital model proposed by Acumen; a review on the processes and application of the model is going to be assessed together with other characteristics of the sector. Lastly in order to understand the practical use, impact and relation with the theories proposed as a basis; a review of two cases; A to Z textile Mills in the manufacturing sector and Ziqitza Health Limited in the Health sector will be developed through quantitative measurements discussed in the second chapter.

**TABLE 10: APPROACHES AND DIMENSIONS OF CORPORATE SOCIAL RESPONSIBILITY - STRATEGIC CSR/ CORPORATE SOCIAL INVESTMENT & SUSTAINABLE DEVELOPMENT**

<b>THEORETHICAL FRAMEWORK</b>				
Dimensions	CSR Jones	Strategic CSR Carrol/Wood/ Porter / Krammer	CSI Brown / Kohler / Rangan / Freireich / Fulton	Sustainable Development Davidson / Jenkins & Sachs
Centrality	Responsive/ Social issues are separated from companies' core business	Social Issues are part of the core business/ opportunity to do business		Maintain activities and resources without exhausting them.
Motivation	Driven by external pressure	Profit and benefit of society/Driven Internally for profits in the long run & society welfare		Production/ Consumption/ care for communities/ innovative technologies/ health / poverty
Key concepts	Stockholders	Blended impact / Transparent transactions	Bottom of the Pyramid/ Blended Capital	Stakeholders / Triple Bottom Line

Elaborated by Michelle Hernandez  
Source: Carrol 2018

Starting for a theoretical framework Traditional Corporate Social Responsibility was first explored to understand the difficulties that the implementation of these kind of projects or politics could arise within the process; with a focus on external traditional CSR actions; in the scrutiny on the development of their efforts different authors as Zadek and Friedman; were seen to make a clear statement arguing that companies are not aid entities; but, must be concerned first for their investors and profits rather than CSR external efforts or so called aid. Contrarily to the statements of organizations as the United Nations and authors like Porter and Kramer; that pointed out that CSR is necessary for companies and other organizations; since, it could form a rapport with the employees, the society and other markets and also could bring a good perception of the company image.

Because of assertions like Porter and Kramer statements; Strategic Corporate Social Responsibility was also needed to be reviewed; understanding these types of approach of Strategic CSR was important since the characteristics of the operation of External of Strategic CSR and Patient Capital investment have similarities that cannot be ignored. First of all Strategic CSR tries to close the gaps in traditional CSR; understanding that the projects in which works must be constant and directed with an specific purpose, sporadic and untargeted efforts should not be done, since, there are no specific benefits for the community nor for the company. The fact that strategic CSR has these type of approach can make a direct relation with patient capital; considering that the driven of these model looks to create social impact while providing benefits to all the stakeholder; but moreover it works with Bottom of the Pyramid communities which are the most economic, environmental and socially affected; which is for what Strategic CSR should aim to.

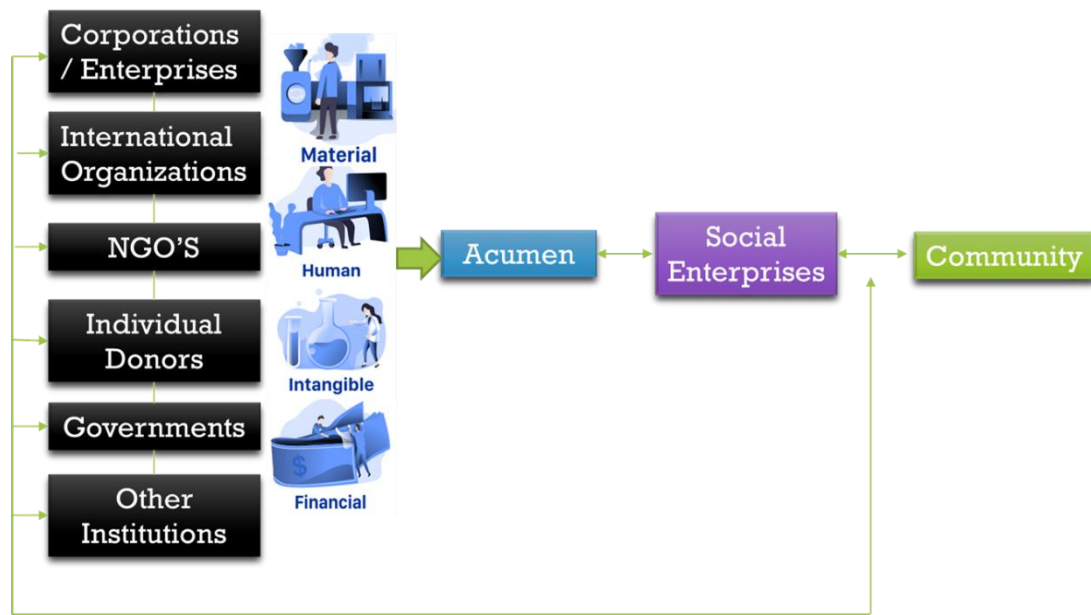
After the review of Traditional CSR and Strategic CSR; Corporate Social Investment was reviewed to understand the bases of the investment directed to Social causes; also called impact investing. The model not only gives financial resources to enterprises and different

projects but also other type of resources as; management training, infrastructure among other; however Corporate Social Investment or CSI can be a difficult approach since an inadequate social investment could lead to cause struggles to the BOP communities and to the company, considering that the resources and the image of the company can be affected for it relation or inadequate management of these type of investments.

Finally, in the First Chapter Sustainable development theory was reviewed since the target of the CSR; CSI and Strategic CSR are Bottom of the Pyramid market and communities. These types of communities and markets have an imperative need to develop and grow with sustainable parameters that would not affect vulnerable and sensitive societies and ecosystems. Mainly because of development has focused on economic aspects rather than an integral approach to development; for sensible communities as the indigenous population in the Amazon is important to respect their cultures, values, environments and lifestyle, but at the same time is also important the support that corporate community and other organizations can bring in order for them to develop into better living conditions without intruding and affecting their ambiance.

In the second chapter the Fund that created the patient capital impact investing model, characteristics of the model, its processes, operating structure, and impact measurement for patient capital were explained. In the process the similarities and differences with the theories explained in the first chapter were cleared since the whole structure of the model could relate to pieces and objectives of Strategic CSR; CSI and sustainable development.

GRAPHIC 6: DYNAMIC OF PATIENT CAPITAL AND STAKEHOLDERS' ROLES



Elaborated by Michelle Hernandez  
Source: Acumen Fund Report 2018

First the main difference on the project and probably could also be an advantage is that the process of investment is not direct between a company and a social enterprise but it has an intermediate which is Acumen; that manages, connects and makes an accompaniments in the process of investing, funding, networking and development of projects with social enterprises. Reducing the risk impact that I could have in both side's social enterprises and big companies investors; on the other side measurement of social impact has not been yet fully developed and there are just a few approaches that can be not enough for quantifying social, economic and environmental impact altogether.

Finally in the third chapter the two cases reviewed in the Manufacture industry and Health sector have been shown to serve the BOP communities and finally were measured and compared with the BACO analysis which is the BEST Available Charitable option for enterprises to know the best alternative to put their resources in regarding social, economic and environmental help; in which in both cases the BACO option to giving aid without returns has been demonstrated not to be sustainable, and moreover to not being able to be

feasible in the long run, while patient capital investment with very low returns have shown a better performance quantitatively.

GRAPHIC 7: Comparison of BACO measurement in A to Z Textile Mills case

**BACO MEASUREMENTS**

"For each dollar invested, how much social output will this generate over the life of the investment relative to the best available charitable option?"

	Acumen Fund Grant to UNICEF to distribute traditional Bed Nets	Acumen Fund Impact Investment to A to Z Textile Mills to produce Long lasting Anti Malaria Bed Nets
Financial Cost	UNICEF	A to Z Textile Mills
Acumen Grant / Investment	\$325,000 grant	\$325,000 Impact Investment
Cost of disbursement & management	\$65,000	130,000
Expected Return	\$0	\$422,500
Net revenue (Exp Return-grant/investment-Disbursement manag,)	(\$390,000)	(\$32,500)

6% - 5 years  
Interest total: \$97,500

Elaborated by Michelle Hernandez  
Source: Acumen Fund

GRAPHIC 8: Comparison of BACO measurement in Ziqitza case

**BACO MEASUREMENTS**

"For each dollar invested, how much social output will this generate over the life of the investment relative to the best available charitable option?"

	Acumen Fund Grant to other	Acumen Fund Impact Investment to Ziqitza
Financial Cost	OTHER	ZIQITZA
Acumen Grant / Investment	\$1'500,000 grant	\$1'500,000 Impact Investment
Cost of disbursement & management	\$300,000	600,000
Expected Return	\$0	\$2'872,800
Net revenue (Exp Return-grant/investment-Disbursement manag,)	(\$1'800,000)	(\$772,800)

6% - 5,5 years  
Interest total: \$97,500

Elaborated by Michelle Hernandez  
Source: Acumen Fund

After a scrutiny of origins, bases, cases, and measurements. It can be considered the Patient Capital investment model as an alternative to companies and social enterprises. For companies to have a steadily social impact and coordinated Strategic CSR can be branded and used for marketing, social impact a long time investment and for the other side for Social enterprises to generate escalated impact and also consider a growth to impact in extended places.

## VII. CONCLUSIONS

For the conclusion of the present research, it can be said that in relation to the hypothesis; Acumen Fund “Patient Capital” Impact Investing model can be used as a form of Strategic Corporate Social Responsibility in Social Enterprises that operate in high risk environments. Is a veracious assertion. Next concluding reflections regarding the topic will be described.

- After reviewing the theories of Corporate Social Responsibility, Strategic Corporate Social Responsibility and Sustainable development, it has been determined the relation between Patient Capital Investing model and Strategic Corporate Social responsibility; since, the model looks to support social enterprises with a social goal that can create a profit in the long run.
- Traditional Corporate Social Responsibility practices cannot easily reach high risk environments and in the cases of non-developed CSR programs cannot have a significant impact in the communities where they operate. So, Acumen does not only operate as a Fund but also as a bridge between companies and organizations with social enterprises in high risk environments.
- BACO is not always the best option to give aid or investments as seen in the analysis of A to Z textile Mills is important to provide different perspectives that can be more effective when investing or providing aid. In the case of the IRIS+ platform that contains millions of data from different companies and can be useful to have an insight with important metrics along the years.
- Is important to notice that aid options in the BACO options had a much lower projection for social impact, being unsustainable in the time since the costs increment when just giving economic resources with no return nor managerial and networking accompaniment.

- As the quantitative results for the BOP market penetration patient capital percentage can reach to more individuals in poverty conditions, however as each case is different it is important to take in consideration peculiarities of each project.
- Corporations can benefit from partnering, investing and supporting social enterprises; since, the environment, culture and needs knowledge make social enterprises in the field a big player that could help big corporations to have a higher market penetration and improved social image.

## VIII. RECOMMENDATIONS

- Since the patient capital model is new in terms of the approach to poverty related problems, it is important to make further examinations and analysis regarding the subject; as patient capital in the public sector, since the present research has focused on a general view of the process with an emphasis in the dynamic between big corporations, Acumen, social enterprises and its effect on BOP communities .
- Doing a qualitative analysis with surveys in different cases could help investigators gain a better understanding of the social impact of patient capital, instead of understanding the effectivity of the model with quantity outcomes. Identify and study the opinions and thoughts of local workers and other stakeholders can be a key part of a bigger research that can lead to a holistic in-depth analysis of patient capital cases.
- Exploring different measurement techniques and data can bring a better result regarding the options to invest or funding since, BACO and IRIS data and analysis could not be recognized by companies or institutions that have not explored these type of measurement techniques.
- Researching from the government's perspective or NGO'S with a different approach is needed to understand the dynamic and differentiations in the projects with these types of organizations. Look through other theories' perspectives such as, constructivism and stakeholders' theory can bring to the research a more holistic in depth understanding of the dynamic of patient capital and the organizations involved.
- Disseminate the different alternatives for funding and Strategic CSR is important to use other types of funding, investing, giving aid, and doing Strategic CSR.

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## X. APPENDIXES

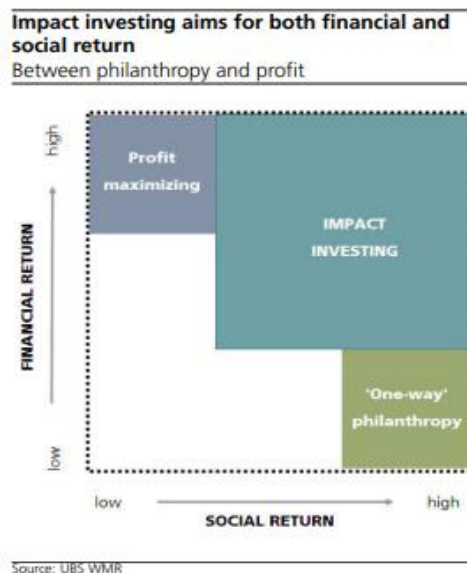
### Appendix 1: TABLE OF COMPARISON BETWEEN TRADITIONAL CORPORATE SOCIAL RESPONSIBILITY, TRADITIONAL STRATEGY AND STRATEGIC CORPORATE SOCIAL RESPONSIBILITY DIMENSIONS.

Table 1. A Comparison of Traditional CSR, Strategic CSR, and Traditional Strategy

Strategic Dimensions	Different Approaches to CSR and Strategy		
	Traditional CSR	Traditional Strategy	Strategic CSR
Visibility	Irrelevant: Doing good is its own reward and is not profitable in the long run.	Build customer awareness of product and brand.	Building customer and stakeholder awareness of product with CSR value added.
Appropriability	Irrelevant: Doing good is its own reward and is not profitable in the long run.	Manage supplier, customer, and competitor relations to capture value added for firm.	Manage stakeholder relations to capture value added for the firm.
Voluntarism	Participate in social action beyond that demanded by the firm's interests and the law.	Firm innovation based on ability to learn: non-deterministic behavior.	Participate in social action beyond that demanded by law.
Centrality	Irrelevant: Doing good is tied to social need and not to core business mission.	Create value via product/service innovation.	Create value via product/service innovation linked to social issues.
Proactivity	Anticipate changes in social issues.	First-mover advantage.	Anticipate changes in social issues that present market opportunities.

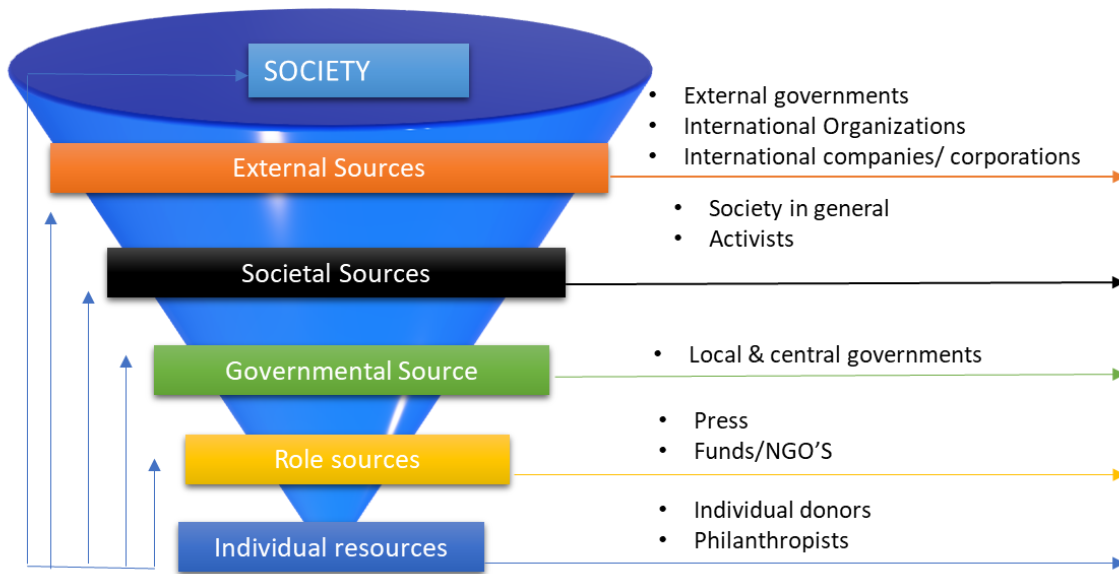
Author; Burke & Longsdon Strategic dimensions, 1996

### Appendix 2: IMPACT INVESTING GRAPHICAL MODEL OF RETURNS



Author; UBS WMR  
Source; UBS WMR

**Appendix 3: Funnel of relation and causality applied to patient capital impact investment.**



Funnel of relation and causality – N,  
Rosenau (1966.1980)

Elaborated by: Michelle Hernández