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**STANFORD** SOCIAL INNOVATION *review*

## **What's Next**

### **Let's Play Microloan**

By Jennifer Roberts

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Stanford Social Innovation Review  
518 Memorial Way, Stanford, CA 94305-5015  
Ph: 650-725-5399. Fax: 650-723-0516  
Email: [info@ssireview.com](mailto:info@ssireview.com), [www.ssireview.com](http://www.ssireview.com)

BY JENNIFER ROBERTS

## GOVERNMENT

**Jolly Old Eco-land**

► Come 2016, the ideal English country home may no longer be the thatch-roofed cottage or grand manor house so many of us have come to know. Instead, it may be the brand-new home a few hills over, in one of 10 government-mandated “eco-towns”—developments of 5,000 to 20,000 carbon-neutral houses that Prime Minister Gordon Brown hopes will ease England’s acute housing shortage.

According to the government’s latest vision for the towns, residents of all ethnicities, ages, and incomes will walk or cycle to newly created jobs, schools, and shops. If they must commute by train or bus, new stations will be waiting across open green spaces. The homes will be rated at least a four (out of six) on England’s Code for Sustainable Homes—in part to counter the environmental damage that so much building would inevitably create. They will be affordable—especially the 30 percent to 40 percent priced for low-income families, and their design will be overseen by various professional bodies, including one created by Prince Charles, long a critic of England’s modern architecture.

A recent YouGov poll found that Brits supported eco-towns 5-to-1, even though many might well have grown up in the homogeneous developments the government stopped building in the 1960s. Observers explain that several small, charming “eco-villages”—such as Living



Villages’ Wintles near Bishop’s Castle in Shropshire—as well as larger green communities in Sweden, Germany, and the Netherlands, have paved the way. Plus England’s National Housing and Planning Advice Unit recently estimated that the next generation of homebuyers could face house prices 10 times their annual earnings if new homes aren’t built.

But eco-towns certainly have their opponents. The Bard Campaign, for one, fears that the government will impose an eco-town near Stratford-upon-Avon with or without local support—even though the government has insisted that eco-towns will go through the proper process. The result, Bard campaigners say, will be a slapped-up, expensive, and ugly blight on pristine countryside, and its poor transport links will force residents to drive to work. In September, the campaign succeeded in securing a judicial review of the govern-

*At the Wintles, in Shropshire, England, residents can grow vegetables in shared plots. Eco-towns would have similar spaces, the government says.*

ment’s eco-town policy, so that the government must now justify its eco-town program before the High Court. “If Gordon Brown’s government won’t listen to local people, perhaps they will to the judiciary,” David Bliss, the campaign’s chairman, said at the time.

Other critics, such as Living Villages founder Bob Tomlinson, believe eco-towns’ quality will suffer. “The eco-town opportunity has been hijacked by the bigger developers who generally have one objective in mind—profit—and their view of how to make that profit is to build as cheaply as possible,” Tomlinson says. He also believes that so many homes in one development make community building impossible. “But when you have

people relating to each other as a community, they become much more self-sufficient and less dependent on the state—just like in the old days, when villages had to look after themselves.”

At his Wintles, homes face each other in circles of 12 and share garden plots, encouraging residents to chat. To lessen the desire residents might have to move up and out, Tomlinson strove to make the homes aesthetically pleasing—integrating architectural aspects of the local medieval village, including plenty of wood.

But the government’s eco-towns might well create community too, says Gideon Amos, chief executive of the Town and Country Planning Association (TCPA), an environmental nonprofit with whom the government has consulted about its eco-towns.

“The real thing to fear here is that instead of bold, exemplar settlements pushing the bound-

aries of future urban design, eco-towns are dismissed, and the option of creating new towns is ruled out for another 40 years,” Amos says. “The TCPA has been critical of the process the government has used, but the alternative, existing planning process has its drawbacks too: It would take about seven years for regional and local planners to bring forward new sites, and even then they might not.”

The next news about eco-towns’ future will come when the government announces its final short list of eco-town sites in January. ■

EDUCATION

## GreenNote Friends

▶ Akash Agarwal had a rocky start when he immigrated to Boston from England: Although Harvard Business School had accepted him into its MBA program, banks denied him a student loan because he had no credit history in the U.S.

Agarwal eventually scraped together scholarships, grants, and family contributions and earned his MBA. And when banks recently began toughening their credit requirements—some dropping student loans entirely—he decided to pay it forward and cofound GreenNote, a new for-profit company that helps students with no credit history, cosigner, or citizenship get college loans at a low 6.8 percent annual interest rate. (Banks charge between 8.5 percent and 20 percent.) The hitch is, students have to raise the money themselves, through their social networks.

GreenNote applicants first fill out an online profile describing their academic goals. Then they ask friends, family, friends of

family, and others to pledge at least \$100. Once the student has raised a minimum of \$1,000, GreenNote collects the money, creates promissory notes between students and lenders, and sends the money to the school.

GreenNote makes money by charging an initial fee of 2 percent of the loan. It collects an additional 1 percent interest charge on the outstanding principal, with the remaining 5.8 percent interest charge going to the lender. (Interest starts accruing as soon as the money is sent to the college.)

When students begin paying back the loan—they can defer for five years, and must repay in full within 10 years—GreenNote makes monthly deposits to the lenders’ bank account. If the student defaults, GreenNote will provide collections services and report delinquencies to credit agencies.

So far, GreenNote has \$10 million in loan requests and its students are attending, or hope to attend, 700 schools nationwide. Agarwal says his biggest job now is to help students widen their sources of capital. “We’ve been meeting with community foundations, schools’ alumni associations, nonprofits. We’re looking to create matching or complementary loan programs and convince these organizations that this is another way of doing a mission-related investment in education.”

Education, he tells them, is the best investment—especially when you’ve raised the funds yourself. “This creates a level of responsibility that they may not have had before, and takes away the entitlement,” Agarwal says. “Also, I think having done this successfully, and knowing that people believe in them, boosts students’ confidence, and then they’ll go through with flying colors.” ■

GREEN ENERGY

## Treks, Plugs, and Rock ‘n’ Roll

▶ They may never give up their black leather pants, but rock musicians are starting to shed their image as indulgers in all things—including luxury tours that produce millions of pounds of CO<sub>2</sub>.

The Rolling Stones now buy carbon offsets; Dave Matthews and Korn tour in biodiesel-fueled buses; and the Ginger Ninjas, an emerging Northern California band, claim to be the first rockers to have toured entirely by bi-

cycle—even though their recent “Pleasant Revolution” tour covered 5,000 miles through California and Mexico.

The Ninjas avoided support vehicles by hauling everything on bikes fitted with Xtracycle rack extenders. (Oakland, Calif.-based Xtracycle was cofounded by Kipchoge Spencer, one of the band’s guitar players and vocalists.) They shrank their carbon footprint further by using a bicycle-powered generator to provide the electricity to run their hyperefficient 1,000-watt sound system. All crewmembers had to do was put four of their bikes on stands and pedal, and just like



POVERTY

**Let’s Play Microloan** You may have already discovered FreeRice.com—the addictive online game that donates 20 grains of rice to the World Food Programme for every word you define correctly. In May, a similar site for children—OneHen.org—was launched. Visitors to OneHen win beads while playing the four games on the Web site. Players can then donate the beads, and by doing so help make a daily \$100 loan to an African entrepreneur. (The beads have no specific value; even if only one child has donated one bead by bedtime, the entrepreneur gets the loan.) OneHen raises the funds and microlender Opportunity International processes the loans. The site goes a step further than FreeRice, though, letting budding philanthropists read regular updates on how the loans are improving the entrepreneurs’ lives. The message is that starting small leads to big change, says Katie Smith Milway, the site’s cofounder and a partner at the Bridgespan Group—and that might inspire visitors to follow their own entrepreneurial dreams, or continue their giving. Kids go in well primed, adds Milway. “Microentrepreneurship is something any child who has run a lemonade stand can understand.”



Rock band the Ginger Ninjas toured California and Mexico entirely by bicycle, powering gigs like this one in a town plaza with pedal-power.

PHOTOGRAPH BY KIPCHOGE SPENCER

that, the people congregating nightly in a Mexican town's plaza found themselves at an impromptu free rock concert.

Many townspeople seemed stunned by the Ninjas' shunning of electricity. But others liked the dreamy, ska-toned music so much that they happily answered

the Ninjas' call to pedal-power the concert themselves on subsequent nights.

Not only did the Ninjas help the environment, says Spencer, they demonstrated that it's not just possible, but downright easy, to live without gasoline. Through their lyrics and the many conversations with locals that their bike caravan engendered, they also tried to raise awareness about other reasons to choose a bike over a car. "One of our goals in doing the tour

was to promote the bicycle lifestyle in Mexico," says Spencer. "We wanted to show that even people who can afford cars might choose bikes."

The Ninjas are currently on a new global bike tour, which will move from the East Coast of the United States to Mexico, South America, Asia, and Europe. And Spencer reports that the East Coasters are pedal-powering at concerts as much as the Mexicans did. "Everyone warms up to it similarly, though kids are always the first." ■

#### SOCIAL INVESTING

## Beyond Microfinance

▶ Two new players have joined the developing world's burgeoning social investing scene: Unitus Capital, a financial advisory firm serving microfinance institutions

(MFIs) in Asia, and IGNIA Partners, South America's first social venture capital fund.

Bangalore, India-based Unitus Capital (UC), which launched in July, provides a range of financial advisory and consulting services for mid- to late-stage microfinance institutions. The firm spun out of Unitus Inc., an international nonprofit that works with young MFIs, after Unitus's financial advisory team became "way too small for the size of the need," says Eric Savage, UC's managing director. The MFIs that Unitus had nurtured past their early stage needed more sophisticated services, and Unitus, which offers financial services for free, couldn't do that on a profitable basis, he explains.

UC has already raised \$3 million in equity for Swadhaar Finance Private Limited, an MFI operating in the slums of



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Mumbai, India. The funds helped with Swadhaar's special financial challenge of working in a city where real estate and salaries are high, Savage says. UC also raised \$13 million in debt over six months for Equitas, an MFI with 6,000 clients in urban Chennai, India. UC has seven other transactions in the works, and it hopes to cover Asia soon and then move into Africa.

Other plans include broadening its scope of products and offering its services to small- and medium-size companies that benefit the poor. There's no shortage of clients so far, Savage says, though staffing has proven challenging. "It's hard to find people with both investment skills and a passion for poverty alleviation. We've had to turn away quite a bit of business because we haven't had the staff to execute it."

IGNIA, meanwhile, also reports no dearth of projects; but its job is raising funds for scalable companies offering products and services to Mexico's poor. Cofounder Álvaro Rodríguez-Arregui says IGNIA differs from other social venture capital funds in that it won't sacrifice financial returns to obtain social impact. "By maximizing financial returns you increase growth and therefore you'll reach scale much faster and reach more people faster," Rodríguez explains.

IGNIA raised its first money in May and has since invested in Primedic, a provider of health-care services in Monterrey, and Jardines de Grijalva, an affordable housing project in Chiapas. Other potential projects include electronic payment systems and a "self-construction" (do-it-yourself) housing company that Rodríguez considers to be far superior to existing companies because of its safety standards.

(Forty percent of the houses built in Mexico are do-it-yourselfers and consequently hazardous, he reports.)

Once IGNIA has reached its goal of \$75 million in equity commitment and \$25 million in debt—it currently has \$35 million and \$25 million, respectively—it will focus on growing a new fund as large as \$500 million. "If we really want to have significant impact on poverty, we need a much larger fund," Rodríguez explains.

And they hope the capital market funders and foundations will no longer doubt them. "The Wall Street guys say, 'This is great,' but since you have a social motive—even if you explain that the potential for returns is tremendous—they think you are soft, that you'll compromise returns for social impact," says Rodríguez. "But then you go to a foundation and they say, 'You're too commercial for me.' We're somewhere in the middle, and there are still not many people who believe in that concept." ■

#### BIOFUEL

## Food or Fuel?

► Countries eager to jump into the booming biofuel industry can soon use a mathematical tool to weigh the pros and cons of making that leap.

The tool, called the Bioenergy and Food Security Modeling Analytical Framework, was designed by a team of economists from the Rome-based Food and Agriculture Organization of the United Nations (FAO), Universiteit Utrecht's Copernicus Institute, and the Öko-Institut in Darmstadt, Germany. The German government funded the \$4 million Bioenergy and Food Security Project (BEFS), which produced the tool, after projecting that food security will be-



*The world's booming bio-fuel industry means more land could go to growing crops like corn, processed into ethanol by plants like this one in Iowa.*

come one of the world's major problems. (The FAO defines food security as the condition of all people in a country having physical, social, and economic access to sufficient amounts of safe and nutritious food.)

Over the next 15 to 20 years, biofuels could provide 25 percent of the world's energy needs, according to the FAO. But the consequent scramble for land and water would mean higher food prices. And as a recent report by the International Fund for Agricultural Development states, the number of food-insecure people could rise by more than 16 million for every percentage increase in the real prices of staple foods.

At the same time, countries with thriving biofuel industries could also support rural development and raise farm incomes.

To use the tool, national policymakers first create a bioenergy scenario based on the country's policy objectives and bioenergy strategies. Next, in five steps, policymakers assess biomass potential, given environmental concerns and land availability; biomass supply chain production costs; agriculture markets outlook; macroeconomic consequences; and impact on household-level food security.

FAO began testing the tool in Cambodia, Peru, Tanzania, and Thailand in April, and concluded

in September. "We had 35 formal requests for assistance, and we selected these four countries because they had very different issues," says Andreas Von Brandt, project manager for the BEFS project. "Tanzania, for instance, has investors knocking at its doors every day; it's relying on our recommendations." Tanzania, like many developing countries, is already growing inedible, drought-resistant *jatropha*, whose oil can be used in diesel engines and processed into biomass to power electricity plants.

Other countries should have access to the tool by the end of 2008, says Von Brandt. ■

#### EVALUATION

## Let's Share

► Venture philanthropists and social investors have long struggled to measure the true impact of the organizations they fund.

But a new Web-based evaluation tool, the Portfolio Data Management System (PDMS), promises to allow donors and investors to track their investments' performance and let them, along with the social en-

terprises they fund, compare their data to those of organizations doing similar work. Salesforce.com, which granted 5,000 nonprofits free licenses to access its customer relationship management software platform, is working with Acumen Fund to rebuild the software and aims to make it available on that platform in January.

Brian Trelstad, Acumen Fund's chief investment officer, began developing the system after he joined the social investment fund four years ago. "We were tracking different metrics month by month on various spreadsheets, so it was hard to know what was happening in the portfolio," Trelstad remembers. "We were giving stars and everything was a four out of five—like in Lake Wobegon, all the children were above average. And any comparison of our investments across the sector was based on thin slivers of public information we got from our peers, little of which was quantifiable or verifiable."

With financial support from the W.K. Kellogg Foundation and Cisco Systems, Trelstad and his team searched for existing software that could help them compare their investments' performance over time, against their projections, and compared to a relevant peer group. But nothing had the capacity to track the operational, social, and financial data they were collecting from their enterprises.

"On the venture capital side, most software tools focus on the financial metrics, and the grantmaking tools don't let you look at that many quantitative metrics." They then decided to ask Google, a donor to Acumen Fund, for help. (Google engineers can devote 20 percent of their work hours to any projects they like.) After four Google en-

gineers spent 18 months working with Marc Manara, an Acumen portfolio associate and recent computer science graduate, Acumen had a software tool it hoped would manage and track its portfolio's performance.

To use the software, a portfolio manager logs in and creates a new investment record. Together with the management team of the business, he or she then identifies 10 to 15 financial, operational, social, and environmental metrics that are important to running the organization and that demonstrate social or environmental impact. Portfolio managers are also encouraged to select a few common metrics (say, revenue growth or jobs created) that enable across-portfolio comparisons. Every quarter the managers collect those performance metrics and enter them into the system. They add qualitative information—monthly reports and an annual capacity assessment survey—to balance out the quantitative data, and the portfolio team then uses the whole package to assess the overall effectiveness of the enterprise, how it is performing, and what Acumen Fund can do to support the organization better.

The tool's capacity to measure performance against peers will come in about 18 months, after Acumen finishes working with PricewaterhouseCoopers to decide on the final data classification system and select the right software to aggregate the data across portfolios. But how well that piece performs will depend on the input and use of many social investors and foundations. Trelstad and the Acumen Fund team are rallying their peers to participate.

"Until we build a data system that uses comparable metrics and a wide range of inves-



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tors are willing to contribute their data into a shared pool, we will never be able to compare the performance of our portfolio companies in a relevant peer group,” Trelstad says. “If 25 social investors, each with a portfolio of 40 to 50 companies working in the same markets collaborate, we might all generate real insights into what is working and what is not from those 1,000 or so investments.”

So far, Google.org and Acumen are using the tool; the Skoll and W.K. Kellogg foundations, as well as 20 other organizations including Root Capital and E+Co, are beta testing it; and some 100 foundations and other social investors are “kicking the tires,” as Trelstad

puts it. “We don’t want people using the system until the data are secure and stable and we’ve found a critical mass that sees real value in the tool.”

The verdict so far? “This has really helped our team have better, more informed discussions with our donors and investees,” says Trelstad. Acumen fund managers now use the data in the PDMS to make follow-on investment decisions, and in several cases, the system has signaled performance issues. Portfolio associate Vikram Raman, for instance, working out of Acumen’s India office, noted a significant rise in the operational expenses over the prior quarter at VisionSpring, a nonprofit that offers affordable reading glasses to the poor.

VisionSpring then used the data to explore potential causes and solutions with Acumen’s India management team.

As to what other users think, “the biggest negative feedback was that there weren’t enough reports, and that people could define things differently—there’s a huge cultural part of this,” Trelstad reports. “But mostly people told us this is amazing.” ■

HIV/AIDS

## Paying for Safe Sex

▶ Will paying people to avoid unsafe sex stop the spread of AIDS in Africa?

The World Bank thinks it’s worth a try: It will cofund a three-year experiment, whose start date has yet to be disclosed, wherein some 3,000 Tanzanian men and women 15 to 30 years old will be periodically tested for sexually transmitted diseases (STDs). Participants won’t be tested for HIV, however. Such tests are costly, and researchers can reasonably assume that if participants avoid contracting STDs during the experiment, they will also avoid contracting HIV if they engage in the same modified behavior. An unpaid control group, meanwhile, will also be asked to avoid unsafe sex.

Test subjects who test negative will receive \$45 each month; most earn an annual salary of about \$180.

Joining the World Bank to fund the \$1.8 million study are the William and Flora Hewlett Foundation, the Population Reference Bureau, and the Spanish Trust Fund for Impact Evaluation. Eric Brown, communications director for the Hewlett Foundation, says that this is just another case of Hewlett “funding a novel approach because the tra-

ditional approach hasn’t yielded results.” Indeed, the Joint United Nations Programme on HIV/AIDS estimated that last year 2.5 million adults and children acquired HIV, and that most of them lived in sub-Saharan Africa.

The Ifakara Health Institute (IHI) in Tanzania, the World Bank, and researchers from the University of California, Berkeley, and the University of California, San Francisco (UCSF), will conduct the experiment. IHI will also counsel participants about safe sex and treat anyone who tests positive for a particular STD.

Carol Medlin, a member of the UCSF research team, reports that the university researchers as well as IHI researchers are “currently engaged in a very thorough process of ethical review,” and that other issues about the experiment will also be addressed before it begins. Although Medlin won’t elaborate, one topic of debate will likely be whether paying people to behave a certain way—“conditional cash transfers”—will work, even if the consequence of not behaving in a desired way could mean death. Psychological research by Stanford University psychology professor Mark Lepper and many other studies suggest that monetary incentives actually undermine people’s intrinsic motivation. And a recent “pay-for-performance” program in New York City, wherein students at 31 high schools could earn \$1,000 simply by passing an Advanced Placement exam, produced mixed results: Students took 345 more of the tests this year than last, but the number who passed declined slightly.

IHI sounds hopeful, however. “The ‘conditional cash transfer’ is a big advance in efforts to test public health ideas more rigorously,” reads a statement on its Web site. ■



SOCIAL NETWORKING

## Meet Me at the Hub

Call it a salon for the social innovation set: The Hub King’s Cross is an informal new London club designed to inspire brainstorming among charitable, political, and corporate do-gooders. “The scale and complexity of world problems is such that no single school of thought can tackle these issues alone,” explains cofounder Jonathan Robinson. Anyone can visit the Hub, housed in a renovated Edwardian building near King’s Cross train station. But those who pay £30 gain entrée to meeting and work space (with plasma screens and writable glass); events such as debates, lectures, exhibitions, dinners, and film nights; an organic, fair-trade, and locally sourced café and bar; and the Hub’s three sister locations in Islington, a borough of London; Bristol, England; and Johannesburg. Twelve more Hubs will open soon in major cities around the globe, because “there’s no shortage of good ideas for a radically better world,” says Robinson.