



Grand Challenges Canada™  
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## Impact Investing for Global Health: From ‘Why’ to ‘How’

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For those of you in the Twitter-verse, if you search hashtags #impinv (impact investing), #socent (social entrepreneurship) or #socinv (social investing), you will see the wide excitement surrounding the opportunity and promise of impact investing to address local and global challenges. In fact, the level of excitement is approaching hype and creating unreasonable expectations. To temper expectations and to move this field forward, we need to stop talking about **WHY** impact investing has the potential to address challenges – this is well known – and focus on **HOW** we implement and test the tools of impact investing to tap into the growing number of investors who are searching and yearning for “blended value”; that is, both social *and* financial opportunities. Bottom line: we need less hype, and more doing and learning. At Grand Challenges Canada, we are focused on scaling impact in a sustainable manner, and our early experience with impact investing may be illustrative for others.

### GRAND CHALLENGES CANADA

Grand Challenges Canada is dedicated to supporting **bold ideas with big impact**<sup>TM</sup> in global health. We are funded by the Government of Canada; we fund innovators in low- and middle-income countries and Canada. The bold ideas integrate science/technology, social and business innovation (we call this *Integrated Innovation*); we work to catalyze scale, sustainability and impact. We have a determined focus on results, and on saving and improving lives.

However, given the complexity of the problems in global health and the low-resource settings that we are working in, it is not feasible nor desirable to expect that any one organization alone, such as Grand Challenges Canada, will be able to take its innovation pipeline from initial funding through to scaling up and eventual commercialization and dissemination.

In order to scale impact, partnerships are needed. These partners include social angel investors, small and medium-sized companies, multinationals, foundations, philanthropists, not-for-profit organizations, multilateral organizations and public sector entities, including government departments and agencies.

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<sup>1</sup> Andrew Taylor contributed to this article and takes responsibility for its content. With thanks to David Brook, Omer Imtiazuddin, Raymond Shih, Jocalyn Clark and Peter A. Singer for comments and advice.

## INNOVATION PIPELINE

A recent report by Monitor & Acumen Fund and funded by the Bill & Melinda Gates Foundation, called “From Blueprint to Scale: The Case for Philanthropy in Impact Investing”, warned that investors are struggling to find impact investing opportunities. Grand Challenges Canada is aware of this challenge. Throughout the past year, we have engaged a number of global investors to understand their views and insights around impact investing for global health. Typically, there are major apprehensions with health investments in general, which are further compounded by the perceived challenges of health development and commercialization in the developing world. The major issues, not surprisingly, are modest margins, long times to scale (commercialization and/or implementation) and high risk.

To address this challenge, over the past 18 months Grand Challenges Canada has focused its attention on developing, launching and nurturing a growing pipeline of innovations. As of November 2012, Grand Challenges Canada has funded 164 innovations in its pipeline for a total of over \$67M provided. Here are some examples of Grand Challenges Canada-funded innovations:

### **High-tech wristband monitors to save lives of remote moms and newborns in Kenya**

Many maternal and newborn deaths in developing countries could be prevented through better monitoring of blood pressure, hemoglobin and blood sugar levels of pregnant women. Kenya-based researchers will design a low-cost, non-invasive wristband for mothers-to-be with built in sensors that can measure and transfer these readings to healthcare providers, along with the mother’s GPS location. The sensors will collect information via copper wire and Bluetooth. The data will be processed in a central core, which will process and encrypt the vital sign information, tag the patient’s location, and periodically transfer the information to health providers.

### **Hitching a ride on Coca-Cola’s distribution chain to get medicines to those in need**

Researchers from Antara Global Health Advisors and the Johns Hopkins Bloomberg School of Public Health, working with UNICEF and RuralNet Associates, will study how piggy-backing essential medicines on the highly developed Coca-Cola supply system might improve "last mile delivery" in low- and middle-income countries. The effort is spearheaded by the organization ColaLife and delivered by local partners.

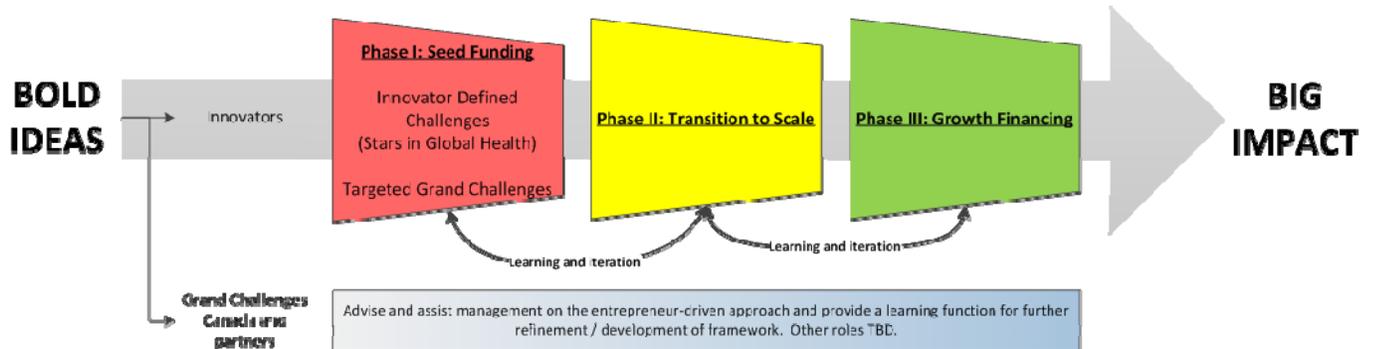
### **Floating farms in Nicaragua to improve nutrition**

Researchers working on lakes in Costa Rica and Nicaragua will establish floating farms to cultivate native aquatic plants, rice and filter-feeding fish in hopes of reducing agricultural water needs and removing excess nutrients in the water by plant uptake. The aquatic plants (e.g., Azolla, duckweed, water hyacinth, alligator weed, water fern) have high (up to 40% or more) protein content usable as food for humans, fish and livestock. Their use as biofuel is equally valuable. If successfully proven, they plan to adapt the technology and technique to sea conditions.

We anticipate this pipeline growing to 500 by 2015 and close to 1,000 by 2020. The innovations described above and others are featured on the [grandchallenges.ca](http://grandchallenges.ca) website and represent our unique niche of a rich low- and middle-income country and Canadian pipeline.

## SCALING INNOVATIONS THROUGH PARTNERSHIPS

As our pipeline of innovations continues to grow, we are in the market for developing “smart partnerships” to enable the scaling of these innovations through future phases. For example, in our Stars in Global Health program, which supports bold ideas that take an Integrated Innovation approach to global health challenges, we are applying a three-phase process to the framework of scaling innovations through partnerships, as illustrated below:



Each phase has an associated level of risk and a range of partners who will be engaged. The level of risk, in turn, drives the level of concessionality<sup>2</sup> in the partnership and funding approaches that will be considered.

### Phase I (Seed Funding)

Phase I of the Stars in Global Health program has a focus on identifying bold ideas by providing seed funding (\$100K) to grantees to take their bold ideas to the proof-of-concept stage.

**Risk:** High; 100% Grand Challenges Canada funding (Grant/Debt/Equity)

**Partnership:** None; high transaction costs, given the comparatively modest investment.

### Phase II (Transition to Scale)

Phase II of the Stars in Global Health program has a focus on further development of a grantee’s proven Phase I innovation through supporting its transition to scale. In this phase, Integrated Innovation takes a more prominent role by validating the innovation through user response and engagement with stakeholders. This phase has similarities to a venture capital approach but with a blended-value (social and financial) purpose.

The needs of innovations may vary considerably, requiring a multi-faceted approach and different partners to enable success. Innovations that are successful in reaching Phase II could go through either a private channel (commercial approach to achieve a blended social and economic value benefit) or public channel (non-commercial approach to achieve primarily a social benefit) to access support as innovations transition to scale.

**Risk:** Medium; 50% Grand Challenges Canada funding (grant)

**Partnerships:** Social angel investors, foundations/non-governmental organizations, companies, donors and developing country governments.

<sup>2</sup> The extent to which the terms of a loan or rescheduling are more favourable to the borrower (in terms of the total cost of debt service over the long term) than a loan on which a commercial interest rate is charged.

### Phase III (Growth Financing)

Phase III of the Stars in Global Health program has a focus on accelerating the widespread adoption of the innovation and scaling infrastructure to support the growth of the commercial offering, prototype or pilot program. This phase has similarities to a private equity approach from a private channel perspective, and a health systems financing approach from a public channel perspective. In both channels, Integrated Innovation and blended value (social and financial) will continue to play a prominent role.

***Risk:** Low; Grand Challenges Canada funding (non-grant, ideally as first-loss provision)*

***Partnerships:** Impact investment funds/equity vehicles and health system platforms (donors and developing country governments).*

Our goal is to test the proposed framework by implementing and learning from different scaling models that will take **bold ideas to big impact**. An additional innovation is how these ideas work together to form an ecosystem of progressively lower levels of Grand Challenges Canada funding as the innovation moves to scale. This ecosystem approach should be generalizable to other organizations.

### AN EVOLVING APPROACH

Highly defined or set-in-stone approaches that require entrepreneurship can serve as a “distraction from developing the responsiveness and nimbleness that is needed...learning how to become provisional, flexible and rapidly responsive...to the incubation of innovation within which to consider multiple futures, and to design, organize and test effective strategies to meet today’s challenges.”<sup>3</sup>

The framework outlined above – very much like a venture capital approach – is entrepreneurial in nature. Flexibility and adaptability will be critical features of how we operate. Therefore, the **WHO** involved in testing this framework will be critical. We are amazed with the current 164 innovators associated with our pipeline. Our challenge will be to strategically position these innovators with the social angel investors, small and medium-sized companies, multinationals, foundations, philanthropists, not-for-profit organizations, multilateral organizations and public sector entities that will further enable and facilitate these innovations to go to scale.

This approach requires the mindset to accept and use failure to either move on or revise the approach in a different way to learn from mistakes. Grand Challenges Canada is dedicated to testing, learning and communicating our successes and failures for the broader community to hear. In the future, we will be creating a blog series on our experiences and results in taking the innovations we support to scale. We hope this will help move more organizations from the **WHY** to the **HOW**.

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<sup>3</sup> Evans, Richard. Entering Upon Novelty – Policy and Funding Issues for a New Area in the Arts. GIA Reader, Vol. 12, No. 3. Fall 2012