Social needs to up its game to keep receiving financial support

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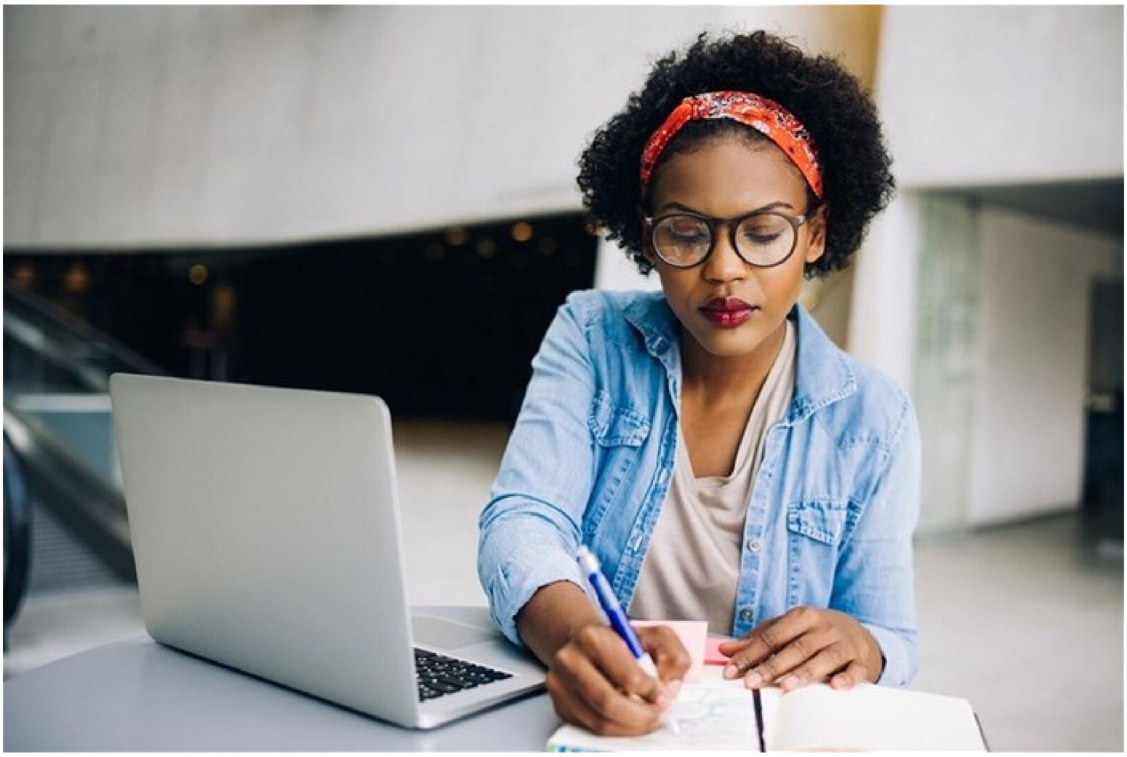
Today's philanthropists, grantmakers, social and impact investors want more control over their giving and they want evidence of the scale and sustainability of the impact they make. They demand greater transparency and accountability from the organisations they invest in and hold them to account. They want quick results and return on their investment, and therefore prefer to put their money where they can see innovation, especially through technology like applications, fintech or mobile tech, as it can empower and ensure inclusivity.



This is the conclusion of Reana Rossouw, director of Next Generation Consultants, after extensive research on the latest trends in the social investment and development sectors. The company's 2018 research report, *Innovation and Impact*, has just been released.

"Social and impact investors want to contribute to causes where they can effect large-scale change across populations and borders, impacting complex societal problems more effectively. Investors are walking away from inefficient programmes. As they want detailed proof of the difference their investment is making, interest in real-time data continues to grow," she says.

Looking at the year ahead, Rossouw identified these main foresight trends:

Stakeholder accountability and proof of impact

Persistent inequality and exclusion are giving rise to a more vocal civil society that demands accountability. Governance, compliance and public reporting require organisations to be accountable and transparent. Increased corruption, and unfair or unethical business practices in all sectors, including social and impact investors, grantmakers and donors.

Investors will have a firmer grip on the money they invest this year, keeping social service providers accountable for the resources invested up to the point where pay-back will be demanded if they do not deliver on their promises. As they are in search of greater impact and return on investment (ROI), they are looking for organisations that can guarantee efficient and speedy implementation and results – and they want unbiased proof of that. For-profit organisations, companies, social entrepreneurs and social enterprises that deliver relevance, greater impact, innovation, ROI, and that can guarantee sustainable change, will get the funding.

New investment themes and development portfolios

Investors favour the following investment opportunities:

- Urban development & investment: People are migrating to cities, leaving governments struggling to keep up with infrastructure development, and providing especially young people with job opportunities.

- Collaborative partnerships and collective investments: Investors will increasingly seek to understand the interconnectedness and dependencies between social issues and will use a systems approach to development. The social sector will have to show that it works with others for bigger impact, and investors will collaborate to leverage resources.

- Sustainable food and agriculture: Most impact investors focus on these sectors. The impact can be incredible, as this sector also includes food security, and management of resources like water and energy. The sector provides massive commercial and export opportunities, which also contribute to large-scale job creation.

- Youth: This is the fastest growing portfolio and job creation for young people will replace investment in education. Skills development and enterprise development will get the money.

Winners and losers

Social service organisations that do not understand the changing development landscape, will miss out on investments. Education is the biggest loser. It's become too complicated, and investors have little proof that their money is improving the sector, they don't see real impact. They rather put their money in programmes that deliver quick and big returns, like skills development and job creation. The health sector is another loser. Funders want to focus on fewer issues, with ROI, health technology, social impact and scale that's measurable.

New skills for new leaders

The type of person suited to playing a development role is quite different from what we were used to. Today, social development practitioners must become systems or subject experts that have social development as well as business development skills. They should have an understanding of development economics, the ability to solve complex problems and a skill set that includes risk management and financial modelling.

A new language

The way we define development will impact the way we evaluate development. Social media is abuzz with honest and open discussions about the effectiveness of current monitoring and evaluation practices. It's clear that evaluation criteria should be able to measure total development impact. Traditional ways of monitoring and evaluation are vastly inadequate when assessing integrated investment strategies and development programmes.

The big opportunity

Technology is a big game changer. Online platforms bring together investors, intermediaries and beneficiaries, and investors can pick and choose where to invest, based on online evidence and comparability. They can see what others have done and the mistakes they've made. Information is everywhere and it's transparent.

Wildcards

In future, social and impact investors, philanthropists and grantmakers may very well be described as high-tech social influencers. We are already seeing chatbots, robotic non-profits and algorithmic philanthropy, indicating the trending causes, what the next focus of grantmaking will be and making response, feedback and communication easy. New types of resources like cryptocurrencies will also greatly impact the flow of social investment money.

Embracing failure and celebrating a new world

Practitioners cannot just talk about failure – it has to be embraced. They have to share their failures, learn from each other and collaborate to improve development effectiveness and impact. This is increasingly the case and should be commended. However, the sector lacks input from beneficiaries and should not only be held accountable by funders, but also by the people the services are rendered to. There are various examples in Africa of how working together across borders and sharing information can increase resilience, innovation and impact.

Conclusion

In 2018, social causes that leverage technology that bring about innovative, sustainable impact on a big scale will get the money. Social and impact investors want detailed proof of the impact their investment has made and will walk away from inefficient causes with mediocre, small-scale impact.

- For a more in-depth look at these trends, download the full research report:
https://nextgeneration.co.za/2018-csi-trends-forecasts-and-impacts-research-report/

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