

Preface

The World Economic Forum is pleased to issue this report, which seeks to explore how “Blended Value Investing” (BVI), as distinct from either market-rate investing or philanthropy, can leverage economic performance while also creating social and/or environmental value within a single, unified approach to investing and capital finance.

BVI is, by definition, a market-based approach to addressing many of the challenges facing the global community. BVI seeks to engage capital in creating sustainable, long-term solutions to those same challenges. Such strategies are defined as “blended value” and not “double bottom line” or philanthropy since they view the value being created as neither solely economic nor solely social, but a *blend* of both. This approach recognizes that economic value can create various forms of social and environmental impact and cannot be viewed as a separate component of the value proposition found within any given investment. Therefore, BVI seeks not a double bottom line, but rather a single bottom line with multiple value components.

In September 2004, the World Economic Forum’s Global Foundation Leaders Advisory Group hosted an international meeting of investors, foundation executives and representatives from non-governmental organizations to discuss the state of blended value investing and explore what barriers exist to expanding the use of private capital for social gain. *Private Investment for Social Goals: Building the Blended Value Capital Market* was published by the Forum in 2005 and presents the key discussion points and findings from that session.

At the conclusion of the 2004 meeting and follow-up discussions during the World Economic Forum’s Annual Meeting in Davos in 2005, session participants requested that a research project be undertaken during 2005 that could explore in greater detail how a variety of capital finance strategies are being applied to the area of blended value investing. Furthermore, since the arena of microfinance is viewed by many as an excellent

example of how economic and social value may be leveraged through investment innovations, participants asked that this research also summarize current practices in microfinance that might inform investing activities in other related areas.

In fact, many of the examples presented in this document are taken from the field of microfinance and could be applied more broadly to other areas of interest, whether housing, local building projects, small/medium enterprise development, healthcare, education or beyond.

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The World Economic Forum’s efforts at catalyzing and sustaining the important debate around Blended Value Investing have received support from many quarters. In gratefully acknowledging these contributions, both financial and intellectual, we also look forward to the positive evolution of this discussion and to the expanded application of creative investment approaches that can accelerate progress on pressing social and environmental problems.

Richard Samans
Managing Director
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