

IMPACT STRATEGY

“Thanks to our equal and inspiring partnership with Karuna Foundation Nepal, with a clear joint vision and ambition, we’ve managed to convince the Nepalese government to change its policy and make the Inspire2Care programme part of its social development act. This is a great example of how such collaboration can help scale a solution in a sustainable way, bringing about system change and having durable impact across the country.”

- ANNET VAN DEN HOEK , DIRECTOR, KARUNA FOUNDATION NETHERLANDS -



Money donated

Financial return



High risk prone, willing to take risks and learn from failure from the beginning. Karuna NL set up a consortium to discuss the potential risks and manage them –e.g. risks associated to the scaling of the programme. Part of their strategy to reduce risk of failure is to give ownership of the implementation of the programme to the government with the support of the SPO.



Karuna NL provides grant with **exclusively social return** on investment. Follow-on phases of grant depends on the impact generated by the SPO, making Karuna’s funding strategy **performance based**.



At first, qualitative & quantitative indicators are discussed with the SPO to give them **ownership** and reduce risk of failure. Karuna NL relies on third (independent) parties to implement impact studies to measure impact and cost effectiveness, including a **baseline** study, midline and endline.



Social purpose organisations with a **potentially financially / self-sustainable business model**

Founded in 2007, Karuna Foundation (Karuna NL) aims at improving the lives of children with a disability in developing countries. Karuna is a **highly-engaged grant-maker** that accepts to take (and manage) a **high level of risk** – related to both the impact and the sustainability of the SPO’s business model. Karuna uses its financial resources **without a financial return** but with **clear objectives**. Karuna manages its impact through its **long-term Theory of Change**, developed in 2012.

Karuna NL is an investor *for* impact and acts as a real **market builder**, being the catalyst and involving different stakeholders. As the market for tackling health and disability issues for the bottom of the pyramid in Nepal did not exist, Karuna **set up its own SPO, Karuna Nepal**, to implement the Inspire2Care programme. Karuna did not act in isolation, but created a **consortium of funders** and involved **all local actors** to get different perspectives and create a sense of **shared responsibility**.

In order to bring about **system change**, Karuna NL has developed a scaling strategy that eventually gives **government full ownership** of the solution. After Karuna NL proved the replication model, and therefore de-risking it, the government agreed to take over for large-scale replication and implementation.

FIND OUT MORE: SUCCESS STORY

Saving children from disability, one by one



Inspire2Care - Karuna Foundation © Leonard Fäustle

Read the full story [here](#) >

STARTING POINT

FINANCIAL RETURN TARGETED

SOCIAL & FINANCIAL RISKS

FINANCIAL INSTRUMENTS USED

IMPACT MEASUREMENT AND MANAGEMENT

SOCIAL PURPOSE ORGANISATIONS (SPOs) SUPPORTED

Investing *for* impact



What financial and non-financial support does the **investee need** to maximise its social impact?



- **Financial risk** is a secondary or **no decision-making factor**
- Achieving net positive social impact is the main decision-making factor
- Accepting **high financial risk** if the potential social impact is high



Grant



Debt / Loan



Equity



Hybrid financial instruments



- Focus on the **process**
- Adopt a **high engagement** approach
- Put emphasis on **Theory of Change**
- Start with **customised indicators co-designed** with the grantee/investee

Social purpose organisations that will **never be financially / self-sustainable**

Social purpose organisations with a **potentially financially / self-sustainable** business model

Social purpose organisations with a **proven financially sustainable** business model

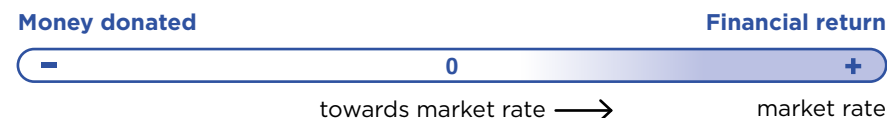
Traditional businesses with intentional **social impact**

ESG-compliant **traditional** businesses (often listed companies)

Investing *with* impact



How to put **money to good cause**?



- Financial risk is the main decision-making factor and focus on **de-risking the financial component**
- Focus on social impact as long as the investment is also **financially sustainable** or it does not entail a higher financial risk



Debt / Loan



Equity



Hybrid financial instruments



Investee's **data and evidence** and/or **available standardised metrics** of social impact are (re-)used to make investment decisions