



It is estimated that \$1.4 trillion will be needed each year to achieve the Sustainable Development Goals by 2030. In contrast, global aid spending is less than \$150 billion. **Nonprofit efforts will not fill this gap – engaging the private sector in the fight against poverty is an imperative.** In this spirit, CARE Enterprises was created to harness the power of capital markets in the fight against poverty.

CONTEXT:

To include two billion additional people in the economy, we must significantly scale up the reach and impact of for-benefit enterprises, primarily in frontier markets where the poorest segments of the global population live. Combining attributes of traditional for-profit businesses and NGOs, **for-benefit enterprises are hybrid business structures whose primary purpose is to deliver social and environmental benefit.** They constitute a fourth sector of the economy, which has been growing at the intersection of the traditional private, public, and nonprofit sectors for decades.

One of the principal unmet needs of these enterprises is access to capital. And despite a growing call for the mainstreaming of impact investment, only a fraction of impact capital has actually been invested in enterprises that create **transformative economic opportunity** for those who have been, thus far, left out of the economy. When it comes to finding successful market-based solutions to highly complex problems like poverty in the developing world, the impact investment community is starting to see that under the current system, achieving both transformative social impact and market-rate financial returns is the exception, not the norm. “The most impactful and successful of social enterprises in emerging economies—even in developed countries—are likely to generate only low-single-digit financial returns¹.”

OUR IMPACT:

We are focused on transformative impact and happy to mold our return expectations to meet that goal. We want our legacy to be the scaling up of for-benefit enterprises that break the cycle of poverty through:

▶ ACCESS TO DIGNIFIED ECONOMIC OPPORTUNITIES

We see work — formal jobs and self-employment — as a foundation of personal dignity. As a baseline, we are interested in business models that offer workers the opportunity to earn a non-exploitative living wage, and safeguard respect for workers’ rights and gender equity.

▶ IMPACT AT SCALE

We are helping to scale up proven business models with commercial viability and the potential to reach significant market size so that we create impact at scale.

▶ TRANSFORMATIVE IMPACT ON THE LIVES OF THE POOR

We seek out business models that lead to the disruption of the poverty cycle — improving livelihoods as a way for people to progressively step out of poverty and ensuring that the children of today’s beneficiaries are better off than their parents.

▶ EMPOWERING VULNERABLE COMMUNITIES

We strive to include companies to our portfolio that benefit the most economically disenfranchised populations and that specifically target women as beneficiaries.

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APPROACH:

CARE Enterprises (CEI) is structuring a \$30 million 10-year Growth Fund that will deploy patient capital through flexible deal structures to meet the unique needs of for-benefit entrepreneurs that are creating transformative economic opportunity for people living in poverty.

Standard financial products frequently prioritize the needs of investors (higher financial returns to realize a quick exit) over the needs of for-benefit investees in frontier markets (slower growth inherent with business models built for marginalized communities). For-benefit enterprises focused on economic inclusion operate differently from conventional businesses and therefore need financial partners that will respond appropriately.

Rather than forcing these entrepreneurs into structures that demand profit-maximization, with the Growth Fund, we will create a portfolio of transformative **“benefit-maximizers”** by incentivizing our investees to deliver on their promises of social impact to create dignified jobs that break cross-generational poverty cycles in marginalized communities. **This impact thesis is – and will remain – embedded in the core of our Growth Fund’s structure.**

CEI DEAL STRUCTURES:

Debt	Impact Based Loans	Performance Based Loans	Mezzanine Debt	Variable Payment Dividends	Equity
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We will bring CARE’s deep understanding of the needs of those in poverty and the complex social, political and cultural dynamics unique to each market, and develop a distribution network for growth companies by leveraging CARE’s global footprint and local networks.

BROADER COLLABORATION:

One fund alone will not move the needle on poverty. In addition to the direct outcomes of our work, we seek to be a model for others. We hope that – once proven that it is possible to prioritize transformative impact while also achieving realistic financial returns in frontier markets – other asset managers will follow suit. Together, we will come much closer to mobilizing the trillions of investment dollars needed to achieve the SDGs.

CARE Enterprises collaborates with other organizations to support and scale for-benefit enterprises. CARE Enterprises is participating in the **Fourth Sector Development Initiative (FSDI)**, a newly formed multi-stakeholder initiative of the **World Economic Forum Global Future Council on International Governance, Public-Private Cooperation and Sustainable Development** in partnership with the **Fourth Sector Group**.



**FOURTH
SECTOR
GROUP**

trillions of dollars of fourth sector growth by 2030 through fostering the enabling ecosystem required for for-benefit enterprises to flourish. FSDI promotes collaboration to raise awareness about the fourth sector, provides training opportunities for fourth sector practitioners, and develops more enabling policy and regulatory environments for the sector. FSDI also develops new business and investment models that are aligned with for-benefit enterprises and creates local and regional hubs to accelerate fourth sector development in communities.

CARE Enterprises will help build the fourth sector ecosystem by aligning private capital with nonprofit assets to invest in for-benefit enterprises that have not yet qualified for more conventional investment. We will implement these innovative investment models and share learnings from the design and implementation of the Growth Fund with the FSDI community to increase knowledge and raise awareness about the Fourth Sector.

FSDI brings together public, private, and philanthropic institutions committed to catalysing

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1. https://ssir.org/articles/entry/marginalized_returns?utm_source=E-news&utm_medium=Email&utm_campaign=SSIR_Now&utm_content=Title

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