

# Convergence: can Arab philanthropists and investors meet on the impact continuum?

Clare Woodcraft [www.linkedin.com/in/clare-woodcraft-3994937/](http://www.linkedin.com/in/clare-woodcraft-3994937/)



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The impact investment community in the Arab region is growing. However, unlike other regions and in the absence of relevant language – the term is difficult to translate into Arabic – it has yet to be fully recognised or leveraged as such. Therein lies a significant opportunity to unite Arab entrepreneurial talent with investor appetite and the social and economic developmental challenges of the region with a view to catalysing a hybrid model of social investment that can deliver financial and social returns.

When the Arab Foundations Forum (AFF) was established over ten years ago, its goal was to unite the heterogeneous philanthropic community in the Middle East and North Africa. Until then, few foundations worked with their peers and there was little sector-wide collaboration. Today, Arab foundations and philanthropists are a force to be reckoned with as governments and international development bodies eye them as potential funding and implementation partners.

The establishment of several high-profile entities with multi-billion-dollar commitments has helped. In 2015, Saudi Prince Alwaleed Bin Talal pledged to dedicate US\$32bn to philanthropy and the UAE's Abdul Aziz Al Ghurair established a foundation for education with a pledge of US\$1bn. Indeed, the region now has multiple high-profile foundations with resources and influence. The national foundation of the UAE, Emirates Foundation, has become a vocal proponent of social enterprise and venture philanthropy. AFF's members – notably through their

Board – now encourage a much higher level of cross-regional collaboration, discourse and advocacy, and impact investing is increasingly on the radar screen.

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The sector is also becoming more interested in innovative finance. National Philanthropy Trust UK's CEO John Canady notes that younger generations are leading the charge. "We are getting particular traction with second generation philanthropists who are comfortable with an entrepreneurial approach," says Canady noting new interest in Donor Advised Funds (DAFs). "Whatever your giving strategy, you need a structure to manage your philanthropic assets. DAFs are the modern alternative to setting up a traditional foundation and are gaining traction in the region. We see them being used as complementary vehicles for



collaborative initiatives such as giving circles, now a growing phenomenon among UHNW Middle Eastern philanthropists,” he says.

Womanity Foundation, which supports female empowerment in the Middle East, tells a similar story. “The next generation of philanthropists, including those from the Middle East, are interested in hybrid models which is why we developed the Catalyst Impact Circle in partnership with the Marshall Institute at LSE,” notes Rafia Qureshi, the Executive Director. “This includes an immersive three-day programme that espouses a much more engaged approach and reflects our own venture philanthropy model which supports regional social enterprises such as the Palestine-based Radio Nisaa. We want to see self-sustaining models and the Arab world is no different – young investors are moving away from traditional philanthropy and looking for blended finance.”

This maturation reflects broader progress in terms of private investment. From the growth of organizations such as WAMDA to WAIN and the [Dubai Angel Investors](#) (DAI) network, young Arab commercial investors are increasingly eyeing the region for deal flow that previously they may have sought elsewhere. The growth of angel investing and VC in the region has mobilized not only new capital but also women as a new group of investors with both financial and social targets. Heather Henyon, founder of WAIN, notes that Arab women want to become savvy investors but also have a social purpose approach to investing. WAIN trains women on due diligence and how to grow a portfolio. “Women are a huge source of capital,” notes

Henyon, “notably for enterprises that address social issues in the region.”

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WAIN investee Little Thinking Minds is a case in point and grew out of the founder’s desire to improve regional education rather than make money. It has raised \$1.265mn in Series A funding, but sadly, it is a rare success story. Henyon is now building [Mindshift Capital](#), a venture capital (VC) fund for female-headed businesses to respond to the lack of risk capital for female-headed firms which often deliver better financial returns. Currently Henyon notes that female founders only receive 2% of the venture funding even though they form a large group of the entrepreneurs.

This slow but steady convergence bodes well for the hybrid model of social enterprise but more needs to be done to fix a fragmented and immature ecosystem. The cost of registering a business in the region is still high. While capital is available, it is rarely long-term and social enterprises have yet to be formally recognised in many Arab countries. Efforts to build awareness have often been thwarted. [The Social Enterprise Week](#) that ran for several years out of the UAE, failed to sustain a movement partly [due to the lack of understanding of the concept](#). There is still cultural aversion to promoting a business-based model for social impact

with conservative communities seeing this as the role of government or traditional charities.

Much of the start-up deal flow in the Middle East and North Africa (MENA) is by default 'social' whether it is branded so or not, since it entails young entrepreneurs responding to entrenched socio-economic issues. Glowork is a good example of a social enterprise that emerged in response to the very low level of female labour force participation in Saudi Arabia. It now works directly with government to reform the labour market and create real system change but is a rare example of a scalable entity due to ongoing start-up challenges.

Mahmoud Wardeh, a Palestinian-British tech and education expert has established several start-ups and most recently *Open Connective*, a social enterprise seeking to avoid 'cognitive waste' and use technology platforms to create collaborations between open-culture projects, industry and academia. These collaborations aim to address entrenched socio-economic issues and can ultimately open up previously untapped opportunities for impact investors. "While there is appetite for start-ups," he says, "it's often for second or third round funding once the start-up has already begun to get traction. And yet, there is real opportunity for triggering systemic change by funding initiatives that are innovating with new revenue and business models."

Wardeh believes this lack of risk appetite is partly due to the lack of a culture of R&D and investors who

tend to look outside the region for ideas to replicate locally, rather than take a risk on novel ideas borne out of the unique characteristics of the region's cultural and jurisdictional make-up. "It's a real shame", says Wardeh, "since the region has some truly impressive young entrepreneurial minds, but without real risk appetite from investors willing to take a chance on testing new approaches to addressing social impact and scaling, they will struggle to innovate and thrive."

Much of this could be addressed from a policy perspective if relevant actors worked together. To date, and notwithstanding the commercial investor community's interest in social impact, the nexus between them and philanthropy is not being exploited. Where in other markets, foundations happily engage with investment banks to look at new financial instruments and capital markets, the region's actors rarely cross their traditional boundaries. Where forums such as Skoll and GINN have created multi-sector platforms for collaboration and investment, the Middle East still lacks a centralised community.

### Conclusion

As philanthropists move towards investors along the impact continuum and investors eye up the opportunity of social value creation, the Arab world is moving in the right direction. But a concerted effort to unite these communities is well overdue. Financial resources exist and are growing – goodwill and appetite for real collaboration and system change need to catch up.

**Clare Woodcraft** is the founder of Woodcraft Associates Inc, a boutique consultancy advising organisations on how to maximise their social impact. She is the former CEO of Emirates Foundation, the sovereign foundation of the UAE, and during her six-year tenure led the organisation's transition from traditional grant-making to venture philanthropy.

Earlier Clare served as the Deputy Director of Shell Foundation, a leading entity in the philanthropic sector due to its 'enterprise-based' model. She also headed up the social investment communications portfolio of Royal Dutch Shell in the Middle East and North Africa and oversaw the shift from short-term CSR initiatives to long-term value creation in the field of enterprise skills and jobs. Prior to this, she headed up Visa International's social investment programs in emerging markets promoting

financial literacy as a key element of the company's stakeholder outreach. Throughout these roles she has focused not just on social value creation but also female empowerment and currently advises Mindshift Capital, a gender lens fund focused on investing in female-headed enterprises.

Clare has served on multiple boards and was elected the Chair of the Arab Foundations Forum, a regional network of foundations in the Arab world. In addition, she is a board advisor to Operation Hope, a US-based entity working on financial inclusion, Sumerian Foundation which addresses social inequality in the UK and Berkeley University's Enterprise program which supports job creation in the Arab world. She is a British national, a fluent Arabic and French speaker and has an MSc in Development from the London School of Economics.