

## **INTERVIEW WITH DONNA KATZIN**

### ***Shared Interest***

Interviewer: All right, welcome everybody. We are so pleased today to be talking with Donna Katzen who is the Founding Executive Director of Shared Interest which is a social investment fund that supports South Africa's lowest income communities of color. Shared Interest, and its South African partner Them bani, pioneered the use of loan guarantees to encourage and expand lending to low income black townships and rural communities throughout South Africa, specifically supporting small businesses, micro-finance institutions, agricultural cooperatives, and low-cost housing organizations. Since 1994, Shared Interest has helped to create more than 180,000 new small and micro enterprises, 1.9 million jobs, and 120,000 affordable homes benefiting 2.3 million economically marginalized South Africans, the majority of them women. The organization is now extending its work to other South African countries including Swaziland, Mozambique, and Zambia. And, for her wonderful work in this field, Donna has been honored by the South African American Organization, she has received the North Star Fund's Frederick Douglass Award, the South African Embassy's inaugural Friends of South Africa Siyabonga Award, the inaugural Ubuntu Award for Face2Face Africa, and the SRI Service Award in 2015 from the Conference on Sustainable, Responsible, Impact Investing. Donna, to start could you give us an overview of Shared Interest's work so that our viewers really understand what it is and what you do?

Donna: Okay. Shared Interest was started, just to understand where we came from, in 1994 when many people from the socially responsible investment movement and the anti-apartheid movement had taken their money out of South Africa or used various economic tools to isolate South Africa to press for an end to apartheid. So in 1994, when South Africa became a democracy, many of them said, "We would like to put our money back in" and they raised the question of how to do that in a way that would help build a more equitable new nation. And so Shared Interest was formed in 1994 to connect those kinds of investors and institutions and individuals with the process of building a new and more equitable South Africa. And when we put it together, we thought carefully about what was the most strategic thing that we could do with the small amount of resources that we anticipated raising. And we thought that the biggest agent of change that we could see ourselves unlocking was moving South Africa's white banks to lend to its black communities. And it might sound like a logical thing, 90% of the population

being black today, but, it wasn't then, and it is not now, a matter of ordinary business.

So we set out to move as many financial institutions in the country as possible to lend to low income black businesses, farmers, cooperatives, and affordable housing organizations. And since we began doing this, we have benefited 2.3 million low income black South Africans and never lost a cent of any investor's money. The mechanism is one where we would borrow money from people, primarily the United States but not only, and we used those funds as the collateral that South African farmers and businesses do not have when they go to the bank for a loan. So picture a rural women's co-op that goes to the bank and says "We would like to borrow" and the bank says "Aww, but you have no collateral." That co-op, through working with us, has the ability to say two things. One, they can say "Yes we do have collateral and that is supplied by our colleagues at Shared Interest" who are helping to co-sign. It's the same thing as co-signing for a loan, sharing the risk with the bank. We also provide technical support to help them succeed and to move the banks to do business in a different way.

Interviewer: So Donna, we would love to hear from you, kind of personally, what drew you to the work? What brought you to working with Shared Interest?

Donna: Well, the first thing that drew me to the work was having been born and raised on the south side of Chicago and seeing unofficial apartheid up close without the laws but a city and a part of the city where racism was hardwired into the geography, the education, and the economy. So when I began to hear about South Africa, it was altogether familiar, in an unfortunate kind of a way, but familiar nonetheless. And so I became part of the anti-apartheid movement. And in 1982, there was an organizer for the United Auto Workers. I had the privilege of being asked to head a human rights organization for the union. It would mobilize campuses, congregations, and communities throughout the State of New Jersey to work on apartheid directing their energy primarily at companies that were doing business with apartheid. So that was where it started, and from there I moved to work with institutional investors through the Interfaith Center on Corporate Responsibility, largely faith-based but not only some cities and states who were using their power as shareholders to press for a new dispensation in South Africa.

And in 1994, when Nelson Mandela was elected and apartheid was no longer the law of the land, those investors who wanted to reinvest began to ask the question of how they could put their money to use in building a new nation, and so we created Shared Interest as a separate organization to begin to do

that work. We are a non-profit, and were incubated in Boston by the Fund for a Free South Africa and soon were spun off as a separate investment fund.

Interviewer: And what do you see Donna as your unique contribution, whether you personally or your organization that you created, what do you feel is the unique contribution, its purpose or role in the whole field?

Donna: Well, I think in two ways it's unique. Sort of philosophically it is a powerful example of connecting political rights with economic and social rights. And so that is necessary to not only help South Africa become politically free but to become economically liberated, which is far from happening at this point. And it means that those divisions that still exist in the economy need to be addressed and that's primarily where we are focusing. The other innovation, and we are not the only guarantee fund in the world, there are a number of them, but our primary emphasis is on unlocking resources within the countries where we worked. So by guaranteeing financial institutions loans we are moving those banks and other players to loan to low income black South Africans. There was a heavy institutional change piece here. And it's also beginning to have an impact as we've seen recently on how that marketplace shapes up as lenders begin to lend to people they would never have considered clients or people in earlier days.

Interviewer: Do you have an example of that that you want to share?

Donna: Well, an example recently over the last year, we had kind of a breakthrough in that many, many, many of the banks are now coming to us and other lenders. And whereas it used to be a very slow slug to try and get any deal done and anything approved, now some of those institutions are coming to us and they are saying to us and to our partners Thembani who are our partners that do the work on the ground for us in South Africa, Swaziland, and in Mozambique, and the banks instead of saying "Sorry we have taken it back to the credit committee," "Sorry we have changed staff," "Sorry we cannot exactly remember what this was for," they are now saying to us "Could you please hurry up your due diligence because the customer is waiting." And for us this is proof positive of the concept incubated long ago and practiced in other parts of the world but it is beginning to dramatically shape the practices of at least some of those lenders, and it means that we have been able to reach quite a number of more businesses, farms, cooperatives, and communities.

Interviewer: Donna, in a recent blog-post you wrote for the Criterion Institute where you were discussing the impact of shared interest work with women in South Africa, you said something very important. You said that, "A compelling aspect of the investment approach that you take is this potential not only to

incorporate women and girls into systems that have historically excluded them but to change those systems and to change them by values and practices women prioritize in order to build more just and inclusive society." Could you talk more about why you think this is so important and how you've seen women and communities positively impacted by this approach?

Donna: Yes, just to give a couple of examples because it's important to try and bring those women who are not on the screen right now to the table. Just to give you some examples, we talked about influencing the banks, some of which are now beginning to see women as viable borrowers, viable clients, and become interested in their businesses. So that's a change on the institutional side in reducing the barriers, not in eliminating but reducing some of those barriers for women, businesses, and farmers. The impact in the communities is quite sizable. So for example, one of our guarantees was to a group of women farmers who were becoming commercial farmers for the first time. As you know, in much of Southern Africa women grow most of the food, however, the moment that what they are growing is connected to a contract or connected to credit it becomes a "man's business." And because it is business therefore men are expected to do it.

Women by and large do not get those kinds of commercial contracts or credit, and so, this particular guarantee made it possible for women to borrow what they needed to expand their fields, to grow more, and by growing more good products at volume they were able to be given commercial contracts and to grow and to hire hundreds more people literally, and that had quite an effect on how they saw themselves. So the transformation happens at different levels. Institutionally, it happened with the companies and the creditors that were now working with women for commercial purposes. But it also happened in the communities themselves. One young woman, a 28-year-old new farmer, I said "Where do you see yourself in five years?" This was a woman you had already started idea circles of other young women farmers because they needed the mutual support. And that mutual support is extremely important. It is social capital that is so critical to have an impact also on the financial capital. And so they helped each other and worked together, and in five years, she told me, she expected to double the size of her farm which would have been going from 50 to more than a 100 hectares, which is huge, it's more than 230 acres so enormous, but she said I also see myself on the front page of the Weekly Farmer. "Oh," I said, "How nice!" She said it is necessary because other young women must know that they can also do this work. And so as women supporting each other and also giving each other the confidence as well as the skills and the connections to do the work.

And the other kinds of...I'll just give you one more example of the way that often women have something to contribute back. I think a question people

often ask is, "Why is it important to lend to women or to invest in women? What does that do for broader social change or to help sow the seeds of a new economy or a new society?" And there are many, many lessons that can be drawn from the more successful women's projects and enterprises. One of the ones that most impressed me was in Chokwe in Mozambique, and this was about eight months after there had been devastating floods. The Limpopo river had overflowed and had completely devastated the rural communities with a seven foot wall of water that washed away homes, farms, animals, and everything that people had including the harvest that had been sitting in their houses because they had just harvested. So, because of...with the help of a loan from an organization we guaranteed in Mozambique, the farmers were able, largely women, to go back to their lands.

And when I went to visit them the harvest was almost ready to be harvested again, the first harvest after the floods. And I was just blown away by the power and the sticktoitiveness of women who had actually lost almost everything, but they hadn't lost each other and they hadn't lost their high level of organization. They were fittingly called the Samora Machel Association, so had roots in the liberation struggle and remembered the importance of working together. And so I asked them, I said, "How do you have the strength to come back and plant after water had washed away everything that you had?" And one woman said to me "When I see my sister plant, I plant with her. When I see my sister weed, I must weed with her, and when there is a harvest, we all come." She paused and said, "We never leave anyone alone." And that kind of way of building a community, for me that is the example, one of the utmost examples of social capital. And that social capital can also be used to change institutions.

So women in a micro-finance institution in Limpopo in the northern most part of South Africa had...they had borrowed again with more portfolio which was made possible by a loan that we were able to guarantee to this micro-finance institution. But the women at the village level were very much set on that only increasing and building their businesses but improving the lives of their community. They were part of a program where HIV-AIDS education prevention was a matter of business at the village center meetings, and for one of their more active moments was not only educating the tribal council so that they could educate the village about HIV-AIDS prevention. They also went and sat in at the local health center which they said was unresponsive to their needs as women, was not treating them with the respect that they needed, and that they were actually going to stay there until they had satisfaction that things were going to change. And so what we saw was a close connection between the social and the financial capital because once you have discussed things like HIV-AIDS talking about your loan is light action. Similarly the trust to organize to begin to have the confidence to

discuss these more difficult issues was created by people saving and borrowing together. So the ability to layer the social and financial capital, which women do so well, if they are given the right tools and opportunities, is one of the key opportunities, I think, for investing in women.

Interviewer: Donna, I don't have the statistic in front of me but I am wondering if you got it, if you know this one? That's heard and said that when women bring income through their own businesses how much more that goes back into the family and the community?

Donna: Yeah, that's a statistic that varies from place to place so...there are two statistics. One is that people who lend to women find that they are more likely to get their money back. They also look at that added impact that comes from women investing their proceeds in your communities. I once asked a dressmaker what...one of our projects, "What did you do with your proceeds?" And she pointed to her 22-year-old daughter who was studying to be a nurse who had come to visit, and she said "That." There is very much an investing back in the family, and not university, but a higher percentage because that's integral part of most women's lives.

Interviewer: You have talked about this a bit, but I am going to ask this question more directly. Why does socially responsible investing matter to you and why do you believe it matters in the bigger world? And maybe a piece of that is...why investing and not just charity?

Donna: First of all, why socially responsible investing, and I just want to underscore, that very often investors and philanthropists do not appreciate how much power they have in the resources over which they have some control. So people may think that if I want to do good in the world, what I can do is I can find a really good charity, and I am not downplaying charity. I am not downplaying donations because, in fact, much of Shared Interest's work, the technical support that we provide to people on the ground is largely grant driven because borrowers can't afford to pay for it and the banks don't think they need it. So we do appreciate and welcome philanthropic capital and donations of all sorts, but there are many other kinds of resources that people possess and in looking at one's total portfolio, I am talking about people who have investable wealth for example, it is important for people to understand that they are screening their portfolios to reflect their values, such as looking for companies in which they will not invest and companies in which they would prefer to invest. That's one way of investing responsibly.

Others invest in companies that they really have problems with and take an active role as shareholders, following resolutions, follow-up tracking what the company does, engaging that company in dialogue. And then there are those

who invest proactively in the communities and the institutions that are making changes, and the reason that this is so important is that if we just continue to invest in say Corporate America, which is not to say Corporate America is not making some changes, but if the only thing that we do is to invest in the established systems that are working, we are giving away a huge opportunity to directly build communities, build movements, and build new paradigms, and examples that create power and change for the people who need it most.

Interviewer: Time for closing questions. What would you like to see in the space, something that you would like to see exponentially more of?

Donna: I see seeds of many things. I would love to see more of capital going for direct investment in marginalized communities in a way that promotes equality and change and building the institutions needed. So we are only one example, there are many community investments like us. What I think is important, and I don't see so much of, is an understanding of what kinds of investments create what kinds of impact. We hear this word "impact investing" a lot and it is a relatively new term. Community investing is not new. It has been around for a 100 years, and actively for at least 50, but, as people think about impact, one of the more attractive things that welcomes many investors is the opportunity to do well and do good at the same time. That kind of erases that blurs the spectrum. In any other kind of investment we would look at what is the balance between, say, risk and return, and recognize that there are different kinds of investments, some riskier, some less risky and they bring in different amounts of revenue.

The same can be looked at if you add a third axis in addition to risk on one and return on the other, that's a two-dimensional axis. If you have one that comes out at you, three-dimensionally and call it impact, you would look at investments and try and see those that bring different kinds of impact as well as different kinds of risks and returns. So what that means is that some impact investments will be quite profitable and bring the investor quite a lot of money and others will be perhaps less risky but less high in return. I think it's important to build sophistication of a marketplace that understands that there are roles for different kinds of capital for people who want different kinds of impact. Some of those highly, highly change-oriented businesses and organizations that are using loan capital, some of them require more patient capital, some require lower return in exchange for higher impact, but not always. So I would like to see more education to help demystify and break down what impact actually means.

And I would like to see that impact in turn measured, not only in terms of the very rough numerical, so how many people did you help? I mean we are very proud that we have reached more than 2.3 million people in Southern Africa,

and we are very proud of our other number which is zero which is loss to investors. Those are two numbers and we are happy about those numbers. But the bigger story about impact means that we need to develop ways to ask the question, what is this doing for and with the community? What is this doing for and with the women? How does it change people's lives? How does it also affect the institutions in the surrounding society? Does it help people build their own capital? Does it help people actually make changes?

And I wanted to give you one example of how an organization that is I think particularly interesting on a number of levels, and it is in Malawi. This is a group who...it is an organization that began by organizing low-income women in the slums in Lilongwe to form savings groups, and they discovered that women were very good at saving together. And what were they saving for primarily? Bricks. And so the ingenious organizer said, "Well, what are you doing with the bricks?" "Well, we are building houses." They were building their own houses. When they had built their own houses, they were...they began to say "You know, if we can build our own houses, we can also build other people's houses." And so they became, over the years, contractors, and good contractors. Quite good contractors. They are not only managing money, they are also going to manage the men. They are building...they are embarking now on another project that will enable them to build low income housing which is a huge, huge demand, and the need that's unmet at this point by government. So it's women using their business skills, their social skills of working together and having a very, very concrete impact providing housing for their communities in a market that would have excluded them otherwise.

Interviewer: Powerful, yeah. Before we close in, are there any other story that you would love to share with us? Or anything that we didn't ask that you think is really important to bring to the conversation?

Donna: We talked about systems and we talked about institutions. I think one of the most powerful things for me, usually...for almost every woman that I talk to, if I ask the question, "How has this project impacted you? What change has it made in your life, in your family, in you?" I get pretty remarkable answers. I remember one woman who is part of a sugarcane co-op in Mpumalanga, the most eastern province of South Africa, and this was a community that had been dispossessed under apartheid, it was forcibly removed in the middle of the night, and dumped in the middle of the bush. Somehow they survived, and 50 years later, with the help of their new government they were able to begin to establish themselves as co-op, and we helped them get working capital so that they could make a thriving sugarcane farm. And I asked this woman, "Has this made a difference for your family?" And she said, "Well, yes because I used to think," and she said, "I only got

past standard 10, like grade 10, and I used to think that if my kids only made it further than I went, I would be a success. But now I am asking, why can't they become agricultural technologists? Why can't they become agronomists? Why can't they come back with a university education and help our community and communities like ours?" Then I said, "Has it made a difference in the way you think about yourself?" And she smiles, standing in front of these 12-foot stalks, and she says, "Yes." She said, "Now I know that I have power, my power is in this cane." And the transformation on many levels is particularly powerful, and it also helps to inspire other women who are struggling up against two jobs and just starting the process.

Interviewer: Donna, thank you so much for your time. We really appreciate it, and we appreciate all the work you have done and will continue to do. I just love the work that Shared Interest is doing in the world.

Donna: Thank you so much. We appreciate the opportunity to share and to learn from all of the others who were part of this conversation.

Interviewer: Thank you.

Donna: Thank you.