

GSG IMPACT SUMMIT 2017
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INAUGURAL ADDRESS

I. INTRODUCTION: CAPITAL + PURPOSE = IMPACT

Almost a 125 years ago, in 1893, a young Indian sage, Swami Vivekanand, stood here in Chicago, speaking to an audience of 7000. He was here to introduce Hindu religion at the first Parliament of the World's Religions. He spoke of our civilizational ideas of “Tolerance” and “Inclusion”; ideas that is still work in progress.

That summer in Chicago, Swami Vivekanand met a wealthy American called John D. Rockefeller. There are different accounts of how this meeting went, but it is clear that, Swami Vivekanand intrigued and vexed John D. Rockefeller with his view that the money John had accumulated was not his, that he was merely a channel, a Trustee; and his true duty was to use this money for the good of society. John precipitously left the meeting. A week later, unannounced, he visited Swami Vivekanand again and placed a paper on his desk; it contained the blueprint of his philanthropic plans and those to fund a public institution. We all know what followed- the creation of one of the finest philanthropic institution in the world. I can't help but feel solemn, that perhaps right here in Chicago, in the fortuitous summer of 1893, capital met purpose!

That is why we are here today- because we all believe that capital has a higher purpose. We all believe that our work is incomplete if 3 billion of our brothers and sisters live in abject poverty. We all believe that market-based sustainable solutions can solve many of these problems, at scale. Most of all, we all believe that there is irrefutable evidence, that Impact Investment works.

I believe in this despite one of my own not-so-successful impact ventures in India.

In 2006, I helped build and list on NYSE India's first outsourcing company, WNS. WNS was a high-growth and high-attrition company like others in outsourcing. We had 17,000 employees when I left and we were hiring 800 people a month to backfill attrition and add for growth. We rarely met our targets. City youth didn't prefer these jobs, which paid modestly and came with awkward working hours. The semi-urban/rural youth were mostly unemployable with no communication, problem-solving or soft skills. I sensed an opportunity to pioneer “Employability Education” in India.

I raised and invested \$7 million in the years ahead. The mission was to train unemployed rural and semi-urban youth in India to become employable and get new-economy jobs. I started with Jammu & Kashmir, the most troubled part of India with a high rate of unemployment. Over the first few years we did fine, even though our unit economics struggled, ramping up to 20,000 trainees per annum. We won many honors- including my favourite, the \$100,000 John P. McNulty Prize from The Aspen Institute. And then, the McNulty team, came calling. During the due diligence, they found that in a small Jammu village, many young people had followed a young man, Rahul into our training, the outsourcing sector and Gurgaon, which is North India's outsourcing capital. Rahul was the son of a small shopkeeper; their monthly income was less than \$150. Rahul was in his early-20s; graduate but unemployed, when he signed up with Aspire for the 3-month program. Unable to afford the fee, he received a part-scholarship from us. If you had asked him then, he would have been ambivalent about his future. Rahul was trained on Customer Service, Technical Support and in Voice and Accent skills. He won a placement at IBM. Soon, he was the highest paid youth in his village. Naturally, other youths followed him to our training and many into the outsourcing sector. We had unknowingly changed a village. Last, I heard Rahul was still at IBM and a senior Manager.

Our venture received a body blow during the recession. Although a small and profitable social enterprise today, having trained over 65,000 youth; it did not scale as planned. However, as a first-mover and a pioneer, it shaped India's skills development movement and inspired other successful ventures. Since 2007, India has invested over \$500 million in Skills Development alone.

Whenever I meet a Rahul, whose life changed forever, they often hold my hand tight, and give me that long glance of hope, that I can feel the impact- right here. Friends, if you have ever been in that situation; you will believe as I do, that Purpose + Capital = Impact.

II. WE ARE BUILDING A TRULY INCLUSIVE IMPACT ECONOMY

Friends, we are building an Impact movement like no other- on robust economic principles of demand and supply- not just morality. And does not it seem a bit odd, that in whose name we build this movement, are seldom in the room. We often look at our work from our investor or entrepreneurial lenses. Imagine, what might these poor say to us- if they were to present their own case. I don't think they'll make an emotional pitch- I think they will ask us to focus on them, innovate for them, produce for them, not just because they make up half the world- but because they make good customers. They honor contracts; backs up aspirations with savings; and demands with an ability to pay. **Friends, for too long, we have just given credit to our own entrepreneurial abilities, our acumen to seize and address opportunities. Let's today, also give credit where it is most due- that the poor make good customers.** Let me give you a few examples.

In India, 40 listed banks have 4.5% NPAs or Non Performing Advances, loans often extended to our millionaires and billionaires. The total stressed loans are higher at 10%. In comparison, India's Micro Finance sector, which lends to the poor, has a default rate of just 1%. The poor, Ladies & Gentlemen, make good customers.

Dharavi in Mumbai is possibly the world's largest and most densely populated slum- 435 acres and home to 700,000 poor. Dharavi has 5000 businesses and 15,000 single room factories. The size of the slum economy was last estimated at close to \$1 billion! The poor make good customers.

And this customer has helped change the perception of our sector. When the first Indian microfinance company, SKS, was listed in 2010, it was lampooned for profiteering from the poor, called a loan shark and politicians jumped at the opportunity to defend the poor, asking them not to return loans. A crisis followed, our Central Bank rushed in to regulate interest rates, several investors wrote off their money, the SKS CEO eventually lost his job- he and I can have many drinks discussing "first mover advantage".

But in the last 12 months, 3 Micro Finance companies have listed and become small finance banks in India. They all had average net profits of 20%- Ujjivan, Equitas & just last fortnight, AU Financiers which listed as AUBank. AU IPO in end-June was oversubscribed 29 times and it raised \$300 million. The Founders of these micro-finance companies were not disparaged for building profitable companies, they were all hailed as heroes, as role-model servant leaders and celebrated in the press.

There is no good data available yet on beneficiaries yet, but GSG will definitely

make some available next year. However, I estimate that our Impact Economy is touching almost 500 million across the world, i.e., 1 of every 6 poor on the planet. I estimate that by 2020, we should be able to touch 1 of every 3 poor- i.e., get to a billion beneficiaries.

This is no mean achievement. And who's fueling this economy- you!

- I asked MarketsandMarkets.com, a young global research firm out of Pune to do a market sizing study for us. Here's what they found. Impact Investment were \$138 billion in terms of cumulative investments expected at the end of 2015, and are destined to grow to \$307 billion by 2020.
- MnM also found that Housing is and will remain the biggest market amongst the Impact sectors
- And to the perennial question of financial returns; while the famous Amit will talk about the GIIN data, as Founding CEO of the India's Impact Investors Council, in our study with McKinsey, we found that across 48 exits in 5 years, Indian Impact Investors returned 10% IRR, 34% in top tercile!
- But your Impact economy delivers more. In a recent dipstick study with IDFC Bank, we found that Social Enterprises in India create 10-14x more jobs than Commercial Businesses per \$1 million of investment; 3-4x more even if we excluded sectors like Sanitation & Skills that employ armies of low-wage employees.

Ladies & Gentlemen, many of you have been evangelists of this movement- look around- you are building something extraordinary- more than just a Good Karma movement- we are building a truly inclusive Impact Economy!

III. GSG IS OF THE NABs, BY THE NABs, FOR THE NABs

Arise! Awake! and stop not until the goal is reached. That was Swami Vivekanand's message to the world. Arise! Awake! and stop not until the goal is reached.

Some of you may be new to GSG. It might be on your mind- Who is GSG? What do we do? How do we do it?

So here's a quick flashback. GSG was setup in 2015 as successor to the famous G8 Impact Investment TaskForce setup in 2013. Sir Ronald Cohen, our Chairman, led that very effective task force which went far beyond publishing reports or recommendations. It seeded a movement. It created the first 8 National Advisory Boards and a platform to recognize and support other efforts around the world. Today, GSG has 14 NABs. And we will announce 2 more tomorrow. And, along with NABs, GSG emerged as the apex organizing body, driving the Impact Investment movement.

You all make it possible but I want to specially thank all NABs and our financial supporters here- Ford Foundation, MacArthur Foundation, Omidyar Network, Bertelsmann Foundation and Gulbenkian Foundation, who keep our network fueled. Thank you.

Our immediate objective is to drive the sector to its Tipping Point by 2020. While Ronnie will talk in great detail on the journey ahead, the GSG team and I will be working towards three milestones:

1. Grow GSG member countries & NABs from 15 in 2017 to 30 by 2020
2. Touch 1 of 3 poor or 1 bn by 2020, up from 1 of 6 or 500 mn in 2017
3. Grow market size from ~150 bn in 2017 to ~300 bn by 2020

How will this happen?

Take for example, new institutions. It has been our goal to help create new wholesalers of Impact Capital. You all know the story of how under Ronnie and Nick's leadership UK created Big Society Capital. BSC's current CEO, Cliff Prior is right here. They are now approaching \$1 billion assets under management! As GSG supported the idea- look what happened:

- In Australia, Rosemary Addis, our Chair is actively building Impact Investing Australia, a new wholesaler in public-private partnership, with \$300 million initial capital

- In Japan, Suichi Ohno and Masataka Uo, along with NAB members, have convinced their Government to use dormant accounts for a new wholesaler
- In Portugal, collective efforts from members of the Portugal NAB helped establish another wholesaler, with 150 million initial capital

This is how we drive real impact. I want to request all of you to come work with us in different capacities to build our sector.

On Wednesday, our Executive Board will launch six working groups with our NABs and NAB members. I urge you to engage with your NABs and ensure your voice is heard:

- Create Impact Investing Wholesalers
- Adoption in Aid & Development Banks
- Develop R&D/Innovation based Impact Enterprises
- Create Innovative Financial Instruments
- Deliver evidence (M&E) based Policy Levers, Advocacy & Research
- Widen & Deepen the market

I implore you to come, create partnership initiatives with us. Just in the last 3 months, we have launched

- Annual Market Sizing with MnM
- Definitions & Impact Management with Bridges Impact+
- Special Projects (e.g., Job Creation with IDFC Bank)
- Recognitions with Impact Alpha and ANDE

There is so much work to do in many new areas

- Legal & Accounting Standards
- Social Exchanges
- Listing Instruments (SIBs/DIBs)
- Engaging Retail Investors
- Building an Impact Bloomberg

Our beta Website (www.gsgii.org) is up and running. It's a gateway to meet all our NABs, their leaders and members. Our Networking Platform will be live soon and you should all sign up as soon as possible while it's still free.

Friends- our operating strategy is clear- we will bring new countries and markets into the movement. We will find leaders in each country, help them come together, empower them with the global network and relationships, support them with research, knowhow, advocacy and communications, and, cheer them as they drive real impact. GSG is of the NABs, by the NABs, for the NABs.

IV. TOGETHER, WE WILL HELP CAPITAL FIND ITS HIGHEST PURPOSE

Finally, thank you all for coming to Chicago this week. You are here because you care. And right here, right now- you are a formidable force. 560 impact investment leaders from 43 countries. Thanks for coming.

We are hoping you will find similar diversity in all your sessions as we have requested 120 discussion leaders from over 21 countries to take charge.

This would have not been possible without the great coordination between MacArthur Foundation, US Impact Investing Alliance and GSG. Most of all, we owe this wonderful summit to Julia and the MacArthur Foundation. Julia & Debra- Thank you. But most of all, this would not have come together for our fantastic three-member organizing team- Fran Seegull, Urmi Sengupta and Sebastian Welisiejko who lead a first-rate team from MacArthur and MYB to deliver this event. Thank you.

As I conclude, I wonder if you too think, as I often do, on what do we truly secure by committing ourselves to such a movement. Aristotle would have reminded us that man is a social animal, and that we reimagine a just, equitable society not for their sake; no- not for their sake, but for our sake. Aristotle will not be surprised that humanity today measures its honor in a new currency- Impact.

Is it not so that the second innings of the greatest leaders of our times, if not their first, inevitably revolves around philanthropy or building the quintessential good society.

But friends, more than ever, given our planet is under threat, we will need to believe in this currency faithfully, want it single-mindedly, almost desperately.

Swami Vivekanand as a young teenager had left his home to join an order of Hindu monks in search of God and the ultimate truth. He would harangue his mentor, Ramkrishna Paramhans, with questions about the Goddess Kali, in whose quest he had set out. His constant question would be, "When will I meet the Goddess?" So obsessed with that end, he would not focus on the means. Folklore is that one day, while bathing, the Guru decides to teach him an important lesson. As Vivekanand goes into water to bathe, the Guru pushes his head down into the water, ensuring that the young Swami is submerged and struggling for breath. When the guru sets him free, he finally stands up, looking bewildered. And, the Guru says, "When you want to meet Goddess Kali as desperately as you wanted that breath, you will find her."

Ronnie has believed in this for over 15 years with a similar single-minded

focus and committed himself to building this Impact Economy. We will all need to commit to this with the same resolve. I can assure you that I will be pursuing our cause with the same determination. I am confident that together, and only together, we will help capital find its highest purpose.

Thank you.