GSG Driving real impact

CHALLENGE 1

LACK OF CONSENSUS AND CLARITY ON IMPACT-RELATED TERMINOLOGY

Resource 1.1

Definitions of common impact-related terminology

Level of detail: **Basic**

About: The following are common impact investing terms and their definitions. The definitions were taken from existing sources and any amendments were made following consultations with leading impact investing practitioners around the world.

NB. These terms are mapped out in greater detail on the Vocabulary Map (Resource 2.2)

Term	Definition
Catalytic Finance	Investment capital that is used to shape nascent markets by taking a patient, risk-tolerant, concessionary, and/or flexible approach. As a result, providers of catalytic finance also often aim to draw in subsequent additional funding. (Adapted from C3).
Community Development Finance	Responsible and affordable financing to individuals or small and medium-sized enterprises in order to help low-income, low-wealth, or other disadvantaged people and communities participate in the financial system. (Adapted from Opportunity Finance Network).
Concessionary Finance	Investment capital (strategies) with a financial return that is below market or commercial benchmarks, typically in order to generate a higher social or environmental impact. Willing to accept some financial sacrifice – either by taking greater risk or accepting lower returns – in exchange for generating higher societal impact. (Adapted from Tiime.org Spectrum of Capital)
Impact Investing	Investments made with the intention to generate positive, measured social and environmental impact alongside a financial return. This is taking place all over the world and across all asset classes. (Adapted from the GIIN)
Results Based Finance	A general term referring to any programme, intervention or instrument that sets financial or other incentives for an agent to deliver predefined outputs or outcomes (eg. 'Outcomes Based Finance', 'Pay for Results' and the more specific model of 'Social Impact Bonds'). The approach rewards the achievement of these results upon verification. It embodies four core principles: 1. Clearly defined outcomes 2. Data-driven decision making 3. Outcomes-based payment 4. Strong governance and accountability (Adapted from "Tying funding to results" report by GSG and Education Outcomes Fund and Social Finance)
SDG Investing	Investing which aims to contribute towards the UN Sustainable Development Goals while generating both financial and social or environmental returns.
Social Investing	Investment into social purpose organisations. These organisations can be enterprises, charities or similar kinds of organisations whose primary purpose is to address social or environmental challenges.
Socially Responsible Investing	Investment into companies that promote ethical and socially conscious themes as part of how they are run, such as environmental sustainability, corporate ethics, gender balance, diversity, etc. These companies are not necessarily social purpose organisations (e.g. social enterprises, charities or other organisations that exist to solve a social or environmental challenge), but rather companies that aim to be run responsibly. (Adapted from Investopedia)
Venture Philanthropy	An approach for building stronger investee organisations with a societal purpose, by providing them with both financial and non-financial support (e.g. help with strategy, strengthening the management team, mentoring, access to valuable networks, impact measurement and management, etc.). Venture philanthropy's ultimate objective is to achieve social and environmental impact. This is done through both impact investment and high-engagement grant making (Adapted from EVPA)