

# **GSG IMPACT SUMMIT 2018**

**OCTOBER 8-9 | NEW DELHI**  
JW MARRIOTT, AEROCITY

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## **THE POWER OF IMPACT**

PROCEEDINGS  
REPORT

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## ABOUT THE GLOBAL STEERING GROUP FOR IMPACT INVESTMENT (GSG)

The GSG is an independent global steering group catalysing impact investment and entrepreneurship to benefit people and the planet. The GSG was established in August 2015 as the successor to, and incorporating the work of, the Social Impact Investment Taskforce under the UK presidency of the G8. The GSG currently has National Advisory Boards in 21 countries plus the EU as members. Chaired by Sir Ronald Cohen, the GSG brings together leaders from finance, business and philanthropy to ensure measurable impact is considered in every investment and business decision. Our mission is to harness the energy behind impact investment to deliver impact at scale.



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## OUR INCLUSIVE MARKETS & IMPACT INVESTMENT PRACTICE

The PwC team works with impact funds, philanthropies, development financial institutions, impact finance companies (banks, NBFCs, payment banks), impact enterprises and industry bodies to promote the growth and development of the Impact Economy.

The PwC team that has helped in preparing this document:

CORE TEAM MEMBERS	SUPPORTING TEAM MEMBERS
Youhan Noria	Devipriya Ravi
Varun Chauhan	Enna Maheshwari
Nimisha Dutta	Essa Malik
Harsh Doshi	Mehak Malhotra

## Foreword by GSG

The 2018 GSG Impact Summit brought together an extraordinary group of global innovators to explore the #PowerOfImpact. Nearly one thousand people representing 500 organizations in 54 countries across six continents convened in New Delhi, India on 8-9 October 2018 for The Power of Impact: Driving to Tipping Point 2020.

Held on the Asian continent for the first time in its four-year history, the Summit covered global challenges from education to climate change alongside emerging tools and strategies for measuring and maximizing impact investments. The discussions were led by leaders from across sectors: asset owners and managers, foundations and family offices, entrepreneurs and corporate leaders, impact market builders and policymakers. Throughout the two-day event, these discussions synthesized the existing landscape for impact investment while pushing its boundaries: Will we see “impact unicorns”? Can pension funds be successfully re-allocated for impact? How can public policies unlock more private capital for achieving the UN Sustainable Development Goals?

Impact measurement – particularly the need for a universal standard – emerged as a central theme across panels. As GSG Chair Sir Ronald Cohen noted in his remarks, “if impact investment is a rocket, then impact measurement is the navigation system.”

To illustrate the power and potential of this revolution, the GSG honored the field’s leaders and the next generation of impact entrepreneurs with the Honors and Millennial Honors. GSG also demonstrated the power of catalysing capital to scale up solutions by launching four funds in markets where they can have most impact: the Education Outcomes Fund in Africa & Middle East, the Latin American Impact Fund of Funds in Latin America, the India Impact Fund of Funds, and the India Education Outcomes Fund in Asia.

Summit delegates left India armed with not just new insights on the global impact revolution but also the *On Impact* guide to inform their role in this audacious mission to build impact economies that optimize risk, return, and impact.

We invite you to reflect on the ideas and insights from the 2018 Summit in this report. As we reflect on the power of Impact as we collectively discovered in India, we are looking ahead to our 2019 Impact Summit in Santiago, and the disruptive innovations that we will continue to explore.



“

As eternal voyagers, we cannot cease our quest. Remember, Vinobha Bhave walked for 13 long years. As a rallying cry, Vinoba Bhave, chose the words- 'Jai Jagat', meaning 'Victory to the world', not victory to a community, or a region, or a country, not even just for humans, but victory to the world, with all the animate and inanimate it holds. . . Let's build a world which is more just and equal. That vision, that future, is worth fighting for, worth sacrificing for. Let's show capital how to find its highest purpose.

”

**AMIT BHATIA**  
CEO, GSG

## Preface



It gives us immense pleasure to be a partner for the **GSG Impact Summit 2018** held in India on 8th and 9th October 2018. The Summit had an impressive line of visionaries and leaders from across the globe who shared their thoughts with us. We have done our best to distill these and have added our insights on the Impact Economy and what lies ahead.

There is an urgency to address the challenges the world faces today for the people and planet in areas such as inequality, environment and jobs. This can only be done when individuals, enterprises, governments and funds all work together. Only when the best and brightest focus on finding solutions through innovation, capital, policy and technology will there be a paradigm shift in the world. We are already seeing glimmers of this in so many areas. However for this to become a bright ray of light requires a lot more.

This Summit, led by Sir Ronald Cohen, was a clarion call for an "Impact Revolution" where Impact is at the center of our consciousness. In moving to an Impact Economy, an Impact Measurement framework which is objective, comparable and universally accepted is essential. This will play a key role in attracting more capital and bringing more talent to the impact sector.

Can policy and regulatory changes play a role in the unlocking of capital from the large pools of funds i.e. pension funds, insurance companies and dormant accounts? Are there innovative ways to channel capital to solve important problems of society such as the refugee crisis? How do we have a common and universally accepted language for impact measurement? Can Impact investment solve climate challenges? These and many more questions have been addressed in this document.

A stage with visionaries like Al Gore, Ratan Tata, Prince Max von und zu Liechtenstein and Dr Devi Shetty was an inspiration. We would like to thank Amit Bhatia and his team for organising this Summit.

We do hope you will enjoy reading this as much as we have enjoyed working on it!

### **Jamuna Rao Verghese**

Senior Advisor

Inclusive Markets & Impact Investment

PricewaterhouseCoopers Private Limited, India

jamuna.r.verghese@pwc.com



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Impact investment is about giving people a chance. People don't want charity. They want a chance.

”

“

Nothing less than a revolution will enable us to achieve solutions at a scale that can improve billions of lives and our planet, and each & every one of us has a role to play in this revolution.

”

**SIR RONALD COHEN**

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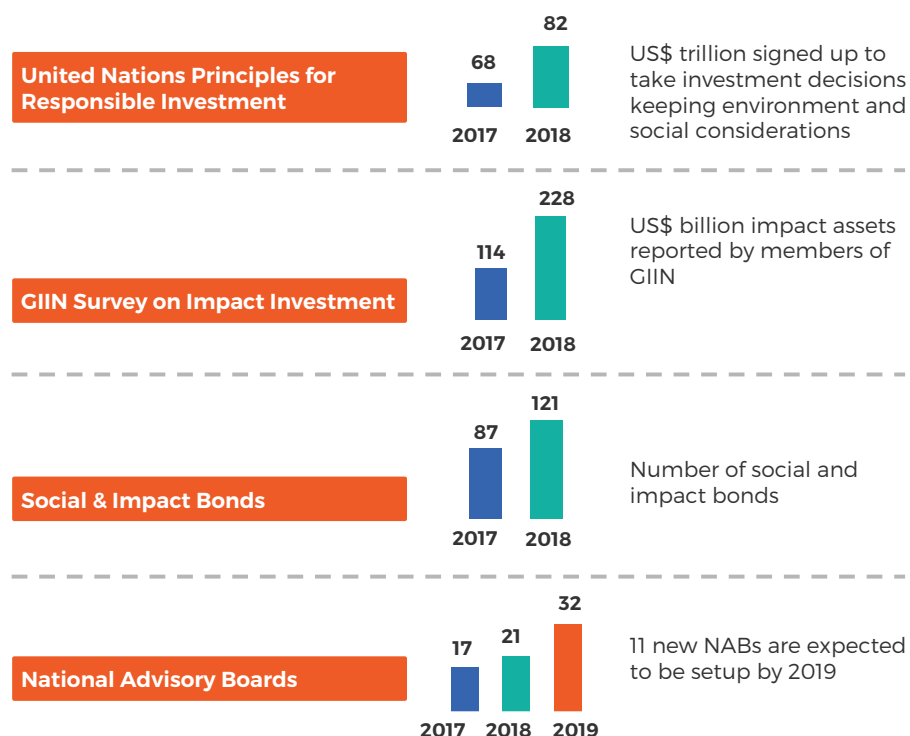
## THE IMPACT REVOLUTION

Sir Ronald Cohen

It can be said that impact investment is riding the back of a tiger, and, like the Chinese proverb says, "The person who rides on the back of tiger cannot get off." It is imperative for the impact investment ecosystem to achieve the next milestone on this journey: Tipping Point 2020, defined as US\$ 500 billion in investments that touch one in six of the world's poor and an active NAB in at least 30 countries.

### GRAPHIC 1:

**Impact Investing has grown rapidly in the last decade.**



### GRAPHIC 2:

**The Tipping Point - 2020**



“

India would owe you a great deal in course of time for what you will have achieved and I wish you and this movement all the success it deserves.

”

**RATAN TATA TO SIR RONALD COHEN**

## The Tipping Point 2020

Reaching Tipping Point 2020 will not be easy. Impact investment faces the same problem that venture capital and private equity faced in their early days: a lack of reliable data that is required to know where impact investing is heading and to persuade people that it is moving in the right direction. Existing data does indicate that progress has been made towards Tipping Point 2020. For example, thirty pension funds, including Japan's Government Pension Investment Fund (GPIF) (US\$ 1.4 trillion), have committed to Environmental, Social and Governance (ESG) and impact investing. The Dutch pension fund PGGM (€280 billion) has allocated €20 billion to impact investing. While more funds in Europe than the United States are embracing impact investing, progress has been made with the California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) committing to invest towards social and environmental objectives. However, with regard to big business, the progress has been slow.

There are two main reasons why impact investment has not made more progress. It is because of the lack of clarity to the following questions:

**1. What is impact investment?**

**2. How do we measure impact?**

### What is impact investment?

The first challenge is to make people aware of what impact investment is. Some think of impact investment as philanthropy, others as Corporate Social Responsibility (CSR), some as ESG investing and others as investments that give muted returns. Most people look at impact investment as a trade-off between doing good and earning profits. This is not true. The past two decades have shown us countless impact investors who have made market beating returns.

**Impact investment can be defined as an investment that optimizes risk, return, and impact to benefit people and the planet, by setting specific social and environmental objectives alongside financial ones, and measuring their achievement.**

### How do we measure impact?

The second challenge is impact measurement. Unless a universally-accepted impact measurement system is created to compare different impact projects, it will be difficult to persuade investors that they are actually getting more from their money than the usual profits. Many dismiss impact measurement as impossible, or at best, difficult and expensive. But we know organisations create impact. By measuring it reliably and valuing it explicitly, the ecosystem can demand better from decision makers across the globe.

There are many frameworks to measure impact, but all are focused on measuring the impact of a specific intervention. Hence, it becomes difficult to compare the impact created by different projects. If impact measurement becomes standardized, then capital from low-impact projects can be diverted to high-impact projects. This will incentivise enterprises to change their behaviour and move towards adopting impact in their business models.

The solution for this problem is not far. In 2016, the Impact Management Project began working with more than 2000 practitioners to come up with a standard impact measurement system. They are building consensus with different stakeholders to create a system that will provide weights for converting normal accounts into impact accounts. This will be done by applying impact coefficients to sales, employment costs, costs of goods sold, and other metrics to arrive at an impact-weighted profit line, where a governance coefficient is applied. The same will be done for assets. With this system, companies will be measured on aspects such as carbon, plastic, and water neutrality. If their actions are causing harm, then

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Impact measurement is a challenge, but we have already tackled a much bigger problem: that of measuring RISK.

”

**SIR RONALD COHEN**

this will add to their costs. Ultimately, the coefficients will be set by an Impact Accounting Board that will create new impact accounting principles called Generally Accepted Impact Principles (GAIP), similar to Generally Accepted Accounting Principles (GAAP). GAIPs will make it possible for investors to apply existing methods of financial analysis and evaluation to impact-weighted accounts.

Through GAIPs, we will be able to quantify the net impact created by companies, enabling investors, employees, and consumers to hold companies accountable for the impact they create. Once investors, employees, and consumers demand more, companies will be incentivized pursue "profit with purpose," helping to usher in a better world where impact is central to the global economy.

## Impact economies as the way to a better world

Impact economies represent an economy that not just avoids doing harm, but one where everyone strives to do measurable good. It is an economy where the GAIP are on an equal footing with the generally accepted principles of accounting. It is an economy where municipalities, cities, and governments all measure their impact. In such an economy, businesses make decisions based on risk, return, and impact. It is not acceptable for businesses to say that they are here only to make profits. If everyone understands impact investment, and the GAIPs are implemented successfully and swiftly, then it will not take us too long to become an impact economy.

### GRAPHIC 3:

#### Sir Ronald's Vision of Impact Economies in 2030

*If we solve the twin problems of:*

- 1) *Meaning of impact investment*
- 2) *Impact measurement*

*Then the numbers for impact investment in 2030 can look like this:*

If 20% of public companies report impact	US\$ 20 trillion
If 10% of bond market was green & social bonds	US\$ 8 trillion
If 1% of bond market was accounted for by social and development impact bonds	US\$ 1 trillion
If 10% of private equity was in impact	US\$ 400 billion
If 30% of venture capital goes to impact	US\$ 300 billion
If 10% of real estate and infrastructure investments measured impact	US\$ 250 billion
<b>Total</b>	<b>US\$ 30 trillion</b>

This represents 20% of the AUM in 2030

## This is the time for the Impact Revolution

The path to achieve impact economies through impact investment is ambitious but achievable. It can help reduce inequalities, regenerate natural resources, and enable people to unleash their full potential. With increasing problems of global warming, reduction in job growth, and increased violence, there has never been a more urgent time to bring about these changes. The world needs to shift from risk-return to risk-return-impact.

By redirecting capital flows to improve people's lives, we can resolve the problems that governments and philanthropies cannot resolve alone. One cannot optimise risk and return without also addressing social or environmental purpose.

The Impact Revolution has begun, and it is happening as you read this. It is broad-based and, infused with the spirit of partnership. Revolutions do not happen top-down, they happen bottom-up. Everyone has a different role to play in this revolution based on the hat they are wearing. As pension savers, holders of insurance policies, consumers, leaders, managers and social sector experts, all of us are a part of the Impact Revolution.



“

Lets welcome all forms of capital. Let's break the silos of different stakeholders and work together. And let's recommit to impact.

”

**GEETA GOEL**

Michael & Susan Dell Foundation

### GRAPHIC 4:

#### Sir Ronald's vision from 'On Impact': Role of different stakeholders

As pension savers, holders of insurance policies & owners of investment portfolios	Demand our investment managers implement credible impact strategies
As consumers	Purchase products that help improve lives and the planet
As managers and employees of big & small companies	Push employers to integrate impact into their business models
As leaders and employees of big businesses	Set measurable impact objectives and report on performance in achieving them
As social sector leaders	Integrate outcome measurement into our organization
As philanthropists	Direct foundation endowments to engage in impact investment & grant programs to focus on outcomes, not activities
As entrepreneurs	Develop businesses that deliver positive impact & measure it & run it in a way consistent our values
As citizens	Urge governments to encourage investors & businesses to make decisions based on risk-return-impact & adopt common impact accounting & reporting standards
As philanthropists, big companies, official development aid agencies, governments, World Bank Group & other development banks	Establish big professionally run Outcome Funds to pay for impact achieved by Social Impact Bonds (SIBs) and Development Impact Bonds (DIBs)



## SUPPLY OF IMPACT CAPITAL: New Investment Allocation Paradigm

The supply of impact capital currently comprises investments from the government, DFIs (Development Financial Institution), pension funds, insurance companies, foundations, family offices, banks and retail investors. The Global Impact Investing Network (GIIN), in its Annual Impact Investor Survey, has estimated that around US\$ 228 billion capital is invested in impact assets as of year-end 2017. This may seem like a big number but when compared to the annual shortfall of US\$ 2.5 trillion in investments required to achieve the SDGs, it demonstrates an urgent need to do a lot more to unleash large capital for impact.<sup>1</sup> Not only can private wealth through pension funds, insurance companies and investment funds be channelised to champion this shortfall, the way governments spend their money will play a crucial role bridging this gap.

### Governments to focus more on outcomes for better cost control, efficiency and impact

Government spending for development and social projects as it largely stands today bears the risk of ineffectiveness and inefficiency due to lack of a result-oriented focus.

The spending does not necessarily bring about a long-term tangible change. According to Julie Katzman from Inter-American Development Bank, governments typically look at the cost and number of beneficiaries that are reached when implementing a program. To illustrate, when a government spends US\$ 100,000 to train 500 people to get jobs, it looks at it as using US\$ 200 to train each person. In reality, only 50% of these people who are trained get placed, which raises the cost of training to US\$ 400. The government's goal should be providing durable and resilient employment. When an evaluation is performed a mere 3 to 6 months after the training program, it is found that of the 50% who received employment, only 50% are still employed. At the end, the cost of employing each person goes up to as high as US\$ 800. This is where impact instruments like the Pay-for-Success Bonds can play an important role by changing the definition of success from that of compliance to performance. But this would require governments to adopt an impact lens and become outcome focused driven by data.

### Wholesalers are required to catalyse impact investment through local intermediaries

Wholesalers play an important role in channelising funds. Wholesalers get their funding from public financial institutions, governments, institutional investors, corporate social responsibility funds and dormant accounts.

The biggest challenge faced by wholesalers is the lack of understanding of local nuances in a country. Intermediaries know the local nuances but lack capital and an understanding of global best practices. Through strong partnerships between wholesalers and local intermediaries, these gaps can be addressed.

### DFIs are needed to provide impetus and take greater risks

DFIs currently follow the same risk-reward strategy as private capital and have become risk averse and measure success based only on the Internal Rate of Return (IRR). It is imperative for these entities to facilitate de-risking of private capital to catalyse more money into the impact investing sector. While doing this, DFIs can take care of additional challenges, such as complexity and flexibility for investors in the impact investment space. This is especially true due to undeveloped secondary markets that can make exiting an investment complex. The DFIs should help create more avenues of private capital flow to the impact sector by taking bolder investment decisions and through innovative models of funding.



“

The sustainability revolution or impact revolution coupled with the technology revolution will be the most significant event in economic history.

”

**DAVID BLOOD**

Generation Investment Management

“

Wholesalers need to partner with intermediaries for scaling and success.

”

**DAVE RICHARDS**

Managing Partner, Capria



“

Currently, capital follows the EFGH model (Ego, Fear, Greed, Herd).

”

**DAVID BOHIGIAN**

OPIC

<sup>1</sup> World Investment Report, 2014

## Education and positive incentives to convince retail investors to target impact investing

Retail investors are wary of investing in impact investment owing to the perceived risk and lack of standard measurement frameworks. Retail investors need to evaluate impact outcomes to foray into investing in impact oriented ventures. Newer models, such as crowdfunding are necessary to reduce disconnect between investors and the impact enterprises. For retail investors, the focus should be more on investing in domestic countries. Otherwise they would have to overcome additional complexities, such as currency risks.



“

The big disconnect is that investors are in the penthouse and the impact entrepreneurs are on the ground floor. Both need to meet for success.

”

**AUDIENCE MEMBER**

## Pension and Insurance capital critical to mainstream Impact Investment

Pension funds and insurance companies are globally large asset owners. In the top 22 pension markets, the assets under management for pension funds are worth US\$ 41 trillion as of 2018.<sup>2</sup> Their contribution to the impact sector has been growing and they are now contributing a significant amount of US\$ 29 billion to impact investing.<sup>3</sup>

### Pension funds have fiduciary responsibility

There is a long way to go in mainstreaming impact investments for pension funds, as they have a fiduciary responsibility to the pensioners who have invested in their pension plans. This duty requires them to act “in the best interest of their beneficiaries.” Traditionally, this has meant that pension fund managers invest in low risk assets that give high returns. In the United States, the definition of fiduciary duty is more narrow and inflexible in comparison to Europe. Pension fund managers need to realise that pensioners and millennials are concerned for the world in which they will retire. It is imperative that they invest in areas that help in creating a better world. Strong leadership and change in the definition of “fiduciary duty” is required to help promote impact investment by pension funds.

“

The good thing about pension funds is that they are notorious to do things slow, but get things right. So even if they start slow, in 10 years it will become large.

”

**ERIC WETLAUFER**

Director, TMX Group Inc. Canada

### Insurance funds are regulated and take very low risks

Insurance companies also face challenges in committing capital to impact investment as they are regulated and are required to invest in low-risk-high-rated instruments. A number of impact enterprises have no rating which is a barrier for insurance companies. If insurance companies invest in unrated instruments, they are required to hold provisions and buffers which lock up capital. In USA, insurance companies can provide their own ratings and risk assessment on unrated investments. Additionally, this can be presented to the regulator who can provide a less onerous buffer for unrated impact.

## Regulation and ratings will play a key role in mobilising pension funds and insurance companies

Pension funds and insurance companies can play an important role in impact investment, as they can provide the patient medium-long term capital which impact enterprises require. The impact investment ecosystem will have to make a case before the regulator to review the risk ratings for impact investment projects. Additionally, rating agencies have to review their risk criteria, taking into account the impact, and consequently, the long-term sustainability of enterprises. A review of regulations in these sectors is required to evaluate the real risks and provide fund managers the flexibility to invest in impact enterprises that provide solutions to the problems the world faces today.

<sup>2</sup> <https://www.willistowerswatson.com/-/media/WTW/Images/Press/2018/01/Global-Pension-Asset-Study-2018-Japan.pdf>

<sup>3</sup> GIIN Annual Impact Investor Survey, 2018



## Case Study

### REGULATIONS UNLOCKING CAPITAL FOR IMPACT INVESTING IN FRANCE

In France, the government made it mandatory for companies with more than 50 employees to offer them a 90/10 savings scheme. Under the 90/10 mechanism, 10% of assets are invested in eligible social enterprises, while the balance is invested in quoted companies according to responsible and sustainable investing principles. The solidarity-based funds help in giving a big boost to social investments in the country. By the end of 2015, the assets under the management of the Solidarity Funds have grown to €8.4 billion from a mere €1.6 billion in 2008.

## Rapid growth of donor capital and outcomes-based approach can help unleash impact capital

One of the biggest innovations in the past five years that has attracted capital for impact investing are the results-based financing models. Also known as the Social Impact Bond (SIB) or Development Impact Bond (DIB) or Pay-for-Success contract, this instrument has been a game changer in impact investing. Since the launch of the first impact bond in 2010, there has been a rapid growth, with 121 impact bonds having been implemented so far. Earlier this year, Social Finance UK announced that 108 impact bonds since 2008 were able to deploy around US\$ 400 million.<sup>4</sup> The Impact Bond is a partnership between a donor, intermediary and an impact investor. The impact investor provides capital at the start of the project to an intermediary for the realisation of a set of verifiable social or environmental outcomes. A third party evaluator is appointed to measure the impact created by the project. If the third party evaluator is able to verify that the project has met the outcomes that it was set to achieve, then the impact investors receive a return from the donor.

### Philanthropic capital key to more impact bonds

Arranging donor capital for the impact bond is a challenge since donor capital is philanthropic capital used to pay the investors and intermediaries for the impact bond. A key contributor to the pool of capital could be the government, especially in developing countries where capital for development gets lost due to corruption. The presence of a third-party independent evaluator puts pressure to monitor the performance of the intermediary and ensures that the capital is not being wasted. Impact bonds can be a game changer for catalyzing philanthropic and grant capital in developing countries.

<sup>4</sup> Social Finance United Kingdom

## Preserving incentives of the intermediary and investors

A critical aspect of the impact bond is dependent on the intermediary and the incentives provided. Usually, incentives are skewed to focus efforts towards target individuals who have the most potential to succeed. For example, in a project where outcomes are dependent on ensuring that the number of student dropouts reduces over a period time, there could be an ex-ante bias for the intermediary to profile incoming students at the time of admission on the basis of their caste, social standing of family and gender. This bias may result in the intermediary admitting more students who are from families of higher social standing, or males, with a view that the propensity for such students to drop out is less.

## Need for reducing transaction costs by creating an environment that enables constructive dialogue between donors and investors

An impact bond is a complex structure. Negotiations between donors, investors and intermediaries can be time consuming on aspects such as the definition of a specific measurable outcome. There are tax and regulatory hurdles that also need to be overcome. These add to the transaction costs when launching an impact bond. Creating an enabling environment by holding workshops and sharing best practices will help reduce the time and costs in launching an impact bond.



“

There needs to be a convergence of investing and reporting framework and everyone needs to speak the same language on impact investment.

”

**SIR HARVEY MCGRATH**

Chairman Big Society Capital

## DEMAND FOR IMPACT CAPITAL: Impact Entrepreneurs to the Fore

In the past decade, the demand for impact capital has multiplied, with a myriad of sectors and businesses competing to receive impact capital. New sectors and innovative businesses have come to the forefront of the impact revolution. While traditionally microfinance and financial services were the focus areas for impact investing, this is slowly broadening to new sectors such as refugee investing, blockchain, and sustainable seafood. In India, for example, there is a need to promote local craftsmanship in rural India to reduce urban migration.

Today, many funds that are entering impact investing are ignoring the demands of early stage ventures who need capital to validate and scale. Entrepreneurs, in turn, need to focus on scale when designing their solutions. There are many next generation leaders who are thinking about new disruptive business models, and these entrepreneurs are not only asking for capital, but also for technical assistance, advice and mentorship.

### Impact Investment: Refugee lens

There are 68.5 million refugees<sup>5</sup> around the world who have been forcibly displaced from their home country, of which 85% are displaced from the global south. This is a deep-rooted problem, which is leading to tragic political consequences, especially in the United States and Europe. Migration has become a major issue in the EU, as the refugees want a sustainable life, education, employment, and a home. The government's response is inadequate since it is a complex situation.

### Case Study

#### THE DENVER FOUNDATION

In 2018, the Denver Foundation's Impact Investment Fund loaned US\$ 100,000 to the loan pool of Community Enterprise Development Services (CEDS), a nonprofit lender that provides business startup training and micro loans to immigrants and refugee entrepreneurs. Although this was a small initiative, it demonstrated impact as it provided loans to 16 immigrant entrepreneurs and created jobs.

Billions are being spent for the integration of refugees in the host country but even this is insufficient. Unfortunately, existing systems for short-term emergency response and integration are both under-resourced and broken.

The integration of refugees poses a legitimate and complex challenge. Should these challenges be addressed by the public sector alone, or does the private sector have a role to play? Private sector investments in the form of social impact bonds or employment for refugees through special economic zones can go a long way in reducing the problem of integration of refugees.



“Social enterprises do not want charity; they need partnerships, they need investments and they need support.”

”

**REEMA NANAVATY**  
SEWA



“Money is a tool to be put at the right time.”

”

**RUNA KHAN**  
Friendship Bangladesh

<sup>5</sup> UNHCR annual Global Trends study, 2018

## Case Study

### THE REFUGEE SOCIAL IMPACT BOND

The biggest social impact bond in Europe, worth €14.2 million, focuses on faster employment and integration of immigrants and refugees in Finland. "Koto-SIB" aims to provide jobs for 2500 immigrants and refugees over the course of three years, by matching them to labour shortages in the Finnish labour market, primarily in manufacturing, construction, trade and services, where the shortage of skilled workers is particularly acute.

SIB model was designed by Sitra, the Finnish Innovation Fund, and funded by investors such as the European Investment Fund, Epique, SOK, Tradeka, and Sitra themselves. Besides speeding up the employment of immigrants, it pilots new models of education and employment that combine training and work in a flexible manner, making it the first of its kind in Europe.

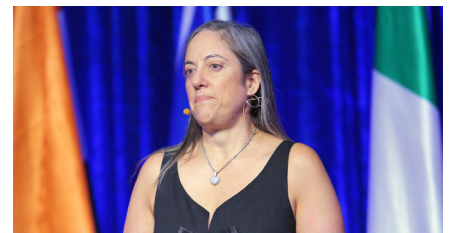
## Latin America

The countries of Latin America have a relatively higher per capita income than other developing countries and fall in the middle income category. There are some countries which are doing well while others which are doing poorly. Twenty years ago, Venezuela was attracting a lot of investments and offered a stable economic climate. Today, it is witnessing a humanitarian crisis. Investing in the countries of Latin America offers a natural diversification to investors. The diversity of the region also allows countries the opportunities to learn from each other, develop best practices, and implement them.

Latin American cities are some of the world's most urbanised cities, which means that if impact is delivered in the cities, then many people stand to benefit. Only two languages are spoken in Latin America, and the culture is mostly homogenous. The region needs capital for repairing hospitals, building infrastructure facilities and providing better teacher training. Fraud and corruption are, however, the biggest problems in this region.

The impact investment ecosystem is more developed in Brazil, Mexico and Chile than in the rest of the continent, but exits from investments have been a big problem. This is not only in impact investing but also in mainstream investments. While there are some exits in Brazil and Mexico, in other countries such as Peru and Central America, investors face difficulty.

In the past decade, there have been a number of initiatives to push impact investments. Accelerators and awards (Universities and Social Institutions) are helping innovative enterprises get funding to scale and grow. The governments of Latin American countries are also attempting to understand the impact ecosystem.



“

Latin America needs partners not only for capital but also for expertise and help to overcome the challenges in the ecosystem.

”

**JULIE KATZMAN**

## Case Study

### MEXICO'S NEW VENTURES EXIT STRATEGY

In Mexico, it is very difficult for a firm to get an Initial Public Offering (IPO), or for the investors to resort to any other exit method. Solving for this, New Ventures from Mexico have been innovating to develop structures where companies pay a certain percentage of their revenue till they reach a certain multiple. This innovative mechanism has been quite successful.

## Africa

The strength of Africa lies in its demographic capital and its abundant natural resources. Africa faces complex challenges, with current solutions that are suboptimal. Corruption, lack of infrastructure and poverty hinder long-term growth. Impact investment can play a catalysing role in Africa with the potential to undo the economic imbalance between Africa and the rest of the world.

Africa offers a bouquet of investment opportunities in healthcare, education, telecommunication, transportation and energy infrastructure. The only obstacle to impact investment, however, is that these projects are presently providing lower return expectations. Hence, policy plays a critical role in making impact investment attractive. Creating a policy framework that enables better tax structures and provides benefits can help in making the returns of impact investors more attractive.

Entrepreneurs in Africa are mostly first-time entrepreneurs. They face challenges in raising funds. There is a preference for local entrepreneurs as they have a better view of the problems at hand.

### Case Study

## INVESTING IN AFRICA MEANS INVESTING IN A VALUE CHAIN AS THERE IS MULTIPLICITY OF CHALLENGES

Planning is crucial prior to rolling out any government incentive scheme. As the dropout rate was high in secondary education in Ghana, the government decided to extend free schooling from primary education to secondary education as well. As soon as the government announced this scheme, the enrollment in secondary education went up and the school infrastructure proved to be insufficient for it.

To help local entrepreneurs flourish, they require handholding from inception of business to scaling up.

Exiting ventures in Africa is a challenge. In Ghana, the stock exchange has started an alternate marketplace for listing MSMEs, which is subject to less strict regulations and also provides tax breaks.

## India

India is at the centre of impact investment. It has a young and large workforce and massive challenges lie in healthcare, energy, financial services, water and sanitation and agriculture. It is said that if an impact enterprise is successful in India, it can be successful anywhere.

Seventy years ago, a man called Vinobha Bhave started the first impact capital fund raise by requesting landowners to part with one-sixth of their land for the landless. This enabled several landless people to own land and run their own farms. Vinobha Bhave's movement inspired Jaiprakash Narayana to start a movement of donation of wealth. He wrote to business leaders to donate one-sixth of their income. One business leader replied to him stating that capitalism and co-operative systems are by far, if not, the only and most efficient way of decentralising economic power and delivering efficiency. This reply was given by JRD Tata who not only responded to this letter but also gave one-sixth of his wealth, which included wealth from his Trusts as well. Sixty years ago, JRD Tata espoused the first principles of impact investment and world capitalism, i.e., "Profit + Purpose = Impact." As this was happening, the Amul co-operative dairy celebrated a decade of its existence. Today it has more than



“Valuation of projects and organisations should not be done just on the basis of financial capital. There should be a valuation matrix on the basis of human, cultural, social and societal capital. Capitalism should be inclusive.”

”  
**MOHAMMED AMERSI**  
Amersi Foundation



“India provided the proof of concept for the world to invest in microfinance & financial services.”

”  
**DR. RAJIV LALL**  
MD & CEO, IDFC Bank

“The curriculum, infrastructure, teacher training, monitoring and learning need to change simultaneously and immediately.”

”  
**ASHISH DHAWAN**  
Chairman, Central Square Foundation



US\$ 5 billion in revenue and returns the majority of its profits back to its more than 3 million farmers. Amul serves as a reminder that JRD Tata was right and that capitalism 2.0 can be built where capital profits are moral again.

Modern India has several investors, impact funds and impact enterprises that constantly experiment to bring scalable solutions to problems. Several funds have emerged over the past two decades to catalyse impact enterprises in India. Even with such a vibrant economy for impact investment, India nevertheless faces a lot of challenges in impact investment. Since 2010 to 2016, US\$ 5.2 billion has been invested in India with US\$ 1.1 billion being invested in 2016.<sup>6</sup> It is also estimated that by 2020 and 2025, annual impact investing in India will grow from US\$ 1.1 billion to US\$ 2.5-3 billion and US\$ 6-8 billion respectively per year.<sup>7</sup>

## Case Study

### UJJIVAN FINANCIAL SERVICES LIMITED

Ujjivan started its journey as a microfinance company with less than US\$ 1 million. Today, it has become a Small Finance Bank and is listed on India's stock exchange, scaling new heights every quarter. Today, the market capitalisation of Ujjivan is US\$ 317 million (26 October, 2018).

Impact investors have poured money in financial service enterprises that have done extremely well. However, in doing so, they have avoided non-financial service enterprises, which as a consequence face challenges in raising capital and scaling. The kind of capital that is also available for enterprises is also a challenge. Primarily, impact investment in India is done through equity instruments. Some Impact enterprises that have been successful in raising equity find it difficult to access debt financing in India. Education and healthcare are the two sectors in India that need immediate attention. The public and private sector expenditure spend on education comes to 5-6% of the GDP of India but it nevertheless fails to generate the desired outcomes. Learning improvements in the country have flatlined. Thankfully, this has not gone unnoticed. Education technology companies are developing and scaling in India. They are launching scalable products that have been able to solve learning issues in a cost-effective manner. Education outcome bonds have just been introduced.

While healthcare is big business in India and globally, it has failed to reach the bottom of the pyramid. Impact investment in technology for improving healthcare can revolutionise healthcare services to provide better access and quality. Digitisation and software developers are bridging the gap between patients and healthcare developers. The technology already exists; it only needs to be pushed to the point of being operational for healthcare. A doctor's physical presence is most required when an operation needs to be conducted; physical presence is not necessary for a large number of people who fall sick. Hence, technology and digitisation of healthcare services can help in bringing a massive impact.

India must accept this responsibility that the success of products, business models, innovations in India could lead to success in the world. Impact entrepreneurs and impact investors in India need to operate with the responsibility that their actions will determine the success and future of impact investment globally.



“In every civil society, regulations and legal structures are created in such a manner that the deprived remain deprived. Affirmatively, technological change can change massive lives.

”

**DR. DEVI SHETTY**  
Chairman, Narayana Health



“When I think of India, I think of how resilient and creative this country is and how what is needed to unleash this creativity and talent in the country is the capital, and this capital must not bring the bias, prejudice, the arrogance of the global north.

”

**DARREN WALKER**  
Ford Foundation

<sup>6</sup> McKinsey & Co., Impact investing: Purpose-driven finance finds its place in India, 2017

<sup>7</sup> Ibid

## INTERMEDIATION OF IMPACT CAPITAL: Delivering Risk, Return and Impact

Intermediaries will have to play an important role in ensuring that impact funds can deliver risk, return and impact. If impact funds and enterprises can deliver returns consistently, then the traditional theory of risk and return can be replaced swiftly. In order to deliver impact, it will also be necessary to have a standard impact measurement framework.

Impact intermediaries have been delivering risk, return and impact for some time. According to Prince Maximilian (LGT Group), the Brazilian impact portfolio of LGT has done extremely well, even though Brazil has been in a recession for the past few years. This is a big statement and serves as a reminder that even in a time of a recession, impact enterprise can deliver a return. Even the latest innovation in impact investing, the impact bond has been able to deliver returns. According to Phyllis Costanza (UBS Optimus Fund), the investment of UBS in the Educate Girls Impact Bond was able to deliver 15% IRR.

Two intermediaries that have done well in impact investing are Aavishkar and Leapfrog. They have been able to raise millions, and in the case of Leapfrog, a billion in impact investing. Aavishkar has been working in the area of impact investing in India for the past two decades and has been the front-runner for any impact investment discussion in India. Leapfrog was the first impact investing fund to have an asset size of US\$ 100 million and then US\$ 1 billion.



“

Investing in women has a magnified impact on households and evidence suggests that we are losing millions because we are not investing in women.

”

**CARMEN CORREA**

Pro Mujer

### Intermediation through the gender lens

#### Case Study

#### GIRL FUND

Legal & General Investment Management (LGIM) has launched the first gender diversity fund focusing on UK companies.

While the L&G Future World Gender in Leadership UK Index Fund (“GIRL” fund) is a tracker fund following the ups and downs of the UK stock market, it will allocate more to companies that have achieved higher levels of gender diversity.

The fund gives each of the 350 companies that make up the index a score of 0 – 100, based on four measures of gender diversity:

- ▲ The percentage of women on the board of directors
- ▲ The percentage of women who are executives
- ▲ The percentage of women who are managers
- ▲ The percentage of women who are in the workforce.

For each measure, if a company has over 30% of women, they will get a higher gender diversity score. The fund will invest more money in companies with a higher score and less money in companies with a lower score.

Gender lens investing has a long way to go as only 2% of venture capital was invested in women in 2017.<sup>8</sup> Only 16% of seed dollars globally between 2012 and Q3 2017 went to startups with at least one woman founder.<sup>9</sup> US\$ 12 trillion can be added to the global GDP by focusing on gender equality.<sup>10</sup> Around US\$ 910 million has been invested in gender lens investing as of June 2017 with a gender lens mandate across 22 publicly traded products<sup>11</sup>, while in private markets (private equity, venture capital & debt funds), US\$ 1.3 billion had been raised by mid-2017 for investing with a gender lens<sup>12</sup>.

<sup>8</sup> Fortune magazine

<sup>9</sup> Crunchbase

<sup>10</sup> McKinsey Global Institute Report, 2015

<sup>11</sup> Veris Wealth Partners

<sup>12</sup> Impactivate

Gender lens investment has been fraught with debates and discussions on the definition. One of the definitions that has generated the most consensus; any investment that fulfils at least one out of the following three criteria qualifies to be a gender lens investment:

**A. Helps increase women's entrepreneurship**

**B. Promotes gender equality and equity**

**C. Produces products and services that benefit women**

Traditionally, microfinance has been the poster child of gender lens investing, and investments for women have not substantially expanded beyond microfinance. There is a need for partnerships with institutions such as hospitals for providing new services to women.

In recent years, investment strategies that seek to intentionally and measurably address gender disparities and/or examine gender dynamics to better inform investment decisions have gained ground. However, there is still a lot to be done. Investors need to take concrete steps to integrate gender lens into diligence, enterprise support, portfolio construction and portfolio management. As gender lens investment funds lack deal-flow, more has to be done to develop enterprises that focus on gender issues.

## Case Study

### AUSTRALIAN GOVERNMENT

Investing in Women is a long-term, multi-country initiative, being implemented on behalf of the Australian Government by Abt Associates Australia, in partnership with Ernst and Young, Metis Analytics and the University of Sydney. It is a nationwide project with a total funding of AUD 4 million operational from 2016 till 2020.

The initiative aims to improve women's economic participation, build markets for women, and influence the private and public sector environment to promote women's economic empowerment, and thereby contribute to inclusive economic growth in the region. This will be achieved by working with businesses to improve their approach to employing women, encourage impact investors to increase investment in women led small-medium enterprises, support government partnerships that improve the regulatory environment for women in business and in the workforce and advocating regionally for the economic empowerment of women. It shall also support the Sustainable Development Goals to be a reality for women and girls, and support women's equal participation in all aspects of life.



## MARKET BUILDING: Driving Impact Measurement and Standards

### Impact measurement crucial for success of impact investment

Impact investments are made with the intention to generate positive, measurable social and environmental impact alongside a financial return. The challenge is the lack of a dominant framework to measure impact, as in the case of traditional investing, which examines the risk-reward metrics. Many global initiatives exist in Impact Measurement, such as SDG, IRIS and IFC.

In addition, individual Impact Funds have developed their own measurement frameworks. SDGs have given a common language, simplicity and colour. It is necessary to adopt "Generally Accepted Impact Principles" for the public markets to focus on impact investment.

### Common language of measurement needed for convergence of investing and reporting framework

For impact investing to become popular and mainstream, all players must participate in large-scale adoption, including institutions and individuals, such as government, private capital and individual investors.

In the case of government backed capital, the government will need a measurement framework to showcase the benefits of investing in private impact enterprises versus public service providers. For private capital, this measuring mechanism can be used to demonstrate not only the financial return but also the contribution to society. For the stakeholders to work cohesively in impact investing, they must speak a common language that transcends traditional geographic and linguistic barriers. There is a need for the convergence of impact measurement frameworks for the growth of the impact investing industry.

### The Impact Management Project (IMP) has the potential to be the unifying measurement framework

The IMP is a network of leading organisations working together to mainstream impact measurement and management. This holistic impact-based view of management is part of an overall shift in the way that businesses and investors need to think about their role in society. Rather than focusing only on environmental and social risk management, or on intentional positive theories of change, the IMP challenges all enterprises and investors to consider and communicate their positive and negative impact on people and the planet, and to improve the impact over time. Although this framework continues to have some shortcomings, it is a starting point for the convergence of impact investing and impact measurement.

The IMP deconstructs impact into five dimensions: what, who, how much, contribution, and risk.



“

Let perfection not be the enemy of the good in impact measurement.

”

**VIKRAM GANDHI**  
Founder, Asha Impact



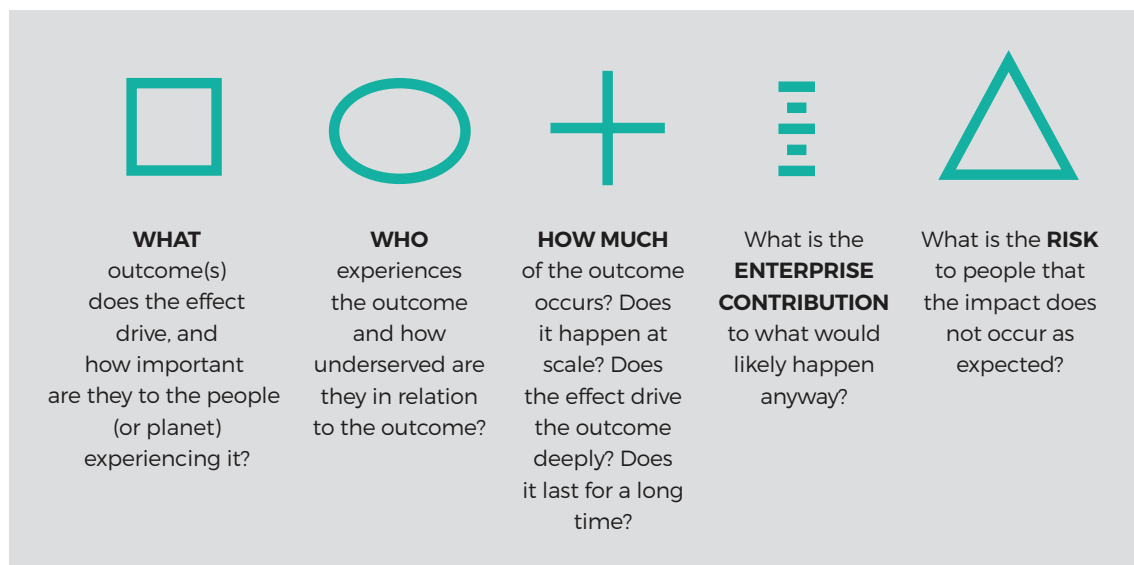
“

Lets look at a future where every business and investment is competing on how much impact they can have and not on its methodology.

”

**CLARA BARBY**  
CEO, Impact Management Project (IMP)

**GRAPHIC 5:**  
**Five dimensions of Impact as per IMP**



Source: Impact Management project website (<https://impactmanagementproject.com/>)

**GRAPHIC 6:**  
**Motivations and intentions of impact enterprises**



Source: Impact Management project website (<https://impactmanagementproject.com/>)

The IMP will address issues of qualitative assessments for impact by creating a spectrum of impact. Enterprises have different motivations, and their intentions are broadly segmented into three types of impact: A (act to avoid harm), B (benefit to stakeholder), or C (contributes to solutions).

Using this framework, both investee companies and private capital can identify the scope of impact such as what and how is the impact, the width and depth of impact, and the additionality they are providing. This method of measurement, although not perfect, is a great start to tackle the impact measurement challenge.

## POLICY AND FIELD DEVELOPMENT: Paving the Road to Impact Economies

### Policies: How can they help impact investment?

In the past decade, some governments have begun the process of supporting impact investment in pursuit of effective policy outcomes and sustainability. Governments need to consider themselves as catalysts for the impact ecosystem, while encouraging other players to contribute. The OECD has created a framework that segments the market building contributions of the government as follows:

- ▲ Market facilitator: Creating organisations and systems that enable and educate on impact.
- ▲ Market participant: Supporting the impact investment ecosystem through the commissioning and procurement of impact products and services.
- ▲ Market regulator: Implementing laws that build support and recognition for the impact ecosystem.



“

A policy doesn't always unlock an economy, might at times lock the economy as well.

”

**KAREN WILSON**  
OECD

### Policymaking action plan can be divided into three phases: foundation, strengthening and expansive policies<sup>13</sup>

#### 1. Foundational policies are the foundation of the impact investment ecosystem:

- ▲ Foster impact ecosystem: The government should first focus on creating an environment that is supportive of impact businesses.
- ▲ Educate market participants: For a strong impact ecosystem, educational programmes should be in place, such as university courses and investor trainings.
- ▲ Capacity building programmes such as incubators and access to capital are other ways to educate market participants

#### 2. Strengthening policies enable the government to focus on strengthening the ecosystem to solve societal challenges:

- ▲ Strengthen the demand side through active participation: The government can strengthen the demand side by acting as a market participant and procuring from impact businesses.
- ▲ Strengthen intermediaries by creating a wholesaler: As the impact ecosystem grows, the need for funding increases. Incubate a wholesaler that provides capital via a “fund of funds” model to these intermediaries.
- ▲ Strengthen the supply side: Engage the supply side by asking trustees to include impact businesses when exercising their fiduciary duty.
- ▲ Definition and reporting: The government can strengthen the entire ecosystem by mandating impact reporting standards and creating a legal form for impact businesses.

#### 3. Expansive policies are policies that enable the government to connect the wider market and tackle new challenges at scale:

- ▲ Create direct connections with retail investors: The government can do this through impact stock exchanges and by creating retail products that are a part of pension schemes.
- ▲ Incentivise the market: Tax reliefs and other fiscal incentives to impact businesses and investors.
- ▲ National strategy: Create a plan to strengthen the weaker links in the ecosystem and deepen the effect of existing impact policies.

<sup>13</sup> 'Catalysing an Impact ecosystem: a Policy maker's tool kit'. Working Group Report GSG, October 2018

Based on a study of 18 countries conducted by GSG, 15 key policy areas have been identified that form the tool-box for policymaking.

## Summary of 15 policy tools

	TOOLS	DESCRIPTION	EXAMPLE
<b>MARKET FACILITATOR</b>	1 Capacity Building	Provide tools to impact businesses to support and grow business, e.g., incubators and accelerators	Finland: Government fund Sitra created to support impact accelerator program
	2 Dedicated central Unit	Establish a centre of expertise within the government that is administration neutral	France: Impact investing responsibility is with two Ministries. Finance and Ecological Transition and Solidarity
	3 Educational Programs	Educate the current market participants and future impact investors	Italy: Ministry of education has launched a program to support 10 universities on impact investing
	4 National Strategy	Design and implement policies to improve impact investment ecosystem at the national level	Portugal: A blueprint for Portugal's emerging social investment market has been created.
	5 Wholesaler	Create a fund of funds to provide catalytic capital to impact-driven investment funds	UK: Big Society Capital, a social wholesale investment bank, was established by the Cabinet in 2012.
	6 Impact stock exchange	Provide a centralised database and crowdfunding platform that connects investors and impact enterprises	Canada: SVX platform supported by government funding is an impact stock exchange
<b>MARKET PARTICIPANT</b>	7 Access to capital	Provide funding via programmes and DFIs to impact businesses and impact funds	Australia: Multiple funds promoted by the government for impact investing
	8 Outcomes commissioning	Impact outcome based contracts and create a government outcomes fund to streamline the payments by outcome results	UK: Launch of Central outcomes funds, Outcomes Lab and Unit cost database
	9 Impact in procurement	Embed social value for procuring from impact enterprises and integrating social and environmental metrics	South Korea: New procurement legislation for the government to procure a max of 5% from social economy businesses
<b>MARKET REGULATOR</b>	10 Impact in fiduciary duty	Provide an avenue for investors to target impact enterprises by mandating asset managers include impact as a consideration	United States: Greater regulatory guidance for private pension funds to invest in ESG products, offering participation and active ownership strategies and corporate dealings
	11 Impact reporting standards	Provide stakeholders a way to understand and benchmark the impact of impact enterprises	Brazil: ICE and Insper Metrics leading an initiative with over 40 partners for impact measurement
	12 Specific legal form	Define the impact investment universe by providing legal form that focuses on societal and environmental contribution rather than only profit and loss	South Korea: Consideration of creating a new label "Social Venture" to distinguish themselves and avail certain support from the government
	13 Fiscal incentives (demand)	Incentivise impact enterprises by reducing tax burdens or other fiscal benefits	France: Fiscal incentives, financial support and coaching for impact business in areas of job creation
	14 Fiscal incentives (supply)	Incentivise the impact investors by reducing tax burdens or other fiscal benefits	United States: Many tax incentive programs such as Opportunity Zones and New Markets Tax credit. Low income housing tax credit etc.
	15 Retail impact products	Catalyse the supply side by creating investable solutions in the impact investment field	France: Pension regulations on 90/10 Solidarity Investment Funds to target retail investors

## CAN IMPACT INVESTING RE-SHAPE OUR WORLD FOR THE BETTER?

Al Gore



“

Capitalism is our ally that needs to be reformed and fixed.

Political will is a renewable resource.

”

AL GORE

It is a mistake to separate human beings from the rest of nature since interdependence is designed for ecological balance to exist. Our people and our planet share a future – one that now feels precarious. People are presently in denial. Considering the catastrophes that the world is beginning to witness, such as hurricanes and typhoons occurring simultaneously in different parts of the world, people are very quickly going to transition from denial to despair. The goal is to intervene between these two situations to spur positive action. How can impact investing reshape our world for the better?

So the Key Questions to ask are as follows –

### Must we change?

- ▲ A one-degree increase in temperature at the equator is a three-degree increase at the Arctic due to absorption of heat by the melted ice that originally reflected away the rays of the sun.
- ▲ The worst droughts are happening now in Mongolia and South Korea. The world is seeing its worst fires in centuries, almost apocalyptic occurrences.
- ▲ 50% of all living organisms are at risk of extinction in this century.

“

After the final no  
there comes a yes  
And on that yes the  
future world depends.

”

WALLACE STEVENS

Poet

## Can we change?

- ▲ We definitely possess the capability and the tools to change: human ingenuity, technology, nature's ability to renew itself. These tools and new ones being rapidly discovered are improving our ability to change. Companies such as Deep Mind AI have been able to cut energy consumption at server farms by 56%.
- ▲ We are in the early stages of a sustainability revolution. It is at the stage of an agricultural revolution but is moving at the pace of a digital revolution.
- ▲ Can we solve the financial flows necessary for the provision of capital for the change needed? There is a need to acknowledge that capitalism today is fundamentally flawed, even though Leftist governments have left the environment of their countries in a worse state. Capitalism is our ally that needs to be reformed and fixed. Simon Kuznets, who first developed the modern concept of GDP, had himself advocated, during his Nobel prize speech, that this indicator must not be used for the purpose of economic policy, since it was framed in the context of the World War. Yet this guide was codified by the Bretton Woods a few years later, and we continue to measure economic progress only on GDP.
- ▲ So what then is the issue with capitalism today? The issue is that there are parameters it does not measure, resulting in a lopsided view of economic progress. It does not measure the following:
  - a. Negative externalities such as pollution.
  - b. Positive externalities such as the benefits gained from investing in mental health in communities.
  - c. Natural resources such as levels of groundwater, top soils, living species, and their depletion.
  - d. Distribution of net-worth, income and the crisis of inequality. While the Gini Coefficient is moving in a positive direction because of the transfer of jobs, opportunities and investment from the West to the East, what is not being measured is the concentration of wealth.

## Will we change?

- ▲ You may acknowledge the need to change and have the capability to change, but the will to change, especially political will, is paramount.
- ▲ California recently passed an order to turn to 100% renewable energy sources by 2025 and aim for zero carbon by 2045.
- ▲ The most powerful push will come from the rising generation that wants a better world. It is natural for any major movement to face endless dissent until it sees an inflection.

Much progress has been made on environmental impact as compared to social impact. The sector began with social impact bonds and tools such as carbon credits, and these efforts are now coming together towards creating impact economies.

“

In economics, things take longer to happen than you think they will, and then they happen faster than you thought they could.

”

**RUDI DORNBUSCH**

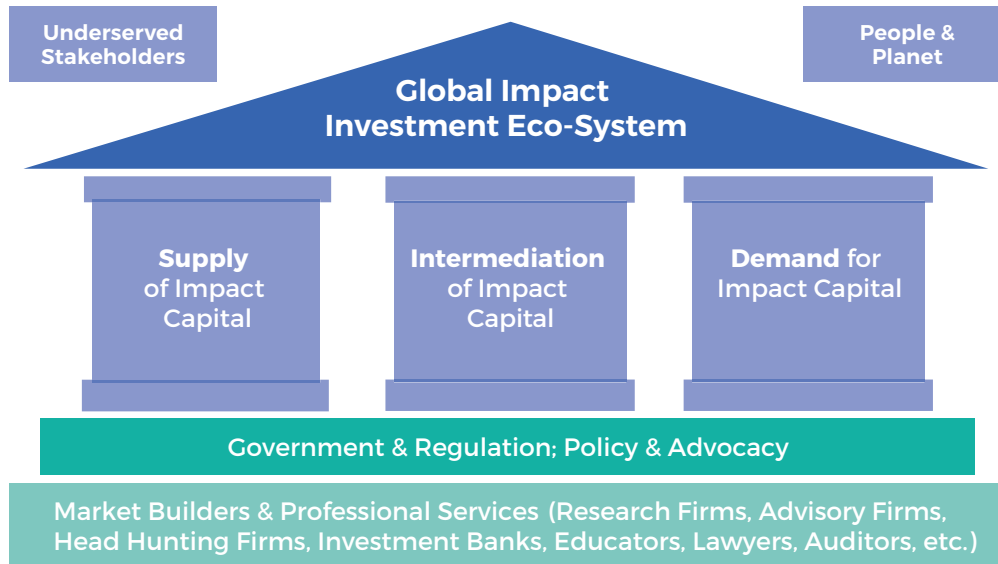
Economist



## ANNEXURE 1:

### GSG Global Impact Investment Eco-System Development

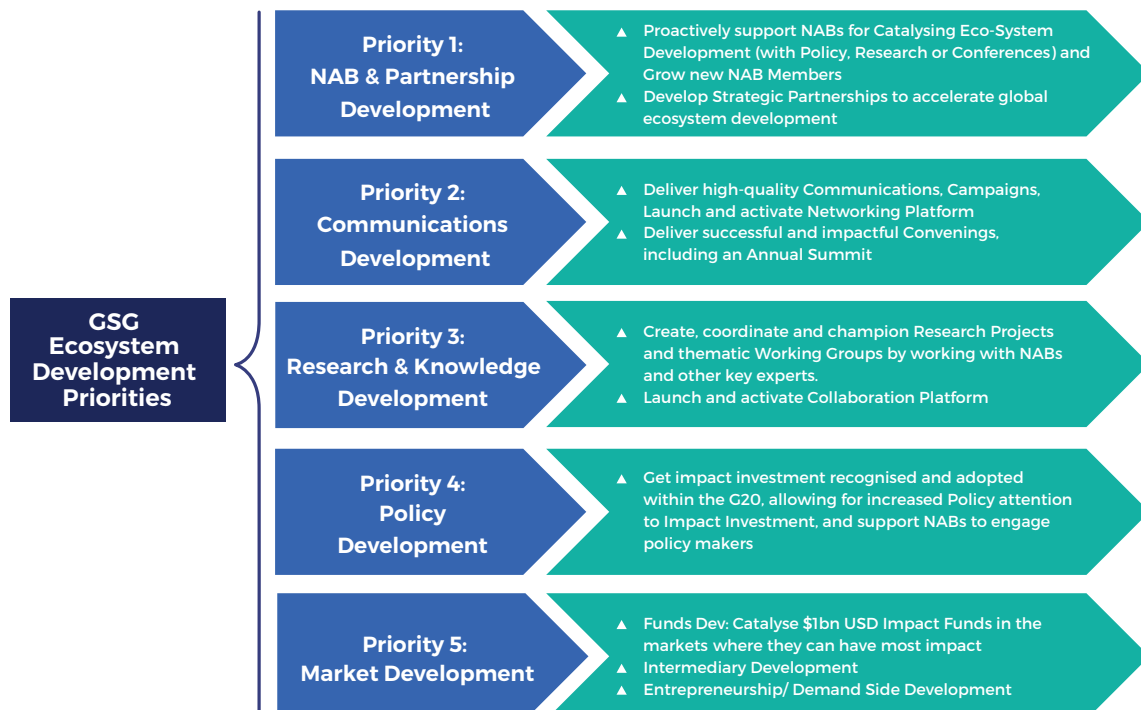
#### Global Impact Investment Eco-System



GSG has organized the impact investment eco-system into five building blocks, all facing the underserved stakeholders, people and planet, whom we serve. These blocks include three vertical pillars of (i) Supply for, (ii) Intermediation of, and, (iii) Demand for Impact capital. They further include two horizontal slabs of Policy & Regulation and Market Builders. Our strategies and programs are aimed at developing these five building blocks, working in partnership with our NABs and RABs.

GSG's mission is to develop the global impact investment eco-system to deliver the Tipping Point for the movement. Therefore, it has operationally prioritized five strategies.

#### GSG Strategy: Eco-System Development Priorities



## ANNEXURE 2: GSG's Efforts in the Past Year



### **NABs spearhead the building of the impact ecosystem at home, and collaborate with other NABs to share and learn from each other**

The GSG represents the collective effort and intention of leaders across sectors and countries to catalyse a global ecosystem for impact investment. Its primary members are the National Advisory Boards (NABs) of member countries consisting of 10-20 influential figures from the worlds of philanthropy, business, finance, and government, and represented on the GSG Board by its NAB Chair.

GSG NABs are vanguards for Impact Investment globally, and serve as:




- ▲ Platforms for private, public, and civil society actors to engage each other on impact investing
- ▲ Interfaces for integrating ideas and engaging new actors into the field
- ▲ Points of analysis on what impact investing can and can't do well
- ▲ Places to explore and scale new ideas
- ▲ Connecting vehicles between local and global actors focused on directing private capital to public purpose
- ▲ The GSG currently has National Advisory Boards in 21 countries, plus the EU as members.


Annexure 1 (following page) gives a more detailed report on the achievements and goals of all the GSG NABs.








## Achievements and Goals of the GSG NABs

NO.	NAB	ACHIEVEMENT	GOAL
1.	<b>Argentina</b> 	<p>▲ The Argentinian NAB and the GSG have been successful in integrating the impact investing conversation with the government, at the national and international level (G20).</p> <p>▲ With support from the NAB leaders, Argentina has passed the Ley de Empresas de Beneficio e Interés Colectivo (Ley BIC) to promote B corporations in the country.</p>	<p>▲ The slum legislation will offer the NAB to come up with new impact products.</p>
2.	<b>Australia</b> 	<p>▲ Impact investment has grown four folds since mid-2015, and this has caught the attention of actors who can help drive scale.</p> <p>▲ The Australian NAB has also been able to announce a partnership with Impact Investing Australia to drive the market to scale.</p> <p>▲ The NAB has been able to ensure that the banks keep their commitment to the Wholesaler although there is a Banking Royal Commission going.</p> <p>▲ The Australian market for impact investments quadrupled between 2015 and 2017 to US\$ 5.8 billion, detailed in the 2nd volume of the Benchmarking Impact report from the Responsible Investment Association Australasia (RIAA).</p> <p>▲ Australia's largest social impact bond (SIB) has attracted US\$ 14.2 million from investors.</p>	<p>▲ Next year, the NAB will monitor the Federal and State elections to ensure that impact investing is a part of the political agenda.</p> <p>▲ The NAB will continue to pursue the case for establishing the Australian Wholesaler.</p> <p>▲ The NAB also plans to launch the next iteration of the blueprint to take the market forward based on the feedback received that will be focusing on distributive leadership and collective actions and refreshing the NAB for what is needed for the next wave of action.</p>
3.	<b>Bangladesh</b> 	<p>▲ It took 10 months of hard work for the Bangladesh NAB to be created, and this itself is a big achievement.</p> <p>▲ The NAB is led by the Finance Secretary and has the support of diverse stakeholders such as the Bangladesh Investment Development Authority, Woman Chamber of Commerce, Academics, the British Council, DFID, IFC and ADB.</p>	<p>▲ The NAB will focus on creating a National Action Plan.</p>
4.	<b>Brazil</b> 	<p>▲ The key milestone for the last year was the launch of National Strategy for Impact Investing Brazil.</p> <p>▲ It has a 10-year mandate to implement the actions therein and involves over 50 players that span both the public and private space.</p> <p>▲ The Strategy was described by the UK government and World Economic Forum as a benchmark in terms of policy making.</p>	<p>▲ The Brazilian NAB's big test to overcome will be keeping the momentum next year as Brazil will have a new government and the political party that has been leading can make things quite challenging.</p>
5.	<b>Canada</b> 	<p>▲ The NAB was able to make a lot of progress on the Wholesaler Fund.</p> <p>▲ A proposal has been submitted to the government to create a wholesale fund.</p> <p>▲ The Canadian government undertook a comprehensive strategy to look at how to develop the social innovation and social finance space. This led to the creation of twelve recommendations that can help other countries in developing such a strategy.</p>	<p>▲ The NAB wants to report in a couple of years that it has unleashed a couple of billions, and it hopes that the launch of the Wholesaler will be one way to achieve this.</p>

NO.	NAB	ACHIEVEMENT	GOAL
6.	<b>Chile</b> 	<p>▲ The NAB has ensured that key measures are considered in the new administration program.</p> <p>▲ The NAB has raised acknowledgement and awareness in the society.</p> <p>▲ The press has reported that there has been an increase of more than 800% in impact investing from the previous year.</p> <p>▲ The NAB was successful in pushing the government to launch the first two Social Impact Bonds in Chile that will be launched before the end of 2018.</p>	<p>▲ The NAB will be working on organising the Latin America GSG Summit in Chile in 2019.</p>
7.	<b>European Union</b> 	<p>▲ The EU Advisory Board that comprises of the European Investment Bank, EU Commission and EIF considers themselves to be the fuel to support the initiatives taking place.</p> <p>▲ In the last year, three new products for supporting social entrepreneurship and social innovation have been introduced.</p>	<p>▲ Presently they are in discussion as to what the social pillar of the EU will look like for the program period 2021-27.</p> <p>▲ The EU has taken up the challenge of making social innovation and entrepreneurship the glue for the EU going forward.</p> <p>▲ InvestEU, which supports the principles of the European Pillar of Social Rights, aims to allocate €4 billion to Social Investment &amp; Skills -- nearly double what is currently available. Along with social enterprise finance and microfinance, the investment will support social infrastructure developments complemented by social service provision, including through outcomes-based projects. Investments will be supported by a dedicated Advisory platform providing for targeted technical assistance and wider capacity-building measures to support scale and integration of existing markets and create new markets in targeted sectors.</p>
8.	<b>Finland</b> 	<p>▲ During the last 12 months, the NAB has focused on Social Impact Bonds and Environmental Impact Bonds.</p> <p>▲ At the moment, Finland has 6 Social Impact Bonds in the country.</p>	<p>▲ The Finnish NAB proposes that an outcomes fund be established by the Finnish government. The fund would speed up impact-based procurement and impact investing. It would be used for paying results-based bonuses for projects that produce social impact as a result of co-operation between the private and public sectors.</p> <p>▲ During Finland's EU Presidency in 2019, the Finnish NAB will promote an advisory platform, outcomes funds, and social outcomes contracting, including the use of SIBs, as part of the focus on economic well-being.</p>
9.	<b>France</b> 	<p>▲ In 2018, France was able to launch a total of 6 social impact bonds.</p>	<p>▲ For 2019, the French Government has launched a major initiative, called the French Impact, which is strongly backed and supported by the French NAB.</p>

NO.	NAB	ACHIEVEMENT	GOAL
10.	<b>Germany</b> 	<p>▲ Germany was able to launch two successful pilot outcome funds.</p>	<p>▲ The NAB has been working hard to bring a broad coalition of 50-60 organisations and will be looking forward to implementing the strategies and action plans that have been agreed upon by all the organisations.</p>
11.	<b>India</b> 	<p>▲ The 2nd annual Prabhav 2018, organized by the Impact Investors Council (IIC) in partnership with Omidyar Network, Ministry of External Affairs (MEA), National Bank for Agriculture and Rural Development (NABARD) and Niti Aayog, featured close to 300 Limited Partners (LPs) and General Partners (GPs) from around the world.</p> <p>▲ The Indian NAB along with the Impact Investors Council and GSG was successful in getting US\$ 2.5 trillion assets under one roof for the GSG Summit.</p> <p>▲ The launch of the India Education Outcomes Fund (IEOF) and the India Impact Fund (IIF) with GSG.</p>	<p>▲ The Indian NAB along with GSG would aim to get 1% of the US\$ 2.5 trillion dollars into impact investing in the next year.</p>
12.	<b>Israel</b> 	<p>▲ The establishment and launch of Bridge's Ventures which made a first close of US\$ 50 million.</p> <p>▲ The Commission on Capital Markets issued a directive to all institutional investors, provident fund, pension funds and insurance companies that they have to disclose whether they invest in ESG or impact investments.</p>	<p>▲ Israel aims to launch 4-5 social impact bonds.</p> <p>▲ It further wants to establish a wholesaler's fund.</p>
13.	<b>Italy</b> 	<p>▲ In the last 12 months, the Italian NAB was able to attract new stakeholders, pension funds, public investors and social enterprises into the impact conversation.</p> <p>▲ The NAB was also successful in getting a small outcome fund approved by the government.</p>	<p>▲ The NAB hopes that the new government shall keep the outcome based fund on-going.</p> <p>▲ In the future, the NAB will work on connecting more on the theoretical debate around social justice.</p>
14.	<b>Japan</b> 	<p>▲ The greatest achievement for Japan was to unlock the dormant bank accounts.</p> <p>▲ With the inputs from the GSG community, market development which was missing from the law, got stipulated.</p>	<p>▲ The Japanese NAB is working to promote impact investment with the G20 leaders who will be arriving in the country in 2019.</p>
15.	<b>Mexico</b> 	<p>▲ The Mexico NAB has more than 60 dynamic members. The Mexican NAB includes a dynamic membership: the government bank, corporates, and the stock exchange among others. The NAB has several committees working across the ecosystem.</p> <p>▲ The Mexican Fund launched US\$ 150 million for impact investing.</p>	<p>▲ The NAB is working with the transition team of the new government to promote impact investing.</p> <p>▲ The NAB will be launching a research document with a Business School that will help the NAB to focus its efforts.</p>
16.	<b>New Zealand</b> 	<p>▲ The last year has seen six to seven impact funds being setup in New Zealand.</p> <p>▲ The government has also launched a wholesaler fund.</p>	<p>▲ The New Zealand NAB will work to bring financial institutions, investment managers, and corporates in the impact investment ecosystem.</p>
17.	<b>Portugal</b> 	<p>▲ Last year, Portugal was able to launch three new Social Impact Bonds with ten more in the pipeline.</p> <p>▲ The NAB also launched a database and the recently published "Progress Report" is yet another success for the country.</p>	<p>▲ For the next year, the NAB is committed to work with the Portuguese Government so that the government allocates 10% of the social services using outcome-based contracting and for transforming Portugal as a European hub for tech for impact.</p>

NO.	NAB	ACHIEVEMENT	GOAL
18.	<b>South Africa</b> 	<p>▲ The South African NAB is the first NAB in the continent. It was officially launched at the inaugural South African Impact Investment Forum that happened in conjunction with the President's Investment Conference in Johannesburg in October.</p> <p>▲ The NAB came to the GSG Summit to place the African issues on the agenda.</p>	<p>▲ The NAB wants to take impact investing to the entire African continent and wants all African governments to embrace impact as the cornerstone of all policy making.</p>
19.	<b>South Korea</b> 	<p>▲ The South Korean NAB was established in February with 56 members.</p> <p>▲ The NAB was able to convince the government, which led to the President announcing the launch of a Social Finance Policy including the creation of a wholesale fund and impact fund of funds.</p> <p>▲ The wholesaler fund will be launched in October end with US\$ 50 million.</p> <p>▲ The Fund of Funds will get US\$ 120 million every year from the Ministry of SMEs and Ministry of Finance.</p> <p>▲ Korea Land &amp; Housing Corporation (LH), a government-supported public firm, announced the issue of impact fund-of-funds for urban regeneration with about US\$ 20M capitalization, of which US\$ 14M comes from the Ministry of Construction and Transportation. The GP selected was Coolidge Corners Partners, a board member of Korea NAB.</p>	<p>▲ The NAB will work with Congress to utilise dormant account money towards wholesalers.</p> <p>▲ The NAB will also work to bring a law to enable Ministries to work with Social Impact Bond projects that help in launching many more Social Impact Bonds.</p> <p>▲ UNCDF and Korea NAB are set to pursue joint impact financing for ODA projects towards LDCs within the region.</p>
20.	<b>United States of America</b> 	<p>▲ There were three policy wins in the last year for the NAB.</p> <p>▲ The first was the Opportunity Act, which will enable US\$ 6 trillion of capital gains that is currently not being efficiently used for distressed communities.</p> <p>▲ The first-ever pay for success legislation at a Federal level called SIPPRA (The Social Impact Partnerships to Pay for Results Act) was passed. It brings powerful incentives at a Federal level to enlist state and local governments to do more impact bond projects.</p> <p>▲ The third piece of policy will enable OPIC to do more as a Development Financial Institution.</p>	<p>▲ The NAB will use these developments to catalyse and engage with a broader segment of investors in impact investing to strengthen the ecosystem.</p>
21.	<b>United Kingdom</b> 	<p>▲ Last year, the UK NAB published a landmark report, "The Rise of Impact," which resulted in a meeting with the British PM and Senior Cabinet members. This was a significant achievement given that the government's first priority is Brexit. Sir Ronald was also present for this meeting.</p> <p>▲ This meeting has resulted in a cross government momentum and mandate to look at impact investing initiatives.</p>	<p>▲ Going forward, the UK NAB wants to work to ensure that impact is wholly embedded in the government's £250 billion procurement spend.</p> <p>▲ The NAB will also continue its support to the government initiative that has been running chaired by Elizabeth Corley which is around democratising access to impact investing by making it easier for individuals to invest in impact investing.</p>
22.	<b>Uruguay</b> 	<p>▲ In one year, the NAB was able to convince the National Agency of Innovation to invest in the first regional impact investment fund that was launched in Argentina.</p> <p>▲ The NAB was also able to develop courses for Universities around social impact and impact investing.</p> <p>▲ The NAB is also drafting new laws and regulations around impact investing.</p>	<p>▲ For the next year, the Uruguayan NAB aims to work on a social impact bond. This will be a challenge as it will be an election year.</p> <p>▲ Despite this, the NAB looks at this as an opportunity as they can convince candidates to include this in their agenda.</p>

# GSG IMPACT SUMMIT 2018

## AT A GLANCE



I would like to set out a new destination where all companies measure impact of inputs and outputs – impact weighted accounts.



**Sir Ronald Cohen**  
GSG



We can build Capitalism 2.0 sustainably, on market principles, which respond to the needs of the poor, and makes capital and profits moral again.



**Amit Bhatia**  
GSG



We have to change the color of money to become the force of good.



**Halla Tomasdottir**  
The B Team



Always start with scale. The problems are too big. No small dreams.



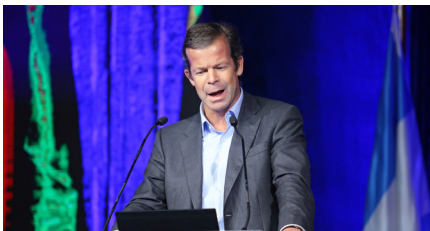
**Shannon May**  
Bridge International Academies



We can't commit to social justice without ensuring we commit all our funds to social justice.



**Darren Walker**  
Ford Foundation



We have to engage in emerging markets where new Technologies have significantly reduced the transaction cost facilitating new business models allowing the inclusion of lower income classes in the economic development.



**HSH Prince Maximilian**  
LGT Group



Technology solutions when developed in partnership and with belief have the potential to touch at least a billion people with a modest investment.



**Devi Shetty**  
Narayana Health



We have to build a new 'business as usual', and to do so we will have to build a whole new set of resources that allow capital to flow to most effective solutions.



**Amit Bouri**  
GIIN



Impact Investing can do things that philanthropy alone can never do. We don't have to play it safe, and we shouldn't if we want to see dramatic and exponential change.



**Phyllis Costanza**  
UBS Optimus Fund



In a country like ours, there are tremendous and fantastic initiatives going on for the many challenges that we face. We need to find a way to connect them to learn from each other, and have real scale for big impact.



**Sunil Kant Munjal**  
Hero Enterprise



Where impact investing becomes the agenda of the Africa Union (AU), that becomes our next Marshall plan.



**Elias Masilela**  
DNA Economics

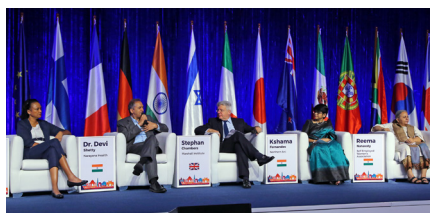




### SUPPLY PLENARY

#### THE NEW INVESTMENT ALLOCATION PARADIGM

**Imogen Rose-Smith**, Institutional Investor  
**Nick O'Donohoe**, CDC  
**Ian Simmons**, Blue Haven Initiative  
**Amit Bouri**, GIIN



### DEMAND PLENARY

#### IDENTIFYING THE "IMPACT UNICORNS"

**Stephan Chambers**, Marshall Institute  
**Dr. Devi Shetty**, Narayana Health  
**Cheryl L Dorsey**, Echoing Green  
**Reema Nanavaty**, SEWA  
**Kshama Fernandes**, Northern Arc



### EVENING PLENARY

#### PERSONAL JOURNEYS TO IMPACT

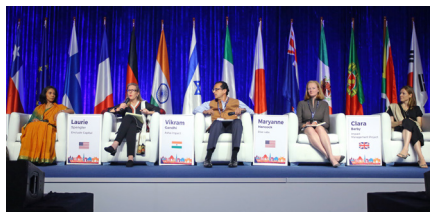
**HSH Prince Maximilian**, LGT  
**Darren Walker**, Ford Foundation  
**Cheryl Dorsey**, Echoing Green



### POLICY & FIELD DEVELOPMENT PLENARY

#### SDGS AS A BRIDGE TO IMPACT ECONOMIES

**Vivek Pandit**, McKinsey  
**Amitabh Kant**, NITI Aayog,  
 Government of India  
**Tom Le Quesne**, UK Government  
**Marcos Vinicius**, Brazil Government



### POLICY & FIELD DEVELOPMENT PLENARY

#### MEETING THE CHALLENGE OF IMPACT MEASUREMENT

**Laurie Spengler**, Enclude Capital  
**Clara Barby**, IMP  
**Maryanne Hancock**, Rise Labs  
**Vikram Gandhi**, Asha Impact  
**Anubha Shrivastava**, LGT



### INTERMEDIATION OF IMPACT CAPITAL BREAKOUT

#### OPTIMIZING RISK, RETURN AND IMPACT

**Ross Piper**, Christian Super  
**Andy Kuper**, Leapfrog Investments  
**Vineet Rai**, Aavishkaar  
**Roopa Kudva**, Omidyar Network  
**Michele Giddens**, Bridges Fund Management

## GSG MILLENNIAL HONORS 2018

### AWARDEES



**Samir Ibrahim**,  
 CEO & Co-Founder, SunCulture  
**Ankit Agarwal**,  
 Founder & CEO, HelpUsGreen

GSG Millennial Honors Partner



## GSG HONORS 2018

### AWARDEES



**IMPACT ASSET MANAGER OF THE YEAR**  
 Andrew Kuper, Leapfrog Investments  
**IMPACT ASSET OWNER OF THE YEAR**  
 Ian Simmons, Blue Haven Initiative  
**IMPACT ENTREPRENEUR OF THE YEAR**  
 Dr. Devi Shetty, Narayana Health  
**IMPACT MARKET BUILDER OF THE YEAR**  
 Clara Barby, The Impact Management Project

GSG Honors Partner



## GSG WORKING GROUPS 2018

### AWARDEES



**1 INVESTING FOR A BETTER WORLD**  
 Lorenzo Bernasconi, Senior Associate Director, The Rockefeller Foundation  
**2 CATALYSING AN IMPACT INVESTMENT ECOSYSTEM: A POLICYMAKER'S TOOLKIT**  
 Michele Giddens, Co-Founder, Bridges Fund Management

**3 THE IMPACT PRINCIPLE: WIDENING PARTICIPATION & DEEPENING PRACTICE FOR IMPACT INVESTMENT AT SCALE**  
 Rosemary Addis, Executive Director, Impact Strategist  
**4 BUILDING IMPACT INVESTMENT WHOLESALERS**  
 Cliff Prior, CEO, Big Society Capital

## GSG FUNDS 2018

### AWARDEES



**INDIA EDUCATION OUTCOMES FUND (IEOF)**  
 Ashish Dhawan, Board of Director, Social Finance India  
**LATIN AMERICA FUND OF FUNDS (LAIFF)**  
 Alejandro Preusche, Chair, LAIFF  
**AFRICA & MIDDLE EAST EDUCATION OUTCOMES FUND (EOF)**  
 Amel Karboul, CEO, EOF  
**INDIA IMPACT FUND (IIF)**  
 Rajiv Lall, Chair, Social Finance India



**GSG**  
**SUMMIT**  
**2019**  
**SANTIAGO**  
18-19 November 2019

**GSG**   
Driving real impact

**CHILE**  
**WHERE**  
**THE WORLD ENDS,**  
**WE BEGIN.**

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[www.giis.cl](http://www.giis.cl)





**ON IMPACT**  
A GUIDE TO THE  
IMPACT REVOLUTION

By Sir Ronald Cohen

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