



Social Impact Investment: *The Impact Imperative for Sustainable Development*

Center for Finance & Development, The Graduate Institute, Geneva
Geneva, Switzerland
18 June 2019

Karen E. Wilson, OECD



OECD Social Impact Investment Initiative



OECD Phase I Publication (2015)
**Social Impact Investment:
Building the Evidence Base**

- Social Impact Investment definition
- Characteristics and Attributes of Social Impact Investment
- Social Impact Investment Market Framework
- Social Impact Investment Market Data

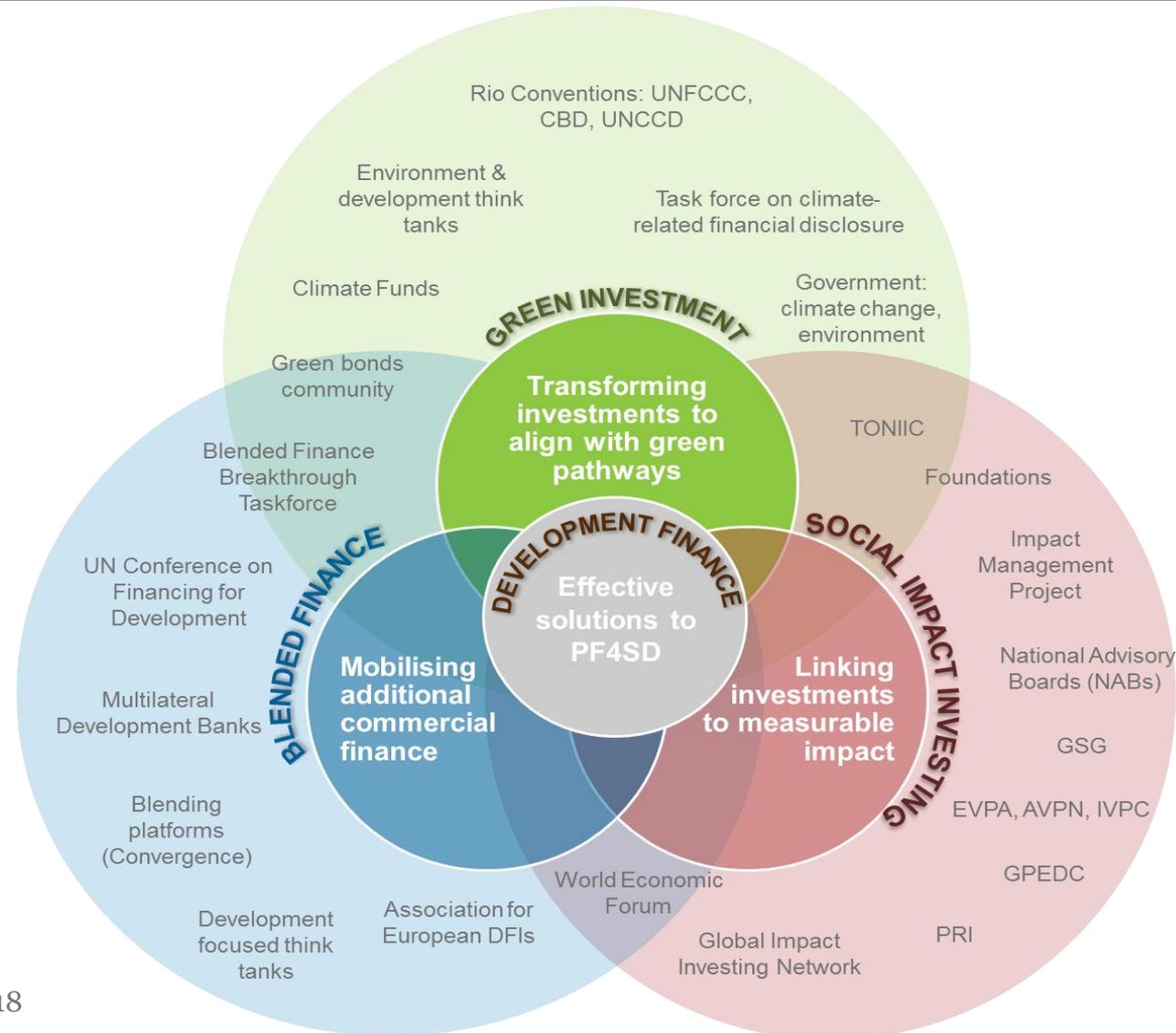


OECD Phase II Publication (2019)
**Social Impact Investment 2019:
The Impact Imperative for
sustainable development**

- Global state of the Social Impact Investment Market and regional perspectives
- Social Impact Investment Policy Framework and mapping of policy levers
- Data and measurement: Transparency principles
- The Impact Imperative and policy recommendations



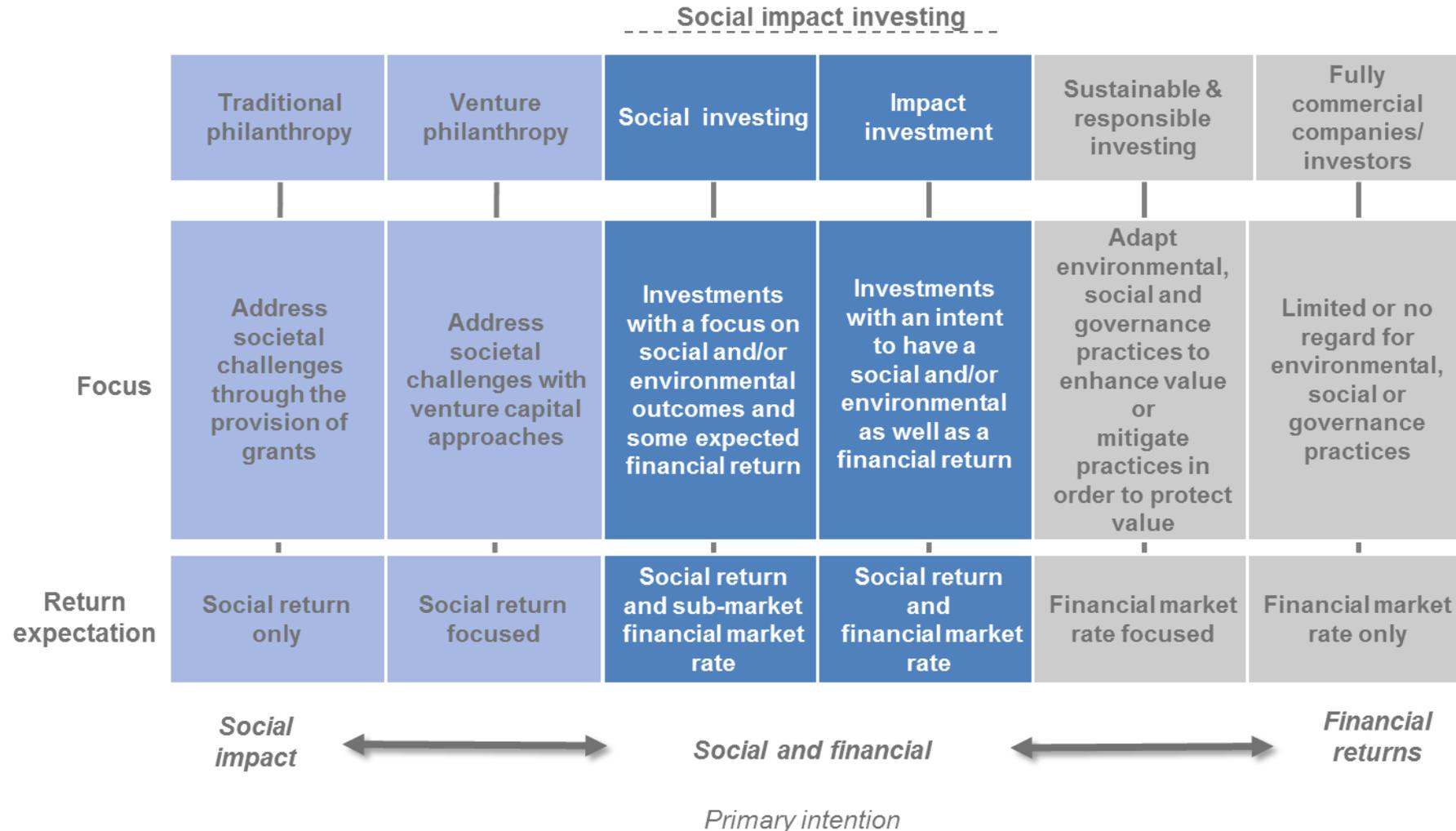
The financing for sustainable development landscape



Source: Adapted from OECD 2018



The spectrum of capital: Moving towards greater impact





What is the role of Social Impact Investment?

- New models are needed to fund, deliver and scale innovative solutions to social, environmental and economic challenges.
 - public funds in many countries have become depleted
 - social challenges have mounted
- Social impact investment - the provision of finance with the explicit expectation, and measurement, of a **social** as well as **financial** return.
 - Spurs social **innovation**
 - Increases **accountability** (measurement of social outcomes)
 - Enables **sustainability** of organizations addressing SDGs
- New financing models are developing at multiple levels and in parallel to traditional markets.
 - A growing range of social investment instruments have been developed, all with a different financial/social return profile.



Global state of the social impact investment market

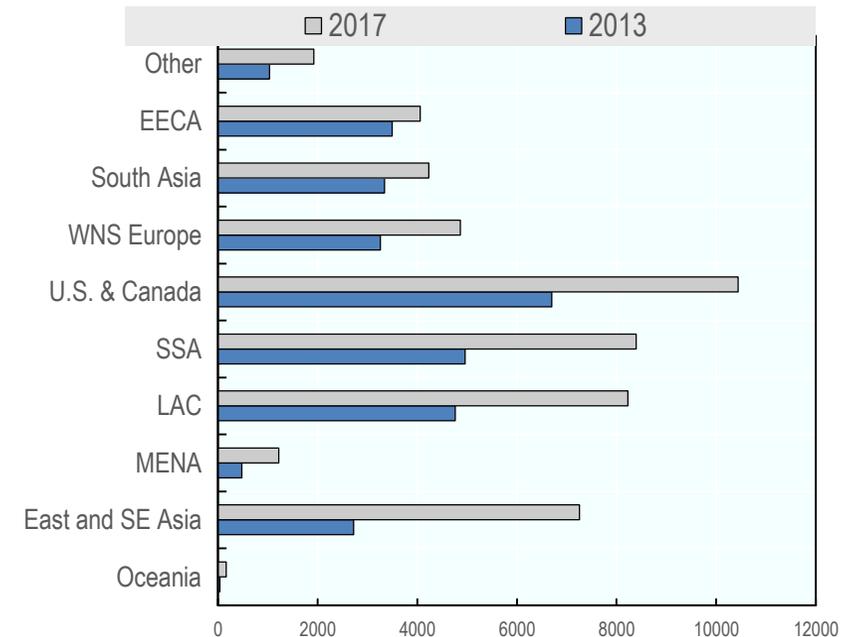
- According to the annual GIIN survey the market in 2017 had **USD 228.1 billion in AUM**.

- Currently, the majority of asset allocations are in:

- North America (20%)
- Latin America (16%)
- SSA (12%)
- Western Europe (11%).

- The main investment sectors:

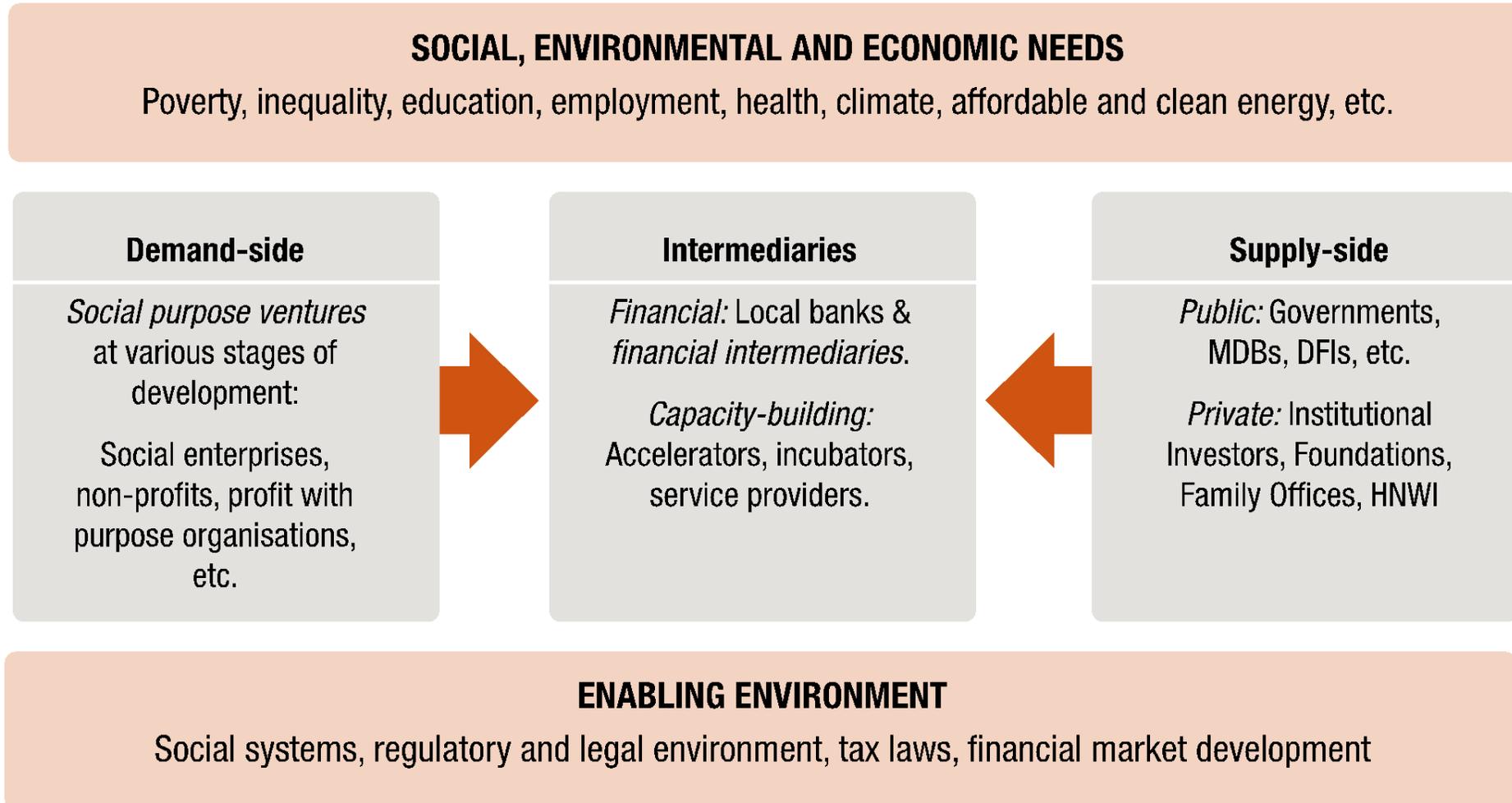
- financial services (19%)
- energy (14%)
- microfinance (9%)
- housing (8%)



- A survey sub-sample showed an increase in impact investment allocations across every region from 2013 to 2017.
 - Substantial **growth in allocations to developing countries** in Africa, South East Asia and Latin America.



OECD Social Impact Investment Market Framework



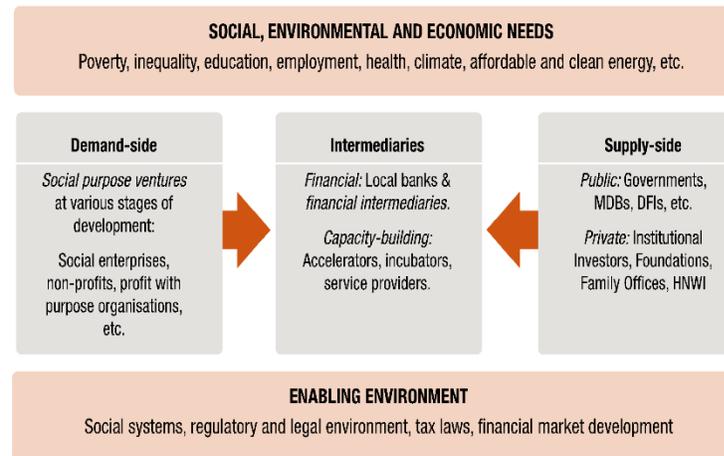


Perspectives from around the globe

- Each region is analysed according to the OECD SII market framework

- Regions covered:

- Sub-Saharan Africa
- MENA
- Asia
- Latin America
- North America
- Europe
- Fragile Contexts



- Based on findings from:

- Research and interviews
- Regional workshops (Africa, Latin America, Asia)
- Case studies

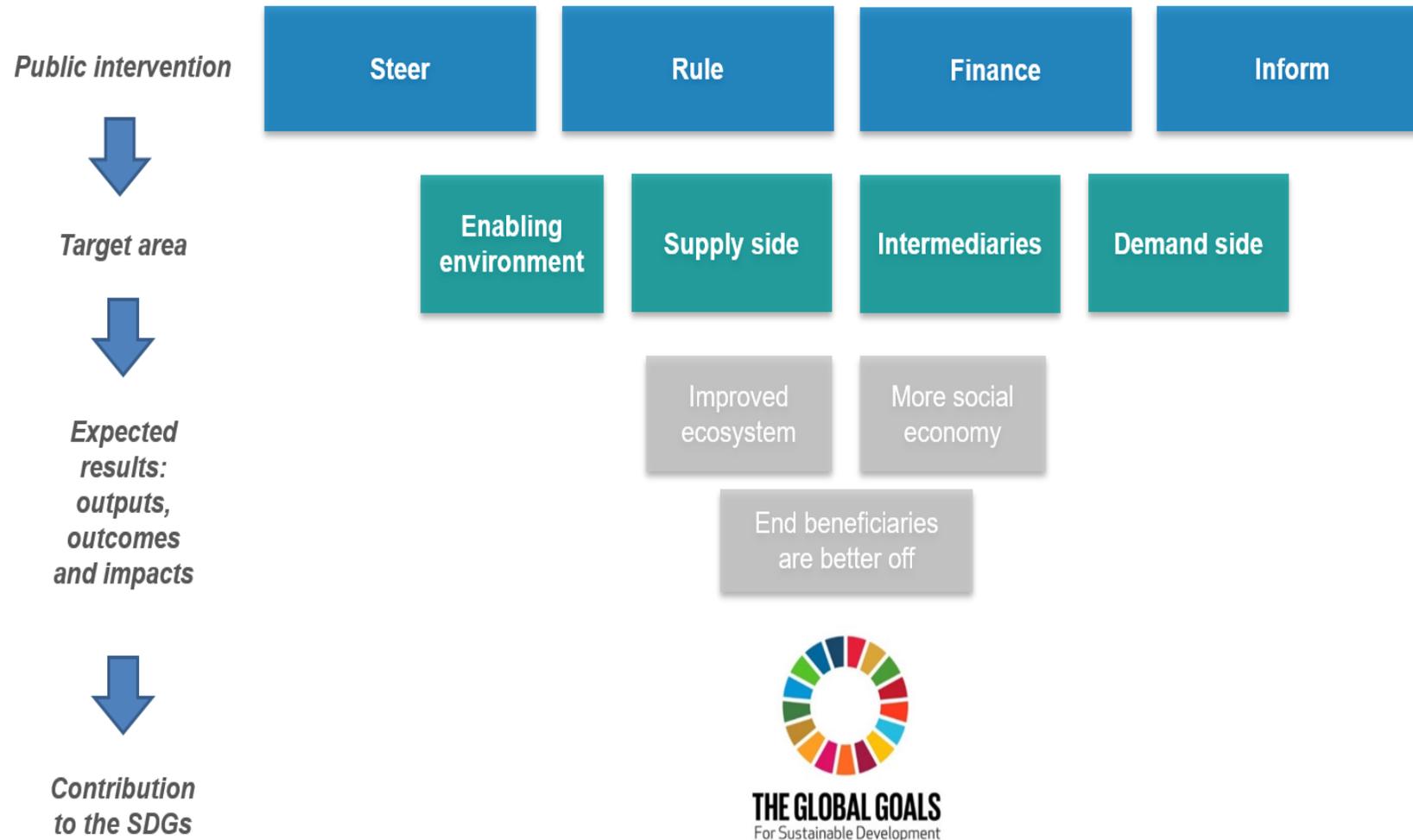


Some lessons learned from case studies on social purpose enterprises receiving impact investment

- Many social enterprises require **some initial grant funding** and/or **technical assistance** to help them develop and be able to later attract investment capital.
- A **mix of investors** are engaging in social impact investing, including foundations, angel investors, venture philanthropists, social venture funds.
- **Financing instruments** cover a broad range of debt and equity, reflecting both the needs of social enterprises at various stages of development as well as the preferences of investors.
- The **timeframe** for these firms to reach sustainability and scale are often longer than the investors first expected and this needs to be taken into account in thinking about follow-on financing rounds.
- Social impact **measurement** remains a key challenge.
- More standardized ways of collecting social impact investment **data** is needed to capture information at a transaction level and contribute to building the evidence base about activity and approaches.
- **Investment climate** and **regulatory environment** are key factors

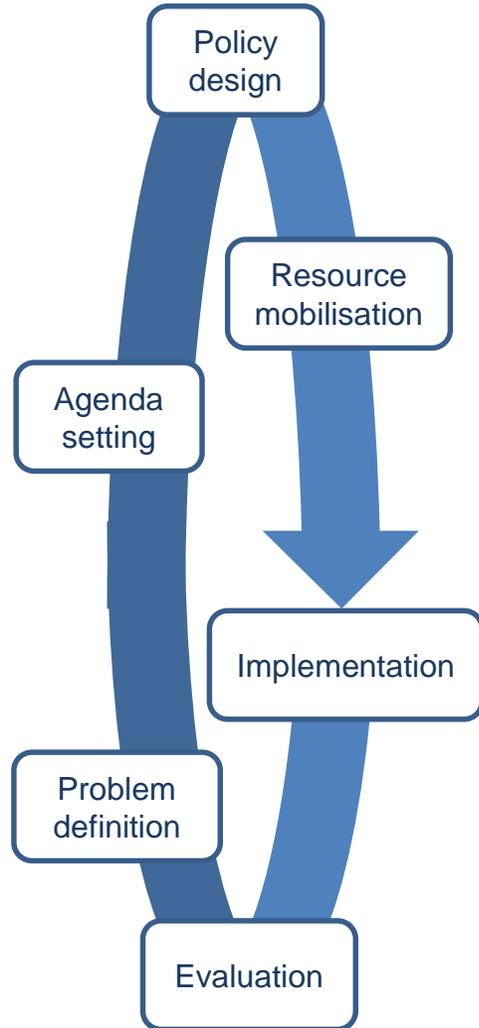


A simplified theory of change for social impact investing policies





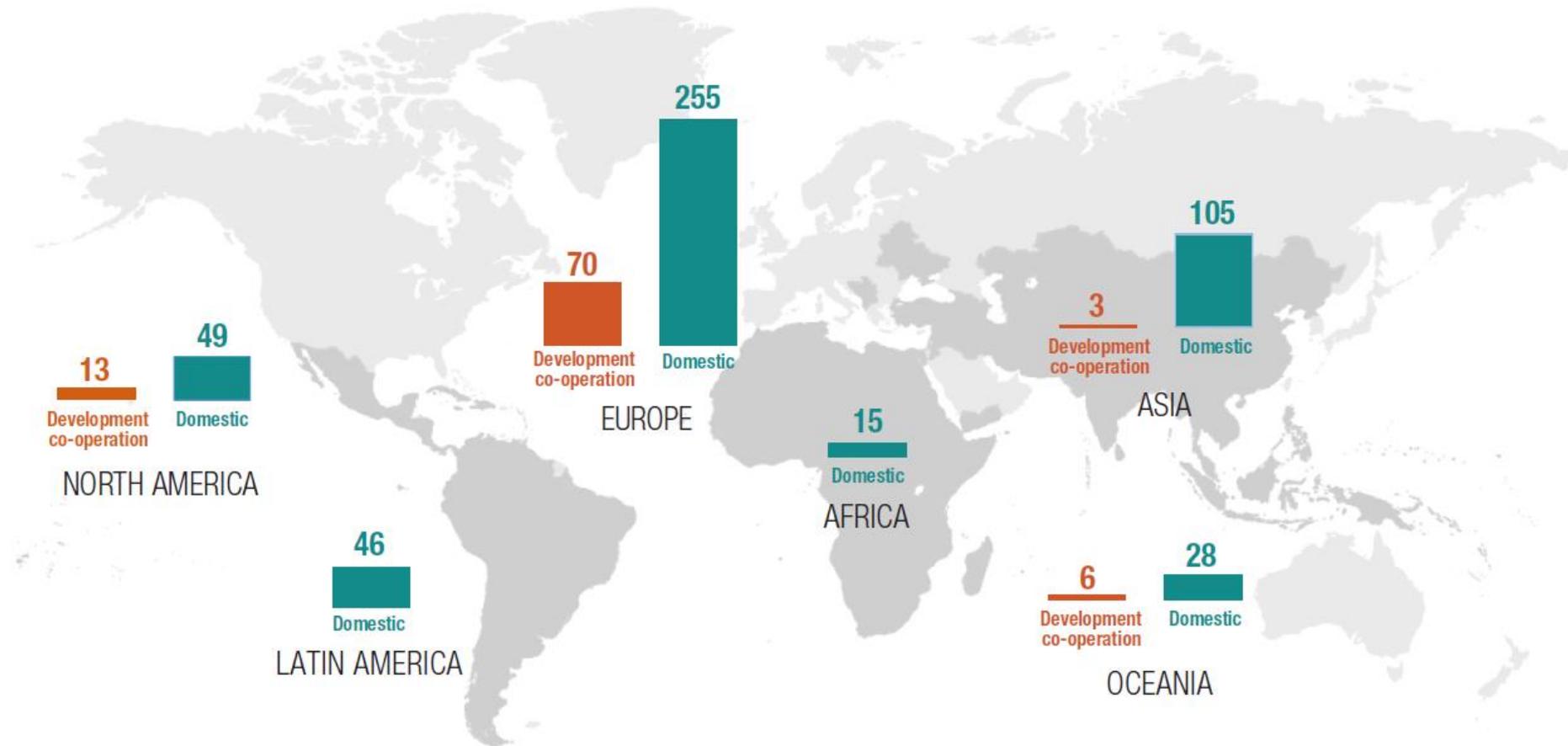
OECD Policy framework for Social Impact Investing



POLICY INSTRUMENTS	
STEER	Definition of a national strategy Identification of a formalised function Internal government consultation Stakeholder partnerships
RULE	Certification Fiscal incentives (tax and investment relief) Legislation (fiduciary responsibility, social enterprises, unclaimed assets) Regulation (pension, public procurement, reporting standards) Social stock exchange
FINANCE	Awards, challenges Funds: outcome, venture capital, investment readiness Pay-for-success (outcome commissioning, SIB, DIB, SIINC) Technical assistance, capacity building Wholesaler, fund of funds, incubator, accelerator
INFORM	Communication Stakeholder consultation Research, studies, data publication



OECD mapping of policy instruments (590 policies in 45 countries)





Public levers to promote social impact investing domestically

	Policy and instrument type	Demand	Intermediaries	Supply	Enabling environment
STEER	Internal government consultation				9
	National strategy for impact investing				10
	Stakeholder partnerships				18
	Formalised function				18
RULE	Certification	8			
	Fiscal incentives: investment relief			3	4
	Fiscal incentives: tax relief	5		6	11
	Legislation on fiduciary responsibility			2	7
	Legislation on social enterprises	20			1
	Legislation on unclaimed assets		4	1	
	Other legal instrument	2		1	9
	Pension regulation			5	
	Public procurement regulation	9			8
	Reporting standards				12
	Social stock exchange		4		
FINANCE	Awards, challenges	6			
	Fund of funds		1	1	3
	Guarantee scheme			3	2
	Incubator, accelerator		4		
	Investment readiness fund	6			
	Other financial instrument		2	34	8
	Outcome commissioning			10	1
	Outcome fund			7	
	Social impact bond			123	
	Technical assistance, capacity building	21	4	7	8
	Venture capital fund			10	1
Wholesale institution		6			
INFORM	Communication campaign				6
	Consultation with external stakeholders				14
	Research, studies, data publication				33



Public levers to promote social impact investing in development co-operation

Policy and instrument type		Demand	Intermediaries	Supply	Enabling environment
STEER	National strategy for impact investing				2
	Stakeholder partnerships			1	3
FINANCE	Awards, challenges	6			
	Development impact bond			6	
	Fund of funds		1		
	Guarantee scheme				2
	Incubator, accelerator		3		1
	Investment readiness fund	1			
	Other financial instrument		1	15	22
	Outcome commissioning			1	
	Technical assistance, capacity building	5		7	2
	Venture capital fund			7	1
INFORM	Communication campaign				1
	Research, studies, data publication				4



The roadmap to internationally comparable data

The Data Work Stream: A broader perspective

Goal: to move towards greater transparency in the SII market by increasing comparability of data



Deliverables

- Initial global data standards
- Transparency principles
- Piloting the data standards
- Longer term implementation plan

GSG in Chicago in
July 2017

- Data coalition
2018
- OECD SII Phase II
Report January
2019



The IMP Structured Network

ENABLING IMPACT MANAGEMENT

1 Impact measurement & reporting

Impact on people and planet

Impact management principles to underpin an impact performance conceptual framework



Impact performance conceptual framework, providing impact categories for organising and reporting data



Impact data and disclosure standards, providing guidance on indicators (universal, issue-specific, bespoke)



SDG data on the impact **context** in different countries



2 Impact classification

Type of impact on people and planet

Impact classification

'Impact classes' based on data, akin to asset classes in finance, with guidance for using impact data in portfolio construction



3 Impact benchmarking

Comparison of impact on people and planet

Impact rating to benchmark impact



Impact valuation to compare impact



Facilitated by:

**IMPACT
MANAGEMENT
PROJECT**



The Impact Imperative for Sustainable Development





Work in parallel to Global Social Impact Investment Initiative (GSG)

- Taskforce established at G8 Social Impact Investment Summit in London in June 2013
 - Chaired by Sir Ronald Cohen, 2 representatives per country (public + private)
 - Initial mandate for one year, meeting every two months:
 - Four taskforce working groups
 - G7 (+ Australia) National Advisory Boards
 - Set of Taskforce reports published on September 15, 2014
- Taskforce transformed into a Global Steering Group in July 2015
 - Several new countries joining each year, each creating a NAB
 - Annual plenary conference (London 2015, Lisbon 2016, Chicago 2017, India 2018, Chile 2019)
 - Working Groups + reports

*For more information on the Global Steering Group activities
visit: www.gsgii.org*



EVPA WORK ON IMPACT STRATEGIES

- **Investing *for* impact**
 - Investors in new solutions to pressing social issues, taking on risks that no other actor in the market can take.
 - Invest smaller amounts, providing SPOs with in-depth non-financial support.
- **Investing *with* impact**
 - Investors that have access to larger pools of resources, but need to guarantee a certain financial return on their investment.
 - Able to scale proven solutions with viable business models, as they consider achieving a positive impact *alongside* the achievement of a positive financial return.
- **Investing *for* impact and investing *with* impact are both valid, and needed in the ecosystem...**
 - Investors *for* impact have a role to play in testing (and bringing to the market) new and additional solutions to pressing social problems, and in supporting SPOs that have no market outlet.
 - Investors *with* impact have a role in scaling proven social models, and in making sure impact consideration become part of all investment decisions.



<https://evpa.eu.com/pages/evpa-impact-strategies-journey>



THANK YOU!

For further information and to access the 2019 report
visit:

<https://oe.cd/SII2019>

Contact:
Karen.Wilson@oecd.org