World Economic Forum

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Industry Agenda

From Ideas to Practice, Pilots to Strategy II
Practical Solutions and Actionable Insights on How to Do Impact Investing

A report by the World Economic Forum Investors Industries

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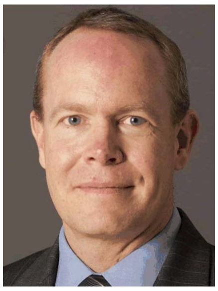
1. Preface



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The *From Ideas to Practice, Pilots to Strategy* series is both an attempt – and an opportunity – to disseminate the best practices and lessons learned from the first movers, early adopters and bold innovators in the field of impact investing, with the goal of further advancing the sector.

When the World Economic Forum published *From the Margins to the Mainstream: Assessment of the Impact Investment Sector and Opportunities to Engage Mainstream Investors* in September 2013, it sought to add clarity to the field through a realistic, current assessment. With over 10,000 people accessing the report in the first two weeks, it became evident that it touched on a strong need. Readers of the *Margins to the Mainstream* report reached out from far and wide to ask for advice on how to start (or do even more) with impact investing. While it would have been possible to hypothesize and make suggestions, only experienced impact investors can speak with authority about what does and does not work, and why.

With that in mind, the Forum decided to curate a collection of short, action-oriented and insightful thought pieces from practitioners and thought leaders on how to put impact investing to work. For active investors in the field, to shift impact investing from a small part of their portfolios to a full-fledged strategy requires operational and practical knowledge. New players in the impact investing space need to know how to get started in this nascent and potentially rewarding sector. This codified know-how and repository of best practice is currently as embryonic as the sector itself – but that should not prevent sharing and learning opportunities. In December 2013, the Forum published the predecessor to this report – the first edition of *Ideas to Practice*.

Because the sector is in a nascent stage and engages diverse individuals, organizations and societies, no one solution will apply to every situation. Rather, this series can serve as a trailhead and as a semi-trodden path for new practitioners, but much more trailblazing will be necessary before the sector matures.

The authors of this report advocate learning by doing, failing fast, synthesizing feedback and quickly re-engineering shortcomings into a more informed approach. Above all, it is clear that intentions (and certainly good ones) matter with every action and step towards building a new sector. With these principles in mind, it is possible to collaboratively and proactively ensure that the impact investing sector is on the best path forward.

The Forum looks forward to hearing from the many key players whose wisdom and expertise could not be represented here and, where possible, to including many perspectives in future efforts to help bring the impact investing sector to maturity.

Contact the Forum team at impactinvesting@weforum.org

2. Introduction to the Mainstreaming Impact Investing Initiative

In January 2012, at the World Economic Forum Annual Meeting 2012 in Davos-Klosters, the Forum convened a meeting among mainstream investors and social entrepreneurs to discuss how to harness the hype of impact investing. While the reasons impact investing would remain a niche seemed overwhelming, the opportunity to bring it into the mainstream was too important not to pursue. With this in mind, the Forum launched the Mainstreaming Impact Investing Initiative.

The first milestone – the publication of *From the Margins to the Mainstream: Assessment of the Impact Investment Sector and Opportunities to Engage Mainstream Investors* in September 2013 – provided an overview of the sector, identified challenges constraining the flow of capital, and laid the groundwork for mainstream investors to begin a meaningful discussion on impact investment. Most of the constraints identified fit into one of four broad, overarching challenges: an early-stage ecosystem; small average deal size; the fit within an asset allocation framework; and double bottom line.

In December 2013, the second publication in the Forum's Mainstreaming Impact Investing Initiative was launched – the first volume of *From Ideas to Practice, Pilots to Strategy*. Comprised of 15 articles, it is a compendium of actionable best practices for diverse stakeholders working in impact investing. The publication attempts to build the strategic case for impact investing for mainstream investors and showcase concrete organizational structures, processes and strategies employed by large asset owners and asset managers to implement impact investing. It also explores innovative impact investing solutions – comingled funds, social impact bonds and social stock exchanges – that can meet the needs of multiple stakeholders, including commercial investors, philanthropic organizations, governments and retail investors.

The eight articles in this second edition of *From Ideas to Practice, Pilots to Strategy* are meant to expand on the topics covered in the first edition. This publication includes information on innovative products that have been designed to engage retail investors as well as frameworks to build an impact investing strategy for asset managers. It also looks at the role academic institutions can play in building the field of impact investing.

Given that impact investing is a rapidly growing sector and expertise is spread among dozens if not hundreds of practitioners and academics, the report curates some – but certainly not all – of those leading voices.

Target Audience for *Ideas to Practice, Pilots to Strategy II*

This publication's target audience includes three key groups: (1) traditional investors (both institutions and individuals) who want to start impact investing; 2) investors who are already engaged with impact investing but want to either expand it into a full-fledged strategy or continue within their current scope by learning and incorporating the best practices; and (3) intermediaries, foundations, development finance institutions, financial advisers, members of academia and policy-makers whose support is vital for the sector's growth.

Motivation and Scope of *Ideas to Practice, Pilots to Strategy II*

Divided into three main sections, this report contains lessons learned from practitioners' experience and attempts to showcase best practices and innovative instruments that asset owners, asset managers and academic institutions have successfully implemented to advance the impact investing sector.

The first main section, "Building a Strategy", explores how impact investing can be incorporated within an institutional investor and provides an example of a strategy employed by an insurance company. It also offers a framework to access impact risk and return. This section's key messages include the following:

– Private debt instruments, which offer predictable financial returns and greater control over social benefits while facilitating larger capital allocations, can be a suitable impact investment option for institutional investors.

– Understanding impact risk and return profiles on both the investment and portfolio levels is essential to making informed investing decisions and monitoring impact portfolios. Bridges Ventures developed a scoring guide to assess impact risk and return based on four criteria: target outcomes – the investment's potential societal impact; ESG – managing environmental, societal and governance factors to protect and enhance value; alignment – between an investment's ability to generate impact and its ability to deliver competitive risk-adjusted financial returns; additionality – whether target outcomes will occur anyway, without the investment.

The second section, "Democratizing Impact Investing", explores the business case for engaging "main-street" investors and approaches for how impact investing can be made more accessible to them. This section includes the following key messages:

– For impact investing to become mainstream, the participation of retail investors must be increased. The US retail market counts 75 million individuals who collectively control in excess of $17 trillion investable assets. Evidence is growing that millennials and women prefer investments that generate social impact in addition to financial returns. Financial advisers who are mindful of the evolving preferences of their clients are best able to retain and grow their client base.

– Impact investing products that are structured to reach the average main-street investor – both matching their risk/return profile and distributed through financial adviser channels familiar to them – have the potential to meet client demand and tap into a growing market opportunity. Yet, currently, few products are available for non-accredited investors.

– Using traditional sales channels (brokerage firms and financial advisers) in addition to online sales channels, managers of impact funds can tap into an entirely new market of socially-conscious retail investors and also engage traditional investors. This requires a methodical approach to educating financial advisers so they could offer impact investing products to their clients.

– Raising capital from retail investors requires the administrative capacity to carry out extensive marketing and customer service. It is important that industry players specialize in their core competencies and structure effective partnerships to foster innovation and efficiency.

The third section explores the role academic institutions can play in the evolving impact investing sector. Universities play several important roles, including as originators of leading research and disseminators of skills and knowledge through teaching and collaboration hubs where the cross-pollination of ideas and cross-disciplinary innovation are encouraged. The section's key messages include the following:

– When setting up impact investing programmes, it is important to clearly identify the goals of the programme based on the university's theory of change and core capabilities and assets. Possible areas of focus may include developing a curriculum to engage students, doing research to advance the field and addressing local challenges for impact investing.

– Universities have a key role to play in educating the next generation of practitioners and professionals. This can come in many forms, including in-classroom teaching, career chats and hands-on projects, collaborations with corporations interested in developing impact investment skill sets among their traditionally trained employees, and conferences and webinars to disseminate the expertise more broadly.

– Universities can create safe spaces for experimentation through student-led initiatives or faculty-led centres that receive funding or action-oriented course work. In some cases, business schools and public policy schools can create labs and advisory services in the same way that law schools have public interest clinics.

Definitional Alignment

Realizing that a definitional discussion of impact investing can lead to more questions than answers, this section is devoted to clarifying common areas of confusion.

Impact investing is an investment approach that intentionally seeks to create both financial returns and positive social or environmental impacts that are actively measured.[1]

First, it is an investment approach and not an asset class. Impact investing is an investment approach across asset classes, or a lens through which investment decisions are made, and not a stand-alone asset class. Certain impact investments (e.g. public equity security of an impact enterprise) may behave similarly to certain asset classes (e.g. public equities), while other impact investments (e.g. social impact bond) may not behave similarly to other asset classes (e.g. corporate bond).

Second, intentionality matters. Investments that are motivated by the intention to create a social or environmental good are impact investments. However, if the intention is solely financial gain, even if the investment unintentionally creates social or environmental value, the designation of the investment as an impact investment is less certain. For example, an investment in a pharmaceutical company that manufactures life-saving medications solely for the purpose of generating financial returns without the intention for social impact is not an impact investment. That said, the investment may certainly be impactful, but not an "impact investment" by definition.

Third, the outcomes of impact investing, including both the financial return and the social and environmental impact, are actively measured. The degree of financial return may vary widely from the recovery of principal to above-market rates of return. In addition to financial returns, the investment's social or environmental value must be *measured* in order for the investment to be considered an impact investment.

3. Building a Strategy: Integrating Impact Investing in the Mainstream Investor's Portfolio

3.1 How Institutional Investors Can Use Long-term Private Debt as an Impact Investment Strategy

By Ommeed Sathe, Vice-President, Impact Investments, Office of Corporate Social Responsibility, Prudential

Key Insights

- For investors, long-term private debt offers compelling combinations of tangible social benefits and allows for larger allocations, current yield and more predictable cash flows without investment limitations inherent to early-stage private equity and venture capital.
- Private debt offers the opportunity to structure legally enforceable covenants around social performance and ensure heightened reporting requirements.
- For investees, private debt can provide long-term financing, resulting in better planning and financial stability for the borrower and allowing for a longer investment horizon to incorporate more sustainable approaches.

Background

Prudential Financial, Inc. ("PRU") established a dedicated impact investing (II) unit in 1976. Since that time, the group has made nearly $2 billion in investments across a variety of asset classes, including private debt and equity, mortgages, tax credits, real estate investment trusts and structured products. The current portfolio is approximately $400 million and PRU recently committed to increase the portfolio to over $1 billion by 2020, making it one of the largest institutional impact investors in the world.

While PRU's II unit makes investments across asset classes, we are relatively unusual in that over 60% of our portfolio is comprised of private debt instruments. We believe that customized private debt solutions[2] can significantly advance social impact while maintaining appropriate risk-adjusted returns. For example, our recent debt authorizations have supported capital intensive next-generation manufacturing enterprises, innovative education delivery models and new approaches to the provision of life-saving commodities. These social strategies have been achieved while producing strong yields and loss severities that outperform those of public high yield debt.

PRU's focus on private debt is a stark departure from the mainstream conversations around impact investing, which have tended to coalesce around either public markets (carbon disinvestment, ESG screened bond funds) or early-stage private equity/venture capital. While both of these broad rubrics offer promise for creating social impact, each has significant drawbacks that limit their potential appeal to institutional investors. In the public markets, collective action among numerous investors is required to lead to proactive changes and, for the most part, these changes tend to consist of avoiding harm rather than creating affirmative social benefits. For large institutional investors, the sheer breadth and complexity of their portfolios may also make it infeasible and potentially hypocritical to engage in this level of investor activity. On the other hand, while early-stage equity investments can provide a direct and tangible connection between an investment and the intended social outcome, they often involve heightened risk and tend to be categorized as alternative investments, which comprise a very small part of most investors' portfolios.

We believe that private lending can be a middle ground that provides greater control over social benefit by the investor while also allowing larger allocations, current yield and more predictable cash flows. Our experience therefore suggests that increasing private debt allocations within impact portfolios can help play a crucial role in scaling those portfolios, particularly for institutional entities and endowments. In the analysis below, we explore key benefits that private placements hold for generating social impact and delivering appropriate risk-adjusted returns. We then turn to barriers to entry to increasing private debt allocations.

Private debt as an effective tool for scaling social impact

Jobs and basic needs: Distilled to their essence, many of the world's greatest social challenges are either the absence of basic needs – such as food, water, shelter and energy – or an outgrowth of poverty from a lack of employment. From an investment perspective, most interventions around basic needs tend to be capital inefficient and therefore disfavoured by traditional venture capital and private equity. Likewise, most early-stage investors target interventions that can scale rapidly with limited increases to overhead (i.e. hiring). This leaves a wide array of socially beneficial and job-creating opportunities that will not be well served by conventional early-stage financing. On the opposite end of the spectrum, most large public market entities only derive a modest amount of revenues from addressing these underserved markets and it can be very difficult to direct investments to these purposes in public markets. In addition, numerous socially responsible borrowers lack the scale to address traditional public markets and may need greater flexibility than can be provided through public markets.

Mission control: Many early impact investors have invested in equity transactions (either directly or indirectly) in which their capital is pooled with traditional capital. As equity investors, there is typically little operational control (absent a board seat) and without a "Benefit Corporation" legal structure, or something similar, little to safeguard the social mission of a company. By strong contrast, private debt instruments offer the opportunity to structure legally enforceable covenants around social performance and, at a minimum, secure heightened reporting requirements. From a social perspective, this is a major advantage that private placements hold over public bonds.

Sustainable extraction models: Long duration debt instruments are also crucial to aligning business practices to more sustainable approaches that generate benefits over a long period of time. The most obvious example of this is energy efficiency financing, in which the investment horizon (for both borrower and lender) essentially dictates which improvements are financially feasible as well as the aggregate amount of energy savings. Longer investment horizons also allow numerous other sustainable practices, including responsible farming, marine stewardship and sustainable timber, to generate adequate returns to offset initial shortfalls or investments in innovation.

Improved alignment: Longer investment horizons can also foster greater alignment between capital providers and borrowers. For many operating businesses, the need to continually refinance indebtedness is a constant distraction that takes away from operational improvements and restrains innovation. Perhaps the best example of this in our portfolio is our long-dated charter school loans that finance facilities on a 15-20 year basis, allowing management to focus solely on operations without worrying that a single lean year will throw off their next refinancing.

Arguably, this need for patient capital could eventually be met in the public markets, but currently they fail to appropriately price these investments since they couple early-stage operational risk with significant asset protection. It is also far easier as a single senior creditor to structure customized covenants and identify and establish appropriate approaches to solve for operational deficiencies.

Changing operator profile: Non-profits (and many cooperative structures) are excluded from equity financing, dramatically limiting the field of potential investees. Perhaps the best example of the role that liquid long-term debt markets can play in fostering social impact by non-traditional entities is in American affordable housing, where over 1.5 million units have been produced by non-profits, many of which access private debt for projects at leverage ratios above 90%. Allowing non-profits to compete in this market has made it easier to direct public subsidies into the sector and also provided a crucial safeguard against abuses from purely profit-motivated enterprises.

Private debt as a strong solution for institutional investors

Private debt offers low hurdles: All forms of public debt are witnessing unprecedented low yields and the spread compression for more risky assets has been significant. As a result, the "market rate" return for debt investments presents a very low bar and the implied yield on the high yield index has recently fallen below 6%. As a risk-adjusted return, this figure seems especially paltry since research suggests that, over a 40-year period, high yield debt instruments have suffered average loss severities of approximately 240 basis points.[3] For an impact investor, this means there is ample room to either make safer or higher yielding investments. Since implementing our current investment strategy, PRU has done both.

Debt can price opportunity cost: This is a subtle but important factor for many of the institutions currently lost in the debate over whether impact investing provides a market rate of return. Debt can be externally or internally rated and compared to an appropriate benchmark. Where necessary, a fixed expense can be incurred to account for any perceived below-market characteristics and this amount can become a part of an annual operating budget. As investments perform (particularly when they exceed expectations), this initial discount is fed back into investment performance. This fixed opportunity cost also allows for appropriate internal risk management and a clear means of establishing budgets and authority for impact investing groups.

Debt is familiar and scalable: Many large institutions have significant regulatory or cultural barriers against private equity or similar alternative asset classes. As a result, allocations to these assets are often modest and they are expected to generate outsized returns (despite the spurious evidence on median historic performance). This creates a significantly higher perceived opportunity cost for impact investing. By contrast, fixed-income allocations are generating extremely low coupons and many debt managers are desperately looking to identify new yield producing assets. This dynamic makes it far easier to raise impact investing capital for debt investments than equity investments. Debt markets are also designed to handle larger commitments and can better digest larger minimum investment sizes.

Debt provides early performance signals: Unlike private equity and venture capital, which exhibit pronounced "J curves" and therefore delay evaluation, debt investments can provide quick insight into portfolio performance. This allows for positive feedback and increased allocations as well as negative feedback to permit strategy changes.

Barriers to entry for increasing private debt allocations

Unfamiliar asset class: Traditionally, private placement debt instruments have been a relatively modest part of the overall debt marketplace with a fairly consolidated marketplace of originators. In the mainstream market, Prudential Capital Group is one of the largest entities and has a portfolio of over $68 billion as of 31 March 2014. Because the size of the market is limited and less liquid than that of public debt, a number of investors have historically ignored private placements within asset allocation strategies and therefore adding them as part of an impact mandate may necessitate a broader conversation.

In that regard, the historic performance of private debt is encouraging when compared to public debt and for many institutional investors the lack of liquidity in this marketplace is not as significant a hindrance. Furthermore, asset management fees on private debt are significantly less than on private equity or many other alternative assets, making it cheaper to use fund intermediaries. Private placements also offer additional features not always available for equity-based strategies. These include participations, syndications, small direct sales and investments in sub-accounts of established fund managers.

Limited intermediaries: All impact investing intermediaries struggle to reach sufficient size to become sustainable organizations. This is particularly acute for private debt since management fees are typically lower, and there is limited carried interest and significant overhead involved with establishing a lending operation. As a result, there are few standalone intermediaries in this space. While non-specialized private debt intermediaries could create separate accounts, they will typically lack the deal flow from specialized originators and also may not be familiar with either the markets for social purpose enterprise or the credit enhancements that often support these actors.

Alternative credit profiles: A number of social purpose enterprises are small to mid-market-sized companies that will lack accurate third party ratings. They also frequently address markets or segments in which there are complex interactions between government and private resources (healthcare, education, non-profits) that play a crucial role in shaping the likelihood of repayment. We have found at PRU that the quasi permanence of our financing and our willingness to explore alternatives to traditional rules for credit have led to solving our clients' financing requirements while maintaining a strong portfolio of credits. We also have often worked closely with borrowers to identify and recruit appropriate forms of enhancement where transactions needed these features.

Exercise of remedies: One of the most difficult aspects of using debt for generating social impact is the inevitability of having to exercise remedies that can in certain instances put an enterprise out of business. This can create awkward reputational challenges and strong disincentives to taking action. Arguably, a key reason for institutional investors to use fund intermediaries is to avoid this dimension. It is also worth noting that socially aligned lenders can also extend greater flexibility than conventional lenders in exercising remedies and facilitating restructurings.

Equity in disguise: For entities making debt investment directly, it is vital that debt not be used to support transactions that actually require equity investments. One of the reasons we maintain a diversified portfolio is to preserve the ability to consider whether a transaction is best made using debt or equity (or not made). Keeping such a blended portfolio is crucial to maintaining disciplined underwriting and retaining the flexibility to target attractive investment opportunities across the capital spectrum.

Conclusion

While there are a number of barriers to identifying and making private debt investments, it is an asset class that can play a crucial role in both creating social impact and scaling the level of institutional commitments to impact investing. We at PRU have found that maintaining a significant commitment to private debt has been crucial to our evolution and we intend to maintain that commitment as we grow the portfolio to over $1 billion in assets.

Prudential Financial, Inc. of the United States is not affiliated with Prudential plc. which is headquartered in the United Kingdom.

Disclaimer

3.2 Building Impact-driven Investment Portfolios

By Clara Barby, Partner and Head, IMPACT+, and Emilie Goodall, Director, IMPACT+, Bridges Ventures

Key Insights

- Bridges Ventures' impact-driven investment approach follows a three-stage process: select high-impact investments; engage with investees to manage impact risks as well as identify opportunities to create additional societal value; and track progress to inform portfolio management decisions and investors.
- Each investment is reviewed using four criteria: target outcomes – the investment's intended societal impact; ESG – managing environmental, societal and governance practices to protect and enhance value; alignment – between an investment's ability to generate impact and its ability to deliver competitive risk-adjusted financial returns; additionality – whether target outcomes will occur anyway, without the investment.
- For each of the four criteria, Bridges scores both impact return and impact risk. It uses an indicative scoring guide that poses analytical questions for each of the four criteria. Pre-investment, the scoring summarizes the investment team's recommendation to provide a basis for discussion. Post-investment, it acts as a portfolio management tool.

An Overview

Founded in 2002, Bridges Ventures is a specialist fund manager with close to $800 million in assets under management, dedicated to using an impact-driven investment approach to create superior returns for both investors and society-at-large. We call our investment approach "impact-driven" because we use impact as a lens to select and engage with our investments. By doing so, we seek to generate superior returns – both for investors and for society. What does this mean in practice? Our impact approach is based on 12 years of experience investing for impact. We hope that breaking down the various dimensions of our analysis will prove useful to others.

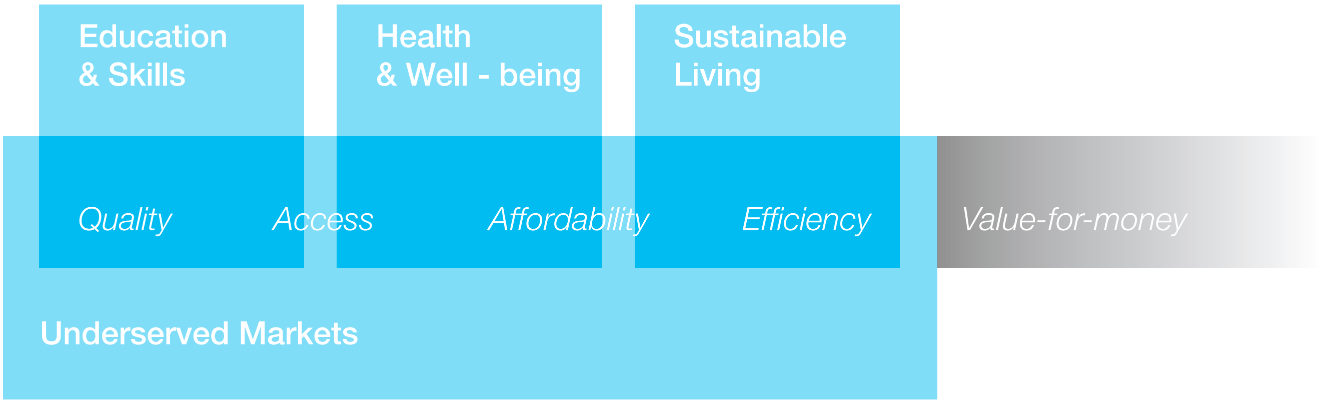
Our Philosophy

Our methodology and tools, while not perfect, help us to make informed decisions within the bounds of what is practical (both proportional and affordable) and useful (allowing us to select and manage investments to create social value on a day-to-day basis). Our approach has three key elements: a specialist focus ("Thematic"), a consistent process (**Bridges "SET"**) and clear criteria (**Bridges IMPACT Radar**).

This article provides an overview of our process and criteria today but our intention is to improve continuously – to keep learning from our work, as well as through collaboration with others.

A Thematic Approach

While our investments range from fast-growth SMEs to property to social enterprises, we have a thematic focus that cross-cuts all fund types. Each theme represents a cluster of societal outcomes that we are learning can be efficiently delivered through investable models. Over time, we have developed an investment "sweet spot" where our themes overlap: high-impact products or services that combine quality, access, affordability and efficiency, making them ideally suited to address the needs of underserved markets.



Source: Bridges Ventures

Bridges "SET"

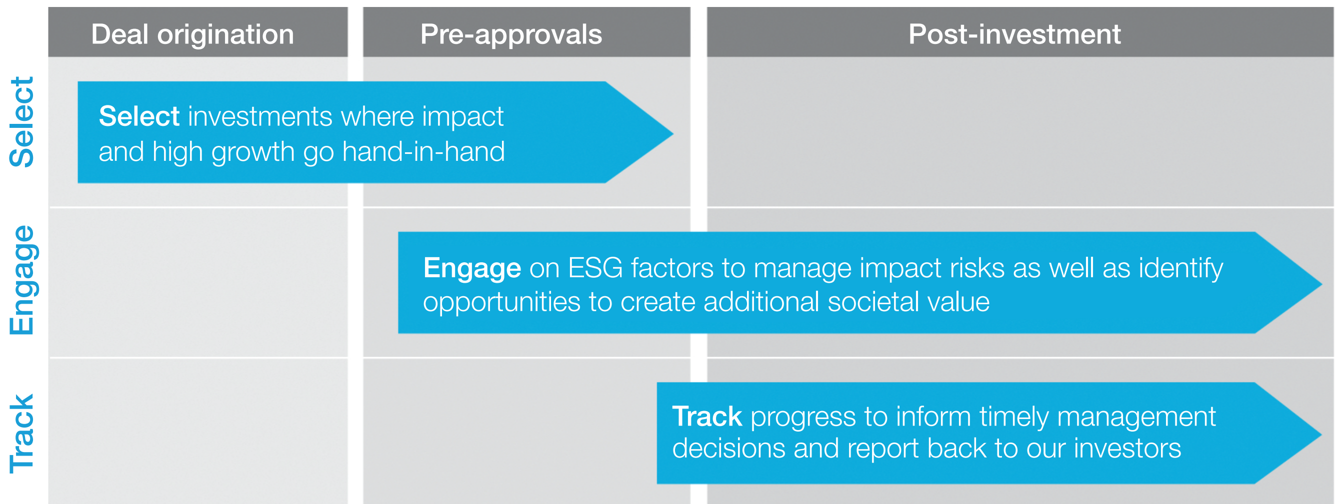
Across our funds, we consistently follow a three-stage "SET" process, which integrates impact analysis into the full investment cycle. As an impact investor, we select for impact: identifying investments whose product, location or business model will deliver our thematic outcomes. In addition to generating our specific target outcomes, we also support our portfolio companies to manage impact risk as well as optimize their wider ESG practices. We view this as a commercial-social "win-win": businesses that operate in a more sustainable way not only generate incremental impact but can also protect and enhance their commercial performance – be it through better energy management, progressive employee or customer engagement, or improved governance practices.

Bridges IMPACT Radar

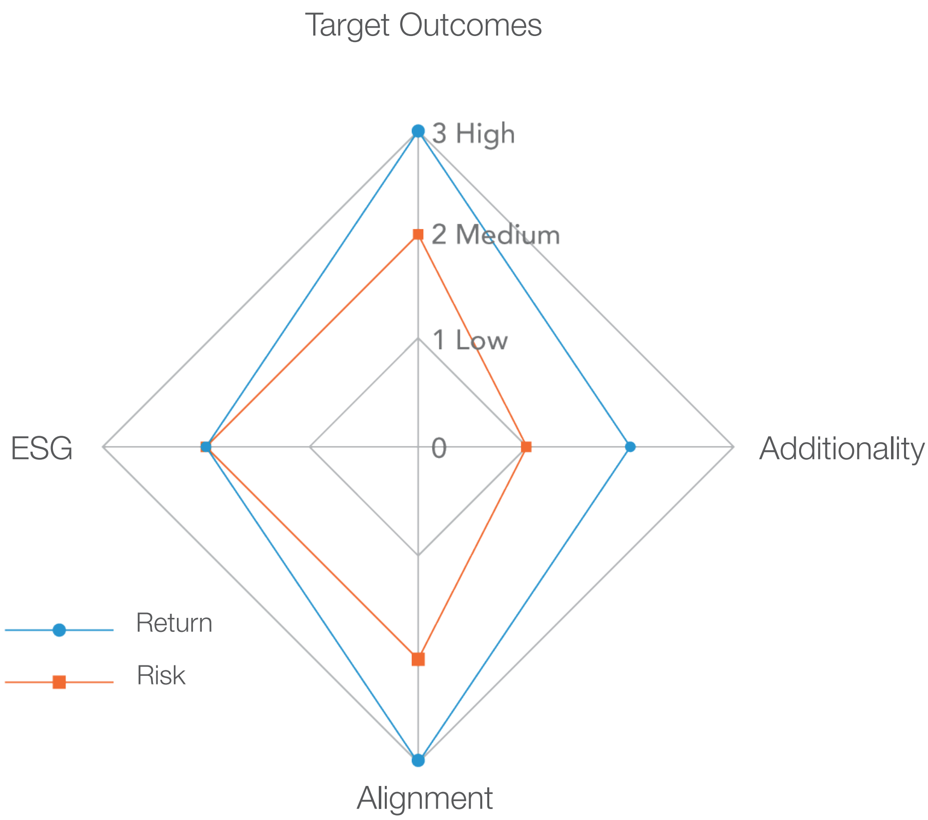
Over the last decade, we have learned to focus on four key criteria. While we tailor our approach to each type of fund, certain criteria are common to all Bridges' investments and provide a holistic view of an investment's ability to generate positive societal change.

Impact risk and return

We consider it as important to understand the **impact risk** of an investment (the probability that our impact performance will be different than expected) as to understand its potential for **impact return** (the positive impact we can claim if things go well). We therefore consider impact returns and impact risks as they relate to each of our key criteria to generate a risk/return profile for each investment. We also do this at the portfolio level to understand the overall impact risk/return profile of each fund.



Source: Bridges Ventures



Source: Bridges Ventures

How does Bridges use the IMPACT Radar?

Below are our risk/return questions for each of the key criteria, along with our Scoring Guide for mapping a potential investment. Our scoring approach is subjective and indicative, rather than categorical. Pre-investment, we have found that it usefully summarizes our investment team's recommendation to provide a basis for discussion. Post-investment, it acts as a portfolio management tool so we can monitor the impact risk/return profile of each investment (and therefore of each fund) on an ongoing basis.

Target Outcomes: *Effective solutions to pressing societal needs represent significant growth opportunities*

From an impact perspective, we view each investment as a strategy to address a societal challenge. Our "Target Outcomes" analysis therefore begins with identifying who is being affected by the problem (target beneficiary), what they need, the barrier to improvement and what the current response is.

From this background analysis, we can plot a Theory of Change: the series of theoretical stages necessary to address the challenge. To understand how an investment will convert theory into action, we then lay out the investment's specific steps (the Logic Model) to deliver each stage of the Theory of Change. This process enables us to analyse the investment's potential impact in terms of scale, depth and systemic change (which signals potential "impact returns"). It also allows us to pressure test the causal links in the investment's logic model – in other words, to question to what extent the "recipe" is understood and the causality is evidenced (which signals the level of "impact risk").

Target Outcomes?

	Key questions	Score	Scoring guide
Return analysis	Does the investment create depth of impact or scale of impact, or both? A. Does the investment benefit an underserved beneficiary group or society-at-large? B. What systemic/wider impact will occur from the investment? C.	3 High	Scale and/or depth, plus: a focus on an underserved beneficiary group and/or potential for systemic change
		2 Medium	Scale and/or depth for society-at-large
		1 Low	Neither scale nor depth
Risk analysis	How well tested are the causal links in the logic model?	3 High	Credible secondary research evidences causality (in a different but comparable context)
		2 Medium	Credible secondary research evidences causality (in a different but comparable context), plus primary research supports causality (i.e. the organization's own quantitative and qualitative assessment)
		1 Low	A scientific study (e.g. control trial or longitudinal study) evidences causality, demonstrating that the investment is generating impact

Source: Bridges Ventures

A. *Depth:* While scale can typically be measured, depth is more subjective: what is fundamental to one person may be less important to another. In the absence of an objective definition, we find that duration and leverage can be useful "proxies" for depth: Is the outcome long-lasting (duration)? Does the outcome catalyse many positive changes in a person's life (leverage)? For example, one could argue that a successful adoption creates positive change for the rest of a child's life (as does, for example, a life-saving operation), while it has also been shown to generate a wide range of other positive benefits for a child, such as improved physical and mental health and reduced likelihood of becoming a person classified as not in education, employment or training.

B. *Inclusivity:* Within Health & Well-being and Education & Skills, we apply an additional "inclusive" lens to ensure that the investments we make are, at a minimum, creating positive change for the population-at-large rather than for the wealthiest segments of society only. Our Social Sector Funds go further, typically backing models that focus on underserved beneficiary groups.

C. *Systemic change:* In addition to the direct outcomes of an investment – the graduates who go on to enjoy sustainable livelihoods or the elderly receiving improved quality of care – we also look to create wider or systemic positive change through our portfolio, such as additional cost-savings to society, a positive influence on policy or a "ripple effect" in the broader market (including price disruption and copycat models).

ESG: *Active management of our impact on key stakeholders both protects and enhances value*

While we select companies that will generate our intended outcomes (through the high-impact products or services that they provide, or the economic growth that they generate in underserved communities), we also recognize that every investment has the potential to generate other societal outcomes, both positive and negative. We take these outcomes – the ESG factors – into account to understand an investment's total (or "net") impact.

Managing risk

Prior to making an investment, our investment team works with the management team of the prospective portfolio company to identify ESG risks. To guide this discussion, we have developed an in-house risk assessment screen based on global best practices but adapted to fit the needs of investees operating in our areas of thematic focus. Our emphasis is on making this ESG risk screen as practical as possible – on making it a conversation about operational excellence. We use a materiality lens to grade each risk as a high, medium or low priority and record the results on a risk register. For each material risk, we propose a mitigation plan in the Investment Committee paper, so that our investment decision is made with a holistic view of projected impact, and a 100-day plan can be developed immediately post-investment. Thereafter, ESG issues are reviewed regularly at board meetings with investee companies, as well as at our own firm-level portfolio review meetings. Once a year, each investee provides a snapshot of any new or outstanding ESG issues, as well as progress against targets, through a pre-agreed IMPACT Scorecard.

Spotting opportunity

We call ESG opportunities "win-wins" because they improve social or environmental performance in ways that also improve business performance. While each investment has its own range of relevant ESG opportunities, our specialist focus on themes (and sub-sectors within themes) has allowed us to develop "rules of thumb" for recognizing where opportunities might lie – for example, maximizing quality of care for patients through independent clinical advisory boards in our healthcare companies, creating employment access through apprenticeship schemes in our businesses in underserved markets or minimizing energy and water usage across our property (and property-backed) investments. While some ESG opportunities can be defined pre-investment, many emerge during the investment period, through a process of regular interaction and learning with the company and its stakeholders. We create an ESG matrix for each investment to capture how ESG factors and business success factors go hand-in-hand.

Alignment: *A platform of distinct fund types allows us to match opportunities to the financial and impact expectations of a wide variety of investors*

The various funds which Bridges has developed are shaped differently: while all deliver impact alongside financial return, the funds differ in terms of the types of business models they back and the level of risk-adjusted financial returns they generate. By developing this platform of distinct fund types, we have sought to "align" each fund carefully with the financial and impact expectations of different investors, allowing us to draw a wide variety of asset owners to invest for impact. This approach also means that, increasingly, asset owners are allocating across our various funds, from different parts of their portfolio.

Over the last 12 years, we have learned there are a wide variety of social or environmental needs that create commercial growth opportunities, with the potential to deliver positive impact alongside market-rate, or market-beating, financial returns. For example, in the face of rising unemployment, we have backed training colleges, like Babington Business College, which are equipping the next generation with the skills to compete globally – an increasingly attractive proposition for both government contractors and private-pay customers.

ESG Outcomes?

	Key questions	Score	Scoring guide
Return analysis	Are there "win-win" Environmental, Social or Governance (ESG) opportunities?	3 High	Significant ESG opportunities
		2 Medium	Some ESG opportunities
		1 Low	No/Minimal ESG opportunities
Risk analysis	Can any ESG risks be mitigated?	3 High	ESG risks cannot be mitigated
		2 Medium	ESG risks can be mitigated
		1 Low	Minimal ESG risks

Source: Bridges Ventures

We also recognize, however, that there are many pressing social or environmental issues where commercial investment opportunities do not present themselves: the social mission requires a prioritization of impact over competitive financial returns, whether because of the enterprise's structure (for example, a trading charity), its business model (such as a cross-subsidy model where all profits are reinvested), its target market (perhaps it focuses exclusively on disadvantaged consumers who do not represent a commercial growth opportunity) or the founder's goals (perhaps the founder does not wish to pursue a commercial exit that may compromise the mission). To support these business models, we have developed our Social Sector Funds, which are able to offer flexible financing to suit the enterprise's individual needs.

To illustrate where our funds are positioned within the broader impact investing market, we have developed a "map" of the capital spectrum, which indicates the new capital deployment paradigm and frames the increasing range of choices available to investors.

How do we assess alignment? From a return perspective, we analyse the alignment between an investment's ability to generate impact and its ability to deliver competitive risk-adjusted financial returns. Both the Bridges Sustainable Growth Funds and the Bridges Property Funds look for an investment's impact and its competitive financial returns to be in "lockstep" – in other words, that impact will automatically scale as investors make attractive financial returns. The Bridges Social Sector Funds look for investments that are capable of generating impact alongside a sustainable, rather than fully commercial, financial return – from early-stage social ventures seeking social equity (requiring high risk capital but offering a below-market

Spectrum of Capital

	Traditional	Responsible	Sustainable	Impact Investment: Thematic	Impact Investment: Impact-first	Philanthropy
	Competitive returns					
		ESG risk management				
			ESG opportunities			
				High-impact solutions		
	Finance-only	← *The New Paradigm* →				*Impact-only*
Focus	**Limited or no focus on ESG factors** of underlying investments	**Focus on ESG risks** ranging from a wide consideration of ESG factors to negative screening of harmful products	**Focus on ESG opportunities,** through investment selection, portfolio management and shareholder advocacy	**Focus on one or a cluster of issue areas** where social or environmental need creates a commercial growth opportunity **for market-rate or market-beating returns**	**Focus on one or a cluster of issue areas** where social or environmental need requires **some financial trade-off**	**Focus on one or a cluster of issue areas** where social or environmental need requires **100% financial trade-off**
Examples		• PE firm integrating ESG risks into investment analysis • Ethically-screened investment fund	• "Best-in-class" SRI fund • Long-only public equity fund using deep integration of ESG to create additional value	• Clean energy mutual fund • Emerging markets healthcare fund • Microfinance structured debt fund	• Fund providing debt or equity to social enterprises and/or trading charities	
				Bridges Sustainable Growth Funds **Bridges Property Funds**	**Bridges Social Entrepreneurs Fund** **Bridges Social Impact Bond Fund**	

Source: Bridges Ventures

return) to established social enterprises whose business models (such as cross-subsidy schemes or cooperatives) need what we increasingly call "social mezzanine" financing (lower risk/lower return financing with an innovative exit structure that will preserve mission).

From a risk perspective, we analyse the underlying business model: the alignment between the model's business success factors and the impact it seeks to create. While our funds differ in terms of the financial returns they generate for investors, all funds share a focus on spotting business models whose ability to generate impact creates a competitive advantage.

Alignment?

	Key questions	Score	Scoring guide
Return analysis	How aligned is the investment's generation of impact with its ability to deliver competitive risk-adjusted financial returns?	3 High	"Lockstep" between generation of impact and competitive risk-adjusted financial returns
		2 Medium	Ability to generate sustainable risk-adjusted financial returns
		1 Low	Inability to repay capital
Risk analysis	How fundamentally aligned is the business model with its generation of impact?	3 High	Many business success factors are not aligned with impact success factors
		2 Medium	Some business success factors are not aligned with impact success factors
		1 Low	All/most business success factors are impact success factors

Source: Bridges Ventures

Additionaly: *Understanding the true value-add is key to both social and commercial performance*

Our additionality analysis asks whether our target outcomes will occur anyway, without our investment. In this sense, additionality defines our impact, allowing us to tell our investors whether their funds are *creating* societal value.

Our additionality "return" analysis assesses the positive impact that we can claim if things go well, i.e. the positive societal outcomes that our capital can take credit for (we describe this as "investor-level additionality"). Our additionality "risk" analysis assesses the probability that our investment will lead to negative (or neutral) impact through the displacement of comparable societal benefits (i.e. stealing market share and destroying impact value, or simply creating no net benefit). We refer to this as "investment-level" additionality).

Investor-level additionality

For our funds seeking market-rate returns, our additionality return analysis considers the extent to which Bridges is integral to the investment's development and growth. For our Underserved Markets theme, our additionality lies in directing capital to investments in the most deprived 25% of the United Kingdom – to businesses that demonstrate strong links to their community through significant local job creation or supply-chain spend, or by serving local consumers as a target market. Today, over one-third of our Underserved Markets investments are in the most deprived 10% of the country. Our decision to focus investment on these regions was rooted in the belief that there was insufficient growth capital readily available to support businesses in these markets. In other words, investor additionality was the driving force for developing Underserved Markets as a theme in the first place. For our other themes, our investor additionality considers whether, at a minimum, Bridges' alignment with the investee's social or environmental agenda will create non-monetary benefits that generate additional social value. More often, our additionality is due to our integral role in structuring or even creating an investment from scratch: in each of our funds, we look to incubate a number of businesses in-house (in which case, our investor- and investment-level additionality become one and the same).

Our Social Sector Funds provide flexible capital to sustainable, often profitable, business models that cannot attract commercial capital due to their structure or target market, or both. In this sense, investor additionality is more readily assumed, since such investees could not rely on the mainstream capital markets to support their growth. However, in co-investment situations, we still consider the extent to which Bridges leads the development of the investment (and therefore the leverage of additional capital), which signals an even higher level of investor-level additionality.

Investment-level additionality

At the investment level, our analysis assesses probability that the social outcomes generated by the underlying investment will create a positive net benefit for society (typically through improved quality or quantity of outcome, or both); or if, instead, the investment's target outcomes are at risk of displacing comparable benefits.

Our methodology is rooted in our day-to-day experience and based on over a decade of learning, combining idealism and realism. We hope it can serve as a useful contribution and welcome feedback.

(For more information, see Bridges IMPACT Report, 2014)

Additionality?

	Key questions	Score	Scoring guide
Return analysis	Is Bridges integral to the development/performance of the investment?	3 High	Bridges is incubating the business
		2 Medium	Bridges is the sole or lead investor in an opportunity overlooked by mainstream investors*
		1 Low	The business is already well-established with other (competing) investors but Bridges' non-monetary support can drive increased impact
Risk analysis	Does the investment lead to outcomes which would not otherwise occur?**	3 High	Likely displacement of comparable societal benefits (e.g. simply stealing market share with no impact value-add)
		2 Medium	Unlikely displacement of other comparable societal benefits due to increased quantity or quality addressing current market failure
		1 Low	Very unlikely displacement of comparable societal benefits due to increased quantity or quality addressing current market failure

*For Underserved Markets, a high additionality return is if Bridges' investment is the driver for the launch of a business in (or relocation to) an area of very high deprivation

** An investment could be creating new positive outcomes or it could be preventing negative outcomes from otherwise occurring (e.g. saving jobs).

Source: Bridges Ventures

4. Democratizing Impact Investing for Retail Investors

4.1 Catalysing the Market of Socially-conscious Retail Investors

By Jennifer Pryce, President and Chief Executive Officer, and Katherine St. Onge, Senior Officer, Calvert Foundation

Key Insights

- To increase the participation of retail investors, impact investing firms should consider creating suitable products that will both resonate with investors' values and be easily accessible for investors and their financial advisers.
- Online channels can be engaging platforms with lower investment minimums that automate many customer service needs.
- Given the operational challenges of raising capital from retail investors, strategic partnerships are needed to leverage capacity and efficiencies.

Increasing Demand for Impact Investing

Investor demographics are shifting and more investors want to put their money to work for causes they care about. A recent study of 5,000 millennials across 18 countries showed that the number one business priority of this generation is to improve society.[4] The millennial generation is reaching an age where they are beginning to think more seriously about investing their money, and they are interested in investment options that are aligned with their values.

This shifting mindset is especially evident in women and millennials who are beginning to think critically about the effect their investments can have on society. Women control almost half of all US estates valued at more than $5 million[5] and their investment power is estimated to grow. Over the next 40 years, estimates indicate women globally will inherit 70% of the $41 trillion in intergenerational wealth transfer.[6] Roughly half of affluent women are interested in environmental or socially responsible investments as compared to only one-third of men.[7]

While demand for impact investing is increasing, many of the existing impact investing options are only available to accredited institutions and high net worth investors. This is largely due to significant barriers to entry for retail investment products. The "democratization" of impact investing is possible; it requires making investment opportunities more accessible to main-street investors and creating strong partnerships among firms to further scale the sector.

Calvert Foundation's Community Investment Note

Calvert Foundation is a 501c(3) non-profit founded on the belief that underserved communities can improve their social and economic well-being when connected to sources of patient capital and, furthermore, that every day individuals want to meaningfully engage in social change. To accomplish this mission of enabling people to invest for social good, Calvert Foundation created the Community Investment Note (Note) in 1995 to be a vehicle between investors and communities. Since its creation, the Note has attracted more than 13,500 investors who have invested over $1 billion to support hundreds of non-profits and social enterprises. In addition to individual investors, more than a dozen corporations and hundreds of faith-based and non-profit institutions have invested with Calvert Foundation in amounts ranging from $20 to $25,000,000. Over 60% of investors are individuals making less than $100,000 a year, and they come from every state in the US.

How did Calvert Foundation create its Community Investment Note? It started with partnering with high-impact, local organizations working on critical social issues such as but not limited to affordable housing, education, and sustainable agriculture throughout the US and around the world that need access to capital to catalyse their work. Investors receive fixed financial returns of 0.5% to 3.0% that are based on fair rates to our borrowers. Investors are also provided with the social impact metrics of their investments, such as the number of jobs created, houses built, school slots enabled, women-led businesses created and farmers supported. While social impact metrics are important, our investors have signalled loud and clear that it is the narratives of the impact – the stories, photos and videos of how the capital is helping empower people and communities – that is more engaging for them.

Being able to attract a diverse array of investors was important to Calvert Foundation from day one. Some of the decisions we have made to accommodate that include making the Note a fixed-income product and focusing on risk mitigation for investors. While there is a strong need for equity in impact investment sectors, debt is seen to be more predictable and suitable for both investees and investors. Meticulous underwriting, credit monitoring and diversification strategies mitigate the risks the investors face. Our investors further benefit from over $30 million in net assets, loss reserves and security enhancements to protect them from potential portfolio losses. Over the past 20 years, Calvert Foundation has had solid portfolio performance with a 100% repayment rate to investors while lending to organizations serving low-income communities.

Creating retail products with stable returns and strong social impact is a necessary but not sufficient condition for the democratization of the impact investment sector – impact investment products must also be accessible to the average person. Beyond having a direct investment channel where investors fill out an application and send it in with a check, it is beneficial to offer impact investment products through brokerage accounts and online.

Brokerage Accounts: Where the Investment Dollars Are

Since the majority of investment dollars are managed within brokerage accounts, Calvert Foundation needed to overcome the hurdles of working with brokerage firms on impact investment to gain exposure to both retail investors and their financial advisers. First, we structured the Note to look more like a corporate bond and created additional protections for our investors so it would be easier to understand and distribute. Second, through a partnership[8] with an underwriter and distributor of fixed-income securities, we gained distribution to hundreds of brokerage firms that enabled our Note to be held alongside other corporate notes/bonds in brokerage accounts.

While the Note is a fixed-income vehicle, which has provided many advantages, this path to acceptance has often been more like that of alternative products, which most other impact investments are. Once the Note was "wired into the brokerage firms", many brokerage firms performed extensive due diligence before allowing financial advisers and their clients to access it. Each brokerage firm has a different due diligence process in assessing our creditworthiness, but common aspects include helping a firm understand all the features of our product, portfolio, investment decision-making process, sales goals, capitalization, liquidity, and other financial aspects related to assessing our ability to repay our investors. Given the uniqueness of our investment institution, the product, our portfolio and the lack of a standard credit rating, we work directly with the brokerage firms when they are conducting due diligence. The brokerage channel is fairly unique for Calvert Foundation today – with weekly sales of the Note of about $1 million.

What lessons have we learned in bringing new products to the retail market? First, building brokerage distribution takes considerable time as each firm does things a little differently – so it is best to prepare your team for the demands of this. At the same time, brokerage firms are closely watching what their competitors are doing. Relatedly, the brokerage firms themselves are interested in considering products that can take on significant capital and will be of interest to many of their clients. Having a national footprint and being available for sale throughout the US helps in this regard, and the ability to take on significant investment dollars can also not be understated. While $50 to $100 million capital raises are significant within impact investing, that is relatively small in the financial services industry, and brokerages generally focus on products capable of taking on $100+ million (ideally $500+ million).

Second, before due diligence begins, understanding the perspective of the financial advisers within each brokerage firm and identifying those who can be articulate champions of the product and the value it offers to their clients are key. Third, since many investors learn about new investment products from their financial adviser, educating advisers is critical to the growth of impact investing. While a growing number of advisers focus on sustainable and impact investing, for most, this is outside their area of expertise. Participating in select industry conferences is helpful on a high level and meeting one-on-one or in small groups with advisers is an important next step. It can take several conversations before the understanding of investment mechanics and the value proposition for the client clicks. The growing interest in impact investing helps, and it is useful to showcase how this knowledge is helpful to advisers, both for attracting new clients and building deeper relationships with existing ones.[9]

Online Investing: A More Engaging Future

Critical to the democratization of impact investing is providing online investment opportunities. In 2007, Calvert Foundation was the first security issuer on MicroPlace, the only online broker-dealer specializing in microfinance securities for retail investors. Through our partnership with MicroPlace, we were able to attract over 8,000 new investors and experienced a 30% growth in sales in 2008 alone, a year in which much of the economy was paralysed by the financial crisis. More recently, Calvert Foundation launched its own online investment platform[10] to create an engaging medium through which investors can easily connect with the places and issues they care about. The platform distributes our Community Investment Note and investment initiatives and is not dependent on the pending crowdfunding legislation with the JOBS Act.[11] The online channel is essential to our democratization mission because the online investment minimum is only $20, versus the standard minimum of $1,000 on brokerage platforms. It also automates much of the customer service needs for investors, from streamlined compliance and payment processing, to online account access and maintenance for investors. This not only creates efficiencies for us internally, it provides a more engaging platform for investors.

The online sales channel further expands the playing field by making impact investing more accessible to a wider range of people. While the brokerage channel brings access to larger dollar amounts, over half of Calvert Foundation's investors have come online given the ease and low investment minimums. We see college students starting with $20, and years later investing more when they have more money to invest. We see the average online investment in our Note being around $200, but some of our online customers are investing more of their investment portfolio or retirement accounts through their brokerage accounts as discussed before. While it is still too early to understand the full potential for impact investments to raise significant capital online, we hope the positive trends we see from our experience and the increasing interest in crowdfunding continue to provide new, exciting ways to engage investors.

Partnerships to Advance the Impact Investing Field

While having a credible investment thesis and track record is critical, devoting organizational capacity to investment compliance, marketing, sales, customer service and administration can be a real stretch. Given the uniqueness of impact investing, and the resulting lack of efficiencies in our private markets, strategic partnerships that leverage complementary strengths will be important for further industry development.

Capital Raising Partnerships: In 1998, Calvert Foundation began creating capital-raising partnerships of our Note specifically for community development organizations. Organizations took the lead on marketing and introducing the investment opportunity to their networks, while leveraging Calvert Foundation's administrative, legal, regulatory and distribution systems. This arrangement allowed organizations to test the water on retail capital raising, and for investors to get comfortable with organizations that had our backing, without the time and expense needed to create a new investment product. Calvert Foundation's first such partnership was with Oikocredit, a worldwide financial cooperative that promotes global justice by empowering disadvantaged people with credit. That Note programme has raised over $10 million to support its portfolio and led it to create its own investment product once it realized the opportunity. Note programmes have also been created for other organizations, such as Habitat for Humanity and VisionFund International.

Advisory Services: To help build needed impact investing infrastructure, Calvert Foundation began a fee-for-service programme called Community Investment Partners in 1999 to provide due diligence, asset management, investor administration and other consulting services. We helped dozens of investors design their impact and programme-related investment programmes, provided due diligence to industry players and helped more than a dozen non-profits create their own investment products. In 2010, these services became formalized in a wholly-owned subsidiary and registered investment adviser, Community Investment Partners. The current focus is on managing impact investment portfolios for institutional investors, including the Communities at Work Fund, a $100+ million small business jobs fund with Citi.

Donor Advised Funds: Another business model was created out of the overwhelming amount of donations that Calvert Foundation received after the tragic events of 11 September 2001. The Calvert Foundation Giving Fund was one of the first socially responsible and community investment donor advised funds, offering many of the benefits of a personal foundation without the legal complications and expenses. A Donor Advised Fund can be opened with as little as $5,000 and allows donors to receive an immediate tax deduction and the confidence that their funds are generating positive social returns through the impact investments they select. In 2010, in an effort to transform it into something much bigger, Calvert Foundation spun off the donor advised programme into a separate non-profit called ImpactAssets. ImpactAssets enables philanthropists and individual investors to engage in impact investing through their donor advised fund, field-building resources and new investment products that are in development.[12]

Campaigns: We learnt that to increase participation of retail investors, it is essential to create investment opportunities in communities and issues they care about. In partnership with community organizations, we just launched the Ours to Own campaign[13] to enable investors to support the cities they love, channelling their passion for their community into tangible investment action. We started these local investment initiatives in Denver and the Twin Cities and will expand to at least five cities in 2015. We're also expanding the investment options people have through our Note to sectors like affordable housing, education, small business and fair trade. Calvert Foundation is seeking further partnerships to create initiatives around global health and engaging diaspora communities as well.

Impact Investing as a Collaborative Effort

Calvert Foundation serves as a connector for investors to support community development needs. There are significant barriers to entry to accessing retail investors and creating broad distribution, but we are helping to demonstrate the investment potential of multiple impact sectors to the financial services industry. For impact investment to reach its potential, partnerships among impact investment firms are needed to benefit from increased efficiencies, reduced risk and more growth opportunities. We stand ready to help other impact investment firms overcome the hurdles and gain access to investors and financial advisers in order to further democratize impact investing.

Disclaimer

Calvert Social Investment Foundation, a 501(c)(3) non-profit, offers the Community Investment Note, which is subject to certain risks and is not a mutual fund, is not FDIC or SIPC insured, and should not be confused with any Calvert Investments-sponsored investment product. This is neither an offer to sell nor a solicitation of an offer to buy these securities; the offering is made only by the prospectus, which should be read before investing. Due to Blue Sky regulations, the current offering of the Community Investment Note may not be available in all states.

4.2 Creating and Distributing Impact Products for Retail Investors

By Gloria Nelund, Chairman and Chief Executive Officer, and Joan Trant, Director, Marketing and Impact, TriLinc Global

Key Insights

- To achieve meaningful social, economic and environmental progress, participation in impact investing must be increased exponentially. However, current investment structures present challenges for attracting capital at scale.
- Engaging 75 million individual retail investors in the US is critical to the goal of creating a robust, permanent impact investment industry.
- Due to the nascent state of the impact investing sector, impact investment products are not "bought" – they must be "sold" – and therefore require specific product packaging, marketing and distribution to achieve market share.

Why Retail Investors?

Influence through compelling numbers

The US retail market counts 75 million individuals who collectively control in excess of $17 trillion investable assets. Current retail impact offerings have a philanthropic orientation and rely on a "buy" strategy that assumes investors already know that they want to invest in an impact product. Impact offerings structured like "traditional" products that are familiar to retail investors, which meet the investors' return targets, risk tolerance and liquidity requirements and which are sold through financial adviser channels familiar to investors, can capitalize on a huge market opportunity. In turn, the retail sector's participation in impact investing has the potential to sway public opinion and be the tipping point for the broad adoption of impact products.

Distribution at scale

To date, impact investments have generally been structured as private placement vehicles, which are available only to accredited investors or qualified purchasers. Private placements are exempt from the more stringent transparency and reporting requirements that govern publicly registered investment products, making it difficult for investors to assess and compare various impact offerings. As a result of the exemption, the Securities and Exchange Commission (SEC) limits the maximum number of investors in private placements to 99 for accredited-investors and 499 for qualified purchasers, thus substantially hampering the scalability of the individual funds.

Only 3.3 million individuals meet the SEC's high net worth standards to be considered accredited investors, resulting in a very limited pool of potential impact investors. Furthermore, since the wealthy engage gatekeepers who manage their investments, bringing private placements to scale is a noteworthy challenge. In contrast, direct investment products offer access to new and innovative alternative investments and do not require accredited investor status.

Two key drivers contribute to the direct investment product category's ability to scale rapidly. The first is the product structure, which aims to satisfy retail investors' needs for a competitive income stream, a stable net asset value and a low minimum investment threshold. The second is the effectiveness of the disciplined wholesale distribution process through registered investment advisers (RIAs), independent broker-dealers and banks.

TriLinc Global Introduction

Founded in 2008, TriLinc Global is an impact fund manager with a mission to demonstrate the role that the capital markets can play in helping to solve some of the world's pressing economic, social and environmental challenges. We create institutional-quality impact funds that attract private capital at scale, aiming to set a high standard of transparency and accountability for delivering financial returns, and for tracking and reporting the impact of individual investments. TriLinc seeks to engage main-street investors, and some products may have retail-level suitability and minimum investment requirements according to state securities laws.

Executing a Retail Impact Investment Strategy

A successful strategy for democratizing participation in impact investing requires market-based design, packaging, management and reporting. TriLinc's retail offering mirrors market practice of public fund registration and leverages the traditional financial adviser education and sales process, with the goal to exponentially increase capital flows from both non-impact and impact-focused investors, which in turn accelerates economic, social and environmental progress.

TriLinc employs a disciplined process to both screen companies for their ESG practices and to define, measure and monitor the specific impact opportunity of all individual portfolio companies. TriLinc uses industry-standard metrics to report these impacts to investors. The following steps describe TriLinc's process in detail:

1. *Identify big societal issues that significant private capital can help address*
   TriLinc conducts global development and sustainability research and engages in industry dialogue to identify themes that are market-oriented and scalable and have measurable impact.

2. *Conduct detailed market research to understand retail investors' financial goals*
   To ascertain what investors need, what they buy and what gaps exist in their investment portfolios, TriLinc analyses retail investment behaviour, impact investment activities and trends, through data from government sources, private sector studies and third party market

research. It coordinates with its product distribution partner to survey financial advisers and assess the competitive landscape. Research results indicate that retail investors value current yield, capital preservation and modest capital appreciation. In return for these benefits, they are willing to accept a moderate level of illiquidity.

3. *Determine the optimal legal entity and product structure*
   Entity and structure selection are vital to satisfy customer objectives and leverage the existing retail sales process. Specifically, the product must be accessible to non-accredited investors, permit investment in target instruments, such as private debt or equity, and provide appropriate valuation terms, e.g. monthly or quarterly. Equally important, the structure must provide a way to compensate the financial intermediaries who sell the product to the end-customer. This incentive "rewards" RIAs, broker-dealers, banks and financial advisers for diligencing the product, placing it on their product platform and educating and then selling the product to their clients. Like the product itself, the fee/commission schedule should follow industry practice for each distribution channel to promote sales.

4. *Reverse-engineer the investment strategy to meet retail investors' objectives*
   To ensure sales success, the investment strategy must satisfy investors' risk tolerance, return targets, liquidity requirements and other constraints. It must also absorb capital at scale and deliver intentional, transparent and reportable impact results.

5. *Create a publicly registered product*
   Compared to the private placement model, public registration drives accountability and transparency, given the SEC's detailed reporting requirements. Registration enables scalability, because there are no maximum investor limits, and a familiar, market-proven product reduces the barriers to acceptance and accelerates adoption by both the sales channels and the investors.

6. *Partner with a specialized wholesale product distributor possessing deep industry relationships*
   Partnering with an experienced product distribution firm provides strategy, business development, marketing, sales, technology, operations and compliance support. The distributor works closely with financial intermediaries to support due diligence, establish selling agreements and train financial advisers, who engage with retail clients. TriLinc develops the messaging, assists with the creation of all marketing material, trains the trainers and participates in due diligence meetings, financial adviser meetings, client meetings, conferences and webinars.

7. *Complement top-down macroeconomic analysis and portfolio management with investment services from institutional-quality sub-advisers*
   TriLinc conducts ongoing macroeconomic analysis to identify investment trends, risks and opportunities. It then leverages the geographic, asset class and sector expertise of its investment sub-advisers, which must pass rigorous due diligence based on their institutional experience, investment processes, track record, local presence and assets under management.

   Sub-advisers originate and evaluate opportunities that meet TriLinc's strict investment and impact parameters. They perform financial analysis, site visits and tax/regulatory analysis. Alongside the underwriting process, the sub-advisers assist with evaluating investee companies' ESG practices and with gathering impact data (baseline and annual), for TriLinc to assess, monitor and report impact results at both the company and portfolio levels.

   The sub-advisers structure the transactions and, upon TriLinc funding, manage and monitor investments through regular contact, on-site inspections, financial reviews and sector tracking. TriLinc conducts stringent sub-adviser monitoring and aims to reduce risk through comprehensive portfolio diversification across multiple factors. Beyond daily contact over current and upcoming transactions, TriLinc conducts formal quarterly reviews via telephone and a minimum annual site visit with each sub-adviser and selected portfolio companies. The monitoring process assesses investment rigour, the management and performance of investments, and the verification and reporting of ESG standards and impact metrics.

8. *Demonstrate financial returns and positive impact through transparent reporting*
   TriLinc adheres to the rigorous financial reporting required for a publicly registered company, and it provides investors with quarterly investment and impact updates. TriLinc uses its portfolio management system, eFront, to track and report individual company credit and impact data. To facilitate consistent impact measurement across investments, TriLinc's sub-advisers gather ESG and impact data employing impact reporting and investment standards (IRIS). TriLinc conducts additional due diligence on the company's social and environmental activities, and it reviews related industry research, standards and best practices to complete a baseline assessment on each portfolio company, measuring the specific metrics tied to its impact objectives.

   Annually thereafter, TriLinc conducts a full evaluation of each company's progress based on sub-advisers' reporting, with third party verification of the data and process. TriLinc produces an annual impact report showing consolidated data at the portfolio level and highlighting particular investments. The box below provides further details on its impact measurement approach.

Measuring Impact

A key component of TriLinc's investment process is tracking, analysing and reporting the impact of investments through its proprietary system, the TriLinc Impact Measurement Engine (TIME).

TRACK	ANALYSE	REPORT
Identify Measurable and Meaningful Impact Objectives – Metrics selected to track progress towards investment-specific economic, environmental and social impact objectives **Create Easily Reportable Data Collection Screens and Forms** – Screens employed during investment due diligence – Initial and annual data collection incorporated into the sub-adviser underwriting process	**Incorporate Metrics into Portfolio Management Platform, eFront** – Impact metrics reviewed alongside financial metrics to assess both aspects of an investment's performance **Aggregate Data to Measure Progress against Impact Objectives** – Impact dashboards customized to analyse data by industry, sector and individual investment	**Produce Quarterly and Annual Reports** – Quantitative impact results reported through portfolio management platform – Qualitative borrower impact stories compiled **Contribute to the Standardization of Impact Measurement** – IRIS metrics reported through various impact industry channels – Collaboration with industry leaders on refining best practices

Source: TriLinc Global

Five Lessons Learned

TriLinc's early experience with fund design, management, distribution and reporting has imparted many lessons regarding how an investment manager might establish a replicable process for launching and managing impact funds at scale. Key insights follow.

Impact products are "sold," not "bought," requiring a methodical process of adviser education

Creating a robust selling group of RIAs, broker-dealers and banks is a time- and labour-intensive process. Impact-oriented RIAs can be instrumental in providing initial capital, but scaling requires that traditional, non-impact players join the selling group. As detailed in *Gateways to Impact*,[14] financial advisers (FAs) must be educated about any new idea, so they become confident enough to discuss it with clients. For the vast majority of 223,400 USFAs,[15] impact investing is a new concept. The education and sales process involves major upfront costs in due diligence materials and meetings, marketing materials, road shows, webinars, sales training and sales management systems. However, education is a critical industry-building activity as FAs in turn educate hundreds of thousands of clients.

To engage financial advisers, it is necessary to counter the perception that all impact investments are concessionary, and to educate FAs on the opportunity to retain and grow assets based on macro trends, such as the generational wealth transfer combined with the growing preference by women and millennials for investments that improve society. However, some mainstream advisers sell an impact product, not for impact, but because it targets a market-rate return and complements their clients' current investment mix. In this way, it is possible to attract both impact and non-impact capital to increase flows to the sector.

Matching the unpredictable inflows from retail sources and the investment of capital requires both rigour and flexibility

Unlike the private placement funding model of committed capital, retail inflows are harder to forecast. This may create over- or under-matching to the sub-advisers' deal pipeline. While capital amounts earmarked for transactions are orientative until approved, sub-advisers' reputations and future deal flow depend on the ready availability of funding. On the other hand, if sub-advisers cannot place capital quickly enough, the investment manager runs the risk that uninvested cash may lower portfolio returns. To mitigate mismatches, it is critical to coordinate closely with sub-advisers on their investment pipelines and identify additional sources of deals, such as other impact fund managers and public-private partnerships, that can be channelled to the sub-advisers for consideration.

Incorporation of a broad spectrum of impact objectives ensures sufficient investment opportunities at scale

TriLinc believes that capital deployed across the risk spectrum constitutes impact investment provided it is committed to intentionally achieving social or environmental benefits, and tracking and reporting on impact progress. TriLinc's process requires the companies it invests in to have an intention to create impact along with clearly identified impact objectives that can be measured and reported. This approach encompasses not only social enterprises serving low-income markets, but also companies targeting broader markets but with specific impact goals for socio-economic and environmental benefits. The expanded scope of potential portfolio companies generates a wider range of impact investment opportunities that can meet retail investors' risk-return profile, absorb exponential capital flows and generate significant economic, social and/or environmental impact.

Time and financial costs of public fund registration are significant

Public registration of a direct investment product entails filing with the SEC, the Financial Industry Regulatory Authority (FINRA) and the regulatory bodies in each of the states and territories where sales will take place. The significant investment of time, legal, tax and audit counsel, registration fees and organizational expenses require substantial resources.

The direct investment product model has the potential to drive impact innovation adoption

The rapid adoption of a new investment idea, delivered through the direct investment product structure and traditional sales channels, presents an exciting opportunity for impact fund managers. As a case in point, the first fund manager in the non-traded business development companies market initially struggled to raise capital. However, within 36 months of fund effectiveness, the manager raised $2.5 billion. Such success highlights retail investors' ability to mobilize significant capital for direct investment products, which can be adapted to incorporate impact strategies and accelerate capital flows to the sector.

Conclusion

To achieve meaningful, long-term social and environmental progress, impact managers must "expand the pie" of dedicated capital by engaging main-street investors. Impact funds which mirror the already familiar structure of publicly registered, non-traded funds while offering competitive returns, measurable, reportable impact opportunities and institutional-quality management have the potential to mimic the stellar growth of their non-impact counterparts. If they are successful, the impact sector will be well on its way to mainstream status.

5. Growing the Impact Investing Sector: What Universities Can Do

5.1 Essential Steps to Building a University Impact Investing Programme: the Case of Duke University

By Cathy Clark, Director, CASE Initiative on Impact Investing (CASE i3) and Adjunct Professor at Duke University's Fuqua School of Business, and Grace Webster, Co-Chair, CASE i3 2013-2014

Key Insights

- Universities can play a unique role in field-building, developing talent and connecting finance to other expertise. While much has been done to incorporate impact investing in MBA curricula, to develop frameworks for successful practice, better data on what works and what does not are needed as well as meta-studies to compare approaches.
- It is important to define the theory of change for a university's programme on impact investing and build activities around the assets and the outcomes to be achieved.
- Looking for specific ways to engage with faculty across the campus is also important. Impact investing is never just about finance, and the depth that experts in other fields can provide is invaluable.
- Other recommendations include leveraging activities across different stakeholder audiences and across curriculum, research and practitioner engagement, and creating programmes that provide flexibility to learn as the field learns.

The wave of impact investing has hit, and universities have jumped on board. Deloitte's annual surveys show the millennial generation – which in the United States alone comprises approximately 80 million people born between 1980 and 2000 – is more interested than ever in the power of business to solve social problems. Many are looking to graduate degrees, especially the MBA, to help equip them for this new task.

The role of universities in the developing field of impact investing is important and much of the terrain remains uncultivated. Universities are long-term institutions that can play a unique role in field-building, developing talent and connecting finance to other expertise. While a lot has been done in terms of creating the beginnings of a case literature and theoretical basis for the education of MBAs in the past decade, the data in the field are still largely inadequate for a high volume of peer-reviewed research on both the kinds of enterprises that succeed and the financial strategies that do. On the practitioner side, the world is exploding with white papers, case studies and blogs, and more meta-studies are needed to compare approaches and lessons and develop stronger frameworks to truly guide successful practice. Over the longer term, the cross-sector nature of impact investing also represents both a challenge and an opportunity for universities. Some of the most exciting work comes from different disciplines working together, and university programmes starting to do this formally in such areas as impact investing in health, education, the environment and poverty alleviation are worth watching.

Founded in 2001 and one of the first MBA centres focused on the role of enterprise in solving social problems, the Center for the Advancement of Social Entrepreneurship (CASE) at Duke University's Fuqua School of Business has been concerned with the capital markets supporting social entrepreneurs. In 2011, we took the idea of creating a signature initiative on impact investing to the CASE advisory board and our dean's office. At the Social Capital Markets (SOCAP) Conference three months later, we announced our new initiative alongside a new global advisory board, and a significant project grant from the Rockefeller Foundation.[16,17] Our timing was clearly fortuitous; a year later we had raised about $1 million and 24 months later we had raised another $10 million, in partnership with others inside and outside of Duke.

Today we have received funding from over 20 partners, including major financial institutions, foundations, investor networks and individuals, including alumni. We have worked with practitioners across the entire spectrum of impact investing, from innovators on the front lines of last mile healthcare delivery in the Gambia, to major investment banks and funds, to individual angel investors working on nearly every continent. We have taught over 850 Fuqua MBA students about impact investing, convened over 600 practitioners at global meetings, helped build a database of over 8,000 impact enterprises and contributed to policy recommendations at the US White House and on Capitol Hill about ways to advance the field.[20] We believe that the lessons of what we have learned can serve other universities, perhaps helping them to not only develop their students' interests effectively, but truly leverage their institutions in service of the field of impact investing at large.

Three years into our programme, we have learned a lot on how to best leverage resources when creating a new programme in impact investing:

1. **Define your theory of change**. Many people look at MBA programmes, or social enterprise programmes within MBA programmes, and think we all do the same thing. However, each centre is unique in programming and overall goals. At CASE we have always thought carefully about the change we are trying to create, our best assets and how we can leverage that change. Based on this assessment we make choices about what we emphasize, and what we turn away from.

   In the case of our impact investing initiative, we had a very definite point of view about student preparation. In 2011, the interest from MBA students to learn about impact investing was very high, but the supply of jobs for them as impact investors was very low. Together with our dean's office and faculty committees, CASE had developed a curriculum for social entrepreneurship concentrating on two strategies, which we call "broad" and "deep" student engagement, and we imitated this for impact investing. For the broad student body, our goal was to introduce the emerging field of impact investing into required coursework, so that *every Fuqua MBA would be exposed to impact investing.* All new MBA students prepare an impact investing case at the beginning of the core curriculum, and the CASE i3 information session, workshops and speakers' series are open to all MBAs. For students highly interested and committed to going deep, our goal was to *prepare leaders who can help build the field of impact investing*, not just staff it through entry-level MBA jobs.

   The implications of our choice to have a deep engagement strategy were significant: it was not enough to add a module to an existing course or to have students learn to perform due diligence; we needed them to master the basics of investment and impact, as well as excel in the ambiguity of an emerging field, becoming experts in cutting through uncertainty, and doing so in ways that could provide value for others. We sought to develop what we call "multilingual leaders",[19] an idea that was identified in some of our research, which showed that successful impact investing practitioners – and others in the social impact space – must navigate comfortably across the public, private and non-profit sectors, mastering their frameworks, vocabularies and cultures. We have been building coursework and co-curricular experiences around specific skills and cross-sector communication we want our students to acquire. For the past six years, for example, we have held slots in some of our courses for students from the public policy, law and environment schools at Duke, to create richer interdisciplinary conversations. We have also built the skills we think are most critical (such as designing debt and equity impact investment funds, conducting due diligence, structuring investments, defining investment theses of change and assessing impact) into our courses, so that once students follow the course sequence, they can apply those skills in the broader array of extracurricular programmes. We are also building the support systems these students need through other departments: CASE i3 has supportive staff and services available in Fuqua's Student Life and Career Management Offices, among others.

   Key questions to consider:

   – What is the goal of the impact investing education within your school? Your goals and strategy should ground all programming, including the type of student you are reaching and what success looks like. Will your strategy be around broad engagement for everyone, deep preparation for some, or both? For example, what are the career goals of students interested in impact investing, and what skills do they need to be successful? What partnerships and research capabilities would add value to the assets already present at your university/business school?
   – How will you serve the students most interested in impact investing as a career path? If you are going for a "deep" strategy, recognize that students who are professionally interested in impact investing need a variety of skills to become multilingual leaders in an emerging field, and cultivate programming to meet this need. This is not just finance with a fancy name, and students may need different kinds of career coaching and support.

2. **Create holistic programmes that give you flexibility to learn as the field learns**. Our solution to supporting students who wanted a deeper impact investing experience in a field that was still evolving was to create a signature two-year fellowship programme, which provides an intense end-to-end experience for students, offering a range of opportunities that we could change and adapt over time. Students who opt in and are accepted to the CASE i3 fellowship programme receive course instruction, hands-on consulting experience, deep exposure to practitioners and thought leaders, a peer cohort and an alumni network. We have approximately 8-10 fellows per year, a small group that gets most of our attention and support and is self-governed by two student co-chairs each year. The fellows come from diverse backgrounds and have career plans in law, wealth management, social entrepreneurship, consulting, private equity and operations.

   A highlight of the fellowship is a for-credit consulting experience, the CASE i3 Consulting Practicum.[20] Students work in teams, led by second-year fellows and staffed by first- and second-year associates, to help real practitioners address significant problems and issues. In the past two years, we have had over 75 students in the programme and many have rated it as one of their favourite academic experiences. We recruit for projects in August of each year and the teams work from October through April, giving students a multi-term leadership and learning experience in which they define a research question, work to assemble data, and design an engagement process with their team and client to develop actionable recommendations. Consulting projects are sourced through the CASE i3 advisory board network and social media outlets like Twitter and LinkedIn. While some of the proposals come from organizations with which we are already familiar, many represent new contacts and groups working on exciting and innovative ideas.

Consulting projects are inherently flexible – allowing students to work in impact areas that interest them, as well as explore every role across impact investing. Last year's cohort, for example, included local and international clients, encompassing entrepreneurs, investors, intermediaries and advisers. Students apply many different MBA disciplines to this work: one CASE i3 fellow, for example, was interested in agriculture and led a project to build a revenue model for a local agricultural intermediary and then tested its investment thesis with agriculture funders across the US. Another CASE i3 fellow interested in institutional investment worked with the World Economic Forum to help develop research-driven guides for engaging university endowments in impact investing. Other students have worked on social impact bonds, angel investing, fund performance analysis and environmental investment vehicles – a diverse range of topics.

Key questions to consider:

- How will you serve students across impact areas? Impact investing is a wide field, but students care about specific impact areas and industries, like education, the environment, healthcare, etc. Find ways to allow them to pursue those interests in a deep enough way to get real experience and develop skills and networks that will provide the foundation for a successful future career.
- How will you build in flexibility? Flexibility in programming prevents specializing too deeply in one particular area and allows your organization to remain nimble as new research opportunities emerge in a rapidly changing industry.

3. **Identify your core capabilities and leverage relationships across academic curricula, faculty research and practitioner engagement to work collaboratively.** At CASE, we believe that our "special sauce" is not only preparing MBA talent for social impact careers but also utilizing our deep experience in social entrepreneurship to conduct research that is easily understood by practitioners and can improve practitioner effectiveness. To do this we find points of confusion, questions or areas where patterns seem to be emerging but are not yet clear, and create analytical frameworks that we test and share with others. This became the focus in the first year of CASE i3, where we took on projects that explored the correlation between growth and impact for domestic impact enterprises and their funders, gleaned lessons from the investing experience of a global angel investment network and created a guide for new global investors, and undertook an in-depth analysis of high performing investment funds.[21] This research is supported by students through the CASE i3 fellowship, partnerships and grants with external groups, and CASE, Fuqua and Duke-wide faculty and staff. Once completed, we share our findings with our partners and supporters, at conferences and symposia, and engage relevant practitioner networks to promote new ideas and lessons to their members.

   Building on these core research capabilities, last year CASE added another signature programme, SEAD, the Social Entrepreneurship Accelerator at Duke, focused on helping global health entrepreneurs to scale their impact, as part of the Higher Education Solutions Network of the United States Agency for International Development (USAID). CASE i3's emphasis on impact investing as a means to help enterprises scale their solutions was an important asset USAID recognized and is a core component of SEAD'S work.

   Through SEAD, we select a cohort of global health entrepreneurs and work with them over several years to scale their impact. We do this in partnership with colleagues inside Duke with deep expertise in health and health systems, including Duke Medicine, the Duke Global Health Institute and the International Partnership on Innovative Healthcare Delivery (IPIHD), and outside with other experts, such as with Investors' Circle and the USAID mission in East Africa. Tenured research faculty from all over the university are engaging to help ask and answer questions about scaling global health outcomes, and they recognize the expertise we bring in both enterprise development and investing.

Key questions to consider:

- How can you leverage your activities across different stakeholder audiences, across curricula, research and practitioner engagement? We can develop a scaling readiness assessment tool in an MBA class, test it with some of our SEAD innovators, have a student intern implement it in India that summer, fund a researcher to study the impacts the next year, and report all of this back to an impact investor, whether that be an angel investor, a fund manager or a local ministry of health. The synergy possible in this field when you blend enterprise, investor, government, student and faculty perspectives is very powerful.
- How can your programme engage with the practitioners in the field, so that as they learn, you learn too? This can be as simple as bringing in guest speakers, or as complex as bringing in full-time expertise as adjuncts or staff, as many other programmes have also done.
- How can you engage with faculty across your campus? Impact investing is never just about business, and the depth that experts in other fields can provide is invaluable. Robert Malkin, Founder of the Developing World Health Care Technologies Lab at Duke's Pratt School of Engineering, engaged one of our CASE i3 fellows after graduation to develop a business model and investment case for the Pratt Pouch, a single serving antiretroviral foil pouch for antenatal treatment his lab developed that has been recognized by the World Health Organization and USAID. The pouch is currently in clinical trials in Ecuador and Zambia.
- How can you use your power as a convener and objective university voice to help others learn what you are learning about the impact investing field? We do this through papers, blogs, reports, books, convenings and several very active Twitter feeds.

Conclusion

We are excited about the development of impact investing and the role that universities can play in leveraging their assets to help social innovations access the capital they need to succeed. We also know that impact investing is a complex topic that has attracted some of the best and brightest minds across the fields of finance, entrepreneurship, philanthropy, policy, non-profit management, social enterprise and inclusive corporate engagement. We are currently working with over 24 researchers at 14 universities to help create better peer-reviewed research in the field. We very much hope that other universities will see this as a potent area of future exploration and work to find a niche in it that works for them. And we look forward to learning from them!

5.2 How Universities Can Increase Stakeholder Engagement in Impact Investing: the Case of Insead

By Christine Driscoll Goulay, Associate Director, and Hans Wahl, Director, INSEAD Social Entrepreneurship Programme (ISEP)

Key Insights

- Conducting a stakeholder analysis of students, alumni, scholars and outside practitioners working in the impact investing field can help universities both understand the unmet needs and design their programmes well.
- Channelling enthusiasm, exploration and excitement into concrete projects and initiatives gives stakeholders the opportunity to collaborate for mutual benefit.
- It is important to recognize and incorporate an array of engagement opportunities, including convening thought leaders, creating feedback loops between research and the curriculum and alumni practitioners and the curriculum, and promoting cross-sector partnerships that build the knowledge and practice.

Introduction to Impact Investing at INSEAD

Impact investing has become of increasing interest to INSEAD over the past several years as many within the INSEAD community view it as an opportunity to combine their business skills with a desire to make a positive contribution to society. Further, as a rapidly evolving field, the opportunities to gain insight and understanding through academic research are compelling. In response to these trends, over the past five years INSEAD has developed a number of programmes focused on impact investing – creating new knowledge, frameworks and tools needed to prepare the next generation of impact investors and advance the sector. These programmes attempt to address the challenges faced by various stakeholder groups as they aim to keep up with the dynamic pace of growth and innovation in the field, including:

- MBAs who seek to build a career in impact investing but lack the understanding, skills and network to do so
- Alumni already working in the field (or hoping to transition into it) who are in need of rigorous analysis, insights into trends and contact with peers who might enable them to remain abreast of opportunities
- Social Entrepreneurs who have participated in INSEAD's upper-level Executive Education Programme[22] seeking access to new forms of capital to expand and enter new markets, but who lack current knowledge of the field, access to suitable investors and guidance to become investment ready
- Investors eager to meet the new generation of impact investing professionals and to strengthen the pipeline of promising investments in the field
- Scholars, practitioners and policy-makers who seek to apply their research to the growing body of knowledge, frameworks and best practices within impact investing

To address the needs of these diverse groups, INSEAD has built an integrated sequence of activities around three axes:

1) *Research and curriculum*: to provide theoretical frameworks and understand essential concepts
2) *Partnerships*: to promote knowledge transfer across generations, sectors and geographies
3) *Networking and career opportunities*: to enable students and others in the INSEAD community to advance their impact investing goals

These initiatives have been made possible through the institutional support of INSEAD's faculty and deans as well as the external support of key figures and organizations in the field. Impact investing initiatives were first initiated by INSEAD's Social Entrepreneurship Initiative (SEI)[23], to assist MBA students and alumni interested in social impact as well as the SEI's network of advanced social entrepreneurs from ISEP seeking investment. The SEI began its activities in the sector in 2009 by gaining insight and connections through conference attendance, research and networking with the aim of surveying the field and identifying promising areas in which it could make a contribution. From this an institutional structure emerged.

The process of building institutional support for a new area of work within an academic institution can be time consuming and often frustrating. Changing or adding to the demands of faculty and the administration is an incremental process. Building interest among faculty is a gradual process. It is facilitated as access to doctoral students to carry out research increases, colleagues who share interest in the field grow in number, and research funding mounts. The enthusiastic response and positive feedback from the stakeholder groups have prompted INSEAD's administration to expand its activities both in scope and scale.[24] This, in turn, has created new opportunities to engage INSEAD faculty, deans, students and alumni in roles where they leverage their connections and networks, participate in events, serve as mentors, and take on case writing and research (all described in more detail below). Progressively, the quality of INSEAD's programmes has brought on greater external recognition and has enabled INSEAD to engage some of the large financial institutions in its work. The growing positive response, both internally and externally, brought with it ever-greater support from the school's alumni, faculty and management, and interest among students. Some have become inspired by impact investing programmes while on campus to make the field a focal point of their career.

Overall Insights and Recommendations for Building a Programme

- Define the audience and stakeholders and their interests carefully and involve them in the process of developing a programme
- Cultivate interest among key faculty, well-known alumni and others to build institutional and external credibility
- Articulate the value that impact investment brings to the school, its activities and those associated with it

Research and Curriculum to Promote Impact Investing

Academic research serves as an essential foundation of INSEAD's work on impact investing. Often, research is drawn from the community of social entrepreneurs who have participated in ISEP as well as MBA alumni who work as social entrepreneurs and impact investors. Understanding practitioners working in various capacities in the field provides important insights as to the innovations taking place and the challenges that arise. Often, salient research topics are identified by monitoring the obstacles, hurdles and "pain points" practitioners encounter. These have proven to be issues where in-depth academic research is most beneficial to practitioners. Efforts to understand how investors strive to combine profit and impact is the basis of Professor Filipe Santos' current research on the alignment of impact investor models and the corresponding emergence of tailored financial instruments. This, in turn, enables further analysis on fund hiring practices as well as the organizational models being deployed.

Research is then linked to curriculum development, which provides an important feedback loop to gain a better understanding of sector evolution. Whether aimed at investment professionals, entrepreneurs or informed and responsible business leaders, formal coursework creates an opportunity for students in the MBA, Executive MBA (EMBA) and Executive Education programmes to gain insight and explore practical frameworks that promote innovation and sector growth. At INSEAD, this takes several forms.

Case studies have proven to be a very effective learning tool. The focal point of a case study is often identified by scanning the members in the INSEAD network in an effort to find an actual experience that illustrates a particular business challenge identified in the research. Case writers then interview the subjects and prepare the cases with a view towards bringing out the desired teaching points. These cases are then taught in INSEAD's social entrepreneurship and other relevant courses as well as at other academic institutions through INSEAD's participation in the European Case Clearing House (ECCH) for global distribution.

For example, the Nuru Energy[25] case profiles Sameer Hajee, an INSEAD MBA alumnus and Schwab Social Entrepreneurship fellow, who created an innovative LED modular lighting solution for off-grid users as a safe and inexpensive alternative to kerosene. The case focuses on a number of key teaching points, including the use of carbon credit financing through the Bank of America as well as lighting technology and mobile money payments. Sameer often joins class discussions of the case either in person or virtually. In 2012, this case won the EFMD[26] case writing award in the African Business Category for its innovation. Another case study focuses on impact investing infrastructure itself. The case examines how Social Finance's[27] business model can be structured to balance the company's mission of providing expert guidance on social impact bonds while ensuring financial sustainability. Whenever possible, representatives from Social Finance, such as Toby Eccles, participate in class sessions.[28]

Another effective teaching tool is through simulations. In this vein, impact investing units are included in the INSEAD Social Entrepreneurship Bootcamp, a 48-hour intensive course that brings students from idea to pitch phase of a social enterprise. The boot camp is offered as an elective to INSEAD's MBAs and EMBAs and is open to alumni and external participants. The impact investing module examines the range of stakeholders, available investment instruments, terminology, and type and terms of investment most suitable at various points in the life cycle of a social enterprise. As part of the boot camp, students target and pitch to impact investors. The exercise demonstrates how impact investing differs from traditional investment and funding sources to better understand this new approach.[29] The boot camp model has proven so successful that it is expanding globally through INSEAD's partnerships with social enterprise organizations, such as the Impact Hub.[30]

Our programmes also seek to mainstream impact investing into subject areas that would not otherwise focus on social impact and to include experiential project opportunities. To illustrate, we have included impact investing in a private equity elective. As the number of limited partners requesting impact products grows, mainstream firms are quickly seeking expertise to meet this demand. Project work within the private equity elective enables students to work directly with impact investing funds to understand how these funds operate. SEI routinely assists in recruiting MBAs for internships and field projects for ISEP alumni and others in the school's network through its newsletter listings and individual guidance to students. Recently, an INSEAD team was engaged by Willow Impact Investments[31] to carry out a market study.

The length and scope of the projects need to be crafted to fit within the structure and curriculum of the academic institution. This poses additional challenges at INSEAD due to the compressed ten-month duration of the MBA programme and the frequent campus changes by students. This limits the project and coursework to two-month segments and requires that the scope be quite focused. Other schools may have the opportunity of conducting longer projects potentially incorporating site visits and field experience. In any case, the projects offer real tangible value to the volunteers as well as to the organizations themselves.

Impact investing also plays a key role in INSEAD's ISEP executive education programme. Now in its tenth year, the programme is aimed at upper-level social entrepreneurs and "ecosystem" players who support them. Some investors and venture philanthropists who have attended the programme include the Khalifa Fund for Enterprise Development, Rabobank, ADM Capital Foundation, Lombard Odier, Big Society Capital and more. Since nearly all ISEP executive education sessions include impact investment practitioners, they frequently serve as a resource to present and discuss their work with social entrepreneurs as well as INSEAD's MBAs. Communication, preparation and aligning expectations between the social entrepreneurs and impact investors form a key portion of the teaching, as does facilitating networking among the various actors in this field. As such, teaching modules include panels featuring practitioners and culminating in networking sessions that inform each party on expectations and possible investment opportunities.

Insights and Recommendations on Research and Curriculum

- Look to practitioners to help define the most promising research opportunities and priorities.
- Ensure there is a solid research foundation and incentives to engage leading faculty in impact investing initiatives.
- Be bold and innovative in developing new curriculum and teaching methods and monitor their effectiveness routinely.[32]
- Mainstream impact business and investment cases, identify prominent speakers and seek out opportunities and programmes that give students real-world experiences.

Partnerships to Promote Knowledge Transfer

Knowledge transfer within and beyond INSEAD is a key priority for the school, one achieved through building partnerships and organizing leadership events to reach broader audiences. These partnerships are usually initiated through contacts made at conferences and events as well as through INSEAD's global pool of alumni. Once contacts are made and opportunities are identified, exploratory conversations between the prospective partners and INSEAD's faculty and staff are initiated. At this point, it is necessary to identify the value proposition for both sides. INSEAD's value primarily stems from its expertise in impact investing garnered over the years as well as its global network, both of which allow the school to work with top practitioners worldwide.

INSEAD's role as exclusive knowledge partner for the Global Impact Forum[33] in Zurich (previously "Partnering for Global Impact") has been instrumental in expanding the transfer of knowledge and information on impact investing. The collaboration has linked transformative solutions to some of the world's most pressing social challenges to those with the resources needed to address them. The two-day event serves as both a venue to present some of INSEAD's leading research and frameworks as well as an opportunity for social entrepreneurs to present their work to potential investors. Through an innovative one-on-one meeting platform designed to connect participants, the conference prioritizes creating real opportunities for investment. Communication and clarity among those participating in the event have been dramatically enhanced by INSEAD's preparation of a glossary of terms.[34] The glossary has gone on to become an invaluable reference document for other impact investing activities.

INSEAD convened "Impact Investing: Creating an Industry from Innovations"[35] in May 2013 on its Fontainebleau campus and brought together over 200 leading practitioners, academics and students focusing on the field. In addition to the presentation of new research and lively discussions on recent developments, the conference created a platform for networking and sharing innovations among practitioners. Videos of all discussions and a conference report written by MBA student reporters allowed for accessible knowledge transfer following the event.

As part of its annual programme of social entrepreneurship conferences, INSEAD collaborated with three dynamic Brazilian groups: the Institute of Corporate Citizenship, ARTEMISIA and Vox Capital,[36] to present a conference on "Social Finance and Impact Business" in São Paulo, Brazil, in May 2014. The event was sought to strengthen the ecosystem of the sector in Brazil and across the region. With more than 550 participants attending, the conference focused on promoting impact investing, understanding the field, engaging private and public sector participants, and establishing the structures that would enable it to thrive. At its conclusion, the launch of a Brazilian Social Finance Task Force was announced. This new body, led by some of the nation's leading business and government figures, is mandated to create mechanisms and structures to facilitate the flow of resources to meet the needs of this burgeoning field. It exemplifies the role business schools can play in drawing on the expertise developed in one part of the world to promote innovative solutions in another.

The Morgan Stanley Sustainable Investing Challenge[37] is another important partnership for INSEAD in this space. The Challenge is a partnership among the Morgan Stanley Institute for Sustainable Investing, the Kellogg School of Management at Northwestern University and INSEAD. It is the successor and builds upon the former International Impact Investing Challenge, intensifying the focus on the potential for scalable, market-based solutions. The competition asks graduate students worldwide to develop institutional-quality investment vehicles that aim to achieve positive environmental or social impact as well as competitive financial returns. Fifteen INSEAD teams participated in a recent competition with many students stating that the event convinced them that impact investing was a career path they wanted to follow upon graduation. The competition is unique in that it provides an opportunity for students, professionals and investors in the sustainable investment space to work together on concrete, results-oriented ideas. Alumni and social entrepreneurs serve as mentors to student teams as well as judges for submissions. It is inspiring to see the strength of the submitted proposals as well as the powerful connections that are made during the process. For schools interested in organizing such a competition, it could be more beneficial to partner with existing competitions such as the Challenge rather than launching a new competition without a clear market and demand, as the problem of competition fatigue that has arisen for those working with social entrepreneurs is likely to follow in impact investing.

Insights and Recommendations for Partnerships

- Promote opportunities for learning and knowledge transfer that benefit students, practitioners and academics and be sure to capture that knowledge in an accessible form.
- Keep in mind that partnerships and the transfer of knowledge and expertise are powerful when participants have concrete initiatives and see actual investment possibilities materialize.
- Build alliances with others, including other academic institutions, to add breadth and depth to a programme that might not otherwise be available in a resource-constrained setting.

Networking and Career Opportunities to Advance Goals

The third axis of INSEAD's impact investing efforts focuses on networking and career opportunities. In such a rapidly developing field, formal structures for recruiting are not widely in place. Therefore, students and alumni have to develop contacts independently and early on to advance in the field. INSEAD has developed a number of initiatives to facilitate this.

A programme of "Social Entrepreneurs in Residence" (SEiRs) has been established on both INSEAD's Fontainebleau and Singapore campuses, enabling students to meet with social entrepreneurs and impact investors through general presentations and 30-minute one-on-one sessions. These meetings often result in projects, internships and even job offers. As such, facilitating these early personal exchanges is crucial to allowing theory to turn to practice. The participating students benefit greatly from the personal exchange with experts, and INSEAD's SEiRs are able to "interview" potential candidates for their projects and internships.

To give students an opportunity to become acquainted with leading practitioners in the field of impact investing and impact business, Social Impact "Treks" to key cities are organized on a regular basis. Many recent treks (to London, Paris and Geneva) have focused on impact investing. The trek format allows groups of 20-30 students to connect with alumni and partners working in the field and make contacts that can lead to internships and job offers. Recent visits have included visiting INSEAD alumni at Bridges Ventures, Big Society Capital, Social Finance, Generation Investments, the Soros Economic Development Fund, and more. Some of these alumni were themselves participants on past treks and found that they served as catalysts to help land their "dream job". These meetings are arranged with support from the SEI and its network as well as the INSEAD Career Development Centre (CDC), which has staff focused on both social impact and on impact investing. In addition, staff of the SEI and CDC meet regularly to exchange contacts and participate on calls to generate career opportunities, which complements these activities.

Professional conferences and meetings serve as an important third leg of this approach. INSEAD creates opportunities for students to gain access to various conferences and events by offering their services to prepare conference session reports in exchange for registration fee waivers. Recent conferences and meetings have included the European Venture Philanthropy Association,[38] Asia Venture Philanthropy Network,[39] Asia IIX,[40] and others. In some cases, students are even able to receive course credit for this work.

Finally, by bringing prominent impact investment speakers to campus, students are able to gain access to some of the leading figures in the field. These visits are promoted through student clubs (e.g. INSEAD's INDEVOR Club focused on social impact and business, the Private Equity Club) and by the SEI and CDC. Through these efforts, many students gain awareness of the opportunities open to them in the impact investing space.

Insights and Recommendations for Networking

- Enrich theoretical classroom learning by linking students, alumni and faculty with practitioners to provide opportunities for internships and practical field experiences.
- Build "pathways" for ongoing communication and networking through face-to-face meetings and events.
- Work closely with the career and alumni relations departments to attract new contacts and recruiting opportunities.
- Monitor and evaluate initiatives to determine those that bring about the greatest impact and enable accomplishments to be communicated.

Lessons Learned and Moving Ahead

The impact investing community and its practitioners are hungry to learn, open to collaborate and willing to share and exchange ideas and practices. Academic institutions can play a critical role in creating frameworks and models to help understand these changes, but the role of practitioners engaged in creating these changes is essential. Practitioners and colleagues at other institutions are an important source of insight and inspiration.

5.3 The Role of Universities in Creating Impact Investing Ecosystems: the Case of the University of Cape Town

By François Bonnici, Founding Director, Bertha Centre for Social Innovation and Entrepreneurship, the University of Cape Town, South Africa, and Aunnie Patton, Fellow, the University of Cape Town and the University of Oxford

Key Insights

Universities can play a significant role in catalysing an enabling ecosystem for impact investing:

- As credible sources of knowledge and research, universities can explore policy implications and new products, document and distribute best practices, and educate traditional investors.
- As neutral conveners, universities can bring together private and public sector actors for collaboration and partnership.
- As educators, universities can influence the current and next generation of actors and leaders.

Introduction

The Bertha Centre for Social Innovation and Entrepreneurship ("Bertha Centre") was established in 2011 as the first academic centre in Africa dedicated to social innovation. Our focus is on research, teaching, dialogue and the support of innovators and initiatives towards social impact. The Bertha Centre is located at the University of Cape Town's Graduate School of Business and was established in partnership with the Bertha Foundation. Our *Innovative Finance Initiative* builds on the strengths of the Bertha Centre and integrates our other streams of focus, which include: *Education Innovation, Inclusive Health Innovation, and Policy and Scaling*.

The Innovative Finance Initiative is built around the need to develop a local impact-focused, social investment market in Sub-Saharan Africa to operate independently as well as partner with international investors. In our experience, despite the vast opportunities for social and economic impact across the continent, the regional market for impact investing is relatively immature with underdeveloped market infrastructure. This translates into inefficiencies and high cost structures for investments, which can impede capital distribution across asset classes. In light of the breadth of these issues, we have taken an ecosystem approach to our market-building mission and developed strategies to address both the demand and supply sides:

- We are educating stakeholders across the public and private spheres to bring willing participants into the market, lower real and perceived barriers to investment and increase the availability and access to information on impact investing.[43]
- We are conducting research on innovative financing in Africa and globally to create our knowledge base.
- We are partnering with industry players to create investment and funding opportunities.

Ensuring support from the university's administration and faculty at the outset is critical. We have engaged the school's dean and programme directors through working on high profile projects important to the university. These included the development of an annual conference on the business of social and environmental innovation, designing a large incubation space, and highlighting the school in press coverage and awards we receive. To engage faculty members, we highlight the international momentum of impact investing and student demand. For example, we supported a senior academic with a focus on socially responsible investing to attend an impact investing conference in Brazil to enable her to interact with large financial players. We have since supported her research into impact investing and encouraged students interested in the topic to approach her for supervision. Another senior academic had a focus on developing organizational capacity in non-governmental organizations. We funded research on how social enterprises build their mission into their capacity development and supported working sessions to share the research with entrepreneurs from around South Africa. Both academics now teach courses on social innovation and have become key members of the Bertha Centre.

Educating Stakeholders Inside and Outside of the Classroom

For this early-stage work, it is important for us to be based in a local African institution that is recognized as an established educator, a neutral convener and a credible source of knowledge. Part of the vision of founding the Bertha Centre was to "infiltrate" the business school from within. Our goal is to turn social innovation into a mainstream topic for students, not a niche set of courses for those looking to go into non-profit work. With this in mind, we have created and continue to develop courses on social innovation that appeal to students and professionals from diverse backgrounds.

Our strategy

Our social innovation courses encourage students to go out and work with enterprises, create strategies for their own impact enterprises and develop innovative financial products. In addition to engaging enterprises and investors as guest speakers and developing case studies, we invite them to actively participate with students in class projects. For example, more than half of our Social Innovation Lab (SI Lab) course is comprised of students working directly with social enterprises. Students can source the enterprises through our network or bring enterprises or new ideas themselves. For example, we had a student produce a policy paper on South African investor appetite for social impact bonds (SIBs) that was presented to local government. In addition to helping her develop an interview list, we integrated her research into our current work on SIBs and ended up securing for her an internship working with SIBs. Another set of students worked with their supervisor to launch an impact investing fund linked to a local incubator out of their SI Lab project. We encourage universities to leverage their networks to connect students with what is actually happening in the space and create relevance to their projects and papers.

In the Executive MBA programme, which attracts leaders from across Africa, we have created a cross-cutting course titled "Shifting the System: Innovations in Business and Finance". This course, which runs across all five EMBA modules, seeks to provide the foundation, structure and space for "counter conversations" that question and reimagine traditional business and financial theory and practice. Class themes include integrated accounting, impact investing, sustainable supply chains, poor economics, marketing to the population at the bottom of the pyramid and the macroeconomics of social impact bonds. The course was developed internally and we are beginning to engage regularly with EMBA students on topics of social innovation and impact investment within their own companies, which range from multinationals to financial institutions to non-governmental organizations.

Realizing a large gap exists in the capacity of wealth managers in Africa to facilitate impact investing on behalf of their clients, we are currently in the process of developing a five-day executive education course on impact investing in Africa. We are partnering with European, American and African experts in the field as well as developing our own curriculum to create a course that is relevant to the African context and reflects best practices from across the globe. Curriculum development includes the creation of case studies, the incorporation of our own impact investing research and interviews with potential participants to understand the needs of the market. We are working closely with business development offices to create budgets, promotional materials and to understand best practices in scheduling, etc. In the future, we hope to offer a similar course to high net worth individuals, family offices and foundations.

- Universities should recognize that offering curriculum on impact investing and social innovation is now a differentiating factor for business schools. But they should not let the terms "social" or "impact" constrain what they offer. Instead they should seek to create courses across programmes and disciplines and link these courses with real life content and contacts to make it relevant and actionable for students.

Building a Research Base

Bertha Centre's curriculum and published materials are based on research we have collated from around the world as well as that we have conducted locally.[41] In addition to our funding from the Bertha Foundation, the South African National Treasury, the National Planning Commission (in the Office of the Presidency), the European Union, the Flanders International Cooperation Agency, the Rockefeller Foundation, the Wallace Global Fund and the Aspen Institute have funded our innovative financing research.

Our strategy

When we started our Innovative Financing Initiative, we had very little access to funding for research. Therefore, we had to create proposals for funding that were relevant to both the South African context (to stimulate local interest and support) and the broader African impact investing imperative (to achieve our mission) while taking into account our constraints (we are a lean operation). To use our time most effectively, we focus on projects that have a demonstrable action component as opposed to just a publication component. To address capacity constraints, we actively seek out student resources in the form of thesis work, short consulting projects and co-authoring papers. We have now hired several former students that engaged in research during their programmes.

Our Social Impact Bond (SIB) work (see the call-out box) is a good example of our attempt to create research that leads to a tangible outcome, i.e. the creation of a SIB or a SIB funding mechanism. If universities produce actionable research, they can open themselves up to additional projects, funding and partnerships in the impact investing space.

Another strategy we have taken is to work closely with government as the South African context dictates that the public and private sectors are closely intertwined. There are also structural issues that could both help and hinder the mainstreaming of impact investment in South Africa, such as the lack of a social enterprise legal entity, Regulation 28 for pension funds (which includes the prerogative to use ESG), and the Broad-Based Economic Empowerment codes.[42] By working alongside government to understand these issues and their effect on impact investors, we are attempting to help the enabling ecosystem from a regulatory and legislative perspective. Our work with government has been both funded (i.e. policy papers and commissioned research projects) and informal (i.e. sponsoring officials to attend impact investing conferences, thought papers, presentations and workshops on impact investing trends).

- To understand where a university's efforts are most needed, it must engage in constant interaction with market players through meetings, workshops and networking. Additionally, it is important to seek out advisers who can give a balanced perspective. Convening official advisory boards and more informal interactions with leaders in philanthropy, investing, education, health, etc., can help to ensure the research is relevant across sectors and will appeal to funders. Finally, the first step to working with government is to hold as many meetings as it takes to understand where the appetite lies and which gatekeepers are those that need to be influenced.

Partnering to Achieve Greater Goals

As a university centre, we are well aware of our limitations with regard to capacity and authority. We have identified and recognized that complementary capacity, resources and experience exist in organizations locally and around the world. Thus, in addition to expanding our own resources, we have consciously chosen to partner with a variety of organizations to achieve mutual goals.

Our strategy

In our partnerships we act as both neutral convener and facilitator of conversations between stakeholders. By identifying the parties that need to sit down together at the table and then creating space for the conversation, we are able to bridge traditional divides and push towards action. For example, we have recently won funding from the Department for International Development to fly down representatives from the UK Treasury to work with our national and provincial treasuries on how to structure outcome-based contracts.

These international exchanges of knowledge and experience are important, but local context is key to understanding how to integrate best practices. Thus, to facilitate partnerships and build relationships, we act as a local knowledge source. Examples include our partnership with the Rockefeller Foundation and the Tony Elumelu Foundation to host the African Regional Impact Investing Conference in 2013, our current project on local impact investment case studies that will be designed for use in classrooms internationally, and our work on a feasibility study for a financing product that would incentivize the creation of community-based solar projects.

Given the long history of philanthropy in Africa, we have sought out partnerships and collaborations with philanthropic institutions interested in “innovative philanthropy” as well as investments. One of our South African partners is the Private Philanthropy Council, which is comprised of some of the largest private donors, family foundations and high net worth individuals in the country. These members have decades of experience working with some of the most pressing issues in South Africa. In addition to exploring how to integrate impact investing into their capital allocations, we feel it is essential to engage them to learn from their experience deploying capital.

Bringing together actors for dialogue while setting up opportunities for action through continued involvement (advisory boards, memoranda of understanding, jointly funded projects) is key. The neutral platform that a university offers is crucial as the market evolves and matures. It must be used wisely, maintaining the neutrality through honest conversations with partners and sharing best practices with other industry participants (including competitors).

Social Impact Bonds

At Bertha Centre we believe that outcome-based contracts facilitated by SIBs present great opportunity in Africa. Moreover, South Africa is an ideal testing ground for the funding concept given its sophisticated financial market, large base of funders (both private and public) and strong imperative to improve service delivery across sectors. While we have undertaken research on the applicability of the structures, much of our work has been around advocacy and education. We have partnered with international and local organizations (including Social Finance) to improve our own capacity and have access to best practices.
We have identified the South African National Treasury as the key gatekeeper in government’s ability to structure the bonds and have been working closely with them from the beginning of our research (which they initially funded). We created an Advisory Board, which consisted of some of these public stakeholders and also potential private funders (mainly development finance institutions and corporations). In parallel, we have been working with provincial governments who would be most likely to commission the SIBs to explore topics that are the most attractive on a policy and need level. Understanding that outcome-based financing can seem threatening to service providers, we have made efforts to involve them into our research through roundtables, information sessions and one-on-one meetings. Finally, we have sought out investors and foundations active in the areas we are exploring (early childhood development, education, business development services and health) in order to gauge the attractiveness of SIBs and their appetite around dealing with a governmental versus non-governmental payer.

In April 2014, we published the results of our initial feasibility study on SIBs in business development services in South Africa. We now have several ongoing projects funded by government and private parties relating to outcome-based payments and are hopeful that a SIB or an Innovation Fund will be commissioned in the near future.

SIBs are complicated instruments and although we have experienced enthusiasm from nearly every stakeholder group around the potential for outcome-based payments, securing the approval and cooperation of the necessary government entities and the funding for the full feasibility studies has taken longer than we anticipated. Our perceived neutrality as a university interested in pursuing innovation rather than profit has been essential to our progress. While this initial process has been slow, we believe our approach of working directly with National Treasury is correct as its approval is critical to the larger success of SIBs in South Africa.

Limitations to a University's Role

Limitations come alongside the privileges conferred by an academic institution. We pride ourselves on being a "do tank" not just a "think tank" but find ourselves often asking how far a centre in a university can go towards building a market. This role of educator, neutral convener and source of credible knowledge is based on operating within the sphere of a university. If we stray too far outside that sphere, do we risk our legitimacy and neutrality?

Where does our role end and the role of an intermediary begin? For example, with SIBs projects, we have taken the approach of building the ecosystem through conducting feasibility studies, educating stakeholders, and working with government treasury departments around regulation and legislation required to create bonds. We plan to step back to allow intermediaries to create and market the bonds themselves. Universities must continue to ask themselves these questions as they embark on projects that mix the academic with the practical.

Similarly, when wealth managers, foundations and high net worth individuals come to us to learn about *total portfolio* strategies[43], we can provide them with international examples, guides and research we have completed in South Africa. But experienced impact wealth managers are lacking, so we have few places to refer them to put these theories into practice. While we believe our executive education course on impact investing will be useful in this regard, part of a university's work is simply building the demand for these services and the market will respond accordingly.

Finally, when investors come to us looking for investments in social enterprises in Africa, we struggle with how best to assist them. We do not have the capacity to facilitate investment readiness for social enterprises or to help develop the ability to make impact investments. Yet we can address structural issues. For example, in South Africa no business structure for a social enterprise exists; the only choice is between a non-profit organization (NPO) and a for-profit organization. NPOs are often penalized if they are deemed to be making revenue from "outside their core mission". By building on existing research, we are lobbying government and tax officials to change this policy and encourage impact investments. Universities can seek out ways to positively influence key pieces of the emerging impact investing ecosystem, from aiding due diligence to lobbying for policy change.

Going forward, core funding for the Innovative Finance Initiative is a key priority so we may grow. Our ecosystem building work is based on the needs of the entire market, which unfortunately do not always fit into the project-based proposals we develop. We have been able to leverage the Bertha Centre's core funding (from the Bertha Foundation) to start the Initiative's work, fund shared resources and related research, top up the innovative finance budget between projects and cover many overhead costs. Core funding is likely to be a struggle for many universities when building out impact investing focuses. One suggestion is to work with existing funding and resources (including students) to build a track record against which to raise additional capital.

Conclusion

Being based in a business school that seeks to be more relevant in Africa, we have taken an expanded view of the role of a university in impact investing – beyond research alone, to that of also acting as an advocate, a convener, a knowledge source and a facilitator. We believe all of these roles are necessary to catalyse an enabling ecosystem for impact investing in Africa. We encourage other universities to explore how to similarly use their platforms as educators, credible sources of knowledge and research and neutral conveners to be active actors in creating an enabling ecosystem for impact investing within their own contexts.

5.4 How Universities Can Promote Multidisciplinary and Cross-cultural Collaboration in Impact Investing: the Case of the University of St Gallen and Insper

By Angélica Rotondaro, Managing Director, the University of St Gallen Hub Office Latin America; Johannes Boch, Coordinator, Impact Investing Research Platform, the University of St Gallen in São Paulo; Sérgio Lazzarini, Professor of Organization and Strategy, and Dean of the Graduate Degree Programmes, Insper Institute of Education and Research

Key Insights

- Management schools can play an important role in building the impact investing marketplace by providing multidisciplinary and multistakeholder common spaces for joint hands-on projects and knowledge consolidation/diffusion.
- Although it is easier to develop one's own research alone, innovative solutions will come across more easily through cross-cultural teamwork.
- Academia is generally perceived as the "ivory tower". In the case of the Impact Investing Latin America (IILA) Knowledge Platform, professors, students, researchers and practitioners are developing front-line projects and supporting the growth of the impact investing field.
- Impact investing can be an opportunity to connect the dots between economic, social and environmental demands and simultaneously reinforce the creation of a generation of responsible leaders.

Introduction

Universities have the means to consolidate the requirements for future sustainable economic, social and environmental development. No other type of institution provides comparable independence, freedom to test and succeed or fail, and start over again.

Whether due to a growing student demand to conduct research, do a traineeship, and afterwards direct the spirit and purpose of their professional lives to improve society and drive innovation as well as generate profit, or as an internal process of rethinking the way business and economics are taught in the universities, some management schools are reviewing their curricula and providing experimental labs aiming at fostering future responsible leadership.

This is the case of the Impact Investing Latin America (IILA) Knowledge Platform[44] launched in December 2012 as a joint initiative between the University of St Gallen[45] (Switzerland) through its hub office in São Paulo and Insper[46] (Brazil).

The mission of the platform is to address the challenges the impact investing sector is facing in Brazil. We started with projects in the following three areas: impact measurement, the development and analysis of hybrid investment models and support for impact entrepreneurs to build their business models. These initiatives were fine-tuned after the 2nd Impact Investing Conference, held in São Paulo in August 2013, where investors, entrepreneurs and academics highlighted the three main challenges for mainstreaming impact investing in Brazil:

- Lack of transparency and available investment data and the lack of a legal framework
- Absence of a standard definition and investor knowledge about impact investing
- Main actors' tendency to develop their own projects without engaging others and rarely embracing innovative projects in a cooperative way

The central component of our interdisciplinary platform is the student body. Currently, 20 students from different backgrounds are doing their Master's or PhD theses in the area of impact investing. After the platform was launched, a continuously increasing number of students from different areas of studies have approached us to join front-line projects in Latin America.

From this experience, three main roles management schools can play to respond to this demand, be a cradle of entrepreneurs and a catalyst for *responsible and sustainable leadership* become apparent, summarized in the box below.

The Functions Business Schools Can Serve

Meeting Point/Centre for Expertise

- Support building the impact investing marketplace by organizing uncoordinated activities through a multidisciplinary approach; leverage universities' neutral stance to engage different stakeholders
- Partner with other universities to promote cross-cultural viewpoints and improvements on existing theory

Industry Knowledge Platform

- Generate knowledge through academic papers, case studies, research workshops
- Transfer knowledge through graduate courses (integrating social finance into the educational curriculum) and executive education
- Disseminate knowledge through conferences, online communities, newsletters, academic papers and the mass media

Front-line Experience

- Use a hands-on approach as a learning tool: students in a mixed role of trainees/researchers support building business models and cases for enterprises that provide products and services to underserved markets, or financial institutions (conventional and venture philanthropy), family offices and high net worth individuals

Cross-cultural and Multidisciplinary Approach

IILA provides a neutral, not-for-profit research-oriented space that goes beyond academic circles. The two founding universities – the University of St Gallen and Insper – are long-term academic partners. The impact investing activities of the University of St Gallen are connected and accelerated in a research platform based in São Paulo. Insper has implemented an initiative for impact measurement within its Centre for Public Policy, called Insper Metricis.[47] Cooperation between the two universities relies on a steering committee that spans both universities' impact investing initiatives and its members jointly supervise research pilot projects and executive education programmes.

Pilot projects must follow the Platform's key values: first, research must be generated jointly with local partners; second, priority is given to front-line research; third, different stakeholders in impact investing should be approached systematically to build a common space.

At the moment, the pilot projects are identified in two ways. First, we are approached by impact funds, entrepreneurs and development banks that would like our students to support their projects. For example, Dr. Consulta,[48] a Brazilian healthcare clinic network for low-income people, approached the University of St Gallen through the impact investing fund LGT Venture Philanthropy.[49]

This research addresses the question of social impact measurement and its relevance for the strategic positioning of the project. As a first step, the social economic impact and the flow of recommendation will be measured, among others, through public value assessment.[50] The second step comprises the integration of the data in a sustainability-balanced scorecard[51] that will be developed with the Dr. Consulta management team in order to illustrate crucial information for future strategic decision-making.

Another example is a project to adapt the concept of social impact bonds (SIBs) to the Brazilian context for an environmentally protected park. This project was identified through Instituto Semeia,[52] an institute that promotes innovative and sustainable management models for protected areas and Brazilian parks. In its current form, the project is a public-private partnership (PPP) crafted by the State of Minas Gerais in Brazil. The idea is to attract investors and entrepreneurs to help develop tourism in the parks, while guaranteeing the conservation of the area's natural and archaeological resources. The government thus designed a pay-for-performance contract whereby private entrepreneurs who will manage the public concession with receive a 10% bonus if they meet a host of socio-environmental standards.

The second approach to identifying pilot projects includes research topics the universities pinpoint as essential to bring added value to the impact investing ecosystem. For example, the University of St Gallen's hub office in São Paulo has started a study to evaluate how private companies and their institutes and foundations could engage in impact investing by looking at their inclusive business strategy, along their own value chain. The expected result is to develop a roadmap with the different phases from corporate social responsibility to inclusive business and impact investing, and the milestones for a company to move from one phase to the other. The first roadmap proposal will be presented and discussed during a roundtable at the annual Impact Investing Conference in August 2014, with representatives from Nestlé Brazil, Ouro Verde Amazonia,[53] Jari Foundation[54] and BNDES (Brazilian Development Bank).[55]

After identifying the project and depending on project complexity and size, a sounding board committee is put together, which includes experts from complementary fields of expertise from academia and the business world. The two founding universities also hold a monthly meeting that serves as an open feedback session on what should be improved or changed for their respective projects, and whether different sorts of research expertise should be added to ongoing projects. Recent meeting topics included the review of the annual conference programme, and discussions about a methodology for measuring impact and the need to define control groups for comparative purposes.

This research cooperation has resulted so far in an article that was presented at the Academy of Management Conference.[56] It uses data from interviews with local and international impact investing funds, entrepreneurs, accelerators and thought leaders in the Brazilian impact investing ecosystem to generate novel propositions on how the impact investing community can combine financial and social performance.

Additionally, other front-line projects have been or are currently being developed, including an investor's report for an organic agriculture venture in the south of Brazil, the development of a pilot study to measure the socio-economic impact of investment in education for low-income populations in Rio de Janeiro, and a mapping of the impact investing funds in Brazil jointly developed by LGT Venture Philanthropy, the University of St Gallen, the Aspen Network of Development Entrepreneurs[57] and Quintessa[58] in August 2014.

To connect essential academic and intercultural capacities, the Platform is initiating cooperation with several departments at the University of St Gallen in Switzerland (strategy, entrepreneurship, gender inclusion, renewable energy, transcultural management), and with Insper (public policy, strategy).

In addition, recently, new partners have joined the Platform: the Centre for Organization Studies[59] of the School of Business and Economics of the University of São Paulo (FEA-USP) to develop a project to assess the impact of projects supported by a development bank in the area of family farming; the Humanistic Management Center[60] (Switzerland) as a sounding board for the IILA Knowledge Platform, the BMW Foundation[61] for potential projects in the area of *intrapreneurship* and for engaging privately-owned foundations, and Oikos,[62] a student association for sustainable economics and management.

The intercultural knowledge transfer expresses itself in the classroom as well, and a new course on impact investing is being developed for the University of St Gallen in Switzerland, as part of the master's additional programme of studies. In São Paulo, an executive education programme is already held every year at Insper that focuses on the latest developments in impact investing, particularly when it comes to measuring social and environmental impact.

Last, but not least, knowledge transfer and diffusion is achieved through various communication channels, such as the annual Impact Investing Conference in São Paulo, already in its third edition. This year the conference will also be initiated in Switzerland.

Challenges and the Impact on the Future Generation of Responsible Leaders

The IILA started as a bottom-up process and consequently the main challenge relates to creating a structured initiative inside the universities. Thus questions on the possibility of creating an independent centre of expertise or integrating the initiative into an already existing centre (social entrepreneurship or sustainability) are currently being discussed.

Besides organizational challenges, intercultural initiatives have a series of pros and cons. The advantage of an intercultural initiative with strong regional partnerships is certainly the fact that it allows access to local contacts, organizational support to set up projects and an understanding of the local culture and current socio-economic issues.

However, like any other kind of cooperation, intercultural teamwork can be difficult. Aspects of mutual coordination, the fact of competition in a common field of research and fundamentally different values and systems for academia, research or education can prevent collaboration. In addition, sensitiveness about methodological approaches exists in academia. Combined with culturally different communication styles, there may be friction.

Therefore, besides looking for the different areas of expertise to compose a project team, it is of fundamental importance to be aware of the cultural and linguistic challenges posed by the different communication style and academic beliefs.

All in all the outcomes have proved to be positive in terms of generating innovative models and exposing students to different front-line and hands-on experiences.

We truly believe that these experiences are of crucial importance for teaching hands-on responsible leadership skills. However, impact investing is a growing industry and open positions for the students and researchers who have been engaged in front-line projects are still restricted, when compared to conventional consulting or banking carriers.

In our case, of the six students who have developed their research connected to impact investing, two are working in the banking industry, two are in a social finance consultancy, one is in academia and one is looking for a position in the area. Additionally, it is interesting to observe that students who have been engaged in research associated with impact-related business models and investment mechanisms start to elaborate personal entrepreneurial ideas.

Summary and Recommendations to Other Universities

IILA and its intercultural and interdisciplinary approaches create cutting-edge knowledge on current developments in the Latin American impact investing market, and provide the incentive for students to come to the region, while supporting the development of real cases as an educational process for future leaders.

Based on our experience, the following are our recommendations to other business schools interested in becoming engaged in building the impact investing sector:

- Assess the local market needs and identify the university's core expertise. It can be helpful to allow interdisciplinary approaches and support cultural openness and academic flexibility. Consequently, methodological and conceptual knowledge can adapt quickly to the needs of the respective market.
- Relate this knowledge to potential areas of engagement and identify local partners (universities, foundations, associations). Identifying a local partner is essential to ensure the culturally adapted and accepted implementation of new concepts or ways of doing things.
- Start creating collaborative centres of expertise. Impact investing is a multidisciplinary topic, which, to be successfully implemented, requires that centres of expertise be created to engage all the co-related topics in a systemic manner.
- Collaborate with business schools from different regions. To bring together different world views and to promote a better intercultural understanding, invite professors from other schools for lectures, workshops or MBA courses.
- Promote meaningful applied and field research in which students not only engage in observations and apply questionnaires but also support projects as consultant trainees. We consider a time frame of at least three months, so the field work can bear fruit in improving local projects and create a steady academic return for the business school.
- Document the experience in the joint projects and interactions with the communities through teaching cases, disseminating academic papers and white papers with guidelines and actionable recommendations to investors and entrepreneurs.

We believe these points are crucial to constructing a future management educational approach that is able to catalyse the financial and social innovation needed to meet the growing global challenges.

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Clara Barby leads Bridges Ventures' IMPACT strategy throughout the investment cycle and IMPACT+, Bridges' advisory efforts. She has focused her career on investing in innovative high-impact businesses – most recently on the management team of AyurVAID Hospitals, an India-based healthcare chain and Acumen Fund portfolio company. Previously, she worked for Acumen Fund's Capital Markets team where she played a leading role in designing an innovative investment vehicle and later co-led the Acumen energy portfolio in India. Before Acumen, Barby worked in Bogota, promoting socially responsible investment.

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Emilie Goodall has over ten years' experience in impact investing, responsible investing and impact analysis. Prior to Bridges Ventures, at the UN-supported Principles for Responsible Investment (PRI), she led the cross-asset class team supporting PRI's global network of investors to implement responsible investment practices. Previously, she managed debt and equity-like investments in non-profits at CAF Venturesome and led its impact strategy. Goodall also worked as analyst and consultant at New Philanthropy Capital, a consultancy and think tank engaged in non-profit analysis and the promotion of funder effectiveness.

Sérgio Lazzarini, Professor of Organization and Strategy, and Dean of the Graduate Degree Programmes, Insper Institute of Education and Research
Sérgio Lazzarini conducts research on strategic management with emphasis on how emerging market contexts affect business strategy, the organization of public-private interactions, and impact investing. He is the author of *Capitalism of Ties* (Campus Elsevier, 2011) on public-private interactions in Brazil, and the co-author of *Reinventing State Capitalism: Leviathan in Business, Brazil and Beyond* (Harvard University Press, 2014) on the evolution of state capitalism throughout the world. He also heads Insper Metricis, a research initiative helping entrepreneurs and investors measure social impact in innovative pay-for-performance contracts.

Gloria Nelund, Chairman and Chief Executive Officer, TriLinc Global
Prior to co-founding TriLinc Global LLC, Gloria Nelund served as Chief Executive Officer of Deutsche Bank's $50 billion US Private Wealth Management Division. She has been a pioneer supporting the development of impact investments, such as Deutsche Bank's microcredit programme and Scudder's socially responsible investment products. Nelund is Chairman of the Board and Independent Trustee for RS Investments, a mutual fund complex with more than $20 billion under management. She sits on the board of multiple non-profit organizations.

Katherine St. Onge, Senior Officer, Calvert Foundation
Katherine St. Onge is a member of Calvert Foundation's Investor Relations team. She is responsible for managing relationships with investors and financial advisers to increase their understanding of Calvert Foundation's products and services. She previously worked in international and domestic economic development with the Aspen Institute and Louisiana Economic Development, respectively, and Goldman Sachs.

Aunnie Patton, Fellow, University of Cape Town and the University of Oxford
Aunnie Patton spends her time broadly across three areas: driving the Bertha Centre's Innovative Financing Initiative, consulting on social investment strategies, and researching and lecturing in social finance and impact investment. She has worked in the mainstream and the impact finance sectors globally and has a BA in International Political Economy from DePauw University and an MBA from the University of Oxford's Said Business School.

Jennifer Pryce, President and Chief Executive Officer, Calvert Foundation
Jennifer Pryce brings nearly 20 years of finance and community development work to her role as the President and Chief Executive Officer of Calvert Foundation. Under her leadership, the organization has developed innovative initiatives that combine a social issue with the power of impact investing, such as the Women Investing in Women Initiative (WIN-WIN), the only retail impact investing product available to US residents that is focused on supporting organizations empowering women. Prior to Calvert Foundation, Pryce worked with Nonprofit Finance Fund and held positions at several Wall Street firms. She serves on the Boards of Hitachi Foundation and Impact Assets.

Angélica Rotondaro, Managing Director, the University of St Gallen Hub Office Latin America
Co-founder of the Impact Investing Latin America (IILA) Knowledge Platform, Angélica Rotondaro has also been engaged in several grass-roots development projects, socio-economic impact assessments and inclusive business strategy reviews in Brazil, Chile, Peru and Switzerland. Prior to that, she worked in ventures in the area of alternative energy and developed a global brand for a business in waste management services. Her doctoral research was on the influence of the image elements in Fair Trade commercial relationships.

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In addition to managing Prudential's Impact Investment programme, Ommeed Sathe serves as a board member for B-Lab, the Community Development Trust and the Military Park Partnership. Before joining Prudential in 2011, Sathe was director of real estate development for the New Orleans Redevelopment Authority. Previously, he was a real estate and land use attorney with Fried, Frank, Harris, Shriver & Jacobson in New York City.

Joan Trant, Director, Marketing and Impact, TriLinc Global
Prior to joining TriLinc Global LLC, Joan Trant launched and was Executive Director of the International Association of Microfinance Investors (IAMFI). IAMFI led the microfinance investment industry with proprietary research, contributions to publications, educational events and consensus-building for investor best practices. Prior to IAMFI, Trant was Deputy Executive Director of The Resource Foundation, supporting community-building programmes in 20 Latin American countries. She serves on the Finance Committee of the Christopher Reynolds Foundation.

Hans Wahl, Director, INSEAD Social Entrepreneurship Programme (ISEP)
Hans Wahl has more than 35 years of experience in education, management, and economic and political development in over 40 countries. He joined INSEAD in 2007 and his current work focuses on programme development, educational design and social impact assessment. Wahl is a founding director of the Governance and Justice Group, a multidisciplinary group that carries out research and advises on issues of access to justice, rule of law and human rights. He has launched several social ventures, including a sustainable tourism organization in Georgia, and has studied, written and consulted on issues of civil society development, human rights and capacity building worldwide.

Grace Webster, Co-Chair, CASE i3 2013-2014
Grace Webster is a 2014 MBA graduate from the Fuqua School of Business at Duke University where she was a member of the CASE i3 fellowship programme, serving as CASE i3 co-chair during her second year. Her research interests focus on developing and executing impact investing strategies for individual and institutional investors. Grace is currently a Private Banking Associate with Credit Suisse, based in Atlanta.

Endnotes

[1] http://www.weforum.org/reports/margins-mainstream-assessment-impact-investment-sector-and-opportunities-engage-mainstream-i.

[2] Private debt encompasses a number of sub-groups (including commercial bank lending), but for our purposes the term is used to refer primarily to instruments with a longer tenure, fixed rate of interest and customized terms. This category can include both senior, mezzanine and asset backed instruments. The size and scope of these instruments are typically beyond the lending capacity or parameters of other community-based organizations like community development financial institutions.

[3] New York University Salomon Center Leonard N. Stern School of Business, *Special Report On Defaults and Returns in the High-Yield Bond and Distressed Debt Market: The Year 2010 in Review and Outlook.*

[4] http://www.deloitte.com/view/en_GX/global/about/global-initiatives/world-economic-forum/annual-meeting-at-davos/8182b8e049b3c310VgnVCM3000003456f70aRCRD.htm#.UeRCrvlOSSo.

[5] Warner, Fara. *The Power of the Purse: How Smart Businesses Are Adapting to the World's Most Important Consumer – Women*. Pearson/Prentice Hall, 2006.

[6] Boston College Social Welfare Research Institute, January 2003. Available at: http://www.bc.edu/dam/files/research_sites/cwp/pdf/41trillionreview.pdf.

[7] https://www.linkedin.com/today/post/article/20131210000408-174077701-big-idea-2014-investing-will-completely-change.

[8] In 2005, Calvert Foundation began a partnership with Incapital.

[9] http://www.firstaffirmative.com/resources-news/news/impact-investing-the-single-greatest-opportunity-for-advisors/.

[10] www.vested.org

[11] The Jumpstart Our Business (JOBS) Act was signed into law in April 2012. It aims to increase funding to small businesses in the US by reducing the regulatory burden around raising capital. Title III of the JOBS Act offers businesses that raise capital through crowdfunding an exemption under securities laws. The SEC is still finalizing the rules around equity crowdfunding, which would allow companies to raise money from investors through the internet. Because Calvert Foundation raises debt investments, it is not subject to the rules of the JOBS Act.

[12] ImpactAssets enables philanthropist and individual investors to engage in impact investing by providing: impact investment products, including a donor advised fund and impact investing notes and educational resources to support individuals and advisers looking to engage in impact investing and to help build the field of impact investing. More information can be found at ImpactAssets.org.

[13] www.ourstoown.org.

[14] Calvert Foundation, *Gateways to Impact*: 2012.

[15] US Department of Labor, Bureau of Labor Statistics: 2012.

[16] http://blogs.fuqua.duke.edu/casenotes/2011/09/07/announcing-launch-of-case-i3-the-case-initiative-on-impact-investing/.

[17] http://sites.duke.edu/casei3/case-i3-basics/case-i3-advisors-and-partners/.

[18] More statistics on our programme are available at http://sites.duke.edu/casei3/case-i3-by-the-numbers/. For more information on the policy recommendations, see http://sites.duke.edu/casei3/for-practitioners/us-national-advisory-board-on-impact-investing/.

[19] http://www.pacificcommunityventures.org/impinv2/four-common-practices/multilingual-leadership/.

[20] http://sites.duke.edu/casei3/case-i3-basics/case-i3-consulting-program/.

[21] CASE i3's research on high-performing investment funds will have resulted in 3 reports, 12 case studies and 2 books by October 2014: http://blogs.fuqua.duke.edu/casenotes/2012/09/26/six-dynamics-describe-how-impact-investing-is-unique/; http://www.pacificcommunityventures.org/impinv2/downloads-and-resources/; http://sites.duke.edu/casei3/collaborative-capitalism/.

[22] http://www.insead.edu/isep.

[23] http://www.insead.edu/se.

[24] INSEAD now has expanded impact investing activities to its Singapore campus through its Global Private Equity Initiative (GPEI). The GPEI has taken on a Distinguished Fellow position for an MBA alumnus to focus on impact investing from the perspective of institutional investors and family offices, creating synergies and building out the network globally.

[25] *Nuru Energy (A): Financing a Social Enterprise - Nuru Energy (B): From Breakdowns to Breakthroughs*, Filipe Santos and Anne-Marie Carrick, INSEAD. See http://www.nuruenergy.com.

[26] European Foundation for Management Development Case Writing Competition. See http://www.efmd.org/.

[27] Social Finance is a UK organization instrumental in structuring the country's Social Impact Bonds as a vehicle for directing investment into social services. See http://www.socialfinance.co.uk.

[28] INSEAD has also begun experimenting with video case studies. In 2012, INSEAD won the ECCH overall global award for the best study for the Renova case, which featured over a dozen videos.

[29] Other successful INSEAD simulations include the Entrepreneurship elective *Your First Hundred Days* during which students "live through" the first hundred days in a newly acquired company, with many surprises along the way.

[30] http://www.impacthub.net/.

[31] http://www.willowimpact.com/ (Willow Impact was founded by INSEAD alumni).

[32] For other INSEAD teaching innovations, see the INSEAD Start-up Accelerator, Sci-Tech Commercialiser and Social Impact Catalyst, winners and runner-up, respectively, of the MBA Innovation Awards, http://www.insead.edu/ice.

[33] http://www.globalimpactforum.com.

[34] http://www.globalimpactforum.com/program/insead/glossary/index.

[35] http://www.insead.edu/events/insead_entrepreneurship_forum/programmes/may-2013.cfm.

[36] http://www.ice.org.br; http://www.artemisia.org.br; http://www.voxcapital.com.br.

[37] http://www.sustainableinvestingchallenge.org.

[38] http://www.evpa.eu.com.

[39] http://www.avpn2014.com.

[40] http://www.impactforum.asia/.

[41] In March 2013, we launched the first edition of *Investing for Impact Barometer*, which was driven by Professor Stephanie Giamporcaro. The *Barometer* attempts to aggregate information on the industry in a concise format to help academics, researchers, investment professionals, journalists, civil society and policy-makers to get a synthetic understanding of practices and trends in the financial industry that seek financial returns but also aspire innovatively to achieve a positive impact on society.

[42] South Africa's first democratic government was elected in 1994, with a clear mandate to redress the inequalities of the past in every sphere: political, social and economic. Since then, the government has embarked on a comprehensive programme to provide a legislative framework for the transformation of South Africa's economy. In 2003, the Broad-Based Black Economic Empowerment Strategy was published. The fundamental objective of the Act is to advance economic transformation and enhance the economic participation of black people in the South African economy.

[43] Total Portfolio Activation (or management) refers to strategies to activate entire portfolios (not just the 5% dedicated to grant capital) towards mission, attempting to optimize portfolios of high net worth individuals and foundations for financial and social impact.

[44] http://www.impactinvesting.com.br.

[45] http://www.unisg.ch.

[46] http://www.insper.edu.br.

[47] Insper Metricis is a research group with the objective of helping local investors and entrepreneurs design innovative metrics of impact and pay-for-performance contracts based on those metrics. The objective is not to standardize metrics but instead to standardize a *process* to effectively design measurement plans and use those plans to support contracts between investors and entrepreneurs.

[48] http://www.drconsulta.com.

[49] http://www.lgtvp.com.

[50] Meynhardt, T. (2013). "Werkzeugkiste: 37. Public Value Scorecard (PVSC)". *OrganisationsEntwicklung*. *Zeitschrift für Unternehmensentwicklung und Change Management,* 4, 79-83.

[51] Schaltegger, S. and Dyllick, T. (2002). *Nachhaltig managen mit der Balanced Scorecard. Konzept und Fallstudien.* Wiesbaden: Gabler.

[52] http://www.semeia.org.br/.

[53] http://ouroverdeamazonia.com.br/.

[54] http://www.fundacaojari.org.br/.

[55] http://www.bndes.gov.br.

[56] Lazzarini, S., Cabral, S., Pongeluppe, L., Ferreira, L. and Rotondaro, A. (2014). *The Best of Both Worlds? Impact Investors and the Financial versus Social Performance Debate* presented at the conference in August 2014; see http://aom.org/annualmeeting/.

[57] http://www.aspeninstitute.org/policy-work/aspen-network-development-entrepreneurs.

[58] http://www.quintessa.com.br.

[59] http://www.fea.usp.br.

[60] http://www.humanisticmanagement.org.

[61] http://www.bmw-stiftung.de.

[62] http://www.oikos-international.org/stgallen/.

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