

Accelerating Impact

Achievements, Challenges and What's Next in Building the Impact Investing Industry

Executive Summary

E.T. Jackson and Associates Ltd.

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Rockefeller Foundation

Innovation for the Next 100 Years



E.T. JACKSON & ASSOCIATES LTD.

Impact investing involves “investors seeking to generate both financial return and social and/or environmental value—while at a minimum returning capital, and, in many cases, offering market rate returns or better.”

PREFACE

The concept and the practice of Impact Investing—or the placement of capital with intent to generate positive social impact beyond financial return—have grown and matured significantly over the past five years. In 2008, the Monitor Institute took stock of the emerging industry and characterized it as being on the precipice of passing from a stage of “uncoordinated innovation” into one of “marketplace building.” Since 2008, the Rockefeller Foundation has sought to help build that marketplace as well as hold it accountable for its social and environmental impact goals. We have helped to build networks, develop social impact ratings and reporting standards, cultivate new and larger intermediaries and contribute to research and enabling policy environments. “Industry building” is not often the remit of foundations, but our rationale for doing so was clear: a functioning impact investing industry has the potential to complement government and philanthropy by unlocking significant resources to address the world’s most pressing problems and to improve the lives of poor and vulnerable people.

Four years later, and as part of our commitment to learning and accountability within the Foundation and to our partners and stakeholders, we undertook an independent evaluation of our work in this arena. In March 2012, we presented to our Board the results of this evaluation, undertaken by E.T. Jackson and Associates. It highlighted a number of early successes and remaining challenges, many of which will shape our activities in the months and years to come. As part of its evaluation, E.T. Jackson also undertook a global scan of impact investing activity over the past four years so that we could assess our progress in relation to the evolution of the broader field. We believe the results of the scan will also be informative for a number of other current and future industry participants, and we are proud to contribute it to the growing body of evaluative knowledge and research in this field.

It is clear from our evaluation and scan, and from the growing body of research on impact investing, that there exists great momentum and inspiring leadership in this dynamic field. More significantly, there are promising signs here that together we can play an important role in bringing about a more sustainable, resilient and equitable future for humankind. We are honored to work with all of you on this journey.

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EXECUTIVE SUMMARY

INTRODUCTION

This report assesses the progress made over the past four years in building the global impact investing industry. It is divided into three parts: first, context, which introduces the structure of and key actors in the impact investing field; next, an examination of the recent achievements and challenges in building the impact investing marketplace; and finally, presentation of a set of recommendations for accelerating the rate of growth of the field.

Accelerating impact is the organizing theme of this report. Looking back, the past four years have certainly seen accelerated growth in, among other things, the number of organizations in the field, the quantum of capital mobilized, the variety of financial products offered, the number of participants in key networks, the number and depth of research outputs by the industry, and the range of methods and tools for measuring impact. In spite of this impressive progress, however, global impact investing still faces a range of challenges and complexities. Looking ahead, there is both a need and an opportunity for industry leaders to join together to catalyze a powerful further acceleration—a *surge* in the rate of growth—across a wider range of dimensions, in order for the field to reach maturity, scale and sustainability.

This report assesses progress made over the past four years in building the global impact investing industry.

EVALUATION OVERVIEW

Background

In 2007 and again in 2008, the Rockefeller Foundation convened meetings at its Bellagio Center in Italy to explore with leaders in finance, philanthropy and development the need for, and ways and means of, building a worldwide industry for investing for social and environmental impact. The 2007 meeting coined the term and concept of “impact investing” itself, and, in 2008, the Rockefeller Foundation’s Board of Trustees approved \$38 million toward its new *Impact Investing Initiative*, which sought to use grants, program-related investments (PRIs) and non-grant activities to implement the industry-building plans created through the Bellagio convenings. The Initiative has run from 2008 through 2012, and was recently extended by the Rockefeller Foundation’s Board through 2013.

In 2011, the Rockefeller Foundation commissioned a [strategic assessment](#) of its Impact Investing Initiative. To inform the assessment by locating the Initiative’s work within the broader context of the field as a whole, the Foundation requested the preparation of a scan of the evolution of the industry worldwide. This report summarizes the findings and recommendations of that scan, which is directed to leaders in the impact investing field as well as to the Rockefeller Foundation. The overall assessment report is entitled *Unlocking Capital, Activating a Movement: Final Report of the Strategic Assessment of The Rockefeller Foundation’s Impact Investing Initiative*. Although it is a stand-alone document, the present report should also be seen as complementary to the main report.

In carrying out this scan of the industry’s evolution over the past four years, our starting point was the conceptual framework and baseline analysis provided by the 2009 Monitor Institute report entitled *Investing for Social and Environmental Impact*, which was the product of a collective

of leaders who built upon the discussions at Bellagio. Data for the present study were collected primarily through online and hardcopy documents. This was supplemented by insights from interviews with more than 100 impact investing leaders from 11 countries that were carried out for the broader strategic assessment. While most of the [documents and interviews](#) we drew upon originated in the Global North, especially in the United States and United Kingdom, nearly one-third of the leaders we consulted are based in the Global South.¹

Impact Investing: What It Is and Where It Stands Today

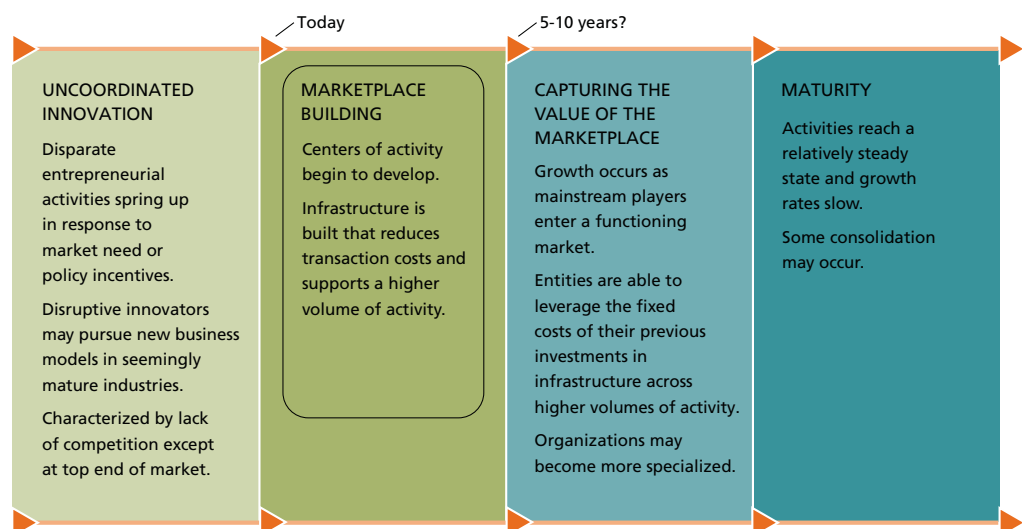
While investing for a mix of financial and social or environmental returns is not new, [four factors](#) identified in the Monitor Report have converged in recent years to generate new interest and activity in what has come to be known as impact investing:

- Broader considerations of risk in investment decisions, triggered by the 2008–2009 financial crisis;
- Growing recognition that existing resources are insufficient to address severe poverty, inequality, environmental destruction and other complex, global issues, especially among Western nations that are already reducing their aid budgets and domestic social spending;
- An emerging set of activities demonstrating that it is possible to finance scalable business models that create social and environmental value; and
- The transfer of wealth in industrialized countries to a generation of high net worth individuals seeking to embed their values in the allocation of their capital.

Impact investing remains in the market-building phase, but could evolve to the next phase in which stakeholders fully capture the value of the marketplace.

These factors have sparked considerable growth in the impact investing industry over the past four years. And, while the field remains in what the Monitor Report called the “marketplace-building” phase, the evidence reviewed for the present study suggests that if leaders can sustain and further scale this growth, the industry could evolve to the next phase—capturing the value of the marketplace and benefiting from the entrance and energy of new, mainstream players. Figure 1 shows this sequencing.

Figure 1: Phases of Industry Evolution



Source: Freireich and Fulton, *Investing for Social and Environmental Impact*, 2009

The [definition of impact investing](#) remains a work in progress and is subject to debate across investor groups and regions of the world. Over the past four years, leading players in this emerging field have attempted to provide more rigor to this definition. To this end, a 2010 report, co-authored by J.P. Morgan, the Global Impact Investing Network (GIIN) and the Rockefeller Foundation, proposes perhaps the most pointed definition to date: “investments intended to create positive impact beyond financial returns,” not only noting the blend of financial and social returns, but also clearly articulating the requirement for investors to be *intentional* in their efforts to generate both. In addition to intent, argue some industry players, there should also be tangible, measurable *evidence* of social or environmental impact at the level of individuals and households facing poverty, marginalization or other forms of distress. Furthermore, in our view, the notion and tool of [theory of change](#) could be useful to the field in better understanding both investor intent and downstream investment impacts.²

Over the past four years, the number and diversity of [actors in the impact investing industry](#) have grown impressively. Among asset owners, high net worth individuals and families have played prominent roles in this effort, as have private foundations, impact investing funds that function as intermediaries for the field, together with a select number of large financial institutions, including banks, pension funds and development finance institutions. In addition to these and other asset owners and asset managers, the industry includes demand-side actors that receive and utilize impact investments; these include companies, small and growing businesses, social enterprises and cooperatives. The final group of actors in the industry involves service providers, intermediaries and government, particularly networks and standards-setting bodies. In a global sense, there is a perception that most of the asset owners and managers have been based in the Global North, particularly the United States, while most of the demand-side actors have been based in the Global South. Changing this state of affairs should be a priority for the impact investing movement, especially in light of the ongoing shift in global economic power to the BRIC (Brazil, Russia, India, China) countries and in global governance from a Group of Seven (G-7) or NATO model to a Group of Twenty (G-20) model.

There is a perception that most of the asset owners and managers have been based in the Global North, particularly the United States, while most of the demand-side actors have been based in the Global South.

Figure 2: Actors in the Impact Investing Industry

ASSET OWNERS	ASSET MANAGERS	DEMAND-SIDE ACTORS	SERVICE PROVIDERS
<ul style="list-style-type: none"> • High net worth individuals/families • Corporations • Governments • Employees • Retail investors • Foundations 	<ul style="list-style-type: none"> • Investment advisors • Fund managers • Family offices • Foundations • Banks • Corporations • Venture funds • Impact investment funds/intermediaries • Pension funds • Sovereign wealth funds • Development finance institutions • Government investment programs 	<ul style="list-style-type: none"> • Corporations • Small and growing businesses • Social enterprises • Cooperatives • Microfinance institutions • Community development finance institutions 	<ul style="list-style-type: none"> • Networks • Standards-setting bodies • Consulting firms • Non-governmental organizations • Universities • Capacity development providers • Government programs

ACHIEVEMENTS AND CHALLENGES

What's Happened So Far, and What Hasn't

The past four years of industry building in impact investing have been dynamic, creative and, above all, productive. There have been **tangible gains** in the mobilizing of capital for impact investments by a growing number of players. The quantum of capital has risen steadily, key intermediaries have emerged, and there has been significant growth in innovative products and platforms for investors. However, while there is also evidence of gains on the demand side of the sector, there are still too few investment-ready projects and enterprises to enable the optimum placement of this new capital. The good early-stage work of building initial global standards and rating systems for the industry still requires more time and better articulation, given the proliferation of methods and tools and the brand confusion among several measurement initiatives addressing the impact of investments. While very strong progress has been made in establishing a global network on impact investing, here too there is much more yet to be done, especially in facilitating the building of platforms and partnerships in the developing world.

Figure 3: Mapping the Impact Investing Industry



In conducting our scan of the field, we have found it useful to examine progress over the past four years in terms of **six dimensions** crucial to building the impact investing industry: unlocking capital, placing and managing capital, demand for capital, assessing impact, creating an enabling environment and building leadership. A closer look at each of these areas provides a clearer assessment of the achievements and challenges in the field-building process. Further, this more

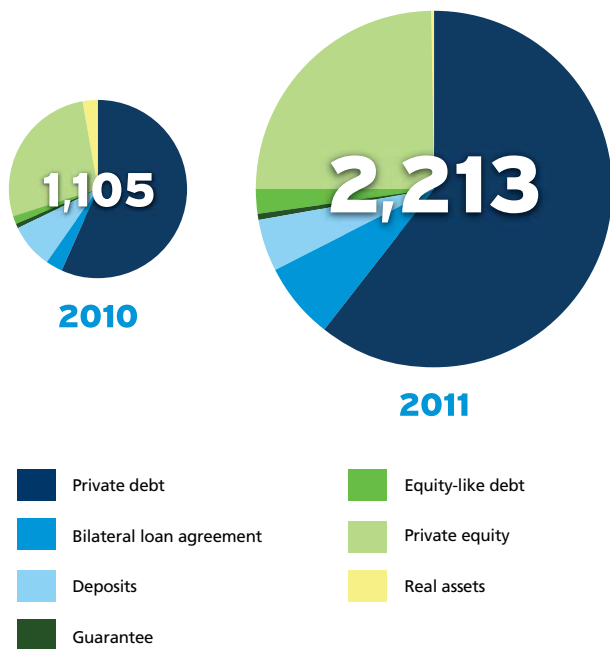
granular review is also instructive as to what should come next in the industry-building process and what key factors, in the years ahead, will affect the necessary accelerating action toward the maturation, scale and sustainability of the field.

Unlocking Capital

Overall, there has been a significant acceleration of capital commitments toward impact investing. In addition to an increase in the variety of investors engaged, larger volumes and more types of capital are being deployed globally. Industry research suggests that approximately 2,200 impact investments worth \$4.4 billion were made in 2011. This represents a significant achievement. And there are positive signs to suggest even greater interest and activity in the short term. Despite this tangible progress, though, our interviews indicated that there is large variation in where capital is deployed relative to where it is needed, a mismatch between the type of capital being offered and the demand for this capital, and a large pool of financial assets that has yet to be tapped for impact investing.

Overall, there has been a significant acceleration of capital commitments toward impact investing.

Figure 4: Number and Type of Reported Impact Investments, 2010 and 2011



Source: Saltuk, Bouri and Leung, *Insight into the Impact Investment Market*, 2011

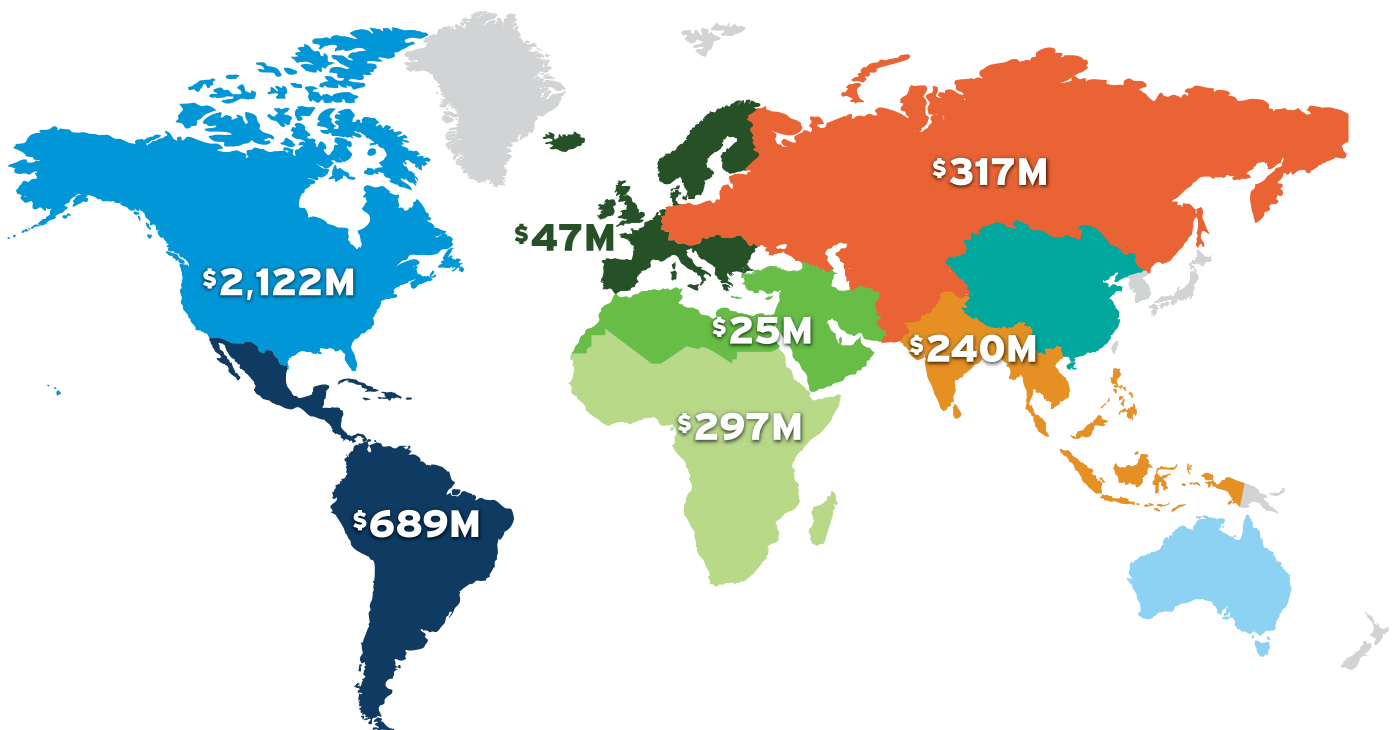
The period saw foundations, financial institutions and impact investment funds play leading roles in unlocking capital. The growing number of investors that have coalesced around the concept and practice of impact investing also brings a variety of motivations and ways of working to the industry. For example, among some prominent impact investment funds, expectations regarding risk-adjusted rates of financial return can range from 0% to 25%. Such impact investing funds have had important modeling and inspirational effects on the growing field, as have a number of foundations that are deploying both their endowment capital and their program funds in a variety of types of impact investing. In the Global North, high net worth individuals and family offices have also emerged as key actors in impact investing. However, the engagement of institutional investors—pension funds, sovereign wealth funds and major corporations—has proceeded more slowly. The exceptions are the aid-funded international development financial institutions, which have begun to play a more robust role in the impact investing marketplace in the Global South.

Going forward, there are important **challenges** that must be met in unlocking capital. One such challenge is clarifying investor expectations, especially for those investing in emerging markets. A second challenge is to better align capital with demand on the ground. One need that is not being met fully, for instance, is debt financing for early-stage social businesses. A third challenge is the lack of track record of existing products. A related task to reassess asset class-specific benchmarks that some argue are based on unsustainable expectations of risk-adjusted market returns. Finally, the challenges of illiquidity and exit continue to persist for many investors.

Placing and Managing Capital

Placing and managing capital have proven to be more difficult than raising capital. Barriers here have included investor concerns with a lack of exit opportunities, an insufficient menu of products designed for large investors, models of risk assessment that force a trade-off between impact and risk-adjusted financial returns and high transaction costs associated with structuring and executing innovative and untested investments. On the positive side, however, there has been steady, though uneven, progress in the global development of intermediation in impact investing. A cohort of specialist intermediaries has emerged over the past few years, though they are still limited to certain regions and sectors. Prominent among these intermediaries are values-based impact investing funds. As well, there has been growth in promising boutique impact investing banking services, which, while still insufficient, are crucial to the development of the field.

Figure 5: Value of Reported Investments, by Region, 2011



Source: Saltuk, Bouri and Leung, *Insight into the Impact Investment Market*, 2011

These developments have given rise to a new tranche of **innovative products** that have facilitated the placement and management of capital across a range of sectors and regions, and across asset classes. By far the most prevalent form of impact investment has involved debt instruments, which offer a relatively safe way for investors in the Global North to invest in the Global South. In 2011, as industry data indicate, this was the form taken by three-quarters of all impact investments worldwide. Indeed, some of the period's most compelling products were debt instruments, notably vaccine bonds, green bonds and microfinance bonds—all examples of innovative products that have attracted significant amounts of private and public capital. At the same time, new online products, including crowd-sourced financing models, have also appeared over the past four years.

So far, though, there are relatively few products that enable **institutional investors** to place and manage capital at scale. The main exceptions to these are the areas of affordable housing and, more recently, microfinance and clean technology. New products and vehicles are needed in this regard, especially, as our interviewees told us, those that focus on infrastructure and green real estate, in particular. Creating and marketing impact investing products that pension funds and sovereign wealth funds can buy easily, at scale, should be priorities for the industry in the years ahead. Another important task is to nurture and strengthen the group of projects aiming to establish social stock exchanges as secondary markets to attract retail and institutional investors in settings as diverse as the United Kingdom, Brazil, South Africa, Singapore and Kenya. In addition, efforts to test new ways of investors collaborating to carry out due diligence and risk assessment, as well as structuring joint investment deals, should be actively encouraged. Finally, further work is required to create more yin yang deals—collaborative investments that generate both concessionary and commercial rates of financial return while seeking a common set of social impacts.

Demand for Capital

While the impact investing industry has, understandably, been focused largely on its supply-side efforts to mobilize and place capital, its leading organizations have done relatively less work on actively developing the capacity of ventures to effectively prepare for capital infusion and to use it effectively. This has meant that the field has not been able to move the needle as far as it would like to increase the number of **investment-ready opportunities** in its target regions and sectors. One important task on the demand side is finding scalable business models that are ready to receive investment. Recent studies have identified nearly 20 such models in Asia and Africa, including, for example, smallholder farmer aggregators and mobile-enabled financial and non-financial services.

Building the investment readiness of these and other business models, especially for seed and early-stage ventures, can take a variety of forms, ranging from the active-owner approach of venture capitalists to grant-funded technical assistance, and a host of hybrid methods. There are interesting models under experimentation that involve market pricing for **capacity building** for which enterprises at least share the cost. Providing the appropriate combination of business and sector expertise is a crucial factor across all models.

In the years ahead, **challenges** relating to demand for capital should be met by broadening the set of subsectors and themes beyond microfinance in the Global South and affordable housing in the US; achieving models of capacity building for investment readiness that themselves are scalable; and creating incentives for industry networks on the demand side to collect, analyze, vet and distribute good, timely information on specific market opportunities to establish and grow specific businesses.

There has been steady, though uneven, progress in the global development of intermediation in impact investing.

Social measurement continues to be one of the most active areas in the field of impact investing.

Assessing Impact

Social measurement continues to be one of the most active areas in the field of impact investing. Efforts on impact assessment have accelerated over the past four years, though there is still much more work to be done. A number of global projects have gained visibility and momentum in recent years with the shared goal of providing a [common set of tools on social measurement](#) for investors, in particular. At the same time, a host of smaller, decentralized initiatives in impact assessment continues to exist, and even to proliferate at the sector and organizational levels. Leaders in the field must find new ways of integrating and achieving synergies across the two levels of activity.

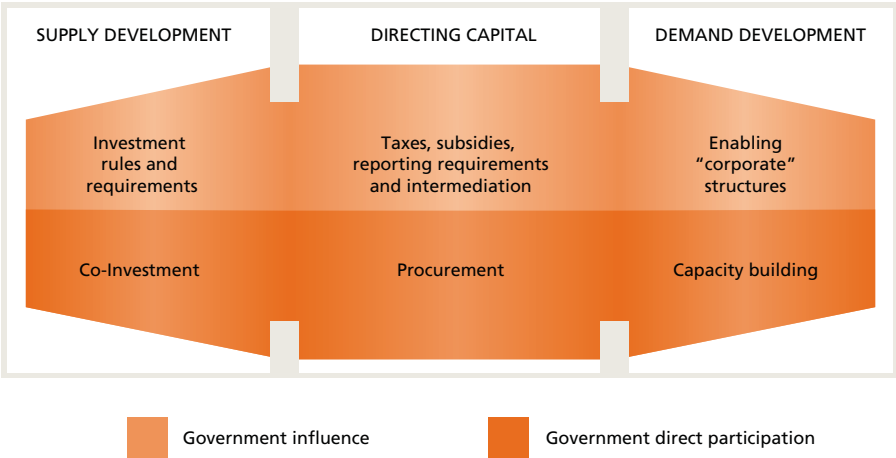
Led by a collaboration of the Rockefeller Foundation, Acumen Fund and B Lab, the [Impact Reporting and Investment Standards \(IRIS\)](#) project has sought to provide a standardized taxonomy and a set of consistent definitions for social, environmental and financial performance. Now based at the Global Impact Investing Network (GIIN) and with financial support from the Rockefeller Foundation and supported by the United States Agency for International Development (USAID), IRIS has refined its standards and also manages a data repository that permits the aggregation of performance data from funds and industry networks. Co-existing with and complementary to IRIS is the [Global Impact Investing Rating System \(GIIRS\)](#), which conducts third-party assessments of the social and environmental impact of companies and funds. To date, some 40 investment funds with nearly \$1.8 billion under management, together with 15 investors that manage \$1.5 billion in total assets, have committed to working with GIIRS to implement and refine the system. A related and complementary management information software is Pulse, a data management platform. These three tools have featured most prominently in industry initiatives, but others, such as social return on investment (SROI) and randomized control trials (RCTs), have also gained in popularity.

A number of [challenges](#) must be addressed in impact assessment work in the years ahead. First, different investors express very different levels and types of demand for third-party impact measurement tools. Second, more candid conversations are required between those actors in the field who are building measurement systems as public goods, on the one hand, with those who carry out impact assessment for proprietary revenue for their organizations, on the other hand. At this stage of its evolution, the impact investing industry needs both approaches to co-exist and to succeed together. The major initiatives must navigate a course between what the market is currently demanding and what it needs in the long run. Early adopters, who are generally the most committed to impact performance measurement, are often the players least in need of it. Yet the players who would most benefit from industry performance standards are likely to require greater persuasion to adopt them. Third, the two main global initiatives—IRIS and GIIRS—require more time and resources to refine their systems and build sustainable business models. Funders must step forward to support this important work. Practitioners express some confusion over the mandates of these two projects, and greater clarity should be brought to this issue. We note that the experience of the microfinance industry is that its prime public-goods standards and ratings instrument, the Consultative Group to Assist the Poor (CGAP), has been subsidized by donor grants for two decades. Finally, in addition to strengthening measurement systems per se, it also makes sense for the field to devote more attention to better integrating a social dimension across a wider range of scalable businesses. Improving the capacity of enterprises to generate meaningful social impacts and to collect and utilize data for opportunities and decision-making is an important task in its own right.

Creating an Enabling Environment

Governments can play important **direct and indirect roles** in creating a policy environment that fosters, rather than hinders, the growth of impact investing. Governments can encourage impact investing through appropriate investment rules, targeted co-investment, taxation, subsidies and procurement, as well as corporate legislation and capacity development that enable the efforts of investors, intermediaries and enterprises in this space. The last two years, in particular, have seen research and networking by the industry to connect policy experience and actors around the world, and to jointly produce new knowledge and tools to support governments. The prime vehicle for this work is the Impact Investing Policy Collaborative (IIPC), whose policy framework is gaining wider usage.

Figure 6: Policy Framework



Source: Thornley, Wood, Grace and Sullivant, *Impact Investing: A Framework*, 2011

Several countries of the **Global North** offer useful examples of policies that have helped impact investing to grow. In the United States, the pivotal and long-standing Community Reinvestment Act (CRA) and the New Markets Tax Credit (NMTC) were supplemented by a major commitment from the United States Small Business Administration (USSBA) to set up an impact investing fund, as well as by a number of American states adopting Benefit Corporation legislation. In the United Kingdom, the new social investment vehicle of Big Society Capital, the innovative social impact bond product, and the Community Interest Company legal structure, all have gained popularity since 2008. Policy initiatives inside government in Australia have resulted in substantial national government funding of two social enterprise investment funds, as well as demand-side capacity building support. In addition, measures by the state that facilitate impact investing are also evident in the **Global South**, including Brazil’s Clean Development Mechanism, Kenya’s Microfinance Act, Regulation 28 in South Africa and Malaysia’s Corporate Social Responsibility (CSR) Disclosure Rule, though a number of policies, like several in the US and UK, also predated the period under review here.

Going forward, several challenges remain in this area. One is the importance of impact investing leaders **engaging government strategically**, but yet not permitting impact investing to be used as a justification for dismantling necessary social programs. In fact, leaders in the field should prepare to work with other sectors and movements to establish such safety nets where they do not exist. A second challenge involves policy coherence. For example, tax incentives for oil production can draw investment away from renewable energy. Directives from the highest levels of government are

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necessary to ensure that ministries work together and that their policies do not conflict or cancel each other out. A third challenge is the need to balance, on the one hand, the importance of making policy dynamic so that it can meet the needs of a rapidly evolving market with, on the other hand, the imperative of making policy and regulation predictable, to enable efficient investor decision-making. In general, the Impact Investing Policy Collaborative has recommended that policies aimed at enabling the growth of impact investing should be designed and assessed on the basis of six essential criteria: targeting, transparency, coordination, engagement, commitment and implementation.

Building Leadership

Over the past four years, a [growing number of organizations](#) have come to play key leadership roles in the building of the impact investing field. In particular, the Rockefeller Foundation provided grants and PRIs to a group of some 30 core allies, including the GIIN, IRIS and GIIRS, to help build collective action platforms, create standards and rating systems, scale up intermediaries, and engage in research and action. Leadership activity was undertaken in parallel in other fields as well, including socially responsible investing, community development finance and clean technology.

By the end of 2011, most impact investing leaders agreed that good progress had been made in organizing their new field, and that the collective effort must move to focus now on the execution of investments and the implementation of models, policies and tools.

With its growing research and education capabilities, and support from the Rockefeller Foundation, J.P. Morgan, USAID and others, the Global Impact Investing Network has become the leading international coordinating body for the impact investing industry. Its Investors' Council serves 50 foundations, institutions, firms and funds. However, a majority of its members are based in the United States. The GIIN now needs to support the construction of collective action platforms in the regions and countries of the Global South and to engage with and support Southern investors. The network has already begun to build links with partners in Europe. The GIIN could identify such new members through the initial impact industry networks and forums that have appeared in South Africa, Kenya, India, Singapore, Hong Kong and Brazil, among other countries.

The role of [foundations](#) will be doubly important in the years ahead. This is true, first, because such foundations can and should more thoroughly align their investment policies and practices with their mission—and do more impact investing, on their own and with other investors, using and testing the tools for investors emerging in this industry-building process. Second, foundations also understand the importance of, and can make grants to support, public-goods initiatives that elaborate the impact investing marketplace and ecosystem. Other stakeholders that could support the public-goods agenda are development finance institutions and aid agencies.

To become a fully functioning and sustainable industry, impact investing leaders must make it possible for individuals to build full and rewarding careers in this field. Creating [viable career paths](#) for young professionals entering the industry and enabling mid-career fund managers seeking to improve their skills represents an opportunity for innovative formal and informal training programs as well as thoughtful, progressive human resources policies and, in particular, benefits packages.

Finally, another important leadership function over the next decade and beyond will be to [manage the expectations](#) of the field and the general public. Recent experience in the microfinance field indicates that bad things can happen to good industries. There will be failures and negative media stories. In addition to holding industry players to high standards of performance, leaders in the field need to prepare to respond effectively to all the dynamics and challenges that are sure to come with the status of a growing, permanent industry.

RECOMMENDATIONS

Opportunities and Directions: What's Next?

Overall, our scan of the impact investing sector's progress over the past four years has shown that the field has moved decisively from the “uncoordinated innovation” phase in the Monitor Report schema to a sustained “marketplace-building” phase. Within this phase, it is also clear that the industry is shifting from a period focused on organizing itself and establishing initial infrastructure to one much more clearly focused on implementation. Indeed, leaders whom we interviewed and other champions of the field more frequently speak of the need to move into an “era of execution.”

This is entirely appropriate. To this, however, we would add: an era of **acceleration** and execution. There are some very concrete steps that can, and should, be taken in order to make such an era a reality. We have had the privilege of learning from the experience and insights of over 100 leaders in impact investing from 11 countries. Based on these interviews and our own overall analysis of the state of the field, we believe that there are 15 important lines of action that should be taken to realize, in practical terms, the twin aspirations of acceleration and execution.

Recommendations

These 15 recommendations are directed to the leadership of the impact investing industry worldwide. Specifically, it is recommended that leaders in the field take steps to

We believe that there are 15 lines of action that should be taken to realize, in practical terms, the twin aspirations of acceleration and execution.

Unlocking More Capital

1. Strengthen the business case for large institutional investors, both public and private, to integrate non-financial factors into their investment decision-making, particularly to enhance risk mitigation.
2. Use education and research to encourage a move from individual deals to multi-investment portfolios, in which investors can hold both impact-first and financial-first investments.
3. Encourage foundations to continue to innovate by making the strategic and cultural shifts necessary to devote the full range of their assets to their mission.

Placing and Managing More Capital

4. Create new intermediaries, and strengthen existing ones, that can effectively facilitate investments in businesses in underdeveloped markets, as well as those that can enable larger deals suitable for institutional investors.
5. Increase the variety of products that address the risk/return profile of a wide range of investors, that are provided through easily accessible distribution systems, and that offer reasonable evidence of track record or comparable product performance.
6. Create new options by matching investor risk/return profiles with investee businesses that can generate measurable returns on both the financial and impact dimensions, as well as by supporting investor collaboration and deal syndication.

Strengthening Demand for Capital

7. Co-sponsor new action research on emerging hybrid, scalable enterprise models in both the very poor and the new-power economies of the Global South, as well as in industrialized economies.
8. Identify and support successful and cost-effective approaches to improving the management capacity of social entrepreneurs, while nurturing a range of enterprise supports throughout the life cycle of growing ventures.

It is now time for the leadership of the global impact investing industry to do everything in its power to increase the rate of change in the field.

Assessing Impact More Effectively

9. Strengthen investor understanding of the various dimensions of performance management, and address any confusion concerning the relationship between key impact assessment initiatives.

Improving the Enabling Environment

10. Accelerate the production and application of practical knowledge products, including research and tools, aimed at governments engaged in or considering support for impact investing through policies that develop the supply of capital, policies that direct capital, and policies that strengthen demand.
11. Facilitate a continuous and open exchange of experience among governments engaged in supporting impact investing, across the Organisation for Economic Cooperation and Development (OECD) countries, the BRIC (Brazil, Russia, India, China) nations and other emerging economies, and low-income countries.
12. Establish publicly funded safety nets that can address the consequences of failed or inadequate impact investments, and resist pressure for markets to displace states in addressing the basic needs of populations that are vulnerable and in distress.

Renewing and Broadening Industry Leadership

13. Mobilize multi-year grant funds to expand and deepen the public-goods infrastructure necessary for a fuller industry ecosystem, especially in the Global South, while setting out clear, realistic results expectations and timelines.
14. Work with educational institutions to design and launch professional development and graduate programs for current fund managers, for new entrants to the investor and intermediary segments of the sector, and for social entrepreneurs seeking investment.
15. Actively manage the brand integrity of the impact investing field through renewed media engagement and storytelling of both successes and failures, managing stakeholder and public expectations, and strengthening, testing and policing the definition of impact investing.

CONCLUSION

Leadership was pivotal five years ago, when the term “impact investing” was coined at those first Bellagio convenings that set off such a remarkable chain of events. As this review has shown, much progress has been made in building the field of impact investing globally. Many tangible gains have been achieved. And there is still much to be done. To be sure, building an effective global industry is a long-term, complex and difficult task. However, this is precisely the time for the leaders of the impact investing field to recommit to building a fully developed marketplace. It is especially important now for those leaders to expand their partnerships with peer champions in every corner of the globe, to create compelling new financial products for institutional investors, to strengthen the investment readiness of enterprises on the ground, and to demonstrate social impact where it matters most: for individuals, households and communities.

Acceleration is a vector, a transformative agent in its own right. It is now time for the leadership of the global impact investing industry to do everything in its power to increase the rate of change in the field—to catalyze an unprecedented surge forward toward maturation, scale and sustainability. It is time to accelerate.

ENDNOTES

- 1 We use the term “Global North” to refer to the developed economies of North America, Western Europe, Japan and Australia. The term “Global South” refers to low-income and emerging economies of Africa, the Middle East, Asia and the Americas, including the new economic powers of China, Brazil and India (even though much of China and India is in the north). A third group is that of the economies of Russia and the countries of the former Soviet Union.
- 2 Drawn from the field of program evaluation, “theory of change” refers to the construction of a model that specifies (usually visually) the underlying logic, assumptions, influences, causal linkages and expected outcomes of a development program or project. This model can then be tested against actual performance and adjusted on the basis of experience and learning. Good theories of change are not merely linear and simplistic; instead, they are dynamic tools that enable an understanding of the complex relationships among actors and factors in an intervention.



ACCELERATING IMPACT: THE FULL REPORT

This Executive Summary provides an overview of the findings and recommendations of the full report entitled *Accelerating Impact: Achievements, Challenges and What's Next in Building the Impact Investing Industry*. For an electronic copy of the full report, please see <http://www.rockefellerfoundation.org/what-we-do/current-work/harnessing-power-impact-investing/publications>.

ABOUT THE ROCKEFELLER FOUNDATION

The Rockefeller Foundation's mission to promote the well-being of people throughout the world has remained unchanged since its founding in 1913. Today, that mission is applied to an era of rapid globalization. Our vision is that this century will be one in which globalization's benefits are more widely shared and its challenges are more easily weathered. To realize this vision, the Foundation seeks to achieve two fundamental goals in our work. First, we seek to build resilience that enhances individual, community and institutional capacity to survive, adapt and grow in the face of acute crises and chronic stresses. Second, we seek to promote growth with equity in which the poor and vulnerable have more access to opportunities that improve their lives. In order to achieve these goals, the Foundation constructs its work into time-bound initiatives that have defined objectives and strategies for impact. These initiatives address challenges that lie either within or at the intersections of five issue areas: basic survival safeguards, global health, environment and climate change, urbanization, and social and economic security. For more information, please visit www.rockefellerfoundation.org.

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