GSG
Driving real impact

Transition to Impact Economies

A GLOBAL OVERVIEW

SUPPORTED BY:

ISDM
INDIAN SCHOOL OF DEVELOPMENT MANAGEMENT

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Contents

Introduction

To navigate the complexity of achieving a future where no one lives in poverty and the planet thrives, we need a simple unifying principle: that it is the role of all actors in society to examine how their actions affect the public and the planet. It is only when these actors consider social and financial impact in equal measure – while allocating resources – that we will witness the transition to Impact Economies. The growth of a vibrant Impact Economy will be evidenced by business, investment, policy and consumption decisions that deliver tangible improvements in outcomes for people and the planet.

This booklet contains brief descriptive profiles of those countries in which the **National Advisory Boards (NABs)** have taken the lead in facilitating this transition. It includes current snapshots of impact investment ecosystems, significant initiatives undertaken by key actors, and an overview of the emerging priorities across 22 different countries.

In compiling this data, we found that a large number of countries are well on their way to the development of Impact Economies, with momentum underway across the political, business and social spheres. While this progress is encouraging, much work needs to be done if a complete transformation is to be achieved by 2030. This will require key stakeholders to come together, agree on priorities and deliver concrete action.

This is the first time that a country-by-country overview tracking the progress of 22 countries towards the onset of a new economy is being published. The effort will be replicated year-on-year, to ensure that accurate, up-to-date, and comparable data is available to those seeking to better understand the development of Impact Economies.

Methodology

The data for this report was collected mainly through secondary research which included grey literature, academic papers, news websites and published materials. **We sought input from NABs** to verify the data gathered through desk research, resolve discrepancies, fill the data gaps and gather more up-to-date information which might not be publicly available.

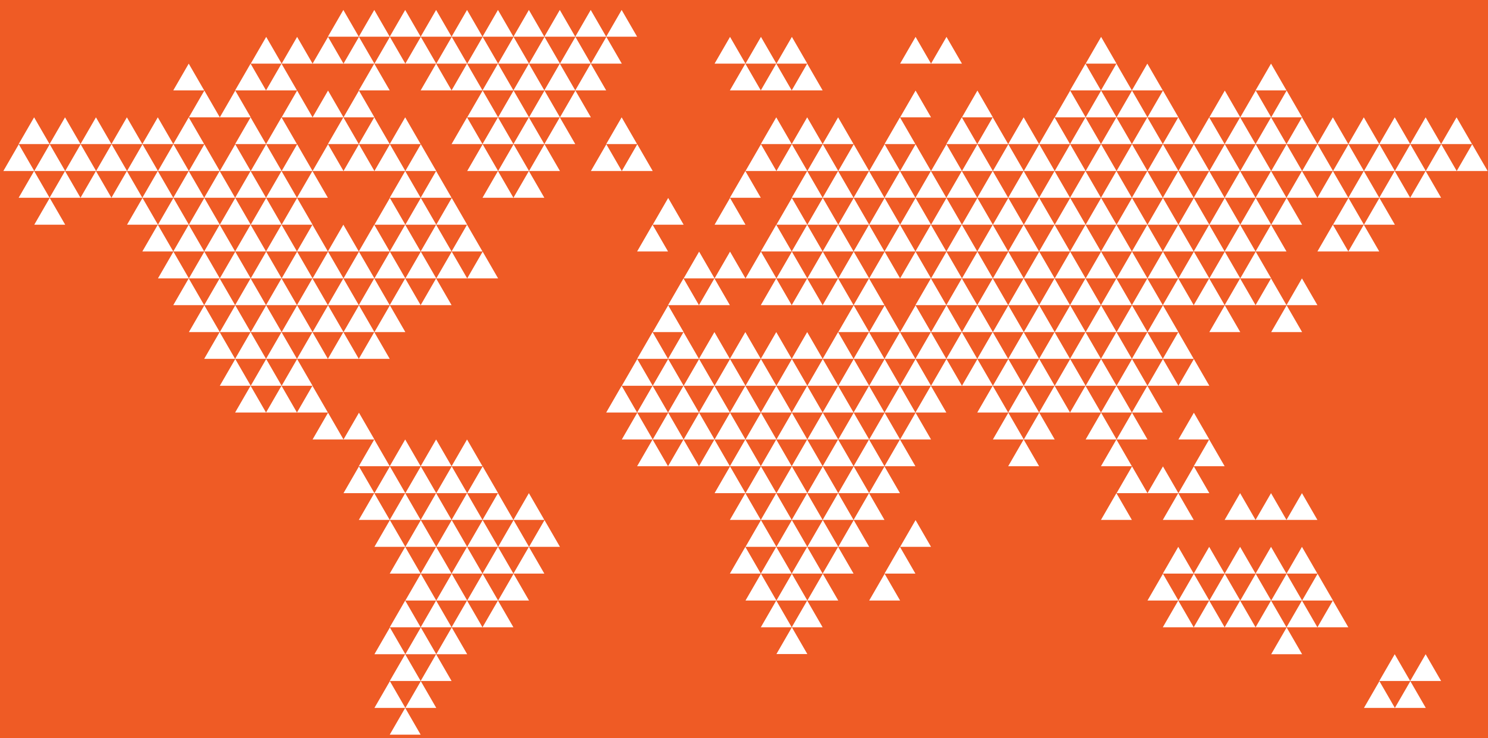
Acronyms

AAB	Australian Advisory Board
AIF	Alternative Investment Funds
AIFFP	Australian Infrastructure Financing Facility for the Pacific
AUM	Assets Under Management
AWIF	Asia Women Impact Fund
BA fund	Business Angel fund
BB	Bangladesh Bank
BBBEE	Broad-Based Black Economic Empowerment
BOP	Base Of the Pyramid
BRAC	Bangladesh Rural Advancement Committee
CDFI	Community-Development Finance Institutions
CEDIF	Community Economic Development Investment Funds
CEF	Caixa Economica Federal
CHP	Community-Housing Providers
CITR	Community Investment Tax Relief
CSR	Corporate Social Responsibility
CSV	Creating Shared Value
DFAT	Department of Foreign Affairs and Trade
DFC	Development Finance Corporation
DFI	Development Finance Institution
EaSI	Employment and Social Innovation
EDP	Energias de Portugal
EFSI	European Fund for Strategic Investments
EIB	European Investment Bank
EIF	European Investment Fund
ESG	Environmental, Social and Governance
ESUS	Solidarity Enterprises with a Social Purpose
ETF	Exchange-Traded Fund
FSA	Financial Services Agency
FSC	Financial Services Commission
GDP	Gross Domestic Product
GHG	GreenHouse Gas
GIIN	Global Impact Investing Network
GPIF	Government Pension Investment Fund

GRI	Global Reporting Initiative
GSB	Graduate School of Business
IAF	India Aspiration Fund
IBA	Indigenous Business Australia
ICO	Instituto de Credito Oficial
ICT	Information and Communication Technology
IDA	International Development Association
IDP	Inter-American Development Bank
IFC	International Finance Corporation
IIA	Impact Investing Australia
IIBA	Impact Investing and Business Alliance
IIIC	Indian Impact Investors Council
ILO	International Labour Organization
IMK	Impact Management Korea
IMM	Impact Management and Measurement
IMP	Impact Management Project
JSE	Johannesburg Stock Exchange
KPI	Key Performance Indicator
LAC	Latin America and the Caribbean
LDC	Least Developed Countries
MRI	Mission-Related Investments
MSME	Micro, Small and Medium-sized Enterprises
NAB	National Advisory Board
NAFIN	Nacional Financiera
NBS	Norm-Based Screening
NDP	National Development Plan
NHIF	National Housing Infrastructure Facility
NII	National Insurance Institute
NPO	Non-Profit Organization
NPS	National Pension Service
NSW	New South Wales
NYSERDA	New York State Energy Research and Development Agency
OPIC	Overseas Private Investment Corporation
PRI	Principles for Responsible Investment

RAB	Regional Advisory Board
RGGI	Regional Greenhouse Gas Initiative
RIAA	Responsible Investment Association Australasia
SAHF	Social and Affordable Housing Fund
SDC	Swiss Agency for Development and Cooperation
SDG	Sustainable Development Goals
SEBI	Securities and Exchange Board of India
SEND	Social Entrepreneurship Network Deutschland
SFF	Sustainable Finance Forum
SFI	Social Finance Israel
SIA	Social Impact Acceleration
SIB	Social Impact Bond
SII	Social-Impact Investment
SIIF	Social Impact Investment Foundation
SIMI	Social Impact Measurement Initiative
SME	Small-to-Medium Enterprise
SRF	Sector Readiness Fund
SRI	Socially Responsible Investing
SSE	Social and Solidarity Economy
SVF	Social Venture Fund
SVSF	Social Value Solidarity Fund
TASE	Tel Aviv Stock Exchange
TDI	The Difference Incubator
UCT	University of Cape Town
UNPRI	UN Principles for Responsible Investment
VC	Venture Capital

COUNTRY PROFILES



Argentina and Uruguay  

Market Overview

Argentina's economy is among the largest in Latin America and the Caribbean (LAC). Its territory contains vast natural resources, highly fertile lands and great potential for renewables. The country is a leading agricultural and livestock producer, with significant manufacturing opportunities and innovative high-tech services. Uruguay is a highly egalitarian society by regional standards, with a high per capita income, low inequality and poverty levels, and little extreme poverty. Both countries are among the region's leaders on international indices measuring well-being.[1]

IMPACT INVESTMENTS HIGHLIGHTS

Supply of Impact Capital

- Multilateral organizations such as the IADB, FIM, CAF, UNDP and the World Bank have provided financing in both countries. In 2017, the IADB's Multilateral Investment Fund invested USD 5mn in NXTP Labs, an early-stage impact-investment fund. In 2018 it invested in Argentina's first Social Impact Bond.[2]
- Governments in both Argentina and Uruguay, through their Ministries of Development (ANDE), innovation (ANII, Secretaría de Planeamiento Estratégico BA) and Production (SEPYME), have greatly contributed to the supply and intermediation of capital towards impact investment. With changes in government beginning in 2020, it is unclear if the progress made by the previous administrations will be continued and enhanced.

Intermediation of Impact Capital

- In Argentina, between 2013 and 2017, eight impact investors struck 16 deals worth USD 7.4mn.[4]
- In 2018, the Argentinian government launched FONDECE, a venture capital fund focused on market intermediaries. The fund uses ESG criteria as a part the selection process, and agreed to open the fund to Impact investment funds during the second round in 2020. In October 2019, FONDECE opened a soft credit line for impact entrepreneurs.
- In both countries, the largest deals are led by regional and international investors such as NXTP Labs, Elevar Equity, Endeavor Catalyst and TPG Rise, followed by private investors. Other successful private-sector intermediaries in Argentina include NJAMBRE, an impact company builder, home of Arbusta and Umana (two success stories for Latam); and Acrux Partners, which launched the country's first SIB, worked with IADB LAB to launch the first impact investment fund for Argentina, Paraguay and Uruguay, and is currently developing a blended finance instrument for the Iberá Wetlands.
- While the current administration in Argentina appears open to impact investment, it has not yet implemented necessary regulatory changes (e.g., allowing foundations to invest in SIBs or other impact investment initiatives, or enabling companies to be registered as social enterprises).

Demand for Impact Capital

- In both countries, key areas include inclusive employment, local economic development, value chains, fair trade, financial inclusion and agriculture.
- In Argentina, USD 66mn was invested in 20 deals in 2016 and 2017. None involved micro-finance institutions.[5]
- In Uruguay, 35 organizations received investment in 2017, up from 23 in 2015. Most deals involve seed capital (53%) or target the idea-identification stage (42%).[6]

Government and Regulation

- In Uruguay, the Fund for Development (FONDES) is intended to provide financial and non-financial support to feasible and sustainable productive projects within the social economy.
- In Argentina while the current administration appears open to impact investment,
  it has not yet implemented necessary regulatory changes (e.g., allowing foundations to invest in SIBs or other impact investment initiatives, or enabling companies to be registered as social enterprises).

Market Builders

- In 2016, regional market builder Acrux Partners joined the IADB and IMF to launch a call for proposals for the first regional impact fund for Argentina, Paraguay and Uruguay. It also helped create Argentina's first SIB.
- Argentina and Uruguay are home to relevant organizations such as Social Lab, the Seed Capital Fund for Impact Entrepreneurs in Argentina, the NAVES program and B Labs. Other regional entities such as Socialab, NXTP Labs and Startup Chile are also active, along with international accelerators such as Techstars, ANDE and 500 Startups.

Indicators[A]	AR	UR
GDP total (2011 PPP $ billion)	838.2	71
Total Population (millions)	44.3	3.5
GINI Index	42.4	39.7
HDI	0.825	0.804
MPI	N/A	N/A
EPI	59.30	64.65

KEY PLAYERS

Asset Owners	Asset Managers	Impact Entrepreneurs
Organización Román	NXTP Labs	Arbusta / Njambre
IRSA	Potencia Ventures	Arquelite
IFC	Elevar Equity (AR)	Agua Segura
Potencia Ventures	Thales Lab (UR)	Mamotest (AR)
IADB Lab	Tokai Ventures (UR)	Afluenta (AR)
Banco Galicia		
UNDP		
Mercado Libre		

SPOTLIGHT DEALS[B]

Company	Total Funding	Investor	Sector
Digital House (AR)	USD 200mn	TPG Rise, Omidyar, Endeavor, Kaszek	Education
Afluenta (AR)	USD 17mn	IFC, Elevar Equity, NXTP Labs, IGNIA	Health
Bankingly (UR)	USD 5.3mn Omidyar,	TPG Rise, Endeavor, Elevar Equity	FinTech
Proyecta tu Futuro SIB (AR)	USD 1.5mn	IRSA, Organización Roman, Banco Ciudad, Banco Galicia, Private investor + IADB LAB Loan.	Employability of underprivileged youth
Afluenta (AR)	USD 1.5mn	Phitrust, Seed Capital Bizkaia, Creas SL, Ship2B, Oltre Venture	Logistics
KIADBox (UR)	>USD 1mn	NXTP Labs, Startup Chile, Fondo Emprendedor	Education
GPSGAY (UR)	>USD 1mn	Infocorp Ventures, Agora Dove, Seedstars	Community development

ABC of the Argentinian and Uruguayan Impact Economy[C]

An impact economy is a just and equitable economic system in which positive impact can be produced in an environment of risk and return. In an impact economy, governments, organizations, investors and consumers are motivated to include marginalized and underserved sectors of society in the mainstream economy, while also giving consideration to the needs of our planet and its environment.

The following table describes actions undertaken by a variety of stakeholders in Argentina and Uruguay with regard to strategies that **A**void harm, **B**enefit all stakeholders and **C**ontribute to solutions. Both counties are in the early stages of developing an impact economy. Some policy initiatives have been implemented, but much more needs to be done to facilitate partnerships between businesses and investors.

	Avoid Harm	Benefit all stakeholders	Contribute to Solutions
IMPACT IN **BUSINESS**	▲ **AR:** Bolsas y Mercados Argentinos SA (ByMA) joined the Sustainable Stock Exchanges initiative in 2017. It has developed a new panel that requires listed companies to comply with comparatively high international standards, integrating specific ESG metrics.	▲ **AR:** In 2016, CEADS joined EY Argentina to launch its Connecting Companies with the Sustainable Development Goals (SDGs) program. By 2018, 186 initiatives had been received from 64 companies during open-call stages.[7] ▲ **AR & UR:** To date, there are 12 B Corporations in Uruguay, and 98 with headquarters or operations in Argentina.	▲ **AR:** Njambre is a leading social enterprise accelerator based in Buenos Aires. ▲ **AR:** Arbusta is a leading social enterprise providing digital services to the corporate world. It provides work opportunities to and empowers underprivileged women and young people who otherwise have little or no access to the labor market.
IMPACT IN **INVESTMENT**	▲ **AR:** ByMA's panel holds participating companies to elevated international standards, using ESG metrics.[8] ▲ **UR:** In a recent study conducted by BlueBay and Verisk Maplecroft4, Uruguay was ranked 2nd in Latin America in terms of ESG integration in the field of sovereign investing, which is generally rewarded by lower credit risk.[9]	▲ **AR:** Fundación Vida Silvestre and IADB Invest, a member of the IADB, developed a sustainable finance protocol in Argentina that was signed by 18 banks. The goal of the protocol is to promote sustainable finance strategies within the country's banking sector.[10] ▲ **UR:** Uruguay's first green bond was released in 2018 (USD 108.4mn). Proceeds are being used to refinance two solar projects, El Naranjal (50MW) and Del Litoral (16MW).[11]	▲ The impact investing sector is still in its early stages in both Argentina and Uruguay. While many large international impact investors (e.g., TPG Rise, Omidyar Network, Elevar Equity, IFC) are active, little local capital has been deployed. ▲ **AR:** In Argentina, USD 66mn was invested in 20 deals in 2016 and 2017.[5] ▲ **UR:** In Uruguay, 35 organizations received investment in 2017, up from 23 in 2015.[6] ▲ Regional investors tend to focus on growth-stage investments.
IMPACT IN **POLICY**	▲ **AR:** The Fondece venture-capital fund of funds was established in 2017 by Argentina's Ministry of Production. The fund is expected to invest USD 172mn over four years in VC funds and incubators. Those receiving funding from Fondece must observe its ESG clause, which requires them to meet ESG criteria or subscribe to the UNPRI. The fund also deploys capital through incubators that work with impact-focused businesses. In a second round of funding, Fondece is expected to invest in an impact investment fund.	▲ **AR:** Public procurement regulation (2017), Compre Argentina, seeks to encourage procurement from sustainable companies, by including criteria relevant to social values. Most recently (August 2018), the city of Mendoza passed a regulation establishing a "triple bottom-line" procurement system (Compras B) for all goods or services purchased by the government. This pioneering regulation is now being replicated in other parts of the country and across the region. ▲ **AR:** PRoESUS is a national program for sustainable-development entrepreneurs implemented by the Ministry of Environment. Almost 3,500 entrepreneurs have registered to date. The program mainly applies to for-profit seed-stage companies.	▲ **AR:** In 2018, the city of Buenos Aires became the first Latin American city to launch an SIB. This was focused on employment for vulnerable youth in South Buenos Aires. The SIB's investor base was composed of institutional and private investors. The entity was designed as a pilot, and is expected to spur the development of additional SIBs in areas such as education and employment for ex-convicts. ▲ **AR:** The Ministry of Production, under the National Directorate for Social Innovation, implemented a fund for social innovation in 2016/17. The fund issues non-reimbursable loans of up to USD 8,000. These are granted through local incubators to companies less than four years old that are legally registered as seeking social or environmental impact.

	Avoid Harm	Benefit all stakeholders	Contribute to Solutions
IMPACT IN **POLICY**	▲ **AR:** The CVN, the financial regulatory body in Argentina, launched a sustainable-stock exchange in 2017, with the aim of adding sustainability-focused companies over time. From the beginning of 2018, the regulator requires financial institutions operating in the country to consider and report on ESG issues. The regulator is also working to enable the creation and commercialization of impact-oriented special purpose vehicles by retail banks / financial institutions, which would enable investors to invest in these initiatives.	▲ **AR:** Argentina offers tax incentives for investment in renewable energy projects (National Law 27.191, established in 2015). This program has brought additional capital into the renewables sector, and was renewed last year. There are also tax incentives for traditional VC funds and investment in green bonds. ▲ **UR:** The Uruguay Works program targets socioeconomically vulnerability adults between 18 and 65 years of age, giving them the opportunity to carry out community tasks for an eight-month period. In turn, they receiving a subsidy called "support to labor insertion."	▲ **AR:** In 2017/18, the Buenos Aires Social Incubator Program provided 12 months of seed capital, mentoring and incubator space to impact-focused businesses. ▲ **UR:** The Cooperatives Promotion Fund (FOMCOOP) was created under article 210 of Law 18.407. It finances projects engaged in cooperative-management training, the promotion of cooperative business models and the dissemination of cooperative principles and values. The objective is to strengthen the social economy.
IMPACT ON **CONSUMP-TION**	▲ **AR:** Nearly 92% of respondents in the Global Consumer Confidence Survey in Argentina said that it is "extremely" or "very" important for companies to implement programs to improve the environment.[12] ▲ **UR:** Uruguay's green energy share is among the world's highest. In 2017 almost 98% of its power came from renewable sources.[13]		

SDG Dashboard and Trends

CURRENT ASSESSMENT – SDG DASHBOARD

Major challenges | Significant challenges | Challenges remain | SDG achieved | Information unavailable

SDG TRENDS

Decreasing | Stagnating | Moderately improving | Mantaining | On track | Information unavailable

Key Initiatives

Finding market champions and key supporters (AR & UR)

The IADB, a DFI for the region, has been a key supporter of impact-oriented initiatives. Working jointly with Acrux Partners, the IADB created the first impact fund for Argentina and Uruguay. The IADB also funded the development of Argentina's first SIB.

Standardization of impact measurement (AR)

In Argentina, standardized impact metrics are slated to be developed in cooperation with Social Finance UK. The GRI is also widely used by companies, while B Corporations use the B Labs methodology. Integrated reporting is being pioneered by Banks including Banco Galicia and Banco Macro. An impact management project and the UNDP SDDG Seal are being introduced in both countries. One such foundation, Anesvad, which is committed to eradicating neglected tropical diseases, has at least 50% of its endowment invested in MRI. Open Value Foundation, an organization that promotes equality of opportunities, has shifted its grant model entirely toward venture philanthropy and impact investing. BBK, a savings bank, is positioning itself as an early-stage concessionary investor for social enterprises in Vizcaya that is based on a venture philanthropy approach.

Responsible Production Project (UR)

Since 2005, the World Bank has supported Uruguay in encouraging small and medium-sized Uruguayan producers to implement economically and environmentally sustainable production systems, and to adopt technical improvements in soil management, water and biological diversity that will contribute to the long-term sustainability of agricultural production in the country. The project financed 5,300 property sub-projects throughout the country, 86% of which belonged to small producers. Approximately 28,000 people benefited directly, while 600 technicians were directly trained in functions related to sustainable development and comprehensive natural-resource management.

Educational initiatives (UR)

In Uruguay, the Universidad de la República, Universidad ORT and Universidad de Montevideo offer courses on social entrepreneurship, including impact investing. The four biggest universities in Argentina have also begun to teach topics related to sustainable finance.

Road to Impact Economy

PATH TO TIPPING POINT 2020

Establish wholesale fund (AR)

The NAB and various other government departments have been discussing the establishment of a wholesale fund for Argentina. The country is already home to a blended capital fund that is structured like a wholesaler and operates within the arts and cultural sector. Given that there is a precedent, this should help smooth the establishment of the new wholesale fund.

Specific legal form (AR)

The BIC Law in Argentina was promoted and drafted by B Lawyers, and is meant to allow the creation of a specific legal form. The bill has passed a first congressional approval process, and is awaiting the necessary second approval.

Continue to grow SIB market regionally

Building on the success of Argentina's first SIB will be crticial. The NAB is currently working with the country's tax authorities to develop regulations allowing foundations to invest in SIBs, which is not presently allowed. The efforts of this pioneering initiative will help advance the SIB model in the Southern Cone region.

Strengthen the demand for impact capital

To advance the prospects of an impact economy, the number of social enterprises and organizations that can engage in debt, equity or equity-like capital transactions must be expanded. Such an objective could be achieved by setting up a procurement- and investment-readiness fund.

HNWIs as social entrepreneurs and angel investors

Philanthropic capital is an underutilized source of capital in the region. However, it could be unlocked through active engagement and dialogue, and focused on early-stage ventures and other areas that require great attention.

TRANSITION TO IMPACT ECONOMY 2030

- ▲ **AR & UR:** Neither country offers special legal recognition for social enterprises. Such recognition, for instance through the creation of new legal forms of incorporation, could boost the sector and draw capital from impact investors.
- ▲ **AR & UR:** Argentina only recently launched its first SIB. More such structured-funding projects, including DIBs, could be developed for the delivery of public services and the achievement of social objectives.
- ▲ **UR:** In Uruguay, the main financing sources of financing for sustainable development and the impact economy are located within the public sector. Stregthening local financial markets and developing innovative financial instruments could facilitate this transition.
- ▲ **AR & UR:** Developing more robust infrastructures and protecting natural resources are key sustainability challenges for both countries. Blended-finance instruments such as that being developed for the Ibera Wetland (Argentina) could be used to fund such projects.

Footnotes:

[A] **Environmental Performance Index** Available at: https://epi.envirocenter.yale.edu; All other **indicators** available at:http://hdr.undp.org/en/countries

[B] Information tends to be limited for specific rounds of funding. Therefore, In **Spotlight Deals,** "Total Funding" refers to the total money that a specific company has raised. The investors listed may have participated in one or several rounds, and may have done so as lead or co-investors.

[C] The **ABC** of the **Argentinian and Uruguayan Impact Economy** table is adapted from the IMP framework.

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12. (https://www.nielsen.com/us/en/insights/report/2018/the-education-of-the-sustainable-mindset/)
13. https://www.uruguayxxi.gub.uy/en/news/article/uruguay-a-clean-energy-leader/

Australia

Market Overview[1]

Australian-domiciled impact investments quadrupled between 2015 and 2017, reaching a value of USD 2.8bn[i] and comprising 128 individual deals, including 27 exits. Growth was largely driven by green bonds (USD 2.3bn), but other products also grew rapidly to nearly USD 480.8mn, from nearly USD 144.2mn in 2015. By dollar value, environmental investments (96%) far outweigh social investments (4%).

Reported impact of impact investments include the avoidance or abatement of more than 2.1 million tons of CO2 equivalents, the creation of 369 employment pathways or jobs, a total of USD 79mn in government savings, the support of 22,688 students, the provision of 64 homes/affordable homes, the support of 1,069 clients with health and/or well-being services, and the delivery of 950 megaliters of environmental water to wetlands, creeks and ecosystems.

The SDGs are the most frequently reported impact framework.[1]

IMPACT INVESTMENTS HIGHLIGHTS[3]

Supply of Impact Capital

- HESTA, a leading Australian superannuation fund, expanded the size of its Social Impact Investment Trust (managed by Social Ventures Australia) from USD 14.4mn to USD 33.6mn.
- The Department of Foreign Affairs and Trade (DFAT) launched the Australian Infrastructure Financing Facility for the Pacific (AIFFP) with USD 961.8mn in funding (USD 240.4mn in grants, and USD 721.4mn in debt financing).

Intermediation of Impact Capital

- The federal government established the National Housing Finance and Investment Corporation (NHFIC) (funding total: USD 961.7mn), which aggregates affordable housing bonds for qualifying community-housing providers (CHP) with the goal of financing the social and affordable housing supply. The USD 480.8mn National Housing Infrastructure Facility (NHIF) provides financial assistance (debt, equity and/or grant funding) to local councils for investments in critical infrastructure to help accelerate affordable housing construction.

Demand for Impact Capital

- The COMPASS SIB, Australia's largest SIB to date, was launched with the participation of 55 individual, family and institutional investors. COMPASS is intended to provide stable housing to young people leaving out-of-home care.
- Nightingale Housing raised USD 39.4mn to fund a triple-bottom-line housing development that will include both affordable and social rental housing.
- NHFIC's inaugural USD 168.3mn bond issue was oversubscribed, achieving very attractive pricing outcomes and longer tenures for CHPs.

Government and Regulation

- Through successive budgets since 2017 – 2018, the federal government has reinforced its commitment to the social impact investment market, announcing initiatives totaling more than USD 20.6mn. It has commissioned payments using outcomes-based social impact investment (SII) trials, expanded its own outcome-measurement capacity and established a Social Impact Investing Taskforce to examine the Commonwealth's role in the SII market and develop a government strategy for this market.

Market Builders

- Impact Investing Australia (IIA), the Australian Advisory Board's (AAB) non-profit operating arm, was established in 2014. The IIA administers the Australian government's USD 3.64mn Sector Readiness Fund (SRF) through its Impact Investment Ready Program.
- The Impact Investing Hub works with investors, investees and intermediaries in Australia to support the growth of the impact-investment community.
- The Responsible Investment Association Australasia's (RIAA) offers both an Impact Investment Forum and an Impact Management and Measurement (IMM) Community of Practice. These bring together members and others interested in building a strong impact-investment market, integrating impact across investment portfolios, and sharing practical IMM knowledge and resources.

Indicators[A]	
GDP total (2011 PPP $ billion)	965.6
Per Capita Income (USD)	38,366
Total Population (mn)	25.5
Poverty Levels (%)	13.2%
GINI Index	0.34
EPI	29.56

KEY PLAYERS

Asset Owners	Asset Managers	Impact Entrepreneurs
QBE	Social Ventures Australia (SVA)	Goodstart Early Learning
HESTA Superannuation Fund	Impact Investment Group (IIG)	Nightingale Housing
Christian Super	Social Enterprise Finance Australia (SEFA)	Sendle
Future Super	Australian Impact Investments	Hire-up
Bank Australia	Brightlight Impact Advisory	Maths Pathways

SPOTLIGHT DEALS[B]

Company	Total Funding	Investor	Sector
COMPASS SIB	$10.0M	55 investors between $35k and $700k	Homelessness
Sendle	$15.0M	Federation Asset Management, Giant Leap Fund, others	Logistics
Nightingale Housing	$57.4M	SEFA, nab	Sustainable housing
Maths Pathways	$1.5M	SVA Diversified Impact Fund, others	Education
Hire-Up	$1.8M	Private investors, trusts and foundations	Disability

[i] Exchange rate used throughout the document: AUD 1 = USD 0.69

ABC of the Australian Impact Economy^{C}

An impact economy is a just and equitable economic system in which positive impact is produced in an environment of risk and return. In an impact economy, governments, organizations, investors and consumers are motivated to include marginalized and underserved sectors of the society in the mainstream economy, while also giving consideration to the needs of our planet and its environment.

The following table describes actions undertaken by a variety of stakeholders in Australia for the adoption of strategies intended to **A**void harm, **B**enefit all stakeholders and **C**ontribute to solutions. The Australian impact-investment sector is the most developed in the Oceania region. Public entities have played a key role in expanding opportunities for impact investment through a variety of mechanisms including supportive regulatory frameworks, incentives and the provision of funding for initiatives seeking to close the financing gap for seed- and early-stage ventures.

	Avoid Harm	Benefit all stakeholders	Contribute to Solutions
IMPACT IN **BUSINESS**	▲ Australian Securities and Investments Commission (ASIC), Australia's corporate regulator, has announced plans to focus on director responsibilities relating to non-financial risks. APRA, Australia's banking regulator, has also called out the role of boards in overseeing non-financial risks.	▲ Australia is home to 246 B Corps.[3] ▲ Chartered Accountants Australia & New Zealand joined with Association of Chartered Certified Accountants (ACCA) and the Institute of Chartered Accountants of Scotland (ICAS) to support the publication of a consultation paper called Recommendations for SDG Disclosures.	▲ The state of Victoria has outlined a social enterprise strategy that includes a skills-development program for impact businesses, SME founders and managers, as well as pilot funding for new initiatives supporting the intermediary sector. ▲ Social-enterprise activity is estimated to make up 2% to 3% of national GDP, with around 20,000 social enterprises operating in Australia.[4]
IMPACT IN **INVESTMENT**	▲ Negative screening, sustainability themed investing, and impact and community investing now respectively account for 13%, 4% and 1% of investment strategies in the country.[1] ▲ According to Investment Trends' 2018 Adviser Product and Marketing Needs Report report, 34% of financial advisers said they provided advice on responsible investing, up from 19% two years before.[5]	▲ New South Wales (NSW) has created a Social and Affordable Housing Fund (SAHF) with USD 529mn in seed funding, designed to increase the supply of housing through outcomes-focused contracts with nominated service providers. It has successfully attracted new lenders into the sector, facilitating partnerships with the private sector. ▲ The Clean Energy Finance Corporation is working with Artesian Venture Partners to operate the Artesian Clean Energy Seed Fund.	▲ The Clean Energy Finance Corp (CEFC), a statutory authority established by the Australian government under the Clean Energy Finance Corporation Act 2012, is investing USD 4.8bn in clean energy projects over 10 years on behalf of the government.
IMPACT IN **POLICY**	▲ The Modern Slavery Act came into effect in January 2019. Organizations with more than USD 68.7mn in revenues must report annually on modern slavery risks in their operations and supply chains, specifying any actions taken to assess and address such risks, and evaluating the effectiveness of their response.	▲ State governments including Victoria and NSW have issued green bonds. In NSW's case, this was under a broader sustainability bond program, in which funded projects are aligned with the SDGs. ▲ The state of Victoria has introduced Australia's first Social Procurement Framework. Social procurement is a large driver of the Victorian economy, with USD 7.7bn spent for goods and services and USD 4.4bn for public construction and infrastructure in 2016 – 2017.	▲ NSW, Victoria, Queensland and South Australia have all commissioned SIBs. Key focus areas have included homelessness, out-of-home care and criminal recidivism.
IMPACT ON **CONSUMPTION**	▲ 64% of consumers in Australia are willing to spend more on socially conscious brands.[6] ▲ More than two million (or 21%), of Australian households now have rooftop solar panels, with a combined capacity exceeding 10 GW.[7]		

SDG Dashboard and Trends

CURRENT ASSESSMENT – SDG DASHBOARD

Major challenges | Significant challenges | Challenges remain | SDG achieved | Information unavailable

SDG TRENDS

Decreasing | Stagnating | Moderately improving | Mantaining | On track | Information unavailable

Key Initiatives[12]

- The federal government has established a Social Impact Investing (SII) Taskforce to examine the Commonwealth's role in the SII market and develop a strategy for this market. It is specifically examining how these investments can help address entrenched disadvantage.
- The Australian Sustainable Finance Initiative (ASFI) – a collaboration between Australia's major banks, superannuation funds, insurance companies, high profile financial sector bodies, civil society and academia – will develop a Sustainable Finance Roadmap for release in 2020. This will recommend pathways, policies and frameworks by which the financial-services sector can contribute more systematically to the transition to a more resilient and sustainable economy.
- The federal government has allocated USD 3.6mn toward a Sector Readiness Fund. This is intended to grow the impact-investment market by providing capacity-building grants to impact-oriented businesses looking to become investment-ready.
- Indigenous Business Australia (IBA) and The Difference Incubator (TDI) have partnered to develop a six-month program combining formal training, practical skills and mentorships for indigenous entrepreneurs.
- The Pacific Readiness for Investment in Social Enterprise (Pacific RISE) is a pilot project implemented by DFAT. Initially intended as a means of working with stakeholders to learn and understand more about the Pacific region and its social impact needs, the organization has gone on to identify opportunities for investments in impact-oriented businesses in the region.
- NSW is piloting a rate card for homelessness (an Australian first) that lists outcomes desired by the government along with the price the government is willing to pay for each outcome.

Road to Impact Economy

PATH TO TIPPING POINT 2020

Collaborate with and respond to market and policy initiatives

The recommendations of the Australian Sustainable Finance Initiative and the federal government's Social Impact Investing Taskforce – both expected to report in 2020 – should be closely considered, and heeded as appropriate to accelerate collective action toward an impact economy.

Expand procurement from impact businesses

Victoria's precedent with the Social Procurement Framework should be expanded to other states and to the national level. This, combined with initiatives supporting capacity building and investment readiness for impact businesses, will help grow this important part of the impact investment ecosystem.

Expand legal forms for socially oriented companies

The sector has developed draft benefit corporation legislation, and the government is reviewing the proposal. Having a specific company legal form would help facilitate targeted government policy aimed at developing the impact-oriented business sector.

Clarify fiduciary duties

Existing recommendations should be expanded to encourage the incorporation of ESG factors into decision-making practices. This could be done through legislation, and would help facilitate future investment in impact-oriented assets.

Create fiscal incentives

There are currently no fiscal incentives in place for impact investments. Creating a legal form for socially-oriented companies could in turn facilitate the use of targeted fiscal incentives such as tax benefits.

Expand impact reporting tools

The sector should work toward the establishment of a standardized impact reporting framework, while encouraging the incorporation of social and environmental factors into reporting standards.

TRANSITION TO IMPACT ECONOMY 2030

The AAB's recently released report: "Scaling Impact: Blueprint for collective action to scale impact investment in and from Australia" reinforces and sets out an ambitious, achievable vision for a vibrant, dynamic, informed and accountable SII field. Such a sector would create demonstrable impact at scale for people and the planet by widening and deepening impact practice as a driver of impact at scale in and from Australia. Mechanisms would include:

- Social and financial innovation through solution-focused collaborations and integrative approaches.
- Flexible capital able to unlock investment (market capital) and create a multiplier effect.
- Increased intermediation with the goal of building expertise, designing solutions and products, and advising and connecting sector participants.
- A distributed leadership that is able to raise awareness and amplify calls to action.
- Collective and coordinated action that drives efficient and effective market development, including the creation of enabling infrastructures.

Footnotes:

[A] **Environmental Performance Index** Available at: https://epi.envirocenter.yale.edu; All other **indicators** available at: http://hdr.undp.org/en/countries

[B] Information tends to be limited for specific rounds of funding. Therefore, In **Spotlight Deals,** "Total Funding" refers to the total money that a specific company has raised. The investors listed may have participated in one or several rounds, and may have done so as lead or co-investors.

[C] The **ABC** of the **Australian Impact Economy** table is adapted from the IMP framework.

Sources:

1. Responsible Investment Association Australasia (2018). *Benchmarking Impact Report.* Available at: https://responsibleinvestment.org/wp-content/uploads/2018/07/Benchmarking-Impact-2018.pdf
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Bangladesh

Market Overview

Bangladesh has made remarkable progress, reducing its poverty rate from 44.2% in 1991 to 14.8% in 2016/17 based on the international poverty line of USD 1.90 per day. Life expectancy, literacy rates and per capita food production have increased significantly. In 2018, Bangladesh fulfilled all three eligibility criteria for graduation from the UN's Least Developed Countries (LDC) list for the first time.[1] In terms of impact investing, the Bangladeshi market ranks third after India and Pakistan in South Asia.[2]

The NAB oversees the country's impact-investment sector. It sets the strategic direction and fosters collaborative relationships. The NAB is supported by secretariat functions provided by Build Bangladesh, a private sector entity promoting impact investing in Bangladesh.

The NAB has tasked the secretariat with formulating an impact strategy and a national action plan in partnership with the British Council and the Swiss Agency for Development and Cooperation (SDC). The secretariat also plays an advocacy role, for instance by translating and publishing relevant materials.

IMPACT INVESTMENTS HIGHLIGHTS[3]

Supply of Impact Capital

- Private equity funds are backed by a range of limited partners, including DFIs, foundations, HNWIs and family offices.
- DFIs contribute the largest share of impact capital, often investing directly in enterprises. Currently, four DFIs have invested nearly USD 834mn, primarily in the information and communication technology (ICT), energy, manufacturing, financial services, and agro-processing sectors.[4]

Intermediation of Impact Capital

- At least 15 impact investors are currently active in Bangladesh. A total of USD 955mn has been deployed, with USD 834mn coming from DFIs.[4]
- Most impact capital takes the form of debt. Regulatory restrictions on equity investments (e.g., a three-year lock-in after public listing, and weak protections for investors and investees) help fuel this preference.

Demand for Impact Capital

- As of 2015, impact capital in Bangladesh had been invested in a wide range of enterprises, including impact enterprises, SMEs and other companies operating in key sectors. Only about USD 6.5mn is currently invested in impact enterprises. High-growth sectors such as ICT, manufacturing and energy receive the majority of the impact capital.[4]
- The microfinance sector hosts the largest number of impact enterprises, with more than 600 registered MFIs and four very large MFIs. Renewable energy and ICT (including mobile financial services) are additional emerging sectors.[5]

Government and Regulation

- Foreign equity investors in Bangladesh must navigate numerous complex and unclear regulations. For instance, companies which can accept foreign capital require separate registration and establishing a locally domiciled fund entails a lengthy and complex process.
- The government defined "impact investment" under its Alternative Investment Rules 2015.
- The Central Bank has established rules requiring banks to create sustainable financing units that promote green and impact investments.
- The Central Bank has directed that banks take equity or disburse 5% of the total loan portfolio for Green Financing, in advance, as payment.[6]
- Impact investment and impact funds were recently classified as green finance, creating further boost for impact investment ecosystem.

Market Builders

- As the first Impact Investment Fund owner since the launch of the Alternative Investment Rules 2015, Build Bangladesh is the key market builder for Impact investment in Bangladesh since 2016. Build Bangladesh has been co-sponsoring and operating the Social Entrepreneurs Accelerator Programme in partnership with ygap Australia since 2016. This initiative is also providing advice, seed funding, and investment to investment-ready entrepreneurs.
- A small number of incubators and accelerators have launched within the last year, helping enterprises improve investment readiness and strategic planning.
- Organizations such as LightCastle Partners and the Bangladesh Enterprise Institute offer advisory services to investors.
- The Grameen Group and BRAC have in-house incubators/ accelerators that provide impact enterprises with technical assistance and financing.

Indicators[A]	
GDP total (2011 PPP $ billion)	580.3
Total Population (millions)	164.7
GINI Index	32.4
HDI	0.608
MPI	41.7%
EPI	29.56

KEY PLAYERS

Asset Owners	Asset Managers	Impact Entrepreneurs
Investment Corporation of Bangladesh	Equity and Entrepreneurship Fund	Grameen Danone Foods Ltd
BFP-B	Impress Capital	Bdjobs
Bangladesh Bank	VIPB	Praava Health
BRAC Bank	Bangladesh Angels	Sheba.xyz
BD Finance	Acacia SRIM	Jita
CDC Group	LightCastle Partners	Aarong
DFID	Asian Tiger CP	Grameen Shakti

SPOTLIGHT DEALS[B]

Company	Total Funding	Investor	Sector
Grameenphone	$345M	IFC, CDC, DEG, FMO, Proparco, OFID	Mobile
BKash	$21M	Gates Foundation, IFC	Mobile
Shohoz	$15M	500 Startups, Golden Gate, Tekton, Partech, Linear	Mobility
ChalDal	$5.5M	Y Combinator, IFC, IDLC	E-comm
ShopUp	$4.9M	Gates Foundation, Sequoia Capital India, Omidyar	FinTech

ABC of the Bangladesh Impact Economy[C]

An impact economy is a just and equitable economic system in which positive impact is produced in an environment of risk and return. In an impact economy, governments, organizations, investors and consumers are motivated to include marginalized and underserved sectors of the society in the mainstream economy, while also giving consideration to the needs of our planet and its environment.

The following table describes actions undertaken by a variety of stakeholders in Bangladesh for the adoption of strategies intended to **A**void harm, **B**enefit all stakeholders and **C**ontribute to solutions. As the birthplace of BRAC and Grameen, Bangladesh has an established third sector. The government and private sector have also taken actions accelerating the development of impact investment in the country. However, industry and policy still need a push to foster a culture in which sustainability and impact are primary considerations.

	Avoid Harm	Benefit all stakeholders	Contribute to Solutions
IMPACT IN **BUSINESS**	▲ While some companies have adopted ESG considerations, this is not yet a mainstream practice.	▲ With annual revenues of USD 34bn, Bangladesh's garment export industry is the world's second-largest, with more than 4,500 factories employing over 4 million workers.[7] It has been slow to adopt sustainable business practices. ▲ France's Danone has collaborated with Grameen to develop inclusive business models.	▲ The Grameen family and the Bangladesh Rural Advancement Committee (BRAC) pioneered the social business model. Each has spun out several entities with a dual social and financial mandate. ▲ Foreign social entrepreneurs have launched impact enterprises following social business models such as those focusing on fair trade and access to energy.
IMPACT IN **INVESTMENT**	▲ The Bangladesh Bank (BB) has played a leading role in driving green finance developments, by creating new policies and integrating green criteria into its existing operations. It offers green refinancing, produces green banking guidelines, and has a credit quota for loans.[8] ▲ Banking based on Islamic principles accounts for 20% of all deposits and 23% of all credit in Bangladesh.[8]	▲ Private commercial banks and NBFIs have been the dominant players in financing most categories, including renewable energy (16%), fire-burnt bricks (21%), recycling and recyclable products (15%), establishing green industries (15%), and liquid waste management (14%).[9] ▲ The government has established two flagship green funds (Bangladesh Climate Change Trust Fund and the Bangladesh Climate Change Resilience Fund). These have been the main sources of green finance in Bangladesh.[9] ▲ In 2016, Bangladesh Bank announced a USD 200mn Green Transformation Fund aimed at supporting sustainable manufacturing practices in the textile and leather sectors.[10]	▲ Bangladesh is the third most active impact investment market in South Asia after India and Pakistan.[4] ▲ As of 2014, at least 15 impact investors had invested a total of USD 955mn in deployed capital, of which USD 834mn has been deployed by DFIs.[11] ▲ At least 14 impact-related investors have current investments in Bangladesh totalling USD 744mn, mostly in the form of loans to SMEs through commercial banks. Funds and a small group of HNWIs are also active in the sector.[12] ▲ Grameen and BRAC enterprises often provide seed capital for new impact-oriented enterprises, creating an informal impact investing network of 30 to 40 social businesses.[4] ▲ The Securities and Exchange Commision has approved Bangladesh's first Social Impact Investment Fund. This USD 10mn Impact fund is being launched by Build Bangladesh.
IMPACT IN **POLICY**	▲ The Bangladesh Bank publishes guidelines on environmental risk management, including a sector-specific environmental due-diligence checklist for financing environmentally sensitive sectors.	▲ Bangladesh has developed a suite of green banking regulations and policies.[13] ▲ The Bangladesh Bank has instructed banks and financial institutions to form a Climate Risk Fund, and to allocate at least 10% of their corporate social responsibility (CSR) budgets to this fund.[6] ▲ Bangladesh has created the framework for green equity finance. Fifteen venture capital firms are currently working on green projects.[14]	▲ In 2013, the Bangladesh Bank implemented several policies to promote access to finance by vulnerable populations, small farmers and SMEs. All banks are required to provide rural credit and "10 Taka" accounts with minimum initial deposits of USD 0.12 and must open one rural branch for every new urban branch.

SDG Dashboard and Trends

CURRENT ASSESSMENT – SDG DASHBOARD

Major challenges   Significant challenges   Challenges remain   SDG achieved   Information unavailable

SDG TRENDS

Decreasing   Stagnating   Moderately improving   Mantaining   On track   Information unavailable

Key Initiatives[15]

The World Bank and Bangladesh

Since the country's independence, the World Bank has committed more than $30 billion in grants, interest-free and concessional financing credits to Bangladesh through the International Development Association (IDA), the bank's concessional lending arm. In recent years, Bangladesh has been among the largest recipient countries of the IDA fund, with the largest ongoing IDA program. The World Bank has also been Bangladesh's largest external funder, providing over a quarter of all foreign aid to the country, and supporting the government's efforts in the areas of economic development and growth, power, infrastructure, disaster management, climate change, human and social development, and poverty reduction. Total IDA commitments as of today stand at USD 12.62bn for 48 active projects.[16]

Initiatives for financial inclusion

The microfinance sector in Bangladesh has been active for several decades, with many small and large players involved. However, financial inclusion still remains a key challenge for the country's largely rural population.

One key private sector-led financial inclusion initiative is bKash, the country's fastest-growing mobile money provider. This a joint venture between BRAC Bank and the U.S.-based Money in Motion, with investment from the Bill & Melinda Gates Foundation and the IFC. The Bangladesh Bank played an additional role by providing bKash with sufficient regulatory space to create a new line of business while remaining under the broader umbrella of the BRAC Bank.

Policy guidelines for green banking

In 2011, the Bangladesh Bank issued its Policy Guidelines for Green Banking. These called on all commercial banks to adopt a comprehensive green banking policy entailing three phases. In phase one, the banks are to:

- Develop an environmental policy covering the bank's own buildings, facilities and lending policies.
- Establish a green banking unit, along with a high-level committee tasked with reviewing the bank's environmental policies, strategies and programs.
- Allocate budget lines for green finance, climate risk and internal capacity-building.

In phase two, banks must:

- Formulate specific policies and targets for environmentally sensitive sectors.
- Report publicly on steps taken to date.
- Set up "green branches" (e.g., solar-powered buildings) and increase their use of videoconferencing.
- Develop an environmental risk management manual for assessing and monitoring projects and working capital loans.

In phase three, banks must:

- Publish independently reviewed green annual reports.

Islamic finance

Banking based on Islamic principles accounts for 20% of all deposits and 23% of all credit in Bangladesh.[8] The Bangladesh Bank included Sharia-compliant funds within its green refinancing program. The fundamental objectives of Islamic banking – and especially its adherence to fair, equitable and socially responsible principles – would appear to align closely with the principles of sustainable development. In particular, the gharar principle translates into a ban on speculation. Consequently, investors are required to execute transactions based solely on instruments' underlying value, strengthening the link between the investment and development in the real economy. However, in practice, it has been unclear whether the Islamic banking principles genuinely help to align financial markets with green and inclusive development.

Civil society organizations and inclusive finance

Bangladesh has long been known as a pioneer in finance for rural development. Institutions such as Grameen Bank and BRAC combine social missions with banking and microfinance services. Many other smaller NGOs operate in a single district or area, offering a range of services to local communities. Few countries have such a dense coverage of development services. This dense network has significant potential with regard to impact finance, as entities can offer technical support, monitoring, quality assurance and troubleshooting for small-scale loans. Banks are also increasingly working in partnership with local NGOs. For instance, through the Bangladesh Bank's green refinancing scheme, the Trust Bank, in partnership with SOJAG, a local rural development NGO, is supporting a farm-level biogas-development project. Using cattle bought through the credit program, participating farms build a biogas digester and use the resulting methane to cook, thus lowering their need for firewood and greatly improving the health of the women in the family. Often, the producers can sell their surplus and turn the biogas into an income stream.

Road to Impact Economy

PATH TO TIPPING POINT 2020

Develop equity ownership

As with other South Asian countries, Bangladesh's supply of impact capital is heavily reliant on DFIs. Local equity ownership should be developed further by encouraging local investors such as HNWIs, foundations, pension funds, and others to invest locally. By doing so, Bangladesh could strengthen and encourage the local impact economy.

Expand the use of quasi-equity instruments

The use of quasi-equity instruments by impact investors could be increased, since this model provides opportunities for quicker exits and increased liquidity. This type of instrument has previously been used to finance cooperatives and organizations with a need for equity-like capital, but which lack the means to take equity investment.

Raise awareness of impact investing's financial potential

Case studies should be developed detailing successful impact investments, such as bKash, in the country. These would help illustrate the financial potential associated with impact investment, thus attracting more investors oriented toward financial returns.

Align with impact measurement and management standards

The sector should align with international impact-measurement and -management impact best practices, such as the Impact Management Project. This would help increase transparency and boost investor confidence.

TRANSITION TO IMPACT ECONOMY 2030

- In order to promote green financing and sustainable development, Bangladesh needs to build the capacities of domestic banks and financial institutions, develop local bond and equity markets, create a well-coordinated policy oversight body, and bring green finance into the economic mainstream.
- As Bangladesh becomes a middle-income country, development funds, which have rendered numerous social enterprises possible, will shift their focus to other emerging economies. The vacuum thus created will have to be filled by other funding sources. Impact investing will likely have an important role to play here.
- Bangladesh has produced numerous well-known third-sector organizations. Social enterprises and inclusive businesses will continue to have an important role in supporting sustainable growth. However, they will ultimately require stronger market mechanisms and systems to support them, along with relevant policy tools.
- Bangladesh's readymade garment industry needs a comprehensive sustainability strategy in order to improve its environmental footprint and worker conditions. Company owners and policymakers alike need to understand the global impact of production and consumption patterns, and adopt sustainability principles.

Footnotes:

A. **Environmental Performance Index** Available at:https://epi.envirocenter.yale.edu; All other **indicators** available at: http://hdr.undp.org/en/countries

B. Information tends to be limited for specific rounds of funding. Therefore, In **Spotlight Deals,** "Total Funding" refers to the total money that a specific company has raised. The investors listed may have participated in one or several rounds, and may have done so as lead or co-investors.

C. The **ABC** of the **Bangladesh Impact Economy** table is adapted from the IMP framework.

Sources:

1. The World Bank. The World Bank in Bangladesh. Available at: https://www.worldbank.org/en/country/bangladesh The GIIN (2015). The Landscape for Impact Investing in South Asia. Available at: https://thegiin.org/assets/documents/pub/
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16. The World Bank. IDEM

Brazil

Market Overview

Between 1960 and 2015, Brazil was a major target for international philanthropy, receiving over USD 15bn in international development aid. However, over the past two decades, Brazil has rapidly developed the ability to meet the basic needs of its own population. Between 2003 and 2014, Brazil enjoyed an economic boom that lifted more than 29 million Brazilians out of poverty. This emergent middle class has sought to purchase higher-quality education, health care services and sustainable consumer goods. Yet a new economic downturn in 2014 led to unemployment for 14 million Brazilians. Sixteen million Brazilians now live below the poverty line, and the World Bank warns that millions could return to poverty in the coming years. Although this condition has compromised access to fair opportunities and a decent quality of life, the impact-investment and social-business markets continue to grow. Brazil is one of the first countries to have established a government-approved 10-year national strategy for impact investing. In June 2018, the Brazilian National Advisory Board (NAB) rebranded itself as the Impact Investing and Business Alliance (IIBA).

IMPACT INVESTMENTS HIGHLIGHTS

Supply of Impact Capital

- Brazil has benefited from decades of DFI investment, which provided seed and patient capital for the impact market's foundations.
- The Brazilian pension fund was one of the founding members of UN PRI.
- High-net-worth individuals (HNWIs) and families have played a formative role in the Brazilian impact-investment market, largely through funds.[1]
- In 2017, a group of foundations and institutes began testing the impact-investment field, directing a percentage of their donations to this area.
- Brazil's largest pension funds, along with DFIs and government agencies, have served as anchors for the country's private capital market.[2] In fact, Brazil is one of the top recipients of financing from bilateral DFIs (USD 14bn).[3]

Intermediation of Impact Capital[4]

- In 2017, Brazilian investors reported impact-oriented assets under management (AUM) of USD 343mn, with a median value of USD 15mn. This is approximately 25% of the Latin American region's total (USD 1.4bn).[14]
- Equity and debt instruments are the dominant impact-investment vehicles, utilized by over 70% of investors active in Brazil. Quasi-equity is used by 39%. Most investors utilize a combination of instruments, with 25% also using donations.[14]

Demand for Impact Capital[5]

- A recent survey[6] found data on 1,002 impact businesses. A separate UNDP effort[7] mapped 857 ideas and social-impact businesses aligned with the Sustainable Development Goals (SDGs), from all regions of Brazil.

Government and Regulation

- The Secretariat for Innovation of the Ministry of Economy is coordinating the National Strategy for Business and Impact Investing (ENIMPACTO).
- The government has shown a growing interest in impact investing through the National Bank for Social and Economic Development (BNDES) and two other public banks, Caixa Economica Federal (CEF) e Banco do Brasil (BB).

Market Builders

- Active players in the ecosystem include a heterogeneous mix of incubators, accelerators, universities, networks, think thanks and other entities.

Indicators[A]	
GDP total (2011 PPP $ billion)	2,991.8
Total Population (millions)	209.3
GINI Index	51.3
HDI	0.759
MPI	3.8%
EPI	60.70

KEY PLAYERS

Asset Owners	Asset Managers	Impact Entrepreneurs
IFC	VOX Capital	Geekie
IDB	SITAWI	Vivenda
Proparco	Oikocredit	Avante
BNDES	MOV Investimentos	TEM
Wright Capital	Kaeté Investments	Terra Nova
Itau Unibanco	Bemtevi Investimento Social	4YOU2

SPOTLIGHT DEALS[B]

Company	Total Funding	Investor	Sector
Geekie	$7M	Omidyar Network	EdTech
Avante	$18.8M	VOX, Gentera	FinTech
Dr Consulta	$91.9M	Omidyar, Kaszek, LBT Impact Ventures	Health

ABC of the Brazilian Impact Economy[C]

An impact economy is a just and equitable economic system in which positive impact is produced in an environment of risk and return. In an impact economy, governments, organizations, investors and consumers are motivated to include marginalized and underserved sectors of the society in the mainstream economy, while also giving consideration to the needs of our planet and its environment.

The following table describes actions undertaken by a variety of stakeholders in Brazil for the adoption of strategies intended to **A**void harm, **B**enefit all stakeholders and **C**ontribute to solutions. The Brazilian impact-investment sector has already reached a relatively advanced state. This has been bolstered by demands from Brazil's new conscious consumers, who provide an ideal environment for investors desiring to achieve positive social impact using return-seeking investment capital.

	Avoid Harm	Benefit all stakeholders	Contribute to Solutions
IMPACT IN **BUSINESS**	▲ In 2018, 29 Brazilian companies participated in a voluntary emissions-trading system simulation exercise, as a means of testing and developing proposals for a possible national system.[8]	▲ There are currently 131 B-Corps in Brazil.[9] ▲ In May 2018, the insurance industry signed the Rio declaration on climate-risk transparency. ▲ Two sustainability indices on the national equities exchange respectively focus on corporate sustainability and environmental sustainability.	▲ In 2019, a survey found 1,002 social and environmental impact businesses in Brazil.[10]
IMPACT IN **INVESTMENT**	▲ Governance issues are systematically integrated into investor processes. A recent survey suggested that environmental and social issues will gain in importance over the next five years.[11] ▲ Brazil's largest pension fund was one of the founding signatories of the Principles for Responsible Investment (PRI). It helped in creating a strong platform for responsible and ESG integration, and subsequently for impact investment.	▲ Nine green bonds have been issued, for a total of USD 3.67bn. Most (73%) have come from corporate entities, with energy the largest field of investment (42%).[12] The main equities exchange certifies bonds as "green bonds," helping to attract interest. ▲ A Finance Innovation Lab, led by the IDB, the Brazilian Association for Development and the main Brazilian equities exchange (B3), is trying to develop financial instruments to foster sustainable investment, and has proposed related regulatory reforms.[13]	▲ In 2018, Brazilians reported total impact-related AUM of USD 343mn, with a median value of USD 15mn. This is approximately 25% of the region's total impact-related AUM (USD 1.4bn).[14] ▲ Impact investments taking the form of private equity or venture capital in Brazil totaled USD 6.8bn in 2016 – 2017, across 332 deals, according to industry research.[14]
IMPACT IN **POLICY**	▲ Pensions regulator CMN has published a new standard governing the investment practices of occupational pension plans. Among other changes, it clarified that ESG issues must be considered in the pension funds' regular risk-assessment process.[15]	▲ Under a 2005 anti-slave-labor pact, companies pledged to keep their businesses free of forced labor and cut commercial ties with businesses profiting from slavery.[16]	▲ In 2017, Brazil launched a 10-year government-approved national strategy for impact investing and impact business, following collaboration between public- and private-sector entities. Twenty-six organizations have committed to achieving its targets.
IMPACT ON **CONSUMPTION**	▲ Over 90% of Brazilians perceive air pollution, climate change, biodiversity loss and water availability as very serious problems – at least 30 percentage points more than the international average.[17]		

SDG Dashboard and Trends

CURRENT ASSESSMENT – SDG DASHBOARD

Major challenges Significant challenges Challenges remain SDG achieved Information unavailable

SDG TRENDS

Decreasing Stagnating Moderately improving Mantaining On track Information unavailable

Key Initiatives

Increasing the capital available to impact businesses
Encouraging additional supply of capital into the sector remains a key priority for Brazil, and additional innovative financing mechanisms are being established, especially at the seed level.

Increasing the number of impact businesses
Capacity-building programs for impact businesses have been important in the Brazilian market. These have been delivered through collaborations between public and private institutions, generally through accelerators or incubators, support programs, and universities. The objective has been to increase the number of qualified and scalable impact businesses, while consolidating the accelerators and incubators that support these businesses.

Strengthening intermediaries
There are at least 18 active impact-investing actors in the country, and at least seven incubators or accelerators dedicated to impact businesses. Another 70 entities have a strategic plan to bring impact business into their portfolios. ICE's Academia program supports professors in developing courses and research on the themes of impact investing and impact businesses. To date, more than 90 professors from upward of 50 universities, half of which are public, have joined the program.

Promoting a conductive environment
Brazil has well-defined regulations governing the way that pension funds and listed companies report on ESG matters. The most notable recent advancement was the introduction of a regulation requiring pension funds to report on how they treat ESG matters. If they do not issue such reports, they need to explain why. In addition, the equities exchange requires all listed companies to report on sustainability issues, or to explain why they do not. SERP Regulation 4327 (2014) establishes social and environmental responsibility guidelines for financial institutions.

Strengthening data generation
Insper Metricis is leading an impact-measurement initiative with more than 40 participants. A number of Brazilian accelerators, incubators and companies are also part of the Impact Management Project, led by Vox in partnership with Bridges Fund Management.

Road to Impact Economy

PATH TO TIPPING POINT 2020

Continue to move forward with plans to implement the national strategy for impact investing and impact businesses (ENIMPACTO)
Policymakers and other sector entities should encourage the involvement of private-sector and civil society organizations in implementation of the ENIMPACTO national strategy, while regularly monitoring and reporting on progress. Focusing on the four pillars simultaneously will help to avoid bottlenecks as the impact economy progresses.

Secure the commitment of newly elected political leaders
Having champions within the government has been a key factor in ENIMPACTO's success thus far. Newly elected political leaders should thus be encouraged to promote impact investing and impact businesses, in line with ENIMPACTO.

Increase government procurement from impact businesses
The share of public procurement (municipal, state and federal) of goods and services coming from impact businesses should be increased. Currently, there are strong barriers preventing impact businesses from winning government procurement contracts. Changing this regulatory structure will allow for significant progress.

Continue to progress with launch of SIBs
The launch of SIBs in Brazil has stalled in the current political environment. The release of an inaugural SIB will help the sector gain traction.

Progress with legislation on a company legal form
Legislation for a new legal vehicle similar to the B Corp is currently awaiting approval in Congress. Progressing with this legislation will help enable more specifically targeted impact-related policies.

Expand access to capital
Legislation governing the creation of endowments is awaiting approval in Congress. If endowment legislation was integrated into the National Strategy, this would provide an additional source of capital for the impact-investment sector.

Document success cases
Highlighting successful cases could prove the validity of investing for social and financial returns, and thus stimulate further growth within this sector. According to the ANDE 2018 study, there were eight impact-related exits in Brazil between 2016 and 2017.

Ensure a sufficient range of impact-investment vehicles
Currently, the high concentration of deals with ticket sizes below USD 250,000 and above USD 1mn risks excluding impact businesses looking for resources between these extremes from the capital market.[18]

TRANSITION TO IMPACT ECONOMY 2030

- Brazil remains one of the most unequal countries in the world. Half of the population receives 10% of total household incomes, while the other half receives 90%.[19]
- By facilitating more inclusive approaches, the impact economy and the social and solidarity economy can play a crucial role in addressing some of Brazil's contemporary challenges. If Brazil is to reach the next level of social and economic development, inequalities in income must be reduced and public-service delivery improved, and the economy must diversify beyond its reliance on primary-product exports. Impact investing has the potential to address these issues by supporting market-based, scalable and measurable solutions that create social impact while generating positive financial returns.
- Though Brazil has the world's richest biodiversity, impact investments targeting environmental conservation are limited. The three editions of "The Impact Investing Landscape in Latin America" reveal few investments in businesses that generate positive impact on the conservation of our natural heritage. Additionally, the complexity of the topic makes it difficult for it to be more effectively incorporated. It is therefore essential to showcase examples that generate positive impact with regard to biodiversity conservation so that the topic gains relevance in impact investors' strategic agendas.[20]

Footnotes:

A. **Environmental Performance Index** Available at: https://epi.envirocenter.yale.edu; All other **indicators** available at: http://hdr.undp.org/en/countries
B. Information tends to be limited for specific rounds of funding. Therefore, In **Spotlight Deals,** "Total Funding" refers to the total money that a specific company has raised. The investors listed may have participated in one or several rounds, and may have done so as lead or co-investors.
C. The **ABC** of the **Brazilian Impact Economy** table is adapted from the IMP framework.

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Canada

Market Overview

As compared to the OECD averages, Canada has a higher per capita GDP (USD 44,963 vs USD 42,096), better air quality (12.1 micrograms per m3 vs 14.05), better water quality and better health outcomes.[1] Therefore, opportunities for impact lie in proactive actions such as allowing all population groups (e.g., indigenous communities, women, older workers and migrants) to benefit equally. Possible goals include integrating marginalized populations more fully into the labor market, promoting clean energy and climate-change adaptation, advancing food sustainability, protecting the environment, and spearheading frontier and catalytic capital in emerging economies.

In 2010, the Canadian Task Force on Social Finance published a first report outlining ways to strengthen social finance at a national level. In 2013, this task force became the National Advisory Board. Its second report, "Mobilizing Private Capital for Public Good: Priorities for Canada," advocated for government action. The Canadian government has followed some of the recommendations and has worked to develop the impact investing economy.

IMPACT INVESTMENTS HIGHLIGHTS[2]

Supply of Impact Capital

- With 505,010 resident high-net-worth individuals (HNWIs), Canada ranks seventh in the world. In 2018, these individuals controlled a total of USD 1.2bn.[i] A study by MaRS revealed that 89.8% Canadian HNWIs are interested in impact investing, but that only 33.5% of them have already made such investments.[3]
- Canadian foundations are leading impact investors, making direct and intermediated investments.
- Credit unions, chartered banks and pension funds are all beginning to show interest in impact investing but remain small-scale contributors to the supply of impact capital.

Intermediation of Impact Capital

- Foundations are leading impact investors with many of them setting a target of 10% of endowments for impact investing–a goal outlined in the Canadian Task Force on Social Finance report.
- As of January 2019, there are 98 funds listed on OpenImpact.[4] They represent various sectors, asset classes and return expectations.
- Canada's 53 Aboriginal Financial Institutions (AFIs) support the development of the Aboriginal small business community.

Demand for Impact Capital

- Impact-oriented sectors such as environment and water, energy, Aboriginal business, non-profits and social enterprise, and agriculture have blossomed in recent years. Other sectors, such as affordable housing, financial services, health and education have been relatively slower to develop, yet present promising opportunities for market growth.

Government and Regulation

- The federal government's Social Innovation and Social Finance Strategy envisions investments of USD 567.4mn over the next 10 years to establish a Social Finance Fund. An additional USD 37.6mn will be allocated over two years to help social-purpose organizations reach investment readiness and participate in the social finance market.
- The Community Economic Development Investment Funds (CEDIF) model is a flexible tax-advantaged government incentive that has delivered local impact capital for years.

Market Builders

- Canada's market builders engage in demand-side functions such as promoting investment readiness among impact companies (e.g. Community Foundations of Canada, Centre for Social Innovation) and product structuring ((e.g., MaRS, New Market Funds), to financial intermediary functions (e.g., SVX), and supply-side functions such as investor education (e.g., RIA), pooling and mobilizing capital (e.g., Tides Canada, Pique Ventures, ecotrust, etc.), and The National Investment Practitioners Table, a pan-Canadian community of practice.

Indicators[A]	
GDP total (2011 PPP $ billion)	1,615.8
Total Population (millions)	26.6
GINI Index	34
HDI	0.926
MPI	N/A
EPI	72.18

KEY PLAYERS

Asset Owners	Asset Managers	Impact Entrepreneurs
Sarora	Renewal Funds	Nada Grocery
Caisse de Depot et Placement du Quebec	New Market Funds	TurnAround Couriers
JW McConnell Family Foundation	Deetken Impact	Mattress Recycling
Vancity	MaRS DD Funds	TruLeaf
RBC Bank	BDC Capital	PlayLab
FTQ Pension Fund	InvestEco	BioDiaspora

SPOTLIGHT DEALS[B]

Company	Total Funding	Investor	Sector
Ecobee	$149.4M	InvestEco, Alexa Fund, Relay	Energy
Xagenic	$47.3M	BDC Capital, OCG	Biotech
Terramera	$34.3M	BDC, Renewal, IKEA Greentech	Agriculture
Enerkem	$616.5M	Suncor Energy, NBC	CleanTech
Hypertension SIB	$3M	QBE Insurance, Telus Ventures, HNWIs, & Foundations	Health

[i] Exchange rate used throughout the document: CAD 1 = USD 0.75

ABC of the Canadian Impact Economy[C]

An impact economy is a just and equitable economic system in which positive impact is produced in an environment of risk and return. In an impact economy, governments, organizations, investors and consumers are motivated to include marginalized and underserved sectors of the society in the mainstream economy, while also giving consideration to the needs of our planet and its environment.

The following table describes actions undertaken by a variety of stakeholders in Canada for the adoption of strategies that **A**void harm, **B**enefit all stakeholders and **C**ontribute to solutions. Despite being a relatively small subset of responsible investing, impact investing has been a fast-growing segment in Canada due to the increased demand for impact across asset classes, both among asset owners and individual investors.

	Avoid Harm	Benefit all stakeholders	Contribute to Solutions
IMPACT IN **BUSINESS**	▲ The Canadian Environmental Protection Act creates an environmental disclosure requirement for companies operating in the energy sector. ▲ In 2014, just 42% of Canadian companies listed on the TSX Composite Index publicly disclosed environmental, social and governance (ESG) information. In 2016, 56% of companies listed on the Index provided some form of ESG disclosure, an increase of 14% compared to 2014.[7]	▲ Canada is home to 320 B-Corp certified companies.[8] ▲ Use of the Global Reporting Initiative (GRI) guidelines has decreased, with 50% of companies referencing the GRI in 2016, down from 71% two years prior.[9] ▲ Shareholder resolutions have become a key tool for influencing company decisions. More than 180 Canadian companies have voluntarily submitted to non-binding "say on pay" votes for executive compensation packages as a result of shareholder pressure.[10]	▲ A 2016 survey revealed there are more than 1,350 social enterprises in Canada, employing more than 31,000 people and providing services to an additional 5.5 million.[11]
IMPACT IN **INVESTMENT**	▲ Assets managed with responsible strategies in Canada now account for just over 50% of professionally managed assets in the country, up from 38% in 2016. The most prominent responsible investing strategy practiced in Canada, in asset-weighted terms, continues to be ESG integration, with corporate engagement in second place.[12]	▲ Cumulative green-bond issuance stands at USD11.9bn (9th in global country rankings), with USD4.1bn issued in 2018 (10th in the 2018 country rankings). Local governments contributed 42% of this volume in 2018. Clean energy dominated the use of proceeds, with a 32% share, followed by transport (30%).[13]	▲ Impact-investment AUM in Canada totaled USD 11.11bn in 2017, up from USD 6.14bn two years prior.[14]
IMPACT IN **POLICY**	▲ The GreenHouse Gas Pollution Pricing Act establishes a federal price on greenhouse gas (GHG) emissions. Producers, distributors and importers of fossil fuels and combustible waste must register and file monthly reports and returns showing that they have paid the net taxes for the fuels and waste they produce, distribute or import.[15] ▲ Introduced in 1999, the Canadian Environmental Protection Act requires companies to provide information on specific pollutant emissions for inclusion in the National Pollutant Release Inventory. The act was expanded five years later to include the GHG Emissions Reporting Program, which requires Canadian Large Emitters to report GHG emissions. Banks and other financial institutions with equity of USD 750mn or more must publish an annual statement describing their contributions to the Canadian economy and society.[16]	▲ A pending Senate bill would amend the Department of Public Works and Government Services Act to give the Ministry of Public Works and Government Services the capacity to require bidding companies in the field of construction, maintenance, repair of public works, federal real property or federal immovables to provide information on the community benefits derived from the proposed project.	▲ Canada has a dedicated united and pan-Canadian impact-investment strategy. Responsibility for domestic impact investment in the federal government lies with Employment and Social Development Canada. ▲ Some provinces, such as Nova Scotia and British Columbia, have created legal forms for impact businesses such as the community interest company. However, these legal forms have seen little uptake, perhaps because Canada's corporate rules allow for-profits some ability to pursue social and environmental good. There is no country-wide legal form for impact businesses. ▲ In June 2017, the government appointed a steering group to co-create a pan-Canadian Social Innovation and Social Finance Strategy. If the strategy is implemented, this could promote further progress in the industry. ▲ Canada has launched six outcomes-based contracts: three at the provincial level, two at the national level, and one at the international level.

	Avoid Harm		
		Benefit all stakeholders	
			Contribute to Solutions
IMPACT ON **CONSUMPTION**	▲ Canadians across income groups rank these topics as being extremely or very important: treating farm animals humanely (62%), using fair labor practices for farm workers' (59%), growing food without pesticides (46%), locally grown food (43%), growing food without the use of genetically-modified organisms (GMOs) (42%), and food being certified as organic (16%).[17] ▲ The trend toward support of local production is particularly high among 18- to 24-year olds in Canada, with 74% citing this as important, followed by 70% for organic foods and 49% for sustainable packaging.[18]		

SDG Dashboard and Trends

CURRENT ASSESSMENT – SDG DASHBOARD

Major challenges Significant challenges Challenges remain SDG achieved Information unavailable

SDG TRENDS

Decreasing Stagnating Moderately improving Mantaining On track Information unavailable

Key Initiatives

Capacity building

Some examples of capacity-building programs for impact businesses are listed below:

- ▲ Chantier de l'économie sociale: Originally supported through government funding, this promotes the social economy by bringing together different stakeholders, and by creating the conditions and tools for project consolidation, experimentation and development.
- ▲ Federal Investment Readiness Program: The government will invest USD 37.6mn over two years to help social-purpose organizations become investment-ready, and assisting them in accessing the new Social Finance Fund, which is set to launch in 2020.
- ▲ SVX platform: Supported by government funding, this platform links investors and impact businesses, and allows investors to invest directly in these companies through the platform.

Access to capital

Canada's government is a significant investor in Canadian businesses. However, that money is rarely funneled exclusively to impact-driven entities. Programs with some benefit for impact businesses include:

- ▲ Venture Capital Catalyst Initiative: This provides financing for venture-capital funds and funds of funds, with the capital generally targeting smaller funds. Notably, the initiative gives some preference to funds that invest in rural or remote areas, as well as in women-run businesses.
- ▲ Business Development Bank of Canada: This was the country's first B-Corp bank, and provides funds to Canadian entrepreneurs.

Outcomes commissioning

Canada has launched six outcomes-based contracts: three at the provincial level, two at the national level, and one at the international level. A new dedicated initiative, Impact Canada, has been set up to promote a range of new approaches to social issues. It will support federal departments in their use of this new contracting model. Possible topics to address include chronic diseases, child welfare, literacy, opioid use, migrant integration, homelessness and education.

Educational programs

Most business schools in the country have adopted social finance as part of their curriculum. In particular, Carleton University and the University of British Columbia are carrying out valuable research in the field of social finance and impact investing.

MaRS Social Finance Forum

This annual gathering is used by sector participants to make announcements, discuss trends, and learn from international leaders and networks.

Road to Impact Economy

PATH TO TIPPING POINT 2020

Invest more catalytic capital

The effect that Chantier de l'économie sociale has had for Quebec's social economy clearly demonstrates the benefits of a catalytic government fund. Canada's impact economy could greatly benefit if the government were to provide the industry with more catalytic capital across Canada.

Create a government outcomes fund

To date, the development of SIBs in Canada has been slow. While the government has shown interest, it has proven difficult to find sufficient funding. Canada would benefit from a dedicated government outcomes fund, with funding set aside from the federal government to pay for outcomes-based projects. The outcomes fund could help the government systematize its outcomes-based contracting.

Focus on impact in procurement

The federal government is one of the country's largest purchaser of products and services. By embedding social and environmental metrics in the government's procurement process, the government could promote impact-driven businesses.

TRANSITION TO IMPACT ECONOMY 2030

- Statistics Canada, the country's national statistical agency, forecasts that 30% of all residents will have been born outside of the country by 2036. Canada's urban centers will also become larger, younger and more diverse, with an increasing mix of visible minorities, indigenous people and newcomers. These issues will require the transition to an impact economy to ensure inclusion of these population groups.
- In order to further promote the development of social investment funds, the Canadian government may wish to explore legislative, regulatory or fiscal measures to further mobilize capital for social good. For example, it might draw inspiration from the Community Economic Development Investment Funds in the province of Nova Scotia. Here, to help Nova Scotia's social businesses obtain equity financing, the local government introduced an equity tax credit scheme by offering a personal income tax credit to individuals investing in eligible businesses.[19]
- Canada lags behind international peers with regard to the creation of national impact-measurement policies and frameworks. Many investors say the social-finance marketplace needs more comparative impact data in order to become robust enough to provide sustainable social funding. A national strategy could support the development of standardized measurement and evaluation tools tailored to help social-purpose organizations improve their outcomes.[20]

Footnotes:

A. **Environmental Performance Index** Available at: https://epi.envirocenter.yale.edu; All other **indicators** available at: http://hdr.undp.org/en/countries

B. Information tends to be limited for specific rounds of funding. Therefore, In **Spotlight Deals,** "Total Funding" refers to the total money that a specific company has raised. The investors listed may have participated in one or several rounds, and may have done so as lead or co-investors.

C. The **ABC** of the **Canadian Impact Economy** table is adapted from the IMP framework.

Sources:

1. OECD (2017). Policies for Stronger and more Inclusive Growth in Canada. Available at: https://read.oecd-ilibrary.org/economics/policies-for-stronger-and-more-inclusive-growth-in-canada_9789264277946-en#page1
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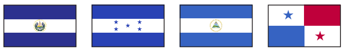
Central America



EL SALVADOR, HONDURAS, NICARAGUA, PANAMA

Market Overview

In 2016, El Salvador received USD 373mn in foreign investment, which amounts to 2% of the country's GDP. El Salvador enjoys various tariff waivers with the United States, which also accounts for one-third of the country's FDI.[1] Coffee is the dominant export and provides employment for almost a third of the labor force.[1] El Salvador suffers from a housing deficit.[3]

Honduras is one of the poorest countries in Central America and faces serious energy challenges as the country is highly dependent on imports. In addition to widespread gang violence and drug trafficking, a coup d'etat in 2009 left the country subject to ongoing political instability.[4] Banana and coffee as the two main export crops are prone to shock by natural events such as hurricanes and droughts.[5]

Until the 1990s, Nicaragua suffered for decades from political upheaval and war. The high levels of poverty and current relative stability have made it a common site for foreign philanthropic efforts.[6] Nicaragua is primarily an agricultural country with small industries.[7]

As the home of the Panama Canal, Panama attracts high levels of FDI, which totaled USD 5.5bn in 2018. As Panama's economic growth has been steered largely by its financial services, and most workers are employed in the less productive agriculture and manufacturing sectors, the country's poverty rate is high at 19%.[8]

IMPACT INVESTMENTS HIGHLIGHTS

Supply of Impact Capital

- Pyme Capital, a venture capital fund, is building a USD 25mn fund targeting investments in Dominican Republic, El Salvador, Honduras, Paraguay and Peru.[9]
- International social financiers, including Oikocredit, Alterfin, Incofin and Root Capital have paved the way for local commercial banks to lend to Honduran smallholder cooperatives, enterprises and farmers.[10]
- Panama is one of the top recipients of FDI in Central America, which reached USD 5.27bn in 2017.[11]
- Financial inclusion, agriculture, water and sanitation attracted the greatest number of impact deals in Nicaragua.[12]

Intermediation of Impact Capital

- El Mercadito, FUNDES, Hecho en Casa, INSERT and Yo Emprendedor provide business incubation services (SLV).
- Agora Partnerships, Centro de Estudios para el Desarrollo Rural, Coach Para Info-emprendimientos con Alma, Juventud Siglo Veintiuno and RedUnES provide capacity development support for the full spectrum of social venture stages.[13] (HND)
- Panama reported USD 3mn in exits in 2016-2017, the 4th highest in the Latin American region.[14] (PAN)
- Agora Partnerships are one of the only providers of intermediary services in Nicaragua and run an accelerator program for growth stage ventures.[15] (NIC)

Demand for Impact Capital

- The large funding gap for SMEs, estimated to run around USD 24bn in Costa Rica, El Salvador, Guatemala and Honduras, has become a major attraction for impact capital in Central America.[16]
- As of 2017, a total of USD 46mn in 17 impact investment deals had been made in Panama. Of this figure, USD 18mn were non-microfinance deals.[17] (PAN)
- In 2016-2017, Nicaragua was the third-largest market for MFI deals in Central America (USD 89mn).[18] (NIC)
- In El Salvador, 15.3% of adults between 18 and 64 years old are early-stage entrepreneurs, 9.4% manage an already-established business, and 24.7% are in some other entrepreneurial stage.[19] (SLV)

Government and Regulation

- The Joint Program between the El Salvador Government and the United Nations helped implement a framework of guarantees for housing credit, the Salvadorian Guarantee Fund[21] (SLV)
- Offshore investments in Panama are not subject to taxes and exchange controls, which allows for considerable freedom in investment activity.[22] (PAN)
- Nicaragua has signed the DR-CAFTA free trade agreement that eliminates duties for most exports to the United States.[23] However, Nicaragua was deemed in 2018 to be the most difficult place in Central America for Ease of Doing Business[24] and, to date, there is no formal policy on impact investment. (NIC)
- The government of Honduras strives to improve the investment climate through initiatives such as the Honduras Plan 20/20, which seeks to attract increased FDI and create 600,000 new jobs by 2020.[25] (HND)

Market Builders

- La Ciudad del Saber encourages entrepreneurs, scientists, government organizations, and NGOs to work together in creating social change.[26]
- Universidad Latina de Panama, Mercado Culturoso and Universidad Tecnologica de Panama provide financial and accounting support to impact ventures.
- Financial support for social ventures in Honduras is provided by Hivos, OXFAM and Universidad Tecnologica de Honduras – Centro de Innovacion Avanza and Root Capital[27] (HND)
- In El Salvador, El Mercadito, FUNDES, Hecho en Casa and INSERT and Yo Emprendedor provide business incubation services while FUSADES, Vital Voices, BPeace and IDWEEK are business accelerators in El Salvador.[28]

Indicators[A]	Nicaragua	El Salvador	Honduras	Panama
GDP total (2011 PPP $ billion)	33.1	46.5	42.1	91.3
Total Population (millions)	6.2	6.4	9.3	4.1
GINI Index	46.2	40.0	50.0	50.4
HDI	0.659	0.674	0.617	0.789
MPI	16.3	7.9	19.5	N/A
EPI	55.04	53.91	51.51	62.71

KEY PLAYERS

Asset Owners	Asset Managers	Impact Entrepreneurs
BAC Credomatic (N)	Root Capital (N)	Solubrite (N)
CARUNA (N)	Oikocredit (N)	Hotel con Corazon (N)
Banco Lafise Bancentro	Solidaridad (N)	Las Tias (N)
Banco de Fomento a la Produccion (N)	SosteNica (N)	Hotel Los Arcos (N)
Banco Promerica (N)		
Banco General (P)	Firmus-Octogone (P)	
Banco Nacional (P)	J.Safra Sarasin AM (P)	
Banistmo (P)	MMG (P)	
BAC International (P)	Andbank (P)	
Bladex (P)	Blue Tree AM (P)	
Banco Ficohsa (H)	Spark Ventures (H)	Cosecha Partners (H)
Banco Financiera Comercial Hondurena (H)	FINCA Honduras (H)	Sube.la (H)
FHIS (H)		CEmprende (H)
HSBC GAM (ES)	SURA (ES)	Innova-T (ES)
Banco Davivienda (ES)	Renta Asset Management (ES)	Elevate (ES)

SPOTLIGHT DEALS[B]

Company	Total Funding (in USD)	Investor	Sector
Vega Coffee (N)	250,000	VilCap	Food and Beverage
Colibri (N)	130,000	Dorm Room Fund	Energy
Spicy Rocket (H)	290,000	-	Food and Beverage
Apoyo Integral (ES)	3mn	Creation	Microfinance
TreeCloud Technologies (ES)	500,000	-	Software
Wisy (P)	1.2mn	-	Augmented Reality
Chekku (H)	40,000	StartUP Chile	Software
Aurora Labs (P)	6mn	Gianni D'alerta	Fintech

ABC of the Central America's Impact Economy[C]

An impact economy is a just and equitable economic system in which positive impact is embedded alongside risk and return. In an impact economy, governments, organizations, investors and consumers are motivated to include marginalized and underserved sections of the society while demonstrating consideration for our planet and the environment.

The following table shows actions undertaken by different stakeholders in Central America for the adoption of strategies that **A**void harm, **B**enefit all stakeholders, and **C**ontribute to solutions. Although Central America's impact economy is rather nascent, there is consensus that the time is right for the region to shift toward social enterprise and impact investment-driven development.

	Avoid Harm	Benefit all stakeholders	Contribute to Solutions
IMPACT IN **BUSINESS**	▲ GRI has numerous reporting and data partners in Central America to disseminate sustainable standards at the national level and capture vital information about sustainability reporting as well as developments in organizational disclosure. This network includes SMS in El Salvador and Nicaragua, and EY in Honduras and Panama.[29]	▲ Sistema B is being formalized in six Central American countries: Costa Rica, El Salvador, Guatemala, Honduras, Panama and Nicaragua.[30]	▲ A cooperation agreement between the Multilateral Investment Fund of the IDB and Global Impact Hub will allow some 180 entrepreneurs from El Salvador, Honduras and Nicaragua to access different initiatives that help boost business ideas. The agreement signed in San Salvador will allow the "Promotion of Resident Entrepreneurs" program to be promoted with IDB-MIF financial resources of USD 740,000 and a similar amount (USD 730,000) provided by Impact Hub Global.
IMPACT IN **INVESTMENT**	▲ Key Panamanian financial, government and NGO sector actors established the "Sustainable Finance Working Group" in 2018. This group is responsible for collaborating to address ESG issues in Panama's financial system.[31] (PAN)	▲ The El Salvadoran government and the Green Climate Fund have agreed to commit USD 127mn to projects in El Salvador that build climate change resilience in farming practices.[33] (SLV) ▲ In partnership with Banco Ficohsa, the eco.business Fund is promoting innovative technology and sustainable agribusiness practices in Honduras with a total investment of USD 25mn.[34] (HND) ▲ The eco.business Fund has disbursed a USD 5mn loan (2019) to Banco Cuscatlán in El Salvador to help finance companies in the agribusiness and forestry value chains that prioritize sustainability and demonstrate environmental commitment.[35] (SLV) ▲ Banco Atlántida, Honduras' largest bank, has developed the Banco Atlántida Green Bond Framework that will issue a green bond and use the proceeds to finance and refinance, in whole or in part, existing and future renewable energy projects (solar, small hydro, biomass and wind) in the country.[36] (HND)	▲ Impact investing amounted to USD 52mn in El Salvador through 25 deals. ▲ Impact investing amounted to USD 52mn in Honduras through 25 deals. ▲ Impact investing amounted to USD 46mn in Panama through 17 deals.[38] ▲ A total of USD 114mn across 69 deals was recorded in Nicaragua for this period (including MFI).

	Avoid Harm	Benefit all stakeholders	Contribute to Solutions
IMPACT IN **INVESTMENT** (Cont.)	▲ Insight Investment proprietary research reports that Nicaragua numbers among the top 10 globally in terms of ESG momentum. This ranking is derived from a score that is based on the proportion of improving, stable or declining metrics among environmental, social and governance datasets over the last six years.[32] (NIC)	▲ The Panama Stock Exchange has joined the Climate Bonds Partners Program, which connects members of the global financial sector to develop green bond standards and solutions for transitioning to a low carbon economy.[37] (PAN)	
IMPACT IN **POLICY**	▲ In recent years, governments in Central America have integrated climate change into their individual national development plans and/or period of government plans (i.e., El Salvador's Five-year Development Plan 2014-2019, Honduras' Strategic Government Plan 2014-2018, Nicaragua's National Human Development Plan 2012-2016, and Panama's Strategic Government Plan 2015-2019).[39]	▲ Since 1989, the Central American Commission on Environment and Development (CCAD) has targeted the harmonization of policies and legislations in the region. In 2012, CCAD issued two technical guides to aid Central American countries in taking a common approach to environmental impact assessments (EIAs) of energy and mining projects.[40]	▲ CENPROMYPE, the coordinating body for integration and SME development across Central America, has been working toward implementing entrepreneurship policies at the national level in countries across the region. These policies target the creation of favorable conditions and support programs for entrepreneurs by stimulating innovation and fostering creativity, networks, and competitiveness while leveraging the available opportunities in national and international markets.[41]

Key Initiatives

Catholic Relief Services (CRS) and the Inter-American Development Bank's Multilateral Investment Fund (IDB/MIF) launched Azure, a blended finance facility designed to catalyze both investment and grant capital for improved water and sanitation services. Azure is comprised of two integrated components: Azure Source Capital, LLC (ASC) and Azure Technical Services (ATS). CRS, IDB/MIF and other investors have committed over USD 3mn in a combination of loans and equity for ASC and USD 1.2mn in grant funding for ATS.[42] (SLV)

Canal de Empresarias is a new project developed by the Innovation Centre of the City of Knowledge in Panama. It focuses on women's professional development and leadership in the business arena. Canal de Empresarias currently supports the development of female-led sustainable companies with high growth potential and the development of sustainable business ecosystems that are owned by women. The project is funded by the IDB and supported by a network of Panamanian business ecosystem actors from government, banks, business organizations, universities and the mass media.[43] (PAN)

Another key innovation provided by impact investing services in Nicaragua is to cut out the middleman by linking cooperatives directly with international buyers. For example, Equal Exchange, a worker-owned cooperative that sells organic and fair-trade products, has established a long-lasting partnership with PRODECOOP in Nicaragua, with Oikocredit International and Root Capital providing access to capital.[44]

The AngelHack event gathers hackers, designers and entrepreneurs for 24 hours in order to create innovative projects from scratch. It is conducted annually at the Technological University of Honduras. GeekGirlMeetup are open space conferences for women interested in technology, design, startups and some other related fields. Hackathon de Innovacion Ciudadana and Startup Weekend are events aimed at generating technological solutions to challenges in the city through open data. Startup Weekends brings together young and experienced entrepreneurs, designers and technology enthusiasts to create new products and startups.[45] (HND)

Road to Impact Economy

PATH TO TIPPING POINT 2020

Nascent concept to be developed

Social entrepreneurship and impact investing are still nascent concepts in Nicaragua. A concerted push is required to promote the idea of investment for social impact among local entrepreneurs in the Central American region.

Build and strengthen overall ecosystem of impact

Impact entrepreneurs in El Salvador lack business opportunities as well as access to markets and the supply of impact capital. The provision of financial support to entrepreneurs in the region is an area that needs to be developed, as there are currently only four organizations providing financial support. As a result, Central American social enterprises need to source most of their capital from outside the region. It is imperative to foster the development of local impact capital such as Pomona Impact.[46]

Build a base of public information regarding impact investment

There is very little information regarding available funds, services and success stories of impact investment for prospective investors. In addition, stronger messaging should be conducted to communicate the work being done in areas such as the City of Knowledge in Panama.

Strengthening the support structures for impact investment

Inconsistent and expensive energy, corruption, weak institutions, high levels of crime, low education levels, and poor infrastructure are widely reported by investors in Central America as barriers to successful impact investment.

TRANSITION TO IMPACT ECONOMY 2030

Central America is characterized by its young population (e.g., 63% of the population in El Salvador is under 30).[47] Despite steady economic growth and an ongoing decline in poverty, inequality prevails. Estimates suggest that the average per capita income of the richest 10% of households is approximately 17 times that of the poorest 40% of households in the region.[48] Inequalities are intertwined with other considerations linked to gender, geography and population groups, and they are exacerbated by political instability and ongoing violence in the region. Many national economies in the region rely heavily on the export of primary commodities which are currently imperiled by climate change, as is the case with Honduras.

Central America is a biodiversity hotspot that is compromised by climate change, deforestation and land degradation which are attributed mainly to the increase in extensive and intensive agriculture.[49] These environmental changes also impact food security, which hits more vulnerable groups harder, as they have lower adaptive capacities to climate change.

Powered by a young population and the need to address socioeconomic challenges in the region, the potential and momentum for social entrepreneurship and impact investing is palpable in Central America. Transitioning to an impact economy would provide an inclusive and sustainable status quo for 2030.

Footnotes:

A. **Environmental Performance Index** Available at: https://epi.envirocenter.yale.edu; All other **indicators** available at: http://hdr.undp.org/en/countries

B. Information tends to be limited for specific rounds of funding. Therefore, In **Spotlight Deals,** "Total Funding" refers to the total money that a specific company has raised. The investors listed may have participated in one or several rounds, and may have done so as lead or co-investors.

C. The **ABC** of the **Central America's Impact Economy** table is adapted from the IMP framework.

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Chile

Market Overview

Chile's solid macroeconomic framework has produced strong growth in recent decades. The country reduced the share of the population living in poverty from 30% in 2000 to 6.4% in 2017.[1] It has a well-established entrepreneurship and innovation ecosystem, with multiple organizations offering seed capital, angel investment, collaborative working spaces and other support for start-ups and social enterprises. There are several private seed and angel funds, multiple government players in the space, and active international development institutions in the market.[2]

The Chilean National Advisory Board (NAB) was officially established in May 2018. It is currently discussing strategic plans with the government and public sector. Specific work on the issue began in 2010, when a government unit was established to support certain elements of the impact economy. Between 2014 and 2015, a group of interdisciplinary professionals conducted a feasibility analysis on the issue. This process culminated in the 2017 creation of IMPACTA, a non-profit focused on boosting the impact-investment ecosystem.

IMPACT INVESTMENTS HIGHLIGHTS[3,4]

Supply of Impact Capital

- Multilateral DFIs such as the IADB, FOMIN, CAF and IFC have played a role as impact investors in Chile, making direct investments in local funds and co-investing in high-impact social and environmental projects, often with a focus on renewable energy. Chile receives only 3% of the total equity investments in the LAC region
- HNWIs and family offices have a high level of understanding of the concept of impact investment. Almost half (46%) say they would be interested in impact-first investments.

Intermediation of Impact Capital[4]

- Impact-investment funds currently manage upward of an estimated USD 138mn in assets, employing investment strategies ranging from debt and equity to convertible loans.
- Crowdfunding has grown steadily since 2012. One notable example is 2ble Impacto, which is led by a group of civil society organizations including Avina and Sistema B. This began in 2015 as a crowdfunding platform exclusively focused on funding double- and triple-bottom-line projects.

Demand for Impact Capital

- There are more than 130 certified B Corps in Chile, representing 27% of all such firms registered in Latin America (477). The movement has attracted multinational companies operating from Chile such as Hortifrut.[5]

Government and Regulation

- Although there is currently no special legal form for social enterprises, an in-development bill proposes to create a legal framework for such entities. The bill is being developed by a Ministry of Economy, Development and Tourism unit.
- Chile has been recognized as the region's most favorable market for venture capital and private equity funds, thanks to its investor-friendly legal environment.[6]

Market Builders

- A 2016 study identified at least 37 agents in Chile's social entrepreneurship ecosystem. These organizations provide advice, finance, train and promote social enterprises, and offer access to professional networks and coworking spaces.

Indicators[A]	
GDP total (2011 PPP $ billion)	411.1
Total Population (millions)	18.1
GINI Index	47.7
HDI	0.843
MPI	N/A
EPI	57.49

KEY PLAYERS

Asset Owners	Asset Managers	Impact Entrepreneurs
IADB	NESsT	TriCiclos
FOMIN	FIS - Ameris	Lumni
CAF	Sembrador	Algramo
Confuturo	Fen Ventures	Open Green Road
Corfo	Sudamerik	Late!
Ameris Capital	Fundación Chile	Portal Educativo

SPOTLIGHT DEALS[B]

Company	Total Funding	Investor	Sector
Mariscos Strategy	$7M	Encourage Capital	Seafood
Compara Online	$33.1M	Bamboo CP, IFC, Google Launchpad, KasZek, Endeavor	FinTech
NotCo	$30M	Bezos Expeditions, KasZek, The Craftory, SOSV	Food
Destacame	$3.1M	Accion VL, Fen Ventures, Cremona VC, Catalyst Fund	FinTech
Triciclos	$2.6M	FIS - Ameris, MOV, FCP Eel SP	Waste

ABC of the Chilean Impact Economy[C]

An impact economy is a just and equitable economic system in which positive impact is produced in an environment of risk and return. In an impact economy, governments, organizations, investors and consumers are motivated to include marginalized and underserved sectors of the society in the mainstream economy, while also giving consideration to the needs of our planet and its environment.

The following table describes actions undertaken by a variety of stakeholders in Chile for the adoption of strategies intended to **A**void harm, **B**enefit all stakeholders and **C**ontribute to solutions. Thanks to state funding, active universities and the availability of a skilled workforce, Chile is a hotspot for the impact economy and for social innovation.

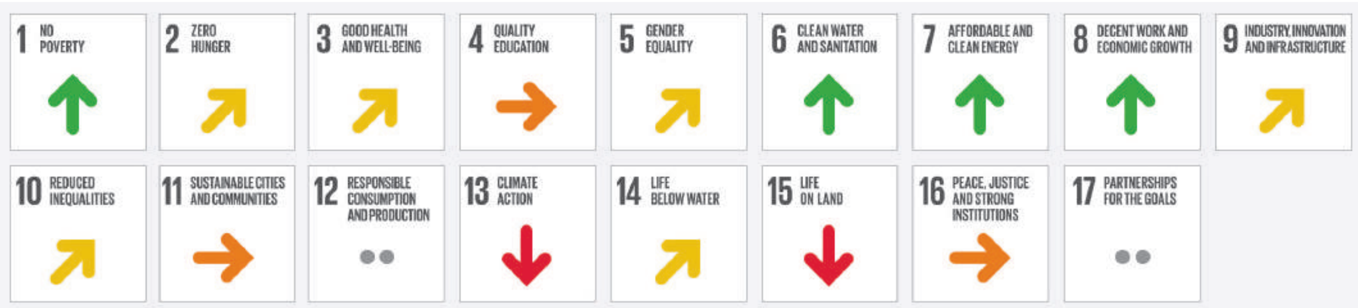
	Avoid Harm	Benefit all stakeholders	Contribute to Solutions
IMPACT IN **BUSINESS**	▲ Listed companies are obliged to perform a self-assessment with regard to the adoption of good corporate governance and sustainability practices.[7]	▲ Chile has over 130 B Corps. ▲ According to a 2013 survey by KPMG, 73% of the 100 largest companies in Chile report on their sustainability performance in some form or other.[8]	▲ Chile boasts the region's highest entrepreneurship rate. For every 10 male entrepreneurs there are seven female entrepreneurs, indicating a high degree of inclusiveness.[9]
IMPACT IN **INVESTMENT**	▲ Led by the Santiago Exchange and Principles for Responsible Investment (PRI), institutional investors including two pension funds and eight asset managers have signed a statement promoting and encouraging responsible investment.[10]	▲ The Santiago Stock Exchange developed green-bond guidelines in 2018. The country's first sovereign green bond (USD 1.5bn) will finance electrified public transport (trains, buses); solar; energy efficiency; renewable energy; water management; and green building projects.[11,12]	▲ AUM in Chile's impact-investment sector totaled USD 9mn between 2016 and 2017, a considerable increase from USD 1.1mn between 2014 and 2015.[13]
IMPACT IN **POLICY**	▲ Stationary emission sources over 50MW are subject to a carbon tax set at USD 5 per tCO2e, as well as a tax on local pollutants (SO_2, NOx, and particulate matter). An emissions trading system for the energy sector is being considered.[14]	▲ State-owned enterprises must report on their sustainability performance based on the GRI guidelines.	▲ Two new government funding mechanisms (i.e. Social Innovation Prototypes Fund and Flexible Assignation Social Subsidy) are supporting social innovation. Funds from Flexible Assignation Social Subsidy were distributed for the first time in 2015.[15] ▲ The Impacta Foundation has begun a process of technical analysis for the country's first SIB, aimed at financing programs facilitating the adoption of technology.[16]
IMPACT ON **CONSUMPTION**	▲ Chilean society is one of the most environmentally aware in Latin America. Market research suggests a growing trend among Chilean consumers to make choices on the basis of sustainability.[17]		

SDG Dashboard and Trends

CURRENT ASSESSMENT – SDG DASHBOARD

Major challenges · Significant challenges · Challenges remain · SDG achieved · Information unavailable

SDG TRENDS



Decreasing · Stagnating · Moderately improving · Mantaining · On track · Information unavailable

Key Initiatives

Finding market champions within the government

Following the current government's accession to power in March of 2018, policies are now beginning to be put in place and defined more clearly. Policy direction has remained relatively stable despite the change in government. The current Presidential Program states that the government will strongly support the creation and growth of impact businesses. The Chilean NAB is in close communication with a number of governmental ministers. The NAB itself has a number of very senior former government officials as members. These close ties have helped to catalyze discussions on impact investment and the necessary policies required to enhance the ecosystem. Given that there is no central unit dedicated to impact investment within the government, these relationships along with the actions of market champions will continue to be vital in pushing forward policy objectives.

Capacity building and access to capital

Chile has a long history with regard to accelerator programs and capacity-building programs for entrepreneurs and small businesses. The Corporación de Fomento de la Producción de Chile (CORFO), the Chilean economic-development agency that sits within the Ministry of Economy, has been an important player in the overall development of Chile's economy. CORFO acts as an accelerator, providing capital and capacity-building services to entrepreneurs and small businesses, including impact businesses. CORFO has also facilitated access to seed, early-stage and growth capital in the form of grants and subsidies.

Educational incentives

In 2009, the Catholic University of Chile was one of the first universities to create a specific program for social entrepreneurship and innovation, with the creation of the Laboratory of Social Innovation and Entrepreneurship (LEIS). Today, several universities have their own incubators providing support for students' start-up businesses, some specializing in social innovation. In addition, the NAB has collaborated with public and private universities to create graduate and undergraduate educational programs, with the aim of expanding the educated workforce in the impact sector.

Road to Impact Economy

PATH TO TIPPING POINT 2020

Establish a central government unit

Currently, there is no dedicated central unit within the government devoted to impact investment. Policies are discussed with individuals within different departments such as the Treasury, the Ministry of Economy, the Ministry of Education, and so on. While the presence of individual "champions" for the issue has led to the initiation of policy conversations, a special unit would help to coordinate and champion relevant policies from inside the government.

Create a social outcomes fund

A government social outcomes fund, as is already being created, will help drive the development of SIBs in the Chilean market. The launch of the first SIB will also be important in terms of setting a precedent for other transactions to follow.

Provide a specific line of capital through CORFO

Creating a line of capital earmarked for social and environmental impact would enable a more targeted approach to companies creating positive impact, increase the supply of capital into the impact investment ecosystem and bolster support for these impact businesses. This policy is already being considered.

Create of legal company form for social enterprises

There currently is no legal form for impact businesses in Chile, although a bill of law currently in front of Congress addresses benefit corporations and impact businesses. Currently, impact businesses can take any legal form, and then demonstrate impact through any means they choose. Though this structure allows for flexibility, it makes it difficult to provide targeted fiscal incentives for impact businesses. Establishing a company legal form would allow for the establishment of targeted fiscal incentives such as tax incentives specifically for impact businesses, as well as targeted funding and capacity-building programs. This in turn could encourage more private investment in social businesses, particularly if it was accompanied by fiscal advantages for investors. For example, the United Kingdom offers a 30% reduction in tax for investments in social business.[18]

Establish a wholesaler

The local NAB is currently in conversations with the government to undertake an analysis of the feasibility of a wholesaler. One method for this establishment could be to partially use unclaimed assets alongside additional money from other sources (e.g., banks).

Incorporation of ESG factors in investment decisions and standardized reporting

Fiduciary duty in Chile permits the incorporation of ESG factors in investment decisions, but does not require it. In practice, most funds have not chosen to incorporate ESG factors into their decision-making or reporting activities. Looking ahead, this may be an area where policy could encourage progress.

TRANSITION TO IMPACT ECONOMY 2030

- While income inequality and poverty rates have decreased considerably in Chile, the impact economy could play a role in consolidating these development trends, as the country still faces a number of socioeconomic challenges. The high share of low-skilled workers, precarious employment conditions for women and youth, and the Chilean economy's dependence on natural resource exports are all likely to become increasingly relevant issues. The rise in the average age is projected to be one of the steepest in Latin America, and will pose social challenges in terms of inclusiveness and well-being in the decades ahead.[19] The inherently inclusive nature of an impact economy could enable these challenges to be addressed.
- Mining is one of Chile's most important economic sectors, accounting for more than 50% of its exports.[20] Given its high economic importance, it will be important to integrate sustainability and impact considerations into every link of the mining value chain in order to realize the transition to an impact economy.
- Fishing and forestry are also very important within the Chilean economy. Both sectors have faced challenges in the recent years, including illegal, unreported and unregulated fishing and deforestation. Protecting these sectors and making them sustainable will be an important interim task in the country's achievement of the SDGs.

Footnotes:

A. **Environmental Performance Index** Available at: https://epi.envirocenter.yale.edu; All other **indicators** available at: http://hdr.undp.org/en/countries

B. Information tends to be limited for specific rounds of funding. Therefore, In **Spotlight Deals,** "Total Funding" refers to the total money that a specific company has raised. The investors listed may have participated in one or several rounds, and may have done so as lead or co-investors.

C. The **ABC** of the **Chilean Impact Economy** table is adapted from the IMP framework.

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Colombia

Market Overview

Colombia's economy is recovering from the oil terms of trade shock of 2016. The economy is becoming attractive for investment again, with inflation slowly getting back to normal and programs of trade liberalization bringing corporate income taxes down to 25%[1]. The country also benefits from a very dynamic entrepreneurial ecosystem. According to Colombia's Ministry of Commerce, Industry and Tourism, there are more than 700 organizations that support entrepreneurship across the country. The private equity industry in the country is still in its early stages, but is developing at a good pace. Additionally, market analysts have also started to incorporate sustainability matters when evaluating companies. However, environmental aspects are weighed in their recommendations only when they can directly impact the businesses of the firms being analyzed (e.g. oil and gas).

IMPACT INVESTMENTS HIGHLIGHTS

Supply of Impact Capital

- Multilateral institutions such as IADB and multinational agencies such as International Finance Corporation (IFC) are investing in impact funds as well as in social enterprises directly.
- In January 2019, IADB Invest, the private sector institution of IADB, provided a loan in Colombian pesos for USD 20mn to Banco Mundo Mujer, the leading private microfinance bank in Colombia. The funds will be used to finance micro and small entrepreneurs[2].
- According to a recent survey conducted by the National Association of Private Companies (Asociación Nacional de Industriales, ANDI) 77% of large and medium companies are implementing Corporate Social Responsibility strategies.
- With USD 70.6 billion of assets under management (AUM), Colombian public and private pension funds are the country's largest institutional investors[3].

Intermediation of Impact Capital[4]

- International funds are the main actors of the impact investing ecosystem, while only three local firms are focused exclusively on the Colombian market.
- Between 2016 and 2017, Colombia saw 14 active investors deploying USD 86mn invested in 42 deals. These investors made direct investments in companies and/or projects having a positive social or enviromental impact as explicit objective. Financial instruments included debt, equity, quasi equity, guarantees or others.

Demand for Impact Capital[5]

- Colombia is recognized as one of the most active countries in the region in terms of social entrepreneurship and social innovation, with active intermediaries, government support and a proactive social impact investment scene. In many cases it is the first place where other countries replicate social innovation models. It is the case of Socialab, Sistema B, Instiglio, Acumen, Root Capital and Avina. The decentralized nature of social innovation (i.e. outside only Bogotá), especially in Medellin and Cali, is a sign of maturity of the sector.
- The country is still facing post-conflict social, economic and environmental challenges. In these areas there are hundreds of potential opportunities for social enterprises especially for those aimed at enhancing financial inclusion, gender parity, education, agricultural and sustainable development[6].

Government and Regulation[7]

- The Societies of Benefit and Common Interest (BIC) Law was approved in 2018, it recognizes the creation of companies that, beyond their profit purpose, have a focus on common benefit: It means that, in addition to being a profitable business for their shareholders, they seek the well-being of communities, workers, and the environment where they are based.
- As part of the strategy to overcome extreme poverty in Colombia, the Social Innovation Directorate (known as the Center for Social Innovation, in Spanish CIS), is responsible for designing and implementing a national strategy for social innovation. Additionally, CIS promotes the establishment of networks with national and international collaboration to generate knowledge on practices, products and/or innovative models.
- The Colombian government has centralized its social mobility platforms in the Department of Social Prosperity (DSP), declaring support to impact investing initiatives. Additionally, non-productive assets confiscated to drug cartel leaders could be leveraged to foster social initiatives.

Market Builders[8]

- Colombia has a strong civil society and a range of organizations promoting social entrepreneurship and social innovation in many different ways. The vibrant Colombian social economy includes: large international organizations and network such as AVINA and Impact Hub; incubators such as Ventures; accelerator programs such as Emprende País, Connect Bogotá, Creáme, and Destapa Futuro; specialist organizations such as Somos Más, focused on mapping social innovation across the country, or Compartamos con Colombia specialized in capacity building for social investors and entrepreneur.

Indicators[A]	
GDP total (2011 PPP $ billion)	650.4
Total Population (millions)	49.1
GINI Index	50.8
HDI	0.747
MPI	2.1%
EPI	65.22

KEY PLAYERS

Asset Owners	Asset Managers	Impact Entrepreneurs
SURA	Acumen Latam	Aulas Amigas
Bancolombia	Elevar Equity	Suyo
FundacionBolivar Davivienda	Inversor	TriCiclos
Bancoldex	Bamboo Capital Partners	Lumni
IFC	Ashmore MC	Banco WWB
IDB	RootCapital	Fruandes

SPOTLIGHT DEALS[B]

Company	Total Funding	Investor	Sector
Gigante Central	$500k	Acumen	Agriculture
Acceso Colombia	$1M	Acumen	Agriculture
Sustainable Construction Co	$1.3M	Inversor	Construction
TPaga	$5.1M	Y Combinotor, INVX, Hack VC	Inclusive Fintech
Transambiental	$105M	IFC, Ashmore	Mobility

The ABC of the Colombian Impact Economy[C]

An impact economy is a just and equitable economic system in which positive impact is embedded alongside risk and return. In an Impact Economy, governments, organizations, investors and consumers are motivated to include marginalized and underserved sections of the society into the mainstream alongside consideration for our planet and its environment.

The following table shows actions undertaken by different stakeholders in Colombia for the adoption of strategies that **A**void harm, **B**enefit all stakeholders, and **C**ontribute to solutions. Impact investment has been flourishing in Colombia since the creation of the first social investment fund, Investor, in 2011 and through the government's leadership to promote social innovation.

	Avoid Harm	**Benefit all stakeholders**	**Contribute to Solutions**
IMPACT IN **BUSINESS**	▲ Currently in Colombia, one bank is a member of the Equator Principles, seven banks have signed up to the UNEP-FI Principles for Responsible Banking, one is a signatory of Principles for Responsible Investment (PRI), one is a signatory of The Natural Capital Declaration, eight banks are signatories of the United Nations Global Compact, and four of them were invited to join the Dow Jones Sustainability Index[9].	▲ The green protocol initiative created in 2012, which engages Colombian banks in promoting better environmental and social practices in lending, was expanded to include the promotion of responsible investment[10]. ▲ There are more than 50 B Corps (*Sistema B*) in Colombia.	▲ *Compartamos con Colombia* has played a key role as broker of social innovation in Colombia. It was founded in 2001 as a not-for-profit Corporation formed by 16 firms in consulting, investment banking, auditing and law who channeled pro bono services to strengthen civil society organizations.
IMPACT IN **INVESTMENT**	▲ Around half of the banks operating in Colombia have adopted the Global Reporting Initiative (GRI) standard, a reporting framework that enables organizations to measure, understand, and communicate information in four key areas: economic, environmental, social, and governance. Further, some leading banks have already upgraded to the latest version (G4), which implies a more robust sustainability strategy and management approach.	▲ Bancóldex issued their first green bond for USD 200mn. The 5-year tenor will fund projects that help reduce the negative consequences of climate change and help Colombia meet its Intended Nationally Determined Contribution (INDC) targets. This is the third green bond from Colombia and the first issuance to be available to local investors through the Colombian Stock Exchange (BVC). Bancóldex's 'bono verde' was structured with technical cooperation from the Inter-American Development Bank (IDB) with resources from the Secretariat of State for Economic Affairs of Switzerland (SECO) and supported by the Climate Bonds Initiative[11].	▲ Between 2016 and 2017 impact investment amounted to USD 86mn in Colombia, a considerable increase from USD 32.7mn between 2014 and 2015[12]. ▲ Impact investing is growing with the private equity industry, but according to an ANDE-LAVCA 2016 study, 46% of those surveyed who had undertaken impact investment in LATAM did not consider themselves as impact investors, but rather as private equity, venture capital, foundations, or family offices[13, 14].
IMPACT IN **POLICY**	▲ In 2016 the Colombian government introduced a tax on fossil fuels of USD 5 per ton of carbon dioxide, payable by producers and importers of said fuels[15].	▲ In 2008 the Colombian government launched the Citizen's Visible Audits (CVA) program. Its aim was to encourage citizen engagement in scrutinizing local public works, such as sanitation, water, and school-building projects. CVA were created to foster impactful public investing and keep at bay mishandling of public funds from mineral royalties[16].	▲ Public authorities in Colombia also support the creation and functioning of specialized capacity-building intermediaries, such as iNNpulsa. Set up by the Business Growth unit of the government in 2012, iNNpulsa aims to support impactful entrepreneurship in the country. During its first four years, iNNpulsa channeled USD 161.6mn into support for entrepreneurship and innovation[17]. ▲ The new 2014-2018 development plan focuses on social innovation also as an instrument to reduce extreme poverty but with an increasing focus on information technologies and peace building[18].

SDG Dashboard and Trends

CURRENT ASSESSMENT – SDG DASHBOARD

Major challenges   Significant challenges   Challenges remain   SDG achieved   Information unavailable

SDG TRENDS

Decreasing   Stagnating   Moderately improving   Mantaining   On track   Information unavailable

Key Initiatives

Social Impact Bonds

In March 2017, Corporacion Inversor, a social asset manager, along with Fundación Corona and in cooperation with Prosperidad Social (a Colombian government entity), Swiss Agency for Development and Cooperation (SDC), the Multilateral Fund of the Inter-American Development Bank (IADB), and other stakeholders implemented the first social impact bond (SIB) in a developing country. The SIB aims at increasing the employability of vulnerable population groups and victims of armed conflict in the country.

Focus on Financial Inclusion

IFC strengthened its support to Colombia's small and medium sized enterprises (SMEs) with a new USD 80 mn loan to Banco Pichincha, a bank that strives to boost its lending to Colombian SMEs and low-income students[19].

Investing to Empower Local Communities in Post-Conflict Colombia

Transform Finance and Acumen Latin America aim to address how impact capital can target issues of territorial inequality in post-conflict areas by increasing the power, rights, and access to resources of historically marginalized groups. Recommendations will be geared toward both mitigating the risk of increased inequality that can accompany new investments and creating novel ways for capital to contribute equitably to the process. The project is supported by the Ford Foundation's Andean Region program[20]. Another post-conflict impact initiative in Colombia has been Fondo Emprender, a seed funding program run by the National Apprenticeship Service, and the Cultural Entrepreneurship and Innovation Program for vulnerable target groups, including victims of the armed conflict[21].

GRI Focal point in Colombia

In 2014, the GRI established a new Focal Point in Colombia with the ultimate objective of serving as a regional hub to stimulate sustainability reporting in Spanish-speaking countries of Latin America[22].

Specific Legal Form: BIC Companies

The National Government through the decree 2046 of 2019, has recognized the Commercial Companies of Benefit and Collective Interest (BIC). This was the result of joint work between the Ministry of Commerce, Industry and Tourism and the Superintendence of Companies[23].

Road to Impact Economy

PATH TO TIPPING POINT 2020

Develop equity ownership

As with other Latin American countries, Colombia's supply of impact capital is heavily reliant on development finance institutions from abroad. While domestic funds are emerging, international funds dominate the impact investing ecosystem, with only three local firms focused solely on the domestic market[24]. Developing local equity ownership by encouraging local investors such as high net-worth individuals, foundations, pension funds, and others to invest locally, Colombia could strengthen and encourage the local impact economy.

Expand the use of quasi-equity instruments

Use of quasi-equity instruments by impact investors can be increased. There is precedent for this sort of instruments being used in Colombia (Gigante Central Wet Mill investment by Acumen) and the model could be replicated with other cooperatives and organizations in need of equity-like capital.

Awareness for Financial Potential of Impact Investing

Development of case studies of successful impact investors in the country can help illustrate the financial potential of impact investing, thus attracting more financially-oriented investors. This can also ensure availability of capital along the risk-return spectrum.

Early alignment with impact measurement and management

Since impact investing in the country is still in its early stages, aligning with international best practices of impact measurement and management, such as The Impact Management Project, can foster greater transparency, thus increasing investor confidence.

TRANSITION TO IMPACT ECONOMY 2030

Colombia is very active in Latin America in terms of social entrepreneurship and social innovation, with active intermediaries, good government support and a proactive social impact investment scene. The foundations of the impact economy have been laid in Colombia and need to be strengthened in order to be able to provide innovative solutions for peace building, poverty alleviation and climate change resilience.

- Conducting or increasing research related to to sustainable consumption in Colombia could provide a better overview of the potentialities for impact investing market.
- In Colombia, the gap between rich and poor is among the largest in Latin America and in the world. Inequality is the major cause of conflict and poverty. Inclusion of marginalized population groups will be a key driver for the impact economy.
- Climate change is also becoming a serious challenge for the country given that its population has settled in areas prone to flooding and in unstable lands in the high sierras[25].

Footnotes:

A. **Environmental Performance Index** Available at: https://epi.envirocenter.yale.edu; All other **indicators** available at: http://hdr.undp.org/en/countries

B. Information tends to be limited for specific rounds of funding. Therefore, In **Spotlight Deals,** "Total Funding" refers to the total money that a specific company has raised. The investors listed may have participated in one or several rounds, and may have done so as lead or co-investors.

C. The **ABC** of the **Colombian Impact Economy** table is adapted from the IMP framework.

Sources:

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Costa Rica

Market Overview

In recent years, investment inflows coming to Costa Rica have surged, and impact focused funds based in the country and in the Central America region more generally have also begun to gain traction. During the 2017 – 2018 period, Costa Rica experienced increased investor interest in the agroforestry, emerging technology, sustainable agriculture, bio-pesticides and natural organic product sectors.[1] The country's openness to foreign direct investment (FDI) and trade liberalization has made it an attractive destination for impact investors based in Latin and Central America.[2] From 2016 to 2017, a total of USD 89mn was invested by impact investors in Costa Rica in 34 deals.[3, 4]

IMPACT INVESTMENTS HIGHLIGHTS

Supply of Impact Capital

- In July 2019, IFC signed a loan of USD 35mn to support and incentivize the issuance of a green bond by Davivienda Costa Rica, the third-largest private bank in Costa Rica. The loan will be used to fund a pipeline of green projects in the country including in the areas of sustainable buildings, small-scale renewable energy generation and energy efficiency.[5]
- The Costa Rican government allocates 15% of GDP – the largest such share in Latin America – to social programs.[6]
- DFIs are a major source of impact capital. In Costa Rica alone, the loan portfolio of the Inter-American Development Bank (IDB) totals USD 1.8bn.[7]
- Over the last three years, Costa Rica has witnessed investor interest in the agroforestry, emerging technology, sustainable agriculture, bio-pesticide and natural organic product sectors.

Intermediation of Impact Capital

- Forestry and Climate Change Fund (FCCF), a Luxembourg based impact fund, has created two joint venture companies dedicated to sustainable forest management in partnership with Nestor Baltodano, a local entrepreneur in Costa Rica. These companies include OFS (Sustainable Forest Management Operations) and BluWood, which produces flooring products for the Costa Rican and export markets.[8]
- Fondo Nacional de Financiamiento Forestal (FONAFIFO), a Costa Rica-based fund, has developed a green credit card in partnership with the Costa Rican National Bank. For each withdrawal or payment with the green credit card, a fee on top of interbank rate is applied (10%), with the proceeds feeding into a sustainable biodiversity fund.[9]
- Forest Carbon Partnership Facility, Costa Rica's REDD+ strategy, and Partnership for Carbon Market Readiness (PMR) are trust funds supporting environmental and climate change-related interventions in the country.[10]
- BAC created a fund with Fundación CRUSA to help SMEs in the agro sector switch to sustainable energy, although this fund is very small.[11]
- IDB Invest granted a loan of USD 20mn to Banco Promerica Costa Rica. The funds, with a term of up to five years, will be used to facilitate financing for small and medium-sized enterprises (SMEs), and to increase the financial institution's green portfolio.[12]

Demand for Impact Capital

- The country faces two pressing development challenges: the fiscal situation and persistent inequality. These challenges affect inclusion, growth and sustainability, and thus demand the attention of social enterprises as well as impact investors in the region.[13]
- Initiatives such as Impact Hub's Accelerate 2030 and Empresas B have brought together impact-focused startups in need of financing.

Government and Regulation

- In September 2018, the National Stock Exchange of Costa Rica (BNV) hosted the first Green Economy Investment Summit in collaboration with the Asociación Costa Rica por Siempre. The Climate Bond Initiative (CBI) and The Global Impact Investing Network (GIIN) participated in the summit and shared with the attendees the importance of investing in a green economy, highlighting the potential business that Costa Rica could attract by consolidating its image as a "green country."[14]

Market Builders

- The National Stock Exchange of Costa Rica (BNV) is seeking to attract investors to Costa Rica's green economy.
- InvertUP is a Costa Rica-based private investment vehicle that works with incubator and business accelerator Tec Park to provide early-stage financing, mentoring and coaching to a diverse portfolio of startups in the country.[15]
- The UN Resident Coordinator Office in Costa Rica has been building capacity among actors in the financial and public sectors, with the aim of developing blended finance and impact investment instruments in the country. In February 2019, the UN hosted a workshop entitled "Impact Investment's Role in Development Finance," followed by a May workshop called "Building an Impact Economy in Costa Rica." Both were held in collaboration with IDB, Fundación CRUSA and Fundación Aliarse.

Indicators[A]	
GDP total (2011 PPP $ billion)	78,414
Total Population (millions)	4.9
GINI Index	48.3
HDI	0.794
MPI	N/A
EPI	67.85

ABC of the Costa Rica's Impact Economy[B]

An impact economy is a just and equitable economic system in which positive impact is produced in an environment of risk and return. In an impact economy, governments, organizations, investors and consumers are motivated to include marginalized and underserved sectors of the society in the mainstream economy, while also giving consideration to the needs of our planet and its environment.

The following table describes actions undertaken by a variety of stakeholders in Canada for the adoption of strategies that **A**void harm, **B**enefit all stakeholders, and **C**ontribute to solutions. In Costa Rica, the topic of social innovation and impact investing is relatively new. However, the country has seen several sustainable impact innovations involving public, private and civil society actors in its well-established environmental sector.

	Avoid Harm	Benefit all stakeholders	Contribute to Solutions
IMPACT IN **BUSINESS**	▲ The Business Association for Development (AED), the Global Compact Local Network and the Costa Rican Union for Private Sector Chambers (UCCAEP) have been working since 2017 on an SDG Industry Roadmap to guide different industries in the development of sector-specific SDG strategies.[16]	▲ Banco Nacional de Costa Rica has a "Green Small and Medium Enterprise" ("PYME") program designed to incentivize SMEs to invest in a more environmentally friendly way.[17] ▲ The National Stock Exchange (Bolsa Nacional de Valores) recently announced that it would be issuing green bonds.[18]	▲ AED is a well-established organization that promotes corporate social responsibility in the private sector, and which currently has more than 130 member companies. ▲ There are over 752 NGOs and social enterprises in Costa Rica. They are represented by the Social Organizations Federation (FOS).[19]
IMPACT IN **INVESTMENT**	▲ In May 2019, the National Stock Exchange of Costa Rica and the Asociación Costa Rica por Siempre organized a workshop on responsible investment for financial professionals. The widely attended workshop was designed to encourage the use of ESG factors in the asset analysis and investment process.[20]	▲ In April 2016, the Banco Nacional de Costa Rica (BNCR) issued a USD 500mn green bond, the first green bond in Central America.[21]	▲ A total of USD 89mn was invested in 34 impact-relevant deals in Costa Rica between 2016 and 2017.[22] ▲ Costa Rica launched a social impact bond (SIB) on the issue of water conservation in 2014.[23]
IMPACT IN **POLICY**	▲ The right to a healthy and ecologically balanced environment for all was enshrined in the constitution by amendment in 1994.[24] ▲ In 1997, Costa Rica enacted a tax on carbon pollution, set at 3.5% of the market value of the fossil fuels being used. The revenue generated by the tax goes to the Payment for Environmental Services (PSA) program, which offers incentives to property owners to practice sustainable development and forest conservation.[25]	▲ Costa Rica does not currently require private or public companies to publish sustainability reports. However, companies must disclose environmental, social and governance information, including details on waste, water and energy management, biodiversity protection, working conditions, and social protections. Companies must also make carbon neutrality disclosures.[26]	▲ In 2014 the Social Innovation Committee (Mesa de Innovación Social) was created within the framework of the Presidential Council for Competitiveness, Innovation and Human Talent (Consejo Presidencial de Innovación y Talento Humano). Its first step was to measure the social challenges at a local scale, using an online platform based on international Social Progress Index metrics. It is now seeking to map all existing social initiatives, in order to compare outstanding challenges with existing solutions.[27]

SDG Dashboard and Trends

CURRENT ASSESSMENT – SDG DASHBOARD

Major challenges   Significant challenges   Challenges remain   SDG achieved   Information unavailable

SDG TRENDS

Decreasing   Stagnating   Moderately improving   Mantaining   On track   Information unavailable

Key Initiatives

Promoting a green economy
A global leader in the area of environmental policies, Costa Rica has a Payments for Environmental Services (PES) program that has been successful in promoting forest and biodiversity conservation. The country is further trying to attract green investments, with organizations such as BNV supporting the initiative.[28, 29]

Green Bonds
In April 2016, Banco Nacional de Costa Rica (BNCR) issued a USD 500mn Green Bond, the first Green Bond in Central America. The bond focuses on sustainability and supporting development of the country[30].

Road to Impact Economy

PATH TO TIPPING POINT 2020

Need for a Dedicated Government Body

The country needs to establish a central government unit that can serve as an advocate for impact investment, and which can develop policies providing tax incentives to social enterprises.

Create awareness

Information about the impact investment model and about ESG terminology more generally needs to be documented and disseminated to government officials, lawyers and investors. This should include local references including success stories, and should highlight results based on internationally accepted standards.

TRANSITION TO IMPACT ECONOMY 2030

Health is currently one of the most critical social issues in Costa Rica. Obesity rates have been growing, but undernutrition has also been on the rise. Another challenge is economic inequality. Economic success has been concentrated among a few elite groups, exacerbating inequality.[31]

While Costa Rica is known as a biodiversity conservation success story, as well as for its significant production of renewable energy, other general environmental indicators such as water management reveal a more mixed picture. While water availability is generally good, water quality remains an issue; indeed, until 2015, less than 10% of the country's waste water was subject to treatment of any kind. Costa Rica also trails OECD countries with regard to the development of recycling and municipal waste policies, with nearly all of its waste going to landfills. Per capita waste generation has been rising toward OECD levels, despite Costa Rica's relatively low incomes.[32]

The transition to an impact economy in Costa Rica will need to address social and environmental considerations such as these in order to ensure an inclusive and sustainable 2030. However, the country's growing social economy and established environmental sector are paving the way for such a future.

Footnotes:

A. **Environmental Performance Index** Available at: https://epi.envirocenter.yale.edu; All other **indicators** available at: http://hdr.undp.org/en/countries

B. The **ABC** of the **Costa Rica's Impact Economy** table is adapted from the IMP framework.

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European Union

Market Overview

The 2018 biennial Eurosif study reveals sustained growth for most sustainable, responsible and impact investment strategies. The report presents clear evidence that responsible, sustainable and impact investing are becoming integral to European funds as managers more clearly articulate their investment strategies. The data suggests there are now two de facto "essentials" for sustainable investors in Europe. One is that investors cannot do without at least some form of ESG integration, which grew 60% in Europe between 2016 and 2018 based on the assets affected, and was the fastest growing strategy in 2018. Second, there is a trend toward more active management underlined by strong growth in assets deployed for corporate engagement, which grew 14% from an already high benchmark over the two-year period.

Data on the size of the impact investing market in Europe is, however, limited due to the lack of commonly agreed indicators and definitions. Moreover, truly impact-driven businesses are not necessarily preoccupied with the definition of their own nature, but rather are focused on developing their business models in response to the purpose they seek to have. However, undoubtedly both impact companies and impact intermediaries in Europe have experienced strong growth over recent years, which has translated into greater demand for capital. The growing number of impact-focused intermediaries indicates that impact entrepreneurship is on the rise, and numerous players in new locations and with new business models – backed by an increasing number of impact-driven financial intermediaries – are emerging across Europe.[1]

IMPACT INVESTMENTS HIGHLIGHTS[2]

Supply of Impact Capital

- The market for impact investing in Europe is still fragmented with a large variety of investment approaches in market segments, such as venture philanthropy, impact investing, SDG-related investments and socially responsible investing. This situation is due to the wide range of definitions of "impact business" applied by EU member states, and the perpetuated historic perception that considering social components in investment objectives undermines financial returns, making such investments less attractive to mainstream investors. Despite these challenges, numerous providers of impact capital have demonstrated that their investment strategies not only manage to deliver tangible social impact performance but also financial return to investors.
- In the EU, there are multiple sources of impact capital that provide the investment flow needed, including national governments and EU bodies, which implement pan-European programs, national-level impact investment wholesalers, charitable trusts and foundations, impact venture capital funds, Institutional investors and banks, corporations, high net worth individuals, and mass retail.

Intermediation of Impact Capital[4]

- The "Sizing the Impact Investing Market" report by the GIIN[3] identified 231 organizations headquartered in western, northern and southern Europe with an estimated 10% – 16% of the total AUM.[4]
- The European Investment Fund (EIF) is the sole impact wholesaler pursuing a pan-European strategy via an intermediated model, supplying funding sources to a wide range of intermediaries, ranging from ethical banks to impact venture capital funds, which in turn support impact businesses. At present, USD 1.11bn[i] in resources dedicated to micro-finance and social entrepreneurship finance are managed by the EIF.
- In addition to the EIF, there are a number of wholesalers operating on a national level.
- Besides the activity of impact funds, payment-by-results mostly in the form of social impact bonds have gained significant momentum with a high concentration in the UK, but increasingly in other European countries, including the Netherlands, France, Finland and Germany.

Demand for Impact Capital

- Impact businesses encompass a wide variety of economic operators that are often grouped in different clusters according to their predominant characteristics (e.g., profit orientation and legal form). However, the common denominator of all groups remains the pursuit of impact, which refers to the positive net change to society induced through the business activity or service provision of a company, and must be intentional and measurable. Sectors in which these companies work include the social and economic integration of refugees, services for aging populations, green mobility, civil rights and democracy, environmental activities, and fair trade.
- According a European Commission mapping study, the EU's social economy employs over 11 million people, accounting for 6% of total employment. There are more than two million social economy enterprises based in Europe, representing more than 10% of all businesses in the EU.

Government and Regulation

- As of 2015, 16 European countries had some form of legislation that recognizes and regulates social enterprise activity.
- Relevant Europe-wide policymakers, shapers and contributors include the European Commission, the European Parliament, the OECD and EVPA.

Market Builders

- The European Union has a wide variety of actors in the impact investing space and their integrated actions ensures a far-reaching market-building approach. Such actors include specialized investment banking firms, impact venture capital funds, consulting firms, research institutions, incubators and accelerators, foundations, universities, professional networks (e.g. EVPA and Esela), impact investing wholesalers (e.g., the EIF), and providers of advisory services (e.g., the EIB).
- The European Union Advisory Board was established in 2017 in the transition of the GSG toward a global network of national advisory boards. The EU Advisory Board is a joint initiative of the European Commission, the European Investment Fund (EIF) and the European Investment Bank (EIB) – with the EIF and EIB forming the EIB Group – three institutions with a long-standing interest in promoting financial instruments for social entrepreneurship, social inclusion and impact investing. The EU Advisory Board is expected to be renamed the European Regional Advisory Board (RAB) as part of an attempt to better reflect the pan-European approach of existing and potential members. In this respect, the RAB will develop into a platform for actors that seek to promote impact investing at a pan-European level and to closely co-operate with the national advisory boards of EU member states.
- The founding members of the EU Advisory Board began to launch joint initiatives in support of the micro-finance industry in Europe in 2007, while the EIB's lending business has built up a considerable and growing portfolio in social and affordable housing. In 2013, the initiatives expanded to include broader support for the impact investing industry in Europe by adding equity funding instruments for social entrepreneurship. Further programs in support of social entrepreneurship have been made available over time, including those under the European Fund for Strategic Investments (EFSI) and under the European Advisory Hub.
- Beyond the policy actions promoted by the EU, for instance, via the European Pillar for Social Rights and the funding instruments implemented by the EIB Group, the EU Advisory Board is promoting a policy debate around defining a framework that would support the EU's social entrepreneurship sector.

[i] Exchange rate used throughout the document: EUR 1 = USD 1.1

Key Initiatives

The European Commission – in collaboration with the EIF and EIB – is one of the most active policymaking institutions and market-builders promoting impact investing through numerous tools, such as directives and dedicated financing programs.

Employment and Social Innovation

The Employment and Social Innovation (EaSI) program is the successor to the European Program Micro-finance Facility (EPMF), a program designed to sustain and strengthen the micro-finance ecosystem across Europe.

The EaSI program was launched in 2014 to promote quality and sustainable employment, which includes guaranteeing adequate and decent social protection, combating social exclusion and poverty, and improving working conditions. Its micro-finance and social entrepreneurship axis looks at increasing the availability and accessibility of micro-finance for vulnerable groups and micro-enterprises, and increases access to finance for social enterprises. Under its financial pillar, the program relies on three main instruments managed by the EIF, namely: the EaSI Guarantee, which has benefitted from additional resources from the EFSI; the EaSI Capacity-building Investments Windows, aimed at increasing the institutional capacity of intermediaries; and the newly established EaSI Funded Instrument, a joint instrument of the European Commission, the EIF and the EIB, which aims to boost the lending capacity of eligible financial intermediaries that operate in the micro-finance and social enterprise finance space.

Social Impact Accelerator

The EIF's Social Impact Accelerator (SIA) initiative has paved the way for this emerging investment field. SIA was launched in 2013 as a USD 58mn pilot initiative, which grew into a mainstream facility with a final closing at USD 271mn. SIA operates as a fund-of-funds managed by the EIF and invests in social impact funds, which strategically targets social impact companies across Europe.

As of the end of the investment period, SIA had invested in 19 funds. The invested funds have an average size of around USD 44.6mn, implying a catalytic effect of around 3.5 times SIA's invested capital.

Portfolio companies are active in different sectors. The health care sector accounts for the largest proportion of investments (16%). An increasing number of SIA portfolio funds target impact companies that seek to address social issues with technology-based solutions, mainly in the education (e.g., tutoring courses for pupils from marginalized backgrounds) and health care (e.g., remote monitoring devices for dependent people) sectors.

European Fund for Strategic Investments

The EFSI is a joint European Commission and EIB Group initiative. It was created in 2015 to address market gaps, and mobilize private investment in infrastructure projects and SMEs, including the social impact market segment. The fund helps strategic investment in key areas such as infrastructure, research and innovation, education, renewable energy and energy efficiency, and risk finance for SMEs. Within the EFSI Equity Instrument managed by the EIF, USD 164.6mn has been dedicated to social impact investors providing risk capital financing to social enterprises and social sector organizations that are located or active in the EU. The intervention includes (i) investments in or alongside financial intermediaries linked to or providing incubation and/or acceleration services; (ii) investments alongside business angels funds; and (iii) payment-by-results investment schemes. Furthermore, an additional USD 334.6mn has been made available under the EFSI to expand the EaSI Guarantee Instrument to USD 446.1mn.

InvestEU

The proposed InvestEU fund, which is currently under negotiation, will federate all the EU financial instruments for the 2021 – 2027 programming period of the EU, which will embrace the EaSI and EFSI. A dedicated Social Investment and Skills window is envisaged in the proposal for the fund, which is expected to be endowed with USD 4.4bn, with the aim of mobilizing up to USD 54.8bn in investment for, among other areas, social enterprises. The EIB and EIF will continue to be strategic partners for the European Commission concerning the implementation of InvestEU.

Road to Impact Economy

PATH TO TIPPING POINT 2020

Embrace diversity of impact-driven business

Currently, the different definitions of impact businesses applied by different policies and financial instruments lead to market fragmentation, which undermines access to finance for social enterprises. Recognizing the variety of social impact businesses in the European ecosystem, a more uniform approach focused on impact accountability rather than on the profit orientation of target companies is increasingly being adopted in the market.

Increase geographical reach and focus on underserved areas

The EIB Group in implementing social impact focused financial instruments, places substantial emphasis on increasing the geographic reach and identification of policy support across EU member states and in countries eligible under specific programs. In anticipation of the European Commission's new programming period, the EU Advisory Board is promoting new funding instruments that are adapted to the respective stage of development of various less-developed EU markets where impact investing intermediaries are not yet present.

TRANSITION TO IMPACT ECONOMY 2030

- Continue promoting impact investing to penetrate mainstream asset classes with actors across the full spectrum of asset managers and asset owners.
- At all levels of governance, peer-learning mechanisms could be leveraged to facilitate the exchange of best practices regarding the transition to an impact economy between EU member states.
- While EU member states have taken steps to enhance horizontal policy coordination, there is a continuing need for mainstreaming sustainability. For example, member states could innovate further with SDG budgeting, science-policy interface, and stakeholder participation in order to make these strategies more operational. As national parliaments show increasing activity on the SDGs, the European Parliament would benefit from enhanced collaboration with national parliaments.

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i. Exchange rate EUR 1 = USD 1.1

Finland

Market Overview

The Finnish investment field appears to have broadly adopted responsible investment as a part of the basic principles of investment activities, which is reflected in the steady increase in Finsif's membership since the association's establishment in 2010, with almost 70 members in 2019.[1] In addition, individual pioneers, both pension investors and asset managers, are driving the industry forward and influencing other players in the industry. However, impact investment still poses challenges for capital investors. Currently, the impact of investing is primarily evident as a by-product of long-term investment activities and it is not necessarily used as a part of the marketing or investment strategies.[2] The Finnish Innovation Fund Sitra has been the main market builder since 2014, with the aim of building an impact investing ecosystem and to bring various stakeholders together.

IMPACT INVESTMENTS HIGHLIGHTS

Supply of Impact Capital

- Tesi, a state-owned investment company, launched a USD 55mn co-investment program for circular economy companies and a USD 28mn program for circular economy funds in 2019. Both programs have adopted impact investment principles and as such are the biggest published commitment to impact investing in Finland so far.
- Finnfund is a development fund financed by the Finnish government, private capital markets and earnings from investments. In 2018, it made 26 investment decisions worth USD 169mn, with 89% of recent investment decisions focused on emerging economies.[3]
- In 2018, Sitra (established and initially funded by the Finnish parliament) invested USD 14.3mn in five venture capital funds. Three of these funds invest in clean technology and the circular economy in Europe.[4]
- There has been increasing interest in impact investing, and both institutional and private investors have already committed capital.

Intermediation of Impact Capital

- Asset manager FIM acquired impact investment pioneer Epiqus in 2019 and published an impact investment growth strategy including setting up a venture capital fund in addition to existing SIB projects.
- Taaleri, a Finnish financial services company, has taken a step towards impact investing. It is managing over USD 1bn worth of investments in renewable energy, affordable housing, forests and circular economy.
- During the period 2016-2018, Municipality Finance Plc, a public credit institution owned by Finnish municipalities, the public sector pension fund Keva and the Republic of Finland, granted USD 1.4bn to green finance selected projects that promote the transition to low-carbon and climate resilient growth. This is funded by issuing green bonds.
- There are seven Social Impact Bonds (SIBs) and Environmental Impact Bonds (EIBs) portfolios providing impact capital in Finland. Out of these, four have agreed on outcome commissioners.[5]
  - Occupational well-being (TyHy-SIB), commissioned by public sector organizations.
  - Fast employment and integration of immigrants (Koto-SIB), commissioned by the Ministry of Economic Affairs and Employment.
  - Promotion of family and youth, and children's well-being, commissioned by municipalities.
  - Reduction of unemployment, commissioned by the Ministry of Economic Affairs and Employment.

  Others include those for supporting elderly's independence and type 2 diabetes prevention and an *EIB*.
- As a result of the tendering process defined by procurement legislation, FIM Impact Investing Ltd (formerly Epiqus Ltd) has intermediated all four SIBs.

Demand of Impact Capital

- An estimated 2,500 to 3,200 social enterprises in Finland comply with the EU operational definition. National estimates of the number of social enterprises, however, range between 5,000 and 10,000, depending on the definition used for measurement.[6]
- The largest demand for impact capital comes from proactive and preventive initiatives (e.g., health, well-being, environment etc.).

Government and Regulation

- The government actively participates as an outcome commissioner in SIBs, such as the fast employment and integration of immigrants (Koto-SIB) commissioned by the Ministry of Economic Affairs and Employment.
- The only legal definition of a social enterprise (Act on Social Enterprise 1351/2003) is arguably outdated and excessively narrow, as the act defines a social enterprise as an organization that provides employment opportunities for persons with disabilities or long-term unemployed persons.
- The government is exploring the scope and role of social enterprises in the Finnish context.

Market Builders

- Sitra is a fund, and a think and do tank established by the Finnish parliament in 1967 to promote equitable and sustainable development, economic growth and international competitiveness in Finland. Sitra has been paramount to the launch of SIBs in Finland, including the second largest SIB (in terms of fund size) in Europe.
- A wide variety of organizations from different sectors are active in Finland's impact investing ecosystem.

Indicators[A]	
GDP total (2011 PPP $ billion)	223.7
Total Population (millions)	5.5
GINI Index	27.1
HDI	0.920
MPI	N/A
EPI	78.64

ABC of the Finnish Impact Economy[B]

An impact economy is a just and equitable economic system in which positive impact is embedded alongside risk and return. In an Impact Economy, governments, organizations, investors and consumers are motivated to include marginalized and underserved sections of the society into the mainstream alongside consideration for our planet and its environment.

The following table shows actions undertaken by various stakeholders in Finland that exemplify current adoption of strategies that **A**void harm, **B**enefit all stakeholders, and **C**ontribute to solutions. Like other Nordic countries, Finland has a universalistic welfare model in which the state provides extensive public services (e.g., free education, health and social care, and housing) and a high level of general social security to all citizens. In this context, the third sector has a special role, although social enterprises have traditionally played a relatively minor role in providing social and welfare services.[7] However, the impact economy has still developed – targeting preventive impact objectives – mainly through innovative financing mechanisms (e.g., SIBs).

	Avoid Harm	Benefit all stakeholders	Contribute to Solutions
IMPACT IN **BUSINESS**	▲ Finland ranks as the world's most sustainable stock market in the UN Sustainable Stock Exchanges Initiative, thanks to holdings such as Nokia (an ESG leader in the global technology hardware industry) and KONE (an ESG leader in the machinery sector).[8]	▲ The Finnish Accounting Act of 2016, based on an EU directive, requires companies to publish their policies concerning the environment, employee rights, social issues, human rights, and anti-corruption and -bribery. ▲ At the moment, there is only one certified B Corporation in Finland.	▲ The European Investment Fund and Finnish bank Oma Säästöpankki Oyj (OmaSp) have signed two guarantee agreements to loan USD 10.9mn to approximatively 100 social enterprises, primarily targeting cooperatives that increase social and economic inclusion.[9]
IMPACT IN **INVESTMENT**	▲ Finland scores highly on development indices, such as the Corruption Perception Index, as well as various press freedom, equality and diversity indices, which explains the prevalence of exclusions and norms-based screening, and the high penetration of responsible investment in the Finnish investment market.[10] ▲ Finnish investors' commitment to responsible investment is strong compared to the size of the investment market in the Nordic countries. PRI has 38 signatories in Finland, compared to 97 in Sweden, 21 in Norway, 32 in Denmark and nine in Iceland.	▲ The first green bonds were issued in Finland in 2016. The MuniFin bond, listed on the London Stock Exchange, was followed by two more bonds from the LGFA in 2017. The only other green bond issuer is Fingrid, which debuted in 2017. ▲ Finland accounts for only 5% of green bonds issued in the Nordic countries. In comparison, Sweden accounts for 53%, Norway 15%, Denmark 12% and the Nordic Investment Bank 16%. The forestry, housing, energy generation and low carbon transport sectors are potential sources of assets for green bonds.[11]	▲ The impact investing sector in Finland is small and unorganized. Sitra has been the central player in the development and innovation of financing markets in Finland. Since 2014, Sitra has explicitly focused on impact investing, establishing the ecosystem and developing relevant financial instruments. Most impact investments have been channeled through SIBs.
IMPACT IN **POLICY**	▲ The Finnish Accounting Act states that company financial accounts need to be accompanied by an annual report containing information on employment and environmental issues.[12]	▲ A guide for public sector organizations and private investors on social outcome-oriented contracting was published in 2016 (opas julkiselle sektorille and Vaikuttavuusinvestoiminen).[13] ▲ The Ministry of the Environment, the Ministry of Agriculture and Forestry, and Sitra are collaborating to develop the first environmental impact bond in Europe. ▲ Municipal and central governments spend more than USD 38.5bn per year procuring services from the private sector. The Competence Centre for Sustainable and Innovative Public Procurement (KEINO), which comprises eight key Finnish players, aims to improve the sustainability of public procurement between 2018 and 2021. Within this consortium, Sitra is in charge of developing social outcome-oriented contracting.	▲ There is growing interest among central and municipal governments regarding the adoption of outcome-oriented approaches to services that promote health and well-being. As of 2018, seven SIBs were operational or being developed. The Ministry of Economic Affairs and Employment has launched an integration SIB, which aims to secure employment for 2,500 refugees and immigrants over the next three years. The SIB raised USD 15.6mn, making it the largest SIB in Europe in terms of capital.1 ▲ The government is investigating how social enterprises can be better supported to achieve positive outcomes.
IMPACT IN **CONSUMPTION**	▲ In Finland, sustainable development has been part of the basic education curriculum since 2006.[14] ▲ 65% of people in Finland consider reducing waste through product choices important, but fewer than half say they actually do so.[15] ▲ 76% of Finnish consumers say that sustainability impacts their buying decisions and 36% are willing to pay 10% more for a sustainable option.[16] ▲ Finland's 2002 national Getting More and Better from Less program, which aims to promote sustainable consumption, was one of the first of its kind in Finland.[17]		

SDG Dashboard and Trends

CURRENT ASSESSMENT – SDG DASHBOARD

Major challenges | Significant challenges | Challenges remain | SDG achieved | Information unavailable

SDG TRENDS

Decreasing | Stagnating | Moderately improving | Mantaining | On track | Information unavailable

Key Initiatives

Capacity building for impact businesses

Sitra has piloted a special impact accelerator program for impact-oriented service providers. This has involved co-operation between measurable impact businesses and traditional accelerators. Similar programs for NGOs have also been implemented by government agencies in charge of grant funding. There has been growing interest in capacity-building programs that target impact businesses. Over winter 2019/2020, Sitra plans to support key external organizations, which run impact accelerator programs, with co-funding of up to USD 49,500 per organization. In cooperation with Deloitte, Sitra also organizes the Impact Boot Camp program, which is a three-day accelerator program held two or three times per year.

Central and municipal governments are increasingly favoring outcome-oriented approaches to services that are proactive and preventive (e.g., services that promote health and well-being, and prevent harm and ill-health).

Access to capital

Sitra invests in SIBs, and funds acceleration programs and capacity-building. Veikkaus, the government-owned gaming company, provides USD 550mn per year in grants through the Finnish government. The grants go to different types of NGOs, some of which are involved in impact-related activities. There is also a very active group of business angels in Finland, who invested approximately USD 330mn – 385mn last year in various start-ups, some of which are impact related.

Global Impact Fund

OP and Finnfund will establish Finland's first impact fund that will invest in emerging markets. The OP Finnfund Global Impact Fund I will promote the measurable fulfillment of UN Sustainable Development Goals, while providing an attractive return for investors. A new type of fund in the Finnish market, OP Finnfund Global Impact Fund I will invest in projects related to sustainable agriculture and forestry, renewable energy, and financial institutions. The investments will support climate change mitigation and adaptation, create sustainable employment, and promote affordable and clean energy. The fund will invest in developing countries, as defined by the OECD.

Road to Impact Economy

PATH TO TIPPING POINT 2020

Planning for Sitra's reduced role by 2020
Currently, Sitra facilitates most interactions in the market. By 2020, Sitra aims to have a significantly reduced market-building role. In 2020 a special unit will continue to facilitate the development of the ecosystem: the Centre of Expertise for Impact Investing.

Promoting the concept of impact investment
Given the heavy involvement of the government in the welfare state, demonstrating how private capital can benefit society will be a challenge, while involving the private sector could lead to concerns around privatization. Using outcome-oriented commissioning to demonstrate the societal benefits of private capital could change public perceptions regarding impact investing and grow the market beyond SIBs. The government should also develop further educational programs related to impact investing in order to promote a deeper understanding of the concept.

Impact measurement and standardized reporting
Improving the way different funds and companies report on impact is one of the main goals of the NAB. The NAB aims to focus on systems that capture the net benefit to stakeholders (e.g., society and investors). Implementing this reporting system will help the market develop in line with global norms.

Clarify fiduciary duty
Funds in Finland are currently not required to incorporate ESG factors into decision-making. Integrating non-financial factors into decision-making, through legislation or recommendations, may enable additional investment in impact assets.

Procurement from impact businesses
The government should build on the work of KEINO and Sitra regarding the use of outcome-oriented commissioning to promote public procurement from impact businesses.

TRANSITION TO IMPACT ECONOMY 2030

- ▲ Despite substantial public procurement spending, there is a lack of quantitative data on impact. Such aggregated data would be useful in assessing the contribution of different actors and sectors in promoting Finland's impact economy.
- ▲ Policymaking should recognize new corporate forms that focus on impact.
- ▲ Applying responsible business practice, public procurement and personal consumption norms is not enough, decision-making must be driven by the net positive impact.
- ▲ Until now, fiscal incentives for impact enterprises and investors have been avoided. However, impact enterprises have to become the normal commercial business type.
- ▲ There is a need for institution-led impact investing to build additional strategic capital through wholesalers.
- ▲ Impact modeling and measurement frameworks should be integrated into business and political decision-making.

Footnotes:

[A] **Environmental Performance Index** Available at: https://epi.envirocenter.yale.edu; All other **indicators** available at: http://hdr.undp.org/en/countries

[B] The **ABC** of the **Finnish Impact Economy** table is adapted from the IMP framework.

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France

Market Overview

The French impact economy can be attributed to the rise of the social and solidarity economy (SSE). The social economy is officially recognized as a set of organizations that operate across a wide range of activities and are guided by key principles such as prioritizing the importance of a service to a community over financial profit.[1] Through direct investment in impact enterprises or through indirect investments via bank savings or company savings plans, impact investing has developed considerably in France.[2]

IMPACT INVESTMENTS HIGHLIGHTS[3,4,5,6]

Supply of Impact Capital

- The 90/10 solidarity-based funds can attract private individuals, with the funds required to invest between 5% and 10% of their funds in impact assets (e.g., solidarity enterprises with a social purpose). Solidarity-based finance in France can be identified by the Finansol label.
- A number of institutional investors (e.g., banks, insurers and pension funds) have contributed to impact investment funds (often private equity) established by specialized fund managers (e.g., INCO, PhiTrust and Citizen Capital).
- Proparco, the private sector-dedicated French DFI, had an outstanding portfolio (debt and equity) of USD 4.9bn in 2017.

Intermediation of Impact Capital

- Social impact assets under management, whether public or private, totaled USD 3.5bn in 2017.
- Investments made in 2017 were worth USD 448mn.
- Since 2016, BNP Paribas has structured five social impact bonds in France, totaling USD 5.2mn.

Demand for Impact Capital

- The European Commission identified nearly 82,519 social enterprises that were part of the SSE and met EU criteria in France in 2016.

Government and Regulation

- Solidarity-based funds, so-called 90/10 funds, were created under the Fabius Law of 19/02/2001. In 2017, 90/10 funds accounted for 83.6% of solidarity-based investments.
- Solidarity enterprises with a social purpose (ESUS) are a defined sub-group of the SSE. Non-profit/not-for-profit businesses remain key players within the impact economy. In April 2019, a law introduced profit-with-purpose companies (entreprises à mission). While similar to traditional companies, their social or environmental mission, specific objectives and a monitoring committee are defined in their founding documents.
- Through the French Impact strategy, launched in 2018, the government aims to stimulate impact venture capital, with several funds currently in development.
- In 2019, the government launched a working group to accelerate experimentation with social impact bonds.
- Also in 2019, France adopted a new law to accelerate the development of solidarity-based life insurance, as life insurance is one of the most popular savings schemes in France. The law should contribute to the development of solidarity-based pension savings and direct investments in cooperatives by private individuals.

Market Builders

- The Impact Invest Lab (iiLab), a platform for fostering innovative impact investing, particularly social impact bonds, was launched by the Caisse des Dépôts, the French Centre of Funds and Foundations, INCO, the Crédit Coopératif, Finansol, and the Mouves.
- Of the many players in France that support social enterprises, Mouves, Avise Ashoka and several social business accelerators have been key to developing the sector.

Indicators[A]	
GDP total (2011 PPP $ billion)	2,649mn
Total Population	67mn
GINI Index	32.7
HDI	0.901
MPI	N/A
EPI	83.95

KEY PLAYERS

Asset Owners	Asset Managers	Impact Entrepreneurs
Crédit Coopératif	France Active	Réseau Cocagne
BNP Paribas	Amundi	Groupe SOS
Aviva	INCO	Emmaus
AXA	Mirova	Veja
Danone	Phitrust	Ares
Caisse des Dépôts et Consignations	Investisseurs & Partenaires	Habitat & Humanisme

SPOTLIGHT DEALS[B]

Company	Total Funding	Investor	Sector
Enercoop	USD 6.3mn[i]	NovESS, France Active, MAIF, INCO, AVIVA, Mirova, la Nef, la Caisse Solidaire	Renewable energy
Simplon.co	USD 5.1mn	Caisse des Dépôts, Amundi, INCO	Tech for good
Kingo	USD 36.8mn	Engie, Proparco, FMO	Energy
UCPA ("titre associatif")	USD 5.5mn	Esfin Gestion, France Active, INCO, Mirova, NovESS	Inclusive activities and jobs
Adie SIB	USD 1.5mn	BNP, Caisse des Dépôts, Renault Mobiliz Invest, AG2R la Mondiale, Fondation Avril	Rural microfinance

[i] Exchange rate used throughout the country report: EUR 1 = USD 1.1

ABC of the French Impact Economy[C]

An impact economy is a just and equitable economic system in which positive impact – alongside risk and return – are embedded. In an impact economy, governments, organizations, investors and consumers are motivated to include marginalized and underserved sections of society while taking concerns regarding our planet and its environment into consideration.

The following table shows actions undertaken by various stakeholders in France that exemplify the adoption of strategies that **A**void harm, **B**enefit all stakeholders and **C**ontribute to solutions. Thus far, France has been a pioneer in issuing green bonds and has introduced several public initiatives to promote SSE.

	Avoid Harm	Benefit all stakeholders	Contribute to Solutions
IMPACT IN **BUSINESS**	▲ Since 2013, companies with over 500 employees are required to publish an annual social and environmental report. Companies have to disclose how they account for the social and environmental consequences of their activities, and their commitments to promote sustainable development.[7]	▲ Over 73 B Corporations operated in France in 2019.[8]	▲ The SSE represents 10% of France's GDP, and includes 200,000 enterprises and 2.4 million employees.[9]
IMPACT IN **INVESTMENT**	▲ In France, corporate governance is the most integrated ESG issue in the investment process for equities and bonds.[10]	▲ In 2017, the Treasury issued the first sovereign green bond, enabling France to borrow USD 7.7bn to finance an energy transition. This was the largest issuance with the longest maturity to date on the green bond market.[11] ▲ In June 2019, France ranked first worldwide for green bonds, with cumulative issuance of over USD 100bn.[12]	▲ As of the end of 2017, the French impact investing market amounted to USD 3.5bn in assets under management. ▲ 15 funds amounting to USD 411mn have joined the recent French Impact strategy, which aims to promote social impact innovation.[13]
IMPACT IN **POLICY**	▲ Article 173 of the Energy Transition for Green Growth Law (2015) obliges institutional investors to address ESG criteria in their investment policies and risk management.	▲ The Action Plan for Enterprise Growth and Transformation Law (PACTE), adopted in April 2019, amended the French Civil Code, requiring companies to consider social and environmental factors, and define their *raison d'être* in their founding documents. ▲ Created and supported by the Ministry of Finance, the socially responsible investment label aims to make socially responsible investment products more visible to investors in France and Europe.[14] ▲ Created by the Ministry of Ecological and Solidarity Transition, the Greenfin label guarantees the green quality of investment funds and is intended to promote the common good through transparent and sustainable investment practices. The label excludes funds that invest in companies operating in the nuclear and fossil fuel sectors.[15]	▲ In 2014, the SSE law was amended to change the legal form "solidarity enterprise" to "solidarity enterprise with a social purpose" (ESUS). Currently, there are around 1,000 ESUSs in France. ▲ France has two dedicated units responsible for impact investing. The Ministry of Finance is responsible for the technical implementation of impact investment policies and outcome-oriented commissioning, while the Ministry of Ecological and Social Transition and Solidarity hosts the high commissioner for the SSE and social innovation. Having accountable governmental units that develop and oversee impact investment policies bolsters the impact investing ecosystem. ▲ In January 2018, the high commissioner for the social economy and social innovation launched the SSE Growth Pact, which evolved into the French Impact strategy. The strategy largely focuses on strengthening the demand side. It works on the premise that with a strong supply of capital, the French impact investing ecosystem could benefit from expanding investment opportunities.
IMPACT ON **CONSUMPTION**	▲ Third party labels (e.g., Fairtrade and Rainforest Alliance) significantly influence 53% of French consumers. In addition, 45% of French consumers buy environmentally friendly products to prevent negative health impacts.[16] ▲ For the third year in a row, France ranks first on the Food Sustainability Index thanks to efforts to tackle food waste and promote healthier lifestyles.[17] ▲ 63% of French people consider it important to include environmental and social issues in their investment decisions.[18] ▲ Since 2007, France has implemented the Bonus-Malus system to promote the purchase of greener cars and eliminate older and inefficient cars.[19]		

SDG Dashboard and Trends

CURRENT ASSESSMENT – SDG DASHBOARD

Major challenges | Significant challenges | Challenges remain | SDG achieved | Information unavailable

SDG TRENDS

Decreasing | Stagnating | Moderately improving | Mantaining | On track | Information unavailable

Key Initiatives

Impact investing ecosystem

The Impact Invest Lab (iiLab), was launched in 2016. The lab contributes to strengthening the impact investing ecosystem, which has been boosted by a supportive government and regulatory environment. iiLab is the operational arm of the French NAB. The government has three representatives – one each from the Treasury department of the Ministry of Finance, the Ministry of Ecological and Social Transition, and the Ministry of Europe and Foreign Affairs – in the French NAB.

Retail impact products

In 2001, the French government created the so-called 90/10 pension regulation, which requires solidarity investment funds to invest between 5% and 10% of their funding in ESUS. The uptake of the offering has been extremely successful with USD 10.2 bn invested in solidarity enterprises by the end of 2018. Within solidarity-based finance, bank savings products also exist, and it is possible for private individuals to invest directly in some impact businesses.

Capacity-building and access to capital

Since 2002, the local support initiative (DLA), a public scheme, provides short-term advisory services (totaling two to five days) to social businesses.

As part of the French Impact strategy, three projects have been created to support and finance impact businesses:

- Pioneers French impact is a national accelerator for social innovation that aims to scale up 22 selected impact businesses.
- Seed Funds is a provider of seed capital (USD 55mn).
- French impact territories is a strategy that aims to promote public-private collaborations at a territory level and facilitate new relationships between various actors in the impact investing ecosystem.

There are also a number of non-governmental initiatives emerging in the field of capacity-building and access to capital. For example, many incubators and accelerators are flourishing, non-profit networks are developing their members' capacities, and large corporations are being incentivized to establish skill-based sponsorships. HubESS, a digital platform, represents capacity-building initiatives in France.

Outcome-oriented commissioning

In 2016, France called for social impact bonds (contrats à impact social). Thirteen social impact bonds were identified of which seven were launched between 2017 and 2019. The signed contracts focus on job integration and education, largely in rural areas. A working group was set up by the government in 2019 to accelerate the adoption of social impact bonds in France. It published a toolkit to help social businesses develop relevant social impact bonds. Based on the working group's recommendations, the government announced that it would launch an outcome-oriented fund in early 2020, which would focus on job integration, housing and ecological transition.

Fiscal incentives

At the enterprise level, fiscal incentives, financial support and coaching are available to some impact businesses. In solidarity-based finance, at the individual investor level, the tax regime depends on the kind of investment made. For example, tax relief on company savings plans also applies to solidarity enterprise savings plans, while tax relief on capital investments in small- and medium-sized enterprises also applies to capital investment in solidarity enterprises with a social purpose. For high net worth individuals subject to the real estate property tax, there is a tax incentive for investing in "high" social housing companies.

Standardized impact reporting

In 2016, when the NovESS fund was launched, it requested the development of an impact measurement methodology (measurement and tracking of social impact), which would become open source once successfully implemented. Several other methodologies exist or are in development. There is a debate in France regarding the relevance of standardizing impact measurement and the potential risk of inhibiting social innovation.

Impact measurement will be developed by impact enterprises with internal (e.g., drive for continuous improvement) and external (e.g., communication and reporting) purposes, following the "prove and improve" logic. The co-development of impact measurement tools with financiers should be encouraged to meet financiers' needs. In this regard, standardizing impact measurement remains a challenge. Notably, some investors (e.g., the pioneering France Active) are trying to measure their own impact rather than the impact of the organizations they finance.

Road to Impact Economy

PATH TO TIPPING POINT 2020

Implementation of national strategy:
The French Impact strategy is a strong national initiative that aims to stimulate the demand side of the impact investing ecosystem. Still in its early stages, ensuring its successful implementation and sustainability will be important for developing the ecosystem. The success of the strategy could be catalytic for subsequent capacity-building initiatives, especially at the local level.

Strengthen intermediaries:
France's impact investing ecosystem could also benefit from strengthening its intermediaries. In particular, there is a need for lending practices and deal structuring more suited to the needs of impact businesses and investors. Finding sustainable business models for capacity-building programs is a challenge. The government could support this endeavor by allocating dedicated funding to incubators, accelerators and support programs focused on impact businesses.

Creation of an outcome-oriented fund:
To date, seven social impact bonds have been signed. The implementation of outcome-oriented contracts could progress at a faster pace and a larger scale with the creation of an outcome-oriented fund similar to the UK's Life Chances Fund (see UK country report).

Mobilize more asset owners:
France's impact investing sector initially developed thanks to savings from private individuals. Institutional investors are becoming increasingly involved, although there is room to attract many more investors, particularly foundations and insurers. Foundations are familiar with the social issues at stake and could complement their existing grant programs with investment products. Insurers manage a large pool of funds, which could help scale social impact investing. In addition, it is important to ensure that available capital covers all needs across the impact investing spectrum, from early-stage venture through upscaling to mature organizations.

TRANSITION TO IMPACT ECONOMY 2030

- Require all asset owners to dedicate a percentage of their investments to impact investments.
- Require 10% of companies to integrate a social mission at the core of their business activity.
- Promote a mature impact investing ecosystem in which all impact businesses (whatever the business size, sector or location) and needs (whether financing or non-financing) are covered.
- Where relevant, shift practices in the social space from input-oriented financing to outcome-oriented financing.
- Require the government to provide social impact bonds or other outcome-oriented financing mechanisms to test social innovation.

Footnotes:
[A] **Environmental Performance Index** Available at: https://epi.envirocenter.yale.edu; All other **indicators** Available at: http://hdr.undp.org/en/countries
[B] Information tends to be limited for specific rounds of funding. Therefore, In **Spotlight Deals,** "Total Funding" refers to the total money that a specific company has raised. The investors listed may have participated in one or several rounds, and may have done so as lead or co-investors.
[C] The **ABC** of the **French Impact Economy** table is adapted from the IMP framework.

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Germany

Market Overview

Social impact investing in Germany has benefited from recent market-building initiatives and greater attention. Germany's nascent impact market is gaining momentum. Existing funds have raised more capital, foundations have become active impact investors, intermediaries are developing new investment products, impact-driven organizations are increasingly securing investment and the market has stabilized.

IMPACT INVESTMENTS HIGHLIGHTS

Supply of Impact Capital

- Notable impact investors include Bonventure, Ananda Impact Ventures, Finance in Motion and Invest in Visions.
- An innovative approach is being promoted by Purpose Ventures which makes long-term investments in steward-owned companies. This means any form of ownership that makes a binding commitment to keep the company independent and mission driven.
- Germany's large commercial banks such as Deutsche Bank, HypoVereinsbank and Deka Bank are developing their own impact financing programs and products.
- Value-driven banks, such GLS Bank, Umweltbank, Bank im Bistum Essen and Triodos Bank Deutschland have adopted ethical business models, and offer investment products that benefit people and the environment.
- A growing number of HNWIs and family offices are investing in impact assets.

Intermediation of Impact Capital

- While the number of intermediaries is growing, they remain limited in size and find it difficult to absorb large amounts of capital. Financing Agency for Social Entrepreneurship supports social enterprises to raise capital, matching funds with investees.
- SDG Investments is a matching platform for financial instruments and investment products, which contributes to achieving the United Nations' Sustainable Development Goals.
- Bettervest is the world's first crowd-investing platform for energy efficiency projects. GLS Crowd was the first bank-launched crowdfunding platform to focus on social and ecological enterprise capital requirements.
- Finance in Motion is a global impact asset management leader, with over USD 2.2bn in assets under management.[i]

Demand of Impact Capital

- Social enterprise activity has recently increased. According to the KfW Foundation, there are more than 100,000 early-stage social enterprises in Germany.
- Social Entrepreneurship Network Deutschland (SEND), established in 2017, promotes the social enterprise sector and social innovation.
- To meet social start-ups' growing demand for capacity-building and financial support programs, long-standing players (e.g., Impact Hub, Social Impact Labs, or the Social Entrepreneurship Akademie) have increased their efforts, and new players (e.g., Impact Factory, which is supported by the KfW and Beisheim foundations) and accelerator programs (e.g., F-Lane and Impact Collective) have entered the field.

Government and Regulation

- Government support is increasing. Since 2017, the German Council for Sustainable Development has organized Germany's Hub for Sustainable Finance, a network for actors that contribute to developing Germany's sustainable finance system.
- The Sustainable Finance-Beirat, which is led by the ministry of finance and supported by two other federal ministries is currently developing a sustainable finance strategy for Germany.
- GIZ, the government-owned development agency, incubates and financially supports the development of SGBs and SMEs in developing countries as well as the impact ecosystem.

Market Builders

- The BMW Foundation Herbert Quandt and Bertelsmann Stiftung, among other philanthropic actors, support impact investing in Germany.
- In mid-October 2019, an initiative supported by SEND, the German NAB, Ashoka and several members of parliament stated that a social impact fund, based on USD 2.22bn – 9.99bn in unclaimed assets, could help to overcome many current environmental and social challenges.
- The German Green and Sustainable Finance Cluster brings together various stakeholders to develop Germany's green and sustainable economy.
- The Network of Impact Hubs includes five urban areas (Munich, Berlin, Ruhr Region, Stuttgart and Dresden), with others to follow.
- Ecosystem enablers include Ashoka, Social Impact Lab, Expertenkreis, Impact Investing der Stiftungen, Phineo, Wider Sense, Roots of Impact, Social Entrepreneurship Akademie, Social Impact Markets, CRIC and Forum Nachhaltige Geldanlagen.

Indicators[A]	
GDP total (2011 PPP $ billions)	3.811.3
Total population (milions)	83.1
GINI Index	31.7
HDI	0.53
MPI	N/A

SPOTLIGHT DEALS[B]

Company	Total Funding	Investor	Sector
Ieso Digital Health	USD 24.3mn	Ananda Impact Ventures	Health care
Clínicas del Azucar SIINC	Undisclosed	Roots of Impact	Health care
Inka Moss SIINC		Roots of Impact	Community Development
Education and Early Years SIB	Undisclosed	BASF, Social Bee	Education
Family Assistance SIB	Undisclosed	Kreissparkasse Bersenbrück	Family Development
Eskom Holdings	USD 5.9bn	KfW	Energy
GOVECS	USD 10mn	KfW	Mobility
Novaled (acquisition)	USD 347mn	Samsung	Electronics

[i] Exchange rate used throughout the document: EUR 1 = USD 1.1

ABC of the German Impact Economy[C]

An impact economy is a just and equitable economic system in which positive impact – alongside risk and return – are embedded. In an impact economy, governments, organizations, investors and consumers are motivated to include marginalized and underserved sections of society while taking concerns regarding our planet and its environment into consideration.

The following table shows actions undertaken by various stakeholders in Germany that exemplify the adoption of strategies that **A**void harm, **B**enefit all stakeholders, and **C**ontribute to solutions. The impact investing ecosystem in Germany is developing. Several new players and initiatives have emerged across several sectors.

	Avoid Harm	Benefit all stakeholders	Contribute to Solutions
IMPACT IN **BUSINESS**	▲ Since 2017, large companies have been required by the EU to report on how their activities impact on society and the environment. They may use the Sustainability Code as a framework. The code can also be used as a basis for valuations (within the scope of portfolio management), corporate bonds, lending and providing investors with information. This stimulates competition in the area of sustainable business.	▲ The Common Good Balance has introduced new standards for measuring corporate success. The aim is to make the common good – alongside financial gains – a main goal.	▲ Currently, more than 500 companies have completed the Common Good Balance Sheet. ▲ According to a study by the KfW Foundation, there are currently more than 100,000 early-stage social enterprises in Germany.
IMPACT IN **INVESTMENT**	▲ The Hub for Sustainable Finance (H4SF) has published 10 recommendations for sustainable finance. H4SF has defined the role policymakers, regulators and the financial sector need to play.	▲ According to Forum Nachhaltige Geldanlagen, total sustainable investment reached USD 240.9bn in 2018. There has been a strong increase in sustainable investment strategies.[1]	▲ According to the Forum Nachhaltige Geldanlagen's market report, the volume of impact investing in Germany was USD 13bn in 2018. ▲ The Bertelsmann Stiftung is currently piloting two new social impact bonds in two German cities.
IMPACT IN **POLICY**	▲ The German Council for Sustainable Development, which was established by the Federal Chancellor's Office, ratified the German National Sustainable Development Strategy in 2017. The strategy is aligned with the SDGs and highlights the country's commitment to realizing them.	▲ In 2018, the introduction of a subsidized purchase of owner-occupied residential property for families with children was very well received. It is an important tool for affordable housing and for preventing social inequalities from growing.	▲ The federal and several state-level governments have decided to create better finance and support structures for social enterprises, which aim to facilitate a vibrant social enterprise ecosystem that is attractive to investors.
IMPACT IN **CONSUMPTION**	▲ The federal government's National Program for Sustainable Consumption covers six areas: mobility, nutrition, home and living, work and offices, clothing, and tourism. ▲ The Council for Sustainable Development's guide, "The Sustainable Shopping Basket," provides information on various types of transactions, from buying organic food through to sustainable investing. The guide is constantly updated, presents the most important and highly credible seals, and provides guidelines that can be applied in everyday practice. ▲ Through consumption and lifestyle choices, citizens have the potential to change entire industries. According to self-assessment studies, around 60% of people in Germany sometimes take into consideration the sustainability of a product when shopping.		

SDG Dashboard and Trends

CURRENT ASSESSMENT – SDG DASHBOARD

Major challenges   Significant challenges   Challenges remain   SDG achieved   Information unavailable

SDG TRENDS

Decreasing   Stagnating   Moderately improving   Mantaining   On track   Information unavailable

Key Initiatives

Capacity-building and access to capital

Impact businesses in Germany have benefited from assistance programs financed through the European Investment Fund.

- The EASI-program, a European social impact accelerator, has run a number of projects in Germany.
- The EFSI-program has supported the launch of social impact bonds in Germany, including two local social impact bonds.

Germany's development banks are the strongest government tools for building capacity in Germany's impact investment economy.

- GIZ, the government-owned development agency, incubates and finances impact businesses in Asia and Africa.

Outcome-oriented commissioning

Two social impact bonds are currently being piloted in Germany:

- The city of Osnabrück is implementing a project to strengthen prevention in family assistance programs.
- The city of Mannheim, together with a number of educational partners, is introducing the learning and support concept "Integrative School Campus" through the Pestalozzi School.

Impact in policymaking

The German High-Tech Strategy aims to make Germany a global innovation leader. The mission is to convert ideas into innovative products and services. Moreover, the strategy prioritizes future challenges relative to their ability to improve prosperity and quality of life.

Together with the development of the High-Tech Strategy, the government is establishing thematic priorities in research and innovation. In the process, the government is focusing on areas of dynamic innovation, and potential economic growth and prosperity. In particular, the government is concentrating on areas that can help address global challenges and enhance quality of life.

The government has identified six priorities to improve prosperity and quality of life in Germany. Two of these are related to the government's High-Tech Strategy:

- **The digital economy and society:** The German government is addressing the challenges inherent in digital technologies and seeking to use opportunities to promote value creation and prosperity in Germany.
- **Intelligent mobility:** The German government is pursuing research into integrated transport policies that optimize the efficiency and capability of, and interactions between different modes of transport.

Road to Impact Economy

PATH TO TIPPING POINT 2020

Capacity-building
Impact businesses around the world have a track-record in developing new models to solve problems. Often, they do this in an efficient and economical way. By financing and fostering a conducive environment for these businesses, the government would be among the first beneficiaries.

Tax incentives for impact investing
Tax incentives can be an effective and inexpensive way to finance the growth of an industry.

By providing tax incentives to investors in impact businesses, governments can enable a greater amount of capital to flow into the industry, reducing demand for public investment.

Providing direct tax incentives to impact businesses would enable them to re-invest more in their own projects, and require less external investment from investors or government.

Creation of retail impact products
The creation of 90/10 Fondes Solidaires in France has catalyzed large amounts of capital and helped develop France's impact industry. These types of regulations can be relatively inexpensive ways for government to finance the development of the impact investment industry. Germany could use this regulation as an example to develop a similar product tailored to the country's needs.

Specific legal form
A clear definition of what constitutes impact investing would reduce ambiguity and streamline decisions about who should benefit from fiscal incentives, retail impact products, and external financing and support.

Supply of impact capital development
Increase the supply and variety of investment instruments (e.g., social impact bonds and hybrid-financing models) that are able to combine philanthropic resources (e.g. donations) and repayment-based social impact capital.

There is also a need to increase the participation of retail investors who could become a significant source of capital.

TRANSITION TO IMPACT ECONOMY 2030

- Germany is still not a leader in the European impact economy. However, over the last few years, several more stakeholders have entered the impact investing field and the market has become more stable.
- For faster development, more best practice examples are required. In the area of venture capital, classic venture capitalists are increasingly motivated to invest in social entrepreneurs.
- The government needs to take a more proactive approach to building the market. For example, government could leverage unclaimed assets in credit institutes. The United Kingdom has assumed a pioneering role, with Big Society Capital having raised billions of British pounds for the impact investing market in the United Kingdom.
- With increasing societal issues (e.g., the refugee crisis and population aging in Europe), the German government could benefit from partnering with the impact investing industry to develop solutions.
- The new NAB in Germany (Bundesinitiative Impact Investing) will play a substantial role in advancing Germany's impact investing market.
- A fully functioning and stable impact investing ecosystem in Germany could motivate other countries to change their financial markets.

Footnotes:

[A] **Environmental Performance Index** Available at: https://epi.envirocenter.yale.edu; All other **indicators** Available at: http://hdr.undp.org/en/countries

[B] Information tends to be limited for specific rounds of funding. Therefore, In **Spotlight Deals,** "Total Funding" refers to the total money that a specific company has raised. The investors listed may have participated in one or several rounds, and may have done so as lead or co-investors.

[C] The **ABC** of the **German Impact Economy** table is adapted from the IMP framework.

Sources:

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Ghana

Market Overview

Over the last two decades, the country has witnessed relative political stability and improving macroeconomic conditions, making it an attractive investment destination. The impact investment market in Ghana is dominated by DFIs. Another major local impact investor is a government-funded entity, the Venture Capital Trust Ghana. There has been a recent surge in social enterprises in the country. Almost half of the social enterprises currently in the market began operations after 2013. Foreign capital dominates the market, though the instability of the local currency makes it hard for social enterprises to raise foreign debt.

Ghana was the second country in the world to align its government budgeting and reporting with the Sustainable Development Goals (SDGs), owing to a SDG baseline report published in 2018.

There is currently a NAB in Ghana which was established in 2019.

IMPACT INVESTMENT HIGHLIGHTS

Supply of Impact Capital

- As of March 2016, the country was home to 29 universal banks (excluding ARB Apex bank, which is a mini-central bank for rural banks), 61 non-bank financial institutions, 139 rural and community banks (RCBs) and 555 microfinance institutions (MFIs).
- DFIs invest primarily in the energy, manufacturing, and information and communication technology (ICT) sectors, typically using large deals ranging roughly between USD 50mn and USD 60mn.
- Of the total DFI capital deployed between 2005 and 2015, the energy sector attracted the largest share (40%), followed by manufacturing (26%), ICT (13%) and agriculture (11%).
- Private impact investors prefer investments in financial services, housing and agriculture, generally employing much smaller deals ranging roughly between USD 1mn and USD 2mn.
- The Education Outcomes Fund is launching in Ghana in 2020. A USD 30m fund size vehicle will support Primary education using results based financing. The fund will target Improved literacy and numeracy in approximately 700 schools.[1]

Intermediation of Impact Capital

- Impact investors in Ghana have a stronger preference for debt (as opposed to equity capital) than do their counterparts elsewhere in the region.
- Today few impact investors are targeting early-stage enterprises. As a result, there is a gap in the provision of funding to enterprises that have not yet reached the seed stage (USD 20,000 – USD 500,000).

Demand for Impact Capital

- The leaders (i.e., owners, CEOs, directors, etc.) of Ghanaian social enterprises tend to be young, with the majority between the ages of 25 and 34.
- Many enterprises in Ghana prefer grant or debt capital to equity capital, as they fear that selling equity may result in a loss of control over their businesses (many of which are family-owned and passed down through generations).
- Over 90% of the country's social enterprises began operations in 2004 or later, and almost half began operations after 2013.

Government and Regulation

- There is no specific legal form tailored to impact investors or social enterprises but the government of Ghana recognized the importance the of social enterprise sector for achieving the SDGs.

Market Builders

- The ecosystem consists mostly of incubators, technical assistance providers and research organizations. These players are concentrated in urban areas such as Accra and Kumasi. Accelerators and incubators are today raising their own funds in an effort to address the "missing middle," or the gap in the supply of capital to social enterprises. Around seven key accelerators and incubators are currently operating in Ghana. Among these, three (InnoHub, Growth Mosaic and MEST) are either planning or are currently raising their own funds to invest in the enterprises they support.

Indicators[A]	
GDP total (2011 PPP $ billion)	58.997
Per Capita Income (USD)	1,880
Total Population (millions)	28.8
Poverty Levels	23.4%
GINI Index	42.4

KEY PLAYERS

Asset Owners	Asset Managers	Impact Entrepreneurs
Zenith Bank of Ghana	Injaro Investments	Strangers with Hope Foundation
Ecobank Ghana	AgDevCo, Oasis Capital	Enablis
Ghana Commercial Bank	JCS Investments	Grameen Foundation
African Development Bank	Root Capital	TechnoServe

ABC of the Ghana's Impact Economy[B]

An impact economy is a just and equitable economic system in which positive impact is produced in an environment of risk and return. In an impact economy, governments, organizations, investors and consumers are motivated to include marginalized and underserved sectors of the society in the mainstream economy, while also giving consideration to the needs of our planet and its environment.

The following table describes actions undertaken by a variety of stakeholders in Ghana for the adoption of strategies that **A**void harm, **B**enefit all stakeholders, and **C**ontribute to solutions. In Ghana while some initiatives appear to be laying the groundwork for a transition to an impact economy, any such shift is still in its early phases.

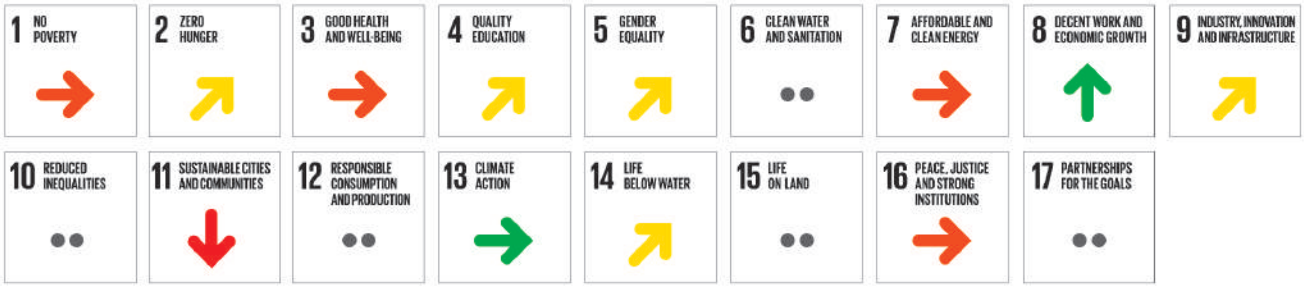
	Avoid Harm	Benefit all stakeholders	Contribute to Solutions
IMPACT IN **BUSINESS**	▲ Private sector stakeholders have identified some sectors of the Ghanaian economy to be targeted for improved environmental and social governance: manufacturing, energy and power, construction and real estate, mining, oil and gas, and agriculture and forestry.[2]	▲ To date, no green bonds have been issued in Ghana. There have been several related initiatives in the agriculture and renewable energy sectors; however, they have been scattered, and have not been scaled.	▲ There are almost 26,000 social enterprises in Ghana.[3] ▲ Social enterprises are most often found in the education and agricultural sectors. Education-related social enterprises are more dominant in Accra, while agricultural social enterprises are most common in the north.[4] ▲ In 2019, First National Bank launched an agency banking model, seeking to enhance financial inclusion by reaching out to the unbanked population without having to open bricks-and-mortar branches.[5]
IMPACT IN **INVESTMENT**	▲ Ghana's national bank is developing sustainable-banking principles – that is, a set of rules that would require financial institutions to develop approaches that balance social and environmental risks with profit opportunities. ▲ With support from the IFC and the government of Switzerland, the Bank of Ghana has already set seven sustainable principles meant to guide all banking activities.[6]	▲ In 2018, the First National Bank, the Ministry of Finance, the Ministry of Environment, and other related state agencies held a workshop in Accra on the issue of green bonds.[7]	▲ According to a Global Impact Investing Network study, about USD 1.6bn in impact capital was deployed in Ghana in 2014 alone. At the time, this amounted to 0.27% of the country's GDP. Moreover, this constituted 25% of the impact investment deployed in West Africa overall (a total of USD 6.5bn).[8]
IMPACT IN **POLICY**	▲ The Partnership for Action on Green Economy (PAGE) is aiming to identify the gaps in the policy environment that, once filled, would drive demand for socially and environmentally sustainable banking services. To do so, the group is collaborating with the UN Environment Finance Initiative (UNEP FI) to undertake a green finance study in Ghana.[9]	▲ In 2013, the Ghana Investment Promotion Center was re-established. The government is also seeking to create an impact investing hub for the country.[10] ▲ The government is developing a new policy that would require 70% of all government-funded contracts or projects to be awarded to local contractors, and 30% of contracts to be awarded to women-led/owned enterprises. This is expected to spur social entrepreneurship especially given the fact that 44% of Ghana's MSMEs are women-owned.	▲ In the second quarter of 2019, the National Pension Regulatory Authority (NPRA) rolled out new investor-friendly guidelines aimed at encouraging long-term investments. Under the new guidelines, only 15% of assets under management (AUM) can be placed in alternative investments (bonds, II tools and other long-term investments).
IMPACT ON **CONSUMPTION**	▲ Ghana has been on the path to sustainable consumption and production (SCP) since the year 2010, and is developing measures designed to reverse environmental deterioration and strengthen resilience to climate change.		

SDG Dashboard and Trends

CURRENT ASSESSMENT – SDG DASHBOARD

Major challenges Significant challenges Challenges remain SDG achieved Information unavailable

SDG TRENDS



Decreasing Stagnating Moderately improving Mantaining On track Information unavailable

Key Initiatives

Government focusing on achievement of SDGs

The government of Ghana is working toward achieving the Sustainable Development Goals (SDGs) through promotion of the social enterprise sector. Policy in this regard is being developed by the Ministry of Trade and Industry in partnership with Social Enterprise Ghana (SE Ghana), the British Council, STAR Ghana and the West Africa Civil Society Institute. The goal of the policy is to support achievement of the SDGs through the growth of a strong, innovative and financially sustainable social enterprise sub-sector that produces measurable social impact in high-priority areas of social need, while providing jobs and supporting economic transformation particularly for the urban and rural poor. The policy is currently under discussion at the cabinet level.

Evolution of venture capital fund

The Ghana Venture Capital Trust Fund (VCTF) was established in 2006, with initial funding of USD 22.4mn. Its primary role was to provide anchor investments to domestic venture capital funds, while educating investors on issues related to private equity and venture capital. Its function later evolved to enable it to play a significant role in catalyzing the general private equity/venture capital ecosystem. VCTF established the Ghana Angel Investor Network (GAIN), which currently has a network of 36 angels. VCTF has also taken on a quasi-regulatory role, recently providing support to the SEC in drafting a set of upcoming regulations and guidelines for the industry. The fund was allocated USD 50mn in the 2017 budget for the support of SMEs), with the aim of boosting overall economic growth through equity investments. The allocation is expected to provide an alternative, relatively inexpensive source of capital for small businesses across the country.

Supply of capital

The country's Microfinance and Small Loans Center (MASLOC) provides fast, easy and accessible micro and small loans to start-ups and small businesses with fast, easy and accessible microcredit and small loans. In June 2018, President Akufo-Addo directed MASLOC to ensure that 50% of disbursed loans were going to women engaged in small-scale farming or business.

Legal recognition

There is no specific legal form for social enterprises in Ghana. In addition, many enterprises prefer to operate informally, hindering the development of the impact investment sector.

World Bank support for economic transformation and diversification

The Ghana Economic Transformation Project (GETP) is designed to help the country transform and diversify its economy through the promotion of private investment and firm growth in non-resource sectors. It consists of an integrated program intended to improve the country's competitiveness and deliver sustainable jobs. The International Development Association (IDA) project, backed by funding totaling USD 200mn, was approved by the World Bank's executive board in July 2019. The GETP will support the government's strategy of transforming the Ghanaian economy to achieve inclusive and sustainable growth, focusing on the private sector as the main driver of growth.[11]

Road to Impact Economy

PATH TO TIPPING POINT 2020

Some measures which can create an economic environment conducive to impact investment include:

- Introducing a specific legal form for impact-oriented ventures and impact investors.
- Creation of an impact wholesaler.
- Amendment of fiduciary duties.
- Making non-financial reporting mandatory for companies.

TRANSITION TO IMPACT ECONOMY 2030

- At the moment, there are no use cases for SIBs / DIBs in Ghana. These instruments could be leveraged to mobilize additional resources for the delivery of public services and tackling important social challenges.
- As Ghana moves toward becoming a middle-income country, "donor flight" could result in a reduction in development funding and aid. In such a case, other funding sources would be needed to drive the innovation required to achieve the SDGs.
- There are few waste management or recycling plants in Ghana. Almost 360,000 tons of solid waste is generated per annum, but only 2% of this is recycled. The UNDP reports that revenues USD 18bn could be derived from this waste, with the accompanying processes creating green jobs.[12]

Footnotes:

A. **Environmental Performance Index** Available at: https://epi.envirocenter.yale.edu; All other **indicators** available at: http://hdr.undp.org/en/countries

B. The **ABC** of the **Ghana's Impact Economy** table is adapted from the IMP framework.

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Guatemala

Market Overview

In recent years, Guatemala has been one of the strongest economic performers in Latin America, with a GDP growth rate of 2.8% in 2017 and 3.0% in 2018. According to recent estimates, the country's economy was expected to grow by 3.3% in 2019. However, Guatemala also has one of the highest inequality rates in Latin America, with some of the worst poverty, malnutrition, maternal, and child mortality rates in the region, especially in rural and indigenous areas. Moreover, public investment in the country is constrained, as the government collects the world's lowest share of public revenues relative to the size of the country's economy. As a consequence, Guatemala is in need of increased private investment and revenue to fund important pro-growth initiatives that could help address its social and environmental problems. The next few years represent an opportunity for Guatemala to boost its growth sustainably by gearing its business, investment, policy and consumption decisions toward impact.

IMPACT INVESTMENT HIGHLIGHTS

Supply of Impact Capital

- Few high-growth individuals and family offices in Central America or Mexico provide impact capital to Guatemala.
- Many microfinance and microcredit institutions such as Genesis Empresarial, MICOOPE and Friendship Bridge are currently providing capital within the country, with a strong presence in rural areas and a gender focus.
- Several local commercial banks such as Banco Industrial and G&T Continental, as well as philanthropic foundations such as the Overbrook Foundation and Argidius Foundation, allocate capital to impact-related purposes in Guatemala.
- USAID funding has been channeled through local and international NGOs such as Catholic Relief Services, Heifer International, Hivos, Mercy Corps and World Vision.

Intermediation of Impact Capital

- LAVCA found that a total of USD 35mn was invested for impact-related purposes in Guatemala in 2016 – 2017, spanning a total of 27 deals.
- USD 0.4mn in proceeds from exits was recorded across Guatemala and Nicaragua in the 2016 – 2017 period, although individual data is not available.[1] Guatemala's Invariantes closed its first fund with USD 3.5mn in commitments from a mix of high net worth individuals and family offices in Central America and Mexico. The fund is industry agnostic, but focuses on early stage technology startups, specifically in software.[2]
- Alterna supports small growing businesses (SGBs) by providing impact measurement and financing via an impact investment fund in partnership with the IDB Lab.[3]
- In Nicaragua and Guatemala, Root Capital works closely with several agricultural fair trade associations and farmer cooperatives to provide the financing necessary (USD 50,000 – USD 2mn) to address the seasonality of farmers' incomes, while also supporting environmentally sustainable practices.
- Pomona Impact supports early stage entrepreneurs with financing in the range of USD 250,000 – USD 500,000. Pomona-Kiva Partnership also funds early stage impact ventures in Guatemala.[4]

Demand for Impact Capital

- The large funding gap for SMEs, estimated at around USD 24bn across Guatemala, Honduras, El Salvador and Costa Rica, has become a major attraction for impact capital in Central America.[5]
- Alterna, Solidaridad, Pomona Impact, Technoserve, Thriive, Fundasistemas, PRONACOM and Root Capital are examples of cross-sectoral organizations working on business development services for impact entrepreneurs.[6] These entities are active in Guatemala across many sectors including agriculture, agricultural technology and basic services.

Government and Regulation

- The government's introduction of an online registration portal for new businesses has resulted in a total registration time of just six days for a new local business.[7]
- There is as yet no formal policy specific to social entrepreneurship or impact investment.

Market Builders

- Alterna is currently working actively to develop the social and impact entrepreneurship ecosystem. It runs the Latin American Investment Forum for Central America & the Caribbean (FLIICA&C), which creates connections between local social entrepreneurs and investors; in addition, it promotes social and impact ventures among women and indigenous populations, and advocates for new policies that would facilitate social entrepreneurship in Guatemala.
- Campus Tec has established a technological ecosystem hub in Guatemala City, with a real estate development project comprising three buildings that attract and host tech start-ups.
- Pomona AgTech Accelerator program has received multiyear funding from the Argidius Foundation and the Overbrook Foundation to scale up acceleration, incubation and boot camp activities in Guatemala.
- ANDE's Central America chapter and local presence in Guatemala has provided critical support to the Guatemalan ecosystem by strengthening local networks, fostering stronger relationships, and encouraging collaboration between members, including investment funds, accelerators, incubators, foundations, universities, researchers, government agencies, and corporations that support small and growing businesses.

Indicators[A]	
GDP total (2011 PPP $ billion)	129.511
Total Population (millions)	16.9
GINI Index	48.3
HDI	0.650
MPI	0.134
EPI	52.33

KEY PLAYERS

Asset Owners	Asset Managers	Impact Entrepreneurs
Grupo IDC	Alterna	EcoFiltro
IDB	Pomona Impact	Wild Gum
E10	Root Capital	Kingo
	Solidaridad	Estufa Doña Dora

SPOTLIGHT DEALS[B]

Company	Total Funding	Investor	Sector
Kingo	USD36.8m	FMO, PROPARCO, ENGIE	Energy
Conectate Today	USD100k	-	Recruitment
Osigu	USD7m	ATW Partners	Health
Iguama	USD5m	Kibo, PeopleFund	e-commerce
HYBRICO Energy	USD10m	IDB Lab, FCP	Energy

ABC of the Guatemala's Impact Economy[C]

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The following table describes actions undertaken by a variety of stakeholders in Guatemala for the adoption of strategies that **A**void harm, **B**enefit all stakeholders, and **C**ontribute to solutions. Despite the nascent nature of impact investing, there is appetite for this form of investment in Guatemala, as the social economy is growing thanks to high-profile social entrepreneurs and increasingly responsible business practices.

	Avoid Harm	Benefit all stakeholders	Contribute to Solutions
IMPACT IN **BUSINESS**	▲ The Guatemalan Business Council for Sustainable Development (CentraRSE) promotes and supports socially responsible business practices. The council has more than 100 member companies from 20 different sectors, representing 30% of the country's GDP, and is one of the region's most important business groups focusing on this issue.[8]	▲ Sistema B is being formalized in Guatemala, and currently includes 10 B Corp organizations.[9]	▲ Unilever has spurred entrepreneurship in Guatemala and the Central American region through its Solá innovation challenge. This seeks sustainable resource protection solutions, innovative business platforms and economic development ideas for at-risk populations. Winning entrepreneurs receive advice, mentoring, seed capital and opportunities to integrate into the Unilever value chain.[10]
IMPACT IN **INVESTMENT**	▲ Insight's proprietary research found that Guatemala's ESG score was in line with the world average, and that investment trends in the country suggest a very gradual positive momentum.[11]	▲ The Althelia Climate Fund has participated in a USD 11.1mn investment program to finance the long-term conservation of up to 110,000 hectares of natural forest in and around the Caribbean region's network of protected areas. The investment, implemented in partnership with a leading Guatemalan NGO – Fundacion para el Ecodesarrollo y la Conservacion (FUNDAECO) – aims to offset over 1mn tons of CO2.[12]	▲ Between 2016 and 2017, USD 35mn in impact capital was invested in Guatemala in 27 deals.[13]
IMPACT IN **POLICY**	▲ Guatemala is a source, transit and destination country for men, women and children subjected to sex trafficking and forced labor. The government demonstrated significant effort in this area during the reporting period by developing a national anti-trafficking action plan for 2018 – 2022, prosecuting and convicting more traffickers, opening a new regional anti-trafficking unit, and publishing its victim protection protocol in several Mayan dialects.[14]	▲ GuateCarbon, a partnership between the government, local forest communities, the Rainforest Alliance and the Wildlife Conservation Society, promotes sustainable community forestry and development through the sale of carbon credits on the international market. The forest communities that have partnered with the government to sustainably manage the reserve are poised to earn payments for emissions they have offset through their sustainable management of 1.6mn acres (about 660,800 hectares) of forest.[15]	▲ In January 2018, the Guatemalan congress passed the Factoring or Discount Law, which authorizes the issuance of loans on the basis of guarantees in the form of installment-based sales or the use of collateral goods. This is intended to improve access to credit and liquidity. This measure increases small and medium-sized entrepreneurs' ability to access financial services and liquidity.[16]

SDG Dashboard and Trends

CURRENT ASSESSMENT – SDG DASHBOARD

Major challenges | Significant challenges | Challenges remain | SDG achieved | Information unavailable

SDG TRENDS

Decreasing | Stagnating | Moderately improving | Mantaining | On track | Information unavailable

Key Initiatives

Latin American Impact Investment Forum
The Latin American Impact Investment for Central America & the Caribbean (FLIICA&C) is held in Guatemala. The goal of the event is to raise awareness about impact investing, combat the small-market myth and encourage potential investors to take a closer look at frontier markets.[17]

Mejoraremos Guate (Let's Make Guatemala Better)
Mejoremos Guate is an initiative launched through CACIF and Fundesa in 2010, led by a group of entrepreneurs who joined forces to develop a national strategy for the country's development. Its aim is to encourage dialogue between actors from different sectors; promote greater investment in health, education and formal technical training; and strengthen the capacity of the state to invest in security and justice, while also developing strong, transparent institutions able to serve citizen needs.[18]

Road to Impact Economy

PATH TO TIPPING POINT 2020

Develop nascent concepts further
Social entrepreneurship and impact investing remain nascent concepts in Guatemala. A concerted push will be required to promote the idea of investing for social impact among local entrepreneurs in the Central American region.

Facilitate access to finance for MSMEs and social enterprises
Although MSMEs represent more than 90% of Guatemala's companies, they find it difficult to access credit. Only 12% of Guatemalan MSMEs have access to financing. When they do obtain financing, it typically covers only between 15% and 25% of the firms' total investments, one of the lowest such shares in Latin America. Banks and microfinance institutions are not meeting the demand.[19]

Build and strengthen the ecosystem
In order to increase impact investing in the country, more partnerships between impact capital providers and accelerator programs should be created. Increasing the attention, support, mentorship, and above all impact investment available to entrepreneurs in Guatemala is also crucial.

TRANSITION TO IMPACT ECONOMY 2030

Guatemala has experienced continued economic stability that can be attributed to a combination of inflation targeting, prudent fiscal management and the country's managed floating exchange rate.[20] Strategically located, with substantial natural resources and a young multi-ethnic population, Guatemala has enormous potential to generate growth and prosperity for its people. However, this potential remains to be harnessed.

Poverty and inequalities persist across geographical areas and among ethnic groups in Guatemala, with indigenous peoples continuing to be particularly disadvantaged. Gender inequality is also high, with the country ranking 113th out of 154 countries on the UNDP's Gender Inequality Index (GII).[21]

On the environmental front, Guatemala is one of the most ecologically diverse nations on the planet, with over 14 different eco-regions and immense biological and cultural diversity. However, overexploitation, trafficking of flora and fauna, agricultural encroachment, and climate change threaten natural resources throughout the country.[22]

Due to the high rates of poverty, the growing youth population, the significant gender disparities and serious environmental threats, transitioning to an impactful and inclusive 2030 economy is paramount to the country's future social and economic security and stability.

Footnotes:
A. **Environmental Performance Index** Available at: https://epi.envirocenter.yale.edu; All other **indicators** available at: http://hdr.undp.org/en/countries
B. Information tends to be limited for specific rounds of funding. Therefore, In **Spotlight Deals,** "Total Funding" refers to the total money that a specific company has raised. The investors listed may have participated in one or several rounds, and may have done so as lead or co-investors.
C. The **ABC** of the **Guatemala's Impact Economy** table is adapted from the IMP framework.

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India

Market Overview

India has the largest economy in South Asia and the third largest worldwide in purchasing power parity terms. While GDP growth in India has slowed since 2010, India's economy remains a leader among developing countries, with a robust and growing impact economy.[1] India's impact economy is backed by a rich tradition of social entrepreneurship, a collaborative philanthropic culture, a developed impact investing market and an engaged corporate sector. High investment demand is likely to continue due to population growth, economic growth, stable financial markets backed by the rule of law and unmet social needs.

IMPACT INVESTMENTS HIGHLIGHTS

Supply of Impact Capital

- Philanthropic foundations (e.g., Dell Foundation and Omidyar Network), DFIs (e.g., International Finance Corporation, CDC Group and the Asian Development Bank), family offices, high net worth individuals and local philanthropists are the main sources of impact capital.
- The India Inclusive Innovation Fund, launched in 2014, supports enterprises that benefit the poor, balance social and financial returns, and contribute to job creation. The government contributed 20% to the USD 70mn fund.
- Equity capital accounts for almost 75% of impact investments in India, with debt and other blended instruments accounting for 25%.[2]

Intermediation of Impact Capital

- India has more than 50 dedicated impact investing fund managers, including Aavishkar, Acumen, Khosla Impact, Lok Capital, LGT Venture Philanthropy and Elevar (Unitus Equity).
- In 2018, assets under management ranged between USD 0.15mn and 88.97mn, averaging USD 36mn.[3]

Demand for Impact Capital

- The financial services, health care, education and agriculture sectors are the largest recipients of impact capital.
- The internal rate of return was above 20% in the agricultural sector, 15% – 20% in health care, 10% – 15% in financial services and 5% – 20% in education.[4]

Government and Regulation

- The Securities and Exchange Board of India (SEBI), the capital market regulator, aims to improve investment conditions and modernize India's financial system. In 2012, SEBI approved the creation of Alternative Investment Funds (AIF) for the purpose of pooling domestic and international investment.
- Social venture funds (SVF) fall under the first of three AIF categories, as SVFs aim to produce positive non-financial impacts, enabling SVFs to access government, SEBI and other regulator incentives.

Market Builders

- Market builders include investment bankers that broker deals between funds and enterprises (e.g., Unitus Capital), specialized accounting firms, and incubators that provide early-stage support to enterprises (e.g., Unltd India, Dasra, and the Centre for Innovation, Incubation and Entrepreneurship).
- The National Association of Social Enterprises, formed in April 2012, aims to establish a networking platform for members, and lobby government departments and funding bodies. Similarly, the Indian Impact Investors Council (IIIC), a member-based industry body, aims to catalyze growth in India's impact investing sector and advance its Impact Economy.[5]
- The IIIC, created in 2014, is India's NAB. IIIC is a network of impact investors in India that engages with institutions (e.g., the Ministry of Finance, SEBI and the Reserve Bank of India) to inform policies, regulations and standards. Over the last few years, various government programs and developmental plans have attempted to engage the private sector.

Indicators[A]	
GDP total (2011 PPP $ billion)	8,605.5
Total population (millions)	1,339.2
GINI Index	35.1
HDI	0.640
MPI	27.9%
EPI	30.57

KEY PLAYERS

Asset Owners	Asset Managers	Impact Entrepreneurs
CDC Group	Aavishkaar	Aravind Eyecare
IFC	Acumen	Basix Krishi
Omidyar Network	Elevar Equity	SELCO Solar
SIDBI/NABARD	Khosla Impact	Samruddhi Ltd.
OPIC	ResponsAbility	SEWA
Dell Foundation	Lok Capital	Aarusha Homes

SPOTLIGHT DEALS[B]

Company	Total Funding	Investor	Sector
Ujjivan Financial Services	USD 162mn	Elevar Equity	Financial Inclusion
Bharat Financial Inclusion (IPO)	USD 62mn	Elevar, Khosla, Sequoia, Morgan Stanley, Credit Suisse	Financial Inclusion
Dodla Dairy	USD 50mn	TPG Growth	Agriculture
Milk Mantra	USD 23mn	Aavishkaar	Agriculture
Education SIB	USD 11mn	UBS Foundation, Dell Foundation, Tata Trusts	Education

ABC of the Indian Impact Economy[C]

An impact economy is a just and equitable economic system in which positive impact – alongside risk and return – are embedded. In an impact economy, governments, organizations, investors and consumers are motivated to include marginalized and underserved sections of society while taking concerns regarding our planet and its environment into consideration.

The following table shows actions undertaken by various stakeholders in India that exemplify the adoption of strategies that **A**void harm, **B**enefit all stakeholders and **C**ontribute to solutions. There are many initiatives promoting the development of the impact economy across various economic levels and sectors. For example, the government has launched several policies and initiatives to support India's impact economy. However, given that consumption-driven demand will likely remain strong, the role of consumers and businesses will be instrumental in deepening the impact economy.

	Avoid Harm	**Benefit all stakeholders**	**Contribute to Solutions**
IMPACT IN **BUSINESS**	▲ As of 2019, 1,000 top companies by market capitalization had been mandated to report on their ESG initatives per SEBI's Business Responsibility Reporting guidelines.[6] However, consideration of ESG factors at the business level is uncommon. ▲ Green financing has become a key issue in India due to the reorientation of policies consistent with India's COP21 commitment to foster a low-carbon economy.	▲ 12 Indian companies were part of the 2019 Dow Jones Sustainability Index, up from 10 in 2018. The index assesses companies on ESG and sustainable business practices.[7] ▲ The Bombay Stock Exchange has also launched sustainability-oriented indices, such as Carbonex and Greenex. ▲ At present, there are only five B Corporations in India.	▲ There has been a 25% increase in the number of CSR projects, and an 8% rise in CSR investment between 2016/2017 and 2017/2018. CSR investment in social enterprises, and social enterprise incubators and accelerators by Indian companies and multi-national corporations has increased. Total CSR investment was projected to cross ~USD 6.9bn in March 2019.[8] ▲ India has a very vibrant social entrepreneurship landscape with more than 2 million social enterprises operating across a number of sectors.[9]
IMPACT IN **INVESTMENT**	▲ India's ESG investing market was estimated to be USD 30bn in 2017, with the potential to reach USD 240bn by 2027.[10] ▲ In 2018, Kotak Mutual Fund became the first asset management company in India to sign the UN-supported Principles for Responsible Investment (PRI). Four more Indian investment management firms are signatories to PRI.[11] ▲ New ESG funds include Quantum Advisors and Avendus India ESG Fund (both USD 1bn).[12]	▲ India became is among the largest green bond markets globally. As of July 2018, total Indian green bond issuance stood at USD 6.5bn, 11th in global country rankings.[13]	▲ Cumulative impact investments between 2010 and 2016 totaled USD 5.2bn and reached about 60mn – 80mn people. In 2015, annual impact investments in India crossed the USD 1bn mark. The number of deals between 2010 and 2016 remained stable at about 60 to 80 per year, highlighting the emphasis on scaling new impact models. The market is projected to grow to USD 6bn – 8bn by 2025.[14]
IMPACT IN **POLICY**	▲ In 2018, National Guidelines on the Economic, Social and Environmental Responsibilities of Business were introduced. The guidelines are designed to be used by all businesses, irrespective of ownership type, size, sector, structure or location.	▲ The Reserve Bank of India is evaluating green finance opportunities. ▲ In January 2016, SEBI published its official green bonds requirements for Indian issuers.	▲ The government is in the process of developing the country's National Action Plan on Business and Human Rights, with input provided by various ministries and state governments. The plan is scheduled to be introduced by 2020.
IMPACT ON **CONSUMPTION**	▲ According to the World Economic Forum's Greendex, which measures consumer practices and environmental attitudes, India ranked top of the list of 18 countries in 2017. However, this is likely to be due to the per capita reporting of effects.[15]		

SDG Dashboard and Trends

CURRENT ASSESSMENT – SDG DASHBOARD

Major challenges | Significant challenges | Challenges remain | SDG achieved | Information unavailable

SDG TRENDS

Decreasing | Stagnating | Moderately improving | Mantaining | On track | Information unavailable

Key Initiatives

The Indian Companies Act, 2013
The concept of CSR was introduced in India by the Indian Companies Act 2013, which requires every company of a certain size to implement a CSR policy. Large companies are required to spend at least 2% of their average net profit over the preceding three financial years on CSR activities.

Access to capital
Small Industries Developmental Bank of India provides financing for SMEs. It has also launched a fund of funds, the India Aspiration Fund (IAF), which invests in venture capital funds that help small enterprises, especially start-ups, meet their equity requirements in areas aligned with the SDGs.

The National Bank for Agriculture and Rural Development, created to facilitate credit for developing agriculture in rural areas, has been instrumental in channeling funding to social innovations and impact businesses in rural areas.

Capacity-building
Most impact business accelerators in India are privately owned. However, government-owned educational institutes (e.g., the Indian Institute of Technology and Indian Institute of Management) run various incubators for the social and other innovative sectors. Atal Innovation Mission is a government-run incubator that promotes innovation and entrepreneurship across the country. Government-approved incubators are allowed to receive CSR funding.

Fiscal incentives
A strong incentive for impact businesses in India has been the implementation of the Priority Sector Lending guidelines, implemented by the Reserve Bank of India, under which banks are obliged to provide at least 40% of their lending to “specific” sectors often classified as social impact sectors (e.g., agriculture, education, housing and renewable energy).

In 2015, the government reformed the capital gains tax system. As a result, the tax is only applied at the investor level and not at the fund level, significantly boosting the impact investment industry.

Impact in procurement
Companies which receive “Zero Effect Zero Defect” (ZED) certification, receive priority in public procurement. The government has also developed the Aspirational Districts Plan. The plan identifies 117 weaker districts (out of a total of 725 districts) that the government aims to revive by working with the private sector to develop solutions and encourage private investment through CSR legislation and impact investing.

Legal structure for Social Venture Funds (SVFs)
India has created a legal structure for venture funds that invest in impact businesses. These SVFs fall within the AIF regulations, which overseen by SEBI. SVFs are meant to pool domestic, international, commercial and grant capital to invest in social impact policies.

Outcome-oriented funds and wholesalers
India is in the process of creating the India Education Outcomes Fund, a USD 1bn outcome-oriented fund that aims to close educational attainment gaps in the country, and the India Impact Fund, a USD 1bn impact fund that aims to provide market returns and catalyze growth through debt funding for underserved MSME segments.

Road to Impact Economy

PATH TO TIPPING POINT 2020

Outcome-oriented commissioning

The government is interested in establishing public-private partnerships to solve developmental issues in the most affected districts of India. The government could consider outcome-oriented payments as a proven method of financing projects with prespecified social outcomes.

Direct CSR law capital to impact investing

Advocates are actively campaigning to ensure that CSR spending is directed to impact investment projects. CSR spending could be a financial source for government projects. For example, the government could channel CSR spending toward the India Aspiration Fund or alternative outcome-oriented commissions.

Ease regulations on investment trusts

Currently, investment trusts in India are not allowed to invest in for-profit impact businesses. A change to this regulation would significantly increase the supply of capital to the industry.

Company legal form for impact businesses

A clear definition of what constitutes an impact business would clarify ambiguity in other laws, and allow social incubators, SVFs and banks to prioritize lending to a specified investment universe. A definition, encompassing for-profit and non-for-profit enterprises, could help change regulations on investment trusts to include all forms of impact.

Social stock exchange

The government has announced plans to create a social stock exchange in order to improve access to capital, both in the form of debt or equity, for social entrepreneurs active in social welfare sectors.

TRANSITION TO IMPACT ECONOMY 2030

- Despite the economic progress made over the last few decades, several social and environmental problems persist in India. While extreme poverty has reduced, income inequality is still very high. There is also significant disparity among population groups in terms of access to health care, education, electricity, sanitation and water among other basic goods and services.
- Given the overall economy's size and rapid growth rate, sustainability could be a challenge in the future as consumption levels increase. Addressing this challenge will require the proactive involvement of all major stakeholders to embed sustainability as a business and consumption norm.
- There is need for innovative solutions both on business and investing fronts to make the economic transformation inclusive and impactful. Some action areas could include:
  - Policy recognition of new corporate forms focused on impact.
  - Establish responsible businesses, consumption and public procurement as a norm.
  - Fiscal incentives for impact enterprises and investors.
  - Need for institution-led impact investment to build additional sources of strategic capital through wholesalers.
  - Integration of impact measurement frameworks in business and political decision-making.
  - Increase investment through structured funding models (e.g., SIBs/DIBs) for public service delivery and achieving social goals.
  - DIBs could be leveraged to unlock substantial private capital, improve social outcomes and increase funding effectiveness.

Footnotes:

A. **Environmental Performance Index** Available at: https://epi.envirocenter.yale.edu; All other **indicators** Available at: http://hdr.undp.org/en/countries

B. Information tends to be limited for specific rounds of funding. Therefore, In **Spotlight Deals,** "Total Funding" refers to the total money that a specific company has raised. The investors listed may have participated in one or several rounds, and may have done so as lead or co-investors.

C. The **ABC** of the **Indian Impact Economy** table is adapted from the IMP framework.

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Israel

Market Overview

Israel continues to experience robust economic growth,[1] with science and technology being the significant drivers of the economy. The country is performing well on a variety of innovation-focused indicators. Its R&D expenditure accounts for 4.25% of GDP).[2] Nevertheless, there are still substantial socioeconomic inequalities and nearly 18% of the population lives in poverty. While Israeli's impact market is still in a nascent stage, impact investments doubled from USD 130mn to more than USD 260mn in assets under management (AUM) in two years from 2016 to 2018. New sources of capital are emerging, and government bodies are beginning to participate in market development through various early-stage R&D funding initiatives.[3]

IMPACT INVESTMENTS HIGHLIGHTS

Supply of Impact Capital

- As of 2018, there are 65 Israel-based limited partners (up from 15 seven years ago), with over USD 1.1tn AUM.[4] However, very few are actively engaged in impact measurement or practice intentionality around impact investing.

Intermediation of Impact Capital

- In the last two years, four venture funds with an impact strategy were launched: New Era (USD 60mn), Bridges Israel (USD 60mn), OurCrowd (targeting USD 30mn) and Zora (USD 10mn). Arc Impact has invested USD 3mn and UJIA's Social Impact Investing Initiative (SI3) has announced a new round of support for social enterprises in Q1 of 2019, with 12 investments in local social enterprises.
- Social Finance Israel (SFI) is pioneering SIBs in Israel. Four SIBs have been launched, with several more in development. SFI is also developing income share agreements to promote employment among marginalized groups.
- Several charitable foundations are examining impact investment opportunities.

Demand for Impact Capital

- As of Q1 2019, Israel's impact-tech market was valued at USD 260mn AUM,[3] with enterprises operating in the health care, information technology, assistive technology, clean technology, food and agriculture technology, and education sectors.
- In 2018, SDG-aligned companies raised USD 1.6bn, 23% of total capital raised in Israel.[3] Yet, few investors employ a dedicated impact management strategy.
- Topics important to the impact landscape include: employment, education, gender equality, urban renewal and community development, accessibility, elderly care, health, welfare, and well-being.

Government and Regulation[5]

- The National Insurance Institute (NII) funds a welfare and health accelerator; the Israel Innovation Authority (IIA) operates a Societal Challenges Division that provides grant-matching assistance to tech start-ups engaged in gov-tech, assistive technology, humanitarian crises and international development.
- In June 2019, IIA established a consortium to manage a food-tech incubator in northern Israel.[6]
- IIA, the Ministry of Environmental Protection, and the Ministry of Economy and Industry will support the establishment of a new technological innovation lab specializing in environmental protection and sustainability USD 3.97mn[i] innovation lab.[7]

Market Builders

- TechForGood has incubated 35 tech companies; the Pears Program for Global Innovation accelerates solutions to global challenges; 8200 Impact supports tech-oriented social ventures; Hackaveret supports social entrepreneurs that address vulnerable populations.
- In 2019, the Jewish Funders Network and the Edmond Rothschild Foundation launched a USD 1mn grant-matching program for impact entrepreneurs.
- In May 2019, ACTO and TechForGood organized the Israel Impact Summit, attracting 1,500 participants from 20 countries, and further expanding the circles of impact investing and tech innovation addressing the UN SDGs.
- SFI provides advice on impact strategy and measurement tools and products; Dalia Black Consulting and Beyond Family Office advise new philanthropic players entering impact investing.
- The Academic College launched an MBA focused on impact investing; the Milken Institute and Peres Center for Peace promote research and innovation.
- Start-up Nation Central connects international partners, businesses and investors with Israeli start-ups.

Indicators[A]	
GDP total (2011 PPP $ billion)	288.7
Total Population (millions)	8.3
GINI Index	41.4
HDI	0.903
MPI	N/A
EPI	75.01

KEY PLAYERS

Asset Owners	Asset Managers	Impact Entrepreneurs
Bank Hapoalim	UJIA	EyeControl
Israel Discount Bank	Bridges Israel	N-Drip
Psagot IH	New Era	Clique.ai
Bank Leumi	OurCrowd	Wasteless
The Rothschild Caesarea Foundation	Impact First Investments	Twine
Arc Impact	Zora	WaterGen

SPOTLIGHT DEALS[B]

Company	Total Funding	Investor	Sector
Venn	USD 40 mn	Pitango VC, Hamilton Lane, Bridges Israel	Housing
Netafim	USD 500 mn	Mexichem, Mizrahi T Bank, HSBC, Migdal Group	Agriculture
Zebra Medical	USD 20 mn	aMoon Fund, Aurum V., JJDC, OurCrowd	Health
"Improving Math Achievement among Bedouin High School Students (Social Impact Bond)	USD 4.2 mn (NIS 14.8 mn)	Mizrahi Tefahot Bank & 6 more investors	Education
"Reducing the Onset of Type-2 Diabetes" (Social Impact Bond)	USD 5.5 mn (NIS 19.4 mn)	Social Finance Israel, UBS	Health
Games for Peace	USD 100k (NIS 400K)	UJIA's SI3 Initiative	Education

[i] Exchange rate used throughout this document: NIS 1 = USD 0.28

ABC of the Israeli Impact Economy[C]

An impact economy is a just and equitable economic system in which positive impact – alongside risk and return – are embedded. In an impact economy, governments, organizations, investors and consumers are motivated to include marginalized and underserved sections of society while taking concerns regarding our planet and its environment into consideration.

The following table shows actions undertaken by various stakeholders in Israel that exemplify the adoption of strategies that **A**void harm, **B**enefit all stakeholders and **C**ontribute to solutions. While Israel's impact economy is still in a nascent stage, several social enterprises and impact initiatives have been created, and impact investment activities have strongly accelerated in recent years. Business and investment impact has been greater than impact achieved through government action.

	Avoid Harm	Benefit all stakeholders	Contribute to Solutions
IMPACT IN **BUSINESS**	▲ Maala is a non-profit membership organization that promotes CSR in Israel. The organization has 110 members, including Israel's largest companies. Maala publishes the annual Maala ESG index on the Tel Aviv Stock Exchange (TASE). Since 2016, Maala has organized an annual international CSR conference in Tel Aviv.	▲ According to a ministry directive in 2009, government-owned companies are mandated to prepare an annual sustainability strategy and to report on the strategy's progress.	▲ In 2018, there were approximately 200 social enterprises, 20 social accelerators and incubators, and 600 NGOs with more than USD 1mn in Israel.[8] ▲ Impact First Investments released the ImpacTech Compass, an impact management tool for tech companies.
IMPACT IN **INVESTMENT**	▲ In November 2017, TASE launched two sustainable investment indices in the form of the Tel Bond-CPI Linked Maala and the Tel Bond-Shekel Maala.[9] As part of Maala's annual investor conference, the Israeli NAB and Maala hosted a training workshop on sustainable investing for CIOs of asset management firms in November 2018. ▲ Israeli investment firms (e.g., IBI and Clarity Capital) offer responsible investment portfolios to clients. ▲ Meitav Dash operates a local ESG mutual fund. ▲ The Value Squared Responsible was launched in February 2019. The fund invests in global equities that demonstrate high ESG performance and companies that generate revenue from SDG-aligned products.	▲ Abraham Hostel, which is part of Bridges Israel's portfolio, is an award-winning chain of hostels and a leading tourism company. The chain, which currently operates hostels in Tel Aviv, Nazareth and Jerusalem, promotes social and sustainable tourism, generates socioeconomic benefits for a variety of stakeholders, and supports cultural diversity and tolerance.	▲ Israel's impact capital market is valued at USD 260mn AUM with 12 impact funds.[10] ▲ In 2019, SFI partnered with the global investment platform OurCrowd to launch an SDG-aligned impact fund.[11] ▲ SFI has launched four SIBs to date, focused on diabetes prevention and on improving educational outcomes.
IMPACT IN **POLICY**	▲ In December 2017, the commissioner of Capital Markets Insurance and Savings issued a memorandum compelling institutional investors to publish their ESG and impact investment policies, with 2019 being the first year when the decision was to be enforced.	▲ Over the last seven years, the Ministry of Environment has produced an environmental impact rating of public companies in Israel. ▲ The Ministry of Housing launched an initiative to fund urban renewal in peripheral cities. The initiative awards up to USD 7mn on condition that 30% of the total project is supported by impact investors or philanthropy.	▲ In terms of acceleration support, the NII partially supports the Hackaveret accelerator, a program dedicated to supporting innovative social enterprise start-ups. ▲ In partnership with other government offices, the IIA's Societal Challenges Division runs three funding tracks for start-ups in the domains of gov-tech, assistive technologies, international development and global challenges.

	Avoid Harm		
		Benefit all stakeholders	
			Contribute to Solutions
IMPACT IN **POLICY**			▲ In 2015, with the cooperation of the Ministry of Finance and the National Economic Council, two funds encouraging the development of social businesses (Yozma funds) were launched. These funds provide financial backing to social enterprises working to increase employment among vulnerable populations.
IMPACT ON **CONSUMPTION**	▲ Consumption in Israel is likely to pursue greater sustainability as demand side issues are emphasized by initiatives such as the Sustainable Consumption and Production Roadmap.[12]		

SDG Dashboard and Trends

CURRENT ASSESSMENT – SDG DASHBOARD

Major challenges Significant challenges Challenges remain SDG achieved Information unavailable

SDG TRENDS

Decreasing Stagnating Moderately improving Mantaining On track Information unavailable

Key Initiatives

Access to capital

▲ The government of Israel supports funding programs for impact start-ups. Moreover, various ministries (e.g., education, agriculture and health care) fund pilot programs for tech start-ups. However, the ministries do not yet require recipients to implement impact management practices. Several ministries are exploring ways to encourage entrepreneurs to strengthen their contributions to Israel's SDGs through reporting and evidence gathered during the funding application process.

Educational programs

▲ Established by the Edmond de Rothschild Foundation and Dualis, the Academic Center for Impact Investing and Entrepreneurship at the School of Management is the first academic program dedicated to impact investing and social entrepreneurship. The program launched its inaugural MBA program in impact investing in 2019.

In 2018, Bar Ilan University launched Israel's first student-run impact investment fund. Endowed with USD 1mn, the fund will be managed by second-year MBA students and will be accompanied by coursework on responsible investing.

Road to Impact Economy

PATH TO TIPPING POINT 2020

Broaden the use of outcomes-based commissioning
Israel has gotten off to a good start by issuing four SIBs. The government could deepen its partnerships with the private and social sectors to find further solutions to societal challenges. Moreover, the creation of a Central Outcomes Fund could facilitate financing for these types of contracts and boost outcome-oriented commissioning.

Regulatory and tax incentives for impact investments
Israeli stakeholders have explored opportunities to advance legislation that would create a legal form for impact businesses and enable the establishment of private foundations. With both in place, impact businesses and impact investors would benefit from targeted incentives that reward investors who allocate capital to this industry.

Increase awareness around impact investing
There is a continued need for greater market awareness among private and public stakeholders around the principles and key practices of impact investing. Greater engagement by and more training programs for institutional investors, investment advisors, lawyers and government officials would help bridge this knowledge gap regarding impact investing.

Dedicated unit within the government
Establishing a dedicated unit for impact investing within the government would help to improve government understanding around impact investing and to craft policies for promoting the industry.

Creation of a wholesaler
The Israeli NAB advocates for the creation of a wholesaler for impact investing in Israel. A wholesale impact fund would be instrumental in financing impact projects, as it would provide a pool of funds and connect investors to social enterprises.

TRANSITION TO IMPACT ECONOMY 2030

With its high innovation ability, technical know-how and high-skilled workforce, the conditions exist to develop Israel's impact economy. Various stakeholders are exploring possibilities that would expand the reach and improve the positioning of Israeli technology in achieving Israel's SDGs, and tackle other global social and environmental challenges.

Closing the social gap
Investor intentionality and financial innovations are needed to sustain businesses and develop solutions that promote economic advancement and social mobility for marginalized and vulnerable groups. Such investment products have the potential to increase capital flows to underserved populations and markets, generating new market potential.

Reduction of structural barriers for impact organizations
The government could speed up the transition to an impact economy by promoting legislation and regulation that eases and incentivizes capital flows to social enterprises. It could also create a wholesale impact fund that would build out various aspects of the market, including intermediation and engagement.

Increase impact awareness among investors
Strategic coordination among key actors and widening the circle of impact investors would accelerate the transition to an impact economy. In addition, this would increase the engagement of government bodies, and institutional and private investors.

Footnotes:

[A] **Environmental Performance Index** Available at: https://epi.envirocenter.yale.edu; All other **indicators** Available at: http://hdr.undp.org/en/countries
[B] Information tends to be limited for specific rounds of funding. Therefore, In **Spotlight Deals,** "Total Funding" refers to the total money that a specific company has raised. The investors listed may have participated in one or several rounds, and may have done so as lead or co-investors.
[C] The **ABC** of the **Israeli Impact Economy** table is adapted from the IMP framework.

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Italy

Market Overview

The effects of the financial crisis and ongoing demographic pressures have deeply stressed public budgets in Italy. However, impact investments hold the potential to facilitate private provision of public goods. The country has a strong tradition of mutual credit, many third-sector organizations, and strong per capita philanthropic contributions (which is among the highest in Europe), making Italy conducive to impact investment both globally and domestically. The Italian impact-investment market is forecast to reach volumes of USD 3.3bn[i] by 2020.[1] Current barriers to investors include unfavorable risk-return profiles and a lack of investment readiness among impact-oriented organizations.

IMPACT INVESTMENTS HIGHLIGHTS

Supply of Impact Capital

- Foundations, especially banking foundations, play a key role in the impact-investment sector. At the moment, five banking foundations are active in the sector. In total, 88 banking foundations control total assets of about USD 45bn.[2]
- Fondazione con il Sud provided USD 11mn to the Sì-Social Impact fund (SEFEA impact). It also established the Impresa Sociale con I Bambini, which created a fund addressing juvenile educational poverty.
- In 2019, Fondazione CRT created the Fondazione Sviluppo e Crescita CRT, a vehicle that makes impact investments, with an endowment of USD 53mn.
- Pension funds such as Enasarco and Enpap have indicated a willingness to enter this market, and have already joined the Italian NAB.

Intermediation of Impact Capital

- Banks including UniCredit and UBI Banca provide equity capital and loans to organizations with social purpose, through their dedicated business activities.
- Several new impact funds focused on Italian investees have been established. These include SEFEA Impact (2018), OPES-LCEF (2019), Oltreventure (2016), Fondazione Social Venture Giordano dell'Amore (2017) and SocialFare Seed (2017).
- In January 2019, Triodos Investment Management entered the Italian impact investing sector with several funds focused on inclusive finance, energy and climate, and sustainable food and agriculture. In addition to making direct impact investments, Triodos Investment Management will invest in listed companies.

Demand for Impact Capital

- The domestic sectors with the most urgent investment needs include health, disabilities, families, housing and social exclusion. In each, significant increases in spending are needed to meet social needs and to bring overall spending up to EU averages.
- Italy is currently home to nearly 19,000 social cooperatives and social enterprises. Additionally, there are more than 92,000 non-profit market-based but socially-oriented start-ups or profit-with-purpose organizations.[3]

Government and Regulation

- The passage of a 2016 legislative update represented a crucial step toward the development of the impact economy. It expanded the definition of social enterprise to encompass both non-profit and for-profit entities, and allows for the distribution of profits among shareholders to encourage equity investment.

Market Builders

- At the local level, grant-making foundations carry out capacity-building programs with the aim of developing the demand side of impact capital. The goal is to create social-impact ecosystems that are attractive to impact investors.

Indicators[A]	
GDP total (2011 PPP $ billion)	2,132.6
Total Population	59.4
GINI Index	34.7
HDI	0.880
MPI	N/A
EPI	76.96

KEY PLAYERS

Asset Owners	Asset Managers	Impact Entrepreneurs
Fondazione Cariplo	SEFEA Impact	Tonnara dell'Orsa
Compagnia di San Paolo	OPES-LCEF	Immobiliare Sociale Bresciana
Fondazione CRT	OltreVenture	Progetto QUID
Fondazione con il Sud	UniCredit	LIMES
Invitalia	UBI Banca	EAT Right

SPOTLIGHT DEALS[B]

Company	Total Funding	Investor	Sector
Progetto QUID	$0.34M	OPES-LCEF	Clothing
SFERA	$8.3M	Oltre Venture	Agrifood
Raremark	$5M	Oltre Venture	Health
Codess Sociale onlus	$5M	UniCredit	Health & Education
Project Finance ad Impatto Sociale	$9.1M	UBI Banca	Elderly

[i] Exchange rate used throughout the document: EUR 1 = USD 1.1

ABC of the Italian Impact Economy[C]

An impact economy is a just and equitable economic system in which positive impact is produced in an environment of risk and return. In an impact economy, governments, organizations, investors and consumers are motivated to include marginalized and underserved sections of the society in the mainstream economy, while also giving consideration to the needs of our planet and its environment.

The following table describes actions undertaken by a variety of stakeholders in Italy for the adoption of strategies that **A**void harm, **B**enefit all stakeholders and **C**ontribute to solutions. As compared to some of its regional peers, Italy offers a climate that is highly conducive to the development of the impact economy. Governments at both the national and regional levels have taken measures moving in this direction. Other stakeholders, including investors, businesses and consumers, have also responded positively to calls for sustainability.

	Avoid Harm	**Benefit all stakeholders**	**Contribute to Solutions**
IMPACT IN **BUSINESS**	▲ In 2017, The London Stock Exchange Group, together with the Borsa Italiana, presented the first ESG guide for listed companies. This provides specific guidelines for ESG reporting.[4]	▲ Cumulative green bond issuance (2014 -2018): USD 5.6bn, nine issuers, 12 deals. This ranks Italy 12th globally. The energy sector dominates the market, accounting for 77% of issues.[5] ▲ Since the Italian government passed new regulations governing benefit corporations, **around 50 companies** in the country have been registered as benefit corporations.	▲ Italy is currently home to nearly 19,000 social cooperatives and social enterprises. About 1,000 of them are ready to scale their entrepreneurial models and receive investment.[6]
IMPACT IN **INVESTMENT**	▲ Italian pension funds have shown increasing commitment to SRI, mainly pursuing strategies such as exclusions and norm-based screening (NBS). ▲ In 2017, 45% of retail investors declared a willingness toinvest in SRI.[7]	▲ According to Eurosif, sustainable investing volumes totaled USD 111bn in 2018.[7]	▲ Total AUM within Italy's impact investment sector was estimated at USD 231mn in 2018.[8] ▲ About 63 financial institutions are active in Italy's impact-investment sector.[8]
IMPACT IN **POLICY**	▲ Legislative decree No. 254/2016 transposes EU Directive 2014/95 regarding non-financial reporting. The intervention requires large companies to disclose non-financial and diversity information relating to their activities in order to help SRI investors.	▲ Social value in procurement: The national government has launched a procurement program asking municipal authorities around the country to identify the most pressing social problems in their areas.	▲ In 2019, the government published national guidelines for impact assessment by third-sector entities. ▲ In 2018, the government announced a USD 27.4mn Government Outcomes Fund, which is to be deployed over three years. ▲ In 2018, the government established an impact-investment task force, and asked it to prepare a white paper on the future of impact investing in Italy. ▲ The above-mentioned reform reshaped the existing Social Enterprise (Impresa Sociale) making it more attractive for impact investors. This gives allows for-profit enterprises to be classified as social enterprises, opening the social sector to investment.
IMPACT ON **CONSUMPTION**	Italian consumers are increasingly attentive to the environment, according to a recent survey:[9] ▲ **53%** of respondents claimed they followed a sustainable lifestyle. Specifically, this meant buying organic products (39%), reusing containers instead of disposing of them (37%), reducing their own consumption needs (36%) and not buying single-use products (30%). ▲ **49%** of respondents considered a product to be sustainable if it did not damage the environment. ▲ **63%** and **64%** of respondents considered it important for companies to pay attention to reductions in polluting emissions and greenhouse gases, respectively.		

SDG Dashboard and Trends

CURRENT ASSESSMENT – SDG DASHBOARD

Major challenges Significant challenges Challenges remain SDG achieved Information unavailable

SDG TRENDS

Decreasing Stagnating Moderately improving Mantaining On track Information unavailable

Key Initiatives

Local capacity-building program

- The cities of Milan, Turin and Bologna, as well as the Puglia and Sardinia regions, among others, have developed programs to improve their local impact ecosystems. For example, the Turin municipal administration has provided support to Torino Social Impact. This group in turn has created a center for impact measurement to help impact-focused businesses measure their impact, and thus become more attractive to impact investors.

Educational programs

- The Ministry of Education, Universities and Research has launched a USD 1.1mn program to support 10 Italian universities in the development of new knowledge on impact investing and impact measurement.
- The Polytechnic University of Milan, the University of Bologna, the Polytechnic University of Turin and Sapienza University of Rome have their own impact research centers.

Road to Impact Economy

PATH TO TIPPING POINT 2020

Changes to public accounting rules for SIBs
Public accounting rules are complex in Italy and remain one of the main reasons why SIBs have not yet been implemented in the country. Some progress has been made in changing these regulations to support Payment by Results (PbR) programs. However, more work needs to be done to ensure that public authorities fully understand this rule, and to develop appropriate contracts.

Completion of social-sector reform
Finalizing this currently incomplete reform will enable or facilitate the implementation of several polices in Italy. Specifically, clarifying the definition of social enterprise further will help expand the universe of programs eligible for investment.

Provision of access to capital
The government could use funding from organizations such as CDP or Invitalia to provide matching funds and create capacity-building programs at the national level. Moreover, if the Government Outcomes Fund is successful in launching PbR programs, these organizations could commit further capital to such programs. At the regional level, local authorities should continue to explore new financial tools, such as funds of funds and match funding.

Tightened definition of impact measurement
Although tailored, transaction-based impact measurement is the most diffused approach, national policymakers are working on the creation of relevant guidelines and soft regulation.

Coordination of policy at various levels
Italy's impact-investment policy environment is developing at different speeds across the national and regional levels. Policy coordination could help to identify synergies and cross-learning opportunities, thus increasing the pace toward an impact economy.

TRANSITION TO IMPACT ECONOMY 2030

- Increased investments through structured funding models such as SIBs could enable delivery of public services and deployment of private capital for achieving social objectives.
- The aging population requires new financial investment in social infrastructures in order to sustain continued health access and strengthen existing welfare-provision structures.

Some other initiatives steps that could facilitate the transition include:

- Policy recognition of new corporate forms focused on impact.
- Responsible businesses, responsible consumption, and responsible procurement treated as norms.
- Fiscal incentives for social enterprises.
- Developing additional sources of strategic impact capital, with wholesalers acting as conduits.
- Integration of impact measurement frameworks in business and policy decision-making.

Footnotes:

[A] **Environmental Performance Index** Available at: https://epi.envirocenter.yale.edu; All other **indicators** available at: http://hdr.undp.org/en/countries

[B] Information tends to be limited for specific rounds of funding. Therefore, In **Spotlight Deals,** "Total Funding" refers to the total money that a specific company has raised. The investors listed may have participated in one or several rounds, and may have done so as lead or co-investors.

[C] The **ABC** of the **Italian Impact Economy** table is adapted from the IMP framework.

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[1] GSG (2019), Italy - GSG, http://gsgii.org/nabs/italy/ (accessed on 26 September 2019)

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Japan

Market Overview

In Japan, sustainable-investing assets quadrupled from 2016 to 2018, growing from just 3% of total professionally managed assets in the country to 18%.[1] The growth has made Japan the third-largest center for sustainable investing after Europe and the United States. In the last few years, a number of developments have driven the significant expansion in the country's sustainable-investment market. Two major institutional asset owners – the giant Government Pension Investment Fund (GPIF) in 2015 and the Pension Fund Association in 2016 – recently became signatories to the UN Principles for Responsible Investment (UNPRI), adding significantly to the growing awareness of sustainable investing in Japan.[1]

IMPACT INVESTMENTS HIGHLIGHTS[2]

Supply of Impact Capital

- The flow of funds from individual investors and venture investors is expanding, as is the flow of investment intended to support the achievement of the SDGs. The use of dormant bank deposits for impact-oriented investments is also expected from 2019 onward.
- Crowdfunding platforms have been successful in mobilizing individual donations and investments for impact-investment projects. In 2016, the domestic crowdfunding market grew by 96.6% on a year-over-year basis, raising USD 745mn for new projects.

Intermediation of Impact Capital

- The social-impact investment market in Japan was expected to expand from USD 675mn in 2017 to about USD 3.2bn in 2018. In 2012, in collaboration with Seibu Shinkin Bank, ETIC launched the Change loan program that offers support for NPO, social-enterprise and SME growth.
- In November 2018, a social impact bond (SIB) was successfully implemented by a region-wide partnership that included the Hiroshima Prefecture and six cities. Previously, SIBs had also been launched in Hachioji and Kobe city.

Demand for Impact Capital

- The growth in medical expenses for the country's aging population is one strong driver of the rising demand for impact capital. Funding in this sector has been facilitated by the country's advanced corporate-led economy, as well as strong non-profit-sector expertise in disaster relief, elderly care and health care.
- Approximately 200,000 social enterprises have emerged, employing 5.8 million people at the end of 2016. Given the lack of a specific legal form, many social enterprises operate as for-profit entities.

Government and Regulation

- The Dormant Accounts Utilization Bill, which allows for the utilization of dormant bank accounts for social-impact investments, was enacted in December 2016. As a result, up to USD 700mn annually will be channeled into social-impact investment.

Market Builders

- The Social Impact Measurement Roadmap 2017-2020 was launched by the Social Impact Measurement Initiative in June 2017. It outlines a clear vision to be achieved by 2020, with specific numerical targets and timelines for the actions necessary to realize the vision.
- A large number of actors in various sectors are active in Japan. Major institutions that have contributed to the current level of investment include government financial institutions (JICA, JFC), asset owners (Sophia University), investment trusts (Kamakura investment management), securities firms (Daiwa securities), major banks (Sumitomo Mitsui Banking Corporation), regional banks (Seibu Shinkin), corporate foundations (Mitsubishi, Benesse Holdings), VC firms (Shinsei Corporate investment) and foundations (SIIF).

Indicators[A]	
GDP total (2011 PPP $ billion)	4,994.9
Total Population (millions)	127.5
GINI Index	32.1
HDI	0.909
MPI	N/A
EPI	74.69

KEY PLAYERS

Asset Owners	Asset Managers	Impact Entrepreneurs
Sumitomo Mitsui Trust Bank	Kamakura Investment Management	Gojo & Co
Sasakawa Peace Foundation	Daiwa Securities Co Ltd	Life is Tech Inc
Mizuho Bank Ltd	Plus Social Investment KK	Unifa Inc
SIIF	Nomura Asset Management Co Ltd	CureApp Inc
Shinsei Bank	Shinsei Corporate Investment Limited	Crowd Credit Inc
Sophia University	KIBOW Foundation	Susmed Inc
Dai-ichi Life Insurance	Makoto	
Japan Finance Corporation	Next Shift Co Ltd	
Sumitomo Mitsui Banking Corporation	Social Investment Partners	
The Seibu Shinkin Bank	Music Securities Inc	
Digisearch and Advertising		

SPOTLIGHT DEALS[B]

Company	Total Funding	Investor	Sector
Spiber Inc	USD 188.5mn	Cool Japan Fund, Dai-ichi Life	Biotech
Cancer Scan Co (SIB)	USD 300k	SIIF, Hiroshima Bank, Mizuho Bank	Health
Gojo & Co.	USD 9mn	JICA	Micro finance
Plus Social Investment	USD 0.3mn	SIIF	Finance
SMEs in Okayama City (SIB)	USD 3mn	SIIF, Chugoku Bank	Health
Unifa Inc		SIIF, Shinsei Corporate Invesment	Child care

ABC of the Japanese Impact Economy[C]

An impact economy is a just and equitable economic system in which positive impact is produced in an environment of risk and return. In an Impact Economy, governments, organizations, investors and consumers are motivated to include marginalized and underserved sectors of the society in the mainstream economy, while also giving consideration to the needs of our planet and its environment.

The following table describes actions undertaken by a variety of stakeholders in Japan for the adoption of strategies intended to **A**void harm, **B**enefit all stakeholders and **C**ontribute to solutions. Japan's impact-investment market has grown thanks to a rise in the number of impact-investment funds, and as grant-making foundations and community foundations have begun to enter the space. However, efforts to integrate sustainability as a mainstream concern across sectors trail those in other developed countries.

	Avoid Harm	Benefit all stakeholders	Contribute to Solutions
IMPACT IN **BUSINESS**	▲ While Japan lags behind in equivalent developed markets with regard to integrating ESG factors into investment processes, ESG themes are gaining in prominence. Japanese companies are making a concerted effort to disclose ESG information to attract investor attention (e.g. GPIF). ▲ Japan Stock Exchange, a member of Sustainable Stock Exchanges Initiative, formulated Japan's Corporate Governance Code, and offers ESG-related indices and ETFs. It is also a signatory of the UNPRI.	▲ Most (76%) TOPIX 100 firms produce integrated reports or include sustainability information in annual reports. Sustainability strategies are common, but only 34% of companies identify associated quantitative KPIs.[3] ▲ Corporate social donations totaled approximately USD 8bn in 2015. However, companies are increasingly engaging in profit-making activities that address social challenges by spreading concepts such as creating shared value (CSV) and base of the pyramid (BOP).[4] ▲ Japan is home to five B Corps.	▲ Almost 200,000 social enterprises have emerged in the recent past. Most social enterprises operate as for-profit companies, and some (e.g., Litalico, which helps disabled people find employment opportunities) have even gone on to be listed on the stock exchange. ▲ Some Japanese companies (e.g., LIXIL, Sumitomo Chemical, Nippon Steel and Sumitomo Metal, Ajinomoto, Fujitsu) have started impact-oriented business divisions.
IMPACT IN **INVESTMENT**	**Responsible investments** ▲ The GPIF, the world's largest pension fund, with an AUM of USD 1.5tn, signed the PRI in 2015, followed by the Pension Fund Association in 2016. ▲ Standard & Poor's provides ESG indices for the GPIF's equity portfolio. Other GPIF "themed indices" include the MSCI Japan Empowering Women index.[5] ▲ In 2018, the GPIF conducted a study with the World Bank measuring impact for ESG investments, marking an important step toward thinking of impact versus ESG.	**Sustainable investments** ▲ Domestic institutional investors had assets of about USD 2tn[i,6] in sustainable investments in 2018. ▲ The cumulative green-bond total reached USD 9.7bn in 2018 (10th globally). ▲ Over a third of the green-bond proceeds have been allocated to green buildings. The next largest sector is energy (31% of allocations), followed by transport (22%).[7]	**Impact investing** ▲ In 2018, Japan's impact-investment market was estimated to total at least USD 3.4bn.[8] ▲ Health-related SIBs in Hachioji and Kobe city in 2017 engaged private companies as service providers. The Japan Social Impact Investment Foundation (SIIF) invested in both. ▲ A number of impact-oriented projects have been funded through crowdsourcing. ▲ Japan's Sasakawa Peace Foundation allocated USD 100mn to set up the Asia Women Impact Fund (AWIF) in 2017.[9]
IMPACT IN **POLICY**	▲ Entities such as the Financial Services Agency (FSA); the Ministry of Economy, Trade and Industry; and the Ministry of the Environment have been instrumental in supporting the ESG agenda. ▲ The reporting landscape in Japan is primarily focused on environmental issues. Governance and social issues are given comparatively less attention.[10]	▲ The Ministry of the Environment has established guidelines for green bonds. ▲ The ministry has also conducted long-term awareness raising on the environmental impact of business activity. It coordinated the drafting of a set of financial principles for sustainable business activity, produced a web portal for "Eco-Minded Business," and has built a one-stop reporting platform for corporate environmental disclosures.	▲ Under a new law, dormant bank accounts will soon be used for social-impact investments. The funds will be channeled into the private sector as well as toward blended finance initiatives. ▲ SIBs have featured as a part of key policy frameworks for the last three years. In that time, the government has twice adopted legislation facilitating SIB projects. Pilot SIBs have focused on a wide variety of social issues such as adoption of children; dementia; young people not in education, employment or training; and learning and social skills support for children.
IMPACT ON **CONSUMPTION**	▲ Japan's government has held so-called Ethical Lab symposiums in local regions, and has provided information on ethical consumption practices. ▲ An alliance led by the Consumer Affairs Agency, business groups and consumer organizations is conducting awareness campaigns focused on consumer-oriented management.[ii]		

[i] Exchange rate used: USD 1 = JPY 108

[ii] Under this model, business entities conduct business from a consumer perspective. The goal for companies is to expand their awareness of their responsibility to build a sustainable and desirable society, and to acquire consumers' trust after making contributions to a healthy market.

SDG Dashboard and Trends

CURRENT ASSESSMENT – SDG DASHBOARD

Major challenges | Significant challenges | Challenges remain | SDG achieved | Information unavailable

SDG TRENDS

Decreasing | Stagnating | Moderately improving | Mantaining | On track | Information unavailable

Key Initiatives

Access to capital
The engagement of individual investors in the Kobe SIB was important, as it demonstrated that a blended finance model could be successful. The growth of equity and debt crowdfunding platforms has been another positive trend. A number of public-private-partnership funds also exist. Although not specifically recognized as social-impact investment, these represent another source of seed and early-stage capital for local and community-based businesses in Japan.

Promotion of impact measurement
The Social Impact Measurement Initiative (SIMI), created in partnership with the Cabinet Secretariat in 2016, has been a key driver in promoting social-impact measurement in Japan.

Educational initiatives
A number of universities in Japan provide classes on social impact investment. Keio University and Meiji University offer relatively comprehensive courses on social entrepreneurship, while the ETIC coordinates internships at social enterprises. However, such opportunities are limited for students outside Tokyo.

Road to Impact Economy

PATH TO TIPPING POINT 2020

Establish a central government unit

Having a central government unit dedicated to impact-investment topics would help coordinate projects more efficiently, while better aligning various ministry interests.

Create a company legal form

In Japan, there is no legal form or certification structure specific to impact-oriented businesses. Organizations are registered either as for-profit companies or as non-profit organizations. This has hampered project implementation, public awareness campaigns, fundraising and the implementation of targeted fiscal incentives. As the number of organizations engaging in impact investing increases, the need for legal and regulatory frameworks to support them will also continue to grow.

Enhance capacity-building programs

As the wholesale fund starts to make investments and issue grants in 2019, targeted capacity-building for impact businesses will be important to ensure that the pipeline of investable projects is robust. Accelerator and incubator programs could help provide these opportunities.

Strengthen intermediaries

Intermediaries play a crucial role in the implementation of SIBs, particularly with regard to project formulation, impact measurement and fundraising. However, the number of intermediaries is limited in Japan, a fact that may be a barrier to SIB growth. Providing technical and financial assistance to intermediaries could help the market progress substantially.

Implement SIBs at the central-government level

SIB activity has been notable in Japan, but has been limited to pilot activities at the local level. In order to address wider societal issues, leadership by the central government will be important. To achieve this, regulatory and systematic guarantees facilitating multi-year commitments to outcomes payments should be put in place.

Clarify fiduciary duty

The incorporation of ESG factors into decision-making must be clarified in order to promote further investment in impact-oriented assets. This may be done through legislation or government recommendations.

Offer fiscal incentives

Given the lack of a legal form for impact-oriented businesses, it has been impossible to offer targeted fiscal incentives in Japan. Once a legal form is established, this may be an effective way to encourage additional investment into the sector.

TRANSITION TO IMPACT ECONOMY 2030

- Despite the recent growth in sustainable investing in Japan by some notable institutional investors, the Japanese financial community is still generally unaware of the practice. An additional push is needed to bring the practice into the mainstream. This could be provided by engaging with industry influencers.
- There has been minimal (if any) outreach to Japanese retail and individual investors regarding the topic of sustainable investing. Media outreach efforts should focus on helping investors to understand how ESG considerations correspond to their sustainability interests and goals.
- At present, Japan has no policy framework or policy goals related to poverty and inequality, aside from the Child Poverty Countermeasures Law. The absence of policy (frameworks) for SDG targets 1.2, 1.3, 1.b, 10.1 and 10.4, suggests that Japan needs to establish policy goals to achieve these SDG targets.[11]
- New methods of coping with declining birthrates and the effects of an aging population are needed. Policies should be focused more strongly on "health" – that is, issues such as disease prevention and health education – rather than exclusively on reactive medical care.[12]

Footnotes:

[A] **Environmental Performance Index** Available at: https://epi.envirocenter.yale.edu; All other **indicators** available at: http://hdr.undp.org/en/countries

[B] Information tends to be limited for specific rounds of funding. Therefore, In **Spotlight Deals,** "Total funding" refers to the total money that a specific company has raised. The investors listed may have participated in one or several rounds, and may have done so as lead or co-investors.

[C] The **ABC** of the **Japanese Impact Economy** table is adapted from the IMP framework.

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Kenya

Market Overview

Kenya's fast-growing economy is the largest in East Africa, and serves as a trade and investment hub for East and Central Africa. It is steadily increasing up the Ease of Doing Business ranking, increasing 5 places between 2018-2019. While the economy is diversifying, it remains largely dependent on natural resources. Agriculture and tourism accounts for nearly half of the country's gross domestic product.[1] In addition, Kenya has emerged as one of Africa's financial services hubs, and today has the most robust financial sector in East Africa. As such, Kenya and its capital city Nairobi are also the center of East African impact investing. As the economic and financial capital of East Africa, Kenya boasts the region's largest concentration of impact investors, with the most impact capital disbursed to date. Nairobi is often the first port of call for both impact and conventional investors operating in the region, even if they are looking for opportunities beyond Kenya.[2]

IMPACT INVESTMENT HIGHLIGHTS

Supply of Impact Capital

- In 2015, an estimated USD 3.6bn was disbursed by DFIs in 136 deals. DFIs overwhelmingly favor direct investments in the financial services sector, such as commercial banks and energy projects.[3]
- Excluding DFIs, at least 136 impact capital vehicles were active in Kenya in 2015, managed by some 95 impact investors.[4]

Intermediation of Impact Capital

- SACCOS (Savings and Credit Cooperatives Societies) – cooperative societies or investment groups which are locally called *Chamas* – are normally used to pool and invest savings. These SACCOS in Kenya are reported to control combined assets of at least USD 3bn. At least one in three Kenyans is thought to be a member of a SACCO.[5]
- Almost two-thirds of non-DFI impact investments in Kenya fall between USD 500,000 and USD 5mn.[6]

Demand for Impact Capital

- A British Council study tentatively estimated that there could be around 40,000 social enterprises currently operating in Kenya. The study indicated that social enterprises (SEs) in Kenya are often led by young people, with 65% of SMEs headed by people aged between 25 and 44. It additionally showed that just under half of SEs in Kenya are female-led (44%).[7]

Government and Regulation

- Kenya's government has released a so-called Big Four Action Plan oriented toward achieving the SDGs. The areas addressed include: i) enhancing manufacturing, ii) food security and nutrition, iii) universal health coverage and iv) affordable housing.
- There is no government policy or legislation specifically aimed at the social enterprise sector in Kenya. As such, social enterprises are obliged to make use of existing legal structures applicable to other private or third sector organizations.[8]

Market Builders

- As the center of impact investing in East Africa, Kenya boasts the largest support ecosystem in the region, primarily comprised of incubators and accelerators. There are also a number of business consultants, such as Open Capital Advisors, I-DEV International, Dalberg, and Biz Corps, as well as several investor networks including VC4Africa, the Kenyan Business Angel and Intellecap's Impact Investing Network.[9]
- Kenya also has a number of networking and membership organisations which work with social enterprises. These include the Aspen Network of Development Entrepreneurs (ANDE), Trickle Out Africa Project, East Africa Social Enterprise Network (EASEN) and Ashoka. There are also several incubation and acceleration programs such as iHub, Nailab, Ashoka, Kenya Climate Innovation Center.
- A number of universities have entrepreneurship centers such as Jomo Kenyatta University's UniBRAIN, Centre for Entrepreneurship (CE) at KCA University, and @iLabAfrica at Strathmore University among others.

Indicators[A]	
GDP total (2011 PPP $ billion)	148.8
Total Population (millions)	49.7
GINI Index	48.5
HDI	0.590
MPI	38.7
EPI	47.25

ABC of the Kenya's Impact Economy[B]

An impact economy is a just and equitable economic system in which positive impact is produced in an environment of risk and return. In an impact economy, governments, organizations, investors and consumers are motivated to include marginalized and underserved sectors of the society in the mainstream economy, while also giving consideration to the needs of our planet and its environment.

The following table describes actions undertaken by a variety of stakeholders in Kenya for the adoption of strategies that **A**void harm, **B**enefit all stakeholders, and **C**ontribute to solutions. Kenya's social impact ecosystem is vibrant and holds great promise and opportunities for investors and social enterprises alike.

	Avoid Harm	Benefit all stakeholders	Contribute to Solutions
IMPACT IN **BUSINESS**	▲ At the beginning of 2019, Kenya's Capital Market Authority (CMA) and the Nairobi Securities Exchange (NSE) joined the IFC and UN Sustainable Stock Exchanges (SSE) initiative. In so doing, they have begun to push listed companies and securities issuers in Kenya to improve ESG communication with investors.[10]	▲ Frameworks enabling listed and unlisted green bonds to be issued on Kenyan capital markets were launched in 2019. The initiative is backed by the Kenya Bankers Association (KBA), the Nairobi Securities Exchange, Climate Bonds Initiative (CBI), Financial Sector Deepening (FSD) Africa and the Dutch Development Bank (FMO).[11] ▲ The Association of Sustainability Practitioners in Kenya (ASPK), launched in 2018, includes 150 business executives and sustainability champions from around Kenya. This initiative promotes sustainability in the Kenyan business sector.[12]	▲ According to one estimate, there could be as many as 43,933 social enterprises currently operating in Kenya.[13]
IMPACT IN **INVESTMENT**	▲ ESG reporting for companies listed on the Nairobi Securities Exchange (NSE) is voluntary.[14]	▲ Kenya is home to some of Africa's largest private sector-funded renewable energy projects, such as the USD 870mn Lake Turkana wind power project, which is funded by investors including the Finnish Fund for Industrial Cooperation and the Investment Fund for Developing Countries.[15]	▲ Kenya is the recipient of almost half of all impact capital disbursed in East Africa. This represents more than USD 650mn in non-DFI capital, and more than USD 3.6bn in DFI capital.[16]
IMPACT IN **POLICY**	▲ With the support of the World Bank, and in collaboration with the Kenya ICT Board, the Public Procurement Oversight Authority (PPOA) is developing a web-based Market Price Index to increase transparency in public procurement.	▲ More than 85% of Kenya's electricity production comes from renewable sources.[17] In addition, in line with SDG 13, Kenya's Ministry of Environment and Natural Resources has worked on the development of climate-proof infrastructure. ▲ The Public Procurement and Asset Disposal Act (2015) offers preferences to firms owned by Kenyan citizens (especially MSMEs) and to products manufactured or mined in Kenya. The act also calls for at least 30% of government procurement contracts to go to firms owned by women, youth, for persons with disabilities, while 20% of procurement contracts tendered at the county level must got to residents of that county.	▲ There is no government policy or legislation specifically aimed at the social enterprise sector in Kenya. As such, social enterprises must make use of legal structures governing other private or third sector organizations.[18]
IMPACT IN **CONSUMPTION**	▲ Kenya has embraced sustainable-development principles while economic growth. It has put in place legal instruments and policies to stop environmental pollution, such as the plastic-bag ban.[19]		

SDG Dashboard and Trends

CURRENT ASSESSMENT – SDG DASHBOARD

Major challenges Significant challenges Challenges remain SDG achieved Information unavailable

SDG TRENDS

Decreasing Stagnating Moderately improving Mantaining On track Information unavailable

Key Initiatives

Enterprise support

The Micro and Small Enterprises Authority (MSEA), operating under the Ministry of Industrialization and Enterprise Development, was established in 2013 to promote, develop and regulate the micro and small enterprises (MSE) sector in Kenya. It additionally coordinates, harmonizes and facilitates the integration of various public and private policies, programs and activities related to micro and small enterprises in Kenya.[20]

Capacity building

The Uwezo Fund (launched in 2014) is a program designed to expand access to finance by women, youth and persons living with disabilities, while also promoting enterprises led by such individuals at the constituency level. The fund is intended to support the incubation of enterprises, catalyze innovation, promote industry, create employment and grow the economy. Other government affirmative action funds include the Youth Enterprise Development Fund, which aims to reduce youth unemployment, and the Women Enterprise Fund, which provides accessible and affordable credit to women starting and/or expanding their businesses.

Ease of doing business

Kenya's ranking on the World Bank's Ease of Doing Business index has improved, rising from 61st place in 2018 to 56th place in 2019.

Road to Impact Economy

PATH TO TIPPING POINT 2020

Develop local equity ownership
As with other African countries, Kenya's supply of impact capital is heavily reliant on DFIs from abroad. By developing the local equity sector, for instance by encouraging local investors such as high net worth individuals, foundations, pension funds and others to invest locally, Kenya could strengthen and encourage the local impact economy.

Expand the use of quasi-equity instruments
The use of quasi-equity instruments by impact investors can be increased, since this provides opportunities for quicker exits and increased liquidity. These instruments have been successfully used in other countries and could be replicated with Kenyan enterprises, cooperatives and organizations with a need for equity-like capital.

Expand awareness of the financial potential of impact investing
Additional case studies illustrating successful impact investing deals in the country, should be prepared. This would help demonstrate the financial potential associated with impact investing, and would potentially attract financially oriented investors. This would in turn ensure the availability of capital along the risk-return spectrum.

Adopt impact measurement and management standards
Kenya's social enterprise sector should adopt international best practices with regard to impact measurement and management, such as those published by The Impact Management Project. This would help make the space more transparent and increase investor confidence.

Rethink social enterprises' legal status
Currently, social enterprises are most often registered legally as limited liability companies. Although this status allows social enterprises to scale up, it can be burdensome. Paying a corporate income tax rate of 30% may be a challenge for small social enterprises trying to solve social or environmental challenges.

Create a Kenyan NAB
The National Advisory Board for impact investment is in development stage in Kenya. Its creation will:

- Identify policy blockages and address them with government.
- Help to raise the profile of impact investing by supporting platforms and, celebrating success.
- Facilitate the sector's growth by being a repository of information on networking events and partnership opportunities among others.

TRANSITION TO IMPACT ECONOMY 2030

- Over the last few years, Kenya has achieved significant development targets by reducing its child mortality rate, achieving near-universal primary school enrollment rates and narrowing gender gaps in education. However, challenges persist with regard to poverty, inequality, a still-weak private sector investment rate, and the vulnerability of the economy to internal and external shocks.[21]
- On the environmental front, Kenya's economy is highly dependent on climate-sensitive sectors such as agriculture, water, fisheries, forestry and energy. In 2016, Kenya ranked as the 31st most vulnerable country to climate change among 192 UN countries.[22]
- These challenges represent opportunities for the impact economy in Kenya. The country's young and vibrant social organizations are beginning to address these issues.

Footnotes:
A. **Environmental Performance Index** Available at: https://epi.envirocenter.yale.edu; All other **indicators** available at: http://hdr.undp.org/en/countries
B. The **ABC** of the **Kenya's Impact Economy** table is adapted from the IMP framework.

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Mexico

Market Overview

As one of the strongest economies in Latin America, Mexico has attracted particular interest from private markets. Significant attention and resources from the government have recently been focused on growing and strengthening the country's entrepreneurial ecosystems. For instance, when the legal structure of investment promotion corporation (Spanish acronym: SAPI) was created at the end of 2005, it helped accelerate the private-equity sector in Mexico. Since 2008, Mexico has seen a significant increase in private-equity transactions. Fundraising has dramatically increased; USD 1,162bn was raised in 2015, up from USD 140mn in 2008.[1] In 2019, Mexico continued to show the world's second-highest volume of impact-related private-equity and venture-capital deals, with USD 1.5bn invested in 137 deals.[2]

However, Mexico's impact-investment policy environment remains underdeveloped. The first impact investment in Mexico was made in 2000. A number of impact-focused organizations have emerged since that time. As the ecosystem has matured, private capital has also developed an interest in the sector. The National Advisory Board was created in 2015, and today has identified more than 50 organizations and funds that promote the country's impact-investment sector. It is also assisting the government in developing policies that promote impact investment.

IMPACT INVESTMENTS HIGHLIGHTS[3]

Supply of Impact Capital

- DFIs play a critical role in impact investing in the region, primarily through investments in funds.
- Of the firms investing in Mexico, 62% have raised institutional capital, while 31% manage proprietary capital.

Intermediation of Impact Capital[4]

- At the beginning of 2016, impact investors focused only on Mexico managed USD 392mn. Including firms that focus internationally, this assets-under-management total reached USD 7.1bn. Investors use multiple instruments; debt and equity are the most common, but quasi-equity models are gaining traction.
- Co-investment strategies are gaining popularity among local investors as a means of mitigating risks and leveraging capital.

Demand for Impact Capital[5]

- According to investors, the last few years have seen the emergence of more and stronger entrepreneurs. However, investors still struggle to find enterprises with expertise in specific problems, with business plans that can scale and create impact.
- Sistema B, an entity promoting the B Corporation model, has done tremendous work in identifying and recognizing companies contributing to the solution of major social and environmental challenges. More than 30 companies in Mexico have been certified as B Corps to date.

Government and Regulation

- The introduction of the SAPI legal structure allows founders of and investors in limited-liability corporations to buy and sell shares freely as a company.
- A set of 2014 financial reforms introduced new instruments and products to support and finance entrepreneurs through development banks.

Market Builders

- Mexico has a strong support network for entrepreneurs, with important networks and more than 20 incubator and accelerator programs, ranging from university incubators to large-corporation accelerators. Many are focused on impact enterprises.

Indicators[A]	
GDP total (2011 PPP $ billion)	2,239.2
Total Population (millions)	129.2
GINI Index	43.4
HDI	0.774
MPI	6.3%
EPI	59.69

KEY PLAYERS

Asset Owners	Asset Managers	Impact Entrepreneurs
IDB	Adobe Capital	Sistema Biobolsa
KfW,DEG	Promotora Social Mexico	Echale a tu casa!
Nacional Monte de Piedad	ALLVP	Granjas Murlota
Fondo de Fondos	Angel Ventures	Iluméxico
NAFINSA	IGNIA	Sala Uno
Arc Impact	Zora	WaterGen

SPOTLIGHT DEALS[B]

Company	Total Funding	Investor	Sector
Natgas	USD 15M	Adobe Capital, Northgate Capital	Energy
Kinedu	USD 4.9M	Promotora Social Mexico	Education
Urbvan	USD 2.2M	DILA Capital	Mobility
Clínicas del Azucar (SIINC)	USD 7M	Roots of Impact	Health
Salud Facil	NA	ALLVP, Accion, KOIS, Alloy	Health
Games for Peace	USD 100k (NIS 400K)	UJIA's SI3 Initiative	Education

ABC of the Mexican Impact Economy[C]

An impact economy is a just and equitable economic system in which positive impact is produced in an environment of risk and return. In an impact economy, governments, organizations, investors and consumers are motivated to include marginalized and underserved sectors of the society in the mainstream economy, while also giving consideration to the needs of our planet and its environment.

The following table describes actions undertaken by a variety of stakeholders in Mexico for the adoption of strategies intended to **A**void harm, **B**enefit all stakeholders and **C**ontribute to solutions. The Mexican impact economy is supported by private-capital funding from large for-profit companies as well as by the vibrant third sector.

	Avoid Harm	Benefit all stakeholders	Contribute to Solutions
IMPACT IN **BUSINESS**	▲ A national carbon-market simulation took place between 2017 and 2018, with the goal of preparing Mexican businesses for participation in a future emissions-trading system. More than 100 companies, representing two-thirds of Mexico's GHG emissions, participated.[6]	▲ The Mexican stock exchange has created a green-finance advisory council with the support of key non-profit and financial organi-zations. The goal is to support the development of green bonds, and ensure issuers provide more robust ESG information.[7] ▲ More than 30 companies in Mexico have been certified as B Corps to date.	▲ Mexico's Grupo Bimbo has teamed with Fondo de Fondos and Sonen Capital on a USD 150mn regional impact fund.[8]
IMPACT IN **INVESTMENT**	▲ Mexican pension funds may choose to include ESG considerations in their codes of best practice. However, this has yet to be implemented.[9] ▲ Mexico's largest national bank, Grupo Banorte, is part of the UN Principles of Responsible Investment (PRI). It has committed to integrating ESG criteria into the investment processes of almost USD 50bn in AUM.[10]	▲ In 2018, Mexico City signed the Green Bond Pledge, a pledge that encourages cities, public authorities and corporations to commit to the use of green-bond finance tools to ensure that new infrastructure meets the challenges of climate change.[11] ▲ There are 35 B Corps in Mexico.	▲ By 2018, an estimated USD 392mn had been invested in impact-related transactions.[12]
IMPACT IN **POLICY**	▲ Fossil-fuel sales and imports (with the exception of natural gas) have been subject to a USD 3.50 carbon tax since 2014.[13] ▲ Emitters in the energy, industrial, transport, agricultural, waste, commercial and services sectors are required to report emissions of the six GHGs identified by UNFCCC, as well as of black carbon. ▲ In October 2014, a mandatory reporting system (the National Emissions Register–RENE) was established that covers direct and indirect GHG emissions for facilities with annual emissions above 25,000 tCO_2e.	▲ In August 2016, Mexico, Québec, and Ontario issued a joint declaration on carbon-market collaboration efforts. In December 2017, Mexico joined with four other countries and seven subnational governments in the Paris Declaration on Carbon Pricing in the Americas, creating a platform for carbon-pricing cooperation.[14]	▲ The 2012 Social and Solidarity Economy Act created the National Institute of Social Economy, with the broader goal of developing social-economy activity.[15] ▲ The government has released three impact bonds to provide financing to social and environmental projects. The Nacional Financiera (NAFIN) development bank, in collaboration with the Ministry of Finance and the Mexican stock exchange, launched a USD 207.6mn[i] social bond to finance and promote the social sector, while the BANOBRAS has released a green bond and a sustainable bond.

[i] Exchange rate used throughout this document: MXN 1 = USD 0.05

SDG Dashboard and Trends

CURRENT ASSESSMENT – SDG DASHBOARD

Major challenges   Significant challenges   Challenges remain   SDG achieved   Information unavailable

SDG TRENDS

Decreasing   Stagnating   Moderately improving   Mantaining   On track   Information unavailable

Key Initiatives

Capacity building and access to capital

The National Institute for Entrepreneurship (INADEM) still operates within the Ministry of Economy. This body implements and coordinates national policies supporting entrepreneurs and SMEs, promotes innovation and competitiveness, and contributes to economic development and social welfare. INADEM also provides private-equity, venture-capital and impact-investment capital. Notably, the government contributed 30% (USD 2.09mn) of total investment volume to the National Entrepreneurs Fund, which supports entrepreneurs and high-impact companies during their growth stages. However, in 2018, the new administration announced that INADEM would cease to exist, though support of this nature would continue.[16]

Fiduciary duty

Private and institutional investors in Mexico are already permitted to incorporate environmental and social factors into their investment decisions. Therefore, further regulation by the government on this aspect is unlikely to have a strong catalytic impact on the industry.

Outcomes commissioning

A first social impact bond (SIB) in Mexico was piloted in the state of Jalisco, with the goal of empowering female heads of households. Despite deep engagement by all parties involved, the SIB was dropped from the political agenda due to a change in government. However, all other actors, including service providers and investors, have expressed interest in continuing the work with a different local government. Meanwhile, the states of Michoacan, Nuevo Leon and Mexico have begun exploring other SIBs, although none have yet been signed. The election of the new national government in 2018 has created the opportunity to work on a long-term SIB plan.

Capacity building through academic institutions

Social-economy research, teaching and popularization has experienced considerable growth in Mexico over the past few years. Business schools have led this process by creating academic and research programs, contests and other projects addressing the area of social entrepreneurship and innovation. In 2012, the Faculty of Accounting and Administration (FCA) of the National Autonomous University of Mexico (UNAM) created one of the first non-degree courses in social entrepreneurship in Mexico – the Diploma in Creation, Developing and Management of Social Enterprises – which led to the National Agreement for the Creation or Development of Social Entrepreneurship and Innovation Schools or Programs by the National Association of Faculty and Schools of Accounting and Management. A total of 44 business schools and faculties have signed this agreement to date.[17]

Road to Impact Economy

PATH TO TIPPING POINT 2020

Agree on a definition of "impact"

Currently, the government uses the word "impact" simply to describe fast-growing companies that provide jobs. This choice of terminology creates confusion, and clouds the goals and intentions of the impact-investment sector in the eyes of the public. Education and training on the topic for relevant government officials and other actors involved in the ecosystem (financial advisors, investors, lawyers, etc.) could help remove ambiguity around the terminology.

Create a central-government unit to address impact-investment issues

A centralized unit would help the government take a more active role in establishing a common foundation for impact investing. For example, this unit could be responsible for developing the definitions, regulations and incentives needed for a successful impact-investment ecosystem.

Create a specific legal structure for impact enterprises

The B Corp certification exists in Mexico (Sistema B), with more than 30 enterprises having been certified to date. However, having a formal legal structure could help with the communication issues around the terminology. It could also provide a clear investment universe, allowing specific fiscal policies to target the correct companies, and focusing funds from investors. Similarly, despite the 2012 passage of the Social and Solidarity Economy Act, there is no specific legal structure for social enterprises comparable to the community interest company in the UK. Even more importantly, there is no fiscal policy that specifically benefits social enterprises. The current policy in Mexico provides fiscal advantages primarily to large companies rather than smaller businesses.[18]

Standardize impact measurement

Alignment with international standards for measuring and managing impact could create transparency that would potentially have a positive effect with regard to the flow of capital into the sector.

Expand philanthropic funding for early-stage social enterprises

For many social entrepreneurs in Mexico, one key challenge is the lack of financial support for early-stage businesses. Many new enterprises are forced to seek investment from outside the country. Engaging in increased dialogue with philanthropic investors could bridge this gap. The goal would be to unlock more philanthropic capital in the region, particularly for funds focused on early-stage businesses and riskier sectors or markets. This is particularly relevant for the Mexican impact-investment landscape, as the private sector already plays a very significant funding role.[19]

TRANSITION TO IMPACT ECONOMY 2030

- Mexico has a strong and dynamic social entrepreneurship and innovation ecosystem. However, to sustain and increase its impact, greater efforts must be made to secure supportive legal reforms and improve government transparency.
- Increased investment through structured funding models such as SIBs or DIBs could be leveraged to deliver public services and achieve social objectives.
- Despite considerable economic-development achievements to date, poverty and inequality remain significant challenges in Mexico. Moreover, environmental concerns such as air-pollution levels in urban settings are increasing. By expanding the focus on inclusiveness, the social economy could provide tangible benefits with regard to addressing such challenges in a sustainable fashion.

Footnotes:

A. **Environmental Performance Index** Available at: https://epi.envirocenter.yale.edu; All other **indicators** available at: http://hdr.undp.org/en/countries

B. Information tends to be limited for specific rounds of funding. Therefore, In **Spotlight Deals,** "Total Funding" refers to the total money that a specific company has raised. The investors listed may have participated in one or several rounds, and may have done so as lead or co-investors.

C. The **ABC** of the **Mexican Impact Economy** table is adapted from the IMP framework.

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Netherlands

Market Overview

The impact investment sector in the Netherlands has matured over recent years. The largest pension funds, insurance companies and banks all have socially responsible investment (SRI) policies in place. While pension funds are gradually developing and setting more SRI targets, with a particular focus on climate change, there is still room for improvement with regard to making these targets more concrete, measurable and time-bound. Only 42% of the 50 largest Dutch pension funds and 23% of the 30 largest Dutch insurance companies demonstrably set sustainability targets for their asset managers. Even fewer set targets that actually measure the impact of the investments that are made.[1]

IMPACT INVESTMENT HIGHLIGHTS

Supply of Impact Capital[2]

- In 2019, 64 asset owners and institutional investors – collectively controlling over USD 10tn* in assets under management (AUM) – were surveyed by Phenix Capital. The overwhelming majority of entities said they planned to invest in solutions helping to promote good health and well-being (SDG 3), affordable and clean energy (SDG 7), or climate action (SDG 13).
- More than half of the investors responding said they already had impact allocations in place. Among this group of 33 respondents, 36% said they had allocated less than 1% of their total capital to this purpose, 24% said they had allocated less than 5%, 15% said they had allocated between 5% and 19.99%, and 18% said they had allocated more than 20% of their funds to impact investments.

Intermediation of Impact Capital[3]

- Some Impact Capital in the Netherlands comes from retail investors, through a variety of green funds such as ASN and the Triodos Green Fund.
- While some funds such as Social Impact Ventures and the ABN AMRO Social Impact Fund are focused specifically on the Netherlands, most funds, such as Hivos, Aqua Spark and Triple Jump, tend to focus on developing markets. Typically, members of this latter group also tend to have a specific thematic and/or regional focus. The country is also home to several direct-impact funds serving retail investors that invest in developing countries, including Oikocredit, ASN Novib Fund and the Triodos Fair Share Fund.

Demand for Impact Capital

- The social entrepreneur sector in the Netherlands is showing strong growth. The Social Enterprise Monitor 2019 indicates that the number of sector participants is growing.[4]
- Social Enterprise NL is very active in representing the growing field of social enterprises, with standout success stories from the likes of Tony's Chocolonely, Fairphone and De Prael.

Government and Regulation[3]

- In the Netherlands, responsibility for addressing social challenges is increasingly being decentralized. As a result, direct involvement largely takes place at the local level.
- The Netherlands ranks third globally in terms of the number of social impact bonds released, with 15 impact bonds having been issued to date. Nine of these have been implemented by local authorities, three by regional governments, two by the central government and one by an insurance company.

Market Builders[3]

- Funds such as Stichting DOEN, Start Foundation, Oranje Fonds, the Addessium Foundation, Porticus and Fonds 1818 have all contributed to the development of the impact investment sector.

Indicators[A]	
GDP total (2011 PPP $ billion)	830.5
Total Population (millions)	17
GINI Index	29.3
HDI	0.931
MPI	N/A
EPI	75.46

KEY PLAYERS

Asset Owners	Asset Managers	Impact Entrepreneurs
FMO	Triple Jump	Rituals
ABP	ABN AMRO Fund	SweepSmart
MN	Social Impact Ventures	Yapili
PFZW	ASN	Tony's Chocolonely
Triodos Bank	Tridos IM	De Prael

SPOTLIGHT DEALS[B]

Company	Total Funding	Investor	Sector
Fairphone	40.7mn	DOEN, Bethnal, ABN AMRO Fund	Electronics
Black Bear Carbon	18mn	Social Impact Ventures	Recycling
HCT Group	218.5mn	Triodos ClearlySo	Mobility
Workplace Rotterdam South (SIB)	3mn	Fonds DBL	Unemployment

ABC of the Netherlands' Impact Economy[C]

An impact economy is a just and equitable economic system in which positive impact is produced in an environment of risk and return. In an impact economy, governments, organizations, investors and consumers are motivated to include marginalized and underserved sectors of the society in the mainstream economy, while also giving consideration to the needs of our planet and its environment.

The following table describes actions undertaken by a variety of stakeholders in the Netherlands for the adoption of strategies that **A**void harm, **B**enefit all stakeholders, and **C**ontribute to solutions. Sustainability and impact investment are both growing fields in the Netherlands, drawing increasing attention from both institutions and the general public. At international level organizations as Triodos Bank, PGGM, FMO are widely recognized as front runners.

<table>
<tr><td></td><td colspan="3">Avoid Harm</td></tr>
<tr><td></td><td></td><td colspan="2">Benefit all stakeholders</td></tr>
<tr><td></td><td></td><td></td><td>Contribute to Solutions</td></tr>
<tr><td>IMPACT IN BUSINESS</td><td>▲ Responsible investing has a long history in the Netherlands, starting in the 1970s with the introduction of ethical banks.[5]
▲ ESG sector agreements have become the norm in the Netherlands. Dutch banks have pledged to conduct human rights due diligence associated with financing activities, while insurance companies have committed to applying ESG strategies in a consistent manner. These sector agreements are the firsts of their kind globally.[6]</td><td>▲ There are 72 B Corps in the Netherlands.[7]
▲ In August 2017, the Royal Schiphol Group announced the goal of becoming carbon neutral by 2040. The aviation group partnered with energy company Eneco to convert the country's four airports to 100% wind energy by 2018.
▲ The Sustainable Growth Coalition, which brings together eight Dutch multinationals, strongly supports circular economy initiatives. Dutch corporates are often quoted as successful circular pioneers.</td><td>▲ There are between 5,000 and 6,000 social enterprises in the Netherlands, operating in a variety of sectors. The two top sectors are labor participation and work integration, and the production and sales of sustainable products.[8]
▲ Social enterprises in the Netherlands account for around USD 3.9bn in turnover, and have created more than 80,000 jobs.[8]</td></tr>
<tr><td>IMPACT IN INVESTMENT</td><td>▲ In 2018, over 70 large Dutch pension funds with combined assets of almost USD 1.34trn signed a covenant with NGOs, trade unions and the Dutch government pledging worldwide cooperation on responsible investments.[9]
▲ Fully 95% of the 50 largest Dutch pension funds incorporate ESG principles in their investing.[10]</td><td>▲ The Dutch government has issued a USD 6.8bn green bond for low carbon development and sustainable water management. It will finance natural infrastructure solutions that are crucial for protecting the Netherlands from floods and rising sea levels.[11]
▲ While Dutch pension funds consider SDGs as an investment opportunity and a fiduciary duty, only 19% of them have set targets for aligning investment activities with the SDGs.[12]
▲ Since 2015, 14 Dutch financial institutions have pledged to support low carbon practices, starting with measuring and disclosing the GHG emissions associated with their loans and investments. They are also developing and implementing open-source methodologies for measuring the GHG emissions of asset classes within their portfolios.[13]</td><td>▲ The country's three largest pension funds along with three insurance companies dominate the impact investment market, which is mostly focused on green technology and access to finance.[14]
▲ In 2014, the Dutch Association of Investors for Sustainable Development estimated that USD 26.8bn, or 1.7% of the country's broader investment market, had been allocated to impact investments.[15]</td></tr>
<tr><td>IMPACT IN POLICY</td><td>▲ Taxes price 80% of CO_2 emissions from energy use in the Netherlands.[16]
▲ A targeted carbon levy is planned, starting at €30 in 2021 per ton of emissions exceeding a fixed reduction path, and rising to €125-€150 per ton in 2030 (including the ETS price).[17]</td><td>▲ Under EU rules, Dutch companies with more than 500 employees have to disclose significant non-financial information. This obligation applies to about 120 organizations in the Netherlands, which are mostly listed companies, all of which already report on corporate social responsibility.[18]</td><td>▲ The law requires contracting authorities to create "social value" – that is, to promote sustainability, inclusion and innovation.
▲ The Green Funds Scheme provides tax incentives to innovative green initiatives in the financial services sector. This enables individual investors to find green investments that are relatively secure and which offer close to market rates of return, while also reducing finance costs for projects creating positive environmental impact.[19]</td></tr>
<tr><td>IMPACT IN CONSUMPTION</td><td colspan="3">▲ A total of 79% of consumers in the Netherlands say that sustainability impacts their buying decisions.[20]
▲ The country is home to 18 million bicycles, but just 17 million residents. More than a quarter of all trips in the Netherlands are made by bicycle, compared with just 2% in the UK.[21]</td></tr>
</table>

SDG Dashboard and Trends

CURRENT ASSESSMENT – SDG DASHBOARD

Major challenges   Significant challenges   Challenges remain   SDG achieved   Information unavailable

SDG TRENDS

Decreasing   Stagnating   Moderately improving   Mantaining   On track   Information unavailable

Key Initiatives

Highly promising environment for SIBs[22]
The Netherlands has a strong community of social investors. Moreover, the social investment bond model is aided by a cooperative government, private investors well-disposed to the method and a favorable climate for social entrepreneurs able to act as SIB service providers.

- Government: Local Dutch authorities and government agencies are highly open to social entrepreneurship innovations, and are particularly interested in SIBs. The cities of Rotterdam and Utrecht have taken a lead in this regard, but other municipalities are working hard to follow in their footsteps. At the national level, various ministries are looking at different ways by which SIBs might be realized. The Dutch government has also played an instigating role by providing catalytic donor funding for innovative initiatives such as Climate Investor One (2016) and the Dutch Fund for Climate and Development (2019), and through the creation of Invest-NL.
- Intermediaries: A broad range of Dutch intermediaries have identified SIBs as a market opportunity. In 2018, Social Finance NL was launched as the fifth branch of the Global Social Finance Global Network and impact bond pioneering organizations. The Society Impact platform focuses on collaboration and knowledge-sharing between various players in the sector, while Social Impact Finance acts on behalf of investors to negotiate contracts with municipalities.
- Driving forces: Numerous players are focusing on individual elements of the business case for SIBs. Deloitte, Ortec Finance and Van Doorne all played a crucial part in the creation of the first SIB, while EY, Pimbaa and SEO have also collaborated on SIBs and adjusted their services to fit the new funding model. Investors Start Foundation and ABN AMRO Bank were crucial driving forces in the creation of the first SIB, as well as in many of its successors. ABN AMRO has long been active in writing business cases and sharing its experiences in the SIB market, but is now supporting Social Finance NL as a founding partner for activities of this kind. Deloitte, Ortec Finance, Van Doorne, EY, Pimbaa and SEO all served as pioneers during the release of the early SIBs, handling specific elements of the business case.
- Social entrepreneurs: Service providers are perhaps the most important players in this SIB community, tending to be social entrepreneurs that are keen to see results.

As an active investor and initiator of SIBs, ABN AMRO helps to write business cases, shares its experiences in the SIB market and co-creates SIBs together with its partners.

Regulatory framework
In 2015, the governor of the Dutch Central Bank (DNB) – the main supervisor within the Dutch financial market – announced that the DNB regards the promotion of sustainability as a part of its mandate, and that the organization would step up its efforts in this field in the years to come. The DNB was slated to publish several studies on the issues of SRI and energy transition in 2019. Due to this interest, the share of investors engaging in ESG integration is expected to rise, as is the quality of such integration and the range of asset classes involved.

Sustainable procurement
Buy Social – a collaboration between Social Enterprise NL and Social Impact Factory – facilitates a more favorable business environment for social enterprises in the Netherlands by promoting sustainable procurement among large corporations and governments. The platform offers a well-organized online marketplace for various sustainable products and services, and manages a learning network for public and private organizations.

Road to Impact Economy

PATH TO TIPPING POINT 2020

Create an NAB
A recent study conducted by Social Finance Netherlands concluded that the creation of a National Advisory Board for impact investing would advance the sector further by mobilizing more (and more suitable) impact investment capital, stimulating the right policy decisions, and identifying and adopting standards and definitions from the global impact investment field.[23]

Treat government as an accelerator
The social enterprise movement in the Netherlands was built from the bottom up rather than being steered by government policy or agendas. However, public initiatives geared toward reducing the obstacles faced by social enterprises are now needed. These challenges include procurement processes rendered unnecessarily complex by fragmented local authorities, strict production requirements and tendering process requirements that are often too high for start-ups to satisfy.[24]

Develop a separate legal form for impact organizations
The social enterprise sector has grown considerably, but many stakeholders say the sector, the companies in it and its achievements are not sufficiently recognized by customers, financiers and business partners. To remedy this, Social Enterprise NL has developed the Social Entrepreneurship Code, which sets out the guiding principles of social entrepreneurship. However, there is still no separate legal form providing fiscal benefits for such enterprises.[25]

Standardize impact measurement
Social entrepreneurs, financiers, (local) authorities, network organizations and the business community are all struggling to measure impact. It remains to be seen whether social enterprises are actually bringing about the impact they claim to be creating. Numerous parties in the Netherlands are working on this topic, but for the time being there is no consensus regarding a standardized method of measuring impact.[26]

TRANSITION TO IMPACT ECONOMY 2030

- The Netherlands has made some strong commitments with regard to working toward achievement of the SDGs, yet some issues remain. In 2015, more Dutch people were living below the national poverty line than in 2006. On the environmental front, the Netherlands consumes large quantities of fossil fuels and emits high amounts of greenhouse gases per capita. The share of renewable energy in the country's total energy supply is low compared to that of other European countries. In addition, the Netherlands places high environmental pressure on low- and middle-income countries through the operations of its multinational companies.[27] As the Netherlands prepares for 2030, the impact economy can play an important role in ensuring that the transition is socially inclusive and actively lowers environmental pressures domestically and abroad.
- Primary societal priorities in the Netherlands are related to the country's fast-aging population, the rise in migration and maintenance of population's health. These will be top priority areas with regard to the transition to an impact economy by 2030.

Footnotes:
A. **Environmental Performance Index** Available at: https://epi.envirocenter.yale.edu; All other **indicators** available at: http://hdr.undp.org/en/countries
B. Information tends to be limited for specific rounds of funding. Therefore, In **Spotlight Deals,** "Total Funding" refers to the total money that a specific company has raised. The investors listed may have participated in one or several rounds, and may have done so as lead or co-investors.
C. The **ABC** of the **Netherlands' Impact Economy** table is adapted from the IMP framework.

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New Zealand

Market Overview

New Zealand's charity sector contributes substantially to positive social and environmental impact in the country. The sector has an asset base of almost USD 60bn, with impact investment increasing. Demand for responsible investment products is also increasing as younger investors seek to align their portfolios with their personal beliefs and convictions.[1] A 2019 Responsible Investment Association of Australasia (RIAA) report shows that New Zealand has one of the highest levels of responsible investment in the OECD.

IMPACT INVESTMENTS HIGHLIGHTS[ii]

Supply of Impact Capital

- Assets under management continue to grow, with responsible investments currently worth USD 188.8bn[i] and comprising 72% of professionally managed assets under management, thus creating a steady flow of social and environmental opportunities.
- Social impact transactions are more prevalent at the local rather than national level (e.g., the financing structure for the Tamaki Dialysis unit in early 2019).

Intermediation of Impact Capital

- New funds continue to be launched at the regional and national levels, including Purpose Capital Limited in July 2019. Other examples include Soul Capital, a specialized early-stage intermediary, and Green Investment Finance, a government-financed initiative to reduce greenhouse gas emissions.
- Akina Foundation continues to deliver the government's impact investment readiness grant program and the World Wildlife Fund has established 9Wire, an accelerator for environmental impact investments.
- Akina partnered with New Ground Capital and Impact Ventures to develop the Impact Enterprise Fund, which had USD 6.34mn in capital at the beginning of 2019, having made its first investments.

Demand of Impact Capital

- There is continued pressure around issues such as housing, poverty and the environment, alongside growth opportunities in enabling sectors such as technology and the Māori economy.

Government and Regulation

- The government provides financial support to develop the social enterprise sector, for regional development (through the Provincial Growth Fund) and to reduce greenhouse gas emissions (through Green Investment Finance Ltd).
- Regulation has enabled crowdfunding in New Zealand, allowing platforms to transact equity and debt investments, and facilitate donations.

Market Builders

- Akina actively participates in New Zealand's National Advisory Board for Impact Investing, which focuses on education and advocacy within the sector.
- Angel clubs are an established and essential part of New Zealand's early-stage impact investing ecosystem. While there is no established "impact" club, leading angel groups across the country (e.g., Angel HQ and the Angel Association of New Zealand) are involved in impact investing. Purpose Capital, an impact fund launched in July 2019, grew out of Enterprise Angels in Tauranga.

Indicators[A]	
GDP total (2011 PPP $ billion)	175
Total Population (millions)	4.7
GINI Index	35
HDI	0.917
MPI	N/A
EPI	75.96

KEY PLAYERS

Asset Owners	Asset Managers	Impact Entrepreneurs
NZ Super Fund	Purpose Capital Limited	Pomegranate Kitchen
Kiwibank	Soul Capital	Melon Health
Accident Compensation Corporation	Green Investment Finance	Little Yellow Bird
Tindall Foundation	Impact Enterprise Fund	Wa Collective
Heartland Bank	Mint Asset Management	Eat My Lunch

SPOTLIGHT DEALS[B]

Company	Total Funding	Investor	Sector
Conscious Consumers	$2M	Soul Capital	Sustainable Consumption
Upside Biotech	$1.5M	NZ Venture Investment Fund, Tuhua Fund	Health
Genesis Youth Trust (SIB)	$4M	NZ Super Fund, Caleb Trust, Mint	Reoffending Youth
Waikatu	$1.1M	Asset Management Impact Enterprise Fund	Agriculture

[i] Exchange rate used throughout the document: NZD 1 = USD 0.6

ABC of the New Zealand Impact Economy[C]

An impact economy is a just and equitable economic system in which positive impact – alongside risk and return – are embedded. In an impact economy, governments, organizations, investors and consumers are motivated to include marginalized and underserved sections of society while taking concerns regarding our planet and its environment into consideration.

The following table shows actions undertaken by various stakeholders in New Zealand that exemplify the adoption of strategies that **A**void harm, **B**enefit all stakeholders, and **C**ontribute to solutions. Impact investing in New Zealand is taking off. There is now an active community – including impact investors, social enterprises, philanthropists, and civil society and government actors – that works together to direct capital to support social and environmental outcomes as well as financial returns.

	Avoid Harm	Benefit all stakeholders	Contribute to Solutions
IMPACT IN **BUSINESS**	▲ In October 2017, the New Zealand Stock Exchange (NZX) revised its Corporate Governance Code to tighten business reporting requirements concerning non-financial performance. Companies have to disclose non-financial information concerning environmental, economic and social sustainability factors. The reports are required to detail how operational and non-financial targets are measured.[3]	▲ Banks have committed capital to community finance programs, working in partnership with local charities to offer fee-free, low or no interest rate loans to people on low incomes at risk of predatory lenders. ▲ Westpac New Zealand has made significant funding available to the CleanTech sector over the last three years, with the aim of tackling climate change.[4] ▲ ANZ recently closed a loan to a large dairy company, with the interest rate linked to the company's ESG scores.	▲ There are over 3,500 social enterprises in New Zealand, operating across a wide range of sectors.[5]
IMPACT IN **INVESTMENT**	▲ Across the public and private sectors, actors are increasingly committed to ESG principles, as highlighted in the 2019 RIAA report on New Zealand, which states that the level of responsible investment in New Zealand is high and growing.[6]	▲ Sustainable investment assets in New Zealand grew by 133% between 2016 and 2018.[7] ▲ The green bond market continues to grow with a total issuance to date of USD 1.5bn. Growth is expected to continue, driven mainly by the renewable energy sector.[8] ▲ Westpac New Zealand recently raised USD 554.9mn[ii] through green bonds sold to European investors. ▲ In 2018, the government launched New Zealand Green Investment Finance Ltd, part of a wider government commitment to address climate change and support New Zealand's transition toward a net-zero emissions economy by 2050. The fund raised USD 60mn for projects to reduce New Zealand's greenhouse gas emissions. Its investments will crowd in private sector finance, with returns sufficient to repay the government's contribution to operating expenses for the first five years.	▲ An analysis of the relative size of the New Zealand economy, charity sector and capital markets suggests that the total value of impact investments could reach USD 3.2bn.[9] ▲ Kiwibank has partnered with Nga Tangata Microfinance Trust to create the first microfinance initiative in New Zealand. This service provides safe and fair loans of USD 2,000 – 3,000 to households in South Auckland. Loans are directed to responsible, asset-building purposes such as education, family well-being and essential household goods.
IMPACT IN **POLICY**	▲ The New Zealand Emissions Trading Scheme is the government's main tool for meeting domestic and international climate change targets. The scheme aims to encourage people to reduce greenhouse gas emissions. Under the scheme, all sectors of the economy must report their annual greenhouse gas emissions to the government.[10] ▲ New Zealand is one of the few developed countries that does not use (domestic or imported) electricity produced from nuclear energy.	▲ The current Labor-led government is focused on tackling climate change, reducing greenhouse gas emissions, addressing housing issues, promoting plastic recycling and minimizing waste. The government introduced its first Well-being Budget in May 2019.[11]	▲ The Social Enterprise Sector Development Program is a three-year partnership (2018 – 2021) between Akina and the Department of Internal Affairs, which aims to create the conditions for a thriving social enterprise sector. The program will investigate ways to build the capacity and impact of social enterprises (e.g., social procurement), and establish a more enabling legislative environment.[12]

[ii] Exchange rate used throughout the document: EUR 1 = USD 1.1

SDG Dashboard and Trends

CURRENT ASSESSMENT – SDG DASHBOARD

Major challenges   Significant challenges   Challenges remain   SDG achieved   Information unavailable

SDG TRENDS

Decreasing   Stagnating   Moderately improving   Mantaining   On track   Information unavailable

Key Initiatives

New financial instruments
The government acknowledges the need for more hybrid financing and better aligned public procurement incentives. It is also in high-level discussions with the philanthropic sector to explore further social investment in New Zealand.

Legal structures
An Akina-led report examining the capital needs of the social enterprise sector and possible need for a new legal structure to stimulate further investment was published in May 2019.

Sustainable finance forum
Another key initiative in New Zealand is the Sustainable Finance Forum (SFF), which was established by Aotearoa Circle, a group of government and corporate leaders. The SFF published its Interim Report in October 2019 citing recommendations for improving the sustainability of New Zealand's financial system while meeting the USDG and Paris Accord obligations. The report is scheduled to be updated by July 2020.

9Wire for environmental initiatives
While many accelerators aim to foster social enterprise and impact business growth, 9Wire – a joint venture between Akina, WWF, Callaghan Innovation, Auckland Council and three government ministries – was recently launched to support environmental initiatives.

Road to Impact Economy

PATH TO TIPPING POINT 2020

- New Zealand is on the verge of a green bonds growth surge as increased social and environmental awareness among investors meets more sophisticated financial sector capabilities. Such a development could be facilitated by the New Zealand Stock Exchange (NZX) introducing a green bond flag for investors, and standardized reporting and accountability requirements, which are so far limited to opt-in frameworks.[13]
- Engagement with market-building organizations through the Impact Investing Network and National Advisory Board continues to gather pace.
- Investments should target capability-building and investment readiness support.
- Research demand-side requirements and readiness, and develop and promote relevant products to enable high-quality, effective investments.

TRANSITION TO IMPACT ECONOMY 2030

- Securing seed funding is a key issue facing social enterprises, which is compounded by the lack of legal status for such organizations. A social enterprise may be established as a charitable organization if it has a charitable purpose, which would enable the organization to attract grant funding. Alternatively, a social enterprise may be established using an ordinary (non-charitable) company structure, which would ordinarily preclude the organization from grant funding.[14] To boost social entrepreneurship, a clear legal structure is needed.
- The impact economy presents considerable socioeconomic opportunities for New Zealand. The rights of Māori to exercise control over the direction of their institutions, communities and development is consistent with the aims of impact investing. Impact investments can enable asset management and service provision to be locally owned, people powered, holistic in strategy and enterprising in nature.
- Demographic change (e.g., population aging) is placing increasing pressure on services. Innovation, creativity and collaboration will be required to meet societal needs, which will require investment to align to long-term trends and broader social goals.

Footnotes:

A. **Environmental Performance Index** Available at: https://epi.envirocenter.yale.edu; All other **indicators** available at: http://hdr.undp.org/en/countries

B. Information tends to be limited for specific rounds of funding. Therefore, In **Spotlight Deals,** "Total Funding" refers to the total money that a specific company has raised. The investors listed may have participated in one or several rounds, and may have done so as lead or co-investors.

C. The **ABC** of the **New Zealand's Impact Economy** table is adapted from the IMP framework.

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Nigeria

Market Overview

2015 saw Nigeria's first democratic transfer of political power, following the All Progressives Congress (APC) party's electoral victory. This affirmed the progress made by Nigeria since transitioning from military rule in 1999. The political strides are also symbolic of the country's shift from a relatively marginal regional actor to Africa's largest economy. Nigeria has experienced rapid growth over the past decade, and has taken concerted steps towards liberalization and modernization of its key sectors. Nigeria holds enormous potential due to its sheer size and strong growth prospects. Despite the economic slowdown between 2015 and 2019, Nigeria continues to be the leading economic powerhouse of the African continent. The country experienced economic diversification and slight improvements in ease of doing business during this period.[1, 2]

The large proportion of its citizens that remain underserved by basic goods and services offers a wide variety of opportunities with regard both to financial and social and environmental impact.

IMPACT INVESTMENT HIGHLIGHTS

Supply of Impact Capital

- In 2019, 64 impact investors were active in the country. The number has more than doubled since 2015 (when there were 28 impact investors) and has been, in part, driven by the heightened focus historically commercially-oriented investors now place on impact. As of September 2019, the size of the impact investing market in Nigeria stood at USD 4.7bn. Capital deployed directly by DFIs represents 85% of this market.[3]
- While non-DFI investors executed significantly more deals than DFI investors, DFI deal sizes are much larger on average, and they deploy a significantly greater amount of capital overall. More than half of DFI deals in Nigeria were greater than $20 million (excluding domestic DFIs) from 2015 to 2019. Almost 80% of non-DFI transactions occurred at levels below $1 million over the same period[4].
- Since 2015, impact capital has shifted away from self-identified social enterprises toward commercial-first organizations that also address social needs.

Intermediation of Impact Capital

- DFIs typically target larger and more mature enterprises in their direct investments. However, there is a scarcity of patient impact capital that accepts below market returns in an attempt to invest in riskier or higher impact deals.[5]
- DFIs deploy almost all of their investments in the form of debt, with large loans for energy and manufacturing projects making up a significant portion of this. Non-DFIs favor equity and quasi-equity, which reflects a hands-on approach to growing early- and growth-stage SMEs.

Demand for Impact Capital

- There are two major demand-side trends evident:
  - The overall demand remains muted given businesses' reluctance to take outside investment in many cases.
  - The demand does not necessarily align with supply as investors often struggle to find investable deals, even where businesses are keen to accept impact capital.

Government and Regulation

- "Cashless Nigeria," a Central Bank initiative intended to reduce the use of cash in the economy, has furthered the fintech trend originally launched by Paga.
- In certain sectors, state incentives and policies make it difficult for private investors to operate. In agriculture, for example, subsidies and loans with cheap single-digit interest rates – such as those offered by the Commercial Agriculture Credit Scheme (CACS) – have crowded out private investors.
- The Rural Electrification Agency REA has helped significantly in increasing private investments into clean energy projects. For instance, it launched the Energizing Economics Initiative (EEI) that aims to facilitate the fast deployment of off-grid electricity solutions to MSMEs in economic clusters through private sector developers.[6] However, the International Energy Agency (IEA) has warned that policy uncertainty is a threat to the development of Nigeria's renewable energy sector.

Market Builders

- With a maximum crude oil production capacity of 2.5 million barrels per day, Nigeria ranks has Africa's largest producer of oil and the sixth largest oil producing country in the world.[7]
- The ecosystem of business development support has grown rapidly in recent years leading to a proliferation of active incubators, accelerators, business development service (BDS) providers, and technical assistance facilities. For example, the Co-Creation Hub is a privately funded non-profit that explicitly focuses on incubating social enterprises, while iDEA is fully funded by the Nigerian government and offers a two-year program to develop enterprises from the concept stage to market entry.

Indicators[A]	
GDP total (2011 PPP $ billion)	1,019
Total Population (millions)	190.9
GINI Index	43
HDI	0.532
MPI	52%
EPI	54.76

KEY PLAYERS

Asset Owners	Asset Managers	Impact Entrepreneurs
IFC	Acumen	MitiMeth
Nigeria Sovereign, Investment Authority	Tony Elumelu Foundation	Green Energy Biofuels
Gates Foundation	GroFin	RedBank
Ford Foundation	Doreo Partners	Ecofuture
AfDB	Alitheia Capital	Yako Medical
CDC Group	Growth Capital	WeCyclers

SPOTLIGHT DEALS[B]

Company	Total Funding	Investor	Sector
Paga	34.7mn	Omidyar, Acumen, CDC Group	Fintech
Lydia	8.5mn	Accion Venture Lab, Omidyar, Alitheia	Fintech
Jumia Group	824mn	CDC Group, Goldman Sachs, AXA Group, Orange, MasterCard	E-Commerce
MINES	17.2mn	TPG Rise, Singularity Investments, LAN	Fintech
SonoCare	250,000	Gray Matters Capital	Health

The ABC of Nigeria's Impact Economy[C]

An impact economy is a just and equitable economic system in which positive impact is produced in an environment of risk and return. In an impact economy, governments, organizations, investors and consumers are motivated to include marginalized and underserved sectors of the society in the mainstream economy, while also giving consideration to the needs of our planet and its environment.

The following table describes actions undertaken by a variety of stakeholders in Nigeria for the adoption of strategies that **A**void harm, **B**enefit all stakeholders, and **C**ontribute to solutions. Nigeria has led the way in impact investing in West Africa through strong development in the fintech and microfinance sectors.

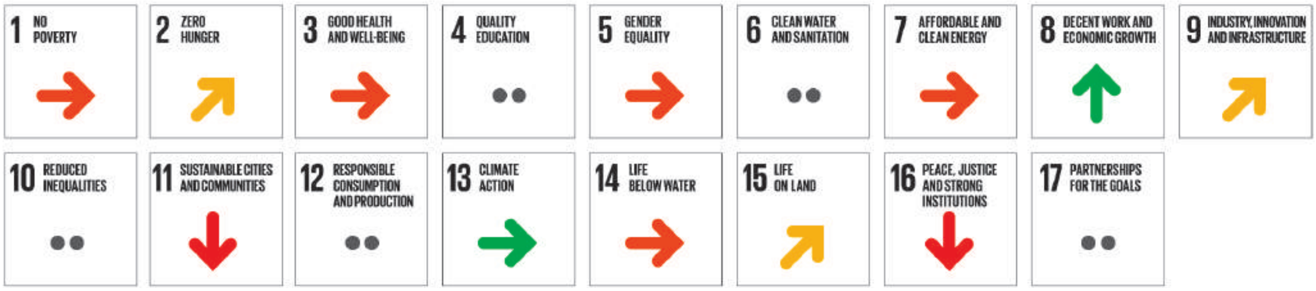
	Avoid Harm		
		Benefit all stakeholders	
			Contribute to Solutions
IMPACT IN **BUSINESS**	▲ The Business Coalition for Sustainable Development Nigeria (BCSDN), an initiative affiliated with the World Business Council for Sustainable Development (WBCSD), was created in May 2014. This is a coalition of leading businesses from across all sectors intended to boost collective development.[8]	▲ Since January 2019, all companies listed on the premium board of the Nigerian Stock Exchange (NSE) have had to provide sustainability reports based on a set of disclosure guidelines published by the NSE as part of the broader world Sustainable Stock Exchanges Initiative.[9]	▲ In 2015, 96%[10] of all businesses in Nigeria were SMEs. Entrepreneurs are becoming aware of social and environmental challenges, and are finding innovative ways to tackle them. Examples include LifeBank,[11] which delivers blood and medical products, and Wecyclers,[12] a company that uses cargo bikes to help Lagosians earn money by recycling.
IMPACT IN **INVESTMENT**	▲ In 2012, the Central Bank of Nigeria issued the Nigerian Sustainable Banking Principles (NSBP). All major banks report an average to high level of engagement with these sustainable banking principles. Banks are currently most concerned with the sustainability issues of energy efficiency and financial inclusion.[13]	▲ The Climate Bonds Initiative, the FMDQ OTC Securities Exchange (the largest securities exchange operator in Nigeria) and the UKAID-funded Financial Sector Deepening Africa program (FSD Africa) have jointly committed to develop a green bond program in Nigeria.[14] ▲ In 2017, Nigeria became the first nation to issue a green bond certified under the Climate Bonds Standard, and the first African nation to issue a sovereign green bond. The USD 29.5mn bond – part of an expected USD 400mn green bond program – will fund a range of renewable energy, afforestation and environmental projects.[15]	▲ In 2015, total impact investments in Nigeria amounted to USD 1.9bn over a recorded 181 deals, making Nigeria the largest recipient of impact investment in West Africa. The agriculture, technology and financial services sectors were the biggest recipients of investment, with a focus on fintech and providing financial services access to the "unbanked." [16]
IMPACT IN **POLICY**	▲ The Nigerian Extractive Industries Transparency Initiative (NEITI) Act was adopted in 2007 with the aim of promoting transparency and engagement with stakeholders in the oil and gas sectors. The goal is to reduce the sector's high incidence of economic underperformance, conflict and poor governance.[17]	▲ The Environmental Impact Assessment Act requires companies involved in projects that produce negative environmental externalities to draft an environmental impact assessment detailing the project's impacts and a plan for prevention and mitigation. Similarly, the Petroleum Host Impacted Communities Bill of 2018 establishes a set of rights for oil project host communities.[18]	▲ The Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) offers training and indirect funding through financial institutions, providing SME loans at annual interest rates of less than 10%. The government-sponsored YouWin! business plan competition has provided 3,900 SMEs with grants ranging between about USD 6,000 and USD 60,000 grants over the past three years.

SDG Trends Table

CURRENT ASSESSMENT – SDG DASHBOARD

Major challenges Significant challenges Challenges remain SDG achieved Information unavailable

SDG TRENDS



Decreasing Stagnating Moderately improving Mantaining On track Information unavailable

Key Initiatives

Angel investments
Intended to remedy the lack of angel investors in the country, the Lagos Angel Network (LAN) was formed in 2012 to connect investors and entrepreneurs, and is actively involved with a number of incubators and accelerators. The LAN has more than 15 members that together have deployed more than USD 100.000 in more than six deals, all of which have focused on early-stage technology-focused enterprises.

Cashless Nigeria
The Central Bank of Nigeria (CBN) has introduced a policy that imposes a cash handling charge for daily cash withdrawals. The new policy aims at reducing (not eliminating) the amount of physical cash (coins and notes) circulating in the economy, and encouraging more electronic-based transactions (payments for goods, services, transfers, etc.). The new cash policy was introduced for a number of key reasons, with goals such as:

- Driving the development and modernization of the Nigerian payment system, in line with the Vision 2020 strategic goal of being among the world's top 20 economies by the year 2020.
- Reducing the cost of banking services (including the cost of credit), while driving financial inclusion by providing more efficient transaction options and greater reach.
- Improving the effectiveness of monetary policy in managing inflation and driving economic growth.

NIRSAL
The Central Bank of Nigeria developed a mechanism in 2010 that facilitates access to financing for smallholder farmers, agro-processors, agri-businesses and input suppliers within the agricultural value chain. The mechanism, called NIRSAL, is operated in collaboration with the Alliance for a Green Revolution in Africa (AGRA), the United Nations Industrial Development Organization (UNIDO) and other agricultural operators in the country.

Gender lens investing
The United States' Overseas Private Investment Corporation (OPIC) helped expand financial services for SMEs by offering USD 200mn in financing to the Union Bank of Nigeria (UBN). The intention of the investment was to expand lending to women-owned, women-supporting, and other small and medium-sized enterprises by helping to upgrade UBN's digital-banking projects and other technologies. Most likely facilitated by the OPIC financing, some domestic DFIs started as well to focus on youth and women-owned businesses. E.g. the private DFI GroFin launched a gender lens investing initiative called GroWoman which aims to foster women's empowerment by equipping them with knowledge in business planning and strategy.[i, 19]

[i] http://www.grofin.com/language/en/grofin-nigeria-supports-women-entrepreneurs-step-up-scale-up/

Road to Impact Economy

PATH TO TIPPING POINT 2020

Create a national advisory board for impact investing

Creating a Nigerian National Advisory Board (NAB) could help advance impact-rich initiatives by connecting Nigeria to a diverse international network of mission-driven individuals.

Develop equity ownership

As with other African countries, Nigeria's supply of impact capital is heavily reliant on development and financial institutions from abroad. By encouraging local investors such as high net worth individuals, foundations, pension funds and others to invest locally, Nigeria could strengthen and encourage the local impact economy.

Create a legal status for social enterprises

Establishing clear legal definitions for social enterprises in Nigeria could provide a more effective foundation for the provision of fiscal benefits and access to public markets.

Expand the use of quasi-equity instruments

Given the relatively low number of social enterprises in Nigeria, the use of self-liquidating quasi-equity instruments for impact investment purposes could be expanded to cooperatives and other organizations with a need for equity-like capital. There is precedent for the use of this sort of instrument in other countries, and these models could be replicated in Nigeria.

Increase awareness of the financial potential of impact investing

Developing case studies of successful impact investment deals in the country, such as that involving Paga, would help illustrate the financial potential of impact investing and thus attract more financially-oriented investors. This could also help ensure the availability of capital along the risk-return spectrum, and remove the current stigma associated with the social impact mission. For the few social enterprises that are attempting to establish themselves, it appears that their status as "social enterprises" makes it difficult to convince investors of their viability as investment prospects. Local investors tend to view impact investing as a type of philanthropy, and assume that enterprises that seek social and environmental impact are not actively seeking financial return.[20]

Adopt impact measurement and management standards

Adopting international best practices for impact measurement and management, such as those produced by The Impact Management Project, would help make the space more transparent, thus increasing investor confidence.

TRANSITION TO IMPACT ECONOMY 2030

Nigeria is diversifying its economic paradigm away from the extractive industries, in part by developing its service sectors, and has made some socioeconomic progress in recent years. However, human capital development has not followed the same trajectory, with the country ranking at 152nd place out of 157 countries in the World Bank's 2018 Human Capital Index.[21] Inequality in terms of income and opportunities has been growing rapidly, adversely affecting poverty reduction. The North-South divide has widened in recent years due to the Boko Haram insurgency and a lack of economic development in the northern part of the country. The environmental degradation caused by the extractive industry in Nigeria has impacted soil, air and water quality in certain regions.[22]

Nigeria's current socioeconomic challenges present considerable opportunities for social entrepreneurs and impact investors whose innovation and intervention solutions could stimulate the transition to an impact economy. Fortifying SMEs and social enterprises, which are already significant contributors to economic growth and development in Nigeria, could lead to improvements in job opportunities in Nigeria, which is currently dealing with a youth unemployment rate of 25.7%.[23]

Footnotes:

A. **Environmental Performance Index** Available at: https://epi.envirocenter.yale.edu; All other **indicators** available at: http://hdr.undp.org/en/countries

B. Information tends to be limited for specific rounds of funding. Therefore, In **Spotlight Deals,** "Total Funding" refers to the total money that a specific company has raised. The investors listed may have participated in one or several rounds, and may have done so as lead or co-investors.

C. The **ABC** of the **Nigeria's Impact Economy** table is adapted from the IMP framework.

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Norway

Market Overview

Norway, considered to be one of the world's most inclusive economies, is characterized by a strong welfare state, egalitarian values, and traditionally close collaboration between the public and private sectors. Such cooperation and the state's active role are the basis for a strong CSR culture present in Norwegian companies. In recent years, the financial sector in Norway has been responsible for a noteworthy portion of the country's economic growth. As per VFF (the Norwegian Fund and Asset Management Association (VFF), total funds under management rose from USD 118.9bn at year's end 2016 to USD 127.5bn at the end of 2017. Historically, the Norwegian financial industry has been considered to be at the forefront of sustainable and responsible investment (SRI) practices. The majority of large investors in Norway have strong SRI policies and advocate on a range of SRI issues.[1]

IMPACT INVESTMENTS HIGHLIGHTS

Supply of Impact Capital

- One of the main suppliers of impact capital in Norway is the Government Pension Fund, ranked as the best Nordic asset owner in the IRRI 2019 Survey, whose assets are managed by Norges Bank Investment Management (NBIM). This government pension fund, also known as the Oil Fund, has over USD 1tn in assets, making it the world's largest sovereign wealth fund. It signed the UN Principles for Responsible Investment in 2006.[2]

Intermediation of Impact Capital

- Ferd Social Entrepreneurs, TD Veen, Wilstar Social Impact, Voxtra, and Partnership for Change are among the Norway-based venture philanthropy and social investment organizations active in Norway or in other European countries.
- Norway has an active Sustainable Investment Finance (SIF) association, Norsif, which aims to increase the awareness of SRI practices within the Norwegian financial industry. The number of its members increased from four in 2013 to 46 in 2018.
- Nordic Impact is the investment arm of the EXP Group. It invests and supports early stage, impact-oriented tech startups and projects in the country and region.
- NBIM, the asset manager for the Norwegian sovereign wealth fund, has invested in around 9,000 companies and uses an SRI approach. According to the 2018 Responsible Investment, NBIM has voted on 113,546 resolutions covering ESG topics such as climate change, human rights and anti-corruption. NBIM has also blacklisted 152 companies and divested from another 30 companies on the basis of risk – the main driver for these exclusions being the risks associated with climate change.[3]

Demand for Impact Capital

- Social entrepreneurship is a model widely used within the healthcare sector, but remains a marginal phenomenon in other areas.

Government and Regulation

- In 2015, the Norwegian parliament voted to allow social impact bonds to be issued in the Norwegian market.
- Under the Accounting Act (1998), all companies registered in Norway are required to include sustainability-related information on issues such as workplace environment, gender equality and environmental impact in their director's reports. Since 2013, large enterprises have also been required to submit CSR reports.
- The Ministry of Local Government and Modernization published a document entitled "Roads to Cooperation" in 2017, along with a working tool, to inspire more collaboration between social enterprises and local governments.

Market Builders

- Some universities and academic institutions in Norway offer courses on social entrepreneurship at the undergraduate and graduate study levels. The first program on social entrepreneurship was offered by the University of Oslo in 2012.
- Finans Norge, a financial-industry organization, has developed a road map to "support a low-carbon, sustainable economy," outlining how the financial services industry can support and contribute to the transition to a low-carbon economy.

Indicators[A]	
GDP total (2011 PPP $ billion)	347.778
Total Population (millions)	5.26
GINI Index	27.5
HDI	0.953
MPI	N/A
EPI	77.49

The ABC of Norway's Impact Economy[B]

An impact economy is a just and equitable economic system in which positive impact is produced in an environment of risk and return. In an impact economy, governments, organizations, investors and consumers are motivated to include marginalized and underserved sectors of the society in the mainstream economy, while also giving consideration to the needs of our planet and its environment.

The following table describes actions undertaken by a variety of stakeholders in Norway for the adoption of strategies that **A**void harm, **B**enefit all stakeholders, and **C**ontribute to solutions. Responsible investing has been embedded in the investing philosophy pursued by Norway's sovereign funds for a long time. The impact investing and social enterprise sectors are growing, with several new initiatives underway, but remain small.

	Avoid Harm	Benefit all stakeholders	Contribute to Solutions
IMPACT IN **BUSINESS**	▲ Companies such as AVG have strict ESG self-governance policies. AVG works with the Norwegian government, which adheres to all of the SDGs, and does not invest in companies that lack ESG policies.	▲ Sogn og Fjordane Energi AS (SFE) issued a USD 43.6mn green bond. SFE is a regional energy group in Norway.[4] ▲ The Enterprise Federation of Norway (VIRKE) represents more than 21,000 entities with close to 225,000 employees in the private sector and civil society. The organization encourages the use of the SDGs as part of an overall business strategy.[5] ▲ Finans Norge has developed a road map outlining how the financial services industry can support and contribute to the transition to a low-carbon economy.	▲ An estimated minimum of 295 social enterprises exist in Norway, with the majority operating as limited companies or voluntary organizations.[6]
IMPACT IN **INVESTMENT**	▲ Interest and membership in the various responsible investment forums is on the rise. For example, the number of Norwegian signatories to the Principles for Responsible Investment (PRI) initiative increased from 10 in 2014 to 13 in 2018, with USD 1.1tn in AUM.[7] ▲ NBIM, the asset manager for the Norwegian sovereign wealth fund, has invested in around 9,000 companies and uses an SRI approach.[8] ▲ KLP is another major ESG player in Norway. Owned by local governments and municipalities, it provides pensions and acts as an asset manager, with USD 66bn in AUM.[9]	▲ The government's strategy includes a new USD 2.2bn "green fund" created to speed up the transition away from oil and gas use. Dubbed Nysnø, the fund will co-invest in green projects nationally and internationally.[10] ▲ Oslo-based research institute Cicero is a big player in the global green-bond market. It provided the second option for the world's first green bond issued by the World Bank. However, Norway itself lags in green bond issuance.[11]	▲ KLP cites impact investment as a part of its portfolio. It has committed almost USD 100mn to impact-related investments.[12]
IMPACT IN **POLICY**	▲ The Norwegian Oil Fund was created by the Norwegian government as a good policy measure, and is intended to follow ESG parameters.[13] The central bank of Norway, the Norges Bank (NBIM), manages the fund, and factors sustainability and responsible investing issues into its decisions.	▲ The Norwegian government has publicly recognized the importance of and the opportunity provided by sustainable public procurement (SPP) practices	▲ Norway has provided comments on the development of legislative proposals relating to the EU Commission's Action Plan on Sustainable Finance.
IMPACT ON **CONSUMPTION**	▲ Food and food waste is of particular concern in Norway. A staggering 355,000 tons of edible food is wasted every year in Norway, most of it by consumers, but also by the food industry and retailers.[14]		

SDG Dashboard and Trends

CURRENT ASSESSMENT – SDG DASHBOARD

Major challenges | Significant challenges | Challenges remain | SDG achieved | Information unavailable

SDG TRENDS

Decreasing | Stagnating | Moderately improving | Mantaining | On track | Information unavailable

Key Initiatives

Social entrepreneurship support
In 2015, Innovation Norway – the Norwegian government's most important instrument for innovation and the development of Norwegian enterprises and industry – announced that it would commit resources to the support of social entrepreneurship.

Grants for social entrepreneurship
Since 2014, the Norwegian Labor and Welfare Administration, the Norwegian public welfare agency, has been providing grants in support of social entrepreneurship. For 2020, the grant budget is NOK 16mn (USD 1.8mn).

Impact Startup accelerator
Impact Startup is a six-month accelerator program for early stage impact entrepreneurs based in Norway. The program is a collaboration between Ferd Social Entrepreneurs and The Social Capital Fund (Denmark). The Impact Startup accelerator will be expanded to Sweden, Denmark and Finland in 2020.

Katapult Accelerator
Katapult Accelerator is a three-month accelerator program for impact-oriented startups from around the world. The program is part of the "Katapult system," which includes several initiatives in Norway's impact investing ecosystem run by Nordic Impact. Katapult Accelerator is especially focused on realizing impact through the support of frontier technologies (e.g., AI, blockchain, VR/AR, IoT).

First outcomes-based contract
Ferd Social Entrepreneurs invested in Norway's first outcomes-based contract in 2019. The contract is a project between the municipality of Lier and the social entrepreneur Trygg av Natur (Safe by nature), and has a goal of improving mental health and reducing school drop-out rates among teenagers.

National Action Plan on Business and Human Rights
The 2015 National Action Plan on Business and Human Rights touches upon trade and investment policy as related to the UN guiding principles. It seeks to ensure that provisions on the environment and respect for human rights, including fundamental worker's rights, are included in bilateral free trade and investment agreements.

Road to Impact Economy

PATH TO TIPPING POINT 2020

Create an SRI framework

▲ Norway needs to design an SRI framework to promote the further adoption of SRI policies by investors, and to raise awareness on a range of SRI issues.

Develop innovative new solutions beyond social entrepreneurship

▲ Further social innovation is needed in the country to tackle issues such as inequality and the creation of new sources of income for the post-fossil-fuel economy.

TRANSITION TO IMPACT ECONOMY 2030

▲ Norway's financial sector has issued a paper setting out a vision for sustainability within the sector by 2030. The "Road Map for Green Competitiveness in the Norwegian Financial Sector" recommended developing a taxonomy for sustainable finance, and advised that climate risk be included in the Norwegian financial supervisory authority's mandate.

▲ Despite its strong economy, Norway faces a number of pressing social issues, including the country's dependency on fossil fuels as a source of income, its fast-aging population, high school drop-out rates and environmental degradation. These issues must be addressed in the transition to an impact economy by 2030.

Footnotes:

A. **Environmental Performance Index** Available at: https://epi.envirocenter.yale.edu; All other **indicators** available at: http://hdr.undp.org/en/countries

B. The **ABC** of the **Norway's Impact Economy** table is adapted from the IMP framework.

Sources:

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4. https://nordsip.com/2019/05/03/norways-sfe-issues-green-bond/
5. Norwegian Ministry of Finance and Norwegian Ministry of Foreign Affairs (2018). One year closer 2018. Available at: https://www.regjeringen.no/globalassets/departementene/ud/vedlegg/utvikling/oneyearcloser_2018.pdf
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Portugal

Market Overview

Structural reforms and improved global economic conditions have helped the Portuguese economy recover from financial crisis. Initially led by strong export performance, this revival is today also fueled by domestic demand. After sharp declines, employment too has picked up, with the unemployment rate falling from 17% to below 7%. In parallel, the economy has increased its reliance on renewable energy sources such as wind power.[1] Portugal is today a benchmark country for social investment, largely due to the adoption of new financial instruments such as social impact bonds. Moreover, USD 179.5 mn[i] in European funds have been leveraged to promote social investment through the Portugal Inovação Social (PIS) initiative.[2]

Portuguese NAB was established in 2015. Today it consists of representatives from corporations, foundations and prominent universities and business schools.

IMPACT INVESTMENTS HIGHLIGHTS[3]

Supply of Impact Capital

- Support by foundations such as the Calouste Gulbenkian Foundation, EDP, Montepio and the Altice Foundation has been instrumental in the deployment of impact capital.
- Despite growing private interest, public resources – primarily the PIS initiative and other municipal programs – remain the sector's main source of funding.
- A growing number of multinationals and domestic enterprises have launched social-impact tournaments.
- The government-funded Social Investe program provides a guaranteed credit line for social economy entities.

Intermediation of Impact Capital

- Nine social impact bonds (SIB) have been issued in Portugal to date, targeting the issues of education, employability, at-risk children and support for informal caregivers. These have produced 12 interventions, as three are being implemented in different regions of the country with different target groups.
- In March 2018, the PIS Social Innovation Fund was approved, with USD 60.5 mn being split between two mechanisms. The first element is used to provide loan guarantees to participating banks, allowing them more leeway to grant credit. The second entails direct co-investment in organizations with social missions; this helps mobilize other private investors' engagement in equity and quasi-equity investment deals. The fund's overall budget has since been increased to USD 90.3 mn.
- The PIS initiative is channeled to the market through four instruments, which respectively focus on capacity building, matching funding for venture philanthropy, social impact bonds and a social innovation fund. All but the first require co-investment from other social investors, enabling the PIS to encourage more social investment into the market.

Demand of Impact Capital

- Portugal's third sector remains dominated by traditional social organizations such as non-profit associations, religious charity organizations, cooperatives, foundations and mutual organizations. However, social enterprises have been increasing exponentially in recent years.

Government and Regulation

- PIS provides a framework allowing for the use of social impact bonds. However, there is still no legal framework for the creation of social companies, which would have better access to equity instruments as legal entities.
- Beginning in 2018, SIB investments have been treated as expenditure for tax purposes, with a markup of 30% on the amount invested. Portugal is the second country in the world to adopt SIB incentives. The government also provides tax breaks of 40% for grants to social-sector organizations.
- The Portuguese Social Investment Taskforce, created in July 2014, combines entities from the social, public and private sectors.
- The PIS initiative has acted as a catalyst market champion, bolstered by USD 179.5 mn in EU funding. It has been instrumental in some of the key initiatives cited below.

Market Builders

- The PIS capacity-building instrument helps organizations strengthen their management skills, generate social impact and attract social investment. Other accelerator, capacity-building and incubation programs include AMPlifica, IES Social Business School, Impact Generator, Impact Hub, Incubadora Regional de Inovação Social, MAIS and Montepio Social Tech.
- In 2018/2019, a large number of impact incubators were created throughout Portugal. Casa do Impacto is Lisbon's biggest, with a network of 16 social innovation incubators in medium-sized cities.

Indicators[A]	
GDP total (2011 PPP $ billion)	287.6
Total Population (millions)	10.3
GINI Index	35.5
HDI	0.847
MPI (%)	NA
EPI	71.91

KEY PLAYERS

Asset Owners	Asset Managers	Impact Entrepreneurs
Caixa Geral de Depósitos	Mustard Seed MAZE	Code for All
Calouste Gulbenkian Foundation	Portugal Ventures	SPEAK
Banco BPI	Fundo Bem Comum	GoParity
SOFID (European Social Fund)	Portugal Inovação Social	knok
Associação Mutualista Montepio	CASES	ColorADD
AGEAS	Red Angels	Kinetikos

SPOTLIGHT DEALS[B]

Company	Total Funding	Investor	Sector
Tonic App	USD 4mn	Armilar VP, Portugal Ventures	Health
Forall Phones	USD 2.75mn	Portugal 2020, ERDF	E Waste
Eat Tasty	USD 1.6mn	Indico CP, Shilling CP, Bright Capital, Caixa	Food
Youth Un-employment SIBs (3)	USD 1.2mn	Calouste Gulbenkian Foundation, Deloitte, ASSOP, Apps4Mobility International.	Youth
SIB Children in care	< USD 1mn	Calouste Gulbenkian F., Montepio Bank	Children
SIBs Education (5)	< USD 1mn	Calouste Gulbenkian F., Aga Khan Foundation Pt, Altice Foundation, Deloitte, Edu Coach	Education

[i] Exchange rate used throughout the document: EUR 1 = USD 1.1

ABC of the Portuguese Impact Economy[C]

An impact economy is a just and equitable economic system in which positive impact can be produced in an environment of risk and return. In an impact economy, governments, organizations, investors and consumers are motivated to include marginalized and underserved sectors of the society in the mainstream economy, while also giving consideration to the needs of our planet and its environment.

The following table describes actions undertaken by a variety of stakeholders in Portugal that with regard to strategies that **A**void harm, **B**enefit all stakeholders, and **C**ontribute to solutions. Thus far, Portugal has demonstrated it can implement innovative public initiatives that support the country's social impact ecosystem. However, the number of private actors supporting the social impact landscape remains limited.

	Avoid Harm	Benefit all stakeholders	Contribute to Solutions
IMPACT IN **BUSINESS**	▲ Portugal's equity market is ranked as "most sustainable" on environmental criteria according to the Morningstar Sustainability Atlas. This is partially due to oil and gas producer Galp Energia, which engages in strong management of emissions, effluents, and waste, as well as Energias de Portugal Group (EDP), which has adopted a number of environmental best practices.[4]	▲ There are currently 15 B Corporations in Portugal.	▲ Portugal is home to 55,000 social organizations, representing about 2.8% of the country's gross value added and 5.5% of total employment.[5]
IMPACT IN **INVESTMENT**	▲ A proprietary quantitative ESG score developed by Aegon Asset Management places Portugal among the top 10 countries globally with the best overall ESG ratings. The score has been positively impacted by generally positive momentum on indicators such as energy, basic rights and institutional strength.[6]	▲ Multinational energy company EDP issued a seven-year green bond worth USD 695 mn, becoming the first Portuguese green bond issuer. Proceeds will finance the design, development, construction and maintenance of renewable energy projects using solar photovoltaic, solar concentrated power, onshore wind and offshore wind technologies.[7]	▲ Launched in 2018, Mustard Seed Maze is the first social-impact-investment fund in Portugal. It is a joint venture between Mustard Seed, an early-stage venture fund in London, and MAZE, an impact-investment firm based in Lisbon. The European Investment Bank is an investor in the USD 44 mn fund.
IMPACT IN **POLICY**	▲ In 2017, Portugal transposed into national law the EU directive requiring companies with more than 500 employees to disclose non-financial information. This statement must include information regarding the company's performance, position and business impact on environmental, social and employee matters; matters having to do with gender equality, non-discrimination and respect for human rights; and anti-corruption and bribery issues.	▲ Law no.18 on Social Entrepreneurship Investment Funds, adopted in 2015, made it possible to use retail social investment to catalyze private funding for social enterprises.[8] ▲ Green public procurement practices have been used in Portugal since 2007.[9]	▲ The National Reform Program (Programa Nacional de Reformas) addresses the country's efforts to achieve the SDGs. It compiles a variety of programs contributing to this area, and provides indicators for measuring progress. ▲ PIS' Social Innovation Fund co-invests with private impact investors in impact ventures. Its goal is to attract private investors to the impact ecosystem by leveraging their investments. ▲ Since 2018, the government has treated investments in SIBs as expenditure, with a markup of 30% on the amount. This was a regulatory milestone, with Portugal being the second country to adopt SIB incentives.
IMPACT IN **CONSUMPTION**	▲ In Portugal, recent severe weather patterns involving extreme and uncharacteristic heat waves in the summer and snow in the winter have heightened consumers' concerns over and awareness of global warming and climate-change issues.[10]		

SDG Dashboard and Trends

CURRENT ASSESSMENT – SDG DASHBOARD

Major challenges Significant challenges Challenges remain SDG achieved Information unavailable

SDG TRENDS

Decreasing Stagnating Moderately improving Mantaining On track Information unavailable

Key Initiatives

Dedicated unit within government
Portugal has a dedicated impact-investment unit within the Ministry of Planning. This has evolved over time as the party in power has changed; for example, the topic of impact investment previously fell under the remit of the Ministry of Presidency and Administrative Modernization, while prior to that, it fell to the Ministry of Regional Development. The most recent government has carried on its predecessor's negotiations with the European Union, and has left investment in the sector untouched, demonstrating that social investment has remained a priority despite the change in party oversight.

National strategy
Portugal's national strategy for investment and social innovation entailed significant collaboration between the public and private sector, and has proved an important policy framework. The Portuguese Social Investment Task force published the report, ensuring its endorsement by this body's 21 members. The creation of the national strategy is also an indicator that impact investment is a government priority.

Wholesale intermediary that leverages EU funds
The PIS initiative, with an initial operating life running from 2015 to 2023, has mobilized public and private capital, and has leveraged USD 179.5 mn in structural funds (mainly from the European Social Fund). This vehicle has acted as a market builder in the sector by funding and facilitating the impact ecosystem.

Capacity building for impact businesses
Portugal's initiatives are primarily financed by philanthropists, municipalities, corporations and PIS. PIS has developed a social investment capacity-building instrument that helps organizations strengthen their management and impact skills; this in turn helps them generate social impact and attract social investment. The investment-readiness fund provides grants to impact-oriented businesses to pay for business and impact-reporting services as well as other operational necessities. The market also offers accelerator, capacity-building and incubation programs delivered via intermediaries.

Use of outcomes contracts
Portugal has launched nine SIB pilot projects, focusing among other topics on supporting educational performance through computer-programming lessons; protecting at-risk children and youths within family environments; integrating unemployed youth into the work force; and integrating vulnerable youth. PIS provides the legal framework that makes the use of SIBs possible. The country also has a USD 22 mn outcomes-based fund overseen by PIS.

Impact measurement
Portugal has set up its own unit-cost database in the form of One Value, an online portal launched in September 2017 that offers more than 90 unit-cost indicators relevant to social issues. Continuing to collect evidence and making it available in a "what works" database will be important for the success of future social problem-solving.

Promotion of intermediary market
The PIS social investment capacity-building program helps social-sector organizations access and pay for intermediary support. However, due to the ongoing difficulties in mobilizing private investment within the sector, there remains a lack of intermediaries specializing in social investment by private investors.

Educational initiatives
University courses on impact investment, as well as educational programs for social entrepreneurs, have been widely used to attract new talent into the ecosystem.

Road to Impact Economy

PATH TO TIPPING POINT 2020

Encourage additional capital
Public resources are the primary source of funding for Portugal's impact ecosystem. Developing initiatives that attract more private national and international capital to the sector will be important in the future. The establishment of the Social Innovation Fund, the PIS's co-investment impact fund, may facilitate this process. Providing additional fiscal incentives would further encourage such developments, as SIBs are currently the only social entities benefiting from fiscal incentives in Portugal.

Involve the public sector, both centrally and locally, to ensure outcomes-based service contracting
The adoption of outcomes-based service contracting should lead to healthy competition to find the most efficient solutions for the country's problems. The public sector's involvement must be accompanied by public support, with a specific focus on municipalities and local authorities. Indeed, the local level offers greater flexibility and autonomy to test new approaches and implement projects reflecting beneficiaries' genuine needs.

Capacity building for civil servants
While minister-level support is valuable, it is also essential to have all civil servants in the public sector on board, as these are the individuals who make relevant decisions on a daily basis. There are currently very few schemes in Portugal targeting mid-level public administrations. To ensure the sustainability of instruments such as SIBs and other outcomes-based contracting mechanisms beyond 2020, public-sector teams at both the local and central levels must be given the tools and knowledge needed to employ the mechanisms.

Company legal form
There is currently no legal form enabling the creation of impact-based businesses in Portugal. The creation of such a legal form would in turn facilitate the passage of targeted policies such as fiscal incentives. Moreover, the introduction of a legal framework for the creation of social companies would give such entities greater access to equity instruments. Portugal does offer B Corp certification, with 15 B Corps currently existing in the country.

TRANSITION TO IMPACT ECONOMY 2030

- There is great scope for increased leveraging of private capital for impact investments, given the small size played by the private sector today. Since government spending is inevitably constrained, private capital can play an important role in fostering an impact economy.
- A purpose-driven policy would help tackle the current lack of capacity in creating initiatives enhancing the performance of impact-driven organizations.
- Increased investment through structured-funding models such as SIBs or DIBs would help expand the delivery of public services, while achieving social objectives.
- As a matter of government policy, new corporate forms focused on impact should be granted recognition.
- Social enterprises should be granted recognition as a legal form, thus enabling access to targeted funding.
- Responsible business practices, responsible consumption and responsible procurement should all be regarded as norms.
- Fiscal incentives should be provided to impact enterprises and investors.
- There is a need for institution-led impact investment, which would create additional sources of strategic capital accessible through wholesalers.
- Impact-measurement frameworks should be integrated into business and policy decision-making processes.

Footnotes:
A. **Environmental Performance Index** Available at: https://epi.envirocenter.yale.edu; All other **indicators** available at: http://hdr.undp.org/en/countries
B. Information tends to be limited for specific rounds of funding. Therefore, In **Spotlight Deals,** "Total Funding" refers to the total money that a specific company has raised. The investors listed may have participated in one or several rounds, and may have done so as lead or co-investors.
C. The **ABC** of the **Portuguese Impact Economy** table is adapted from the IMP framework.

Sources:

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2. Portuguese Social Investment Taskforce (2018). Progress Report: Three years of learning, achievements and new challenges. Available at: http://taskforce.maze-impact.com/wp-content/uploads/2018/09/Progress_report_EN_WEB_092018.pdf
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South Africa

Market Overview

As southern Africa's largest market, South Africa has become a hub for regional market integration, and is the region's single largest market for impact capital. According to a 2016 study by the Global Impact Investing Network (GIIN), 74% of all impact capital disbursed in the region was in South Africa, amounting to more than USD 24.2bn furnished by DFI (development finance institution) capital, and USD 4.9bn by non-DFI capital. This is nearly 15 times as much as in Zambia, which ranks second in the region.[1]

The Bertha Center at the Graduate School of Business (GSB) at the University of Cape Town (UCT) initiated the creation of the country's NAB, which includes members from the private and public sector, including representatives from the National Treasury and the National Planning Commission in the Office of the Presidency.

IMPACT INVESTMENTS HIGHLIGHTS

Supply of Impact Capital

- DFIs have disbursed more than USD 24.2bn for more than 7,000 individual deals in South Africa. This represents 83% of the impact capital disbursed, and 96% of the region's impact deals.[2]
- A total of 46 unique non-DFI investors[i] have deployed USD 4.9bn in impact capital, largely in the form of equity. Notably, nearly half of this amount was disbursed in the three largest deals, each of which was significantly larger than the average non-DFI deal size of USD 15.8mn.[3]
- According to a UCT GSB Bertha Center report, South Africa was home to 57 impact-investment funds as of 2017, while total impact investments exceeded USD 17bn.[4] This figure was based on publicly available information from 1,208 funds in South Africa, 761 of which employed at least one of the following five strategies: ESG integration, investor engagement, screening, sustainable or themed investment, or impact investment.

Intermediation of Impact Capital

- The number of deals per year has grown steadily. However, volumes of capital committed have declined. This trend may be due to the small number of large deals in earlier years that took the form of leveraged buy-outs. The overall trend of transaction-volume growth indicates a robust expansion in impact-investor activity.
- In 2017, leading asset managers in South Africa were Allan Gray with USD 27.45bn of AUM applying Investor Engagement, Investec with USD 24.38bn of AUM with ESG integration, and Old Mutual with USD 8.70bn of AUM using screening mechanisms.[5] Further asset managers comprise Futuregrowth, Kagiso, and Oasis Crescent.

Demand for Impact Capital

- Only 7% of South Africans are engaged in entrepreneurial activity, a quarter of the volume seen in other sub-Saharan African countries.[6]
- Impact investors and other observers report opportunities in the following sectors: education, health, agriculture and agro-processing, socioeconomic infrastructure, financial inclusion, affordable housing, sustainable tourism, renewable energy and SME investing.

Government and Regulation

- The Broad-Based Black Economic Empowerment (BBBEE) Act is a government initiative intended to increase economic participation by black South Africans.[7]
- Pension funds are governed by the Pension Fund Act. A set of guidelines regarding sustainable investing under the provisions of this act has just been published.

Market Builders

- South Africa also features the region's largest support ecosystem. More than 100 different organizations provide support for impact investment and social entrepreneurship activities, including a variety of incubators and accelerators (e.g., Awethu Project, Invotech) and business consultants (e.g., Dalberg, Monitor Deloitte).[8]

Indicators[A]	
GDP total (2011 PPP $ billion)	697.3
Total Population (millions)	56.7
GINI Index	63
HDI	0.699
MPI	8.2
EPI	44.73

KEY PLAYERS

Asset Owners	Asset Managers	Impact Entrepreneurs
Standard Bank	Futuregrowth AM	Jumo
Development Bank of Southern Africa	Mergence Investment Managers	Dorper Wind Farm
Government Employment Pension Fund	International Housing Solutions	Boogertman Partners
Eskom Pension and Provident Fund	Public Investment Corporation	TUHF
AfDB	Nesa Capital	Lumkani
IFC	Edge Growth	SATaxi

SPOTLIGHT DEALS[B]

Company	Total Funding	Investor	Sector
Jumo	USD 91.7mn	Leapfrog, PROPARCO, Goldman Sachs, Mastercard Found.	FinTech
Lulalend	USD 6.5mn	Accion Venture Labs, IFC, Quona Capital	FinTech
African Leadership Academy	USD 83.2mn	Omidyar Network, Anders Holch Povlsen	Education
Dorper WF	USD 7mn	Gaia, Rainmaker Energy	Energy

ABC of the South African Impact Economy[C]

An impact economy is a just and equitable economic system in which positive impact is produced in an environment of risk and return. In an impact economy, governments, organizations, investors and consumers are motivated to include marginalized and underserved sectors of the society in the mainstream economy, while also giving consideration to the needs of our planet and its environment.

The following table describes actions undertaken by a variety of stakeholders in South Africa for the adoption of strategies that **A**void harm, **B**enefit all stakeholders and **C**ontribute to solutions. South Africa has taken a number of steps toward the development of an impact economy, such as the introduction of ESG reporting requirements, green bonds and a carbon tax, as well as the creation of numerous social enterprises. Nonetheless, the total volume of impact capital deployed remains small in comparison to South Africa's overall AUM.

	Avoid Harm	Benefit all stakeholders	Contribute to Solutions
IMPACT IN **BUSINESS**	▲ Many businesses today consider ESG factors, in part due to Johannesburg Stock Exchange (JSE) reporting requirements. Financial Times Stock Exchange data reveals that JSE-listed companies that consider ESG factors do better financially than comparable companies in other emerging markets where ESG does not yet play a significant role.[9] ▲ In the 2018 Thomson Reuters Diversity & Inclusion Index, four South African companies were listed among the world's top 100 with Woolworths ranked best at position 24.[10]	▲ Green bonds have been issued by the cities of Johannesburg and Cape Town. ▲ Companies have followed suit, including GrowthPoint Properties in 2018 and Nedbank in 2019, issuing green bonds worth more than USD 335mn.[11] The Nedbank issuance was oversubscribed by a factor of five.	▲ The South African social enterprise ecosystem includes at least 450 organizations.[12] ▲ Incentivized by the BBBEE, investment by large firms is a significant funding source for small businesses, totaling USD 620mn in 2014.[13] ▲ Corporations invest in early-stage businesses through enterprise- and supplier-development funds including ASISA ESD, Phakmani Impact Capital and Inyosi Investment.
IMPACT IN **INVESTMENT**	▲ Approximately three-quarters of total surveyed assets, or USD 360bn, involve ESG integration. A screening process was used in the investment process for 37% of all assets.[14] ▲ Consideration of ESG factors and integrated reporting is driven by JSE reporting requirements, along with voluntary UNPRI and CRISA guidelines. Governance factors are considered in 50% of investments, while social and environmental factors are incorporated in only about 25% of deals.[15]	▲ Sustainability-themed investments total close to USD 50bn, reflecting more than 10% of total surveyed assets.[16] ▲ The Old Mutual Investment Group launched South Africa's first index unit trusts with investment opportunities for institutional, retail and direct investors.[17] ▲ In July 2017, Cape Town issued a green bond that was oversubscribed by a factor of four. Johannesburg and the International Finance Corporation (IFC) also released bonds described as green before the Green Bond segment was officially launched.[18]	▲ Impact investment represents approximately 3.5% of total AUM.[19] ▲ As of 2017, South Africa was home to 57 impact-investment funds, while impact investment in total amounted to more than USD 17bn.[20] ▲ Civil-society organizations have shown considerable interest in SIBs and outcomes-based contracts. Two SIBs have been launched at the provincial level, and an outcomes-based contract is being considered at the national level. This could result in additional guidelines being developed by the Treasury, encouraging further implementation at all levels.
IMPACT IN **POLICY**	▲ Pension regulations require funds to consider ESG factors before investing in an asset, and allow up to 15% investment in alternative asset classes (including impact business). ▲ An initiative led by the National Treasury is examining how financial-sector entities are incorporating ESG factors into their investment decisions, with a focus on climate. A carbon tax was passed in 2019. The tax of USD 8.34 per ton of carbon dioxide will take effect in 2022.[21]	▲ The King IV report on corporate governance stipulates that listed companies should provide a set of integrated reports per annum, within which they must report on sustainability. ▲ The BBEE legislation provides government and corporate procurement advantages to previously disadvantaged black-owned businesses. Companies are required to spend 2% of their profits on supplier development, and 1% on enterprise development, specifically targeting value-chain and company skills development.[22] ▲ Tax incentives are provided for (minimum five-year) investments in venture-capital companies. ▲ Procurement legislation has been amended to favor small enterprises, rural and township enterprises, and designated groups, while promoting local industrial development.	▲ A national impact-investment task force was created in 2018. This is intended to accelerate the deployment of impact-oriented capital.[23,24]

	Avoid Harm	Benefit all stakeholders	Contribute to Solutions
IMPACT ON **CONSUMPTION**	▲ Sustainable consumption in an environmental sense has not yet taken hold in South Africa. The share of households that frequently recycle nearly doubled between 2010 and 2015, from 4.0% in 2010 to 7.2% in 2015, but remains low.[25] ▲ The usage rate of biodegradable and natural products is rising; however, these products' higher price point keeps them out of the mainstream.		

SDG Dashboard and Trends

CURRENT ASSESSMENT – SDG DASHBOARD

Major challenges Significant challenges Challenges remain SDG achieved Information unavailable

SDG TRENDS

Decreasing Stagnating Moderately improving Mantaining On track Information unavailable

Key Initiatives

Improved access to capital for impact businesses
Because there is no legal form for impact businesses in South Africa, funds are unable to target them specifically. However, a number of funds based in South Africa do deploy capital for impact. Further, DFIs play an important role in South Africa. These institutions have different missions, but they all provide access to capital. For example, the Industrial Development Corporation (IDC), a state-owned national DFI, provides financing to businesses engaged in competitive industries, while the Development Bank of Southern Africa focuses on socioeconomic infrastructure, and is an accredited entity associated with the Green Climate Fund.

Educational Initiatives
South Africa is home to several educational programs related to impact investing. These are run by government-funded universities such as the UCT GSB Bertha Center (a leading social-impact center) and the Gordon Institute of Business and Science.

Road to Impact Economy

PATH TO TIPPING POINT 2020

Support International Labour Organization (ILO) social-economy policy
The ILO is currently in the early stages of developing a social-economy policy in conjunction with the South African Department of Trade and Industry. This would help define the social economy on both the supply and demand side, provide ideas on the support of impact businesses, and shed light on whether a new corporate form for impact businesses was needed.

Establish an impact-investment wholesaler
The South African NAB is already working toward the establishment of an impact-investment wholesaler, and is looking to structure it using a blended-finance model with funding from foundations and institutional investors.

Revise the non-profit law
A revision of the law governing non-profit organizations would allow for more flexible and potentially sustainable business models for entities utilizing the non-profit legal company form. Creating

a legal company form specifically for impact businesses would allow for the establishment of targeted fiscal incentives such as tax incentives.

Create a central outcomes fund

The South African NAB is exploring the creation of an Education Outcomes Fund. The positive externalities of such a fund would go beyond numeracy and literacy, as it could also help boost the SIB market.

Provide greater incentives for impact capital

South Africa is home to a large ecosystem of social enterprises. However, the overall quantity of impact capital available is not large in comparison to total AUM. To expand the provision of impact capital, the government should introduce fiscal incentives for impact enterprises and investors, while businesses should increasingly act as impact investors by launching additional SIBs or by funding early-stage inclusive businesses with a social mission. The government could further incentivize this development by raising such companies' BBBEE scores.

TRANSITION TO IMPACT ECONOMY 2030

Seeking to develop responsible business practices, responsible consumption and responsible procurement as norms, South Africa's National Development Plan (NDP) is aligned with the SDGs by prioritizing the elimination of poverty, the reduction of inequality and the development of an inclusive economy. Nonetheless, additional steps are needed to move toward an impact economy, some of which are mentioned below.

Employment opportunities for youth

- Unemployment is a serious problem in South Africa, especially among black youth. Youth-focused social enterprises could play a role in providing relevant skills-development programs to prepare youth for the labor market. Some outcomes-based models have already been used for this purpose (e.g., Harambee Bonds4Jobs), and could be scaled if proven successful. Another potential way to tackle the problem would be through the development of a framework for youth-led social enterprises, whereby youth could be encouraged to work on social or environmental challenges, in effect also creating employment opportunities for their peers.

Inclusion of marginalized groups

- South Africa continues to face inequality- and discrimination-related challenges as a lingering consequence of apartheid. Inclusive approaches – for example, through the use of inclusive business models – could be a way of ensuring that the benefits of economic progress are equitably distributed, while at the same time expanding the provision of basic goods and services.
- In addition, South Africa experiences inward immigration from other parts of Africa. Social and economic integration and the inclusion of these groups within mainstream society will be an important element in the transition to an impact economy.

Recycling and sustainability

- South Africa lacks an adequate national-level recycling ecosystem, a fact that results in negative effects within the country's social and environmental systems. Municipal-waste recycling rates, while rising, remain very low. Participation by the entire recycling value chain will be needed to keep environmental impacts under check. The public sector could play a steering role, fostering recycling and the development of a circular economy.

Footnotes:

[A] **Environmental Performance Index** Available at: https://epi.envirocenter.yale.edu; All other **indicators** available at: http://hdr.undp.org/en/countries

[B] Information tends to be limited for specific rounds of funding. Therefore, In **Spotlight Deals,** "Total Funding" refers to the total money that a specific company has raised. The investors listed may have participated in one or several rounds, and may have done so as lead or co-investors.

[C] The **ABC** of the **South African Impact Economy** table is adapted from the IMP framework.

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South Korea

Market Overview

South Korea's impact investment market, though nascent, is growing rapidly due to recent policy changes. Government-initiated impact investing wholesalers and fund-of-funds aim to disburse USD 668.6mn[i] over the next five years. Impact investing is gaining popularity among demand-side constituencies who have traditionally been supported by government contributions, and publicly available loans and guarantees. Market-building efforts led by the Korea National Advisory Board for Impact Finance (Korea NAB) aim to link domestic markets with global trends. By inviting speakers and showcasing global cases, such efforts raise awareness of impact investing among policymakers, foundations, asset owners and asset managers.

IMPACT INVESTMENTS HIGHLIGHTS

Supply of Impact Capital

- Most impact investments are government driven. Government-driven funding aims to supply USD 2.7mn for 2019, including loans, guarantees and equity investments, but excluding investment by the Social Value Solidarity Fund (SVSF). This figure is expected to increase over the coming years.
- Government-backed impact investors include guarantee organizations (e.g., Korea Credit Guarantee Fund, Korea Technology Finance Corporation), mutual financial institutions (e.g., National Credit Union Federation of Korea, Korea Federation of Community Credit Cooperatives) and fund-of-funds (e.g., Korea Venture Investment Corporation, K-growth).
- Private impact investors often cooperate with government-driven funds and act as general partners for impact fund-of-funds, although some traditional private asset managers and owners act as limited partners.
- Regional governments also provide impact capital, such as Seoul (USD 48.3mn) and Gyounggi (USD 10mn), while five smaller regional governments have committed a combined USD 8.3mn as of 2019.
- SVSF, an impact wholesale fund, was established in January 2019. The fund aims to invest USD 250.5mn over five years from 2020, with the government matching private funding secured by the fund.

Intermediation of Impact Capital

- The 20 impact fund-of-funds that are currently being run in Korea and the 28 impact investors who are certified venture capitals and asset managers intermediate a total AUM of USD 250.4mn as of 2019.
- With the exception of impact fund-of-funds, the intermediation of capital from government-related agencies is largely conducted via existing regional branches.
- Intermediation of regional government funding is usually provided via loan and guarantee agencies (e.g., National Credit Union Federation of Korea, Korea Federation of Community Credit Cooperatives) or impact-focused intermediaries (e.g., Korea Social Innovation Finance, Korea Central Council of Social Enterprise Mutual-Aid Fund).

Demand for Impact Capital

- Social businesses in South Korea can take different legal forms. Legal categories include social enterprises (certified and pre-certification), social cooperatives (certified), community businesses (certified) and self-sustaining businesses (certified). Social ventures are eligible for support from government-financed impact fund-of-funds if they meet government impact guidelines.

Government and Regulation

- Social finance policy is coordinated by the Ministry of Strategy and Finance, Ministry of Labor, Financial Services Commission (FSC), and Ministry of SMEs and Start-ups. A secretarial post within the President's Office facilitates coordination between ministries.
- The FSC runs a quarterly social finance review committee.
- A revision of the 2013 Basic Law for Social Economy, incorporating policy levers to promote social finance, is being reviewed by the National Assembly. The Social Finance Promotion Policy, introduced by the President's Office and FSC in January 2018, has been the most significant policy impetus to date.

Market Builders

- Korea NAB was established in 2018. Korea NAB advises government, builds media attention, develops new investment strategies and practices, and promotes measurement practices regarding impact investing. Korea NAB established Impact Management Korea (IMK) to develop consensus-based impact measurement and management standards, echoing the global Impact Management Project (IMP) initiative.
- The Korea Credit Guarantee Fund is developing a social business assessment system to enable social finance organizations to assess the financial and social value created by social businesses.

Indicators[A]	
GDP total (2011 PPP $ billion)	1,849.6
Total Population (millions)	51
GINI Index	31.6
HDI	0.903
MPI	N/A
EPI	62.3

KEY PLAYERS

Asset Owners	Asset Managers	Impact Entrepreneurs
Korea Venture Investment Corporation (gov't funded)	D3Jubilee Partners	Test Works
Korea Venture Investment Corporation (gov't funded)	Coolidge Corners Investment	ECubeLab
K-Growth (gov't funded)	The Wells Investment	JibToss
Social Investment Fund (Seoul Metro City)	Korea Social Innovation Finance	Big Issue Korea
RBC Bank	BDC Capital	PlayLab
FTQ Pension Fund	InvestEco	BioDiaspora

SPOTLIGHT DEALS[B]

Company	Total Funding	Investor	Sector
ToDoWorks	$ 2M	D3Jubilee Partners	Disability and work
Enuma	$ 4M	Yellow Dog	Education
Poyen	$ 2,5M	SKE,Shinhan Alternative Investment	Environment

[i] Exchange rate used throughout the document: KRW 1 = USD 0.0008

ABC of the South Korean Impact Economy[C]

An impact economy is a just and equitable economic system in which positive impact – alongside risk and return – are embedded. In an impact economy, governments, organizations, investors and consumers are motivated to include marginalized and underserved sections of society while taking concerns regarding our planet and its environment into consideration.

The following table shows actions undertaken by various stakeholders in South Korea that exemplify the adoption of strategies that **A**void harm, **B**enefit all stakeholders and **C**ontribute to solutions. Government has been prominent in fostering South Korea's impact investing landscape. South Korea's social economy is a regional leader, with South Korea having been the first country in East Asia to introduce legislation defining social enterprises.

	Avoid Harm	Benefit all stakeholders	Contribute to Solutions
IMPACT IN **BUSINESS**	▲ In May 2018, the SK Group announced that it would apply a double bottom line of social and financial returns to its businesses, the first large conglomerate in South Korea to do so.[1]	▲ In July 2018, Korea East-West Power was the first to issue a sustainability bond, raising USD 500mn for energy construction and SME financing projects.[2] ▲ There are 13 B Corporations in South Korea.	▲ There are 2,306 social enterprises (as of September 2019); 1,242 pre-certification social enterprises (as of September 2019); 16,246 social cooperatives (as of September 2019); 1,555 community businesses (as of March 2019) and 1,211 self-sustaining businesses (as of December 2018). ▲ The Happiness Foundation, the CSR arm of SK Group, primarily provides support to social enterprises through mainstreaming impact investment among financial institutions. The foundation invests in social enterprises through loans, convertible bonds and equity. It has disbursed impact capital through direct investments in social enterprises (USD 4mn), government-run social enterprise funds (USD 2mn) and the Social Investment Fund (USD 4mn).[3]
IMPACT IN **INVESTMENT**	▲ The South Korean National Pension Service (NPS), with close to USD 500bn in assets in Korea, is one of the largest players in the South Korean financial industry. On 12 April 2019, in a forum co-sponsored by UNEP FI, called "Mainstreaming Social Impact Investing in Pension Funds," South Korean presidential candidates discussed integrating environmental, social and governance (ESG) considerations into the national pension system.[4]	▲ Since the country's first green bond was issued in 2013 by Korea Export-Import Bank, the green bonds market has matured, and includes Hyundai Capital's USD 500mn issue in 2016 and the Korea Development Bank's USD 300mn trade in 2017.[5]	▲ In 2016, the size of the South Korea impact investment market was around USD 45mn.[6] ▲ In February 2018, Korea NAB was established, with support from the British Council and UNESCAP. Korea NAB was the third NAB in Asia after India and Japan.
IMPACT IN **POLICY**	▲ Since April 2019, South Korea has lowered taxes on liquid natural gas by as much as 74% and raised taxes on thermal coal by 27% to drive the country's energy mix toward more sustainable sources. ▲ In 2016, the FSC released the Korea Stewardship Code, a voluntary agreement to improve corporate governance and include ESG factors in investment decisions.[7]	▲ New procurement legislation, the Special Law for Promotion of Social Economy Business Products and Distribution Channel, similar to the United Kingdom's Social Value Act, is being developed. The law will stipulate that government, including government agencies, local governments and public entities, should procure a minimum of 5% in value from social economy businesses, increasing the current rate of 1.18%.	▲ In 2007, the Social Enterprise Promotion Act was introduced in South Korea, paving the way for the formalization of social enterprises. Legally recognized social enterprises can receive government subsidies, tax benefits and preferential treatment.[8] ▲ The government has pledged USD 120mn per annum to match private funding for SVSF. The Ministry of SME and Start-ups, and FSC began providing USD 100mn and USD 200mn per annum, respectively, to capitalize impact fund-of-funds, starting from 2018.

	Avoid Harm	Benefit all stakeholders	Contribute to Solutions
	▲ There is currently no legal obligation for financial investors to include ESG into their decision-making. However, the FSC 2016 Stewardship Code and the NPS 2017 Stewardship Code led to widespread adoption of ESG principles. The codes promote investment in firms that are ethical as well as law abiding. The active engagement of public funds in the corporate governance of their investments is expected.	▲ The Ministry of Environment, and the Korean Environmental Industry and Technology Institute introduced the Green Credit Card scheme in 2011. The Green Credit Card is an incentive scheme that provides rewards to credit card users for purchasing low-carbon and eco-friendly products, using public transport, and reducing utility consumption (e.g., electricity, water and gas).	▲ The Ministry of Labor, via Korea Social Enterprise Promotion Agency, provides government support to social enterprise accelerator and incubator programs. The Ministry of SMEs and Start-Ups also supports the acceleration and incubation of social ventures, which are separate non-certified entities. There are several well-known incubating programs run by private sector intermediaries.
IMPACT ON **CONSUMPTION**	▲ 75.2% of people in South Korea consider the environmental performance of products when making a purchase. The most frequently purchased eco-friendly products in South Korea are organic agricultural products (49.5%), energy saving products (38.6%), products made from natural ingredients including cosmetics and clothes (34.6%), recycled products (27.4%), and eco-labeled products (22.3%).[9] ▲ As of 2016, 55% of the economically active population in Korea owned a green credit card.[10]		

SDG Dashboard and Trends

CURRENT ASSESSMENT – SDG DASHBOARD

Major challenges · Significant challenges · Challenges remain · SDG achieved · Information unavailable

SDG TRENDS

Decreasing · Stagnating · Moderately improving · Mantaining · On track · Information unavailable

Key Initiatives

Use of outcome-oriented contracts and develop the social impact bond market

Two small-scale social impact bonds have been issued by the Seoul and Gyounggi governments, addressing the education sector and services for children with special needs. The National Assembly is reviewing a law that would enable the government to invest in social impact bond projects, which current legislation does not allow. The Ministry of Interior and Ministry of Foreign Affairs are inviting proposals for social impact bonds.

Educational initiatives

Tertiary-level education (e.g., bachelor and master) programs focusing on the social economy are taught at Hanyang, KAIST and Sungonghwe Universities. However, courses on impact investing remain rare in South Korea's higher education institutions.

Road to Impact Economy

PATH TO TIPPING POINT 2020

Impact measurement and standardized reporting

The Korean NAB has established IMK, a consensus-based impact measurement standard. At present, measurement efforts are pursued independently by investors and consultancies, and are thus in need of a concerted effort to develop a comparable measurement scheme similar to the efforts of the IMP.

Clarify fiduciary duty

Asset owners and managers in Korea often fail to incorporate ESG impacts in their investment decisions due to the lack of an explicit legal requirement to do so. Overall, there is little pressure from private investors or society at large for impact investing. Policy measures to promote education and awareness of the importance of considering the impact dimensions of investments are needed.

Build awareness around impact investment

Evidence gathering, awareness raising and educational efforts should go hand-in-hand to mainstream the adoption of impact portfolios. Despite Korea's global firms (e.g., Samsung and Hyundai), philanthropic foundations and family offices in Korea represent a small share of impact investing. Various institutional and legal reasons have slowed the adoption of impact investment principles and practices by these organizations. Efforts to mobilize foundational assets for impact investing should be involve easing legal barriers, and providing tax incentives similar to the PRI and MRI reforms in the United States. Impact investing education for younger generations should be fostered across all educational levels.

Regulation surrounding social impact investing organizations vs regular financial institutions

Capital size and experience requirements for asset managers are key barriers for many aspiring impact investors. License requirements should be customized for impact investors and intermediaries different from the requirements for mainstream asset managers.

Regulation surrounding outcome-oriented contracts

Improving the legal basis to enable governments to allocate budgets for social impact bond and outcome-oriented projects needs to be accomplished.

Fiscal incentives

Fiscal incentives for impact asset owners and managers are an important way to channel capital to Korean impact spaces. Providing inductive tax benefits to foundations and corporations involved in impact investing should be pursued.

TRANSITION TO IMPACT ECONOMY 2030

- ▲ South Korea faces challenges around population aging, the environment and gender equality. Given South Korea's rapidly aging population and the high rate of poverty among elderly people, social purpose organizations that can provide employment opportunities, welfare services or community support for the elderly can address the growing demographic challenge. Similarly, South Korean social investors could support female social entrepreneurs to address the issue of gender disparity in opportunity.
- ▲ South Korea's social enterprise ecosystem was built and continues to thrive on government investment. Korean social enterprises receive government subsidies and often have difficulty achieving financial sustainability once government subsidies are discontinued. Fostering alternative sources of financing is will be necessary to harness the potential of the social economy.
- ▲ South Korea's growth narrative remains environmentally unsustainable. Current environmental policies are insufficient to protect the environment, preserve the sustainability of resources or improve air quality. At the same time, the share of renewable energy production in South Korea is the second lowest in the OECD. Developing an impact economy will require proactive steps to counter environmental consequences of economic growth.

Footnotes:

[A] **Environmental Performance Index** Available at: https://epi.envirocenter.yale.edu; All other **indicators** available at: http://hdr.undp.org/en/countries

[B] Information tends to be limited for specific rounds of funding. Therefore, In **Spotlight Deals,** "Total Funding" refers to the total money that a specific company has raised. The investors listed may have participated in one or several rounds, and may have done so as lead or co-investors.

[C] The **ABC** of the **South Korean Impact Economy** table is adapted from the IMP framework.

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Spain

Market Overview

Though slated as one of the EU's 13 "incipient" social impact investment (SII) markets,[1] there is strong cross-sectoral momentum in the Spanish market. A few organizations have begun experimenting with financing impact enterprises through means such as ethical banking, blended finance, VC and venture philanthropy. Spain's primary promotional Bank, Instituto de Credito Oficial (ICO), has been issuing social and sustainability bonds since 2015. Some local governments actively promote the SII market with public funds targeting social entrepreneurship. Barcelona and Madrid are also exploring the potential of social impact bonds. With the support of Eurocapital EAF, Open Value Foundation, and UnLtd Spain, Foro Impacto was founded in 2018 with the goals of creating a NAB, sponsored by CaixaBank, to join the GSG, and fostering Spain's impact ecosystem.[2]

IMPACT INVESTMENTS HIGHLIGHTS

Supply of Impact Capital[3]

- Through Axis, a USD 2.2bn[i] VC fund of funds, ICO has earmarked USD 55mn for co-investments in Spanish impact funds.
- State-owned ENISA has lent USD 1bn to enterprises and has shown interest in financing more, based on SDG criteria.
- Regional and local governments such as Vizcaya, Madrid and Barcelona are leading in the supply of capital, investing in social enterprises and impact funds.
- Ethical banks lead the way in social enterprise lending (USD 1.3bn in loan portfolios), but large corporates (e.g., Iberdrola, Repsol) are also deploying impact investing capital.
- Multi-family entities such as Magallanes Capital Partners and Anesvad Foundation have started to invest in the impact sector.

Intermediation of Impact Capital[4]

- Since the first impact investment fund was launched in 2011 (Creas Desarrolla), their numbers have grown and cover almost every stage of enterprise development, several regions, and a growing sample of impact classes.
- Spain's NAB estimates a current total of 14 impact investing funds managing around USD 99mn.

Demand of Impact Capital[5]

- Demand is driven by social economy organizations in the third sector, social enterprises adopting legal and governance frameworks closer to traditional enterprises, and large corporations with impact objectives.

Government and Regulation

- The central government has a strong interest in the field of impact investing, as is demonstrated by its push to join the GSG and support for the event on public policies in impact investment held in Madrid this year.
- The Government of Navarra and the Municipality of Barcelona have introduced social impact bond pilots and the Municipality of Madrid has committed USD 33mn to social enterprises and impact funds.

Market Builders[6]

- Foro Impacto's strategic partnerships with the IMP, ZubiLabs, BBK Venture Philanthropy Program, and Go!ODS promote the impact investing space.
- Incubators and accelerators (e.g., UnLtd Spain, Ship2B and Social Nest) are doing a good job in fostering projects and ideas from social entrepreneurs but face a lack of patient and flexible capital.
- Initiatives such as Obliga of Seed Capital Bizkaia, Sinnple Ecodes, Stone Soup and EsImpact help keep track of the impact created by social organizations.
- Established associations such as SpainSIF, the Spanish Private Equity and Venture Capital Association (ASCRI), and the Spanish Association of Foundations (AEF) play a major role in activating their members and existing knowledge to grow the market.

Indicators[A]	
GDP total (2011 PPP $ billion)	1.596
Total Population	46.4 M
GINI Index	36.2 M
HDI	0.891
MPI (%)	N/A
EPI	78.39

KEY PLAYERS

Asset Owners	Asset Managers	Impact Entrepreneurs
BBK	Triodos Bank	Fundación Rais
Open Value Foundation	La Bolsa Social	Koiki
Fundación Anesvad	Ship2B	Zubi Labs
Magallanes Value Investors	Seed Capital Bizkaia	Fundación Futur
Axis, Fond-ICO Global	Global Social Impact	SocialCar
Ayuntamiento de Madrid	Gawa Capital	Vox Prima
Diputación Foral de Vizcaya	Creas	Specialisterne
Generalitat Valenciana	Qualitas Equity	Auara

SPOTLIGHT DEALS[B]

Company	Total Funding	Investor	Sector
Fusion Microfinance	USD 184.9mn	GAWA Capital, Oikocredit, Warburg P.	Microfinance
Insotec	USD 15mn	Magallanes, Triple Jump, Blueorchard, Triodos	Microfinance
Tugende	USD 11.1mn	GSI, PG Impact, OPIC	Fin Inclusion
Psious	USD 9mn	Sabadell Venture, Caixa Capital Risc, Ship2B	Health care
Koiki	USD 1.5mn	Phitrust, Seed Capital Bizkaia, Creas SL, Ship2B, Oltre Venture	Logistics
Trilema	USD 1.2mn	Creas ImpactoE	Education

[i] Exchange rate EUR 1 = USD 1.1

ABC of the Spanish Impact Economy [C]

An impact economy is a just and equitable economic system in which positive impact is embedded alongside risk and return. In an impact economy, governments, organizations, investors and consumers are motivated to include marginalized and underserved sections of society while taking concerns regarding our planet and its environment into consideration.

The following table shows actions undertaken by different stakeholders in Spain that illustrate the current rate of adoption of strategies that **A**void harm, **B**enefit all stakeholders, and **C**ontribute to solutions. Despite its nascent status, Spain's impact investment sector has been subject to a strong momentum in the last five years and is poised to accelerate its growth as one of the top social business ecosystems in Europe.

	Avoid Harm	Benefit all stakeholders	Contribute to Solutions
IMPACT IN **BUSINESS**	▲ Employment pension funds continue to be one of the main players in the SRI market in Spain, thanks to the 2014 Regulations for Pension Plans and Funds introduced by control committees to include ESG criteria in the funds' investment policies. ESG pension plans reached equity of USD 1.37 bn in 2017.[7]	▲ Robeco asset management, a pioneer in sustainable investing with a strong presence in Spain, is launching an initiative to raise awareness among asset owners about impact investing; this includes a roadshow covering several Spanish cities. ▲ There are 47 certified B Corps in Spain.	▲ Spain's social economy features more than 42,000 companies that account for more than 2 mn jobs and 10% of the country's GDP.[8] ▲ The social economy also features a growing number of profit-with-purpose businesses disrupting the market with innovative products and services for social and environmental challenges. These businesses are supported by a group of 10-15 impact accelerators such as UnLtd Spain, Ship2B or Socialnest, among others.
IMPACT IN **INVESTMENT**	▲ The total SRI market stood at USD 204bn in 2017. The quality of SRI has improved due to market pressure which has advanced strategies such as the Best-in-Class and ESG integration. However, there is still a great deal to do as the assets under ESG's advanced strategies represent only 20% of all ESG assets.[7] ▲ Almost 82% of investors in the SRI industry are in the retail sector.[9]	▲ In April 2019, Spain's ICO issued a USD 550mn green bond, which includes water supply and wastewater treatment projects.[10] ▲ Sustainability and best-in-class investment in Spain accounted for USD 25,317 mn.	▲ Spain accounts for around USD 99mn in assets held by 14 domestic impact funds.[11] ▲ Ethical banks such as Triodos and Fiare are well established players with a USD 1.3 bn loan portfolio.
IMPACT IN **POLICY**		▲ In 2018, Spain transposed into national law the EU Directive requiring companies of more than 500 employees to disclose non-financial information. This statement must include information regarding the company's evolution, performance, position and business impact on, as a minimum, environmental, social and employee matters, gender equality, non-discrimination, respect for human rights, anti-corruption and bribery matters. A total of 94% of Spanish companies follow GRI reporting standards.[12]	▲ In 2011, Spain passed a Social Economy Law guaranteeing the implementation of public policies (e.g., Spanish Social Economy Strategy 2017 – 2020) to enhance social economy companies.
IMPACT IN **CONSUMPTION**	▲ A majority of Spanish consumers (73%) consider ethical and environmental factors when making purchase decisions, while 62% believe that their consumption is a very powerful tool to change the world.[13]		

SDG Dashboard and Trends

CURRENT ASSESSMENT – SDG DASHBOARD

Major challenges   Significant challenges   Challenges remain   SDG achieved   Information unavailable

SDG TRENDS

Decreasing   Stagnating   Moderately improving   Mantaining   On track   Information unavailable

Key Initiatives

National Strategy

During 2018 and 2019, Foro Impacto coordinated the work of more than 70 organizations and managed to put together a series of publications highlighting challenges and opportunities to grow the impact investment market. These reports, sponsored by Robeco, BBK, and EY and led by GAWA Capital, Ship2B, and Creas, presented more than 100 recommendations for boosting impact investing in Spain. The collective effort of these organizations resulted in a final publication "Towards an impact economy"[2] that prioritizes five of these recommendations into a national action plan.

The ambitious plan aims at growing the size of the impact investment market by four by June 2021, targeting the achievement of 13 goals in less than one year, 14 more goals within three years and another seven within five years. The "macro" recommendations under which these 34 goals fall are provided under the "Road to Impact Economy" section in this profile.

Foundations and Mission-Related Investments (MRI)

As of 2014, Spain featured an estimated 14,120 foundations of which approximately 12% are big foundations with more than USD 2.6 bn AUM. Some of these foundations are engaging in MRIs.

One such foundation, Anesvad, which is committed to eradicating neglected tropical diseases, has at least 50% of its endowment invested in MRI. Open Value Foundation, an organization that promotes equality of opportunities, has entirely shifted its grant model toward venture philanthropy and impact investing. BBK, a savings bank, is positioning itself as an early-stage concessionary investor for social enterprises in Vizcaya that is based on a venture philanthropy approach.

In addition, Open Value Foundation is leading the creation of an impact foundations fund, a financial vehicle funded through the contribution of a small portion of participants' revenues. The pilot has two stages: a training/learning phase in the short term, and a co-investment phase in the medium term after which the foundations are expected to be ready to invest on their own.

Hybrid Finance

COFIDES, the Spanish development finance institution, led the Huruma fund, the first Spanish hybrid vehicle within the framework of the EU AgriFi blending facility. Advised by GAWA Capital, the fund targets EUR 100mn of capital.

Market Integrity and Best Practices

Creas launched Creas Impacto, the first EuSEF impact fund approved by the Comisión Nacional del Mercado de Valores (CNMV), the Spanish financial regulator, in 2018. The fund was the first Spanish investment of the European Investment Fund under its Social Impact Accelerator program. Best practices such as linking a significant portion of the carried interest to the impact achieved have also been implemented by several fund managers like GAWA Capital and Creas.

Social Outcomes Contracts

There are several social impact bond initiatives currently under way with the governments of Navarra and Barcelona that are designed to finance innovative interventions in the area of childcare and with the Madrid regional government in addressing homelessness. Moreover, the government of Castilla y León commissioned a pre-viability study on workforce development interventions and international examples of SIBs launched in this field.

Sustainable Investing

Several traditional asset managers have recently become fully committed to integrating ESG criteria in their investment processes. For instance, CaixaBank Asset Management, Spain's largest asset manager with USD 55bn AUM, obtained an A+ rating in its most recent UNPRI assessment. In March 2019, Arcano Partners, a leader in private equity funding of funds, launched Arcano Spanish Value Added Real Estate fund II, its first ESG fund, integrating ESG criteria throughout the investment life cycle (i.e., from due diligence to monitoring) and engaging with fund managers on key ESG issues in order to improve performance.

Family-owned Businesses

Food company Cerealto Siro, issued a USD 264mn syndicated sustainable loan led by Rabobank, the first of its kind in the food sector. The credit targets specific outcomes such as the products' nutritional value and the inclusion of disabled people in its workforce. The credit is part of the company's strategy, which places sustainability at the center of decision-making.

Road to Impact Economy

PATH TO TIPPING POINT 2020

Spain's NAB has prioritized five lines of action.

Strengthen impact enterprises through incubators and accelerators
Strengthening impact enterprises in the initial phases of development is a key strategy to generate positive impact in the medium and long term.

Attract public and private funding to catalyze impact investing
Even though some pioneering investors have already created impact funds and inclusive financing platforms, the supply of impact capital for impact investing in Spain is still limited. The public and private supply of impact capital could progress at a faster pace and at a larger scale with the creation of entities such as that observed in Portugal, Inovaçao Social (see Portugal profile).

Find support in the capital and knowledge of foundations
Foundations have proved to be one of the most relevant actors when it comes to advancing impact investing. For instance, the U.S. National Advisory Board has the support of the Ford Foundation, which is also a main actor in the field of impact investing with USD 1bn committed to MRIs.[14]

Promote outcome-based contracts (OBC)
OBCs such as the Social Impact Bonds are designed to overcome the challenges governments face with investing in prevention and early intervention. Such contracts could be used on a wider scale in Spain.

Create knowledge and market infrastructure for an impact economy
Developing the adequate market infrastructure to allow for financial and non-financial mediation has proved to be paramount in other international markets. Spain needs to develop such an infrastructure alongside a culture of impact measurement.

TRANSITION TO IMPACT ECONOMY 2030

- One of Spain's most pressing societal problems concerns youth unemployment, which affects 50% of those under the age of 25 in the country. Spain's social economy and its dedicated organizations such as the "Worforce Placement Companies" and "Special Employment Centers" could promote workforce inclusion. There is strong opportunity to invest in the growth and consolidation of these companies and thereby scale their impact exponentially.[15]
- Policy needs to recognize new corporate forms focused on impact.
- Responsible businesses, responsible consumption and responsible procurement should be established as norms.
- Introduce fiscal incentives for impact enterprises and investors.
- Institution-led impact investment is needed to build additional sources of strategic capital through wholesalers.
- Impact measurement frameworks should be integrated into business and policy decision-making.
- Increased investments through structured funding models like SIBs/ DIBs are needed for the delivery of public services and achieving social objectives.

Footnotes:

A. **Environmental Performance Index** Available at: https://epi.envirocenter.yale.edu; All other **indicators** available at: http://hdr.undp.org/en/countries
B. Information tends to be limited for specific rounds of funding. Therefore, In **Spotlight Deals,** "Total Funding" refers to the total money that a specific company has raised. The investors listed may have participated in one or several rounds, and may have done so as lead or co-investors.
C. The **ABC** of the **Spanish Impact Economy** table is adapted from the IMP framework.

Sources:

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Sweden

Market Overview

Sweden is one of the world's leaders with regard to impact-oriented and responsible investment. Many of its state pension funds, such as AP4, have investment philosophies that regard integration of sustainability factors into investments as a precondition for the ability to generate sustainable returns over time. Others have been mandated to lead by example with regard to sustainable investment. Sweden's asset owners are some of the most forward-thinking in the world. In addition, Sweden has a vibrant startup and entrepreneurial scene that is producing high-potential impact entrepreneurs at a rapid pace.

IMPACT INVESTMENT HIGHLIGHTS

Supply of Impact Capital

- Since 2014, 163 social impact investments have been made in the Nordic countries, totaling USD 452.7mn. Though most of these were in Norway, there has also been significant activity in Sweden and Finland.
- Norrsken is a EUR 30mn (USD 33mn) impact fund dedicated to impact-oriented technology.
- Summa Equity is a private equity firm focusing solely on investments with measurable impact. It manages aggregate capital commitments of SEK 14bn (USD 1.4bn).
- Trill Impact is an impact-oriented private equity fund with anchor investors such as Nordea, which will invest between EUR 300mn and EUR 500mn (USD 330mn to USD 550mn) in the fund.
- Leksell Social Ventures is a family-run impact investor that initiated and funded Sweden's first social outcomes contract.

Intermediation of Impact Capital

- Social entrepreneurship has increased since the founding of the Norrsken Foundation, a foundation that invests in technology-for-good enterprises.
- SEB is a leading Swedish bank in the green bond market. The bank is also a global pioneer with regard to social bonds with outcome-related returns.
- RISE Social and Health Impact Center is a para-governmental body working to structure and fund social outcomes contracts.
- SE Forum is a non-profit organization that advocates for responsible business solutions to local and global challenges.

Demand for Impact Capital

- Though there is no official legal form for social enterprises as a whole, there are 300 registered work integration social enterprises (WISEs) in Sweden.
- An increasing number of large real estate companies, public sector authorities and other organizations critical to a well-functioning society are looking into issuing bonds with impact-related returns.
- Sweden's vibrant tech and startup scene is increasingly focusing on impact, generating a new market for early stage impact investment.

Government and Regulation

- Since 2018, Sweden has had a national strategy for social entrepreneurship, which was created to spur social enterprises and social innovation.
- The Swedish government, through the Department of Finance, has commissioned a report on social investments from the Expert Group on Public Finance (Expertgruppen för studier I offentlig ekonomi, ESO). This was scheduled for release in January 2020.

Market Builders

- Norrsken House in central Stockholm is a co-working space that claims to be Europe's biggest impact-tech hub, hosting over 300 social entrepreneurs and entities producing tech for impact-related solutions.
- Prosper is an impact investment advisory firm that has played a central role in developing a framework for social bonds with impact-related returns for the public sector. It helped initiate the effort that led to the establishment of Sweden's National Advisory Board.
- RISE Social and Health Impact Center is an advocate for the social outcomes contracting model in Swedish public sector organizations.
- Vinnova – the Swedish Innovation Agency – has several grant programs for social entrepreneurs and social investments. It has played an important role in creating a market for impact entrepreneurship and impact investing.
- Tillväxtverket – The Swedish Agency for Growth – is working actively on developing financing solutions for social enterprises.
- Impact StartUp is a Nordic accelerator program that helps impact entrepreneurs become more investment-ready, scalable and financially viable, while also facilitating investments.

Indicators[A]	
GDP total (2011 PPP $ billion)	535,607
Per Capita Income (USD)	52,270
Total Population (millions)	9.6
Poverty Levels (%)	0.09%
GINI Index	0.28

KEY PLAYERS

Asset Owners	Asset Managers	Impact Entrepreneurs
Norrsken Foundation	Trine	Altered
Almi Invest	Trill Impact	Coala
Leksell Social Ventures	Summa Equity	Exeger
	Luminar Ventures	Grace Health
		Mimbly
		N2 Applied
		Plastic Fri
		Re:newcell
		Switch/r
		Trine
		Worldfavor

SPOTLIGHT DEALS[B]

Company	Total Funding	Investor	Sector
Solar Home	10mn	Trine	Energy
Handshake	74mn	EQT Ventures	Education
Altered	n.a.	Almi Invest	Water
Education and Care	1mn	Leksell Social Ventures	Education

The ABC of Sweden's Impact Economy[C]

An impact economy is a just and equitable economic system in which positive impact is produced in an environment of risk and return. In an impact economy, governments, organizations, investors and consumers are motivated to include marginalized and underserved sectors of the society in the mainstream economy, while also giving consideration to the needs of our planet and its environment.

The following table describes actions undertaken by a variety of stakeholders in Sweden for the adoption of strategies that **A**void harm, **B**enefit all stakeholders, and **C**ontribute to solutions. The Swedish financial market engages in a high degree of self-regulation, a fact that has allowed the SRI and impact investment market to grow through a bottom-up private sector approach spearheaded by pension funds, insurance companies and banks. Public authorities are now catching up, supporting the development of social enterprises through national strategies and dedicated funding opportunities.

	Avoid Harm	Benefit all stakeholders	Contribute to Solutions
IMPACT IN **BUSINESS**	▲ Sweden's important automotive sector has embraced ESG principles. For example, Volvo has invested strongly in alternative low-emission fuels. Scania, is focused on creating fossil fuel free commercial transport solutions by 2050, and already has a portfolio of engines using all currently available alternative fuels.	▲ A large proportion of green bond proceeds are used for low-carbon buildings, transport and renewable energy in Sweden.[1] ▲ In 2018, the total value of green bonds issued by real estate companies in Sweden was SEK 24bn; 70% more than in 2017. Some 24 Swedish real estate companies have established green bond frameworks.[2]	▲ Sweden has 300 work integration social enterprises (WISE) registered in the country, employing over 2,550 people, and engaging with a further 6,500 people through work placements, subsidized employment internships and job- training programs. ▲ The social impact delivered (e.g., health, well-being, etc.) was estimated to range from SEK 300,000 to SEK 1mn per WISE employee.[3]
IMPACT IN **INVESTMENT**	▲ In 2018, Sweden's largest pension fund, A7, which provides pensions to over 3.5mn Swedes, divested from numerous fossil fuel companies.[4] ▲ Almost all of Sweden's large institutional investors have some form of sustainable, responsible and/or ethical investment policy in place. ▲ Sweden aims to reach a net-zero GHG emission status by the year 2050. Related targets include reducing GHG emissions from a 1990 baseline by 40% by 2020, and having a completely fossil fuel free vehicle fleet by 2030.	▲ State pension funds were the first to move to responsible or sustainable investment. As of 2019, state pension funds (AUM USD 187bn*) are required to be "exemplary" with regard to sustainability. They must also develop common reporting guidelines on this topic. ▲ The Church of Sweden integrates sustainability aspects into its investment decisions. ▲ The Sustainability Declaration launched by the Swedish Investment Fund Association and Swesif aims to increase transparency and provide sustainability information for savers. By the end of 2017, more than 1,000 funds had signed up to its principles.[5]	▲ A total of USD 7.16bn in impact capital was invested in Sweden in 2018.[6] ▲ Leksel Social launched its first social impact bond in Sweden in 2016 in conjunction with the Norrköpings municipality. The project is intended to improve conditions for children placed in local authority care and treatment homes.
IMPACT IN **POLICY**	▲ A carbon tax was introduced in 1991 in Sweden at a rate corresponding to USD 26 per ton of fossil carbon dioxide emitted. By 2019, this rate had been increased to USD 123. The gradual increase in the tax level has given households and businesses time to adapt, which has improved the political feasibility of tax increases.[7]	▲ Following transposed EU rules, companies with more than 250 employees and net annual turnover of more than USD 36.4mn** must issue an annual non-financial statement containing information relating to environmental impact, social and employee-related policies, respect for human rights, and anti-corruption and bribery matters. ▲ The companies covered by this rule account for two-thirds of net revenues in the country's corporate sector, and two-thirds of CO2 emissions in the business sector.[8]	▲ The Swedish Inheritance Fund collects the unclaimed property of deceased persons. The Fund provides grant funding to social organizations.[9] ▲ In 2018, the Swedish government launched a national social enterprise strategy with a budget of USD 16.7mn. The strategy aims to encourage social entrepreneurship and social innovation, and has provided capital to ecosystem builders such as accelerators and incubators.[10]
IMPACT ON **CONSUMPTION**	▲ A total of 74% of Swedes say sustainability concerns impact their purchasing decisions. ▲ A total of 65% of Swedish consumers are convinced that reducing consumption is the most important action with regard to solving the climate crisis, and that this responsibility lies with the individual.[11]		

* Exchange rate used throughout the document: EUR 1 = USD 1.1

** Exchange rate used throughout the document: SEK 1 = USD 0.1

SDG Trends Table

CURRENT ASSESSMENT – SDG DASHBOARD

Major challenges   Significant challenges   Challenges remain   SDG achieved   Information unavailable

SDG TRENDS

Decreasing   Stagnating   Moderately improving   Mantaining   On track   Information unavailable

Key Initiatives

Outcomes funding

Sweden's first social impact bond was developed in 2016 in the Norrköping municipality, and was earmarked for the improvement of support for children placed in care.

Road to Impact Economy

PATH TO TIPPING POINT 2020

Broaden the social criteria used in public procurement

The potential to use social criteria in public procurement procedures is of particular importance to social enterprises. Currently, the use of such criteria is limited in scope and scale, focusing particularly on work integration. However, if these criteria were broadened, social enterprises could play a procurement role that extended well beyond work integration endeavor. This matter echoes the absence of a recognized and distinct definition of social enterprise in Sweden besides the WISE categorization.[12]

Create a specific legal form for social enterprises

The creation of a recognized and distinct legal definition of social enterprise in Sweden, beyond the WISE categorization, would help social enterprises expand their procurement role, among other benefits.[13]

Other potential goals include:

- Issuing frameworks and definitions for impact investing.
- Creating a USD 500mn impact wholesaler.
- Using pay-for-success models.
- Amending fiduciary duties.
- Making non-financial reporting mandatory for a larger body of companies.

TRANSITION TO IMPACT ECONOMY 2030

Sweden is a front runner in the OECD, with income inequality levels and greenhouse-gas emissions that are well below average. Yet the country still faces socioeconomic challenges. For example, despite the range of policies and measures already implemented, Sweden still needs to enhance refugee integration. Along similar lines, Sweden's results in the PISA student assessment tests have declined over the last two decades. This is believed to be associated with school inequalities and a reduction in the equality of opportunity, driven by residential segregation and school choice.[14] The impact economy holds the potential to ensure that the 2030 transition in Sweden will be an inclusive one.

Income disparity is another outstanding challenge in Sweden. This includes differences in income between women and men, and the need to increase disposable incomes among certain vulnerable groups, such as children and adults in families with low incomes, people with disabilities and the many newly arrived immigrants who have come to Sweden in recent years.[15]

Footnotes:

A. **Environmental Performance Index** Available at: https://epi.envirocenter.yale.edu; All other **indicators** available at: http://hdr.undp.org/en/countries

B. Information tends to be limited for specific rounds of funding. Therefore, In **Spotlight Deals,** "Total Funding" refers to the total money that a specific company has raised. The investors listed may have participated in one or several rounds, and may have done so as lead or co-investors.

C. The **ABC** of the **Sweden's Impact Economy** table is adapted from the IMP framework.

Sources:

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United Kingdom

Market Overview

The UK has the world's 5th largest economy. London is one of the top two financial centers in the world and the London Stock Exchange is among the world's top five stock exchanges. Assets under management in the UK stood at £7.7 trillion in 2018. However, one-fifth of the UK population lives in poverty, including 4.1 million children.[1] There is growing appetite for sustainable, responsible and impact investing in the UK. The past few years have seen unprecedented growth in new impact investing product offerings from mainstream asset managers. The[2] Impact Investing Institute, which was announced in June 2019, has been set up to accelerate the growth and improve the effectiveness of the UK impact investing market.[3] The Green Finance Institute was also launched in 2019 to accelerate the domestic and global transition to a net zero-carbon, resilient and environmentally sustainable economy through the mobilization of capital.[4]

IMPACT INVESTMENTS HIGHLIGHTS

Supply of Impact Capital

- Since Big Society Capital was founded in 2012, social investment into charities and social enterprises has grown nearly fourfold, reaching £3.5 billion in 2018.[5]
- In the broader impact investment field, mainstream pension funds, insurers and investment banks have all made allocations to impact both in the UK and internationally. Greater Manchester Pension Fund, for example, allocated approximately £1.05 billion for local and impact investments.[6]
- CDC, the UK's Development Finance Institution, has a portfolio of $5.5 billion across Africa and South Asia. Established in 1948 by the UK government, it aims to encourage private sector investment in developing countries.

Intermediation of Impact Capital

The largest asset managers in the UK are increasingly offering impact investment products. These include:

- **Baillie Gifford** Positive Change Fund[7]
- **Schroders** take over of BlueOrchard[8]
- **Aberdeen Standard** Global Equity Impact Fund[9]
- **Columbia Threadneedle** Social Bond Fund[10]
- **M&G** Impact Financing Fund[11]
- **Barclays** Multi-Impact Growth Fund[12]
- The UK has a thriving and growing sector for specialist social investment intermediaries such as Resonance, Bridges, Big Issue Invest, Social Finance and many others. They run funds in areas such as direct lending, venture, property and social impact bonds.

Demand of Impact Capital

- There are an estimated 120,000 mission-led businesses in the UK, with total turnover of £165 billion, employing about 1.4 million people.[13] More than 100,000 social enterprises generate £ 60bn annually.[14]

Government and Regulation

- Since 2003, the Government Inclusive Economy Unit has served as the dedicated central government unit supporting the UK impact investing market.[15]
- The UK has one of the largest aid budgets globally (£ 14.6bn in 2018),[16] provided principally through the UK Department for International Development (75%).[17]
- The British Council has a Global Social Enterprise program, delivered across 29 countries with local and international partners.[18]

Market Builders

- The UK is home to a wide range of specialist organizations and initiatives dedicated to building the market. These include consulting firms (e.g., Enclude), impact management and measurement firms (e.g., Impact Management Project), accelerators and incubators (e.g., UnLtd), research institutions and academics (e.g., The Smith School of Enterprise and Environment at the University of Oxford, Cambridge Institute for Sustainability Leadership), Big Society Capital (setting up Good Finance and Access[19]), advocacy and industry groups (e.g., ShareAction) and lawyers (e.g., Bates Wells).

Indicators[A]	
GDP total (2011 PPP $ billion)	2,624.6
Total Population	66.2
GINI Index	33.2
HDI	0.922
MPI	N/A
EPI	79.89

KEY PLAYERS

Asset Owners	Asset Managers	Impact Entrepreneurs
Big Society Capital	Aberdeen Standard	Belu Water
CDC Group	AXA Investment Managers[20]	Bshirt
Ceniarth LLC	Baillie Gifford	Cafédirect
Esmée Fairbairn Foundation	Barclays	DS Smith
Local Government Pension Scheme – Brunel, Greater Manchester, Merseyside	Big Issue Invest, Bridges Fund Management, Resonance	Hey Girls
HSBC Pension Fund	Columbia Threadneedle	Kroton Education
Legal & General Investment Management	M&G	Me myself and I

SPOTLIGHT DEALS[B]

Company	Total Funding	Main investors	Sector
Fair For You	£2 million	Big Issue Invest, Joseph Rowntree Foundation	Financial inclusion
PEG Africa[21]	$25 million	CDC Group	Solar home systems, female economic empowerment
World of Books	£13 million	Bridges Fund Management	Circular economy
DS Smith	N/A	Aberdeen Standard	Circular economy
Resonance Real Lettings Property Fund	£56.8 million	Big Society Capital, L&Q Housing Association, Croydon Council	Housing

ABC of the UK Impact Economy[C]

An impact economy is a just and equitable economic system in which positive impact is embedded alongside risk and return. In an Impact Economy, governments, organizations, investors and consumers are motivated to include marginalized and underserved sections of society into the mainstream alongside consideration for our planet and its environment.

The following table shows actions undertaken by different stakeholders in the UK for the adoption of strategies that **A**void harm, **B**enefit all stakeholders, and **C**ontribute to solutions. The impact investing sector has developed considerably in the UK, notably through the traditionally robust third sector in the country which has lent the idea of social investment more resonance. The UK government has also provided strong support to foster the impact ecosystem.

	Avoid Harm	Benefit all stakeholders	Contribute to Solutions
IMPACT IN **BUSINESS**	▲ In order to enforce greater transparency in companies' supply chains, the UK Modern Slavery Act requires since 2015 commercial organizations to publish an annual slavery and human trafficking statement.	▲ 114 British companies are now part of the Dow Jones Sustainability Index 2019. The index assesses companies on ESG as well as sustainable business practices. ▲ Benefit Corporation Certifications were launched in the UK in 2015, which have steadily increased (61 in 2015 to 161 in 2019).	▲ Social enterprise is worth £60 billion a year to the UK economy, and there are over 100,000 social enterprises in the UK.
IMPACT IN **INVESTMENT**	▲ Driven mainly by "risk management" and "client demand," the UK is one of the most advanced markets concerning ESG integration into the investment process. However, respondents to the 2019 UN PRI survey noted that corporate governance issues are much more systematically integrated into the investment process than are environmental or social issues.	▲ The UK green bond issuance in 2017 was USD 2.3 bn, placing the country at rank 15 in the 2017 country rankings.[22]	▲ There is an estimated £3.5 billion of outstanding investment in charities and social enterprises as of the end of 2018, a 32% increase year on year. ▲ The UK is the birthplace of the first Social Impact Bond (SIB) launched in September 2010 to decrease reoffending rates among prisoners in Peterborough. Social Finance UK deployed the SIB, which reduced reoffending by 9%, and the investors have been repaid. In total, there are 70 SIBs which have run or are running in the UK, with at least another 20 in the pipeline. ▲ Fair By Design is a pioneering fund that invests in businesses tackling the Poverty Premium, which is the additional costs low-income families pay for everyday products and services. They aim to eradicate the poverty premium by 2027.
IMPACT IN **POLICY**	▲ Legislation now requires pension trustees to set out how they take account of financially material factors "including those arising from ESG, including climate change" as well as whether they take account of non-financial factors such as member views (and, if they do, how they take account of such views).	▲ The Social Value Act (2012) requires public sector agencies, when commissioning a public service, to consider how the service procured could bring added economic, environmental and social benefits. The government is expected to announce new policy requiring commissioners to account for social value in awarding central government contracts.	▲ A specific legal form, the Community Interest Company, was established by the government for social enterprises. ▲ The Charities (Protection and Social Investment) Act (2016) provided a legal definition for social investment, thereby becoming a useful building block for more advanced policy work. ▲ Social Investment Tax Relief (launched in 2014) gives individuals who invest in qualified social sector organizations a 30% discount on that investment in their income tax bill for the year. ▲ The Community Investment Tax Relief (launched in 2002) is a tax incentive for investors in accredited Community Development Finance Institutions (CDFIs) in the UK.
IMPACT IN **CONSUMPTION**	▲ 3 out of 5 people in the UK believe that financial institutions should avoid investing in companies that harm people and the planet. ▲ Most people (57%) want their pension to be sustainable and reflect their values.[23] ▲ 53% of shoppers in the UK state that they feel better when they buy sustainable products.[24] ▲ 80% of consumers in the UK think it is very important that fashion brands tackle issues of global poverty and climate change.[25]		

SDG Dashboard and Trends

CURRENT ASSESSMENT – SDG DASHBOARD

Major challenges   Significant challenges   Challenges remain   SDG achieved   Information unavailable

SDG TRENDS

Decreasing   Stagnating   Moderately improving   Mantaining   On track   Information unavailable

Key Initiatives

Impact measurement

The Impact Management Project (IMP) is a forum for building global consensus on how to measure and manage impact. Its origins lay with Bridges Fund Management, however, now an organization with its own identity, the IMP structured network is an unprecedented collaboration of organizations which, through their specific and complementary expertise, are coordinating efforts to provide complete standards for impact measurement and management.

Clarification of fiduciary duty

The Investment Intermediaries Fiduciary Duties Reform permits trustees to make investment decisions based on non-financial factors provided there is no significant financial detriment to the fund. As of October 2019, trustees of occupational pension schemes are required to have a policy on how they take account of financially material ESG factors, including climate change, and on whether they take account of non-financial factors such as member views.

Put purpose at the heart of public procurement

The government has proposed a 10% minimum weighting for social value when awarding central government contracts and expects to make a decision on this later this year. As the single largest buyer of goods and services in the UK, the government has an unparalleled opportunity to use its expenditure to address social and environmental issues.

Use of outcome-based contracts

The UK has been a pioneer in the use of outcomes-based contracts, with the first SIBs being created there. To date, 70 SIBs have been commissioned in the UK, out of 151 worldwide. A further 20 SIBs are in the pipeline and include the largest ever SIB in the UK. The project, run by Kirklees Council to tackle homelessness, totals £23mn, including a contribution of £6.6mn from the government's £80mn Life Chances Fund.

Understanding UK public demand for impact investment

The Department for International Development in partnership with PwC conducted the largest survey of UK attitudes to value-based investing and found that 3 out of 5 people in the UK believe that financial institutions should avoid investing in companies that harm people and the planet. Most people (57%) want their pension to be sustainable and reflect their values.[23]

Tax incentives for social enterprises and charities

The UK government has developed two main fiscal levers, Community Investment Tax Relief (CITR) and Social Investment Tax Relief (SITR), to unlock additional capital for impact enterprises and investors. Both, however, have faced challenges and volumes have not met original targets. HM Treasury led a consultation on its extension and expansion earlier this year, the results of which are due to be announced later this year.

Accelerate the rise of purposeful businesses

In 2019, for the fifth year, Social Enterprise UK ran a national 'Buy Social' campaign which aims to boost the number of UK consumers buying from social enterprises. Benefit Corporation Certifications were launched in the UK in 2015 and there has been a steady increase in certifications, from 61 in 2015 to 161 in 2019. The British Academy has launched a research program exploring the purpose of business and its role in society.

Good Finance

In 2016, Good Finance was launched to help social enterprises and charities navigate the complex world of social investment.[26] Their website, which has been visited by over 100,000 people to date, includes diagnostic tools that help you decide whether social investment is right for your organization and lists 80 social investors and advisers.

Growing a culture of social impact investing in the UK

In 2016, the UK government set up an Independent Advisory Group on Growing a Culture of Impact Investing in the UK, to ask how the providers of savings, pensions and investments could engage with individuals, thereby enabling them to support more easily the things they care about through their savings and investment choices. Following the Advisory Group's report in 2017,[27] the prime minister launched an Implementation Taskforce with a one year mandate to identify next steps. The final report by the Implementation Taskforce highlights the progress made over the year and level of engagement across the private, public and social sectors.[28]

Road to Impact Economy

PATH TO TIPPING POINT 2020

- The Impact Investing Institute (III), which was announced on June 3, 2019, brings together the UK National Advisory Board on Impact Investment with the Implementation Taskforce on Growing a Culture of Social Impact Investing in the UK. Its vision is that people's lives improve as more investors choose to use their capital in solving social challenges.
- It has three objectives: mobilize big pools of capital; make capital more accountable; and empower people to save and invest in line with their values. The III will focus on increasing the impact of major pools of capital and leveraging its strong connections with institutional investors. It will work on initiatives that improve the effectiveness and accountability of capital seeking to have a positive impact, and it will provide and disseminate information to help people invest with impact.
- The III has broad backing from the financial services and social sector, the City of London Corporation and government (i.e., Government Inclusive Economy Unit and Department for International Development). With the strong support of its network of volunteers, it will take forward key projects to move towards the Impact Economy 2030.
- The III will work alongside and learn from the numerous other market building initiatives in the UK and elsewhere that make important and valuable contributions to moving the UK towards the Impact Economy 2030.

TRANSITION TO IMPACT ECONOMY 2030

- Continue to raise awareness and understanding that people have a choice to invest their savings and pensions in line with their values.
- Further increase the confidence and competence of independent financial advisors and pensions trustees so that there is widespread understanding of the social reasons to offer impact products and potential risks in not doing so.
- Help people interested in investing for positive social impact. This requires defined contribution pension plans,[29] retail funds and other savings vehicles to provide affordable products that are easily accessible to all who are interested.
- Move big pools of capital at scale by facilitating quality product/fund offerings that deliver measurable positive social and environmental impact.
- Promote transparent, consistent and comparable impact reporting that reflects and drives real impact.
- Facilitate convergence of approaches to environmental and social impact measurement and reporting by businesses, social enterprises and investors.
- Ensure social enterprises and charities benefit from the growth in impact capital.
- Embed positive social impact in companies as "business as usual," align employer pension product providers with corporate social responsibility policies, and encourage employee engagement on their pension preference.
- Improve data on the risk / return characteristics of impact investments to build trust in impact investing.
- Improve coordination across government departments on an increasingly aligned agenda.
- Introduce a supportive regulatory and policy environment for impact investment, such as Social Investment Tax Relief, social value at the heart of public and corporate procurement, and by enhancing the "S" in ESG at the European Union level.

Footnotes:

A. **Environmental Performance Index** Available at: https://epi.envirocenter.yale.edu; All other **indicators** available at: http://hdr.undp.org/en/countries

B. Information tends to be limited for specific rounds of funding. Therefore, In **Spotlight Deals,** "Total Funding" refers to the total money that a specific company has raised. The investors listed may have participated in one or several rounds, and may have done so as lead or co-investors.

C. The **ABC** of the **UK Impact Economy** table is adapted from the IMP framework.

Sources:

1. Joseph Rowntree Foundation (2018). UK Poverty 2018. Available at https://www.jrf.org.uk/report/uk-poverty-2018
2. The Investment Association (2019). UK Investment Management Industry Retains Global Position Against Economic and Political Headwinds. Available at: https://www.theia.org/media/press-releases/uk-investment-management-industry-retains-global-position-against-economic-and
3. https://www.ft.com/content/256f3d29-7762-37e0-86cf-7810eb527504
4. https://www.greenfinanceinstitute.co.uk/
5. This includes investments from over 100 institutions such as AXA Investment Managers, Deutsche Bank and Manchester Greater Pension Fund.
6. https://www.pensionsforpurpose.com/gmpf-case-study-updated-format.pdf
7. **Baillie Gifford** Positive Change Fund is a global equity fund that invests in high quality growth companies delivering positive social change in one of four areas. The four areas are: Social Inclusion and Education; Environment and Resource Needs; Healthcare and Quality of Life; and Base of the Pyramid (addressing the needs of the world's poorest populations).
8. **BlueOrchard**, which focuses on microfinance, has invested $6 billion in over 80 emerging and frontier markets across Asia, Eastern Europe, Latin America and Africa.
9. **Aberdeen Standard** Global Equity Impact Fund invests in listed companies and aims to support the delivery of measurable positive environmental and social impact while generating strong financial returns
10. **Columbia Threadneedle** Social Bond Fund invests primarily in UK bonds issued by companies, government agencies, voluntary organizations, and/or charities that engage in one of eight socially beneficial categories: (1) Community services, (2) Education, learning and skills, (3) Employment and training, (4) Financial inclusion, (5) Health & social care, (6) Housing & property, (7) Transport & communication infrastructure, (8) Utilities and the environment.
11. **M&G** Impact Financing Fund invests internationally predominately in private and illiquid debt to achieve a positive social or environmental impact
12. **Barclays** Multi-Impact Growth Fund invests across asset classes in impact managers and direct investments that generate a positive financial return while also making a positive impact on social and environmental issues.
13. A mission-led business refer to a business that: (i) can fully distribute its profits, with no legal restriction on profit distribution either through a profit lock or through legal form; (ii) identifies an intention to have a positive social or environmental impact as a central purpose of its business; (iii) makes a long-term or binding commitment to deliver on that intention through its business and operations; and (iv) reports on its social impact to its stakeholders. Deloitte, November 2016
14. https://www.thirdsector.co.uk/social-enterprises-contribute-60bn-economy-year/social-enterprise/article/1493336
15. The Government Inclusive Economy Unit mission is to build a country where society's most difficult social issues are being addressed by private investment, responsible business, and social enterprises in partnership with innovative public services. It sits in the Department for Digital, Culture, Media & Sport but has a cross-government mandate and works extensively with the private and social sectors.
16. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/832541/Statistics-on-International-Development-final-aid-spend-2018.pdf
17. Within DFID, the Private Sector Department (PSD) supports inclusive economic development by strengthening markets, catalyzing investments and partnering with the private sector. PSD has oversight of CDC, the Private Infrastructure Development Group, and the department's development impact bond and responsible business work.
18. The Global Social Enterprise Programme provides social entrepreneurs with access to training, mentoring and funding opportunities; promotes social enterprise education in schools and universities; conducts research and advises foreign policymakers.
19. 75% of Big Society Capital's investments are into first time funds, team or products.
20. AXA Investment Managers are both an asset owner and an asset manager.
21. https://pegafrica.com/peg-africa-raises-25m-to-accelerate-off-grid-solar-expansion-in-west-africa/
22. Climate Bonds Initative (2018). The Green Bond Market in Europe. Available in: https://www.climatebonds.net/files/reports/the_green_bond_market_in_europe.pdf
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29. With the introduction of autoenrollment, assets in Defined Contribution (DC) pension schemes are expected to increase six-fold to USD 200 bn by 2030, making this a great place to start promoting funds.

USA

Market Overview

The United States has a long history with impact investment, spurred by a mix of supportive public policy, innovative philanthropy and community engagement. Market growth has accelerated in the last 10 years, as mainstream financial institutions have responded to growing investor demand for sophisticated impact-investment products. The current ecosystem is highly supportive (consultants, networks, etc.), but should be nurtured further.

The U.S. Impact Investing Alliance has a permanent staff, and is focused on advocacy, investor engagement and movement building.

IMPACT INVESTMENTS HIGHLIGHTS[1]

Supply of Impact Capital

- According to USSIF's 2018 investment-trends report, USD 12tn, or 26% of all investment dollars in the United States, are invested with impact, mainly in the public markets.

Intermediation of Impact Capital

- In 2018, fund managers (for-profit and not-for-profit) carried out more than 7,500 impact-relevant investments amounting to nearly USD 18bn. Forecasts for 2019 exceeded USD 20bn.
- Two-thirds of impact investors principally seek risk-adjusted, market-rate returns. A further 19% primarily seek below-market returns that are closer to the market rate, while the remaining 15% target returns closer to a capital-preservation rate.

Demand for Impact Capital

- In emerging markets, U.S.-based investors primarily fund enterprises working on poverty, gender equality and economic-growth issues. U.S.-funded impact enterprises in developed markets are more likely to be working on sustainable community, climate or institutional issues.
- The United States is home to more than 1,200 certified B Corps.
- In 2019, 181 high-profile CEOs signed the Business Roundtable's pledge to pursue long-term value for all stakeholders, including customers, employees and communities as well as shareholders.

Government and Regulation

- In 2017, the U.S. federal government designated economically distressed areas in all 50 states to be Opportunity Zones eligible for incentives meant to spur new business investment.
- Implementation of the 2018 BUILD Act, which created the new U.S. International Development Finance Corporation, is ongoing. This new development-finance structure is meant to streamline and expand the authorities of the Overseas Private Investment Corporation (OPIC).
- In 2018, USD 100mn in federal funding was appropriated for Pay for Success projects, with the goal of improving social-services outcomes. Announcement of the first round of funding awards is expected by late 2019.

Market Builders

- The U.S. Impact Investing Alliance focuses on ecosystem development, while the Global Impact Investing Network (GIIN) facilitates knowledge exchange.
- The United States also has a vast pool of boutique consulting firms, incubators and accelerators, professional networks, universities and competitions that help advance the impact economy.
- Robust philanthropic support has enabled the development of a strong field-building ecosystem. Key funders include the Omidyar Network, the Rockefeller Foundation, the Ford Foundation, the MacArthur Foundation, the Heron Foundation and the Sorenson Impact Foundation.

Indicators[A]	
GDP total (2011 PPP $ billion)	17,662.3
Total Population (millions)	324,5
GINI Index	41,5
HDI	0,924
MPI	N/A
EPI	71,19

KEY PLAYERS

Asset Owners	Asset Managers	Impact Entrepreneurs
Blue Haven Initiative	Acumen	Build Education
Ford Foundation	Bain Capital Double Impact	Greyston Bakery
Heron Foundation	BlackRock	Launch Pad
MacArthur Foundation	Calvert Impact Capital KKR	Patagonia
Omidyar Network	Closed Loop Partners	Remitly
OPIC	DBL Partners	Sixup
	Elevar Equity	Terracycle
	Nonprofit Finance Fund	

SPOTLIGHT DEALS[B]

Company	Total Funding	Investor	Sector
Impossible Foods	USD 687.5mn	Khosla V, Serena V, Google V, Temasek	Food
EVERFI	USD 251mn	Jeff Bezos, The Rise Fund, Rethink Impact	EdTech
d.light	USD 197mn	Gray Ghost Ventures, Acumen, FMO, Shell Foundation, EIB	Energy
EIB Green Infrastructure	USD 25mn	Goldman Sachs, Calvert Foundation	Green Infra-structure
SIB Family Stability	USD 11.2mn	BNP, Nonprofit Finance Fund	Child and Family Welfare

ABC of the U.S. Impact Economy[C]

An impact economy is a just and equitable economic system in which positive impact is produced in an environment of risk and return. In an impact economy, governments, organizations, investors and consumers are motivated to include marginalized and underserved sections of the society in the mainstream economy, while also giving consideration to the needs of our planet and its environment.

The following table describes actions undertaken by a variety of stakeholders in the United States for the adoption of strategies intended to **A**void harm, **B**enefit all stakeholders and **C**ontribute to solutions. The U.S. has a long history of social investment dating back to the Community Reinvestment Act, with considerable engagement by private philanthropic groups. The impact-investing sphere has further developed thanks to targeted public policies and public-private partnerships.

	Avoid Harm	Benefit all stakeholders	Contribute to Solutions
IMPACT IN **BUSINESS**	▲ In 2016, a total of 1,002 investment funds in the U.S. had incorporated ESG factors into their investment decisions.[2]	▲ Pension funds are increasingly active in the impact-investing market both as investors and intermediaries. For example, the California Public Employees' Retirement System established the California. Initiative in 2001 to invest private equity in traditionally underserved markets. Between 2001 and 2017, the California initiative invested approximately USD 1bn in 569 private companies across the state.[3] Similarly, the State of Wisconsin Investment Board has invested more than USD16bn in businesses with ties to the state in an effort to promote equitable economic development.	▲ There are currently 1,237 B Corps in the US.[4]
IMPACT IN **INVESTMENT**	▲ Responsible investing in the U.S. continues to expand at a healthy pace. Total U.S.-domiciled assets under management (AUM) using SRI strategies – mostly assets invested in public markets – grew from USD 8.7tn at the start of 2016 to USD 12tn at the start of 2018, an increase of 38%. This represents 26% of the market's total AUM of USD 46.6tn.[5]	▲ The US leads the green-bond market with a cumulative issuance since 2007 of USD 118.6bn (20% of the market share). In 2018 alone, USD 34.1bn in green bonds were issued in the United States, more than double the volume of the nearest rival.[6]	▲ According to GIIN, the U.S. and Canada account for 58% of the global USD 502bn impact-investment-related AUM.[7]
IMPACT IN **POLICY**	▲ California's Transparency in Supply Chains Act of 2010 requires companies subject to the law to disclose information regarding their efforts to eradicate human trafficking and slavery within their supply chains. This information has to be provided on the company website or, if a company does not have a website, in the form of written disclosures.[8]	▲ Ten states that are home to over a quarter of the U.S. population, and which account for a third of U.S. GDP, have active carbon-pricing programs, and are successfully reducing emissions. This includes California and the nine Northeast and Mid-Atlantic states that make up the Regional Greenhouse Gas Initiative (RGGI). The RGGI was the first mandatory cap-and-trade program in the United States to limit carbon dioxide emissions from the power sector.[9] ▲ The United States has well-established federal procurement requirements for disadvantaged groups, such as businesses owned by women, Native Americans or people with disabilities. ▲ Programs complemented by tax credits that benefit investors include the New Markets Tax Credit (2002), which subsidizes investment in low- to moderate-income communities (below two-thirds of the prevailing income in the region), and the Opportunity Zones (OZs) policy (2018), which recognizes "economically distressed communities where new investments, under certain conditions, may be eligible for preferential tax treatment."	▲ In addition to tax credits for investments in environmentally friendly projects, various legal forms for impact businesses have been adopted. For example, laws allowing the creation of benefit corporations have been approved in 36 states, with similar efforts underway in six more.[10] ▲ The New York State Energy Research and Development Agency (NYSERDA) works to attract private capital to expand the state's clean-energy economy. For instance, in 2016, NYSERDA launched the Clean Energy Fund, a USD 5bn, 10-year commitment to concessionary finance to support the development of clean-energy infrastructure in New York.
IMPACT ON **CONSUMPTION**	▲ The U.S. sustainable-consumer-product market is expected to reach USD 150bn by 2021.[11] ▲ Millennials are twice as likely as Baby Boomers (75% vs. 34%) to express a willingness to reduce their impact on the environment by paying more for products that contain environmentally friendly or sustainable ingredients (90% vs. 61%), organic / natural ingredients (86% vs. 59%), or products that make social responsibility claims (80% vs. 48%).[12]		

SDG Dashboard and Trends

CURRENT ASSESSMENT – SDG DASHBOARD

Major challenges Significant challenges Challenges remain SDG achieved Information unavailable

SDG TRENDS

Decreasing Stagnating Moderately improving Mantaining On track Information unavailable

Key Initiatives

Community investment programs
The United States has a history of community investment programs that provide access to capital for low- to moderate-income groups, while offering various fiscal incentives to capital providers.

Access to capital
The Community Reinvestment Act (1977) was created to combat uneven lending practices in low- to moderate-income communities, in part by enabling capital flows into community-development finance institutions (CDFIs) through the use of compliance-based incentives. The CDFI Fund (1994) is a fund administered by the Treasury Department that certifies CDFIs and offers them financial and technical assistance as well as bond guarantees. In 2017, the CDFI Fund guaranteed two bond offerings, allowing funds to be raised from the capital markets for the first time.

DFIs
U.S. development-finance systems were reformed with the passage of the BUILD Act in 2018. This legislation prompted the creation of the U.S. International Development Finance Corporation (DFC), which will combine the operations of the former Overseas Private Investment Corporation (OPIC) with aspects of USAID, including the Development Credit Authority. The legislation further expands the authorities of the new DFC, enabling it to make equity investments and doubling the size of its authorized portfolio. The DFC launched in January 2020, following delays due to funding issues.

Capacity-building for impact-oriented businesses
At the state level, many initiatives support all types of entrepreneurship, with impact-oriented businesses also benefiting. The state of New York is a good example, with a USD 1bn fund committed to climate change.

Impact as a fiduciary duty for philanthropic groups
Private foundations have actively invested in impact since the 1960s, when the tax code was amended to recognize "program-related investments" (PRIs). Typically concessionary, PRIs are treated as charitable grants, and can be made to for-profit or non-profit entities. Additional guidance released in 2015 clarified that foundations may also consider an investment's impact on the charitable purpose when investing endowed dollars.

Outcomes-based contracting
Outcomes-based contracting is proliferating in the United States, with 21 SIBs commissioned in 12 states. More than 60 additional deals are currently in development. In 2018, the government created the Commission on Social Impact Partnerships to administer a new federal outcomes fund for initiatives that promote cost savings.

Gender-lens investing
Gender-lens investing is on the rise in the United States. Bloomberg has created the sector-neutral Bloomberg Gender-Equality Index, comprising more than 100 listed companies across 10 sectors in 24 countries. The index aims to provide investors with standardized data on gender equality. Moreover, the Overseas Private Investment Corporation (OPIC) has launched the 2X Global Women's Initiative to mobilize more than USD 1bn to invest in projects supporting women in developing countries.

Road to Impact Economy

PATH TO TIPPING POINT 2020

Create standardized metrics for impact investing
As outlined above, the United States has many successful policies providing financing to social and environmental projects. However, there is as yet no standardized measurement of impact for these projects. Public and private actors alike would benefit from more and better data illuminating the benefits of supporting such projects. In particular, the success and continuation of the Opportunity Zones tax benefit will depend on the ability to measure outcomes effectively.

Focus on outcomes-based contracting
Outcomes-based contracting practices have largely been successful in the United States. It will be important to demonstrate the scalability of these tools over time. A more standardized approach such as rate cards could also be helpful to further develop and streamline the contracting process.

Demonstrate feasibility at scale
Feasibility can be proven by demonstrating progress relative to social and environmental challenges, and by generating satisfying financial returns for investors across the risk-return spectrum.

TRANSITION TO IMPACT ECONOMY 2030

- Social needs prevail in the U.S., where income equality has risen in every state since the 1970s. The top 1% of families in the United States earned an average of 26.3 times as much income as the bottom 99% in 2015, up from 25.3 times in 2013.[13] A reduction in income inequality will be important in the transition to an impact economy.
- Certain groups such as women, people of color and those with migrant backgrounds continue to be underrepresented in institutions and positions of power. Impact enterprises or other inclusive business approaches could foster their inclusion in the transition.
- The U.S. is among the world's largest emitters of CO2 and GHG on a per capita basis. Given the current climate crisis, impact investing could spur innovations with regard to the development of climate-friendly and sustainable solutions.

Footnotes:
A. **Environmental Performance Index** Available at: https://epi.envirocenter.yale.edu; All other **indicators** available at: http://hdr.undp.org/en/countries
B. Information tends to be limited for specific rounds of funding. Therefore, In **Spotlight Deals,** "Total Funding" refers to the total money that a specific company has raised. The investors listed may have participated in one or several rounds, and may have done so as lead or co-investors.
C. The **ABC** of the **U.S. Impact Economy** table is adapted from the IMP framework.

Sources:
1. Data corresponds to the whole universe of respondents in the GIINS Annual Impact Investor Survey 2019. However, given that more than half of the respondents (58%) are based out of the U.S., this data is representative of the United States.
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Zambia

Market Overview

Zambia experienced rapid economic growth in the decade between 2004 and 2014 and the country has attracted some of the region's largest flows of impact capital. Despite these positive trends, access to capital remains a key constraint for businesses in Zambia. Government borrowing is crowding out private lending by commercial banks. Despite large aggregate inflows of impact capital, much of this capital has targeted the financial services, infrastructure and agriculture sectors, or has been placed in large-scale projects by development finance institutions (DFIs).[1] The country has set up a National Advisory Board in 2019 which aims to grow the impact investment market

IMPACT INVESTMENT HIGHLIGHTS

Supply of Impact Capital

- DFIs have taken the lead in investing in Zambia with their ability to deploy capital and make large-scale investments in the financial services, infrastructure and aquaculture sectors. They have also targeted the renewable energy sector, although at a relatively small scale.[2]
- Private sector impact investors have focused on the financial services, agricultural and housing sectors.
- Investment funds looking at smaller deal sizes are adopting a "build, not buy" strategy, as they have been unable to find a steady pipeline of investable enterprises. To address this challenge, they are beginning to work with companies at an earlier stage of development. Investors such as Inside Capital Partners, AgDevco and Kukula Capital have already started engaging in this way.

Intermediation of Impact Capital

- The microfinance institution (MFI) sector is growing. Zambia currently has 35 registered MFIs. This growth has been propelled by a government policy seeking to drive financial inclusion through the National Financial Inclusion Policy and the National Development Plan. MFIs complement commercial banks and insurance companies by providing services and products to underserved rural households; micro, small and medium-sized enterprises (MSMEs); and agro-enterprises.

Demand for Impact Capital

- The majority of social enterprises in Zambia remain in the early stages of business evolution, with fewer in the growth or mature stages.
- Agricultural and non-utility-scale renewable energy projects continue to attract large impact investments, with respective average ticket sizes of USD 3.1mn and USD 5mn. Agriculture, and especially agro-processing, will also continue to occupy a sizeable space given the rising demand for foodstuffs in sub-Saharan Africa, along with the government's efforts to diversify the economy. The renewable energy sector is expected receive the greatest relative shares of impact capital through 2020 due to current constraints on national grid power generation, along with the need to provide clean energy to people in rural areas.

Government and Regulation

- The 7th National Development Plan is the government plan for the 2017 – 2021 period. It contains ambitious development goals, many of which are aligned with the development of an impact economy.
- The government has put incentives in place that promote the flow of investment to its highest priority sectors. This regulatory environment could be seen as being favorable for impact investment within the two high-priority sectors of agriculture and renewable energy.
- The Zambian government has made strides toward pension reform with the goal of promoting investments by Zambian pension funds in non-traditional asset classes such as private equity and social investments.

Market Builders

- The country is home to a growing number of ecosystem support providers, with increasing levels of support from donor agencies.
- Entrepreneurship Support Organisations, as the incubators BongoHive and WECREATE, work with local organizations to enhance their investment readiness.
- Impact investment networks such as IIX Chapter Lusaka have been active in deepening awareness of impact investment models.
- Zambia launched and has hosted Impact Capital Africa (ICA) since 2018. This is an innovative and impactful event that supports the development of the country's impact ecosystem.

Indicators[A]	2017
GDP total (2011 PPP $ billion)	25.86
Per Capita Income (USD)	1.290
Total Population (mn)	17
Poverty Levels	54.4%
GINI Index	57.1

KEY PLAYERS

Asset Owners	Asset Managers	Impact Entrepreneurs
African Development Bank	Madison Asset Management Company	
Development Bank of Zambia	AHL Venture Partners	Zoona
NAPSA	Inside Capital Partners	Zazu Africa
Musangu Foundation	Kukula Capital	Yalelo
	Grofin	Java
	30Thirty Capital	Onyx Connect Zambia Ltd
	Business Partners	Vitalite

SPOTLIGHT DEALS[B]

Company	Total Funding	Investor	Sector
Yalelo	10.4mn	FMO	Aquaculture
Zazu Africa	1mn	Seedrs	Fintech
Rent to Own	1.1mn	Shell Foundation	Agriculture
Vitalite	2.4mn	Lendahand	Renewable energy
Better Now Finance	500,000	Kukula Capital	Microfinance

ABC of the Zambia's Impact Economy[C]

An impact economy is a just and equitable economic system in which positive impact is produced in an environment of risk and return. In an impact economy, governments, organizations, investors and consumers are motivated to include marginalized and underserved sectors of the society in the mainstream economy, while also giving consideration to the needs of our planet and its environment.

The following table describes actions undertaken by a variety of stakeholders in Zambia for the adoption of strategies that **A**void harm, **B**enefit all stakeholders, and **C**ontribute to solutions. The impact economy in Zambia is rather nascent, and is today dominated by development finance institutions making investments in large-scale projects in the energy, financial services and extractive sectors. However, the social entrepreneurial landscape is slowly expanding thanks to government efforts to support entrepreneurs, as well as grants from technical assistance (TA) funders such as USAID and DFID, which have resulted in a growing pool of incubators.

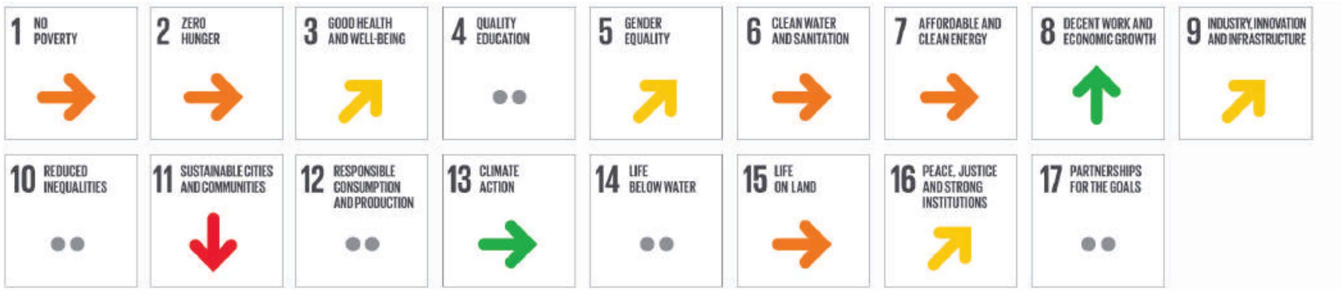
	Avoid Harm	Benefit all stakeholders	Contribute to Solutions
IMPACT IN **BUSINESS**	▲ The Lusaka Stock Exchange issued a corporate governance code in 2005. The code establishes core governance standards and good practices, but is not mandatory. Rather, companies are required to submit a report to the Lusaka Stock Exchange describing their compliance, and explaining any non-compliance, within three months of the end of every fiscal year.[3]	▲ The BIOFIN Initiative is working to develop the green bond market in Zambia. In doing so, it is developing green bond guidelines and listing rules with the Securities and Exchange Commission of Zambia and the Lusaka Securities Exchange.[4]	▲ Only a small number of organizations in Zambia fit the social-enterprise definition, with their own revenues and an explicit social mission. However, there is growing activity, especially in the energy sector,[5] while the education, water and sanitation sectors are still at a nascent stage. Faith-based organizations play an important role in the health sector.[6]
IMPACT IN **INVESTMENT**			▲ With over USD 1.7bn in DFI capital disbursed through more than 100 deals, Zambia has received the second-highest quantity of DFI capital in southern Africa. Additionally, Zambia has been the recipient of more than 10% of all non-DFI impact investment deals in the region (58 deals in total), with investors deploying more than USD 157mn.[7]
IMPACT IN **POLICY**		▲ To incentivize a shift toward the import of cleaner vehicles, Zambia's government has introduced two tax systems. Importers of vehicles older than five years are required to pay a one-off flat tax called the Motor Vehicle Surtax, which is added to the import duty. In addition, an annual emissions-based fee, called the Carbon Emissions Surcharge, is applied to all vehicles based on their engine displacement.[8]	▲ Zambia's government encourages the use of renewables, especially in rural electrification and for clean cooking stoves, through tax incentives and subsidies. Some solar and energy-saving products are exempt from VAT. The government collaborates with private sector energy providers by offering financing and subsidies. Social enterprises are often active in these areas.[9]
IMPACT ON **CONSUMPTION**	▲ A total of 93% of Zambia's electricity comes from renewable sources.[10]		

SDG Dashboard and Trends

CURRENT ASSESSMENT – SDG DASHBOARD

Major challenges Significant challenges Challenges remain SDG achieved Information unavailable

SDG TRENDS



Decreasing Stagnating Moderately improving Mantaining On track Information unavailable

Key Initiatives

Ease of doing business

The government established the Zambia Development Agency (ZDA) in 2006 to foster economic growth and development in the country. The ZDA regulates most investment activities in Zambia; for example, it can provide investors with the licenses needed to purchase land in Zambia, or assist investors in obtaining self-employment or work permits. The agency is a key player in this sector given that its purpose is to drive economic diversification, generate employment opportunities, foster innovation, and support a more equitable distribution of wealth, while building up resilience against the uncertainties of commodity markets (on which Zambia is currently heavily dependent).

Road to Impact Economy

PATH TO TIPPING POINT 2020

Maximize the mobilization of impact investment capital

- Local investments should be promoted in order to strengthen existing impact capital channels and develop local competencies.
- Actors in the sector should work with the government to introduce and enforce a provision requiring a minimum of 10% of pension fund resources to be invested in alternative assets, including impact investments.

Increase the number of impact investment ready enterprises

- A platform should be created that serves as a pipeline for impact investment ready enterprises.

Build capacity and skilled intermediaries

- Sector actors should provide access to capacity-building technical assistance, and promote collaborations among ecosystem players.

Support and build the capacity of market enablers

- Capacity-building technical assistance should be provided, and business accelerator and incubation programs should be promoted.
- Sector actors should cooperate with existing incubators and/or create a social entrepreneurship incubator fund.
- Accelerator programs should be created that provide businesses with mentoring services and workshops, thus improving management quality and company processes.

Advocate for pro-impact investment policies

- Sector actors should collaborate with the government to advocate policies and laws that promote impact investment.
- Sector actors should lobby the government to introduce legislation allowing for new types of intermediaries such as venture capital firms, private-equity funds and crowdfunding mechanisms.
- Sector actors should engage with government bodies to regularize social enterprise labelling so as to incentivize businesses in that space and spur the growth of bankable opportunities.

TRANSITION TO IMPACT ECONOMY 2030

Sustainable agriculture

- The agriculture sector is a crucial element in Zambia's growth and poverty reduction agenda. Over 60% of the population derives its livelihood from agriculture. The NAB therefore recognizes the interlinkages in supporting environmentally and socially sustainable agriculture by empowering small farmers, promoting gender equality, ending rural poverty and promoting food security for all.

Affordable and clean energy

- Zambia's energy mix is 95% hydroelectric power, with the rest coming from thermal sources (e.g., coal and heavy fuel). The country faces a power deficit in excess of 750 MW.[11] As the population continues to grow, the demand for affordable energy has increased. Against this backdrop, the NAB seeks to promote the expansion of access to clean energy technologies, a reduction of carbon emissions, and greater climate change mitigation efforts.

Sustainable forestry

- Forests are an important element of Zambia's natural capital, providing benefits critical to rural populations, the national economy and the global community at large. In Zambia, forests support over 1mn jobs, a figure that equates to supporting more than 60% of rural households. The NAB will seek to support the conservation of natural resources, while reducing threats to biodiversity and reducing pollution.

Clean water, sanitation and hygiene (WASH)

- More and more countries are experiencing water stress, with drought and desertification already worsening these trends. The NAB will promote investments in infrastructure and sanitation facilities, and will additionally encourage good hygiene, especially for poor and vulnerable populations. Efforts to protect and restore water-related ecosystems are critical for a healthy economy.

Footnotes:

[A] **Environmental Performance Index** Available at: https://epi.envirocenter.yale.edu; All other **indicators** available at: http://hdr.undp.org/en/countries

[B] Information tends to be limited for specific rounds of funding. Therefore, In **Spotlight Deals,** "Total Funding" refers to the total money that a specific company has raised. The investors listed may have participated in one or several rounds, and may have done so as lead or co-investors.

[C] The **ABC** of the **Zambia's Impact Economy** table is adapted from the IMP framework.

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