Federal Ministry
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Event Report:

Financing Global Development
–
Leveraging Impact Investing for the SDGs

Berlin, 21-22 November 2017

BMW Foundation
Herbert Quandt

Federal Ministry
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Content

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Event Overview

Background

With the 2030 Agenda, the international community adopted an ambitious and far-reaching framework for sustainable development. A core challenge in realizing the 2030 Agenda and its associated goals is the mobilization of additional financial resources. Impact investing can play a unique role in achieving the SDGs as it provides finance to organizations addressing social and environmental needs with the explicit expectation of a measurable social and environmental impact alongside a financial return.

Objectives & Programme

In the context of the German Presidency of the G20 and in line with the current work streams of the G20, the objective of the event was to **link government and international development cooperation with the impact investing community** to foster mutual learning and joint action towards financing the SDGs.

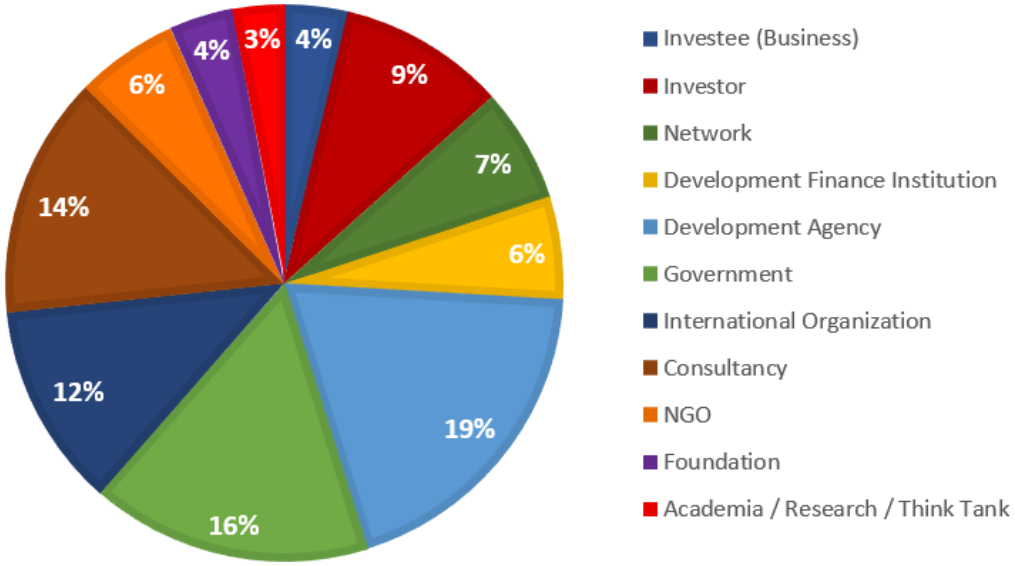
A core characteristic and challenge of impact investing is the measurement and management of social and environmental impact. Therefore, the first day of the event focused on the **role of impact management in financing small and growing businesses in developing and emerging markets**. Development cooperation and impact investing communities can build on their respective experience in results measurement and learn from and with each other.

Further, governments and development cooperation are searching for ways to promote impact investments including through adequate policy instruments. Implemented in cooperation with the OECD, a policy workshop on the second day of the event convened key players from developed and developing countries to discuss the **policy aspects of impact investing** and build connections amongst policy makers interested or already engaged in promoting impact investments.

Delegate Profile

More than 150 thought leaders and experts from over 30 countries attended the event. They represented:

- Impact Investing community (incl. investees, fund managers, investors, ecosystem facilitators)
- Development cooperation community (incl. development agencies, development finance institutions, implementing agencies, foundations, NGOs)
- Policy makers (incl. in-country public institutions / ministries)



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Pre-Conference Events

Berlin, 20 November 2017

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Pre-conference Workshop:
How do we talk about, measure and manage our impact?

Facilitator

Amanda Feldman
Director
The Impact Management Project

This session was directed towards those looking to measure and manage their effects on people and planet, positive and negative. Whether we are DFIs, policymakers, foundations, institutional investors, NGOs, evaluators or advisors, our decisions rely on sharing information about impact with each other. To improve our performance and learn over time, we need a common language and a shared understanding of the effects that people and planet are experiencing.

Over the past year, the Impact Management Project has convened a global, multi-stakeholder effort to agree on shared fundamentals for how we talk about, measure and manage impact.

The highly participatory session brought practitioners from around the world to share experiences, learn from their peers and continue to shape the conversation. Participants…

… explored the shared fundamentals for describing impact agreed by 700+ organizations
… started to recognize the five dimensions of impact in your own work
… shared experiences and learnings with peers, from impact investing, development finance and policy
… shaped the next phase of the project, focused on developing practical templates and training materials

Presentations

- Amanda Feldman, The Impact Management Project

Further Readings

- Website: Collective Insights, Case Studies and Model Portfolios, The Impact Management Project

Pre-conference Evening Event:
Investments at all costs? The Role of Sustainability and Impact in Investments for the SDGs

Moderators

Wolfgang Bücker
Head of Sector Program Financial Sector Development
GIZ

Karen Wilson
Head of Social Impact Investing Initiative
OECD

Speakers

Axel Klaphake
Director Economic and Social Development, Digitalisation
GIZ

Royston Braganza
CEO
Grameen Capital India

Petra Hamers
Program Lead Transparent and Accountable Finance
Oxfam Novib

Susana Peñarrubia
Head of ESG Integration
Deutsche Asset Management

Heike Rüttgers
Head of Division Development & Impact Finance
European Investment Bank

Natascha Beinker
Deputy Head of Division
German Federal Ministry for Economic Cooperation and Development (BMZ)

Current public and private investments are insufficient to meet the challenges of sustainable development: The UN estimates a USD 2.5 trillion annual shortfall to fund SDG relevant sectors. Private investments are increasingly hailed as solution to fill the daunting financing gap.

The public evening event engaged a panel of investors and development practitioners to explore the role of sustainability and impact considerations in private finance for sustainable development.






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Conference:

Role of Impact Management in Financing Small and Growing Businesses in Developing and Emerging Markets

Berlin, 21 November 2017

BMW Foundation
Herbert Quandt

Welcome and Opening

Speaker

Dirk Schwenzfeier
Commissioner for the Private Sector and Local Authorities
German Federal Ministry for Economic Cooperation
and Development (BMZ)

Federal Ministry
for Economic Cooperation
and Development

“Impact Investing can provide models for mobilizing private investments for the SDGs”

The term “impact investing” is only a decade young. Nonetheless, an impressive ecosystem has grown around investments in small and growing businesses with the intention to generate measureable impact. Impact Investing can bring greater effectiveness, innovation, accountability and scale to address social, economic and environmental challenges.

“German Development Cooperation is actively supporting the development of the Impact Investing Market with technical and financial assistance”

In terms of technical assistance, GIZ helped to develop the Impact Measurement and Rating Tool “PRISM” in India and supported the establishment of the Indian Impact Investor Council that – amongst others – works towards standardization of impact measurement.

In the realm of financial assistance, DEG has recently developed the Development Effectiveness Rating tool – DERa – that rates individual clients’ contributions to development and follows up on changes in performance since DEG’s investment.

“Impact considerations need to be integrated into market-based approaches to achieve the SDGs”

In addition to providing more financial resources and catalyzing innovation for the SDGs, impact investing promotes accountability. Per definition, impact investments are about actively measuring and managing impact. For policy makers and the development cooperation community, this provides an important point of reference for learning what works and what does not in financing and incentivizing impact.

But the “How to” of measuring, managing and evaluating the social and environmental impact requires much further debate. The objective of the conference is bringing the impact investing community as well as policy makers and the development cooperation community closer together to learn from and with each other.


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Status Quo of Impact Management in Impact Investing
Have More Attention
Accountability
Innovations
Engage with Private Sector
Impact Investment
Professionalize
Create an Ecosystem for Social Entrepreneurs
Requires a Shift of Culture
Listen to the Knowledge
Reality!
Be Emphatic
Scale Up Impact
Social Value Creation
Work together
Learn What Works & What Not
Speak the Same Language
Vision
What's New
We Need Education
Money Gap
Good Practice
Financial Accountability
Standards
Reporting
What Gets Measured Gets Done
We Are Connected by Promotion of Sustainable Development
SDGs
Best
Collaborate
Theory of Change
Share Goals
Have a Vision
Who Coordinates/Organizes This?
Fund Manager
Investee
Social Entrepreneur
Creating Jobs
Meet Standards of Impact & Reporting
We Bring Quality to Markets
Civil Society
Transparency
Call for
We Are Terrified by the F Word Failure!
Donor Agency
Impact Matters
Communicate
Explain
Take Impact more Seriously
Simplify the Language
Tools for Measurement
Foundation
Scale New Enterprises
Decentralize for Inclusion
Share
Data
Sustain Achievements
Optimize Impact
Strong Partnerships
Policy Maker
Shared Global Language
Broad Portfolio
Impact
Evaluation
Development Finance Institution
Connect Better
Perspectives on Impact Management along the Impact Chain
Role of Impact Management in Financing Small & Growing Business in Developing & Emerging Markets

Expert Interview:
Status quo of Impact Management in Impact Investing

Experts

Royston Braganza
CEO
Grameen Capital India

Sara Olsen
Founder and CEO / Adjunct Professor
SVT Group / Middlebury Institute of International Studies

What are major achievements and challenges in impact measurement and management in impact investing today?

"Impact management has substantially evolved"

More than ten years ago, pioneer funds and service providers started developing new approaches that proved that including impact considerations in investments is possible. The awareness for the potential and the need to measure impact took root. Since the term "impact investing" emerged in 2007, several new approaches designed to minimize the cost of impact management were developed. The central focus had been reassuring investors they would not lose money while pursuing impact.

"SDGs have been the best thing happening to impact investing"

Also catalyzed by the adoption of the SDGs, more and more mainstream investors pile into the impact investing space. The focus has shifted to the question what real impact investments are and what are not. A number of efforts to define good practices are underway. However:

"Impact investing is at an inflection point"

- **Keep impact in sight**: While better social / environmental performance is often linked to better financial performance, commercial success is not equal to impact success. Active impact measurement and management remains important despite recent debates on financial returns of impact investments.
- **Avoid impact washing**: There is a danger of impact washing that needs to be addressed, e.g. through a unifying force and arbiter(s) that can help define what an impact investment is and what is not.
- **Build skills**: While the evolvement of impact management practices has been driven by integrity and idealism in the past, there is a need to educate and build substantive skills for impact measurement and management.
- **Stay client centric**: Impact measurement is only a means to an end: Along the impact chain, stakeholders need to be empathetic with the entrepreneur equipping her with the skills and resources needed for effective impact management. That way she can stay focused on running the business and creating impact for people and planet. A major challenge will be to work towards standardized reporting while providing impact management systems that create real business value for the entrepreneur.

Presentations

- Royston Braganza, Grameen Capital
- Sara Olsen, SVT / Middlebury Institute of International Studies

Further Readings

- Report: Results Measurement in Impact Investing: A Preliminary Review, DCED
- Report: State of Measurement in the SGB Sector, ANDE
- Report: The State of Impact Measurement and Management Practice, GIIN

Plenary Discussion:
Perspectives on Impact Management along the Impact Chain

Impact Chain

Raphael Orisa Jawino [Investee]
Founder and CEO
Divine Masters Ltd

Julia Profeta Johansson [Fund Manager]
Partner
Vox Capital

Emilie Goodall [DFI]
Manager Development Impact & Sustainability
FMO

Igor Nazareth [Policy Maker]
Director of Innovation and Intellectual Property
Ministry of Industry, Foreign Trade and Services of Brazil

Gareth Zahir-Bill [Foundation]
Business Manager
Shell Foundation

Paul Simister [Donor Agency]
Private Sector Development Adviser
DFID

Mara Bolis [Civil Society]
Senior Advisor on Market Systems
Oxfam America

Discussants

Björn Strüwer
CEO
Roots of Impact

Matthijs de Bruijn
Senior Consultant
Steward Redqueen

What are the different roles, challenges and aspirations of investees, fund managers, investors, foundations, civil society, donors and policy makers regarding impact measurement and management?

"SDGs provide a helpful reference framework along the impact chain"

For the stakeholders along the impact chain, the SDGs can be a useful framework to communicate on impact. They help to develop a shared language along the chain e.g. between investees, investors and policy makers as well as within stakeholder groups e.g. for co-investments when two or more investors gather around a common impact goal.

DFIs such as FMO and other investors also use the SDGs as a steering mechanism for their investments. The goals help to identify and define investment themes while providing a reference framework for international accountability.

"The further you move up the impact chain, the more you have to explain"

While the SDGs provide a helpful framework, stakeholders feel that there is a need for increased efforts towards a common language and standardization in impact measurement and reporting. Financial accounting practices that employ two generally accepted standards could serve as a vision for working towards more standardization also in impact measurement and reporting.

“It is tricky to have one standard that covers everything”

From an enterprise perspective, specially catered indicators and measurement systems seem appealing. The definition of impact objectives and a theory of change allow investees to orient themselves towards their individual information needs. Vox Capital as a fund manager employs a dual approach with its investees: Firstly, Vox develops key performance indicators (KPI) and an impact strategy with each investee individually. Secondly, Vox uses a third-party methodology with standardized metrics to assess business model and operational impacts of its investees.

“You can’t go to a pension fund and tell them about a company’s individual impact on smallholder farmers.”

The further one moves up the impact chain, the stronger is also the call for standardized impact metrics that allow for comparison and aggregation. The integration of common standards in impact measurement and management will help steer the conversation also with large institutional investors. Those investors could unleash substantial pools of capital for impact. Only if there is a common way or widely accepted and understood way of communicating on impact, will the impact investing sector be able to avoid impact washing and the dilution of the promise of impact investing.

“Effective impact measurement and management is important for learning and accountability”

For policy makers and development cooperation practitioners, impact measurement provides a strong frame of reference. This is particularly true for driving improvement through learning from results and for increasing accountability e.g. towards taxpayers. At the same time, the availability of impact data enables the design of policies that promote impactful enterprises and innovations (e.g. through tax incentives or other inventive mechanisms) that will encourage the growth of the impact investing industry.

“We are terrified about failure, aren’t we?!”

Nonetheless, there still seems to be fear of failure along the impact chain. Increased transparency around achieved – and not achieved or negative – impacts goes hand in hand with a more honest conversation across stakeholder groups. Impact needs to stay in focus in order to avoid the risk for impact investing to be discredited due to rising, unrealistic expectations about financial returns while no substantive impact reporting is provided. Along the impact chain, there is a need for effective incentives for measuring, reporting and optimizing impact as well as a need for cultural change towards more transparency and openness for failure.

“It takes a lot of work – but 1+1 often equals 7”

There are various examples of how cooperation along the impact chain can help to integrate impact measurement and management. Investors may work with civil society, e.g. with a committee that provides comments and suggestions on planned and active investments. Foundations and other donors may complement the work of investors with technical assistance to improve impact measurement and management practices amongst investees.

A better understanding of and awareness for each other’s roles, perspectives and language can catalyze effective cooperation amongst the various stakeholders. For instance, a national taskforce as set up in Brazil can facilitate the process of developing a shared understanding of impact investing and measurement approaches. Dialog between such a taskforce and policy makers combined with effective cooperation within the government (whole of government approach) are considered important milestones for further developing the impact investment market.

Further Readings

- Report: Impact investing: Measurement valued by investee businesses, DCED
- Report: Attribution in Results Measurement: Rationale and Hurdles for Impact Investors, DCED

Breakout Session I:
Aligning Impact Metrics with the SDGs

Hosts

Donna Loveridge
Deputy Coordinator
DCED

Amanda Feldman
Director
The Impact Management Project

Inputs

Matt Ripley
Evaluation Lead
The Impact Programme by DFID

Jürgen Hammer
Chairman of the Board
Social Performance Taskforce

Katharina Hermann
Senior Advisor
DEG

Malena Famá
National Coordinator Inclusive Business
Ministry of Production of Argentina

Yasmin Olteanu
International Key Account Manager
Solarkiosk

Ricardo Perez
Director Financial Instruments Division
Ministry of Production of Peru

Outcomes

How can measuring and monitoring the SDGs become easier?

- Companies and investors will increasingly consider – using whatever resources are most appropriate – their impact on people and planet. In time, we can **streamline indicators that help us understand our contribution to, and our overall progress towards, the SDGs**.
- Within the next two years, it is necessary to **share how we are using impact frameworks** (e.g. IRIS, DCED) **to assess our contribution to the SDGs** (e.g. informed by The Impact Management Project).
- **Academia** can help to develop the evidence base for good benchmarking studies.

What is the role of government in mobilising private investments for the SDGs?

- Government should initiate **dialogue** with private sector and civil society on country and sector levels to discuss strategic ways how to achieve the SDGs, and contribute significantly to them.
- **Incentives** from the government are required. The government could be responsible for ensuring that companies work to reach the SDGs by reducing subsidies in case they do not measure their impact.
- Policymakers could be or recognize **SDG champions**.
- A vision is to have an **SDG coalition consisting of public sector, private sector and civil society** where we can encourage adoption across the board or at sector or country level.

How can we improve accountability along the value chain?

- **Data transparency** is key to capture positive and negative effects of enterprises.
- **Independent evaluators** can assess progress against the SDGs on a country and sector level and develop rating systems to **benchmark** enterprises, impact investors or governments.
- We need an SDG **accountability mechanism** to measure and share information. An easy **framework to capture contributions** to specific SDGs against three categories has been suggested:
  (1) avoiding harm
  (2) benefitting or
  (3) actively contributing to the SDGs.

Action Steps

- Amanda and Donna will gather insights and examples from anyone who wants to share their approach to measuring and managing progress on the SDGs, signposting to the wide variety of frameworks or indicators that can be applied. We want to show alignment in how we share data and explore partnerships towards the SDGs, and spotlight unique features of how enterprises and investors measure their impact to support decision-making across development, policy and the private sector.
- The case studies will be presented at the ANDE conference *Metrics from the Ground Up* in Nairobi, Kenya on February 27-28 and may also be featured on www.impactmanagementproject.com and www.enterprise-development.org.
- If you would like to be a part of this exercise, please get in touch with
  Donna at loveridge@enterprise-development.org or
  Amanda at team@impactmanagementproject.com

Further Readings

- Detailed Session Minutes "Aligning Impact Metrics with the SDGs"
- Report: Achieving the SDGs: The Role of Impact Investing, GIIN
- Website: DCED Standard for Results Measurement
- Website: The Impact Management Project Framework
- Overview: DEG Development Effectiveness Rating Tool

Breakout Session II:
Institutionalising the Impact Investing Ecosystem for Impact

Hosts

Katharina Kühn
Advisor
GIZ India

Tomas Sales
Special Advisor
UNDP

Inputs

Ranjna Khanna
Director
Indian Impact Investors Council

Salma Seedat
Founding Board Member / Chairperson
Impact@Africa / Southern African Impact Investing Network

Genevieve Edens
Director of Research and Impact
Aspen Network of Development Entrepreneurs

Outcomes

What is the role of networks on a national, regional and global level?

- Networks can facilitate **match-making** between investors and investees pipeline of projects
- They can strengthen **industry collaboration** and improve access to domestic and international capital
- Networks may also collaborate with regulators and policymakers for **regulatory reforms** to create safe and attractive impact investment destinations

➔ Strengthen the impact investment ecosystem

How can networks help to ensure solid impact measurement and management practices and work towards common standards and increased transparency?

- Ensure inclusion and full impact investment ecosystem representation during standardization processes
- Give guidance to members as regards different measurement practices and tools that can be used in this process
- Make room for peer-to-peer exchange as regards good practices and challenges in the management and measurement practice
- Provide an introductory training to members, giving an overview on methods and tools
- Advocate for impact measurement and management to further raise awareness of the importance of impact measurement

➔ Avoid mission drift

How can investors, development partners and other stakeholders strengthen networks?

- Actively contribute to the networks by regularly attending meetings, share knowledge products and promoting the network amongst peers
- Investors need to clearly formulate their needs and expectations as regards the use of the network in order for the network to be able to cater to those needs
- Development partners can share their knowledge about measurement and impact management and engage in developing the networks capacities
- Networks need to be open to the engagement of all kinds of stakeholders (including e.g. NGOs) and make room for different opinions, whereas participants shall engage in a constructive dialogue.

➔ Facilitate cross-national learning and sharing of best practices

Action Steps

- One idea mentioned during the breakout session was to continue the knowledge exchange and sharing experience on founding networks on country and regional level. If you are interested in further knowledge exchange, please do get in touch with UNDP who helped to incubate the Impact@Africa network. GIZ will be glad to assist as a knowledge partner.

Presentations

- Ranjna Khanna, Indian Impact Investors Council

Further Readings

- Report: Impact investing: Purpose-driven finance finds its place in India, McKinsey
- Overview: Impact@Africa Strategy
- Action Plan: Impact Investment in Africa, UNDP

Breakout Session III:
Incentivising Impact in Impact Investing

Hosts

Stefanie Bauer
Associate Partner
Intellecap

Lars Stein
Senior Policy Advisor
Swiss Agency for Development and Cooperation

Inputs

Emilie Goodall
Manager Development Impact and Sustainability
FMO

Júlia Profeta Johannson
Partner
Vox Capital

Björn Strüwer
CEO
Roots of Impact

Outcomes

What are key challenges in impact management that call for impact incentivization along the impact investing value chain?

- With capital available for impact investing increasing globally, **lines between mainstream investing and impact investing have become blurry**
- Only a small proportion of impact investing is invested in SGBs, despite the fact that they dominate 90% of our impact investing conversation: Estimates suggest **<1% of the global private capital is available through venture capital:** Challenge is how to mobilize further capital to invest in high impact enterprises and create more impact.
- Existing impact management systems focus on helping capital provider, fund manager or enterprise to articulate their impact; however, **existing systems fail to nudge the system to work towards more impact** creation on the ground and to 'move the impact needle'.
- Taking **clues from other policy areas may help to find market-based approaches** to impact incentivization: e.g. carbon trading mechanism or innovation vouchers can give us ideas to develop a market for impact.
- A more **harmonized or standardized way of articulating impact performance would be required to enable mechanisms like trading of impact**. Regulators and data providers play an important role to enable this market to emerge.

How might we incentivize impact investors to channel their money into high impact Small and Growing Businesses?

- Over the past years, mechanisms like **guarantees, subsidies, or pay for result mechanisms** have emerged to incentivize impact; some **innovative practices** are evolving including …

- **On enterprise level:** Björn Strüwer of Roots of Impact provided insights on **Social Impact Incentives (SIINC),** a mechanism created and tested with the help of the Swiss Agency for Development and Cooperation (SDC). SIINCs **provide SGBs with additional revenue for impact created**, essentially reimbursing achieved impacts. This underpins SGBs' attractiveness for investors thus facilitating the attraction of investments and preferred financing terms.
- **On fund manager level:** Júlia Profeta Johannson of Vox Capital shared the fund manager's hybrid carry model that aligns financial and impact performance by **making remuneration dependent upon achieving impact targets**.
- **On capital provider level:** Emilie Goodall shared FMO's work in five areas to promote impact orientation within the organization: Inspiring staff through a targeted **change campaign**, adjusting the performance and appraisal system to **reward impact**, ensuring appropriate checks and balances to help **align impact goals with financial goals**, **categorizing risk** incl. impact risk and deciding on how to manage that risk, as well as promoting transparency and accountability e.g. by **collaborating with civil society**.
- **On the data provider level:** Stefanie Bauer shared how PRISM, an impact measurement tool developed by Intellecap with GIZ and IFC, can help to create **'impact certificates' and link the amount of impact credits awarded to the risk and impact profile of the investment geography**. Outcome-based financing structures could leverage this system, whereas an outcome-funder could pay the commercial investor an impact reward based on the impact certificate, and hence incentivize the capital provider to channel its funds to the otherwise often risky perceived investee company.

What new ideas could 'nudge' the ecosystem towards more impact creation?

- 'Wild ideas' to further incentivize impact along the investment chain developed by the participants during the session included:
  - **Impact-oriented tax credit:** General Partners demonstrating that they work with entrepreneurs supporting them in efficient impact measurement and management receive tax credits.
  - **Impact auctioning:** Two-stage process with 1) bidding on a challenge question of "how to address a certain social or environmental problem?" and 2) bidding to assess who is the best provider to deliver that solution.
  - **Online market place for impact:** Enterprises can pitch the impact they create and investors can filter and access impacts in line with their investment strategy.

- **Impact Currency:** Blockchain-based impact currency to associate a currency with impact and make it possible to cash in that currency.
- **Impact Rewards:** Similar to the impact currency, a Blockchain-based reward system could pass monetization of impact on to clients via loyalty points. Instead of subsidizing enterprises, public funding would be directed to clients and strengthen the demand for impact products.
- **Impact measurement ranking:** Enterprises and / or investors are ranked according to their impact performance (possibly peer-reviewed). Benchmarking would incentivize to compete for a better position in the ranking. An impact index would benchmark investors based on their impact performance.

Action Steps

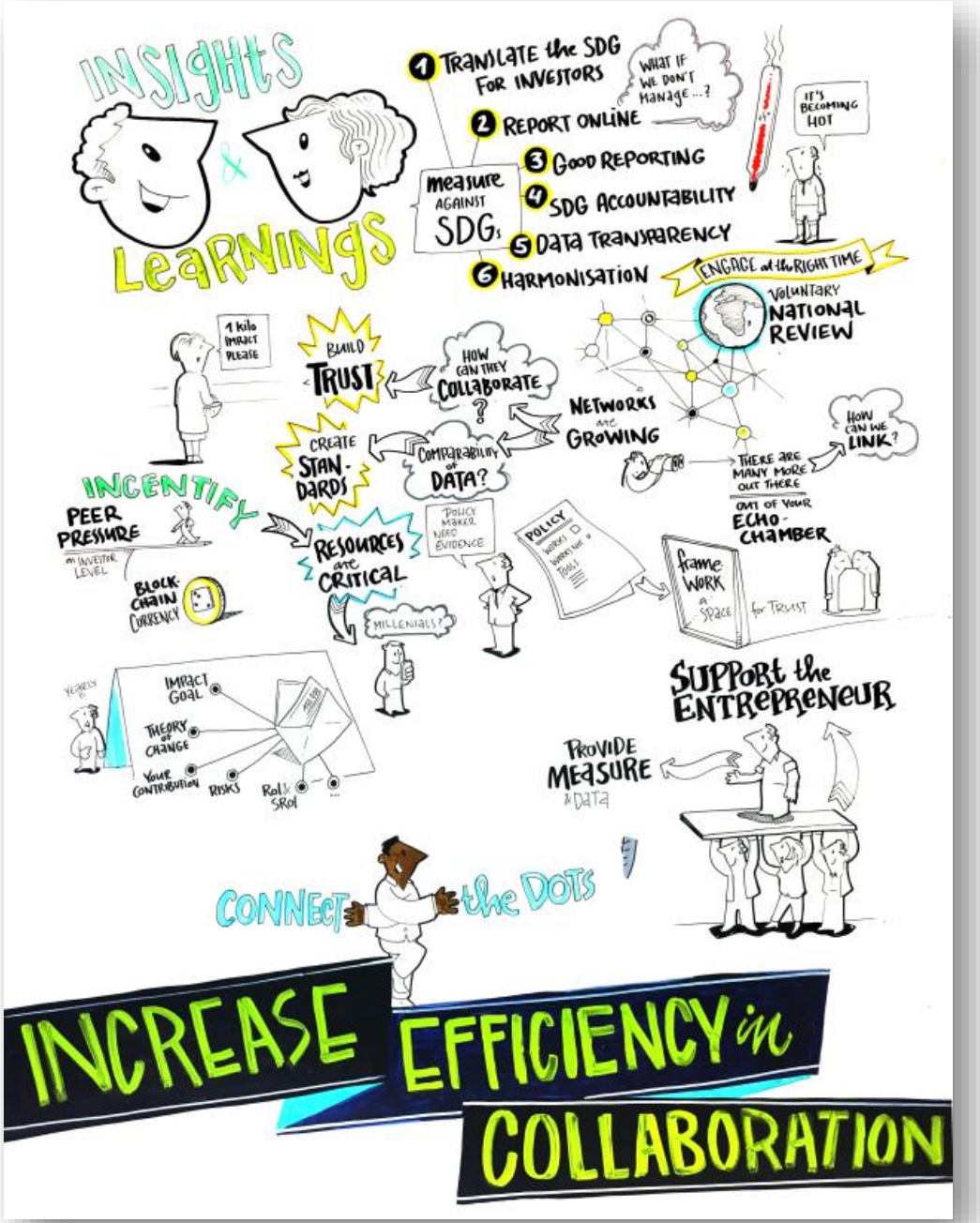
- Development of an insight paper to be fed into further processes (contacts: Stefanie Bauer, Intellecap; Diana Hollmann, GIZ)
- Link insights to ANDE Impact Measurement and Metric Learning Lab
- Engage with GIIN and the Collaborative for Early Stage SGB Finance, a multi-stakeholder initiative anchored by Omidyar Network, infoDev / World Bank, and Dutch Good Growth Fund, on the impact incentivization agenda

Presentations

- Stefanie Bauer, Intellecap
- Lars Stein, Swiss Development and Cooperation Agency (SDC)
- Júlia Profeta Johannson, Vox Capital

Further Readings

- Issue Brief: Impact-Based Incentive Structures, GIIN
- White Paper: Social Impact Incentives. Roots of Impact & SDC
- Report: Innovations in Financing Structures for Impact Enterprises, Transform Finance, Multilateral Investment Fund, Rockefeller Foundation
- Report: Purpose, Growth, Impact: Mission locks insights from practice, Unltd Impact



Reporting back:
Key Insights and Lessons

Rapporteurs

Andrew Kaiser-Tedesco
Partner
WARC

Mabinty Koroma-Moore
Engagement Manager IRIS and IMM
GIIN

Karen Wilson
Head of Social Impact Investing Initiative
OECD

What are key takeaways and recommendations along the impact chain? How can we increase efficiency of collaboration between the various actors involved in impact measurement and management in impact investing?

"We should measure against the SDGs"

The SDGs can be considered a helpful impact measurement framework to engage investors:

- **SDGs need to be translated** by and for investors so that they are in a position to track impact against SDG-related targets
- **Online impact reporting** can provide innovative and resource-efficient ways to collect and share data
- **Good impact reporting** requires a focus on the most relevant data for each stakeholder in the value chain as well as quality control and review of data.

- **Data transparency** incl. a cultural shift towards more willingness to share data will be a prerequisite for building a solid impact evidence base. Technology can enable the more effective sharing of this data in appropriate ways.
- This in turn will enable **accountability** based on availability and higher quality impact data and allow for analysis and evaluation of achieved outcomes.
- **Harmonization** and more standardization of impact measurement will be crucial to increase the comparability of data, the possibility to aggregate data and the establishment of a coherent impact evidence base, e.g. for policy design, implementation and evaluation.

"Let's not only preach to the converted"

- **Networks on national, regional and global level** have helped and should continue to build trust within and amongst stakeholder groups for impact measurement and management.
- Importantly, impact fund managers and other stakeholders along the impact chain need to reach out to those outside their usual echo chamber, e.g. involving mainstream financial institutions. Working **towards a shared understanding of impact fundamentals** is the point of departure for more efficient cooperation within networks and beyond. One example of such an approach is that of the Indian Impact Investor Council. The IIC works towards standardization of impact measurement and engages in policy advocacy amongst others.
- A recurring theme throughout the conference was the **role of policy makers** and the question of how to initiate a sustained dialogue with the impact investing community. Policy makers would have a genuine interest in impact investing as effective impact management is key for evidence-based policymaking. In the spirit of the SDGs, impact measurement also helps to build trust between the public and private sector, thereby creating the basis for a partnership for the goals.
- With policy makers as their main target group, the OECD Social Impact Investing Initiative works on raising awareness and developing evidence-based insights about the impact investment market. While the development of effective impact measurement is a key area of interest, OECD's work also focuses on what policy makers can do to strengthen the demand, intermediation, supply and ecosystem for impact investing.

"Actively measuring and managing for impact is core to impact investing"

- To ensure impact is managed well, impact investors would define an impact objective and a theory of change, assess their possible contribution to achieving the impact objective as well as assess the associated impact risks for each of their investments.
- An impact investor ranking could incentivize investors to measure and report their impact as well as supporting their investees in measuring and managing impact.
- For entrepreneurs a direct financial reimbursement for achieved impact ("I would love to sell you a kilo of impact") could help strengthen their revenue model. Such an approach would be a step towards the vision of making impact tradable and thus more accessible and mainstream.
- Overall, collecting data requires skills and resources. Providing capacity building and financial support are important for making sure the burden of impact management is not left to the investees.

Closing and Way Ahead

Speaker

Natascha Beinker
Deputy Head of Division
German Federal Ministry for Economic Cooperation and Development (BMZ)

Federal Ministry for Economic Cooperation and Development

“Impact measurement and management are important to avoid mission drift and increase transparency and accountability”

Impact management is an important vehicle to help us remain focused on impact goals and not get lost in debates on rates of return. Managing for impact and doing so in a transparent way is a prerequisite for being held accountable for our mission to achieve positive social and environmental impact.

“German development cooperation will stay committed to the promotion of impact investing and sustainable finance”

German Development Cooperation will stay engaged in promoting sustainability and impact considerations in financing the SDGs. This includes work on sustainable finance more broadly, e.g. in the promotion of Green Bonds and other innovative financing mechanisms. This also includes work in promoting impact investing, e.g. through our impact investing work in India where we helped to develop the fund performance and reporting tool PRISM. We also look forward to continuing our work on the international level, e.g. our cooperation with the OECD Impact Investing Initiative on promoting data quality and availability.

“Networking and collaboration are essential for achieving the SDGs”

The promotion of sustainable development connects us in our ambitions and in our daily work. I invite all of you to stay engaged and continue the collaborative spirit of this conference. Impact investing, development cooperation and policy community have a lot to learn from and to learn with each other.

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Deep Dive:

Impact Investing Policies

Berlin, 22 November 2017

BMW Foundation
Herbert Quandt


OECD
2030
CREATING a CONDUCIVE IMPACT INVESTING ENVIRONMENT
the COLLABORATION OF PRIVATE & PUBLIC is CRUCIAL
it requires UNDERSTANDING RESPECT & TRUST
TRANSFORMATION
BRIDGE SILOS within GOVERNMENT
OECD Policy Framework for SOCIAL IMPACT INVESTING
SOCIAL IMPACT INVESTING is NOT a REPLACEMENT FOR GOVERNMENT SERVICES - it's about INNOVATION
HAVING a STRATEGY...
INCREASE # of SOCIAL BUSINESS
STRENGTHEN INTERMEDIARIES
HAVE MORE CAPITAL
... BUT THE HARDEST PART IS EXECUTION
PILOT COUNTRIES
MAP WHAT IS DONE WHERE & LEARN FROM THERE
CAPITAL
GROWTH
RISK
visualize COMPLEXITY
LEARN about OPPORTUNITIES
will RESPONSIBLE BUSINESS
ASK WHO ARE the KEY PLAYERS?
ENABLING ENVIRONMENT
SOCIAL NEEDS
DEMAND SIDE
MARKET INTERMEDIARIES
SUPPLY SIDE
STRATEGIC PARTNERSHIPS
LEGISLATIVE & REGULATORY FRAMEWORK
GOVERNMENT CAPACITY
NATIONAL PRIORITIES
SDGs
DECISION MAKING
POLICIES to STRENGTHEN...
CYCLES SHOULD MATCH between COUNTRIES
HOW DO YOU DEFINE the PROBLEM?
PRODUCTIVITY GAP
SMALL vs LARGE ENTERPRISE
HOW DO LOOK OTHER FRAMEWORKS
ECO SYSTEM
LEARNING
THERE IS WORK TO DO!
AWARENESS
Map WHO'S OUT THERE DOING WHAT?
NATURE OF BUSINESS SUPPORT
SKILLS
...THE DEMAND SIDE OF IMPACT CAPITAL
CLEAR DEFINITION & COMMUNICATION
"DEMAND" DEFINE first
TECHNOLOGY INTERACTION & DATA TRACKING
SUPPORT the CREATION & GROWTH of SOCIAL ENTERPRISES
IS CAPITALISM 'THE' MODEL?
RISK
As a PUBLIC INSTITUTION WE TEND TO CONSERVATISM
the ROLE of COMPETITION
INCENTIFY EARLY STAGE
WHO PAYS FOR?
IMPACT
the LANDSCAPE is DIFFERENT
IMPACT INVESTING? WHAT ELSE SHOULD WE DO?
MONEY
PROFIT
RESPECT
IMPACTRISK
DON'T BE AFRAID OF PHILANTHROPY
TAKE MORE RISK
the SOCIAL ENTRE-PRENEUR
KNOWLEDGE
gain CLARITY with TAXONOMY
BETTER SERVICES needed
RESOURCES
CAPACITY to GENERATE KNOWLEDGE
measure IMPACT
Scale!
EVALUATION
THERE IS NO EFFICIENT / SYSTEMIC LEARNING YET
FLEXIBLE Money
COURSE CORRECTION & LEARNING
WHAT MONEY WANTS
TRANSPARENCY
START with SOCIAL ISSUE
IDENTIFY RANGE of STAKEHOLDERS
BRAVERY
RISK & FAILURE
WE HAVE TO TACKLE THIS
...THE SUPPLY SIDE OF IMPACT CAPITAL
FACILITATE the FLOW of CAPITAL
SOME FUNDS in MUDDY WATER
CAN DFI HELP with BOTTLENECKS?
...THE IMPACT INVESTING ECOSYSTEM
DIFFERENT THINGS HAPPEN ON DIFFERENT LEVELS
COORDINATION CONSISTENT APPROACHES
make PROCESSES 'SEXY'
LEARNING
OWNER SHIP
WHERE DETAILS
INCLUDE FAILURE
SOCIAL ENTERPRISE DEFINITION
LOOKS GREAT ON PAPER BUT...
IDENTIFY NECESSARY CHANGES in the ENABLING ENVIRONMENT
CIVIL
PUBLIC
PRIVATE
MISSING
LET'S GO FAR TOGETHER
WHAT is TRANSFERABLE?
DEVELOPING WORLD
LACK OF INVESTIBLE PRODUCT
WHO SHOULD DRIVE this?
PUBLIC & PRIVATE
WHERE are the COMMERCIAL BANKS?!
HOW TO TALK TO GOV?
COMMERCIALLY
EDUCATE & EXPLAIN
I NEED EVIDENCE
ONE TOOL within OTHER
by SOCIAL IMPACT INVESTMENT
INNOVATION for DEVELOPMENT
COMMITMENT for FUNDING
4.5 TRILLION
STRONG PARTNERS
Measurement
SHARE DATA POLICY
BLENDED FINANCE
PROFITABILITY OR SUSTAINABILITY
Fair Growth
SDG
INVEST for IMPACT
the PATIENT INVESTOR
WE NEVER HAVE TO EXIT
INVEST WHERE OTHERS WOULDN'T
ACCEPT LOWER RETURNS
MORE RISK
the DEVELOPING COUNTRIES NEED FUNDING.
DEEP DIVE:
POLICIES to PROMOTE IMPACT INVESTING
21 & 22 NOVEMBER 2017
in BERLIN @ BMZ
GRAPHIC RECORDING | studio animanova 2017

Welcome and Opening

Speaker

Jorge Moreira da Silva
Director
OECD Development Co-operation Directorate

Driving innovation to achieve the 2030 agenda

The 2030 Agenda calls for the most ambitious financing strategy for development yet, with a dual challenge of mobilising unprecedented volumes of resources, and leaving no one behind. The OECD is promoting innovations to meet this task by helping donors use official development assistance to create the right incentives that will grow resources available to those most in need, with a prominent role carved out for private sector financing.

The OECD is leading a global policy coordination effort to harness private sector innovations for development

The OECD is leading the strategic engagement and coordination of donor governments by providing policy guidance for development finance. In this framework, social impact investing is part of the broader OECD work on private sector mobilisation for sustainable development, which encompasses other financing approaches, i.e. blended finance and green finance.

Social impact investment brings **innovation** to development by taking new approaches to address social and economic challenges. When these new approaches prove to be more cost effective and efficient, governments can help bring them to scale and tie them to a development mandate. Second, social impact investment brings **accountability and effectiveness**: impact investment is predicated on the intention of having a social impact in additional to a financial return.

Translating this to effectiveness policy, the OECD is developing a framework for social impact investing data and transparency, with a focus on impact measurement. Finally, it can strengthen **sustainability** beyond grants, as social impact investors work closely with the investees to help them develop, grow and sustain their enterprise.

The OECD Development Assistance Committee recently concluded its 2017 High Level Meeting with a call for advancing the OECD's work on investigating best practices to foster social impact investing in developing countries.

Scaling up social impact investing for development cooperation

To succeed in scaling up social impact investing beyond independent projects, we need to engage governments and promote learning across public policy initiatives.

This workshop is a unique opportunity for policy makers and practitioners to share their experiences about policies implemented to date, in developed, emerging and developing countries. Most importantly, we gather today the development cooperation and the social impact communities to encourage dialogue and mutual learning.

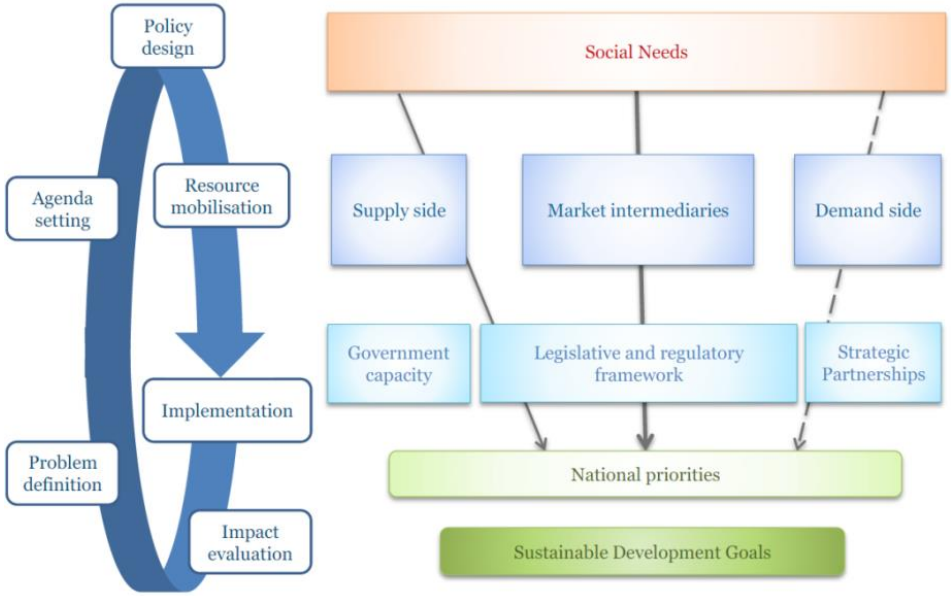
We would like to thank the German Development Cooperation for the leadership proven in co-organising this event. We must build on the momentum demonstrated today to strengthen the alignment of social impact investing with the 2030 Agenda.

Deep Dive Summary

The OECD Social Impact Investing Policy Framework

- The OECD ongoing Social Impact Investing Policy work aims to define **a policy framework** to assist governments in their efforts to mainstream SII in the context of private sector financing for sustainable development and **produce recommendations** for policy makers to promote SII as an approach to progress towards the SDGs.
- A **policy mapping** exercise is being conducted to identify those public initiatives that OECD and non-OECD countries have undertaken to promote social impact investment and their potential transferability to development cooperation. The mapping will identify which instruments have been used to target various parts of the social impact investment market (Demand side, Supply side, Intermediaries or Enabling environment). At the event, initial insights from six pilot countries were presented.
- Taking stock of the existing literature, the **draft OECD policy framework** is intended to deliver a comprehensive, holistic and cross-sectoral approach that could be equally applicable to Development Assistance Committee (DAC) members, other providers as well as developing countries. The framework is composed of two pillars: the **theoretical models** underpinning the design, implementation and review of SII policies and the **analytical dimensions** which help characterise them. The framework is meant to serve as the analytical basis for international comparison in the ensuing policy mapping exercise to be carried out by the OECD.
- The OECD SII Policy work will be further developed based on the feedback received by workshop participants.

- The OECD **Phase II report** will include findings from the ongoing policy work. The report aims to help governments better understand the trends in social impact investment and the opportunities this new financing approach can provide in addressing the SDGs.



Policies to strengthen the supply side of impact capital

What policies can help to facilitate the flow of capital to the impact investment market?

- Policy makers must accept higher risk of failure in order to attract private capital, drive innovation, and leave no one behind.
- **Development Finance Institutions** play a key role in supplying capital to developing countries, but more **transparency** is needed on their project selection criteria.
- The establishment of **local intermediaries** is key to channel external risk capital to social enterprises and to assist the service provider on behalf of the investor.
- In least developed countries, experience shows that investment deals involve small amounts; they will take longer and require a lot of **technical assistance**.

Policies to strengthen the demand side of impact capital

How can policies support the creation and growth of socially oriented enterprises?

National policy initiatives can foster the demand side of Social Impact Investing:

- On the one hand, the establishment of a legal framework for social enterprises, ecosystem mapping and early entrepreneurship training are the initiatives which **support the creation** of socially-oriented enterprises.
- On the other hand, **policies to stimulate growth** of social enterprises include migration management, which can help close skill gaps, introduction of innovation vouchers in support of SMEs and special incubator and accelerator programmes for social entrepreneurs.
- Among **fiscal policies**, which promote both creation and growth of social enterprises, direct subsidies and tax incentives might be used.

Policies to strengthen the impact investing ecosystem

What tools and/or frameworks are useful for identifying necessary changes in the enabling environment?

- Most importantly, the implemented policies should be easily **understandable for all the stakeholders** on the market. Some of the well-designed on paper initiatives do not succeed to reap the gains because of the lack of understanding between the market stakeholders on how to use the policies.
- Policies adopted at the national level need to take into account local needs and be implemented in coordination with local actors.
- Better **knowledge sharing**, not only of successful cases, but also of failures, can help policy makers to better design and implement transferable programmes in their countries.

Action Steps

- Throughout the day, policy makers converged on three key learnings:
  - The promotion of the Social Impact Investing should be grounded on an **improved understanding, mutual respect and shared trust** between all parties involved.
  - The liaison between social enterprises in developing countries and international supply of capital should be facilitated by **local** wholesale institutions and other **intermediaries**.
  - **Strategic partnerships**, not only with social enterprises but also with the mainstream investors' community, should be at the heart of the government's intervention.
- Development cooperation practitioners have a number of instruments, which can help the social impact industry grow in developing and emerging economies. Only the combined effort of the public, the philanthropic and the private sectors will result in significant progress towards the SDGs.

Presentations

- Irene Basile, OECD

Readings

- Overview: Social Impact Investment Initiative, OECD
- Website: OECD Social Impact Investing Initaitive
- Report: Social Impact Investment: Building the Evidence Base, OECD
- Report: Development Cooperation Report 2016: Investing for social impact in developing countries, OECD

Closing and Way Ahead

Speaker

Anja Wagner
Head of Division
German Federal Ministry for Economic Cooperation and Development (BMZ)

Federal Ministry for Economic Cooperation and Development

"Impact management and policymaking are of key importance for the development of the impact investing market"

Over the past ten years, investments addressing social and environmental challenges have substantially increased. At the same time, with the adoption of the 2030 Agenda and the renewed focus on mobilizing private finance for development, the expectations towards the powers of impact investing have grown significantly. But Impact Investing is not a silver bullet. Overselling the concept or promising quick fixes to complex and entrenched problems will not serve our mission for sustainable development.

That is why we chose to address three key issues over the past couple of days: Firstly, **impact measurement and management** is a defining feature of impact investing. Only if impact stays in focus, will impact investing stay true to its name and potential. Secondly, we are at a point in time where we need to reflect on what works and what does not in terms of **policies to promote impact investments**. We as development practitioners and policy makers have a number of instruments at our disposal to help the industry grow.

"If you want to go fast, go alone. If you want to go far, go together!"

Thirdly and as markets are deeply complicated, multi-faceted organisms that do not allow for simple solutions, **effective cooperation is key**. Only with combined efforts from the public, the private and citizen sectors will we be able to move the needle to more and better investments for the SDGs.

None of our efforts in isolation will be sufficient. Only by setting clear expectations and working effectively together will we create the necessary conditions for impact investing. Our cooperation with the OECD to implement this workshop is one example in action. Another partnership is that with the BMW Foundation Herbert Quandt that supported this conference.

Thank you all for your commitment and contributions over the past couple of days. We look forward to staying in touch and staying engaged.