



Social impact investment: Increasing Private Sector Investment to address Economic, Social and Environmental Challenges

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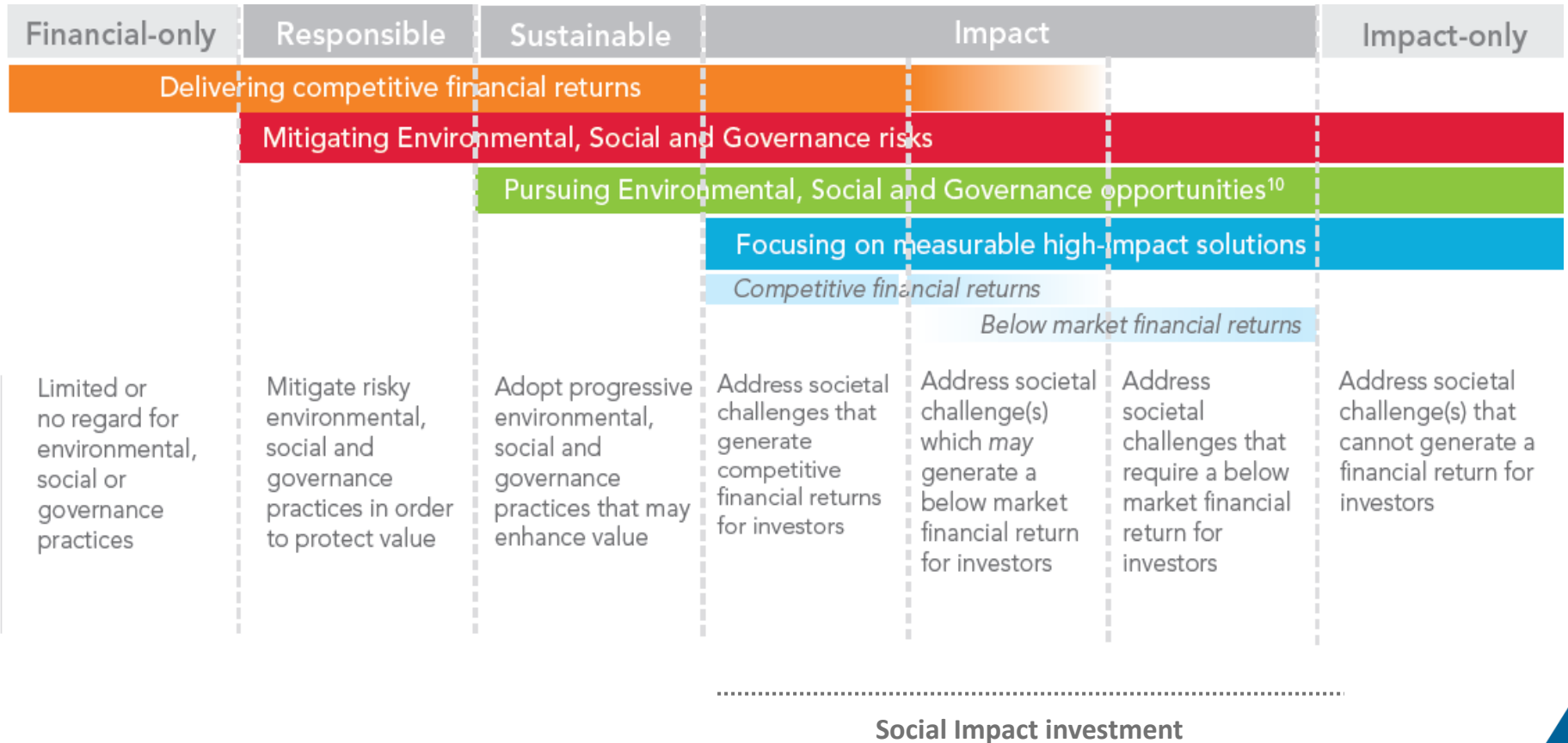


Social Impact Investment: Increasing Private Sector Engagement

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



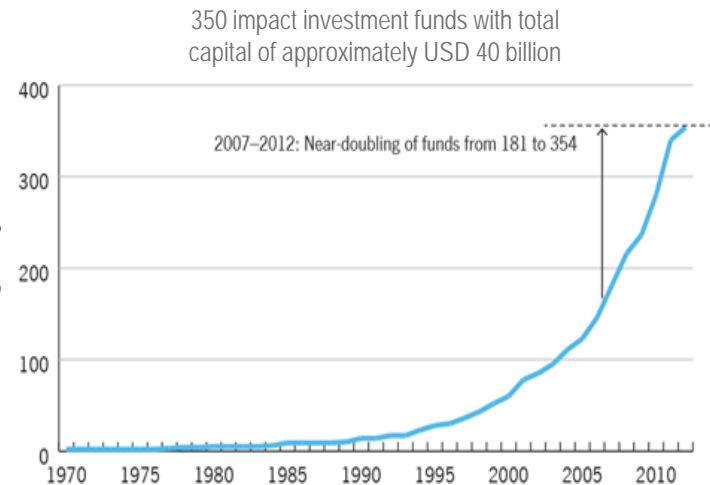
The Spectrum of Capital





The Social Impact Investment Market is Evolving Rapidly

- A number of factors are driving growth in the social impact investment market
 - The emergence over the past decades of an increased number of socially focused entrepreneurs and businesses.
 - The increasing interest of private capital providers in investing for both measureable social and financial returns.
- While these new approaches will not replace the core role of the public sector or the need for philanthropy...
 - ...SII can provide innovative models for leveraging capital using market-based approaches with potential to have greater impact.
- Social impact investment is growing in the developed and developing countries
 - SII can catalyse additional private capital flows into both developed and developing economies
 - Particularly important in the context of the 2015 high-level dialogue on Financing for Development and the development of the new Sustainable Development Goals.

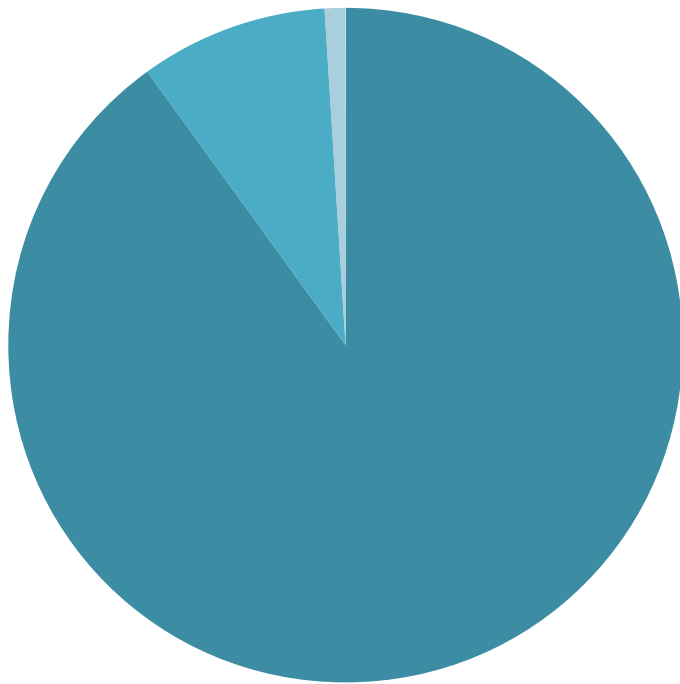


Source: Clark et al, 2012.



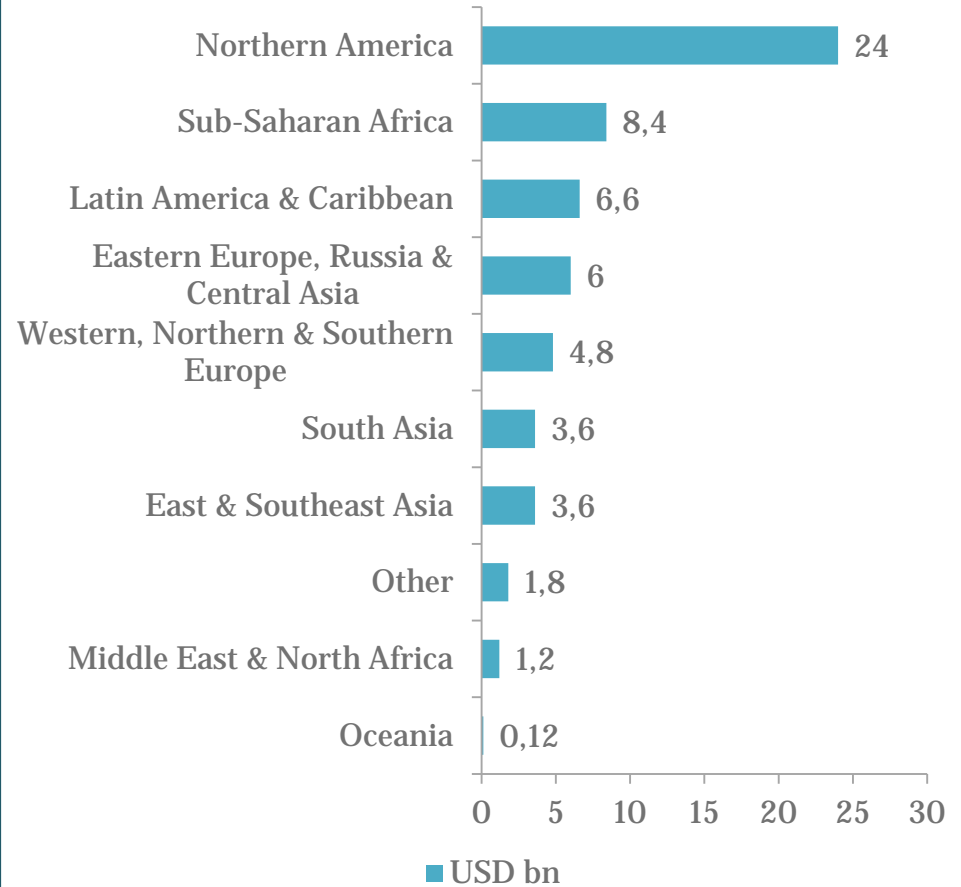
Where Social Impact Investment is Based

Total AUM by investor location



- Developed Market Headquarter
- Emerging Market Headquarter
- Global Headquarter

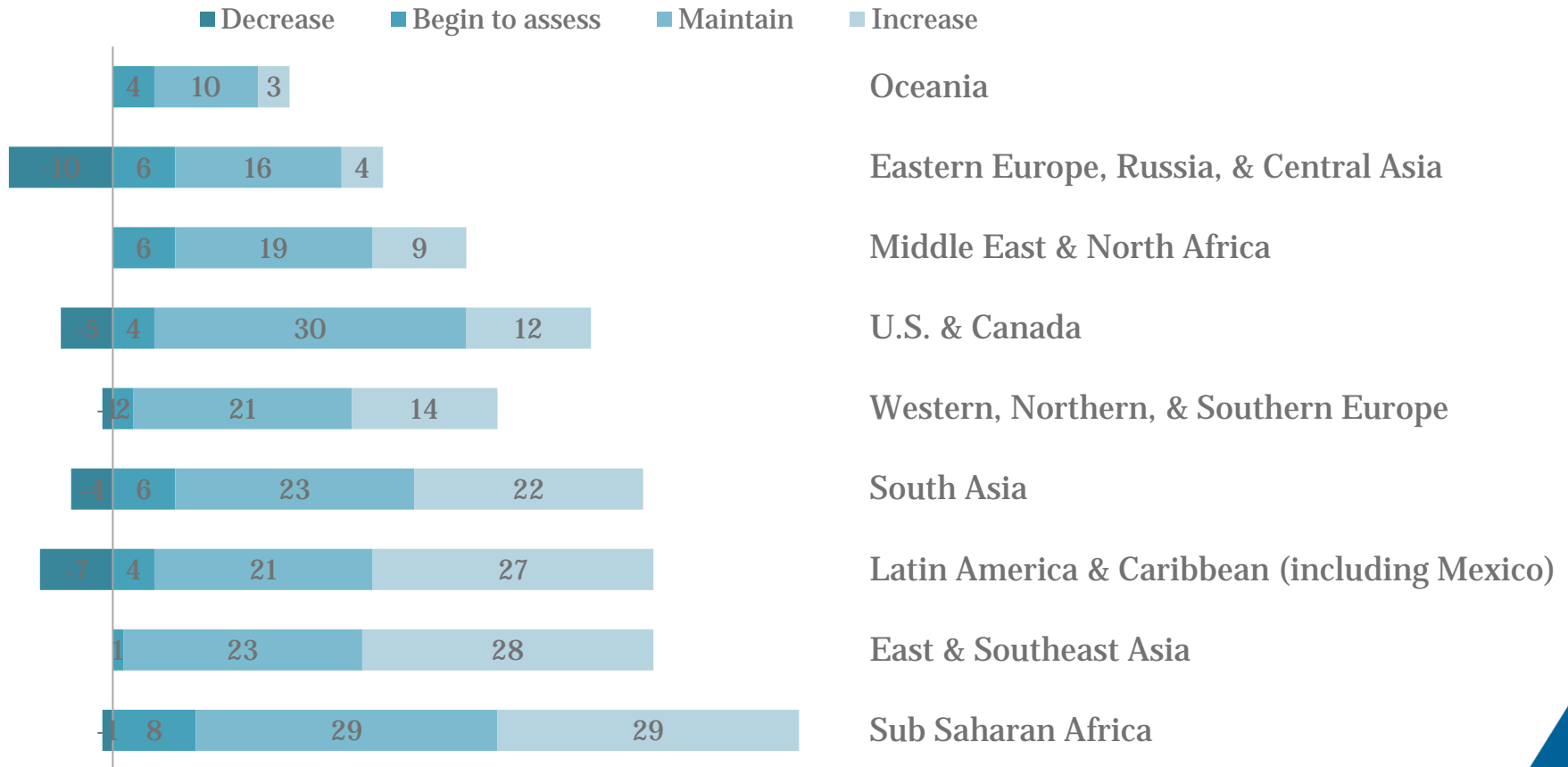
Weighted average AUM (60bn total)



Source: Annual survey conducted by J.P. Morgan and GIIN among 145 impact investors (Saltuk 2015)



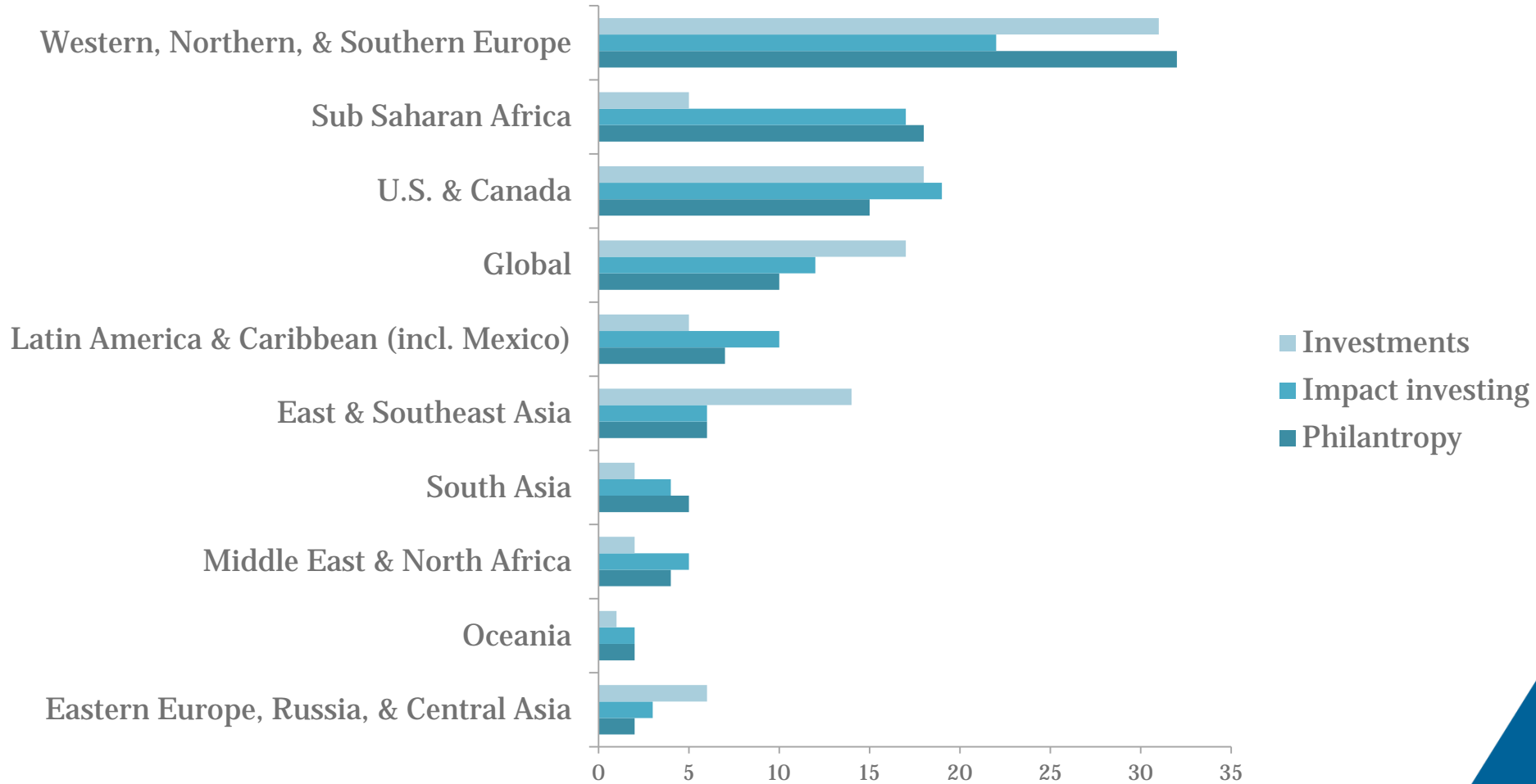
Target Regions for Investment in the Next Year



Ranking by number of respondents from an survey among 145 impact investors (Saltuk 2015)



Foundations and Family Offices: Philanthropy, impact investing and investments



Number of survey respondents of 180 family offices and foundations (Financial Times 2015)

Note: Only respondents not active in either philanthropy or impact investing were asked about the geographic distribution of their overall investment



Social Impact Investment Initiative



Phase I: Social Impact Investment: Building the Evidence Base

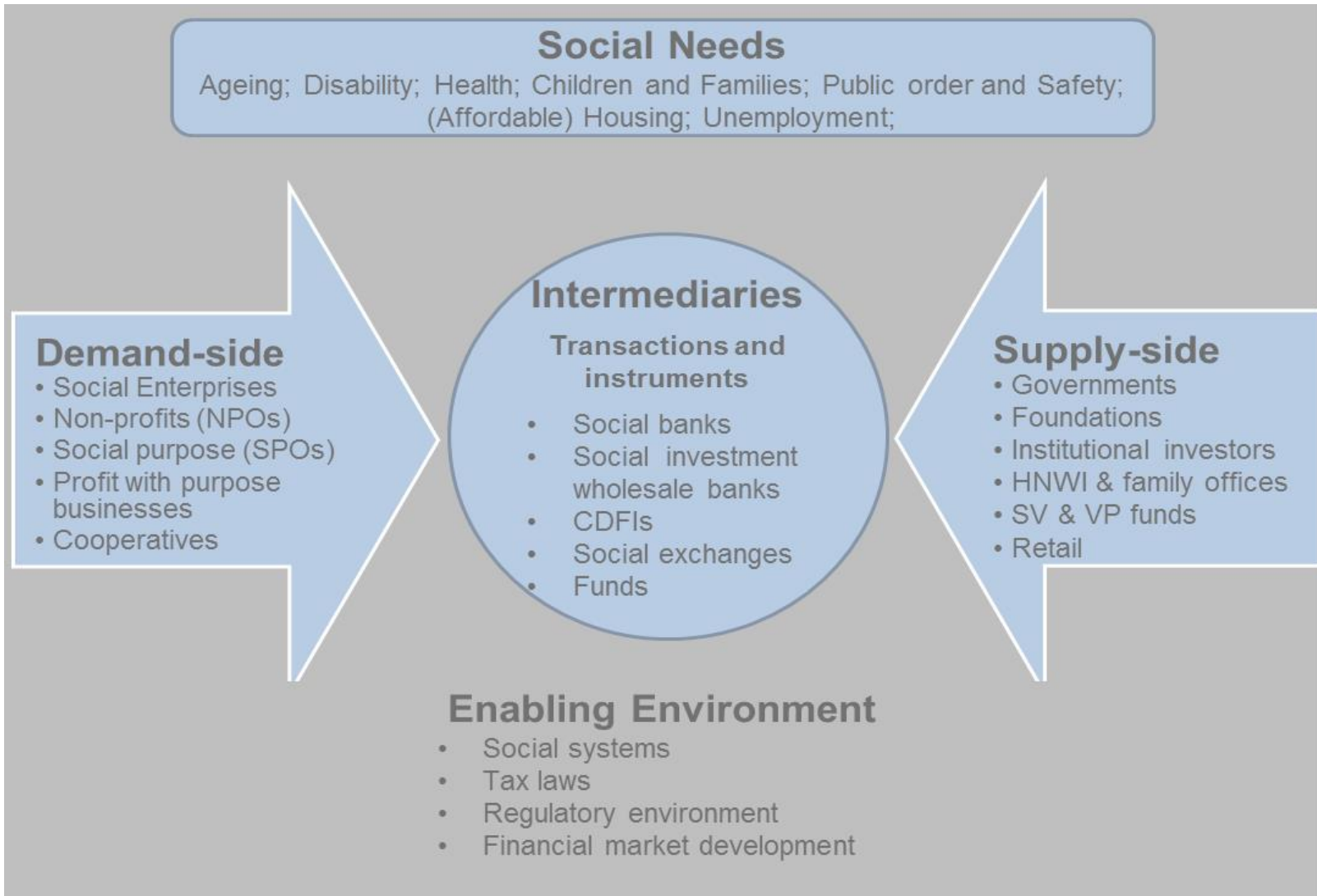
- Overview on Social Impact Investment
- Social Impact Investment Framework
- Characteristics and Attributes of Social Impact Investment
- Context Setting: Differences in social needs and service delivery across selected countries
- Social Impact Investment Market Data: Initial Findings
- Policy Actions and Implications

Phase II: Objectives

- **Measurement:** Measure SII in the framework of private sector investment in the new SDGs.
Continue to convene international discussions on SII data collection and indicators.
- **Evidence base:** Provide a more comprehensible and comparable view of SII across countries.
Increase understanding about social impact investment in the context of the broader financial markets in developed and developing countries.
- **Practice sharing:** Further knowledge of social impact investment instruments and their applicability in a variety of sectors and across different country settings through the development of detailed case studies and workshops.
- **Policy:** Identify, monitor and assess policy actions taken to further the SII market.
Platform for discussion with policy makers



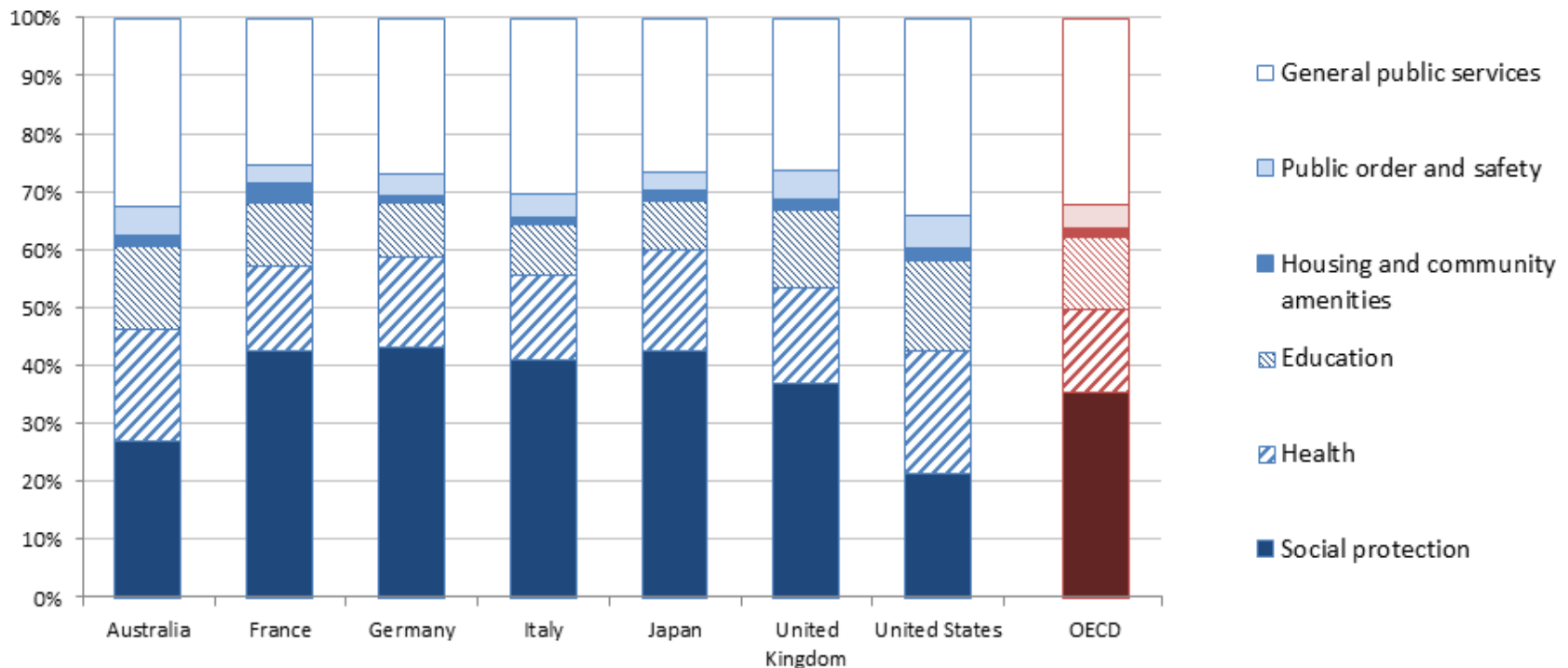
Framing the Social Impact Investment Market





Large differences in mix of government expenditure across countries

Structure of general government expenditures by function (2011)



Social protection, health, housing and education cover 60%+ of total spending on average in OECD countries



Policy Issues and Next Steps

- Should policy makers intervene in the market?
 - Existence of market failures
 - Information asymmetries (moral hazard), imperfect market competition, externalities, absence of public goods
 - Is SII a better or additional solution?
 - Is it more efficient and/or effective in meeting social needs?
- What is the appropriate role of policy?
 - Indirect (addressing legal and regulatory issues)
 - Direct (providing support through tax incentives, guarantees or subsidies)
- The critical next step is to build the evidence base:
 - Developing common definitions
 - Building the necessary data infrastructure and coordinated data collection processes
 - Furthering efforts on the measurement of primary social outcomes
 - Evaluation of policies and broader social outcomes



Social Impact Investment: Building the Evidence Base

February 2015:

<http://www.oecd.org/sti/ind/social-impact-investment.htm>

*For further information see July 2014
publication:*

http://www.oecd-ilibrary.org/science-and-technology/new-investment-approaches-for-addressing-social-and-economic-challenges_5jz2bz8g00jj-en

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