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Development Partners, One More Push for Greater Impact!

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1. DESPONDENT (BUT STILL ENTHUSIASTIC)

This is a tale of disappointments and enthusiasm, inextricably intertwined with each other.

The financial mechanisms established to meet public interest needs have continued to diversify over the last 20 years. This diversification has affected official development assistance (ODA) in three ways: upstream, in terms of seeking new methods of fundraising; downstream, with a huge diversification of uses; and finally, laterally, with the diversification of development agenda objectives, and the emergence of problems in terms of managing globalisation and the concept of global public assets.

The reasons for this diversification are well known: doubts as to the effectiveness of 'traditional' ODA, budget constraints, trends in global public needs and the technological revolution. All have resulted in a pushing of the boundaries of the imagination, and in a transformation of the operational and instrumental mechanisms for global policy-making.

In this innovative work, the microeconomic ground has proved particularly fertile. The reasons for this expansion, however, are to be found in a four-fold, paradoxical disappointment.

First, disappointment in macroeconomic terms. The macroeconomy has reigned supreme in development economics and ODA since the 1980s, jettisoned to the forefront of concerns by Latin American and African structural adjustment. Although it continues to play a fundamental role in establishing efficient trajectories of growth for developing economies, it is unable to address a significant number of issues relating to the quality of that growth, including, for example, ensuring that African growth delivers more jobs. This issue does not fall within the remit of macroeconomics, and the cost of labour, for example, is quite incapable of responding to this immense challenge. Such a response lies in the structure of the economy, and particularly in its capacity to generate job-creating entrepreneurial fabric.

Second, disappointment in terms of the state. Project-type interventions have, for a number of decades now, been the only response to the challenge identified above: creating programmes for small and medium-sized enterprises (SMEs), establishing departments devoted to this issue and releasing public funds through specialist institutions. While these intervention methods have their place, they cannot themselves 'enter the market'. This disappointment reaches to the very heart of the historic public service mission: education, health among others, and even security. Everywhere, initiatives are emerging with the aims of providing care, child nutrition or improving access to energy via alternative channels situated within the market itself and not just on its periphery.

Third, disappointment with markets. The one thing that all impact investment actors agree upon is criticism of the rules of the dominant party in market capitalism: questioning the role of shareholders and company owners, challenging profit maximisation as the only guide to investment decisions, criticising the short-term outlook of the market, and recognising its inability to provide essential goods and products to the poorest of the poor. The market's capacity to spontaneously create collective well-being is also being challenged.

Finally, disappointment with charitable action too, and historic forms of NGO activity. Sixty years of international humanitarian action have demonstrated the need for, but also the limitations of, emergency aid, while development NGOs are also facing the challenge of ensuring the financial sustainability of the actions they support. A growing number of civil society actors involved in development work are in the grip of donor fatigue.

All these disappointments clearly require us to imagine an alternative path, but what might this be? We need to retain company or financial actors as the essential engines for producing well-being in a competitive situation. We need to find an economic model that will bring about long-term financial sustainability but give meaning to activities by ensuring that they contribute to well-being through the achievement of specific objectives in terms of social, environmental, ethical and political impacts.

This research is taking place in an impressive climate of entrepreneurial enthusiasm, enabling a spirit of enterprise, creativity, innovation, freedom and the room for manoeuvre offered by economic independence to be combined with the search for public interest. It is resulting in a growing number of operational and financial innovations, of which 'impact investment' is one of the most successful and rapidly growing forms.

2. Did you say 'impact investment'?

2.1. Profiles and motivations

What kinds of people are involved in public interest innovation in the market, and what do they do? Well, they can broadly be divided into two large categories:

- *Those proposing alternative forms of market enterprise*. This sector consists essentially of promoting business ownership in forms other than shareholding; the company may, in fact, be owned by its customers, its suppliers or its employees. Operating under a number of different ownership systems, these companies may have strict performance targets, as is the case for a large part of the cooperative movement. They may, however, be based on a specific values system, promoting the collective interest, or even have explicit public interest objectives. They are then clearly located within the 'social business' or 'social entrepreneurship' world. In what follows, however, we will use the term 'societal' rather than social as, strictly speaking, this has greater connotations of the human development agenda (health, education, etc.).

- *Those wanting to use classic economic models but amending some of their features,* for example performance expectations, in order to try and take account of the externalities related to these activities. They are aimed at 'patient' investors, and include in their approach an extra-financial return on their investments. When this relates to companies producing goods or services aimed at meeting a public interest need, these actors are also known as 'social businesses'. They are not generally aimed at making a profit and, if they are, it is only a marginal one and clearly below market expectations. The term 'social impact business' is used when the drive for profitability remains explicit despite the company's clear vocation. When this relates to financers (banks, investment funds, etc.), they are called 'impact investors'. These latter companies are the focus of this chapter.

Impact investors are often the funders of social businesses. They see value in being able to provide their resources to companies with a public interest mission, in the context of a private initiative, providing they are able to at least cover the costs of the financial arrangement.

However, they have a much wider social and economic scope. The aim of impact investing is not, in fact, defined by the legal nature, or even by the level of profitability, of the investment goals but by the expected impacts. In many cases, these impacts can be obtained by financing traditional players in the market economy who are facing obstacles in securing funding due to a weakness or limitation in the market.

Let us look at a few examples. When the International Finance Corporation (IFC) and the Gates Foundation join forces to create an investment fund devoted to health, if the stated aim of their joint venture is to have an impact on health indicators then they can claim to be impact investors, even if the fund does show a degree of profitability and invests in private for-profit companies such as hospitals and pharmaceutical companies. When Investisseurs et Partenaires (I&P) invests in SMEs in Africa that have no market access, and in a niche where profits clearly exist but are below those expected of emerging markets, the description of impact investor also applies. The spectrum of such impact investments, as well as the level of profitability of the activities, can therefore be extremely wide and operational methods may also be very diverse.

Impact investors do not fall under the heading of 'socially responsible investors' (SRIs). This term in fact applies to those investing in publicly listed companies, and who apply criteria of social, environmental or ethical responsibility to their buying and selling decisions. These SRIs do sometimes actively use their voting rights in general meetings or their significant share in the long-term debt of companies to put pressure on their investment targets and encourage them to change their behaviour. This approach has been seen taking hold more recently in unlisted activities.

These impact investors clearly need to find investors or shareholders. In organic terms, as private equity funds or traditional financial companies, they are no more than intermediaries between savers and users. So who is behind these fast-growing entities? We shall discuss this in further depth below.

2.2. Background to and identities of impact investors

Historically, the movement first took off around the end of the 1990s. It found its first funders in the world of 'family offices', foundations specialising in the promotion of entrepreneurship, and in some companies. Some development finance institutions (DFIs), such as Proparco or the EIB, dipped their toes in the water and contributed to the emergence of the sector. However, the range of impact investors has gradually grown in four directions, as we shall see below.

We now find states and public actors involved. They increasingly see this area as an effective way of supplementing the traditional aid instruments and are now pushing their specialist financial institutions to support the emergence of this sector. The G8, under the UK presidency, established a taskforce in this regard, led by Sir Ronald Cohen, which published its report in September 2014 (Social Impact Investment Taskforce, 2014). In particular, the group called for the increased participation of official development financing actors in impact investment. This represents a new opportunity for public actors to contribute to achieving global objectives of sustainable development by limiting donations and further improving the effectiveness of aid.

Foundations are proving to be increasingly dynamic players in the sector. They have contributed greatly to its emergence, perhaps somewhat paradoxically, by providing grants, implementing technical assistance programmes or financing sector organisations. The Rockefeller Foundation, for example, has been a driving force in the promotion of federations of impact investors such as the Global Impact Investing Network (GIIN) or the Aspen Network of Development Entrepreneurs. The European foundations have played a major role in the take-off of the European Venture Philanthropy Association (EVPA). Few of these foundations, however, have dared to finance impact investment actors directly, as has been the case for example of the 'Lundin for Africa' Foundation, which specialises in promoting African entrepreneurship. This trend is likely to change following the introduction of 'programme-related investments' (PRIs), which are enabling a growing number of these foundations to invest their resources with the aim of obtaining a moderate financial return in areas that are consistent with their mission.

The traditional financial sector is taking its first steps into this area. Traditionally, it has been reticent about investing in unlisted activities, and even more so in private equity activities. Socially responsible investment, which has grown considerably right across the world, is thus almost exclusively focused on the bond markets. However, we are now seeing a growing trend among large institutional investors for the appearance of budgets devoted to impact investment. The entry of mass actors, such as pension funds, although not yet occurring on a large scale, would lead to a massive change in the sector's financing.

Finally, industrial companies have been very active in the sector. Some, such as Danone, Schneider, Unilever or Suez, are among the oldest impact investment players, including those with particularly social visions. For these large groups, investing a share of their cash flow in market activities with a societal aim is in line with their desire to resolve strategic problems related to their long-term sustainability, such as climate change and natural resource degradation.

3. Different kinds of impact investment

So when we talk about a boom in this kind of investment, do we mean on the scale of the Vatican City or the Soviet Union?

The impact investment sector is still in its early stages. Exhaustive evaluations of its development are few and far between. Different definitions result in significant variations in the estimates of its size. For example, KPMG Luxembourg estimated that the 1,775 responsible investment funds (including impact investment) represented an invested total of €238 billion in Europe in 2012 (KPMG, 2013). According to Eurosif, the total amount invested by impact funds in Europe over the same period was likely to be €8.75 billion (Eurosif, 2012). Such a variation in results highlights the fact that there is still no common definition of impact investment, and caution is therefore advisable when analysing these figures. It is still more difficult to distinguish within these sums the amounts invested in OECD countries and those destined for the developing world. Impact investment is, in fact, first and foremost a European and North American movement focused on domestic issues.

On the basis of the last annual survey conducted among 126 impact investors by GIIN and JP Morgan, this category represented US$46 billion of assets under management in 2013 around the world, of which 70% was in emerging countries (Saltuk et al., 2014). A total of 4,900 investments have apparently been made this year alone, involving an amount of US$10.6 billion, a figure that is likely to increase by 20% in 2014.

According to the same survey, investments are likely to increase in sub-Saharan African (which represents 15% of assets under management, or US$6.9 billion) and in South-East Asia. These investments are largely focused on the microfinance sector, which represents 21% of assets managed, with the financial sector (excluding microfinance) standing at 21%, energy at 11% and housing at 8%.

These trends are comparable to those we are observing in traditional investment capital. According to EMPEA (2013), US$24 billion was invested in the emerging countries in 2013, with 883 investments made. Sub-Saharan Africa still 'only' represents 7% of this total (US$1.6 billion invested in 2013), but it is the most dynamic region, with 43% growth in investments compared with 2012.

This upward trend must be seen in the perspective of the trend in ODA. This has fallen 6% in real terms since 2010,[1] under the effect of budget tightening, but aid flows still stood at US$136.4 billion in 2012 (World Bank, 2014), of which US$47.4 billion were destined for sub-Saharan Africa. It can therefore be seen that impact investment is far from replacing ODA; it is, and will remain over the decade to come, an important supplement enabling a number of challenges to be addressed that historic forms of international solidarity have been unable to resolve.

4. So what is it, essentially?

At this stage in our discussion, it is useful to consider precisely what contribution impact investment can make to both ODA and NGO actions, and this brings us back to the need to establish a definition of the concept and its variations.

4.1. Current definition lacks clarity

Ascertaining the primary aim of impact investment has been a topic of much debate among those involved. Initially perceived as a way of funding the social and solidarity economy, i.e. companies based on a principle of solidarity and societal utility, the concept has grown as the practices have diversified.

Although the term has been around since 2007, its definition still remains imprecise. Considered as a form of investment that seeks to combine financial return with societal impact, it sits at the junction between the concepts of SRI, social investment, 'venture philanthropy' and even social entrepreneurship.

This profusion of terms bears witness to the current infatuation of private and public actors with valuing the societal dimension of projects financed. It also attests to the difficulty in identifying the distinctive features of this now burgeoning sector of the economy.

The GIIN, which represents most global impact investors, has devoted a great deal of energy to establishing and gaining acceptance of a definition. This definition is based on three features: the *intentionality* of investors to generate social and environmental impacts, the *coexistence* of the company's financial profitability and impacts, and the concept of *social impact* and the *need to measure this*.

If taken broadly, however, these three factors are insufficient to establish a clear standard definition of impact investment. According to these three concepts, one could actually argue that all companies (and thus their investors) form part of this sector, provided they define their aim in terms of impact. In fact, a profitable business also has social impacts: it generates well-being among its customers and can improve their standard of living, it directly creates jobs and indirectly contributes to creating jobs among its suppliers, and as it is profitable, there is good coexistence of the two objectives. Finally, all investors have the

[1] http://www.oecd.org/fr/cad/stats/le-decrochage-de-laide-aux-pays-pauvres-se-poursuit-a-mesure-que-les-gouvernements-serrent-la-vis-budgetaire.htm.

aim, explicit or not, of creating jobs in addition to making a profit through their investment.

This example demonstrates the need to complete this definition by clarifying the concept of societal impact and specifying how the concepts of intentionality and coexistence are linked, particularly through the notion of 'tradeoff'.

4.2. What does 'societal impact' mean?

Impacts can be defined as long-term changes affecting all stakeholders and which are directly attributable to the project's activity. Impacts are thus multidimensional by nature and are created by all companies, whether they form part of the 'impact investment' sector or not. The addition of the adjective 'societal' stems from the desire to distinguish a certain kind of impact by highlighting its utility to society.

However, discerning the societal utility of a project is difficult given that there is no consensus around a definition of this concept. Euillet (2002) defines societal utility as the 'characteristic of any service responding to needs that are not or are insufficiently covered by the state or the market'. Other authors, such as Gadrey (2004), define it according to several dimensions, particularly the process of producing a product or a service more effectively for the community or of fighting exclusion and inequality.

Job creation, for example, is an impact often claimed by impact investors. But this impact, if it is actually a concrete contribution to poverty reduction, is shared by all companies. The notion of societal impact, although necessary, is therefore insufficient to distinguish those involved in the impact investment sector. In order to judge the societal nature of a company, and thus of an investor, in a generic area such as jobs, you need to be able to compare their 'impact performance' in the light of other actors in a similar sector.

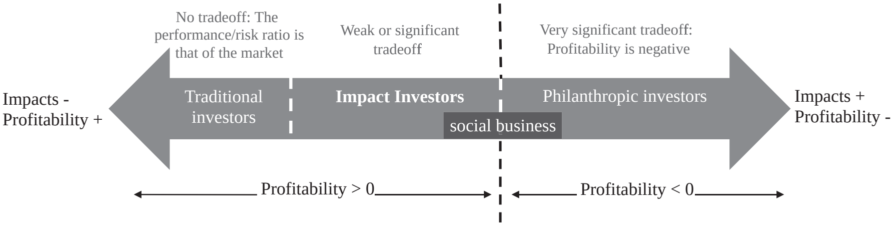
Although not impossible, distinguishing the role of the impact investor in relation to the traditional financial investor therefore seems complex given the lack of any performance standards that would enable the impact of a company to be compared with what is 'normally' expected of a company. The poor discriminatory power of the use of 'societal' as an adjective, along with the lack of an impact standard, highlights the need for the concept of tradeoff.

4.3. The importance of the concept of tradeoff

Unlike a 'traditional' investor, the impact investor sets himself an impact objective in addition to his financial objective, and this is taken fully on board in the running of the company. To achieve this objective, the company must mobilise resources that will thus no longer be available for profit maximisation. Because these resources are, in essence, limited, it becomes necessary to prioritise profit and impact.

The company may decide to maximise its impact, subject to achieving a minimum level of profitability. It may, on the other hand, decide to maximise its profit, subject to having achieved the impact objectives that were set. The first case describes a logic that is often described as 'impact first': having the maximum impact (the greatest social utility) subject to achieving a certain profitability to ensure sustainability. The second case is often described as 'finance first': aiming to retain an economic logic of maximisation while optimising the impacts created. In reality, as you can imagine, the boundaries between the two can be blurred, depending on the level of profitability that the 'impact first' investor sets himself, and the nature of the impact that the 'finance first' investor chooses. Yet this distinction remains interesting both in terms of describing the set of preferred choices in each of the situations and, above all, for the actors themselves, insofar as the choice of one or other of the two logics governs the way in which they structure their economic model.

Figure 20.1. *Mapping of investors according to tradeoff between profitability and impacts*


No tradeoff: The performance/risk ratio is that of the market
Weak or significant tradeoff
Very significant tradeoff: Profitability is negative
Impacts -
Profitability +
Traditional investors
Impact Investors
Philanthropic investors
social business
Impacts +
Profitability -
Profitability > 0
Profitability < 0

Projects with high social utility involve a lower profitability/risk ratio than other investments with less social impact. This could be because resources that need to be mobilised to achieve the impact objective are no longer available for profitable investment, or the macroeconomic context in which the project is embedded is more risky, or even because – due to its very essence – the project generates poor gross margins. Prioritising a specific impact by investing in it thus involves, at least in the short term, foregoing part of one's profitability.

The lower profitability of these projects may result in funding difficulties. The intentionality of the impact investor is thus characterised by his willingness to accept profits below market levels in order to prioritise the extra-financial impacts that are specifically not taken into account by traditional investors. This renouncing of profitability to the benefit of social utility, without abandoning the logic of economic efficiency in the company's management, is characteristic of an impact investor.

5. What is impact?

Balancing profitability and impact assumes the ability to measure both. Assessing financial profitability is already, in and of itself, a misleadingly easy task, and that of societal profitability all the more difficult. The sector's maturity in this area still seems very poor and conveys a feeling that one is still very far from the ambition of Confucius when he said, '[r]eal knowledge is knowing the extent of one's ignorance'.

5.1. The need for a better understanding of the concept of impact

The terms 'effects', 'impacts', and even 'outcomes' are often used interchangeably by impact investment actors to denote the consequences of a project. However, each of these terms has its own specific meaning. *Outcomes* denotes things that are directly generated by an action. These outcomes have short- and medium-term consequences – positive or negative, direct or indirect, intentional or not – and these are the project's *effects*. The project's *impact* is thus the long-term effect that is directly attributable to the project.

These notions are therefore not synonymous and to confuse them can result in important misunderstandings. Their often interchangeable use by impact investors can be explained not only by the youth of the actors, but also by a misunderstanding of the different definitions and the convenience of the term 'impact'. Above all, however, it is due to the difficulty in accurately assessing a project's impacts.

Among investors, an evaluation of 'impact' thus often consists of establishing a system for measuring and monitoring indicators gathered each year from the companies in their portfolio. These indicators are standardised in order to facilitate dialogue and comparison between the practices of each company. These indicators provide valuable information with which to understand how a company interacts with its stakeholders. However, without a theoretical framework in which to contextualise them, these indicators describe only a small part of the story and are limited to describing the outcomes and effects of an investment.

In addition to being incomplete, the 'story' told by gathering indicators of impact proves to be a biased one. The multiple stakeholders that may interact with a project (clients, staff, suppliers, competitors, etc.) and the multiple dimensions (economic, social, cultural, etc.) means a choice has to be made with regard to the aspects you want to measure. These choices are made through a tradeoff between the relevance and availability of information. This often means limiting oneself to certain aspects of the impact and thus concealing part of the information; we measure above all that which is easy to measure, and not necessarily that which is most relevant.

The absence of an objective theoretical framework may create another bias insofar as the investor, who is also the evaluator, may tend to assess the positive impacts of his project to the detriment of the negative impacts, which are perhaps more difficult to ascertain. For example, knowing how many staff are employed by the target company's competitors, and any changes in this number, is crucial information but very difficult to obtain; depending on the maturity of the market and the level of competition between companies, an investment may very well end up creating jobs in the target company at the cost of destroying them among its competitors. The final impact in terms of job creation may thus prove negative even though the indicators demonstrate the contrary.

Without a clear and objective framework for analysis, one therefore runs the risk of seeing only what one wants to see and of validating implicit assumptions of impact, seen only as positive. This observation thus calls not only for the use of independent evaluators with responsibility for monitoring the objective nature of the information provided, but also for more global evaluation work to be undertaken, taking into account a larger number of parameters and a wider timeframe for analysis.

5.2. What is the role of an impact evaluation?

The role of an impact evaluation is to measure the project's effects and identify what can be directly attributed to it. Once the effects have been evaluated, they need to be compared with what would have happened had the project not taken place. This situation, known as the 'counterfactual scenario', is what enables the project's role to be isolated from the many other causes likely to influence the noted situation; however, this comparison requires robust, costly and scientifically sound methods.

These methods – such as 'randomisation', to name but the most well-known – have the advantage of being highly sophisticated and are said to be 'attributive' as they enable the effect measured to be attributed to the project; they would merit being applied to impact investment. But they all have the common feature of being costly in terms of both time and resources, and of not being adapted to the context of the investor, who wishes to regularly measure the impacts of his companies. Other so-called 'contributive' methods do exist, however, and seem more in line with investors' expectations.

These analyses consist of building a theoretical framework with which to present the causal links between the project financed and the expected impacts. For example, if you are interested in job creation, you need to assume that the investment is not destroying jobs among your competitors (by assuming that the market is in full growth, for example) and that the people hired would have had great difficulty in finding a job of similar quality other than with the company. Indicators are thus established in order to validate or refute the hypotheses underpinning your analytical framework.

Strictly speaking, without a counterfactual scenario you cannot isolate the project's effect using these methods and thus cannot calculate its impact. These methods do, however, enable you to evaluate the way, although not the extent to which, the project contributes to what you have measured. At the heart of this approach is the fact that the assumptions on which the analytical framework are based need to be discussed, debated and, where appropriate, refuted in order to identify best investment practices. Because they illustrate the impact pathway, they are as necessary as the indicators.

Conducted in the context of particular work, and within the reach of the investors themselves, these methods are nonetheless very little known among impact investors. This is most probably due to the poor economic culture of a sector that has been built by operational actors from the finance sector, but also due to cost constraints. These evaluations are, in fact, laborious and involve additional work to the usual 'reporting' of investment targets. Given the limited size of their targets generally, cumbersome management costs have made impact investors reluctant to accept the costs for these evaluations. Identifying sources of funding and collaborating with academic teams are two priority directions in which the sector needs to go in order to be able to produce convincing long-term 'stories'.

6. What future?

The extent of the constraints facing impact investment inevitably lead one to question whether it has a quantitatively significant future.

6.1. Encouraging outlook in terms of supply and demand

The answer needs to be seen in terms of the economies of supply and demand over the decades to come. It is clearly difficult to give a response in purely quantitative terms, although it is highly likely that this class of assets will continue to experience significant growth in the coming years.

On the demand side, in the developing world, the extent of needs within the SME and basic services sectors suggests the likelihood of extremely high demand for many years to come. In fact, the depth of demand for impact investors is linked to the likely continuation, and even worsening, of public and/or private failings. In terms of public failings, it is fair to say that demographic growth and the institutional fragility of states is likely to continue to create significant demand for private societal investment in basic goods and services, such as health, education, energy, water and sanitation. In terms of private failings, the weak financial systems in developing countries are likely to continue to make the financing of start-ups and SMEs through the market very difficult for years to come.

In terms of supply, the funding outlook appears to be a positive one. For private investors, 'donor fatigue' in relation to NGOs and the attraction of 'common sense financing' are now powerful trends. Impact investment has the advantage of offering yields that may be acceptable from the sole point of view of asset preservation, while giving an undeniable sense of purpose. It is undoubtedly one reason why the supply of capital coming from this kind of stakeholder will continue to grow consistently. Large multinationals will, for their part, become an engine for this kind of investment given that, as already noted, they see in it an original way of intervening in issues of strategic interest to them. Moreover, the segment is becoming increasingly attractive to public actors. Institutions providing public sector funding of the private sector are increasingly going to find their historic legitimacy questioned, and so will see in impact investment an ever-greater opportunity to increase their development impact. The donor states, for their part, are likely to see it as a way of improving the effectiveness of ODA at a limited, even zero, budgetary cost.

6.2. A number of obstacles remain

A lack of awareness of impact investment and its lack of visibility remain major obstacles. A definition that is still unclear creates significant confusion in relation to SRIs or philanthropy. The efforts being made by professional institutions to standardise and communicate the concept, as advocated by the G8 report, are much needed in this regard.

Moreover, impact investment remains a very new idea and it is coming up against a lack of confidence among investors; they want to see a history of established success that will guarantee the credibility of the approach in relation to the new funding challenges.

Impact investment represents a real innovation in the way an investment is valued, taking into account externalities that are not captured in its financial performance. This approach requires measuring and evaluation skills that still need to be developed. The emergence of this sector remains restricted for the moment by its human capacity, although this will gradually be mobilised and will draw on analytical methods that take both the financial and the social approach into account. The sector's legislative and regulatory framework also needs to be adapted. In fact, legal and regulatory mechanisms remain generally unfavourable to the development of this industry, which is caught between the hammer of mechanisms reserved for philanthropy and the anvil of those intended for lucrative investments.

7. Development partners, moving towards a future partnership for the sustainable development of the post-2015 agenda

Global public interest causes are likely to increase both in intensity and diversity in the 30 years covered by the 'post-2015' agenda.

Global population increase, conflicts over food, the environment and security, as well as migration and urbanisation, will all create a number of unprecedented challenges. In this context, all kinds of collective and socially responsible interventions will be needed to address the problems, and a global partnership linking all actors – both private and public, for-profit and not-for-profit – will need to be established to ensure their alignment.

Impact investment occupies a particular place on this agenda; not only because of the objective contribution it can make to resolving concrete problems, but also because of the link it creates between private and public actors. In the vast majority of cases, it brings different kinds of actor into closer contact within the same structures – for-profit or not-for-profit, public or private – and thus offers a 'cultural' meeting place that enables greater understanding between them and real, operational and concrete associations to be formed.

The challenges facing its roll-out are thus political and cultural, as well as strictly economic and developmental. Hopes for growth in this market, and the expansion of its contribution to meeting the challenges of globalisation and development, are very high. It will, however, only be effective if the regulators and public authorities encourage its growth and if impact investors themselves improve their impact-measuring skills, build their capacity, and are able to demonstrate the effectiveness of their contribution on the ground.

If all this can be achieved then it is highly likely that the nascent category of impact investment will, over the coming decade, form a class of highly significant assets able to play a major role in development aid and in the management of global public goods.

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