

# Policy Levers for Impact Investing in the U.S.: An Orientation

Understanding the interconnected entry points for activating and shaping the impact investing market

## 1 Public Sector Leadership And Coordination

Developing platforms and the capacity for ...

### Activities and Approaches

- Administrative/legislative capacity
- Bully pulpit
- Convenings
- Data and information
- Education and communication
- General principles

### Audiences

Key actors driving policy innovation

Policy professionals and cross-agency public officials

## 2 Market Infrastructure

... designing the mechanisms that create sustainable market conditions for ...

### Supply development

Policies that catalyze new investment (e.g. PRI)

### Directing capital

Policies that redirect/enhance the impact of existing capital (e.g. Build America Bonds)

### Demand Development

Policies that bolster deal flow and investment readiness (e.g. CDFI Fund)

Source: *Impact Investing: A Framework for Policy Design and Analysis*. InSight at Pacific Community Ventures and the Initiative for Responsible Investment at Harvard University, January 2011.

### Audiences

Larger market-level practitioners across the public, private and nonprofit sectors

## 3 Sector Targets

... maximizing discrete social and/or environmental impacts.

- Affordable Housing
- Community Development
- Education
- Environment
- Health
- Infrastructure/Sustainable Cities
- Manufacturing
- Small Business
- Sustainable Agriculture & Rural Communities
- Workforce Development

### Audiences

Sector-based investors, intermediaries, entrepreneurs and beneficiaries

This resource is a snapshot of current federal policy levers, not an exhaustive review of all policies, agencies, or actors, nor a roadmap for future action. These levers can take the form of legislative, regulatory or administrative policies.

## The Landscape of Impact Investing Policy

Policies designed to mobilize private investment towards specific social purposes have a long history, predating the coining of the term “impact investing.” The field of community investment in the U.S., as only one example, has grown in concert with policy support from the Community Reinvestment Act, the Low-Income Housing and later the New Markets Tax Credit, and the creation of the Treasury’s CDFI Fund. These policies, and others across policy types and sectors, have fundamentally shaped what is a fast-growing sector.

Developing a more explicit focus on the intersection of public policy and impact investing requires first a formal mapping of the policy landscape. Such mapping enables us to better understand the range of tools available to support the impact investing ecosystem.

The graphic enables the viewer to identify areas of the impact investing market that have received attention and others that remain underdeveloped. The three levels of policy represent broad areas of activity through which we can conceptualize and categorize current or prospective policies in impact investing.

The graphic is not an exhaustive review of all policies related to impact investing, but rather a tool for contextualizing existing and potential policies, and examining them in relation to each other. It accommodates legislative, regulatory, or administrative policies across its three levels. Interventions by the full suite of policymaking entities can be found across all three.

***Public Sector Leadership and Coordination:*** The first level in the graphic points to activities that develop federal level capacity for impact investing policy development and implementation, and signal support for the field.

It includes the ability of the government to convene; mobilize, collect, and disseminate data and information; create organizing principles to shape market and policy agendas; coordinate the work of different agencies to manage resources and align priorities; and educate and create market awareness and participation. These activities all help to provide a foundation, and navigable direction, for policy efforts throughout government.

***Market Infrastructure:*** The second level concerns the role of policy in supporting impact investing at the market level, addressing particular challenges and creating a more sustainable market.

Policies here are broken up into three groups, based on the market outcome targeted—expanding or supporting the supply of capital for impact investing; creating or facilitating investable opportunities; and directing capital towards investments that catalyze social and environmental benefits. Examples of policies at this level include tax credits, procurement policies, R&D programs, investment rules and regulations, and co-investment opportunities.

***Sector Targets:*** Finally, the sector-oriented level fits impact investing policies into broad sectors of public interest. Policies at this level are organized by the social or environmental good they seek to create, helping the viewer to visualize where private investment fits in with existing sector-specific policies.

The graphic is intended to serve two key purposes. First, it is meant to give the reader a sense of the wide landscape of impact investing policy, helping to orient any particular policy under discussion within the broader scope. To our thinking, this step is crucial both in underscoring the value of individual policies, and in recognizing their importance within the field as a whole.

Second, we hope the graphic helps stakeholders across sectors position themselves in relationship to each other, thereby laying the groundwork for a more coherent narrative for the field. Such cross-sector alignment will allow stakeholders to view specific policy priorities within the context of the broader goals of the impact investing community. We believe that a broad-based network will contribute to more effective private investment for social benefit.

For this first iteration of the map, we have chosen to focus on federal policy. However, we recognize that state and local policy also plays a critical role, often in concert with federal support. Additionally, we see much of the above framework as relevant and applicable to state and local policy.

*The AI3 invites you to engage in this effort and join the conversation.  
Please send feedback to [ai3@pcvmail.org](mailto:ai3@pcvmail.org).*