

# CAPITAL MARKETS FOR IMPACT AT SCALE

*Showcasing Institutional Impact and Community Investing*

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SAN FRANCISCO  
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THE ROCKEFELLER FOUNDATION

INSIGHT AT PACIFIC COMMUNITY VENTURES

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The Rockefeller Foundation's mission to promote the well-being of people throughout the world has remained unchanged since its founding in 1913. Today, that mission is applied to an era of rapid globalization. Our vision is that this century will be one in which globalization's benefits are more widely shared and its challenges are more easily weathered. To realize this vision, the Foundation seeks to achieve two fundamental goals in our work. First, we seek to build resilience that enhances individual, community and institutional capacity to survive, adapt, and grow in the face of acute crises and chronic stresses. Second, we seek to promote growth with equity in which the poor and vulnerable have more access to opportunities that improve their lives. In order to achieve these goals, the Foundation constructs its work into time-bound initiatives that have defined objectives and strategies for impact. These initiatives address challenges that lie either within or at the intersections of five issue areas: basic survival safeguards, global health, environment and climate change, urbanization, and social and economic security.



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# TABLE OF CONTENTS

---

**PROGRAM AND FEATURED PARTICIPANTS**

2

---

**FOREWORD**

3

---

**INTRODUCTORY COMMENTS: CAPITAL IS SCALING**

4

---

**EXECUTIVE SUMMARY: KNOWN BARRIERS AND IDEAS FOR DISMANTLING THEM**

5

---

**OPENING PLENARY PANEL: HARNESSING THE POWER OF IMPACT INVESTING**

7

---

**GROUP TABLE TOP DISCUSSIONS**

9

---

SECTION 1: SUSTAINABILITY AND INSTITUTIONAL ASSETS OWNERS — 9

SECTION 2: PRIVATE CLIENTS AND PLATFORM INNOVATION — 12

SECTION 3: ENVIRONMENTAL MARKETS — 14

SECTION 4: THE FUTURE OF ECONOMIC AND COMMUNITY DEVELOPMENT — 17

SECTION 5: FINANCING INNOVATION IN SOCIAL ENTERPRISE — 19

SECTION 6: DEVELOPING MARKETS FOR HEALTH — 21

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**CONCLUDING THOUGHTS AND “TAILS”**

23

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# PROGRAM AND FEATURED PARTICIPANTS

## Capital Markets for Impact at Scale

HOSTED BY



CURATED BY



### PROGRAM AND FEATURED PARTICIPANTS



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BILL LOCKYER,  
California State Treasurer

<p>Welcome Remarks</p>	<p>Dr. John C. Williams, Federal Reserve Bank of San Francisco Dr. Judith Rodin, The Rockefeller Foundation</p>
<p>OPENING PANEL Harnessing the Power of Impact Investing: The Financial Return in Economic and Environmental Sustainability</p>	<p>Allan Emkin, Pension Consulting Alliance Audrey Choi, Morgan Stanley Dave Chen, Equilibrium Capital Luther Ragin Jr., Global Impact Investing Network</p>
<p>THE ROLE OF POLICY INNOVATION</p>	<p>Dave Jones, California Insurance Commissioner</p>
<p>TABLETOP DISCUSSIONS</p>	
<p>Sustainability and Institutional Asset Owners</p>	<p>Ben Thornley, InSight at Pacific Community Ventures Allan Emkin, Pension Consulting Alliance Edward Powers, Bank of America Capital Access Funds Mina Pacheco Nazemi, Credit Suisse Customized Fund Group Christopher Mackin, American Working Capital LLC</p>
<p>Private Clients and Platforms</p>	<p>Margot Brandenburg, The Rockefeller Foundation Audrey Choi, Morgan Stanley Lisa Hall, Calvert Foundation John Goldstein, Imprint Capital</p>
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<p>CLOSING REMARKS AND PANEL</p>	<p>Bill Lockyer, California State Treasurer Dr. Judith Rodin, The Rockefeller Foundation Stuart Davidson, Sonen Capital Kat Taylor, One PacificCoast Bank</p>

# FOREWORD

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MARGOT BRANDENBURG,  
Associate Director,  
The Rockefeller Foundation



DAVID ERICKSON,  
Manager, Center for Community Development Investments  
Federal Reserve Bank of San Francisco

ON OCTOBER 1, 2012, The Rockefeller Foundation and the Federal Reserve Bank of San Francisco cohosted *Capital Markets for Impact at Scale*, an event that gathered leaders in impact investing - including many active in community development finance - as well as leaders in mainstream investment to discuss the past, present, and potential role of institutional investors in impact and community investing. Convened on the eve of this year's annual SOCAP conference, the intent of the meeting was twofold. First, we aimed to showcase a diversity of efforts to harness private capital markets to generate and scale positive social and environmental impacts. Second, we wanted to spark a conversation about what it will take to further accelerate the impact investing industry in the U.S.

The Rockefeller Foundation, through a dedicated initiative launched five years ago to build the field of impact investing, defined as investments made with the intent to generate positive social or environmental impacts as well as a financial return, and the Federal Reserve Bank of San Francisco, through its work to support community development finance institutions through convenings and research, are among a growing set of actors seeking to unlock the capital markets to complement philanthropy in addressing pressing social challenges. These actors include an array of stakeholder groups - investors, entrepreneurs, donors, and others - and collectively continue to evolve our understanding of what is needed to achieve the overarching goal of accelerating the impact investing industry. Thanks to the very candid and nuanced discussion that unfolded over the course of the day, we were pleased to witness a further evolution of our understanding during the October 1st convening.

More details of that discussion can be found in the pages to follow, but some broad takeaways include:

- Industry leaders need to continue to collaborate, using well-developed platforms and shared infrastructure to partner and pool their investments through structures capable of attracting new and larger sources of capital such as institutional asset owners;
- There are multiple frontiers of current practice in impact investing, with family offices and private clients pushing the envelope on achieving deep impact and innovating new structures while institutional investors pursue more mainstream investments in high-impact sectors like clean tech and water. In some cases, like fund of funds opportunities, different types of investors may converge;
- Industry leaders must also continue to refine their approach to impact measurement and assessment, as well as how they articulate a focus on non-financial performance, in order to at once hold the industry accountable to its promise of impact and entice new investors into the market;
- More resources must be devoted to helping early-stage enterprises achieve a level of financial viability and scale so that the market can produce adequate investible opportunities, of which there are currently too few; and
- Policy makers, researchers, and other industry service providers must work in concert to understand and produce the conditions that characterize an enabling environment for impact investment.

In producing this paper, our intention was to document the proceedings of the *Impact at Scale* conference not simply to memorialize them, but also to remind participants and inspire others to take action toward addressing some of the pressing needs and opportunities identified during the event. Our hope is to see the day's words, passion, and thoughtfulness converted into tangible steps taken toward further realizing impact investing's potential to effect measurable benefit among the world's poor or vulnerable people.



# INTRODUCTORY COMMENTS: Capital is Scaling

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DAVE CHEN,  
Co-Founder & Principal, Equilibrium Capital

“IF A TREE FALLS IN THE FOREST AND NO ONE IS THERE TO HEAR IT, DOES IT MAKE A SOUND?” – Bishop George Berkeley (1685 – 1753)

Over the last decade, many trees have fallen in the field of impact investing, some noise was made, but only a few pioneering investors were there to hear it. Over the last two years with accelerating pace, the next wave of investors has entered these forests and is listening.

As we reflect over the presentations, conversations, and the break-out sessions at our *Impact at Scale* conference, we note a number of recurring themes:

- Impact investing is entering its [next phase of maturity](#), building on the innovations of early adopters who created and invested in the first strategies believing “on faith” that capital could be deployed to generate both returns and impact. Today, the next wave of fund managers and investors are entering, but with an eye towards the economic arguments behind these trends and strategies. This next phase asks the question of how “doing the right thing,” i.e., creating impact, can deliver asset value and mitigate risk. This is more than mere positioning, re-branding, and marketing; it’s about the basic design of the product and how these investment strategies create and deliver sustainable alpha and impact value.
- The impact sector is [expanding and segmenting](#). The field is segmenting along investor type: high net worth and family office, institutional, and even the emergence of a retail segment. It’s segmenting along age (next generation investors and wealth) and gender. Over the last two years, this previously overlooked set of strategies is attracting the attention of new entrant investment advisors and consultants, as well as incumbents who are each adding impact practices and teams. This growth in impact literate advisors is a response to the growth in investor demand for impact information and portfolios.
- We’re starting to apply the basics of finance and investing principles to the question of “[market rate](#)”; the answer to that question is based on the asset class, its benchmark returns, and on the real versus perceived risk. We’re beginning to understand that in many cases, impact investing strategies present investors with greater resiliency and less risk than traditional portfolios. Investors are starting to appreciate that impact strategies can cut across all asset classes, and can be used to build resilient, un-correlated portfolios.
- [Government and policy](#) are at the core of many of the impact markets. However, government, policy and the use of regulations to drive a public good or objective has been at the core of many of our “traditional mainstream markets,” such as healthcare, financial services & banking, energy, and telecommunication. We need to remind ourselves of the long successful history of impact agendas in policies like Community Reinvestment Act (CRA) and Tax Increment Financing (TIF). The impact investing field, instead of arguing to justify subsidies, needs to band together to advocate the use of incentives to drive equally important societal and environmental objectives.
- I tell my Kellogg impact investing students that if they want to save the planet, they need to understand the use of complex project financing techniques in large real estate and infrastructure projects. These often involve stacks of financing that reflect the many diverse stakeholders and investors, each with their own definitions of benefits, returns, and currencies, being brought together in that one project. We’re starting to realize that the solutions to our complex community and environmental problems won’t be solved with any one impact strategy. It won’t be addressed with rifle shot tools like micro-lending, or social enterprise/venture capital. Each is a part of the solution. It takes [a solutions focus](#) to bring together the many financial tools - banking, municipal bonds, government guarantees, foundation and economic development grants, private equity and venture, high risk capital, guts, imagination, creativity and leadership - to create a solution to these complex problems.

The net of our Monday together: the trees are falling (FSC managed forest, of course), more investors are entering the forest and listening, the conversation is shifting, and the capital is scaling.

A handwritten signature in black ink, appearing to read "Dave Chen". The signature is fluid and cursive, written in a professional style.

## EXECUTIVE SUMMARY: Known Barriers and Ideas for Dismantling Them

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BEN THORNLEY,  
Director, InSight at Pacific Community Ventures

*Impact at Scale* was an opportunity to discuss the interest that mainstream investors have taken in impact investing – investments that generate intentional and measurable social or environmental benefits in addition to attractive financial returns. These mainstream investors include pension funds, insurers, endowments and other fiduciaries, high net worth individuals, and retail investors. Because impact investments are often smaller or relatively unconventional, they present special analytical and transactional challenges. And yet the field is growing quickly, driven by shifting investor preferences, the experience and creativity of pioneering fund managers, community finance institutions and philanthropic foundations, and the entry of larger and more established mainstream investors.

In short, the convergence of institutional-scale demand for impact investments and institutional-quality supply is happening right now. The event was not about possibilities, but imperatives.

By combining plenary sessions with topical, moderated “tabletop” discussions, the event was designed to showcase and contextualize established best practices, while at the same time providing an open forum for emerging perspectives and an exchange of ideas. The result, as mentioned earlier, was an invaluable contribution to the development of impact investing.

### The Challenge

Attendees completed a short survey before arriving October 1st, providing insight into challenges that impact investing shares with many new or developing markets. Asked to name the single most problematic barrier to scaling impact investing, 80 percent of respondents cited one of the following two factors:

- The lack of suitable products and intermediary infrastructure
- Limited willingness on the part of institutional asset owners to consider impact investing

Asked about the next most problematic barrier, one other factor emerged:

- Poor and/or untested performance of existing intermediaries

In short, the leap from proof-of-concept to scale requires evidence sufficient to build investor confidence.

### The Opportunity

The discussions surfaced myriad concrete ideas for supporting mainstream investors’ interest in impact investing.

Out of the plenary sessions emerged notions of:

- “Modification” of existing practices – for example by improving the efficiency of the product development process so that it results in more transparent, appropriate, and easily evaluated products;
- “Mobilization” of networks and new ideas – for example by creating multi-lateral partnerships across sectors; and
- Appropriate “messaging” in targeting new investors - for example by better articulating why an impact investment has a competitive advantage.

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Themes from the six workshops supplemented these foundational insights. A selection from each is highlighted below:

- *Engaging Institutional Asset Owners:* Rather than re-invent the wheel, one strategy already bearing fruit is pushing more established intermediaries towards impact investing. More broadly, it is essential to continue documenting intermediary success in ways institutions understand, for example by arguing that impact investors can generate outsized returns from the “sustainability mega-trend” they are uniquely qualified to understand.
- *Attracting Private Clients:* Better segmentation of customers will allow for standardization and a more appropriate and tailored case for impact investing. Continued innovation is also essential, but ought to build on existing distribution infrastructure. All activities must be complemented by financial advisor education.
- *Growing Environmental Markets:* Familiar deal structures will reduce the perceived risk and transaction costs for larger pools of institutional capital, for example by bundling or aggregating multiple contracts into a single project. There are also exciting examples of “tranching” in environmental markets to accommodate the various investors’ timeframes.
- *Mainstreaming Community Finance:* Through the efficient use of government subsidy – for example the CDFI Bond Guarantee program – community finance presents an exciting opportunity for layering capital providers, including those that require market returns. However the larger need is to educate institutions on community finance, including the appropriate role for capital in the many sectors in which community finance institutions operate, including education, health, and affordable housing.
- *Supporting Small and Innovative Enterprises:* Organize first around the desired impact before finding the appropriate investors and social ventures best suited to deliver. Efficient, high-quality impact measurement is essential, helping investors determine which projects are worthy of investment, lowering transaction costs, and giving governments a better sense of where to provide incentives and subsidies.
- *Developing Health Care Markets:* The key to achieving impact in health care markets is a cross-sector approach, developing and scaling preventative programs not directly health-related, including early childhood education, public safety, and affordable housing. Public policy incentives to reduce the risk associated with investing in early-phase solutions and preventative programming are crucial.

### Tops and Tails

This report primarily captures themes and ideas at the heart of the conversation, where participant comments during extended discussion indicated broad support, or at the very least shared interest. We are cognizant, however, that some of the most valuable contributions may have emerged from solitary remarks, or out of disagreement rather than concurrence.

Some of these “tails” of content are reflected in the concluding section of the report, although it is impossible to do justice to the depth and breadth of comments made on October 1st. The event continued a conversation of growing importance in impact investing, leveraging recent research including the report *Impact at Scale: Policy Innovation for Institutional Investment with Social and Environmental Benefit* co-authored by PCV InSight and the Initiative for Responsible Investment at Harvard. It was another reminder that rare opportunities for focused discussion and networking are crucial, laying the groundwork for further innovation and, in fact, bringing impact to scale.





## OPENING PLENARY PANEL: Harnessing the Power of Impact Investing

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The opening panel of *Impact at Scale* brought together a collection of speakers who, as moderator Dave Chen of Equilibrium Capital put it, ran the gamut of the impact investing community. It included long-time champion and pioneer Luther Ragin, CEO of the Global Impact Investing Network (GIIN); Audrey Choi, who drives impact investing at the “finance-first” intermediary Morgan Stanley; and Allan Emkin of Pension Consulting Alliance, which advises a number of the largest US pension funds. The arc of the conversation went from a review of how impact investing has evolved over the past decade to where it stands now, and concluded with thoughts on what must happen next in order for the field to maintain its growth trajectory.



Panel members, *from left to right*: Allan Emkin, Audrey Choi, Luther M. Ragin, Jr., and moderator Dave Chen

The panel opened with a perspective on impact investing’s recent evolution, offered by Ragin in his unofficial capacity as industry historian. He recalled the circumstances ten years ago, when he began his work in the field. At that time, there were only a few organizations participating in this space, and even fewer of the institutional variety, including angel or high net worth individuals (HNWIs), banks with Community Reinvestment Act (CRA) mandates, insurers with state mandates, foundations, and governments.

Today, however, he sees the field as having arrived at an inflection point at which the pool of players is expanding, as more types of institutions, like private banks and family offices, have begun to recognize the category as legitimate and a potentially profitable investment approach. There has also been what he describes as a “fuller population of the investment spectrum in recent years,” with a deeper range of opportunities on the market rate end of that spectrum, facilitating the entry of a much wider range of participants. Ragin asserted that impact investing is now becoming mainstream both in dialogue and in reality, with “manifest interest on a scale that we had not seen previously.”

In support of Ragin’s assertion, Choi articulated the significance of her institution’s foray into the field with the platform launched by the bank earlier in 2012, “Investing with Impact.” As a mainstream commercial bank, Morgan Stanley did not set out to position itself as more expert in the space than other long-term players, nor necessarily more capable of finding the highest impact social enterprises in need of capital. Rather, the bank decided to leverage its existing expertise and reputation for applying rigorous standards of due diligence and pursuit of economic opportunities, which it will also apply to everything it might offer through its impact investing platform. This positioning is meant to make it easier for individual and institutional investors to engage in the space and therefore represents an important milestone in the industry’s growth.

Emkin, however, outlined some of the limits of the field’s current reach. As a representative of major pension systems working under the constraint of fiduciary duty, he delivered a clear message: do not approach these asset managers with a message of impact, followed by the case for financial returns; always lead with the story of competitive market rate returns. Later in the discussion, however, he acknowledged that investment practices evolve in response to changing norms, and that there is presently a growing appetite for considering the social and environmental impact of investments. He began by describing an evolution of labels that have all been used to describe similar approaches to investment, from “social investment,” to “economically targeted investment (ETI),” which were each generally relegated by investment managers to a “pile that gathers dust.”

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Those same shops will not necessarily distinguish between those labels and that of impact investing, Emkin warned, which could marginalize it upon arrival. A better approach, he argued, is to describe an investment thesis based on the recognition that society is changing and cares increasingly about clean water and jobs and infrastructure, and that “you as a fund manager understand how to make money in that space. You know the needs and how to access government programs or subsidies, or you understand the technology involved better than others and that is your competitive advantage.” That is how his clients have been persuaded in the past to invest in sectors like low-income housing, “cleantech,” and land reclamation. But despite the potential branding issues among investors such as those on his client roll, Emkin agreed that the field has made major strides towards becoming more widely accepted and practiced.

Besides encouraging signs that impact investing is becoming mainstream in the US and elsewhere, the other recurring theme was the importance of partnership and collaboration. At a basic level, Emkin pointed to the fact that institutional capital generally does not deploy in amounts below \$100 million, and that partnerships will often be critical in achieving that sort of scale. Choi took care to underscore the importance of partnerships also, pointing to a fund Morgan Stanley is participating in alongside foundations, federal funds, and even a local transit authority. Each play a critical role, she argued, in making possible the necessary level of financial return and desired social impacts.

At the same time, while the vehicles born from these sorts of partnerships make it possible to populate Morgan Stanley’s impact investing platform with product, Choi describes them as “crazy straws.” Such vehicles helpfully connect promising entrepreneurs with the universe of individuals and institutions who are at least intrigued by the prospect of having these kinds of opportunities in their portfolios, but they do so in a way that can cause “brain damage” among investors and fund managers. As a result, these crazy straws are also in short supply. So while a need exists for more product, there is an equal need to improve the efficiency of the product development process so that it results in more transparent and rational products, describable with metrics that make sense and are easily evaluated.

In a similar vein, Ragin echoed this last point near the close of the panel, striking a cautionary chord:

“Impact investing starts with the assumption that the intention of the investor is to create social environmental value and a rate of return. It also, however, requires accountability and transparency with respect to what the social and environmental benefits are that one is attempting to realize... As we talk about impact investing and begin to practice more impact investing, let us not forget the salience of due diligence around the social and environmental benefits that we’re looking to achieve.”

# GROUP TABLE TOP DISCUSSIONS

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## 1. Sustainability and Institutional Asset Owners

The starting point for this workshop was the assertion that institutional asset owners invest under numerous constraints, not least of which include fiduciary duty to fund beneficiaries and the typically conservative investment conventions and professional dispositions that govern the practice of deploying large sums of capital.

Participants concurred that key barriers to scaling impact investing included the relatively small size of many socially and environmentally beneficial opportunities and the term “impact investing” itself, which hints at an investment approach unacceptably divergent from maximizing financial returns.

The problem of incumbency was discussed, pointing to the importance of “out-performance” as a catalyst for displacing current service providers; the overall lack of data and evidence, which shrinks the universe of investable intermediaries; and the difficulty of beginning a conversation with institutions about making more impactful investments, which inevitably and awkwardly implies that the asset owner has so far not done enough.

From there, however, the discussion quickly revealed that all is not as it seems:

- While investments are certainly financially-driven, the mix of stakeholders involved in managing a large institution, from staff, to consultants, and to trustees, creates a level of complexity that opens the door to a more nuanced decision-making process, implicitly incorporating non-financial considerations;
- While the role of delegation is paramount – from governing bodies to staff and consultants – trustees that are ultimately responsible for policy-setting do influence investment strategy. “The trickle down works,” said one participant;
- Institutions are “on the move,” as evidenced by the growing support for the United Nations Principles for Responsible Investment and other covenants. The question is not whether sustainability matters, but how to integrate it in a portfolio structure.

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“Right now, every broker on Wall Street has someone who does ‘cleantech,’ someone who does clean water, and someone who does energy efficiency. That didn’t exist before. The world is changing.”

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## CHALLENGES AND OPPORTUNITIES

### Extending Current Practice

Numerous developments are already driving significant progress towards a more impactful approach to institutional investing. This includes the growth of “emerging manager” programs, which provide opportunities for smaller and more diverse intermediaries, the use of strategic co-investments to target discrete geographies or industry sectors, and, most importantly, major shifts in asset classes like forestry and real estate towards sustainability and “imbedded impact” as a best practice for all investments.

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The opportunity here includes:

- Supporting institutions to do more with their existing, impact-oriented programs, including by leveraging the evidence that shows that smaller and newer intermediaries often have superior financial performance;
- Pushing existing intermediaries that have “more impact than they know” into impact investing;
- Being clear that subsidy plays a critical role in many impact-oriented opportunities as well as ensuring its most efficient use; and
- Transferring social and environmental objectives into “something that can be capitalized,” as one participant described it.

### Developing New Markets and Relationships

Above and beyond specific products, intermediaries and investment opportunities, there are market-level and institutional barriers to impact investing that merit additional attention. These challenges include a lack of know-how among trustees and investment professionals regarding sustainability, insufficient or ineffective communication between investors and intermediaries, and limited human capacity for impact investing more broadly, on both the supply and demand sides.

Education and training at all levels will support the capacity of institutions to invest more sustainably and the development of a more robust intermediary infrastructure. Other opportunities include bridge-building to ensure there is clarity on the innovative (and costly for intermediaries) new opportunities institutions are likely to capitalize, and a laser-like focus on communicating with institutions in the manner they best understand, described succinctly by a number of participants in these ways:

“I know how to help you make money, and maybe more than you’re currently making, by doing something differently.”

“[Venture capital] is hitching a ride on social change. [To the extent that] public policy is an important element in impact investing, this is not ideology. This is knowledge of how to leverage policy and policy biases.”

On a related note, there was a broad consensus among participants that impact investing should not be positioned as a standalone asset class in communicating with institutional asset owners.

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## Changing Behavior

The shift of sustainability into the mainstream of some asset classes, and the need for education and training, hints at the larger question of society's changing consumer and investment preferences. These too can be influenced, most noticeably by the incremental and coordinated realization of progress in the areas described above: a growing pool of talent; successful intermediaries that beget success; and the diffusion of data that show that, if wisely conceived, efficiently executed, carefully evaluated, and more comprehensively understood, impact investing can outperform as a category.

The generational shift among both the investors and managers of capital was a factor often emphasized during the discussion. One concrete ramification was described by a participant in this way: "To get the best people, you have to be thinking about the social element."

## MOVING FORWARD

The need for data and evidence, additional capacity, stronger market relationships, and a more consistent message on impact investing emerged as key themes from the session. While these are real and difficult challenges, there was a sense of optimism: institutional asset owners are likely to be more receptive to progress on all fronts than might have been expected and, in the words of one participant, particularly open to investment opportunities that are "finite and smart and that amplify change."

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## 2. Private Clients and Platform Innovation

Connecting private client investors' funds to impact investments is not a linear, predictable endeavor. In effect, the capital pipeline from investor to investment is, borrowing from a term used in the opening panel, a "crazy straw" full of spirals, swirls, and sometimes unexpected zigzags. Diverse investor preferences for financial and social impact must be addressed using diverse products, platforms, and strategies. Differing expectations for risk and return must be carefully managed. While on the one hand this diversity requires innovation, on the other existing platforms and their successes shouldn't be overlooked.

To support such diversity, policy and investor segmentation were discussed as important factors to building scale. As one participant put it, "there is some interesting work to be thought through carefully at the policy level about what the implicit advantages or disadvantages are that we create in the system that would make this kind of investing net neutral." While differential tax treatments for impact investing were offered as one example, the group agreed that much more could be done at the policy level.

Segmentation, on the other hand, would help with providing appropriate platforms and minimize the need for individualized "crazy straws." Even so, platforms that seek to layer different types of investors need to carefully consider the various investors involved. A conversation about using philanthropic dollars in these deals was especially insightful. One participant reasoned, "It is a very hard argument to say to people, 'put your philanthropy into the deal so that somebody else can make money.'" Another participant countered that approaching long-time stakeholders who were naturally innovative and asking them for philanthropy has proven successful.

Throughout the discussion, participants stressed the need for partnerships to move forward. As one participant stated, "We'll see that the flexible, pragmatic partnerships between, amongst and across platforms will be what really make this work given the 'crazy straw.'"

Participants saw three main challenges that offer opportunities for growing scale in impact investing.

### CHALLENGES AND OPPORTUNITIES

#### The Definition of Private Client has Changed and is Changing

One of the main assertions throughout the discussion was that the private client, historically diverse, has become even more complex. The participants discussed foundational trends such as the Millennial Generation bringing a more socially-minded perspective to their investing than that of their forebears; gender dynamics, where women and their capital are increasingly recognized as a driving force behind socially-minded investing; and access democratization, where platforms give the \$20 investors opportunities alongside \$20 million investors. In addition, there is a general heightened awareness surrounding impact investing. For example, whereas historically private clients have kept their financial investment portfolios separate from their legacy portfolios and have made impact investments through only their legacy portfolios, these private clients are more often adopting a new perspective, seeking financial returns and social impact across portfolios.

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"Given how much wealth has been accumulated by such a small number of people, the risk appetite of that capital is understandably greater than for the vast majority of Americans. A product that's appropriate to put in front of the latter is going to look pretty dramatically different."

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## Balancing Innovation with Existing, Successful Infrastructure

Participants agreed that, given the changing definition of the private client, innovation is key but must be balanced with building on existing, successful infrastructure. Transaction costs are too high to build “crazy straws” for everyone, yet platforms can be created to give more access to more investors. The participants discussed recent innovations such as Morgan Stanley’s *Investing with Impact* platform, which gives investors a range of choices from screened funds to investments targeting environmental or social benefit. Calvert Foundation’s WIN-WIN was highlighted as an example where a platform could target a specific demographic.

One large question was whether the smaller and sometimes less sophisticated investor can sufficiently align her risk appetites with investment opportunities, although the argument was made that as long as there are sufficient opportunities to invest, any investor, regardless of sophistication, can balance the issues of risk and return and social impact. The follow-on comment was that the \$20 investor will likely have less risk appetite than the \$20 million investor and thus appropriate products to meet her individual needs will look dramatically different.

In sum, existing infrastructure should not be lost. As one participant said:

“There’s a lot of newness and a lot of shining bright objects...and some of what we need to do is just reinvest, double-down, maybe triple-down on some of the things that are actually working so we can get those to scale because we’ve got a long way to go before we invest in the shining bright objects.”

### Communication Strategies:

Participants discussed the importance of managing investor expectations and communicating appropriately to target audiences. One participant told the story of a diverse group of investors promised a three to six percent return on an impact investment which ended up returning 29%. Half of the investors were elated at such a high return and the other half thought the investee must have failed at its social mission. Another participant stressed again that some private clients should hear the story about impact investing told as philanthropy making returns rather than investments making social impact: “That puts a two percent return into perspective and feels less concessionary.” Understanding the investors that are involved and how to speak to them upfront about the deal makes a big difference in overall investment performance satisfaction.

## MOVING FORWARD

Participants discussed several critical points for moving forward including financial advisor education and building partnerships between asset managers. Further, the financial investment and legacy portfolio managers should start talking to each other or, in some cases, even merge into one role so that private clients’ questions about impact investing can be answered by their primary financial advisor. With respect to partnerships, as one participant put it, there is a need for more information sharing and less focus on proprietary products in order to reduce complexity and transaction costs. Managers “should investigate whether there are train tracks someone else is building that can be leveraged or if the work they are doing is going to create train tracks for other people.”

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“No financial advisor wants to have a conversation where she doesn’t know the answer to the 10 to 25 most likely questions the client is going to ask about that product...and so she probably steers people away from products or opportunities she doesn’t know about.”

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### 3. Environmental Markets

During the initial framing of this workshop, participants identified individual markets that comprise the larger conversation around environmental markets, including: energy efficiency, renewable energy, carbon emissions, green real estate, storm water, water treatment, fisheries, oceans, ecosystem services, and agriculture. These markets are all at varied points in their development, requiring a range of financial structures and innovations that must be developed in order to engage institutional investors.

Despite these differences, a unifying theme from the discussion was the irrefutable demand for the services these markets provide - all humans need clean water, food, and sustainable sources of energy. This demand creates exciting potential for investors to identify equitable, efficient, and scalable solutions to global environmental issues.

Participants acknowledged potential opportunities for institutional investors to have an impact in all environmental markets. However, the session discussion focused on current scalable investment opportunities such as those in energy efficiency, and the growing attention to storm water markets. These markets require similar tools and approaches to aggregate many smaller projects to achieve an investable scale for institutions.

#### CHALLENGES AND OPPORTUNITIES

##### Transaction Structure and Intermediaries

A key component to creating scale in these markets will be to identify appropriate transaction structures, typically developed by intermediaries. By identifying these familiar transaction structures, market intermediaries can reduce the perceived investment risk to attract larger pools of institutional capital, direct that capital efficiently to individual projects, and create streamlined systems for measurement and accountability.

Participants also discussed how ascertaining the best structures can reduce transaction costs. As an example, intermediaries can bundle or aggregate multiple contracts into a single project investors can understand. In energy efficiency projects, where investors have to decipher minute differences between contracts, this type of transaction structure streamlines the process and reduces costs.

Additionally, transaction structures were cited as a way to solve issues of liquidity that often plague impact investments. Some examples included “tranching,” or stacking capital to fit the various timeframes of investors, or tailoring traditional models specifically to environmental markets, such as the construction debt that several pioneering financial firms are providing to alternative energy and restoration projects.

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“The question about scale oftentimes is really about putting together transaction structures that the capital markets already use and that are familiar to them.”

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## Taking a Bottom-Up Approach

While participants agreed that developing intermediary infrastructure and identifying the best transaction structures were keys to market growth, they made clear that success was dependent on identifying project-level innovations.

One participant gave a clear example using storm water markets: the traditional approach to storm water management has included billion-dollar “hard infrastructure” solutions such as storage tanks and treatment facilities; however, “green infrastructure” (such as rain gardens, green roofs, and downspout disconnects) can provide the same storm water management with more environmental impact and at a much lower cost. The obstacle is that it does not have precedent, which creates hesitancy on the part of investor. By developing these ‘green infrastructure’ projects into a product that institutional investors are able to recognize, storm water markets could grow exponentially.

As environmental markets become more sophisticated, there is also opportunity to aggregate projects that cut across several markets. For example, in retrofitting a building for energy efficiency, it is cost effective to simultaneously upgrade piping and other systems that deal with water usage or carbon emissions. Synchronizing these projects creates efficiencies that benefit the developer, the consumer and the investor. Identifying these bottom-up approaches will require credibility and a track record of success. Therefore participants agreed that this growth must occur in phases, testing, modifying and identifying the best models along the way.

## Public-Private Partnerships

Underlying many of these environmental market opportunities is a strong role for government. The relationship between the public and private sectors is often complicated and nuanced; however, unavoidably the two rely on each other to succeed. Increasingly government looks toward private markets and impact investors to fund research and development and other market building activities. At the same time, private investors still need government to set the rules and provide support in these ever-evolving markets. An example of this relationship was provided in the carbon markets, where policy will make or break the investment landscape.

Participants recognized the value of public-private partnerships and highlighted the importance of communicating the environmental and economic development impacts of these markets in order to align with public sector priorities. If achieved, these partnerships can be extremely useful. For example, the non-profit Delaware Sustainable Energy Utility recently issued an AA+ bond that raised \$70 million in three days. The bond was popular among institutional investors because it was underwritten entirely by the State of Delaware, providing a clear repayment stream and a high credit rating backing the bond.

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“Traditional sources of government funding are starting to dry up, so there’s a real opportunity for institutional capital markets to step up.”

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## MOVING FORWARD

### Impact vs. Scale

There is a clear tension between high return/low impact and low return/high impact. One participant touched on this conflict by posing the question: “Can you have more impact with a \$1 billion, energy efficiency retrofit fund which is going to do 10% energy savings on buildings versus going out and spending \$20 million on a newer project creating one net- zero impact building?” Both activities are providing an impact and a return, however it remains unclear how to “calibrate” the ROI spectrum so that investors can prioritize investments based on their expected environmental impact, project scale, and financial return.

### The Role of Institutional Investors

Developing the transaction structures, project models, and public partnerships that participants discussed will take time and resources that institutional investors will be hesitant to provide. To grow opportunities in environmental markets, other impact investors such as foundations and high net worth individuals must first invest in the market infrastructure necessary for scale. Because environmental markets are still evolving, the potential role for institutional investors falls within a range – from direct investment to ESG practices. Better understanding the most effective way to engage institutional investors will be critical to the growth of environmental markets.

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## 4. The Future of Economic and Community Development

This discussion focused on how to connect institutional investment assets with community development finance opportunities in the U.S. and the role of intermediaries in making that connection. Drawing off the opening plenary, participants identified the ongoing tension between institutional investors, with a fiduciary responsibility to realize at least market-rate returns, and the community development finance organizations that have a social mission to maximize impact. Often impact investments are perceived as high risk or structured in a way that is unfamiliar to investors. Participants agreed that intermediaries can play a role not only in changing the way that impact investments are presented, but also changing the approach and structure of the investments to make investors more comfortable with them, including by driving policy to create an enabling environment.

As a first step, participants agreed that intermediaries must reduce impact investments' risk, especially their perceived risk, to make them market rate and improve financing terms for community development. As one participant said, "We can't as an industry increase the return without taking it out of the community's return; so we [intermediaries] should be thinking about how to reduce the perceived risk." Another participant used the example of a New Markets Tax Credit deal, where an intermediary worked to ameliorate an investor's concerns about risk by outsourcing the project's underwriting to the investor and letting the investor identify the markets for the investments. This went a long way toward "de-risking" the project.

Intermediaries also should work to make their products recognizable to investors. The Low Income Housing Tax Credit (LIHTC) was offered as an example of an investment product that had become part of a standardized market. While most investments do not have that type of scale, intermediaries could build credibility through persistence. One participant told the story of how she took a new mortgage product to local banks and investors and was initially told "no way," but on a second round a few weeks later was told, "no," and on a third round was told, "hey, we've heard of this." By the fourth round, some investors began to participate and by the fifth round every investor in town wanted a piece of the deal.

### CHALLENGES AND OPPORTUNITIES

#### Differing Objectives between Investors and Intermediaries

Institutional asset managers and community finance approach impact investing from different perspectives and with differing objectives. Institutional investors interested in making an impact look for investment opportunities to address market failures – such as climate change disruption – where there are also discrete opportunities to make market or above market returns. The community development field, however, has a public policy objective and seeks investment to address social problems in cost effective ways. This fundamental difference creates a market disconnect. According to one participant, the field still has a long way to go to overcome this barrier, but being aware of it and starting to converse in a way that uses common language makes strides in the right direction.

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## The Role of Government and Subsidy

Government subsidy presents another disconnect between institutional investors and community development finance. As one participant said, “the minute there’s a hint of any subsidy in the investment most commercial investors just walk away and say ‘we can’t touch that because it won’t provide good returns’ unlike, you know, a stack [like the California Freshworks Fund] of capital which does have those different flavors in it on the equity side.” Some discussion was had about whether or not the market would function if government subsidy was removed. As one participant put it, “The economics in impact investment transactions are limited already and they sort of work because of the government subsidy....so, I don’t think it’s just a matter of scaling the industry, it’s also a matter of does the industry exist without the subsidy?” For the most part, the group affirmed that government subsidy will continue to play an important part in the market, but the field should work to layer it into products and emphasize it less when presenting deals to institutional investors.

As another point, government’s role is not limited to providing subsidy. It can help remove constraints. To that end, participants agreed that intermediaries need to drive public policy in a way that creates an enabling environment. As one participant said, intermediaries should be helping to design subsidies and other policies since it is not easy to “create a government subsidy that just fills the sliver of the pie that makes the rest of the market happen, because anything that’s more than that sliver is wasted and anything less than that sliver doesn’t make it happen and is wasted too.” With this perspective, intermediaries should advocate for policies that do not just encourage impact investment, but work to actively direct it.

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“If you build it in a vacuum then it won’t get the capital that you wanted, and if you build it to suit the investors without taking into account the types of investments that you are trying to make then the capital won’t be of any use to the folks that you were trying to invest in.”

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## MOVING FORWARD

To address these challenges and ultimately negotiate the meeting place in the market for investors and intermediaries, intermediaries should bring investors into the product building process. For example, to create a capital fund at a price that is going to be of use to the target population, one participant argued that intermediaries should, “Absolutely go to the investors first and ask them what it is going to take.” Further, intermediaries should create different financing products to address different problems; in other words, no one size fits all. As one participant said, “It’s like the way we’ve seen cancer medication evolve and how it’s no longer a one cure for cancer but it’s every type of cancer needs an unique solution.”

Participants agreed that to achieve scale, a big pilot project is needed that requires chunks, hundred million dollar chunks, of capital. But to achieve a successful pilot, institutional investors need to talk to each other and get to know each other. One participant stated that the pension funds, foundations, and endowments don’t necessarily know each other very well. Intermediaries can play a role in facilitating that introduction

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## 5. Financing Innovation in Social Enterprise

The conversation covered a number of topics related to increasing the flow of capital to social enterprises, organizations the moderator defined as “using the power of business to solve social and environmental problems.” As budgets tighten for public sector agencies, more opportunities emerge for the private sector to solve these problems while also generating financial returns.

In many ways, the social enterprise sector is no different than other types of businesses, except it produces additional positive outcomes besides a financial return. The major impediment to growing this sector, as expressed by many participants, is the lack of standards to define, measure, and report these outcomes. This gap creates numerous inefficiencies. For example, it can often paralyze the investor community by placing unnecessary distance between investment and impact, while also allowing redundancy among social ventures that are trying to solve the same problems.

Progress is being made to develop these standards by groups like the Global Impact Investing Network. While using traditional measures of impact is a good starting point, assessing the outcomes of the social enterprise sector will also require new, non-traditional methods for describing results, such as robust storytelling.

Another approach to increase efficiency in the market would be to organize first around the desired impact, then find the appropriate market players – investors and social ventures – best suited to deliver this impact. Much of the market today works in the opposite direction, starting with a solution in search of a problem.

### CHALLENGES AND OPPORTUNITY

#### Lack of Consistent Data Collection, Measurement and Communications

Much of the discussion centered on the challenge of measuring impacts and how these impacts should be considered along with traditional risk and financial returns. “We don’t really have a convincing or common vocabulary for social and environmental impact that is appealing beyond financial returns,” commented one participant.

Impact can also mean different things and require different metrics at each stage in the development of social ventures and projects, which further complicates the matter. Lacking a consistent set of metrics and mechanisms to communicate impact creates uncertainty among social entrepreneurs and paralysis on the funding side.

Several opportunities result from solving the challenge of measurement and communication, beginning with the ability to “tell the difference between good companies and good marketing” according to one participant. Measurement would also help investors determine which projects are having impact and are worthy of investment, the market would see lower transaction costs, and governments would gain a better sense of where best to provide incentives and subsidies. Social ventures could also avoid overlap or “redundant social entrepreneurship” where too many are trying to solve the same problems.

#### Disconnect between Capital and Impact

Another challenge is the multiple layers of intermediaries between investment and impact. When investors are looking for performance beyond just financial returns, they typically want to feel a more direct connection between their investment and the results.

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Focusing in the near term on high net worth individuals, rather than large institutions for example, could be a more productive place for the community to focus on scaling investment in social ventures, suggested one participant. But dealing with philanthropic investors has its own set of challenges. Individuals who have made money on their own terms tend to donate or invest the money in the same fashion. They seek ownership and branding of their philanthropic efforts, according to one group member, and may oppose collaborating with other philanthropies.

One participant mentioned crowd funding as a new and important mechanism that enables large numbers of smaller investors to pool their donations or investments toward solving a social problem.

## MOVING FORWARD

### Developing Better Measurement and Communication

Group members agreed that the industry must continue to develop standards for how it defines, measures, and reports on the social and environmental performance of impact investments. Developing this common vocabulary will improve credibility, reduce transaction costs, and make these types of investments more appealing to traditional investors. But a framework for evaluating impact investments must go beyond traditional notions of measurement, suggested one participant. Storytelling is also an important aspect of this assessment to show where a venture or project has succeeded or fallen short. Detailed stories, which can be developed by speaking with beneficiaries, provide a feedback loop around the impact and “also a way to gauge whether we’re really effecting a change in people’s lives.”

Establishing agreed-upon metrics from the beginning between the investor and venture is another positive step toward standardization, and the social impact bond was provided as one tool for structuring those agreements.

### Creating Impact Ecosystems and Communities

One participant suggested transforming the social entrepreneurship discussion, focusing first on the problem, rather than the solution: “What is the impact goal that we’re trying to achieve, and then what’s the community that organizes to achieve that impact goal?” This solutions-based approach would allow the community first to determine what the most pressing problems are, then establish metrics, and then assemble the value chain of social ventures and funders that can best solve that problem.

This approach could enable testing and iteration, suggested another participant to, “Figure out what the right eligibility criteria should be at different stages, where the right performance metric should be in different stages, and what impact really means within this particular sector versus that one.”

Another speaker felt this approach would work as long as financial returns were also clearly identified to show where different types of funders could fit in. “If you are Morgan Stanley and you seek X return for X part of your portfolio you could look at this ecosystem and say ‘Oh, I can get it here but not here’ and if you’re a foundation you’ll say ‘I can put my investment dollars here and my grant dollars there.’”

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“You let people organize around the problem as opposed to trying to force the institutional capital provider and the entrepreneur into their roles. If an institutional player then has a role to play because it fits into a specific financial box, that’s great, but we’re not forcing them into that box.”

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## 6. Developing Markets for Health

The 2011 Affordable Care Act (ACA) and the over 20 million new patients that it will bring into the Medicaid system was a central focus of this discussion. The scale of the change presents an exciting opportunity for impact investors to identify innovative models for investing in health. However, the lack of clarity between who pays and who benefits within the current system creates confusion and an increased perception of risk for institutional investors looking to enter the space.

Participants asserted that a cross-sector approach is necessary, as there is a growing consensus that the best way to create cost savings for health care is by developing and scaling preventative programs that are not directly health related, such as early childhood education, public safety, and housing for low-income individuals and families.

These interventions are currently implemented by the community development industry, which rarely partners with the health sector. In order to bridge this gap, there must be a breakdown in the silos of government funding and increased communication and collaboration between the community development and health industries. Furthermore, most investments in preventative programs are high-risk pilots. Public policy incentives to reduce the risk associated with investing in early-phase solutions and preventative programming should be put in place.

### CHALLENGES AND OPPORTUNITIES

#### Disrupting the Current Flow of Capital

Participants discussed how health care currently represents 18% of the nation's economy. Therefore in the words of one workshop participant, "we don't have a problem bringing capital to health care...we have a problem directing capital toward the best health outcomes." Existing policy primarily directs funding to incumbent industry leaders who are entrenched in current systems and business models.

The ACA presents opportunities to redirect some of this funding to new potential solutions. Within the legislation, there is a designation for a \$10 billion health innovation fund managed by the Department of Health and Human Services (HHS). A large portion of this fund, according to one participant, is dedicated to prevention-focused programming. The HHS secretary can implement programs without the approval of Congress as long as the programs have reached a designated impact threshold. Participants agreed that more policy initiatives like the HHS fund are needed in order to stimulate complementary innovative and high-risk financing in the private sector. For example, the participants proposed a subsidy modeled after the New Markets Tax Credit program wherein institutions making high-risk investments in new prevention programs would be rewarded.



### Connecting Key Players

The participants highlighted that health and community development industries do not partner effectively. Health stakeholders wanting to invest in neighborhood-level preventative systems understand the connection between neighborhood factors and long-term health outcomes, but they are unaware of the extent of programming the community development industry is already providing for housing, early childhood, and adult education among other interventions. If the two industries connected, they could not only focus on health-related outcomes at a greater scale but also realize health care savings.

One workshop participant spoke of his recent success in coordinating a series of regional meetings with leaders from both industries to discuss how community development and health can intersect. The participant’s organization had recently applied for a grant to build from these talks and create a Center for Community Development and Health. This new center is intended to institutionalize collaboration between sectors, bringing together best practices and identifying opportunities for further research.

### Removing Government Silos

Participants discussed how disparate city, county and state government funding streams also stymie collaboration across industries. For example, community hospitals are traditionally county-operated, whereas housing for low-income individuals is most often city-run. One participant highlighted that San Francisco recently demonstrated how cross-industry partnership can mitigate public health overspending. The City and the County of San Francisco partnered with Mercy Housing, an affordable housing developer, where the City gave Mercy Housing land to build an assisted-living facility. As part of the arrangement, Mercy agreed to take 50 of the County’s patients currently living in licensed nursing homes but not requiring full-time care. As a result, the County saves \$30,000 per patient per year, and at the same time Mercy meets its mission to raise quality of life for low-income seniors. The participants discussed Social Impact Bonds as another example of a cross-industry practice, as seen in the pilot program that the State of Massachusetts is undertaking to address chronic homelessness.

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“We are at a very promising juncture but more catalyzing needs to be done.”

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### MOVING FORWARD

There is a long way to go, but community development and health industries are beginning to talk to each other, and there are a growing number of examples of city and county collaboration. More research could better establish who shoulders the existing cost burdens and where partnerships could provide the most benefit. Further, existing policy incentivizes asset-based financing almost exclusively. According to the group, new policy needs to support service-based funding at greater scale and focus more on preventative care.



## CONCLUDING THOUGHTS AND “TAILS”

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COLBY DAILEY,  
Associate Director, InSight at Pacific Community Ventures

While the tabletop summaries provide an excellent recounting of the day’s main discussions, or “tops,” they necessarily focus on consensus and are limited in ability to capture the full richness and texture of each conversation. It is important to at least briefly acknowledge a number of discussions along the edges, or in the “tails,” of the main dialogue that provide additional insight into what the field considers imperative for building scale.

Whereas the “tops” focused on creating an enabling environment and building market infrastructure, the “tails” focused more on working within the existing infrastructure, such that it is. When pieced together, these conversations in the margins offer a veritable to-do (or don’t do) list for how community development intermediaries can better connect with institutional investors within that existing infrastructure. These action items represent what intermediaries are not only thinking about, but what they are already doing within their own spheres of influence to move the field forward.

The tails below are noted for one of three reasons: they were the main discussion topics at one tabletop and in the tail of at least one other; they were not a main tabletop discussion but surfaced as a tail of multiple others; and they surfaced only once but generated sufficient conversation, or argument, so as to invite further attention. The content of the tails themselves fell into three main buckets and presents a potential guide for future discussion and subsequent collective action:

- Increasing investors’ familiarity with impact investments
- Directing policy and driving capital
- Implementing the “giant pilot”

Before going into further detail on each, one additional point is worth noting. The two sector-specific tabletop discussions, *Environmental Markets* and *Developing Markets for Health*, drilled deeper into the details than other tabletops and yielded the most specific, immediately actionable solutions. However the fewest participants actively selected into these two sessions. While the sector-perspective has heretofore not been the focus, it might prove very fruitful for drawing institutional investment moving forward.

### Investor Comfort Level

A recurring theme across the day was the importance of language. In the main conversations there was dissention among participants about whether or not a purely financial-first perspective was the best way to approach investors. In the tails, however, participants more generally agreed upon the notion that intermediaries should spend more time “talking the talk,” using language that was familiar to investors, substituting terms such as “concessionary” and “subsidized,” for “blended sources of capital” or “stacked capital” to allay investor concerns.

Partnerships, also a focus throughout the day as a way to build scale, contribute to improving investors’ comfort level. The question was brought to bear: “what should those partnerships look like?” While the specifics remain an open question, participants agreed that deals that bring together mainstream investors, large foundations, national endowments, and other high-profile investors pique the interest of fence sitters. Comments from participants indicate that intermediaries should strategize how and what partnerships they should form – many participants indicated they were already doing so.

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Participants mentioned the importance of having a financial markets knowledgebase. For example, there is much that intermediaries can do to collect the *financial* return on impact investments so that it is better established. Additionally, there is likely a list of mainstream/established fund managers that are having more impact than they realize. Intermediaries could better understand who and what that looks like. Further, any correlation between the social and financial investment markets should be known and understood to help frame the conversations with the investors. Coming to investors with market knowledge gives investors more confidence in the deal at hand.

### Directing Policy and Driving Capital

Although policy was a headline in many of the tabletops, three concrete policy suggestions were located in the tails: policy must be driven such that investors are not just “allowed” to invest in social impact but that a certain percentage of investment is required as part of investors’ fiduciary duty; policy should create government incentives that create a regular market return; and policy should work to incorporate social externalities into the internal balance sheet. Intermediaries can pursue levers to drive such policy changes.

While the first two are straight forward, the third warrants a little unpacking. In essence, most asset managers are compensated to maximize financial return. However, in many cases that return does not account for the social risk, i.e. externalities. As one participant put it, using the example of subprime mortgages, “they privatized the return and socialize the risk.” Intermediaries can drive policy that seeks to bring those social risks into the total return calculation, thus leveling the playing field.

### Implementing the Giant Pilot

In more than one tail, participants mentioned the need for a large scale pilot project. As one participant said, “What I hear so many times is, ‘Why don’t we just do a small pilot project and then we’ll scale it up?’ We need a giant pilot project.” This “giant pilot,” as described by participants, would leverage the partnerships addressed above and raise impact investing’s profile (also increasing investors’ comfort level). In each case that the “giant pilot” was mentioned, there was agreement among participants and acknowledgment that it should be strategized further. Important components to the “giant pilot” included blended sources of capital and a fund manager with an admirable track record.

## MOVING FORWARD

Each of these tail conversations is interconnected, not only with each other but with the broader content discussed in the tabletops. The question is what to do next as a group? Here the tails can be especially helpful, as they offer a list of action items that deserve some collective strategic discussion and analysis: developing strategic partnerships, building a financial markets knowledgebase, taking a sector-level perspective, identifying the levers for driving policy, creating a giant pilot, etc.

The fact that these topics were in the tails suggests that many intermediaries are thinking about them, and in some cases actually executing on them, independently. The next step, then, could be a forum where these tails were at the forefront of discussion, and where intermediaries could roll up their sleeves, analyze the feasibility and impacts, and develop action plans in a concerted fashion. The goal of this ongoing work is to continue to build infrastructure and build scale. Not necessarily in that order. In fact, perhaps, the tails could wag the dog.







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