The Five London Principles

Impact investing is a growing field, and public officials are increasingly looking at policy tools to bring private capital to support the achievement of social objectives.

In response to this trend, the Impact Investing Policy Collaborative has worked with policymakers, researchers and other stakeholders to develop The London Principles, a set of guidelines intended to assist governments considering impact investing as a tool to address social objectives. They do not dictate what a government should do, but rather offer guideposts that ideally point to better strategy and policy development.

The London Principles are drawn from a multitude of political, economic, and cultural contexts, and have been developed to address different places across varying stages of impact investing ecosystem development.

The London Principles are designed to support a reflective approach to policy that drives learning and innovation over time to achieve important social objectives.

Clarity of Purpose

Clarity of purpose, on the part of government, reinforces strategy and policies that are integrated into existing policy and market structures, that target specific social objectives, and that clearly define the role for impact investing in achieving those objectives. Clarity of purpose allows governments to avoid inefficient use or misallocation of resources, insufficient policy support that impedes achievement of outcomes, and disjointed policy regimes.

Governments should:

- Clearly identify the social objective(s) that the impact investing strategy or policy is meant to target.
- Clearly identify why the impact investing strategy or policy might be an appropriate tool to meet those objectives, and how impact investing complements broader policy systems.
- Define realistic expectations for the results the impact investing strategy or policy might achieve and the time it might take to achieve them.

Stakeholder Engagement

Stakeholder engagement brings discipline and legitimacy to policy design. By institutionalizing dialogue and feedback, with relevant stakeholders, governments can bring important additional resources to support impact investing strategies and policies. Effective stakeholder engagement ensures that all actors are included, manages expectations, and avoids the development of policies that are unfit for purpose.

Governments should:

- Identify, engage, and collaborate with key stakeholders, from concept to implementation to revision of strategies and policies.
- Support shared ownership of policy and a dynamic process of policy development and review.
- Guard against misaligned incentives or unequal power structures that work against effective impact investing strategy and policies.

Market Stewardship

Market stewardship ensures a holistic vision for impact investing strategies and policies. It focuses on a balanced development of investor interest, investment opportunities, and mechanisms to deliver intended social outcomes. Effective market stewardship sets appropriate levels of regulation and mitigates unnecessary management of market activity.

Governments should:

- Identify the appropriate use of market interventions, including at which point they should be made, for how long, and by which agencies and institutions.
- Develop markets holistically, balancing capital supply, investment readiness, and support for enabling intermediary infrastructure.
- Support reliable and responsive policy, mindful of stakeholder priorities, incentives and limitations.

Institutional Capacity

Institutional capacity allows for the effective use of resources, adds value to existing policies, and creates the potential for developing innovative strategies and tools that address key social problems. Institutional capacity establishes reliable and resilient markets, and avoids sending mixed signals to investors and civil society on the potential for intended policies to deliver on their promises.

Governments should:

- Determine cross-sector resources within government currently available, or necessary to be developed, for successful strategy development and policy implementation.
- Develop public sector leadership to implement policies where needed and provide stability over time.
- Measure and evaluate the impact of policies against stated objectives, and act efficiently to refine or scale accordingly.

Universal Transparency

Universal transparency mandates that stated objectives are clear, and progress toward their achievement is openly measured and reported to relevant stakeholders and the public at large. Effective universal transparency enables leadership in public innovation, protects against the risk of real or perceived bias, realistically manages expectations, and empowers citizen participation.

Governments should:

- Report rigorously on performance and develop a culture of transparency that includes all impact investing actors.
- Commit to a continuous process of shared learning, including through an open dialogue on successes and failures.
- Foster engagement and fidelity to stated social objectives.