

Towards a Plural History of ‘Impact Investing’

by

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A thesis
presented to the University of Waterloo
in fulfillment of the
thesis requirement for the degree of
Master of Environmental Studies
in
Sustainability Management

Waterloo, Ontario, Canada, 2018

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Author's Declaration

I hereby declare that I am the sole author of this thesis. This is a true copy of the thesis, including any required final revisions, as accepted by my examiners.

I understand that my thesis may be made electronically available to the public.

Abstract

Conceived in 2007, ‘impact investing’ is an activity whereby investors intentionally pursue social and/or environmental return alongside financial return. It has attracted increasing interest, including from transnational financial institutions, and proponents offer it as a means to help tackle historically underfunded sustainable development initiatives. The mostly positive reception for impact investing in the literature, however, tends to neglect both the North-South tensions that characterized global financial governance over the previous five decades and the recent emergence of South-South cooperation. Utilizing a critical realist approach, this thesis seeks to interpret the phenomenon of impact investing and understand why it has become popular. I use a framework partially derived from the concept of transnational neopluralism and perform a thematic analysis of written texts about the sector. Though originally nurtured by philanthropic organizations, the results show that impact investing became a central component of a new posture adopted by many Northern governments with respect to developing nations, especially after the 2008 financial crisis. This shift was reinforced by structural economic changes that altered the profit prospects for many transnational corporations based in the North; these included, but were not limited to, a growing emphasis on the management of the environment and natural resources. By connecting the phenomenon to a broader political context, this project adds to the nascent body of academic literature about impact investing and contributes to the institutionalization of the field.

Acknowledgments

First and foremost, I want to extend my sincere gratitude to my advisor, Dr. Sean Geobey, who offered significant support and guidance throughout my time at UWaterloo. Your dynamic intellect and generosity greatly improved the quality of this work and were a meaningful portion of the joy I derived from being in the sustainability management program.

My deepest thanks also to Dr. Michael Wood, whose generosity and encouragement were very important to the development of this work. This was not just during the time as my committee member, but consistently over the course of these last two years.

I also want to thank Dr. Neil Craik for his generous service as reader, and for his insightful and thought-provoking consideration of this work.

To my family and friends, thank you thank you thank you for all of the support, and to my parents especially, I very much appreciate the warm hospitality provided during my trips home. Lastly, to the people of Canada, I am grateful for having been welcomed into your country and for the indulgence granted while I learned to pronounce Mississauga.

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A wise man ought to have money in his head, but not in his heart.

– JONATHAN SWIFT

Chapter 1. Introduction

1.1 Background of the Problem

While the Sustainable Development Goals (SDGs) of the United Nations 2030 Agenda for Sustainable Development were being drafted, ‘impact investing’ was supported by economically dominant, industrialized nations as having the potential to “play a crucial role in financing the delivery” of the goals (G8 Social Impact Investment Taskforce, 2014, p. 33). As defined by Daggars and Nicholls (2016), impact investing is an investment that seeks to create and measure a specific social and/or environmental benefit, where “the principal is repaid, possibly with a return” and where the “focus is . . . mainly on *investor behavior and motivations*” (p. 6, emphasis in original). Other literature about impact investing, in placing this emergent field in a historical lineage that includes the U.S. Community Reinvestment Act and community development finance (e.g., Bugg-Levine & Goldstein, 2009; Freireich & Fulton, 2009; U.S. National Advisory Board on Impact Investing, 2014), socially responsible investing (Clark, Emerson, & Thornley, 2014), foreign aid and development finance institutions (Littlefield, 2011), and philanthropic mission-related investments (Tekula & Shah, 2016), has lent an air of evolutionary progress to a sector that has thus far received a mostly positive reception (Clarkin & Cangioni, 2015).

However, a smaller group of scholars (e.g., Geobey, 2014; Barman, 2015; Ogman, 2016; Dowling, 2017; McGimpsey, 2017; Rosenman, 2017a) have described impact investing – and the broader social finance market of which it is part – as a neoliberal answer to social and environmental ills of the neoliberal economic order that spread beginning in the 1980s and came to dominate on a global scale. Indeed, to overlook this is to forget a significant chunk of the

tensions that characterized global financial governance over the previous five decades. Notable among these, especially where modern-day sustainability efforts are concerned, was the initially vigorous agitation by developing nations in the so-called Global South for a New International Economic Order (NIEO). Adopted without vote by the United Nations General Assembly in 1974, the NIEO would, in part, serve to redistribute wealth from the affluent, industrialized nations of the Global North to the Global South, and thereby complete “the geopolitical process of decolonization” (Gilman, 2015, p. 1). But little substantive change in economic relations came as a result of these appeals (Aggarwal & Weber, 2012).

Given the neoliberal preference for market-based solutions like impact investing, it becomes relevant to consider whether such policy tools are responding to true market failures, or if the disruptions of the market system (Polanyi, 1944) are being used as evidence that further marketization along the same lines would be helpful. In the latter case, the market becomes the rationale for itself in an almost circular line of reasoning wherein the market is unsuccessful because its reach has not extended *far enough*. Calls to apply monetary values to natural resources and ecosystem services (Costanza et al., 1997) have been criticized in this light (Monbiot, 2014).

That academic literature rarely examined the swift and widespread enthusiasm for emissions trading on the basis of *why* it had generated so much support (Paterson, 2012) is also potentially revealing of the limits to imagination fostered by the current system. Paterson (2012) attributed the warm reception for carbon markets to the fact that emissions trading is “particularly beneficial to finance” (p. 89), and Ervine (2017) also found a “global preference” (p. 2) for emissions trading. Recent, major scandals in the capital markets – one being the discovery that traders repeatedly manipulated the London Interbank Offered Rate, used in

hundreds of trillions of dollars worth of financial instruments (Finch & Vaughan, 2016) – have thus had seemingly little effect on this support. A notable exception, however, is Monbiot (2014), who sharply criticized giving stewardship of the natural world to the financial sector.

Proponents of impact investing offer it as a means to help tackle historically underfunded sustainable development initiatives and a host of other social and environmental projects, including environmental conservation. Like Paterson's (2012) examination of carbon markets, this project does not seek to better understand what impact investing is or how it might be successful, but rather why it has become increasingly popular. While the Factiva news database (a product of Dow Jones & Company) recorded just 22 news items containing the phrase impact investing published in 2008, more than 1,950 unique items containing the phrase were published in 2017. Because the need to fund sustainable development has existed for decades, the question arises as to whether there are multiple forces propelling impact investing forward now. Copestake et al. (2016) initiated a plural history of microfinance, and a similar endeavor is useful for impact investing. To that end, this research examines the phenomenon of impact investing by looking at *who* is most often speaking about it (via identifying which organizations are most active in the media discourse), *what* they are saying, and *how* they are saying it.

Paterson (2012) argued that understanding the forces behind carbon markets is important for negotiating their design. In a similar way, I suggest the still-forming impact investing sector's ability to fulfill its promise of substantial contribution to new financial flows, including in support of the SDGs, is related to how well the motivations driving the field comport with these changes in the long run.

Within the current macroeconomic context, there are parallel realities that deserve consideration where sustainable development is concerned. Strong economic growth in East

Asian countries in recent decades created large monetary surpluses, and with interest rates in advanced, Northern economies at historically low levels, there is concern about too little demand for these savings outside of Asia (Setser, 2016). At the same time, impact investing is being promoted as a way to fill a substantial – and ostensibly worrisome – *shortfall* in funding for the SDGs. Therefore, the research question is as follows:

What explains the rise of impact investing after the 2008 financial crisis, and what does this phenomenon suggest about the current relationship between finance and sustainable development?

1.1.1 Brief History of Sustainable Development

In the late 1960s and early 1970s, the birth of international coordination in the name of environmental stewardship, demonstrated via the 1972 United Nations Conference on the Human Environment in Stockholm, Sweden (Bernstein, 2001), coincided with the death of another international arrangement, the post-World War II Bretton Woods system of fixed monetary exchange rates (Garber, 1993). The early environmental efforts were primarily concerned with the “negative environmental consequences of unregulated industrial development,” and advocates were “suspicious of economic growth” (Bernstein, 2001, p. 3).

The year 1972 also saw the publication of *Limits to Growth* by the Club of Rome, and the book has been described as the “founding text of the environmental movement” (Jackson & Webster, 2016, p. 7). Still, Bernstein (2001) noted that despite the push for attention to global environmental concerns having originated mainly in industrialized countries, the issue only “reached the mainstream” (p. 2) in the early 1990s, after the international governance approach had been re-framed as ‘sustainable development.’ A widely used definition of sustainable development is that of the 1987 report of the World Commission on Environment and

Development (WCED), *Our Common Future*, which described it as development that “meets the needs of the present without compromising the ability of future generations to meet their own needs” (p. 41). For Bernstein (2001), the question arose as to why “when the international community finally took environmentalism seriously, was it only considered in the context of an economic program that not only encouraged growth, but actually demanded it?” (p. 3).

Brighton (2017), who similarly considered the historical tension between ecological conservation and economic development, underscored how a major impetus for convening the 1972 Stockholm conference was not general concern over the possibility of runaway industrialization. More specifically, it was the “anticipated development of the developing South. If these countries followed the same damaging path to industrialization that the countries of the developed North had, the environmental fallout would be catastrophic” (Brighton, 2017, p. 213). Speaking at the Stockholm conference, Indian Prime Minister Indira Gandhi emphasized the needs of the developing world and said, “the rich . . . warn us against their own methods,” but “we cannot for a moment forget the grim poverty of large numbers of people. Are not poverty and need the greatest polluters?” (cited in Janapathy, 2005, p. 216).

Importantly, *Our Common Future* combined issues of the environment with the needs of people by stating, “Poverty is a major cause and effect of global environmental problems” (WCED, 1987, p. 12). Like Bernstein (2001), Brighton (2017) identified the shift in the international discourse at the 1992 Earth Summit in Rio de Janeiro, Brazil. Although a relative balance between environmental conservation and the development needs of the South had been struck in both the declaration from the 1972 Stockholm conference and in *Our Common Future* (1987), it was altered at the 1992 Rio conference, where development for “poverty eradication” was given “a position of priority over environmental protection” (Brighton, 2017, p. 226).

For Bernstein (2001), the North's acceptance of the 'sustainable development' approach to environmentalism cannot be explained by "interests alone, unless those interests changed since 1972" (p. 11). With this project, I suggest considering – broadly – that strategies of pursuing interests change over time. It is possible, for example, that by the early 1990s, the strategy utilized by the North on behalf of unchanged interests was no longer incompatible with an outward embrace of 'sustainable development.'

Certain subsequent events would tend to support this. Coinciding with the elevation of 'sustainable development' was the creation of the United Nations Framework Convention on Climate Change (UNFCCC). While adopted in May 1992 and opened for signatures at the Rio conference in June 1992, it was negotiated via a prior 15-month process that began at the U.N. General Assembly in December 1990. Von Moltke (2000) described the UNFCCC as follows:

The FCCC is in fact a multilateral regime on structural economic change and investment. . . . It is, however, essential to keep in mind that the FCCC is establishing a complex set of rules governing international investments that reduce greenhouse gas emissions. These rules can be viewed as the nucleus of a specialized international investment regime, organized according to principles that are very different from those which govern trade regimes. (p. 15)

That climate change was the focus of efforts to craft a global investment framework is of note, since a reduction in greenhouse gas (GHG) emissions supports an environmentalist program. Indeed, Moomaw, Ramakrishna, Gallagher, and Freid (1999) stated that the UNFCCC had, by the time of the 1997 Kyoto Protocol, "come to be seen as a restriction on economic development" (p. 82). Later, a study that assessed the 16 projects registered under the Kyoto Protocol's clean development mechanism (CDM) as of August 30, 2005 found "a clear tendency

of the CDM to deliver real emissions reductions but not to contribute towards [the] host country's sustainable development" (Sutter & Parreño, 2007, p. 89).

1.1.2 Sustainable Development and Investment

The economic divide between the industrialized nations of the North and the developing and least-developed countries of the South persisted despite the elevation of 'sustainable development.' Five years after the Rio conference, the South noticed little progress (Bernstein, 2001); at the 1997 Special Session of the U.N. General Assembly, known as Earth Summit+5, the South's view was that the "most glaring lack of commitment since Rio concerned the areas of finance, technology transfer, technical assistance, and capacity building" (p. 111). Distinguishing between the actions of the public and private spheres, "Many states singled out the sizeable expansion of private financial flows as the major change in international political economy . . . that could explain these difficulties" (Bernstein, 2001, p. 111).

Private financial flows are different from official development assistance (ODA) from governments, which the report following the Earth Summit+5 conference showed reached its lowest levels in 30 years from 1993 to 1995 (U.N. Commission on Sustainable Development, 1997). The same report further described the five years since the 1992 Rio conference as being marked by "accelerated globalization," which itself had been "abetted by technological advances in transport and communications and by a rapid liberalization and deregulation of trade and capital flows" (p. 5). This shift away from ODA and towards the private sphere can be seen as part of the current era of financialization. Beginning circa 1980, this has tended to, among other things, "push policies towards acceptance of the operation of market forces and commercialisation in all areas of economic and social life" (Sawyer, 2013, p. 9).

It is suggested here that ‘sustainable development’ needs to be understood as having gained global acceptance in the context of this financialization, and at a time that in particular saw the increasing dominance of transnational finance (Cerny, 1994). The aforementioned Bretton Woods system was not replaced with another international agreement. Instead, as Geobey (2017) explained, the growth of the global derivatives market, aided by “a new social phenomenon, the Black-Scholes-Merton options pricing model” (p. 146), brought the “international monetary system over a tipping point that shifted it . . . towards the current neoliberal order” (p. 147). For Cerny (1994), the central driver of the changes in global economic structures in the post-Bretton Woods era was “technological change in finance in general and in the transnational financial services sector in particular” (p. 320).

Though not singling out finance specifically, at the end of the 1990s, U.N. Secretary General Kofi Annan championed the corporate sector as a significant resource for sustainable development. Mr. Annan first presented the idea for the U.N. Global Compact, a framework intended to get businesses to adopt sustainable and social-value-centered practices, at the annual meeting of the World Economic Forum in 1999. According to Thérien and Pouliot, (2006), enthusiasts touted it as “a win-win solution for the problem of world poverty” and the rationale for including the private sector also rested on the idea that “state-centered policies have failed to promote development” (p. 63). That ODA was at historically low levels in the early-to-mid 1990s does reflect a lack of follow-through by the governments of the North. But whether this is understood as a failure or as something closer to a strategy depends on the perspective taken.

Also in the late 1990s, intergovernmental efforts specific to development financing started at the United Nations. After four years of work on many issues, the first International Conference on Financing for Development was held in Monterrey, Mexico, in 2002. Though the

UNFCCC was adopted almost a decade earlier in 1992, the Monterrey conference marked “the first U.N. summit-level meeting” with respect to funding for sustainable development (Nunnenkamp & Thiele, 2013, p. 75). U.S. President George W. Bush and the heads of the Bretton Woods institutions, World Bank President James Wolfensohn and International Monetary Fund (IMF) Managing Director Horst Köhler, all attended. The resulting Monterrey Consensus (2002) described objectives strongly in favor of economic development: “Our goal is to eradicate poverty, achieve sustained economic growth and promote sustainable development as we advance to a fully inclusive and equitable global economic system” (p. 5).

The follow-up International Conference on Financing for Development was held in Doha, Qatar, in December 2008, but the absence of most Western leaders – excepting only French President Nicolas Sarkozy – weakened opportunities to reach lasting agreements (Abocar, 2008). Amidst deep concern around the world about the impacts of the 2008 financial crisis, the heads of both the IMF and the World Bank cancelled promised appearances in the weeks before the conference. World Bank President Robert Zoellick was reported to have pressed, in a letter to G20 (or Group of Twenty) leaders, “to ensure that the major decisions on the financial crisis” be made by the G20 nations (Lynch, 2008, para. 3). This was in contrast to the aims of U.N. Secretary General Ban Ki Moon, who had wanted the Doha conference to be a space for “a broader group of countries, including some of the poorest, to have a say in the way the economic powerhouses respond to the crisis” (Lynch, 2008, para. 4). And it was expected that the crisis would significantly impact the world’s poor. Abocar (2008) related that World Bank figures suggested approximately 40 million people would “be dragged into poverty in 2009 as a result of the global financial crisis and related economic meltdown” (para. 11).

1.1.3 The Start of ‘Impact Investing’

In the years following the economic crisis, a prominent initiative concerning financing for sustainable development emerged in the form of ‘impact investing.’ It did not come from the G20, considered to represent the interests of developing nations as well as those of the already dominant industrialized economies (Gronau, 2016), but from the more exclusive G8 (aka Group of Eight; it returned to the G7 in 2015, after Russia’s departure), which presented impact investing as a “revolution” (G8 Social Impact Investment Taskforce, 2014, p. 42) that would allow the “invisible heart of markets to guide their invisible hand” (“Letter to leaders,” para. 5). The report also offered impact investing as a way to “transform development finance, because it better aligns all the different sources of capital and expertise, to achieve common development objectives” (G8 Social Impact Investment Taskforce, 2014, p. 34).

The G8 report followed an earlier November 2010 report from JPMorgan Chase and the Rockefeller Foundation that was one of the introductory research pieces for the sector and defined impact investments as “investments intended to create positive impact beyond financial return” and which “require the management of social and environmental performance” (O’Donohoe, Leijonhufvud, Saltuk, Bugg-Levine, & Bradenburg, 2010, p. 5). Whereas the framing of the U.N. Global Compact connected the necessity of business involvement with the failure of government policy, the 2010 JPMorgan/Rockefeller report positioned impact investing as a complement to public resources and philanthropic capital, and as “a new alternative for channeling large-scale private capital for social benefit” (O’Donohoe et al., 2010, p. 5). Impact investing has also been proposed as a solution to limited government resources in a changing global economy (Rodin & Bradenburg, 2014; U.S. National Advisory Board on Impact Investing, 2014), and another rationale has posited that a divided worldview where only government and philanthropic funds are usable for social benefit is outdated and not functioning

(e.g., Bugg-Levine & Emerson, 2011; Schwab Foundation for Social Entrepreneurship, 2013). Further, Palandjian et al. (2010) suggested that impact investing could both contribute to financing for sustainable development and add a level of diversification to traditional investing that might reassure those left “shaken” (p. 4) by the 2008 financial crisis and its apparent risk management failures.

There is growing interest in impact investing. A bar graph showing the results of a search of the Factiva news database for media items containing the phrase through December 31, 2017 is included below at Figure 1.1. This search was conducted by putting the phrase in quotes, so that only references to the specific term “impact investing” were captured. Observe that, after appearing circa 2010, the number of news references each year has been larger than in the previous year; there was a sizeable increase from 2014 to 2015, following the release of the aforementioned G8 report, and another jump in 2017.

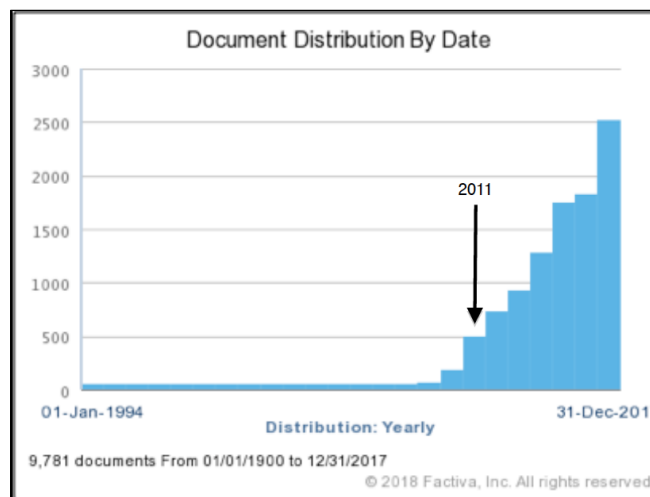


Figure 1.1. “Impact Investing” Search Results by Year
Note. Source: Author’s search of global.factiva.com.

Additionally, a project titled The Future of Sustainable and Impact Investing has been underway at the World Economic Forum since 2012, and it lies within the Forum’s larger System Initiative called, Shaping the Future of Long-Term Investing, Infrastructure, and

Development. Given that, as recently as 2014, a report of the United Nations Conference on Trade and Development (UNCTAD) found “relatively low” engagement by the private sector with respect to funding the SDG sectors, and the investment “participation is even lower in developing countries, particularly the poorest ones” (p. xi), this business support for impact investing can be viewed as a change. But what kind of change this represents in the underlying interests being pursued is less clear.

1.2 The International Investment Regime

The context in which impact investing has emerged – the period following the 2008 financial crisis – is one in which there is reevaluation of dominant economic paradigms in light of revealed weaknesses (Geobey, 2017). An explicit link between issues of sustainability and the structures of international finance was made by a group of 76 academics from universities in nine countries on August 31, 2010, with the release of the Public Statement on the International Investment Regime. The statement sought to bring public attention to the group’s “shared concern for the harm done to the public welfare by the international investment regime, as currently structured, especially its hampering of the ability of governments to act for their people in response to the concerns of human development and environmental sustainability” (Van Harten & Schneiderman, 2010, para. 1).

Also noting that economists and policymakers were questioning the prevailing economic order, Grabel (2011) described the post-crisis period as an “interregnum” (p. 826) and, without dismissing the staying power of the neoliberal paradigm, argued there is increased space available for enacting different global governance ideas. One example concerns the IMF, which, “for the first time in recent memory,” was “forced to respond after the fact to developing country economic strategies that flout the neoliberal prescription” (Grabel, 2011, p. 807). Another is the

formation of the Asian Infrastructure Investment Bank (AIIB), which began in late 2013 and was interpreted as China's attempt to create a competitor to the World Bank (Perlez, 2014). European participation in the AIIB – the U.K., Germany, France, and Italy are among the founding members – was (somewhat colorfully) described in a blog on the website of the Council on Foreign Relations as “a body blow to the U.S.-led international order created in the wake of World War II, which is crumbling before our eyes” (Patrick, 2015, para. 1).

In presenting a theory of transnational neopluralism, Cerny (2010) described the current period as a “disorderly and as yet undomesticated new political cosmos” (p. 5), and stated, “the most important movers and shakers are no longer simply domestic political forces” (p. 5). Indeed, the civic power now exercised by highly capitalized, transnational technology corporations like Google, Amazon, and Facebook (Moore, 2016) is one of the massive technological and social changes of the past several decades.

Crouch (2009) offered a concept of privatized Keynesianism that also focuses on the private sector, but because it interprets the decades before the 2008 financial crisis differently, it argues that the current period is somewhat less uncertain than it might seem. The neoliberal period included an “unacknowledged policy regime” that can be understood as privatized Keynesianism (Crouch, 2009, p. 382); under this paradigm, “the growth of credit markets for poor and middle income people” – especially in the form of home mortgages and credit cards – “and of derivatives and futures markets among the very wealthy” (p. 390) created a scenario where the primary engine of economic health and stability was not government management as in Keynesianism, but rather individuals via their assumption of personal debt. Immediately there is similarity between this and the growth of micro-credit markets in the developing world,

enabled by financial technology (fintech) and the ‘financial inclusion’ thesis of many impact investors.

But of most interest here is what Crouch’s (2009) concept means for the future, as this is a future in which sustainable development will continue to be negotiated. Crouch (2009) predicted “a shift from unregulated privatised Keynesianism,” which characterized the decades before the crisis, “to self-regulated privatised Keynesianism.” and further that “organised labour will not be present, except as a token actor, as it has little power or competence at the level of global finance” (p. 397). The changes of the current period, whether they represent a disorder or a new order along the lines of Crouch (2009), could either improve access to financing for the world’s poor, by opening up new avenues for investment, or they could compound the severity of already insufficient funding by destabilizing the context of global resource allocation.

1.2.1 Neopluralism and Corporate Power

It is unsurprising that both socio-technical systems theory (Geels & Schot, 2007; Geels, 2011) and social-ecological systems theory (Westley et al., 2013) have been explored in sustainability research. But the emphasis in such literature is often on specific transitions that are accepted as necessary (or inevitable) because of environmental imperatives, especially in areas like energy and food systems. Not illuminated by such inquiry are the ways in which the socio-technical transformations in global finance in recent decades might have played a role in shaping the mainstream understanding of the environmental situation itself. This understanding, in turn, has set de-facto boundaries around what is conceived as reasonable in terms of solutions, and finance has exercised influence over the strategies pursued for both environmental and sustainable development initiatives via its role in the allocation of capital.

Levy and Newell (2002) underscored that corporate actors' work to address "environmental challenges needs to be understood in a political context" (p. 92). My interest with this project is to consider impact investing as a product of both the international investment regime and the sustainable development efforts from which it emerged. Since management and organizational studies can be "decontextualized from the wider relations of power in capitalist society" (Levy & Newell, 2002, p. 93), I was drawn to Cerny's (2010) transnational neopluralism, which focuses on the "increasingly influential, even powerful, *cross-border interest and value groups* that are coming to dominate" (p. 4, emphasis in original) more aspects of global governance. Neopluralism underlines the ability of business to exercise greater power than other groups without reducing corporate interests to a homogenous unit (Falkner, 2010). The transnational neopluralist framework examines in particular transnational "actors and the shifting playing fields on which they operate" (Cerny, 2010, p. 5). The framework also considers the "*interaction effects*" (Cerny, 2010, p. 85, emphasis in original) between changes at varying levels. Large shifts occurred in global financial flows and regional monetary policies in recent decades, and it is valuable to consider whether the effects of certain changes magnified the influence of others.

As related above, the concept of sustainable development was first negotiated amidst conflicting priorities – environmental conservation versus economic development – and a power imbalance between the North and South, particularly concerning access to finance. Those two realities subsequently progressed within an ever-changing global macroeconomic and political context that nonetheless tilted in favor of the view of private enterprise as the optimal creator of social and environmental value. Given the interest it has garnered, impact investing, which is being promoted by, in, and to Northern industrialized nations at a time when their supremacy

within the international economic order is in question, is worthy of closer examination. This topic is also important because impact investing is part of the larger, more complex task of organizing finance in a globalized world. Von Moltke (2000) highlighted the special challenge for sustainability:

An international investment regime that does not recognize the broader social dimensions of investment will contribute to the destruction of social and environmental values. It will defeat efforts to achieve greater sustainability. This is a claim that has often been made about the entire process of ‘globalization’ and it is not always accurate. With regard to investment, however, the stakes are real. It is a daunting task to construct an international regime sensitive to a range of social, political and environmental variables linked to sustainability. (p. 53)

1.3 Problem Statement

There is an estimated \$2.5 trillion gap between the amount of capital allocated annually and what is needed to fund the SDGs in developing countries (UNCTAD, 2014). Also, globally, we are “falling well short of raising” the \$5 trillion to \$7 trillion per year that is needed to fund all of the SDGs (Smiles et al., 2018, p. 9). Impact investing is offered as a way to address this problem (e.g., UNCTAD, 2014; Niculescu, 2017; Smiles, Haeefe, Carter, Donovan, & Koester, 2017) and it has gained momentum in the capital markets (Seegull, 2018). At the same time, the methods used to measure social and environmental returns are of contested effectiveness (e.g., Nicholls, 2009; Antadze & Westley, 2012; Dadush, 2012; Reeder & Colantonio, 2013; Ruff & Olsen, 2016) and publicly available data about the financial performance of the private debt/equity impact investments made to date is lacking (Paetzold, 2017). Because it remains an open question as to which values will come to lead the still-organizing sector (Daggers &

Nicholls, 2016; Giacomantonio, 2017), the seeming potency of the drive for an impact investing market is not matched by an understanding of what, exactly, is being created.

Little data about the sector is available to researchers (Daggers & Nicholls, 2016), and much impact investing research to date focused on case studies of individual investments. While Calderini, Chiodo, and Michelucci (2018) began efforts to create a framework to “identify the infrastructure of this market” (p. 67) and importantly offered analysis across different countries, theirs was an effort to understand *how* the field has developed in different countries, rather than *why* it is happening. To further understanding of the motivations behind the sector, this study examines impact investing as a phenomenon, with organizations as the unit of analysis. Taking a critical realist approach (Bhaskar, 2008) and using a framework derived from transnational neopluralism (Cerny, 2010), I perform a qualitative thematic analysis of written texts about impact investing and assess the conceptual framework detailed in Chapter 2. By incorporating political dynamics and using a sustainability lens, this contributes to the institutionalization of the field and adds to the nascent body of impact investing literature. It also allows for a richer understanding of the context in which financing for sustainable development is being negotiated.

Chapter 2. Literature Review and Framework

2.1 Introduction

This chapter begins by engaging with literature concerning globalization and financialization, and then explores how the neopluralist perspective is useful in examining phenomena in a globalized world. Literature about impact investing is reviewed subsequently, including the ways in which it differs from other forms of social finance. I then detail how a gap in the current body of research about impact investing was combined with Cerny's (2010) theory of transnational neopluralism to create the conceptual framework. Following the conceptual framework is exposition of the hypotheses and null hypotheses.

Sustainable development, defined in Chapter 1, is a longstanding global goal that is touched by all of the strands of literature referenced above. The treatment of sustainable development in this chapter is focused on the areas in which it enriches an understanding of how the other concepts are important for this project.

2.2 Globalization

Globalization has been studied in a multitude of ways by a variety of internationally renowned scholars. While it remains a complex and contested topic, a basic understanding of globalization is that of a world where physical distance and national borders matter less and less. For Clapp and Dauvergne (2011), who acknowledged the amorphous nature of globalization, it is both “a critical force shaping global affairs” and a concept that “helps to illuminate the relationship between global environmental change and the global political economy” (p. 20).

Globalization has economic and social components. The IMF described the economic globalization since the 1980s as “a historical process, the result of human innovation and

technological progress” (IMF staff, 2008, p. 2). It is “an extension beyond national borders of the same market forces that have operated for centuries at all levels of human economic activity—village markets, urban industries, or financial centers” (IMF staff, 2008, p. 2). The creation of the World Trade Organization at the beginning of 1995 is a prime example of economic globalization.

Additionally, while “progress toward full capital market liberalization among developed countries” was not a feature of the Bretton Woods era, it “took a large step forward in the post-Bretton Woods period” (World Bank, 2013, p. 116). An Organisation for Economic Co-operation and Development ([OECD], 2010) report which called international trade and investment “the primary drivers of globalization” also noted significant changes regarding investment: “Financial transactions (portfolio investment, direct investment and other investment) have posted the highest growth rates and constituted the most dynamic segment of international transactions since the early 1990s” (p. 40). Indeed, the increase in foreign direct investment (FDI) is striking. Defined by the OECD as an investment “that reflects the objective of a resident entity in one economy to obtain a lasting interest in an enterprise resident in another economy” (OECD, n.d.), FDI was 31.8 percent of world gross domestic product (GDP) in 2006, whereas it was only 6.5 percent of world GDP in 1980 (IMF staff, 2008). Today, on any given day, the foreign exchange market trades about \$5.3 trillion (Amadeo, 2017).

There has also been a substantial increase in international contact between individuals. According to Yester (2009), “traffic on international switchboards topped 100 billion minutes for the first time in 2000” (para. 8). From the societal perspective, Cerny (2010) underlined as “crucial” the understanding that globalization “constitutes a *discourse*—and, increasingly, a quasi-hegemonic discourse” (p. 27, emphasis in original). In turn, “the spread of the discourse

itself alters the *a priori* ideas and perceptions that people have of the empirical phenomena they encounter” (Cerny, 2010, p. 27).

Clapp and Dauvergne (2011) situated globalization within other historical processes, including colonization, and also highlighted how the current phenomenon is something additional. Importantly for this project, their understanding of globalization “stresses the decreasing importance of geographic distance and increasing importance of transnational actors and forces” (Clapp & Dauvergne, 2011, p. 20). Corresponding with this greater diversity of participants in the global arena, von Moltke (2002) saw a decreasing role for governments, which “matter less than before” (p. 344). In the context of globalization, nation-states “are seen as guarantors of the conditions for development rather than as agents of development” (von Moltke, 2002, p. 344).

For Cerny (2010), who has written extensively about the topic, finance has had a “central role in driving the globalization process” and is “the *infrastructure of the infrastructure*—the brain and nervous system of any economy” (p. 246, emphasis in original). Cerny (2010) also identified three “main interlocking dimensions” (p. 85) of transformations in the globalized world, and two of these are most relevant for this project. First is the change in the way the state operates with respect to public goods, and the second is a “fundamental reorientation of how states interact economically. States are increasingly concerned with promoting the competitive advantages of particular production and service sectors in a more open and integrated world economy” (p. 86).

Globalization is a political process and finance is a “profoundly political process” (Cerny, 2010, p. 247). Any retreat by the nation-state as a primary actor in sustainable development in favor of private enterprise and private finance does not therefore involve the removal of politics

from the practice. Descriptions of impact investing as offering a ‘democratized’ form of finance (Cortese, 2017) allow for a political aspect to the transaction, but expanding the range of financial products available does not expand the range of people with money to invest.

Crouch (2009) also predicted substantial political changes. As part of the rise of the self-regulating and ‘responsible’ corporation in privatized Keynesianism, Crouch (2009) expected an acceleration of “current trends towards a displacement of political activity from parties to civil society organisations and social movements” (p. 397). From this, firms become “makers of public policy” and, in setting their own standards for corporate responsibility, they become “political subjects and objects in their own right, ending the sharp separation between governments and private firms that is the hallmark of both neo-liberal and social democratic politics” (p. 397). This is a big statement, but the field of governance for finance as it concerns sustainability is replete with voluntary, industry-led standards and codes like the United Nations Principles for Responsible Investment (UNPRI), the United Nations Environment Programme Finance Initiative (UNEP FI), the Equator Principles, the Sustainable Accounting Standards Board, and others. And, at least in the U.S., the Supreme Court’s decision in the Citizens United case held that political spending by corporations is protected under the First Amendment right to free speech.

2.3 Financialization

As globalization unfolded within the neoliberal economic order, the financial sector expanded in size and influence around the world. This ‘financialization’ attracted both positive attention, in terms of media items that marveled at large deals and hefty profits, and criticism, including after the 2008 financial crisis. There is now significant scholarly interest in financialization, and this is partly due to the increasing realization after the 2008 crisis of the

power of finance to disrupt societies on the national level and individual lives simultaneously (van der Zwan, 2014).

While financialization is a large and complex subject, the growth in the global capital markets is an unambiguously important aspect of it. The U.S. bond market alone, which was valued at about \$11.5 trillion in 1996, grew steadily each year through 2016, when it was more than three times as large at \$39.4 trillion, according to data from the Securities Industry and Financial Markets Association (SIFMA, n.d.). The chart below in Figure 2.1, from the SIFMA data, breaks the market down by type of instrument. While the rate of growth of mortgage-related securities leveled off after the 2008 financial crisis, there was a sharp increase in outstanding U.S. government debt beginning near the onset of the financial crisis and this continued through 2017. The U.S. Federal Reserve, as part of its quantitative easing, was among the purchasers of U.S. treasury bonds. Additionally, there has been a continued increase in the value of outstanding corporate debt securities.

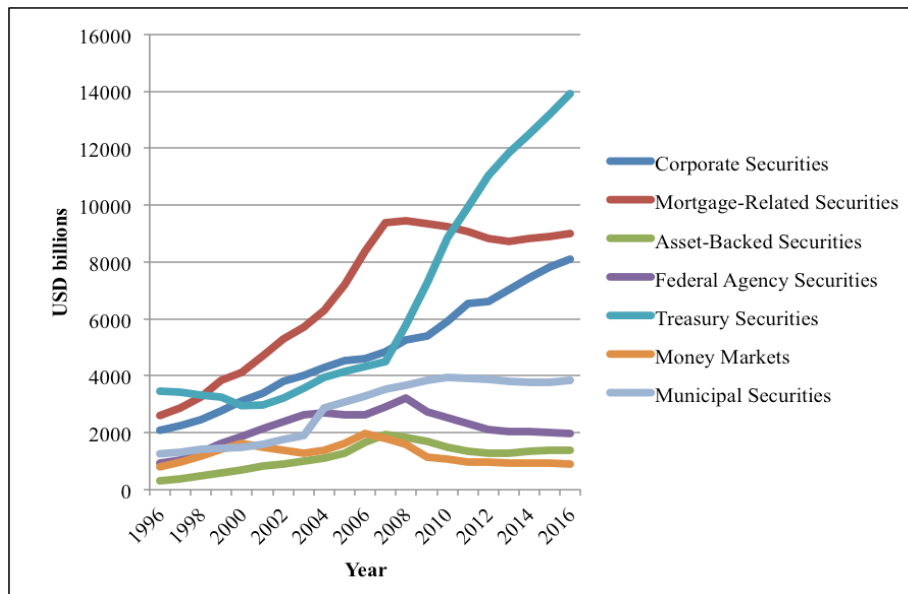


Figure 2.1. Components of the U.S. Bond Market. Note. Source: www.sifma.org

Equity markets have also grown substantially in recent years. The total market capitalization – i.e., the value of all outstanding shares – of all stock markets in the world was \$65.6 trillion in October 2016, well more than double the \$28.1 trillion market capitalization just 13 years earlier in October 2003, and China’s stock markets became 1,479 percent larger over the same period (Iskyan, 2016). While World Bank statistics (World Bank, International Comparison Program database, n.d.) show that world GDP measured using purchasing power parity rates also nearly doubled between 2003 (approximately 56 trillion current international \$) and 2013 (more than 105 trillion current international \$), these figures include growth from outside the so-called real economy. Assa (2016) explained that under revisions to the international System of National Accounts in 1993, GDP was extended to include “fee-based revenues of financial institutions” which were “unequivocally considered productive” (p. 8). As a result, Assa (2016) questioned if the ways in which “macroeconomic ‘data’ is constructed has allowed financialization to stealthily taint the way societies and polities see themselves and the economic world they exist in” (p. 23).

Though finance is undeniably powerful, Orhangazi (2015) cautioned against a view of it “as some external force acting on the economy,” because this might “ignore problems originating in the rest of the economy” (p. 124). Examining finance as both an influencer of and something “shaped by” the broader economy shows how it alternately offers “solutions to the problems in the economy” and “contribut[es] to their creation or exacerbation” (Orhangazi, 2015, p. 124). Financialization is related to the neoliberal order that coalesced post-Bretton Woods. Still, Davis and Walsh (2017) argued for understanding financialization and neoliberalism as both related and distinct concepts. Citing profound differences in the qualities of the financialization of different neoliberal economies, they asserted that “financial elites can and do export discourses,

tools, and mechanisms of economic management to state elites” (Davis & Walsh, 2017, p. 47), as happened with the City of London and the Thatcher government in the U.K. That the logic of finance had become a part of U.S.-led strategies for environmental challenges was in evidence when then-Vice President Al Gore extolled “the magic of markets” in promoting emissions trading during the negotiations for the Kyoto Protocol (Boulton, 1997, para. 1).

2.3.1 Financial Flows and Development

With respect to financing for sustainable development, there have been calls to tap into the large global capital markets via impact investing to confront our most pressing environmental and social concerns (Bugg-Levine & Goldstein, 2009). At the same time, the financial dynamics below the surface of development are changing in interesting ways. World Bank research (2013) described a Third Age of Financial Globalization through 2030, and Schumaker, Zoido, and Halac (2003) defined financial globalization as “the integration of a country’s local financial system with international financial markets and institutions” (p. 1). In addition to a greater degree of capital flows between the nations of the Global South, “developing countries as a whole will account for a much greater share of gross capital inflows and outflows than they do today, and it is likely that some developing countries will become major players in international financial intermediation” (World Bank, 2013, p. 137)

In an article titled “The New New International Economic Order,” Aggarwal and Weber (2012) argued that a “massive shift in economic power is underway, in favor” of the developing world (para. 8). Citing data from 2010, Aggarwal and Weber (2012) related that the top 10 emerging markets economies were home to 23 percent of global GDP and 47 percent of foreign exchange reserves, and thus suggested demands from the developing world for changes in

international economic governance “aren’t going away” (para. 12) like the earlier NIEO demands did.

China is without question the most significant emerging market economy. The Chinese government’s stated intention to continue the liberalization of its capital account is expected to impact the entire global economy, and the financial markets especially (Hatzvi, Meredith, & Nixon, 2015). It is anticipated that foreign reserve assets will be less strategically important for China in the coming years, and this would suggest both a “substantial shift in the share of ownership of China’s foreign assets from the public sector to the private sector” and “a significant shift in the nature of capital flows” (Hatzvi et al., 2015, p. 47). These changes in capital flows can be expected to influence financing for sustainable development. With actors from private finance now seeking to invest in sustainable development projects that have heretofore been overlooked despite need, it is worthwhile to assess this activity in the context of these changes for China and other developing nations.

2.4 A Neopluralist Perspective

Kütting and Cerny (2015), in calling for a “more process-oriented explanatory framework” (p. 907) for the study of global environmental governance, highlighted the benefit of a neopluralist view. In such analysis, there is examination of “the political processes that characterize diverse issue-areas and the key actors that interact within them – their objectives, resources, strategies and tactics, both explicit and implicit” (Kütting & Cerny, 2015, p. 907).

This seems especially helpful in the context of the shift towards private enterprise in recent decades. Not only are there many more “key actors” in environmental governance beyond the nation-state who “employ an increasingly diverse range of policy tools” (Clapp & Dauvergne, 2011, p. 72), it is also “much more difficult to hold private financial agencies

accountable” (p. 217). Secrecy remains the standard in private market finance, and the support for impact investing as a way to fund the SDGs includes few calls to make the monetary details of impact investing more public than any other investment deals. This is a data point by itself. But by incorporating an analysis of the motivations of the groups involved in building the impact investing sector, there is the opportunity to investigate more than the surface-level activity.

Further, a political theory like neopluralism offers what mainstream economic theory is at times lacking. Empirical research by Gourinchas and Jeanne (2007) found that developing countries with lower productivity and lower investment-to-GDP ratios receive more foreign investment than better-performing peers, and this made the authors “wonder if the textbook neoclassical framework is the right model at all to think about the link between international financial integration and development” (p. 31). However, for Pinto and Ulatov (2010), this is only a puzzle “if one believes capital allocation decisions are made in the context of perfect capital markets by investors whose objective is to maximize long-run growth in developing countries” (p. 33). Investor behavior leading up to the Russian crisis of 1998 served as the evidence for Pinto and Ulatov (2010), who said that investors “motivated by moral hazard” offered the only explanation as to “why Russia was able to increase its external debt so significantly after May 15, 1998 when it was crystal clear that the fiscal situation was unsustainable” (p. 33). By interrogating the interests of financial actors and their expectations of the behavior of the Russian government, Pinto and Ulatov (2010) indicated that, “Investors clearly wanted to have their cake . . . and eat it . . . when a large official bailout package in the shape of a liquidity injection to foreign exchange reserves arrived” (p. 33). No bailout ever arrived, and when Russia instead devalued its currency and “declared a moratorium on 281 billion rubles (\$13.5 billion) of its Treasury debt” (Edward, 1999, p. 199) in August 1998, it

triggered losses for investors and led to the near collapse of Long-Term Capital Management, a hedge fund whose founders included Nobel-prize winning economists Myron Scholes and Robert Merton.

2.4.1 Differing Contexts of Power

Building from Lindblom's (1977) neopluralism, where business has a "privileged position," Falkner (2010, p. 99) argued that corporate actors also have an advantage over NGOs and nation-states in global environmental governance. However, as the interests of different businesses will necessarily be at odds at varying times, this "opens up political space for other actors – states, international organisations, and social movements – to press for global change" (Falkner, 2010, p. 100). Similarly, for Cerny (2010), "the key to understanding how neopluralism works in practice is the way the *power dynamics vary from issue-area to issue-area*" (p. 105, emphasis in original).

The theory of transnational neopluralism that Cerny (2010) offered is rich and layered, but there is a "central hypothesis" (p. 106) which postulates that "those actors who will be most effective at influencing and shaping politics and policy outcomes are those who possess the most transnationally interconnected resources, power, and influence in a globalizing world" (p. 106). Philanthropic foundations that concentrate their efforts internationally, national governments, and for-profit finance entities with offices around the world are all part of the movement that has grown the impact investing market to its current state. These groups also comport with McFarland's (2004) three categories of central actors in neopluralism: "producer groups"; "social movements"; and "institutional actors and state officeholders" (as cited in Cerny, 2010, p. 105).

Impact investing as a concept is straightforward, to the extent that it simply involves considering factors other than financial gains when making investment decisions. But it appears in an enormously complex global context that is changing in important ways for finance, sustainable development, and environmental governance. Therefore, seeking to understand the particular interests promoting impact investing would be important for understanding its place in the world.

2.5 Impact Investing

The academic literature about impact investing is constrained by a high level of opacity in the industry and because it only developed as a distinct investment activity in the past decade. Systematic literature reviews done by Clarkin and Cangioni (2015), Höchstädter and Scheck (2015), and Dagers and Nicholls (2016) all described an academic field that is small and lacking clarity about even the definition of impact investing. Dagers and Nicholls (2016) further said the academic work was “lagging considerably behind practice” (p. 3).

Regarding the terminology, Geobey and Weber (2013) helpfully delineated three categories of social finance: impact investing; microfinance; and social banking. Socially responsible investing (SRI) differs from each of the three, mainly because SRI allocations are decided using social and environmental considerations as screens to include or exclude certain activity (Geobey & Weber, 2013). Necessarily, impact investments assume a different orientation. With respect to the non-financial impact sought, they “are only authentic when the social and/or environmental benefits are intentional” (Viviers, Ractliffe, & Hand, 2011, p. 214) and often the non-financial return needs to be “measurable or measured” (Höchstädter & Scheck, 2015, p. 454).

While an *a priori* impact goal is not negotiable, attitudes towards financial returns do vary in impact investing, and have changed in recent years (Brandstetter & Lehner, 2015). Of respondents to the Global Impact Investing Network (GIIN)'s 2017 impact investor survey, two thirds indicated they mostly seek market-rate returns and one third said they pursue below market-rate returns, including investments offering little return beyond the principal (Mudaliar, Schiff, Bass, & Dithrich, 2017). There are also impact investors who are amenable to deals of non-traditional size and structure as long as the financial returns match those of a traditional investment (Ormiston, Charlton, Donald, & Seymour, 2015).

Glänzel and Scheuerle (2016) described instances where financial return is of primary importance for investors as “rather conventional” and noted that, in these cases, “there is less need for impact investment—’regular’ investment will satisfy most of [the] demand here” (p. 1643). But recently there has been a lot of emphasis on scaling the impact investing sector (e.g., U.S. National Advisory Board on Impact Investing, 2014; Smiles et al., 2017) and bringing it into the mainstream (Rodin & Bradenburg, 2014; Brandstetter & Lehner, 2015). This would require including institutional investors like pension funds and endowments, which cannot survive without focusing on returns to capital. The idea of such a combination – that social and environmental needs can be adapted to fit the requirements of institutional investors – is part of what Kish (2015) called the “utopian aspirations” (p. 156) of impact investing. Further, Geobey and Callahan’s (2017) conceptual view of impact investing at scale argued that existing tools are not capable of resolving issues related to investor value heterogeneity and the subjective nature of decision-making concerning social and environmental impact.

While there are many hurdles to clear before impact investing can be achieved at scale, if it is achieved, impact investments for crucial social and environmental projects will become part

of the extraordinarily large and often opaque web of global finance. On the other hand, if the sector remains a niche relative to the large and expanding global capital markets, then it is unlikely to substantially contribute to the aforementioned financing gap for the SDGs. In this setting, the public policy implications are meaningful, both in terms of whether governments should support the market and, if so, where that support ought to be directed.

In the European context, Dowling (2017) identified differing levels of emphasis on social investment between the U.K. and Germany, the latter of which has had both less intense austerity and less interest in social investment; this suggested that “support for social or impact investing can be inserted into different legitimization discourses depending on the specific context” (p. 305). Further, Rosenman (2017a), a geographer, noted that identifying intersections between problems and profit-generating solutions “involves reorganizing policy priorities and governance around generating investor interest” (p. 12). This comports with Cerny’s (2010) observation that the capitalist nation-state is “becom[ing] less a sovereign unit actor and more an enforcer of rules that must dovetail with the wider trends of financial globalization and the proliferation of transnational interests” (p. 269).

Complicating things further is the reality that the SDGs are wide-ranging, essential goals, and that no one group is going to deliver them all. A financial sector that views itself as central to the financing, but only to the extent that there is profit involved, is quite a different thing from making changes to the structures of finance in order to provide what is needed to achieve the SDGs. Impact investing to date has mostly focused on the former.

2.5.1 Gap in the Literature

Economic growth in Asia has outpaced growth anywhere else in the world for more than 30 years, and this contributed to the swelling of capital accounts, particularly in East Asia (Sheng

& Geng, 2017). Sheng and Geng (2017) detailed that by “the end of 2015, the combined net asset position of China, Hong Kong, Japan, Korea, Singapore, and Taiwan amounted to \$7.3 trillion – almost exactly equivalent to the net international investment liability of the U.S.” (para. 2). The chart at Figure 2.2, below, shows the disparity of savings between these East Asian surplus economies and those of the U.S. and the Eurozone.

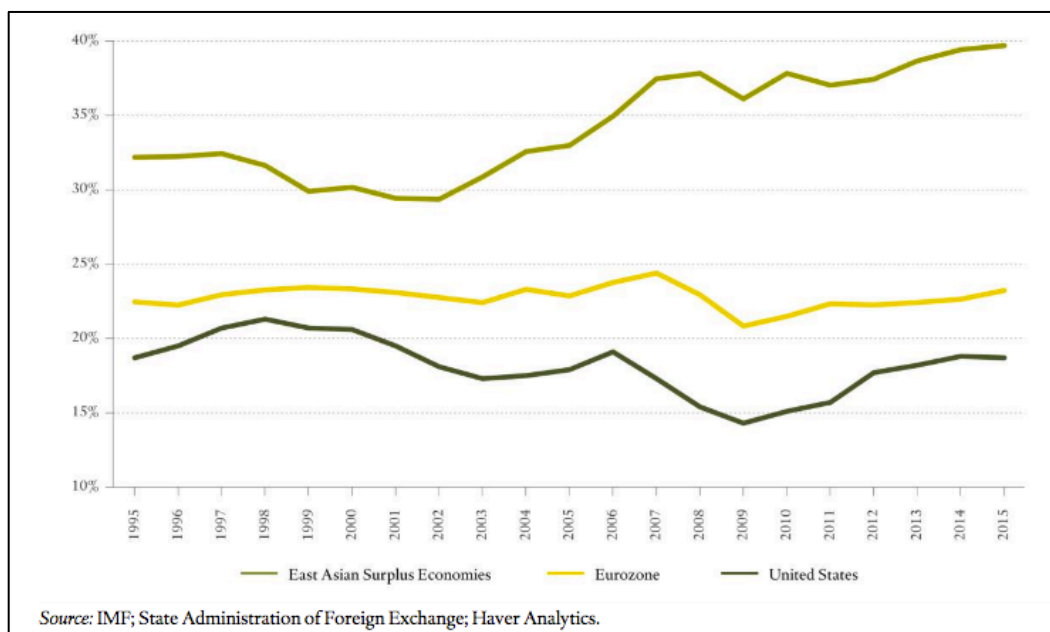


Figure 2.2. Savings, as Shares of Regional GDP. Note. Source: Setser (2016). Copyright by Council on Foreign Relations. Reprinted with permission.

Importantly, Setser (2016) related that these “surpluses are no longer maintained primarily through [government] intervention in the foreign exchange market,” and consequently “moving toward floating currencies is no longer a sufficient policy response” (p. 2). The primary interference in the foreign exchange market was by the People’s Bank of China, which regularly purchased the dollars its exporters received from selling goods to the U.S.; this served to make the Chinese yuan weaker against the dollar, and thus keep Chinese goods affordable for American consumers (Hatzvi et al., 2015). The dollar reserves held by China and other East

Asian surplus economies were often invested in U.S. treasury bonds, and this exerted downward pressure on long-term interest rates and mortgage rates in the U.S. (Warnock & Warnock, 2009).

It is widely understood that the historically low central bank policy rates in the advanced economies in recent decades, in particular after the 2008 financial crisis, are related to these events. The policy rates of central banks are strongly correlated with short-term interest rates and, as Kalecki (1943) explained, policy rates can be set and maintained even in the face of steep increases in budget deficits. After the 2008 crisis, there was a sharp reduction in policy rates across the G7 and in the Euro Area, and this is shown in Figure 2.3, below. By doing this, these central banks hoped to spur investment by increasing the difference between the cost of borrowing in the short-term and the returns generated by lending in the long-term. While central banks cannot by themselves elevate long-term yields, the theory holds that by offering banks the money to secure the available yield at a very low cost, investment will become more attractive. The U.S. Federal Reserve policy rate was held at .25 percent – essentially zero – from December 2008 to December 2015. This is known as a zero interest-rate policy.

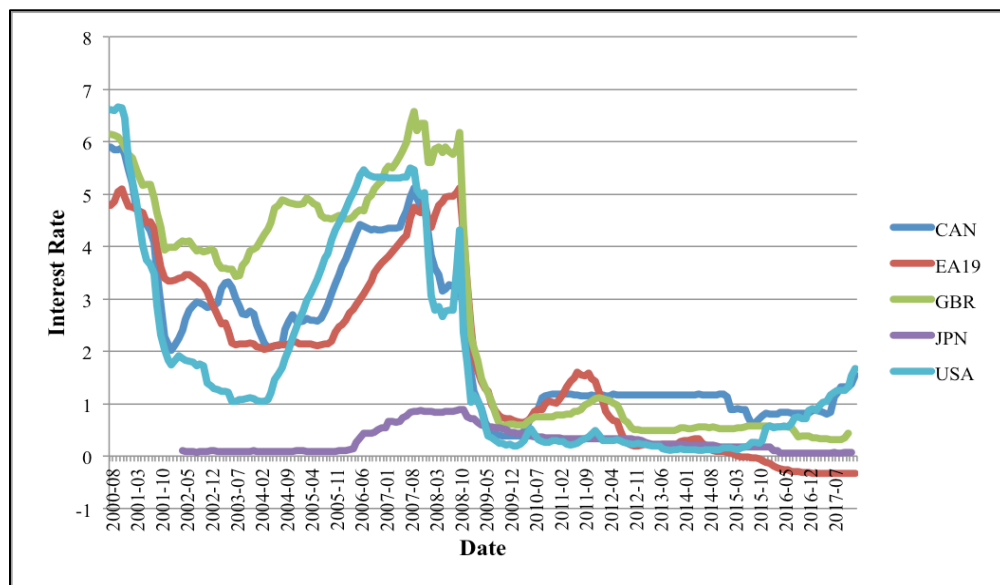


Figure 2.3. Interest Rates in G7 Countries and the Euro Area. Note. Source: OECD data.

Such activity is in line with the monetarism that prevailed over fiscal policy as part of the neoliberal order (Blyth & Matthijs, 2017). These low interest rate policies have been criticized for several reasons, including the harm done to savers, who receive less interest income, and for the strain it puts on institutional investors, like pension funds, which seek moderate returns from safe assets (Wolf, 2016). Indeed, an IMF report warned that pension funds might be rendered insolvent if interest rates remained extremely low (Elliott, 2016).

This also comports with the neoliberal economic regime's preference for strong returns to capital over strong wages (Blyth & Matthijs, 2017). While Wolf (2016) argued that low central bank rates were being unfairly criticized and were only in line with the decades-long decrease in long-term rates, the article's description of the world economy as being "characterised by chronically weak demand" (para. 8) is difficult to reconcile with the \$5 to \$7 trillion per year that are needed to fund the SDGs. That impact investing is being promoted as a way to fill a funding gap for the SDGs contrasts sharply with both the East Asian savings glut and a global economy that includes insufficient demand. As a consequence, there appears to be a dissonance in mainstream thinking which holds both that money to fund the SDGs is scarce and that there is too much money for the global financial system to manage.

Rogalska (2016) considered impact investing in the context of both globalization and financialization, but the paper primarily outlined policy recommendations for how governments could best promote the market at scale; it was assumed that extending the "mission statement" (p. 35) of impact investing to scale would be normatively positive. Not examined in the piece are the ways in which globalization and financialization, and the successes and difficulties they produced, may have birthed impact investing itself.

Cerny’s (2010) framework of transnational pluralism directs attention to transnational actors, their power advantages, and their particular incentives in a given context. In considering financing for sustainability, a question arises as to whether impact investing is being promoted because of the critical need to fund the SDGs, or if its ability to funnel returns to capital via the SDGs is a stronger attractor. The conceptual framework detailed below incorporates both the economic strength of East Asia and low interest rates in advanced economies in seeking to understand the forces behind the rise of impact investing.

2.6 Conceptual Framework and Hypotheses

Based on the literature discussed above, I created the conceptual framework shown in Figure 2.4, below. A portion of the data analysis detailed in Chapter 4 will be dedicated to assessing the hypotheses that follow.

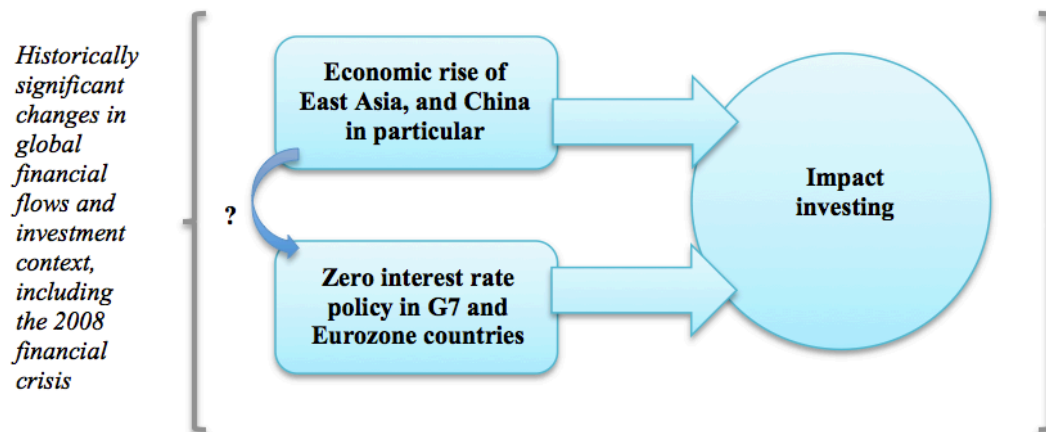


Figure 2.4. Conceptual Framework. Note. Source: Author.

Hypothesis 1:

a.) Impact investing is popular because it supports Northern investors in seeking to maintain dominance of development in the Global South at a time when East Asia’s economic strength is significant and growing.

b.) Impact investing is popular because it provides Northern investors with first-mover advantage in sustainable development deals at a time when East Asia's economic strength is significant and growing.

Hypothesis 2:

Given zero interest-rate policies and related low investment yields in the Global North, impact investing is popular because impact deals offer portfolio diversification and stronger financial returns.

Hypothesis 3:

East Asian savings and China's ongoing liberalization of its capital account, newly sizeable elements of the global financial landscape, exacerbated the competitive difficulties of the low-yield environment for Northern investors and stimulated their embrace of impact investing.

2.6.1 Null Hypotheses

The null hypotheses are as follows: strong East Asian economies exert no influence on the interest in impact investing (H1); historically low interest rates did not spur enthusiasm for impact investing (H2); and the behavioral response to the shrinking availability of returns to capital in the North was not affected by the increased competition for influence in the developing world (H3). A failure to reject these null hypotheses would suggest that the rise of impact investing is reflective of a genuine change in posture towards financing for sustainable development.

Chapter 3. Methodology

3.1 Introduction and Research Question

This chapter details the methodology used to conduct this research, which seeks to illuminate some of the drivers of the recent phenomenon of impact investing. The overarching objective is to investigate and interpret the emergence of impact investing as part a sustainable development context that itself has evolved amidst ongoing changes in the global finance landscape. To accomplish this, I conducted thematic analysis (Braun & Clarke, 2006; Vaismoradi, Turunen, & Bondas, 2013) of a hand-collected sample of documents – research reports and media items from a business-focused news database – about impact investing. As explained by Bowen (2009), documents “can help researchers understand the historical roots” of the phenomenon under study and can be “a case of text providing context, if one might turn a phrase” (p. 29).

In considering where to search for useful data, I placed high priority on content that would identify *which* organizations are most involved in impact investing, *what* those organizations are saying about the field, and *how* they are saying it. The *how* is particularly important because the critical realist approach utilized for this research emphasizes complexity and context in seeking to understand social processes (Antadze, 2013). The *how* is also important for addressing the research question. Recall that the research question is: *What explains the rise of impact investing after the 2008 financial crisis, and what does this phenomenon suggest about the current relationship between finance and sustainable development?*

After an overview of the critical realist research paradigm, this chapter details how the data set was chosen and bound, and then how the data collection was carried out. Subsequently, the applied method of data analysis is outlined, and the chapter ends with the limitations of the research, as well as explication of the theoretical assumptions underpinning this work. Details regarding the latter support the validity of qualitative research, in recognition of the “inseparableness of the researcher and the process of inquiry” (Creswell & Miller, 2000, p. 129).

3.2 Research Paradigm

Critical realism, which originated from the work of Roy Bhaskar, has been described as a “philosophy of science” (Gorski, 2013, p. 660), a “methodological framework” (Fletcher, 2017, p. 191), and a “meta-theory rooted explicitly in ontology” (Fleetwood, 2014, p. 182). Fleetwood (2014), dealing specifically with Bhaskar’s work on critical realism, related that it “is characterized by stratified, emergent, and transformational entities, relations, and processes” (p. 182).

As related by Collier (1994), Bhaskar’s critical realism postulates a “multiplicity of mechanisms jointly producing the course of events” (p. 46) in nature, which itself is stratified, consisting of “an ordered series of generative mechanisms, in which the lower explain without replacing the higher” (p. 48). As a consequence of this view of reality, critical realism calls for data “to be interpreted in order to further our understanding of the underlying structures which generate the phenomena we are trying to gain knowledge about” (Willig, 2013, p. 16).

Willig’s (2013) focus was on psychology research, and the example the author provided for this, which argued that uncritical acceptance of responses from smokers about their habits “may not be enough” (p. 16) to understand the phenomenon of smoking, is relevant for the present study. Monetary responsibilities for environmental management have been central to

tensions between the rich countries of the Global North and those of the Global South since before the 1972 Stockholm Conference (Brighton, 2017), but it has been the G7 countries – in particular the U.S. – that have supported impact investing as a way to fund the SDGs. Also, the six largest private wealth managers in the world in 2016 (Goncalves, 2017) are all participating in the field, which only became an organized dynamic after the 2008 financial crisis.

The world is now home to a highly integrated, global financial system where corporate profits have reached near-historic highs (Summers, 2016) and public investment in the U.S. has dropped to historically low levels (Harding, McGregor, & Muller, 2013). Moreover, impact investing remains a contested field with “blurred” boundaries (Daggers & Nicholls, 2016, p. 4). Despite these overlapping realities, a paucity of research has endeavored to investigate what is generating these coexisting phenomena. Critical realism, which seeks to reveal causal mechanisms by examining reality as consisting of three separate-but-overlapping levels (Fletcher, 2017), is fit to address this gap. See Figure 3.1, below, for Fletcher’s (2017) graphic representation of the three levels of reality in critical realism.

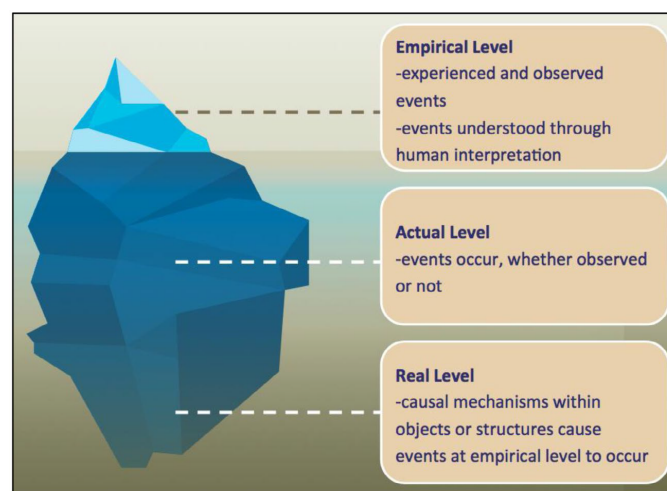


Figure 3.1. The Three Levels of Reality in Critical Realism
Note. Source: Fletcher (2017).

Bhaskar's (2008) theory argues for an "ontological distinction" (p. 141) between the domain of the real, where the world's structures and generative mechanisms reside, and the domain of the actual, where events happen. The difference between the actual domain and the empirical domain, where events are experienced, is assumed because we humans are aware that we have senses via which we experience (Bhaskar, 2008). Thus reality is extant without regard for this sensing in the domain of the actual, but also exists because we sense, in the domain of the empirical. From the critical realist perspective, the familiar philosophical question which asks, *If a tree falls in a forest and no one is there to hear it, does it make a sound?*, can be answered with an unequivocal 'yes' (Muray, 2007). Additionally, Bhaskar (2008) indicated that "The world consists of mechanisms not events" (p. 37); in the domain of the real, these mechanisms exist whether or not they produce certain outcomes, and generative mechanisms can be understood simply as the way things behave.

From the view of Elder-Vass (2006), an event in the domain of the actual, which may or may not be experienced in the domain of the empirical, can be understood as "the behaviour of a given entity [or thing] at a given time" (p. 165). The 'actual' event under study here, that of 'impact investing,' is indeed experienced in the empirical domain as a somewhat heterogeneous set of investors allocating money in a variety of ways with a dual mandate to achieve financial returns alongside social and/or environmental returns.

In addition to events, entities (or things) belong in the domain of the actual, according to Elder-Vass (2006), and causal powers, as "the consequence of the interaction of actual entities" (p. 174), also exist in the domain of the actual. Here Elder-Vass differs from Bhaskar, who viewed causation as occurring in the domain of the actual as a "consequence of the interaction of the real (but not actual) causal mechanisms or powers of the entities involved" (Elder-Vass,

2006, p. 170). Instead, Elder-Vass (2006) argued for a distinction between ‘actual’ causation and causal powers (to emphasize, the latter are not confined to the domain of the real but also exist in the actual). The “division still enables us to analyse cases of actual causation by identifying the entities involved and their characteristic emergent causal powers, then investigating how those powers combined to produce multi-levelled actual events” (Elder-Vass, 2006, p. 174).

3.2.1 Applying a Research Method

As a methodology, critical realism is not connected with any particular research method (Oliver, 2012), and as an applied research method, thematic analysis can be used within different research frameworks (Braun & Clarke, 2006). For one, thematic analysis can serve “both to reflect reality and to unpick or unravel the surface of ‘reality’” (Braun & Clarke, 2006, p. 81). Inexperienced researchers in particular can benefit from the defined steps involved in thematic analysis, which offer “clear and user-friendly methods for analyzing data,” according to Vaismoradi et al. (2013, p. 403), who further stated that such analysis is capable of producing an “introductory study on a novel phenomenon” (p. 403).

Also with the qualities of the researcher in mind, Barbour (1998) stated that an individual’s professional and academic background are among the many factors that influence their decisions regarding a qualitative approach. Although I am new to academic research, I have more than a decade of professional experience in private-sector background due diligence for investment deals. This work involved reading large volumes of text from a variety of media, legal, and regulatory sources, and then generating a written report. Because of my professional experience in engaging with text related to investments, thematic analysis of documents for this project is a good fit with my skill set.

This is a single-method study based on documents. Despite cautioning against undue reliance on analysis of documents, and noting Patton's (1990) support for triangulation, i.e., using more than one research method in a project, Bowen (2009) nonetheless acknowledged that documents could be used as the sole source of data. Further, while social science researchers today do not often use documents as the basis for their work, there is a long history of their use, including by Karl Marx and Emile Durkheim (Mogalakwe, 2006). To embed rigor and trustworthiness in this project, I took care to exercise reflexivity. I also provide "clear exposition of methods of data collection and analysis" (Mays & Pope, 2000, p. 51), and followed Braun and Clarke's (2006) checklist for performing quality thematic analysis.

The quality of this research also hinges on the power of the documents under study. As detailed by Prior (2003), in all cases a document "stands in a dual relation to fields of action. First, it enters the field as a receptacle (of instructions, commands, wishes, reports, etc.). Secondly, it enters the field as an agent in its own right" (p. 3). The impact investing market is still being built, and it has been described as still being in its "infancy" (Chmelik, Musteen, & Ahsan, 2016, p. 98). The research reports produced by those building the market and the news items written about their activities are thus expected to describe the qualities of the investments being envisioned for the future. I therefore suggest these texts are operational, and representations of what the organizations are attempting to make into a tactile reality.

Proponents of growth for the impact investing field also push for its eventual adoption at scale, with the inclusion of institutional investors and therefore large sums of money (e.g., U.S. National Advisory Board on Impact Investing, 2014; Brandstetter & Lehner, 2015). Prior (2003) emphasized that documents are "produced by humankind in socially organized circumstances" and encouraged researchers to investigate "the processes and circumstances in terms of which

document ‘X’ has been manufactured” (p. 4). This comports well with both the critical realist approach and the conceptual framework of this study.

3.2.2 Additional Relevance of Professional Experience

As a result of my above-referenced prior employment in an investment-related field, I am also well positioned to engage with the global, macro level of analysis of this project. The majority of the background due diligence I performed concerned alternative investments in hedge funds and private equity firms which managed hundreds of millions or billions of dollars and invested it all over the world. The clients were often institutional investors overseeing large sums. I did this work from 2006 to 2016, and during that time frequently repeated research on asset managers and their firms. This meant the reports covered the outcomes of investment deals years after the money had been allocated. I also observed the changes in the landscape of global finance as experienced by some of the leading actors within it.

In a post-2008 world, Mr. Gore’s aforementioned reference to the “magic of markets” might be painful to recall. But as market-based instruments are continually offered as components of solutions to still-pressing social and environmental problems, such statements are important to remember. It is also of note that Mr. Gore and David Blood, formerly the chief executive of Goldman Sachs Asset Management, are partners in Generation Investment Management, a hedge fund with nearly \$10 billion in assets under management (Vincent, 2017); the fund supports the GIIN and promotes the inclusion of impact investing in mainstream finance. Because organizations that have power and influence globally are promoting impact investing, the macro-level perspective of this project is useful in trying to understand impact investing’s rise and its likely contributions to financing for sustainability.

3.3 Data Set

The data for this study was culled from publicly available online searches, and from the Factiva news database, available via the University of Waterloo's library. Factiva's focus on business news makes it attractive for this study of a financial phenomenon. The data set was hand collected, and searches of the Factiva database covered the period up to October 5, 2017.

While it might seem more relevant to take a quantitative sample when studying an investing phenomenon, numbers provide less opportunity to illuminate the social aspects of financial relations. Statistics can reveal what is happening, but rarely point to *why*. Further, although early attempts to catalogue some details of the publicly available activity in the sector are underway, including the UNPRI's Impact Investing Market Map (<https://www.unpri.org/page/impact-investing-market-map>) and the Case Foundation's Impact Investing Network Map (<https://casefoundation.org/networkmap/>), databases in the field are lacking. Information about impact funds and products appears in the GIIN's ImpactBase, but it is only available to accredited investors (<https://www.impactbase.org/>). Further, many of the impact investing deals completed to date have been via private equity funds, and these largely operate in secret. Data selection for this research therefore focused on the published discourse regarding impact investing.

3.3.1 Data Selection

Given the "fragmented and opaque" (Agnew, 2016, para. 5) nature of the field under study, a media database was an advantageous starting point. This is based on the idea that if something is happening in the world, there will be news of it (A. Zientarska-Kayko, personal communication, May 11, 2017), and Factiva was especially useful because Rosenman (2017b)

identified a research gap concerning the extent to which “investment banks and other powerful corporations” (p. 242) might be influencing the development of the impact investing market. Further, because the field of impact investing is emergent, those talking about it most in the news can reasonably be considered to be those most invested in seeing it continue to grow and develop.

It follows, also, that those who have expended the resources necessary for significant public engagement with impact investing are also those who are most likely to influence its trajectory. Entities only minimally involved now have far less ‘skin in the game,’ and organizations that first enter the field of impact investing at some point in the future will likely encounter a more clearly defined market. Their decision to participate will therefore probably stem from alignment with established practices, rather than a desire to alter the course of the sector. There is the opportunity now to examine the actors most likely to influence its development before this happens.

Data selection began with the Factiva news database. Factiva was formerly known as Dow Jones Reuters Business Interactive and is owned by Dow Jones & Company. It is a news database of “nearly 33,000 premium and reputable sources from around the world” (Dow Jones Factiva, n.d.), including *The Wall Street Journal* and London’s *Financial Times*. The database also allows for a search of the phrase “impact investing” in quotes, where the quotation marks mean the exact phrase must appear in the article in order for it to be returned in the search results, and without any date restrictions. The only restriction used in this research was an instruction that duplicate items that are “identical” be excluded from search results.

While Factiva also offers an option to exclude “similar” duplicate items, this was not used. As a rule, data selection and collection sought to be as unrestricted as practicable, and test

searches of various phrases to determine the difference between the “identical” and “similar” restrictions found little change in the number of results. Note, too, that the data collection process was later revealed, upon analysis, to have nonetheless captured a number of extremely similar articles. Thus there was not a concern that the choice of “identical” was unduly restrictive.

On October 2, 2017, a free-text, English-language search of Factiva for “impact investing” for “all dates” and with a setting excluding identical duplicate items yielded 9,084 documents. Note that the free-text search means the phrase can appear anywhere in the piece. These October 2, 2017 results were the basis of the selection of the sample, as is detailed further below. First, for some brief context regarding the number of results, a Factiva search for “Gates Foundation” using the same parameters returned more than 96,000 results, and a search for “Pierre Omidyar” using the same parameters generated nearly 6,000 results. Impact investing is still a relatively small field.

3.3.2 Factiva’s Intelligent Indexing

One of the features of Factiva is its proprietary Dow Jones Intelligent Indexing function. See Figure 3.2, below, for a brief description of this feature from the Dow Jones website. Via this function, the Factiva user is offered various analyses of their search results, and one of these is a list of the 100 “Most Mentioned Companies.”

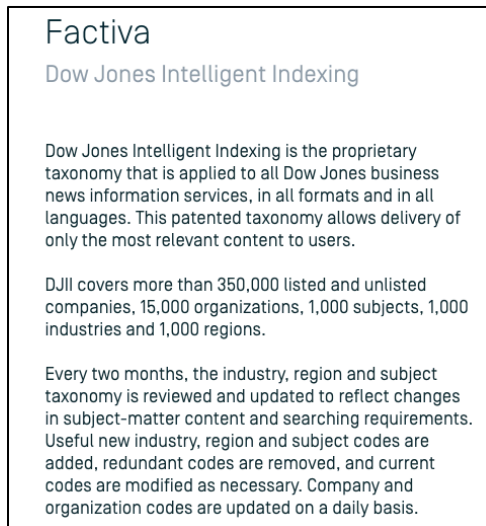


Figure 3.2. Dow Jones Intelligent Indexing.
Note. Source: www.dowjones.com

The proprietary nature of the Intelligent Indexing feature precludes an exact understanding of the methodology used to generate the list of 100 companies, and this is a clear limitation. However, Factiva's Intelligent Indexing has been used in other studies (e.g., Jiang, Frazier, & Prater, 2006; Engelberg, 2008), and after I consulted other news databases and compared Factiva's results against the literature, I decided the limitation was not overly detrimental to this project. Via the University of Waterloo's library, I accessed both the LexisNexis Academic database of newspapers and wires and the ProQuest database, which includes newspapers. LexisNexis Academic was not useful for the study because it does not allow a search to return more than 1,000 results. As Factiva located more than 9,000 articles containing the phrase impact investing, any search using LexisNexis would need to be restricted to an extent that incurably compromised its usefulness in terms of understanding the scope of the media discourse.

In ProQuest, a database that includes peer-reviewed academic articles in addition to news items and other documents, a search for "impact investing" in quotes, for items published prior to October 3, 2017, yielded about 3,600 results. That is approximately two and a half times

fewer than the number of items found in Factiva. Therefore, and unsurprisingly, the coverage of investment-related news appears to be far more comprehensive in Factiva than in ProQuest.

Next, the top 100 Most Mentioned Companies list from Factiva was scrutinized to see if the results were trustworthy for this qualitative research (Golafshani, 2003). First, the organizations at the very top of the list were compared against my knowledge of the field, as gleaned from literature. See Figure 3.3, below, for a graphical representation of the top 10 Most Mentioned Companies from the October 2, 2017 Factiva search. The Rockefeller Foundation occupies the number one spot, and this comports with my review of both academic and grey literature. It is also reflective of research published by Rockefeller itself, which takes credit for initiating the term and the impact investing market-building effort at a meeting in Bellagio, Italy in 2007 (Harji & Jackson, 2012). Additionally, Rockefeller provided funding to start the GIIN and to produce several early research reports that were foundational for the sector’s development (Bank, 2012b).

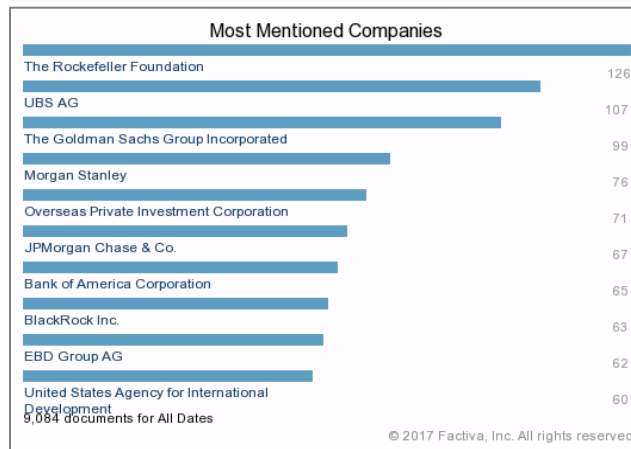


Figure 3.3. Top 10 Most Mentioned Companies
Note. Source: Author’s search of global.factiva.com

UBS, which occupies the second position, debuted a white paper supporting impact investing and private financing for the SDGs at the World Economic Forum’s annual meeting in

Davos, Switzerland in January 2017. As the firm also announced in early 2017 its intention to direct at least \$5 billion of client money towards SDG-related impact investments, its place on the list is matched by prominent engagement with the sector. Goldman Sachs, at number three, was also consistent with expectations, given the firm’s widely publicized participation in the first-ever social impact bond in the U.S. JPMorgan Chase, sixth on the list, has been a recognized leader in the field since it co-authored an influential report titled, *Impact Investments: An Emerging Asset Class* (O’Donohoe et al., 2010). The single unexpected result near the top of the list was EBD Group. This was excluded from the sample for reasons detailed below in Section 3.3.3.

Based on my review of the current literature, I wondered about two entities that were absent from the top 100 list – the aforementioned GIIN, a U.S.-based non-profit dedicated to promoting impact investing, and Big Society Capital, a U.K. financial institution that was similarly created with the aim of promoting social investment. What seems to explain the latter’s absence is the subtle-but-distinct difference between ‘social investment,’ which Daggers and Nicholls (2016) stated pertains to “*access to repayable capital* for social-sector organizations” (p. 6, emphasis in original) and ‘impact investing,’ which the same authors described as “the use of capital to create specified social or environmental impact” (p. 6). The absence of the GIIN, which is squarely in the impact investing field, cannot be explained by a lack of media references; my search of the Factiva database found approximately 475 articles that mention the organization and were published prior to October 3, 2017. It is possible that the GIIN is not one of the organizations recognized by the Dow Jones Intelligent Indexing taxonomy used by Factiva.

Nonetheless, a review of the GIIN's website shows that the top six organizations on the Most Mentioned Companies list from the October 2, 2017 search are all members of the GIIN's Investors' Council. The Council is "where leading impact investors gather" ("Investors' Council," n.d.) and is a designation that goes beyond that of a regular member. Further, eight of the top 10 Most Mentioned Companies are members of the GIIN; in addition to the six members of the Investors' Council, BlackRock is a regular member and the U.S. Agency for International Development (USAID) is, significantly, a founding member.

Also concerning the GIIN's Investors' Council, five of the top six largest private wealth managers in the world, as detailed in a 2016 ranking by assets under management (Goncalves, 2017), are members. They are UBS (ranked as the number 1 largest wealth manager), Morgan Stanley (3), Credit Suisse (4), JP Morgan (5), and Goldman Sachs (6). Observe that four of these are also in the top 10 Most Mentioned companies list from the Factiva search; the remaining entity, Credit Suisse, appears at number 14 on the Most Mentioned Companies list. While not a member in any form of the GIIN, the second largest private wealth manager in the world, Bank of America Merrill Lynch, is eighth on the Most Mentioned Companies list.

It is possible, given its intention to serve the business community with the most relevant news and information, that Dow Jones' Intelligent Indexing taxonomy favors larger, more powerful financial organizations. But recall that Rosenman (2017b) found that research concerning the potential influence of large financial firms and other corporations on the impact investing market is lacking. Since Snider (2016) also indicated that much of the maturation in the sector is driven by "pressures coming from the investing community itself" (p. 2), this potential bias was not a detriment for this project. The SDGs will require huge sums of finance that are not currently allocated to such projects, and those promoting impact investing have

offered it as a way to fill the void. Probing the extent to which currently powerful financial actors are influencing impact investing is worthwhile and timely.

Additionally, I have no reason to believe that the Intelligent Indexing produced a Most Mentioned Companies list that reflected only the connections between big, powerful banks and impact investing. Most of the banks that made up the eventual sample had research pertaining to impact investing on their websites. If such work had not been found, there would have been reason to question whether the Most Mentioned Companies list was helpful in learning about substantial actors in the space. Further, it is not argued here that the data selection process produced a representative sample. Instead, what I obtained was a sample well suited to provide relevant data for consideration of the drivers of the phenomenon under study.

Before I detail the process of bounding the data sample, a brief note about the numbers in Figure 3.3, which are described in Factiva as “document count.” These figures do not reflect the number of news articles that contain mention of both the organization and the phrase impact investing. Several test searches confirmed this. For example, while Rockefeller’s document count is 126, during the data collection process, more than 400 articles were collected from Factiva that mentioned the Foundation in the same document as the phrase impact investing. The data collection process also revealed that certain organizations with a larger document count number had fewer articles that contained both their name and the phrase impact investing than organizations with a smaller document count number had. It is possible that Factiva is making an assessment as to how substantive the mentions of the term are in relation to the companies named. It is also possible that Factiva made connections between certain entities and other entities that rank high on the list, and an organization’s document count might have increased as a result of the connection.

Despite the opacity of the methodology behind the Most Mentioned Companies list, Dow Jones is a leading news and information provider for the business community, and corporations often exercise substantial control over the way they appear in the press. Therefore, the view of impact investing from the corporate and financial media is a view that is suitable for analysis within the chosen research paradigm.

3.3.3 Bounding the Data Sample

Purposive sampling is a kind of non-probability sampling often used in qualitative studies (Palys, 2008). The “logic and power” of such sampling “lies in selecting *information-rich cases* for study in-depth” (Patton, 1990, p. 169, emphasis in original). Criterion sampling, as the name suggests, is a kind of purposive sampling that involves the study of cases that “meet some predetermined criterion of importance” (Patton, 1990, p. 176). The emphasis in this study was on the most prominent and vocal actors in the impact investing sector, as I suggest these are the most likely to play a formative role in its development. It was not desirable to study a broad range of organizations with connections to the field. Therefore, criterion sampling was used, and the criterion for the sample was that the organization be listed high on the Most Mentioned Companies list from Factiva. How the data set was bound is detailed below.

First, the Most Mentioned Companies list was assessed starting from number one and going down. As explained above, eight of the top 10 organizations are members of the GIIN. I reviewed whether the concentration of GIIN members would decrease farther down on the list, and found that four of the organizations that appear from 11 to 20 are GIIN members. Three are members of the Investors’ Council – Prudential, Credit Suisse, and Ford Foundation – and one is a founding member, ACTIAM Impact Investing (formerly SNS Asset Management, which was part of SNS Reaal Groep). Regarding the Most Mentioned Companies ranked 21 to 30, there are

again four members of the GIIN. Two are members of the Investors' Council, LeapFrog Investments and Bill and Melinda Gates Foundation; one is a founding member, Nonprofit Finance Fund; and one is a regular member, United Nations Development Programme (as U.N. Capital Development Fund).

For the Most Mentioned Companies ranked 31 to 40 on the list, three entities are essentially repeats of entities that appear higher on the list. Morgan Stanley Investment Management Inc., listed at number 33, is a subsidiary of number 4, Morgan Stanley; Small Business Administration, at number 34, is the parent agency of number 28, the Small Business Investment Co.; and the European Union (EU), number 35, is the parent entity of the European Investment Bank (EIB), listed at number 15. Only two new entities from 31 to 40 are members of the GIIN; number 31, Cambridge Associates, is a founding member and number 40, the International Finance Corporation (IFC), is a member of the Investors' Council. Note, also, that the IFC, while functionally independent, is a sister organization of the World Bank, listed at number 29. The strength of the list therefore appeared to begin to weaken after the top 30.

While, as related above, the 'document count' metric is not well understood, it was nonetheless information available to me. Adding those numbers revealed that the top 30 Most Mentioned Companies have a combined document count of 1,559, larger than that of the bottom 70 organizations (approximately 1,300). This, coupled with the appearance of repetitive organizations from 31 to 40, suggested that the top 30 would be a good place to limit the sample.

Each of the organizations in the top 30 was then individually examined for appropriateness for study. One of these, EBD Group, was subsequently excluded from the sample. EBD Group is not an investment-related firm but a partnering firm that also organizes conferences in the life sciences industry. It previously partnered with the Global Impact

Forum™, and this entity appears to be defunct. A free-text, English-language Factiva search conducted on October 3, 2017 found no references to “EBD Group” and “impact investing” since April 2015. Further, the website of the Global Impact Forum (<http://www.globalimpactforum.com/>) is inactive, and the last activity on the entity’s Twitter account (@GlobalImpactEBD) was in May 2015.

The exclusion of EBD left 29 entities in the sample. It was then decided that number 31, Cambridge Associates, would be included in the sample to replace the one excluded. Recall, also, that Cambridge is a founding member of the GIIN. Including Cambridge and excluding EBD meant that the document count figure for the 30 entities was 1,526, still larger than the total for all of the remaining entities in the top 100. (See Table 3.1, below, for the list of the top 31 Most Mentioned Companies from the October 2, 2017 Factiva search.) Further, the coverage of the entities chosen for the sample increases if we remember the overlap with three entities from 31 to 40 on the list. In that sense, the sample is capturing a larger segment of the top 100 than it appears.

Table 3.1 Top 31 Most Mentioned Companies

1. The Rockefeller Foundation
2. UBS AG
3. The Goldman Sachs Group Incorporated
4. Morgan Stanley
5. Overseas Private Investment Corporation (OPIC)
6. JPMorgan Chase & Co.
7. Bank of America Corporation
8. BlackRock Inc.
9. EBD Group AG [excluded from sample]
10. United States Agency for International Development
11. United Nations
12. World Economic Forum
13. Prudential Financial Inc.
14. Credit Suisse Group AG
15. European Investment Bank (EIB)
16. Ford Foundation
17. Royal Bank of Scotland Group PLC

18. Bank of Montreal
19. Social Ventures Australia
20. SNS Reaal Groep N.V. (nka ACTIAM)
21. Merrill Lynch & Co Inc.
22. Service Employees International Union
23. United States Institute of Peace
24. LeapFrog Investments Ltd.
25. Nonprofit Finance Fund
26. BNP Paribas SA
27. Bill and Melinda Gates Foundation
28. Small Business Investment Co.
29. The World Bank
30. United Nations Development Programme (UNDP)
31. Cambridge Associates

Note. Reprinted from author’s search of global.factiva.com.

Additionally, despite the relatively small number of results returned by the “impact investing” search of the ProQuest database, I compared the ProQuest results with the Factiva results to see if there were any significant differences. ProQuest provides a “company/organization” breakdown that is organized by “count” (from largest to smaller down the list), but as with Factiva, the methodology behind this count function is not available to the user. Many of the organizations that appeared high on Factiva’s list also appeared high on the ProQuest list, but one divergence warranted further attention.

The ProQuest search results placed Omidyar Network at number nine, whereas the organization is rather low at number 73 on the Factiva Most Mentioned Companies list. I then referenced Factiva’s list of the top 100 “Most Mentioned Executives.” For the October 2, 2017 “impact investing” search, Pierre M. Omidyar was at the top of the list of Most Mentioned Executives. Mr. Omidyar was also first on the list of Most Mentioned Executives when the search term in Factiva was “impact investment” and when it was “impact investor” (see below for details of why searches of these terms were not otherwise useable for the sample). Brief, online searches found several references where Omidyar Network representatives articulated the organization’s support for building the impact investing sector, and Omidyar Network’s website

includes several research reports that contain substantive information about impact investing. Omidyar Network was added to the data sample for these reasons, and because, for all intents and purposes, Mr. Omidyar is not distinct from Omidyar Network. The organization that he created and runs, and which bears his name, surely reflects his enthusiasm for impact investing. The inclusion of Omidyar Network brought the number of entities in the sample to 31.

Time Considerations

Factiva searches for the phrase impact investing were also reviewed longitudinally. The goal of this was to ascertain whether organizations with notable contributions to the field might be under-ranked in the Most Mentioned Companies list from the October 2, 2017 search because they entered the space much more recently than others. From another view, there was a desire to investigate whether prominent, early supporters of impact investing had fallen from a high rank in recent years and deserved to be included because of contributions early on. (Recall that the sector first began circa 2007.)

The longitudinal analysis showed that all of the top 20 entities on the Most Mentioned Companies list for the period from January 1, 2014 to October 5, 2017 are included in the sample. When focusing on the shorter period from January 1, 2015 to October 5, 2017, I found that all but two of the top 20 Most Mentioned Companies are included in the sample. The omitted entities are number 15 Islamic Development Bank (IDB; listed at number 36 on the October 2, 2017 Most Mentioned Companies list) and number 16 Bain Capital (listed at number 41 on the October 2, 2017 list). Web sources showed that the IDB and the UNDP started the Global Islamic Finance and Impact Investing Platform in 2016, and this platform is the bulk of the IDB's work on impact investing. As UNDP was already in the sample, the IDB was not added. Further, Bain Capital made its first two impact investments in July 2017 (Bain Capital,

2017), and Bain Managing Director Deval Patrick called the firm's Double Impact Fund a "small" fund (Bank, 2017). It appears that Bain is just beginning to work in the space. As this project examines prominent actors in the field up to October 2, 2017, Bain was not added to the sample.

Regarding early periods, the only entity in the top 10 Most Mentioned Companies list for the period from January 1, 2008 to December 31, 2013, and for the period from January 1, 2010 to December 31, 2013, that was not in the sample was the same for both periods: the Australian Taxation Office. This entity is listed at number 47 on Most Mentioned Companies list from the October 2, 2017 results. Given its nature – as a tax collector, it would not participate in the market as an investor or service provider – this was deemed less relevant for study. The entities at number 11 and 12 for both early periods are in the sample. Number 13, Acumen Fund, is not. Acumen is number 59 on the Most Mentioned Companies list from the October 2, 2017 search and it has received funding from the Rockefeller Foundation. While Acumen employees regularly participate in social finance industry conferences, and the firm is fairly placed under an impact investing umbrella that includes any investors seeking joint impact-financial returns (as in, for example, Kish & Fairbairn, 2018), it was not added to the sample for this project. This is because Acumen's founder, Jacqueline Novogratz, was quoted in a media item saying, "You will never hear me saying that we are impact investors. I talk about patient capital investing" (Karunakaran & Ghosh, 2013, para. 5). As there were no other entities that ranked high on the lists for the early periods that merited inclusion, the sample for this project was finalized at 31.

3.3.4 Validity of the Search Phrase

The search phrase "impact investing" was examined as part of the assessment of the quality of the data sampling process. While it might seem as appropriate to search for "impact

investor” or “impact investment,” both were shown to cause disambiguation problems. These were in cases where the word impact, rather than referring to the desired social and/or environmental goals of the product, described an effect on investor behavior stemming from another event. For example, articles stating that a certain event “likely won’t impact investor sentiment” or that another event “may negatively impact investor confidence” are captured in a Factiva search for “impact investor” despite not being related to the topic of this research. Moreover, a Factiva search of “impact investor” bounded at the same October 2, 2017 date as the “impact investing” search yielded fewer than 3,000 results. Consequently, “impact investor” was not used for the sample.

A Factiva search for “impact investment” resulted in the capture of media items describing how “fiscal consolidation measures negatively impact investment and consumption” and how an event “could impact investment in Telekom Romania.” While a search for “impact investment” bounded at October 2, 2017 returned more than 9,500 results, comparable to the number returned for “impact investing,” the Most Mentioned Companies list from the search was problematic. For one, Rockefeller Foundation was ranked at number 19 on the list, and this seemed unreasonably low. Additionally, Union Bank of Israel Ltd. was first on the list and had a “document count” that was more than double that of the second on the list, the EU. Union Bank of Israel’s financial statements, dated December 31, 2014 and located on the ProQuest database, indicated that it completed the sale of an entity called “Impact Investment Portfolio Management Ltd.” in September 2014, and the financial statements dated December 31, 2013 related that Impact Investment Portfolio Management was formed in 1996. A search of both Google and Factiva for “Union Bank of Israel” and “impact investing” yielded no substantive references to the Bank engaging in impact investing. It is possible that the firm’s activities are covered non-

English news, but such items are not part of this study. Given this, and because 15 of the top 20 Most Mentioned Companies from the “impact investment” Factiva search are already in the sample, “impact investment” was not used.

3.4 Data Collection Process

Data collection was conducted in October 2017. For each organization in the sample, the first step was a search of the entity’s website to gather any formal reports about impact investing. In almost all cases, the website search began at the homepage by typing “impact investing” (with the quotes) in the general search function, usually indicated by a search box or a magnifying glass icon. Two websites, those of Prudential and Merrill Lynch, did not allow a search with quotes, and in these instances, the search was run without the quotes. Two entities, LeapFrog Investments and ACTIAM, had no general search capability on their websites. For these, the websites were read thoroughly in search of research. Note, too, that for instances where there were zero or few results from a search for the phrase “impact investing,” the search was run without quotes and the site was thoroughly reviewed in search of reports.

The results were reviewed carefully and manually in every case. While the website searches captured many references to impact investing, it was not infrequent to find results that did not relate to impact investing, even when the search had been conducted using quotes. This was reassuring to me, because it suggested that the search functions on the sites were, if anything, too inclusive rather than too narrow. For 23 of the 31 entities in the sample, reports were discovered on their websites and captured for data analysis. Reports are desirable for this study because the resources – time, money, work hours, etc. – required to produce that kind of document are much greater than those needed to create a blog post or a press release. The

willingness to invest such resources is arguably reflective of an intentional contribution to the emerging sector.

While I used subjective judgment in determining what constituted a ‘report,’ often the documents captured had a clearly outlined methodology and/or presented the organization’s own data from experience in the field. Reports also frequently included positions regarding current and future practice (in the case of white papers), and cited academic and/or gray literature. The reports I captured ranged from fewer than 10 pages to several hundred pages in length. The second phase of data collection, as detailed below, involved capturing news references from Factiva where the organizations were named in the same piece as the phrase impact investing. This further reduced any interest in capturing blog posts or articles from the websites.

Because some of the organizations in the sample have collaborated, or have a direct business relationship with each other, a few reports were found on more than one website. For example, a 2016 white paper was published under the banner of both U.S. Trust (the private wealth management division of Bank of America) and Merrill Lynch, which was acquired by Bank of America in fall 2008; it was available on both the Bank of America website and the Merrill Lynch website. Another example is a Credit Suisse report that also appeared on the website of the World Economic Forum. Wherever there was such duplication, the report was captured the first time it was located, and not captured again.

The data collection process started at the top of the list and went down, in the order of the list of entities as it appears in Table 3.2, below (this is the order of the entities on the Most Mentioned Companies list from October 2, 2017, with Omidyar Network inserted in the second position). As a consequence of the duplication discussed above, there were zero reports captured from the Merrill Lynch website and one fewer taken from the Credit Suisse site. For data

analysis purposes it was only important that the reports be captured, and it did not matter which site they came from. There was care taken to make sure the reports were indeed identical.

In all, 186 reports were collected. A detailed list of the reports collected and analyzed for this research is included at Appendix A. Note that, where the organization that produced the report is other than the organization in the data sample, this was often because the organization in the data sample provided funding for the research to be conducted. Table 3.2 contains the full data collection results, including the results of the news searches.

Table 3.2 Data Collection Results – Full Sample

Organization name	Number of reports found on website	News items collected via Factiva search
Rockefeller Foundation	21	406
Omidyar Network	11	168
UBS AG	6	323
Goldman Sachs Group Inc.	0	338
Morgan Stanley	1	279
Overseas Private Investment Corporation	1	92
JPMorgan Chase & Co.	12	116
Bank of America Corporation	3	241
BlackRock Inc.	9	212
United States Agency for International Development (USAID)	4	183
United Nations	15	455
World Economic Forum	7	161
Prudential Financial Inc.	2	60
Credit Suisse Group AG	8	170
European Investment Bank	0	61
Ford Foundation	0	98
Royal Bank of Scotland Group PLC	2	42
Bank of Montreal	2	51
Social Ventures Australia	12	65
SNS Reaal Groep NV (nka ACTIAM)	37	46
Merrill Lynch & Co. Inc.	0	249
Service Employees International Union	0	48
United States Institute of Peace	1	32
LeapFrog Investments Ltd.	0	85

Nonprofit Finance Fund	3	51
BNP Paribas SA	3	77
Bill and Melinda Gates Foundation	0	188
Small Business Investment Co.	4	27
The World Bank	0	351
United Nations Development Programme	14	119
Cambridge Associates	8	88
Totals	31 organizations	186 reports
		4,882 articles

Note. Source: Author.

3.4.1 News Searches

During the second part of the data collection process, I used Factiva to search for and retrieve news pieces concerning each of the 31 entities in the sample. Each organization’s name was searched, in quotes, for all items in which it also appeared with the phrase “impact investing.” As in the data selection process, these were free-text, English-language searches, and the setting for duplicates was “identical.” For the news collection, the date range was bound at October 5, 2017.

The results of the Factiva news searches were downloaded and pasted into Microsoft Word documents for later analysis. In practice, this meant that some articles collected were later found to have either tangential references to the organization under study, or offered little or no substantive information concerning that entity’s activity in the field of impact investing. This was the inevitable result of using the ‘and’ search function.

In rare instances, however, certain items were located and then not captured. In each of these instances, the media item was very large (often 50,000 or 100,000 words) and the reference to the organization under study was not in any way related to impact investing. With such large pieces, I decided that having to comb through so much text during data analysis would slow the process unnecessarily. After collection for the entire sample was complete, 80 of these large news items had not been captured.

In all, 4,882 news articles were culled. Note that this total does not reflect of the number of *unique* items collected, as some media items named more than one of the entities in the sample. Because of the chance for error, there was no attempt to filter out these repeat articles during the collection phase. Also, when it came to the early stage of analysis, reviewing all the documents related to a given entity in context was beneficial. For example, in cases where JPMorgan Chase partnered with Rockefeller Foundation on an initiative, it was desirable, especially when engaging with the data early on, to read about the initiative when reviewing the Rockefeller material and then again when reviewing the material pertaining to JPMorgan Chase.

Including media items from Factiva in the data set functioned to round out the sample and produce a workable picture of the phenomenon of impact investing up to October 2017. This also filled out the picture of activity for the minority of organizations in the sample for which no research reports were located on their websites.

3.5 Data Analysis

To ensure rigor in data analysis, Braun and Clarke's (2006) detailed guide to the process of thematic analysis was used. While Boyatzis (1998) somewhat narrowly described thematic analysis as a "process for encoding qualitative information" (p. 4), for Braun and Clarke (2006), it is "a method for identifying, analyzing, and reporting patterns (themes) within data" (p. 79).

When performing thematic analysis, it is important to be clear about the range of decisions that must be made in coding, and this includes whether there is an inductive or theoretical approach to the analysis (Braun & Clarke, 2006). Thematic analysis of the theoretical variety was chosen for this project, in line with Braun and Clarke's (2006) description of it as being "driven by the researcher's theoretical or analytical interest in the area" and resulting in "a

detailed analysis of some aspect of the data” (p. 84). When using a theoretical approach to thematic analysis, there is not an attempt to describe the totality of the data set.

My focus on specific features within the data set is entirely related to the research objective, which seeks to understand why impact investing has become popular. Because the research reports and news items in the data set offered a variety of information about numerous different aspects of the impact investing sector, it was necessary to select excerpts to be coded. Boyatzis (1998) emphasized the need to “establish and observe a ‘codable moment’” (p. 64) and Braun and Clarke (2006) underscored the need to code “interesting features of the data in a systematic fashion across the entire data set” (p. 87). In this project, the conceptual framework and hypotheses served as the guide in identifying the excerpts to be coded, and I treated any reference to an impetus for participating in impact investing, or the benefits that accrue to participating investors, as a moment to be coded.

The coding was conducted using Dedoose, a Web-based software program for qualitative and mixed-methods research. All documents in the sample were uploaded to Dedoose, and from there the excerpts were chosen and then coded. Excerpts in Dedoose remain connected to their location in the original document, and this is helpful when assessing themes that are generated from the codes. It is easy to re-review any coded excerpt in its original context.

3.6 Limitations and Theoretical Assumptions

As is common in qualitative research, one of the limitations of this study is the sample size. The 31 entities that make up the data set are only a portion of the organizations that appeared in Factiva’s top 100 list, which itself is a narrowed sample frame. (Also, as discussed above, the proprietary nature of the Intelligent Indexing function is a limitation.) Though a sizeable volume of documents was collected, and addressing the research objective required the

subjective identification of the more prominent organizations working in the field, the results of this study are not likely to be transferable, even to other sub-groups of the impact investing sector. Still, Marshall (1996) argued that generalizability is not paramount in qualitative research the way it is in quantitative studies. What this research offers, instead, is an in-depth analysis of a small-but-potent subset of actors, with the intention that the results can promote incisive research questions in the future, in both impact investing and sustainability studies.

Another clear limitation is that only English-language news and reports were analyzed. The resource limitations of this study prevented the search for and translation of documents in other languages. Not related to resource constraints but instead to my individual context, a third limitation is the effect of conducting all of the data analysis myself. This was research conducted for a graduate degree and the use of multiple coders was precluded. Nonetheless, there is a level of inherent subjectivity in thematic analysis that would not be addressed by using more than one coder (The University of Auckland School of Psychology, n.d.)

Braun and Clarke (2006) emphasized that explication of theoretical assumptions is an important part of all high-quality thematic analyses, and indeed, there are assumptions at the base of this project. First, this research assumes that the approach to sustainable development and other environmental goals has been influenced by the developments in finance in the past 30 years. It is argued that this influence has been under-examined, and can be illuminated by studying what underlies the push for impact investing.

Also, that present-day consumption patterns in the industrialized North are unsustainable, and that there is a significant-enough risk of severe environmental crises, at least in the medium- and long-term, is another assumption here. This is not a study within the natural sciences and I make no assertions as to the quality of climate models, estimates around natural resource limits,

the consequences of land-use change, and a host of other related issues. I suggest that whether there is objective truth to the environmental concerns that inform activity in support of ‘sustainability’ is less relevant, because impact investing deserves to be explored in the context in which it is being inserted. And that context is one in which it is generally accepted that there is an urgency behind sustainability efforts.

Chapter 4. Results and Discussion

4.1 Introduction

This chapter begins by summarizing the data analysis. In the first step of the data analysis, I carefully reviewed all of the reports and news items in the data set. After familiarizing myself with the data, I re-reviewed all the material and, using the Dedoose program, extracted slightly more than 1,000 pieces to be coded for the thematic analysis. As detailed in Chapter 3, the identification of these “codable moment[s]” (Boyatzis, 1998, p. 64) was guided by the research question and hypotheses; they are references to the motivations behind impact investing and the benefits of engaging with it.

Based on the information contained in these excerpts, I assess whether there is support for the hypotheses, and those findings are presented first. Following that, I detail the results of the thematic analysis, which was conducted in line with the method described in Braun and Clarke (2006) and performed in Braun and Wilkinson (2003). As the method prescribes, two ‘main’ themes are discussed in-depth, via explication of sub-themes related to each. While the process revealed additional themes that would qualify as ‘main’ themes, the two discussed in this thesis were chosen because of their ability to foster a deeper investigation of the current context of financing for sustainable development. This is especially related to the texture of the changes in global investment, and is explained further below. Finally, the discussion section engages with the critical realist framework and includes the abduction, or theoretical re-description (Fletcher, 2017), performed in accordance with it. The inferences made therein similarly engage with the research question.

Note that, because of the nature of the data collection process, details of the activities of impact investors other than the 31 entities in the data sample were captured. This is because I collected reports from sample entity websites regardless of the authors of those reports, and news items were captured as long as they contained the entity's name anywhere in the same piece as the phrase impact investing. All of the information culled was treated equally during analysis. While the primary objective of bounding the data set was to focus on the most prominent actors in the field, I did not feel the additional information gleaned unduly prejudiced the sample, and this information had the potential to further inform examination of the research question. Though secondary, another reason I bounded the data set was to establish a feasible boundary that was appropriate for the time and resource constraints of this project. Analyzing the information about non-sample organizations did not exceed that boundary.

4.1.1 Overview of Findings

Once more, the research question for this project is, *What explains the rise of impact investing after the 2008 financial crisis, and what does the phenomenon suggest about the current relationship between finance and sustainable development?* Recall, also, that many of the organizations in the sample are economically and politically influential actors, and all of them are based in the Global North. Further, impact investing, which involves the intentional pursuit of a specific environmental and/or social benefit alongside a financial return, is qualitatively different from the variety of financial tools that fall under the umbrella of SRI. Via approaches like screens for environmental, social, and governance performance and divestment, investor action is limited to the pre-existing universe of traded securities. Impact investing is unique because it encompasses private market investments that could, in theory, create new and transformative economic activity.

The results of this study show that impact investing, though originally nurtured by philanthropic organizations, subsequently became a central component of a new posture adopted by many Northern governments with respect to developing nations, especially after the 2008 financial crisis. This shift was reinforced by structural economic changes that altered the profit prospects for transnational corporations; these included, but were not limited to, an increasing focus on the management of natural resources.

More specifically, while the under-developed areas of the Global South have always been an ‘untapped market,’ a key aspect of the rise of impact investing is how the increased financial power in the South made it essentially inevitable that Southern markets would mature, with or without the involvement of private- and/or public-sector investors from the North. For Northern corporations, this created an imperative to expand into new markets in the South. Meanwhile, investors began to view impact investments as a viable solution to modest yields that persisted within the generally saturated Northern markets.

4.2 Hypotheses Results

As this is a qualitative project, the hypotheses were not ‘tested’ in the way that is expected in quantitative studies. Instead, my review of the excerpts involved making the relatively simple determination as to the presence or absence of support for the hypotheses based on the explicit wording of the text. The written description that follows is a review of those results and includes salient examples, where support was found.

As detailed in Chapter 2, the first hypothesis is broken into two parts, and both of these are situated in the context of the newly significant East Asian economic strength. Hypothesis 1a suggests that Northern investors are attracted to impact investing as a way to maintain dominance of development activities in the Global South and Hypothesis 1b proposes that

Northern investors are seeking to capture first-mover advantage via impact investing in the Global South. My data analysis found unambiguous support for both of these. I also found support for Hypothesis 2, which suggests that the prolonged period of low interest rates in the North spurred investors to impact investing in search of higher yield. Interestingly, no evidence to support the interaction effect described in Hypothesis 3 was found. Nothing located in the data connects those for whom low interest rates are the primary motivation for impact investing with any broader strategy to establish advantage in the development of the Global South. Moreover, nothing found suggests that those seeking to establish advantage via impact investing are doing so as part of a strategy to aid those investors most hurting in the low-yield environment.

Consequently, the null hypotheses for Hypothesis 1 and Hypothesis 2 are rejected, and I fail to reject the null hypothesis for Hypothesis 3, which is: *The behavioral response to the shrinking availability of returns to capital in the North was not affected by the increased competition for influence in the developing world.* Below are detailed summaries of the results for each hypothesis. These are written with particular attention to how the motivations behind impact investing are likely to influence the progress of sustainable development.

4.2.1 Hypothesis 1a

Impact investing was described as a part of U.S. “economic statecraft” by then-Secretary of State Hillary Clinton in a December 14, 2011 interview with PBS’s Jim Lehrer in which she explained that her office had combined under one strategic agenda issues of the environment, energy, and economic relations between countries, as these “are all interconnected” (U.S. Department of State, 2011, para. 9, 10). The following extracts are taken from her response to

Mr. Lehrer’s question about how “a priority for innovation and a global marketplace fit[s] into” U.S. foreign policy “as a practical matter” (para. 8). Secretary Clinton’s response:

Take China . . . it is one thing to be a developing country and, frankly, get cut some slack. **It’s entirely different when your economy is growing at 10 percent annual GDP growth and you have enormous influence on what’s happening – we need new rules of the road.** So that’s a traditional area for economic statecraft. . . .
. . . And we are looking for new ways to innovate, so I’ll give you just two quick ideas that we’re working on. One is we’re having an impact investing conference in January [2012] at the State Department, where we’re bringing businesses, investors together to try to explore what new innovative ways we can think about, number one, growing our own economy here at home, creating jobs for Americans, and number two, **creating an environment around the world where it’s a much more even playing field, where our companies, our workers are not from the get-go disadvantaged.** . . . And there’s lots of examples like that where economic statecraft, where innovation, which is mostly carried out by interacting with entrepreneurs, inventors, and scientists are all part of how we see our mission now. (U.S. Department of State, 2011, para. 9, 11, emphasis added)

Moreover, in April 26, 2012 remarks at the Global Impact Economy Forum¹, Secretary Clinton stated that ODA, which at the time constituted about 13% of total capital flows to developing nations, in contrast to the 70% it represented in the 1960s, was “no longer the leading edge indicator or tool that it used to be” (U.S. Department of State, 2012a, para. 6). This trend with respect to capital flows was also referenced in a November 2013 research report, *Finance for Resilience: Engaging Impact Investors and the Private Sector*, commissioned by The Rockefeller Foundation and prepared by Total Impact Advisors (nka TOTAL Impact Capital). The report identified new aid funding from nations within the Organization of Petroleum-Exporting Countries (OPEC) and so-called BRICS countries (Brazil, Russia, India, China, and South Africa), and an increase in Asian philanthropy, as being among the factors altering the landscape of ODA. The report further stated:

traditional donor spending is predicted to become a smaller and smaller share of recipients’ budgets over time, **thus reducing the influence of traditional leaders on the development pathways of recipient countries. The reality is that traditional**

¹ Although it took place in April, not January, this is likely the impact investing conference to which Secretary Clinton referred in her interview with Mr. Lehrer. <https://2009-2017.state.gov/r/pa/prs/ps/2012/04/188424.htm>

development funders are becoming less relevant and authoritative, and new frameworks are needed to support development and growth. (Total Impact Advisors, 2013, p. 6, emphasis added)

One of the founding partners of TOTAL is Ambassador John Simon, whose biography on the company's website details that he previously served as U.S. ambassador to the African Union, as executive vice president of OPIC, and as deputy assistant administrator at USAID. On July 17, 2013, Mr. Simon participated in a discussion, *The Future of Impact Investing: Leveraging Funds for Development Outcomes*, held at the Center for Strategic and International Studies as part of the Chevron Forum on Development (Reuters, 2013).

Increased investment by non-traditional actors in Africa was also the subject of an October 12, 2014 news interview with Judith Rodin, then head of the Rockefeller Foundation. In particular, the role of China in Africa was discussed:

Steve Clemons: So this swims right along with another interest of yours, which I know you've helped develop, which is impact investing. American philanthropy in Africa, where I know you're also working, to me often feels like the subject of a Sunday school volunteer exercise, in contrast to the more mercantile activities of the Chinese who are going in and deploying infrastructure, constructing dams, and building telecommunication facilities. **The Chinese may very well be building and responsible for the middle classes in Africa 20 or 30 years from now.**

I have been worried that our philanthropic support and partnering model with Africa is not sustainable. So my perception is impact investing could be a very different approach.

Judith Rodin: Your diagnosis is exactly right. You know, Rockefeller started this field. Impact investing was a high-risk proposition. One of the things that really made this work is that we said our best role is not to invest our money in an impact-investing fund, but rather to build the infrastructure—the scaffolding, the plumbing, if you will, that would make this field take off. (Clemons, 2014, para. 28-30, emphasis added)

After noting that Rockefeller had been surpassed after decades as the largest philanthropy in the U.S., Crary (2013) detailed that the number of foundations “in the U.S. and worldwide has surged in recent years, and a new generation of billionaires in Asia and other regions is showing increased interest in philanthropy” (para. 32). Donations to charity in India grew from \$2 billion

in 2006 to \$6 billion in 2010, according to the aforementioned research report, *Finance for Resilience: Engaging Impact Investors and the Private Sector* (Total Impact Advisors, 2013), and in China, giving to private foundations increased from \$4.9 billion in 2009 to \$10.3 billion in 2010 (Ashreena, 2012). Much of the new philanthropy is global in orientation, according to Jean Case, CEO of the Case Foundation, who was quoted describing this as a “sea change” in the 2017 report, *Passing the Torch: Next Generation Philanthropists* (The Economist Intelligence Unit, 2017a, p. 16). Ms. Case added:

If you look at how much philanthropy has gone global from traditional sources, it’s not much. If you look at the focus on profit and purpose of this [millennial] generation, it’s stunning how much is going to global issues and causes. (The Economist Intelligence Unit, 2017a, p. 16)

In March 19, 2015 testimony before the U.S. Senate, Ben Leo, senior fellow and director of Rethinking U.S. Development Policy at the Center for Global Development (CGD) in Washington, D.C., discussed the potential for increased trade and investment in sub-Saharan Africa and stated that, “In many ways, the future of development policy lies in development finance” (The U.S. Africa Leaders Summit, 2015, para. 18). Mr. Leo attributed this to several factors, including “the declining importance of foreign aid” (para. 18) and new donors from the emerging markets, “including China, India, Brazil, and Malaysia [which] have dramatically increased financing activities in developing regions” (para. 22) and which would “provide additional alternatives for African nations” (para. 22). Note that funding agreements active in 2018 and identified on CGD’s website include grants from several of the entities in the sample for this project: the UBS Optimus Foundation; Bill & Melinda Gates Foundation; Ford Foundation; Omidyar Network; and The Rockefeller Foundation.

OECD and G8 countries began reconstituting their approach to aid disbursement as part of a “silent, tectonic shift happening in foreign policy and the aid firmament with a new

emphasis on the impact economy,” according to a September 19, 2012 media item (Karunakaran & Ghosh, para. 7). In a September 29, 2014 article, USAID spokesman Matthew Herrick described the agency’s investment in the Global Innovation Fund, a \$200 million venture capital fund set up by Omidyar Network and seeded by the U.K.’s Department for International Development (DFID) alongside the governments of Sweden and Australia as something that “signals a significant shift in our approach to more of a focus on social impact investing” and is “an entirely new strategy to development that USAID is rebuilding its infrastructure and funding mechanisms around” (Greene, 2014, para. 10). Still, as early as October 1, 2009, in remarks at the U.S.-Africa Business Summit, Secretary Clinton explained that the State Department’s global office for public-private partnerships was working with USAID, The Rockefeller Foundation, the GIIN, and JPMorgan Chase “to support the development of social impact investing strategies” (U.S. Department of State, para. 26).

Impact investing is also part of development efforts undertaken by private Northern institutions outside of the U.S., although these efforts very often included participation from development finance institutions. Keohane and Madsbjerg (2016) related that an affiliate of the Rockefeller-backed African Risk Capacity (arc), the arc Insurance Company, was started with funding from Germany’s KfW Development Bank and the U.K.’s DFID; it subsequently secured additional financing from Swiss Re and Munich Re. Additionally, the \$8 million Women’s Livelihood Bond, an IIX (Impact Investment Exchange) bond described in a July 6, 2017 press release as “the world’s first social sustainability bond to be listed on a stock exchange” (DBS Group Holdings, 2017, para. 1), was supported by Singapore-based DBS bank, the Australia and New Zealand Banking Group, the Japan Research Institute, and the Australian Department of Foreign Affairs and Trade, among others. The money raised would invest in women in

Cambodia, the Philippines, and Vietnam, and investors in the bond – more than 60% of them based in Asia – received first-loss capital from IIX and a capital guarantee from USAID (DBS Group Holdings, 2017).

4.2.2 Hypothesis 1b

A few items in the data set support the idea that the increasing interest in impact investments in the emerging market countries of the Global South is, in part, a contest over first-mover advantage. Billionaire entrepreneur Richard Branson, whose Virgin Unite foundation seeded the MaRS Catalyst Fund at the Toronto-based MaRS Centre for Impact Investing, referenced Africa in an interview at the same April 26, 2012 Global Impact Economy Forum at which Secretary Clinton also spoke:

Chinese and Indians are pouring into Africa, and – and I think Britain, Europe – Europe and America are going to lose out in a big – big way. And I think the same applies to South America to an extent. (U.S. Department of State, 2012b, para. 87)

David Chen, CEO of sustainability-focused Equilibrium Capital Group, highlighted the notion of early mover advantage in a May 31, 2012 article and specifically addressed impact investing, which he described as “the equivalent of investing in hedging strategies or emerging markets, or high-tech 25 years ago. In each of those cases, the market efficiency and information efficiency gains went to those that were first” (Bank, 2012a, para. 6).

In a July 1, 2013 news piece, LeapFrog Investments Co-Founder Andrew Kuper described the prospects for his ‘profit with purpose’ firm, which invests in areas including micro-insurance and “backs high-growth financial services companies in emerging markets” (“Impact Investment: An Emerging Asset Class,” para. 8), and others in the impact investing space:

There’s not widespread knowledge yet of the opportunity in this space. But much as happened in alternatives and venture, **there are some early players that are going to do**

very well—if they pick the right horses. (“Impact Investment: An Emerging Asset Class,” 2013, para. 11, emphasis added)

Recall from above that LeapFrog is a member of the GIIN’s Investors’ Council. In another media interview, this one published April 11, 2014, Mr. Kuper referenced the strong economic growth in the South, and indicated LeapFrog’s investors are aware of the opportunity it presents:

The reason we got great reinsurers is powerful data. They can see that huge portions of world GDP is coming from the world’s emerging markets and that the middle class of these markets, though tiny, is going to be large. **And if you tap it now you’ll do very well.** (Gray, 2014, para. 12)

A December 11, 2015 news item which indicated that OPIC had agreed to invest as much as \$200 million in LeapFrog Investments also listed several other Northern entities – American International Group Inc., JPMorgan Chase, MetLife Inc., Prudential Financial Inc., Alliance Trust Plc, Axa, Swiss Re, the IFC, Germany’s DEG (Deutsche Investitions- und Entwicklungsgesellschaft), and the Netherlands Development Finance Company (FMO) – as “major investors” in LeapFrog (“LeapFrog Investments Gets \$200 million,” 2015, para. 10). The EIB seeded half of LeapFrog’s first fund (Timms, 2014) and Pierre Omidyar and George Soros’s foundation were also early investors in the firm (Mooney, 2017). According to a September 23, 2015 article, LeapFrog Co-Founder Jim Roth said that the firm’s investments “benefit its core investors,” and Axa, Zurich, Swiss Re, JPMorgan Chase, the IFC, and CDC Group were named (Ní Chonghaile, para. 7). The piece further detailed:

“If you look at growth in the insurance market in Europe and the U.S., it’s very saturated but in Africa and Asia, very, very small percentages of the population have any kind of insurance,” Roth said. “There’s an **extraordinary commercial opportunity** and we think this supplements the other tools in the development toolbox. This is a very powerful tool because it can bring a lot of money behind it to provide quality, relevant and affordable goods and services to low-income people.” (Ní Chonghaile, 2015, para. 8, emphasis added)

Though the hypothesis focused on the Global South, the data show that self-identified impact investors are also seeking early mover advantage by aligning with other structural trends tied to sustainability, wherever the investments are located. One example is Rockefeller & Co.’s Ocean Strategy, a fund that makes investments expected to promote the health of oceans and water resources:

For Rockefeller & Co., the idea was a natural extension of its broader global sustainability strategy. But the firm—whose CEO is the plugged-in former undersecretary of state, Reuben Jeffery III—had also separately come to the conclusion that more maritime regulation was coming. Governments mandating products and processes to curb harmful environmental impacts on the seas would in particular benefit companies already working toward ocean sustainability. And therein lay an investment opportunity.

In fact, such regulatory and compliance measures are already showing up in areas such as reducing carbon emissions from seagoing vessels, recycling and water management, and a growing number of other ocean-related mandates. Says [David] Harris [managing director and CIO]: “**When you get regulatory changes—I hate to say this, as I am also a capitalist—it changes the profit opportunities in a functioning marketplace for corporations that have those kinds of solutions. And we like to be ahead of the curve.**” (Perman, 2015, para. 10-11, emphasis added)

Similarly, Howard Fischer, CEO of hedge fund Basso Capital and co-founder of impact investing firm Gratitude Railroad, mentioned structural shifts that lend themselves to impact investing in a December 19, 2016 media article (Cantrell, 2016). Like many of the investors in the data set, Mr. Fischer also placed emphasis on the potential for strong financial returns alongside impact:

But Gratitude Railroad reminds him of the early days of the hedge fund industry in other important ways: inefficient markets and enormous profit potential. Fischer says there are “megatrends” that are driving disruption in industries like big agriculture and energy. He points to [the Gratitude Farmland Fund, which invests in the southeastern U.S.], noting that there has been less farmland every year for the past 30 years—so investors can own an asset that’s increasingly scarce; that, coupled with the growing demand for grass-fed beef and dairy, and healthy food in general, **means companies that are early movers could win big.**

“There’s perfect economic and financial logic behind the transaction,” he says. “**This is arbitrage.** This is not just ‘All farms are great, let’s keep the farmers on the land, let’s grow great food and not use Monsanto chemicals.’ Let’s make a shitload of money buying cheap farmland and providing a product that’s in high demand in the face of growing scarcity. It’s pure finance.” (Cantrell, 2016, para. 28 & 29, emphasis added)

Deborah Winshel, global head of impact investing at BlackRock, also referenced climate change risk in this context. She said in September 9, 2016 news piece that engaging with environmental concerns, including issues around climate, enhance investors' risk management capabilities and added, "As regulatory and technological changes unfold, investors who anticipate these issues will be more likely to deliver competitive performance over the long term" (Soh, 2016, para. 11).

4.2.3 Hypothesis 2

A prolonged period of low interest rates and consequently lower yields can be expected to stimulate investors to seek out any products that offer a higher return, and in support of Hypothesis 2, the data set includes instances where impact investing is discussed in this context. For one, a November 19, 2011 media item reported that "a crucial factor" in attracting private investment in social capital notes as part of the 2009 acquisition of ABC Learning Centres "was the promised 12% interest, which stood out as 'pretty solid returns' in the jittery, post-financial crisis equity markets, according to [Michael] Traill [CEO of Social Ventures Australia]" (Steffens, para. 45).

Alexander Friedman, chief investment officer (CIO) of UBS, and Patty Stonesifer, former CEO of the Gates Foundation, wrote an April 25, 2012 *Financial Times* opinion piece that urged the financial industry to contribute to social benefit and recommended that investment management firms increase their offerings of impact investments. "In today's low-yield investment climate, impact investing is becoming more attractive because it is relatively uncorrelated to the broader market. And investment firms should show their seriousness by co-investing alongside clients" (Friedman & Stonesifer, 2012, para. 7).

A December 9, 2013 news article related that Zurich insurance company's CIO, Cecilia Reyes, called impact investing "the strategy of the future" and noted Zurich's intention to contribute to significant growth in the green bond market (Thomas, para. 1). Per the piece, Zurich planned to "invest up to \$1 billion in green bonds issued by the World Bank, IFC, and other development institutions," and this money was "being allocated away from U.S. government bonds—an investment which has produced minimal returns in recent months" (Thomas, 2013, para. 11).

The following year, Christina Alfonso, co-founder of Madeira Global, a consultancy that provides environmental and social impact analytics, was asked in an April 23, 2014 media interview to explain "the groundswell of interest in impact investing" (Rose-Smith, 2014, para. 6). She replied, "Principally, the economy has had investors looking for alternative places to put money to work" (Rose-Smith, 2014, para. 7). Prudential's Ommeed Sathe similarly pointed to the low-yield context in conjunction with the firm's impact investing strategy in a piece in the September 2014 World Economic Forum report, *From Ideas to Practice, Pilots to Strategy II: Practical Solutions and Actionable Insights on How to Do Impact Investing*:

Private debt offers low hurdles: All forms of public debt are witnessing unprecedented low yields and the spread compression for more risky assets has been significant. **As a result, the 'market rate' return for debt investments presents a very low bar** and the implied yield on the high yield index has recently fallen below 6 percent. As a risk-adjusted return, this figure seems especially paltry since research suggests that, over a 40-year period, high yield debt instruments have suffered average loss severities of approximately 240 basis points. **For an impact investor, this means there is ample room to either make safer or higher yielding investments. Since implementing our current investment strategy, PRU has done both.** (Sathe, 2014, p. 9, emphasis added)

That financial returns from impact investments are at times relatively appealing, rather than objectively appealing, was noted in a June 29, 2015 news item, which said of New York State's first social impact bond, a project spanning five and a half years: "its 12% maximum and

6% average expected return can look attractive compared with the sub-1.7% yield on a five-year Treasury note” (Casey, 2015, para. 18). The item further indicated that, “Institutions engaged in organizing, funding and promoting these projects include Goldman Sachs, Bank of America Merrill Lynch, The Rockefeller Foundation, the Federal Reserve Bank of San Francisco and agencies from all levels of government” (para. 6).

In the forward to a January 2016 research report about conservation finance co-produced by Credit Suisse and the McKinsey Center for Business and Environment, *Conservation Finance From Niche to Mainstream: The Building of an Institutional Asset Class*, Credit Suisse CEO Tidjane Thiam wrote, “In the current environment, investors are looking for an edge to drive excess returns. Increasingly, they are seeing conservation impact investing as a way to achieve substantial environmental and social impact alongside market-rate financial returns” (p. 3). The report later identified the following as one of five disruptions that were supporting a fertile environment for conservation finance:

First, the current low-interest rate environment is likely here to stay, at least in the medium term. **Investors – in particular institutional investors – are searching for a positive yield at this point. They welcome any new opportunities with reasonable risk-return profiles and no or little correlation to traditional equity markets.** Conservation assets have generally exhibited lower correlation to other asset classes, since natural resources, such as forests or fresh water, are usually independent from macroeconomic developments, such as inflation. In this regard, conservation investments in the current environment offer comparatively attractive financial returns and at the same time allow for diversification into traditional stock or bond portfolios. (Huwyler, Käppeli, & Tobin, 2016, p. 12, emphasis added)

A May 30, 2016 news piece reported that rich investors’ holdings in “alternatives like impact investing and private equity” (Köler, para. 10) were expected to increase from about 10% to 15% in 2016 “as the impact of low interest rates become more noticeable” (para. 11). The item also quoted an unnamed wealth manager who said that it was for this reason that

“professional investors are coming to accept that these assets are illiquid” (Köler, 2016, para. 12).

UNDP Administrator Achim Steiner also noted poor yields in a July 18, 2017 speech in which he said impact investing was among private sector initiatives that “have the potential to support efforts to achieve the SDGs” (UNDP, para. 7). Mr. Steiner also stated:

By some estimates, the official sector and asset managers currently hold as much as \$8.5 trillion in sovereign bonds earning negative interest rates, and \$40 trillion earning very low returns – given the recent efforts by many central banks to have zero, or even negative, interest rates. With the massive investment needs and opportunities for real returns around the world – from infrastructure needs in both developed and developing countries to opportunities in innovative firms working on the frontier of science and technology – this is a global financial system that, at a minimum, has wide scope for further optimization. (UNDP, 2017, para. 4)

4.2.4 Hypothesis 3

No support for the interaction effect was located in the data set. I emphasize, however, that this is not a finding that the interaction effect does not exist. Instead this suggests either that the interaction effect does not exist, or that it does exist, but was absent from the portion of the published discourse that constituted the data for this project. Since I located support for the other hypotheses, it is worthwhile to briefly engage with these two possibilities as far as they are relevant to the relationship between impact investing and sustainable development.

If the interaction effect does not exist, then it would appear there are (at least) two separate categories of Northern impact investors – those seeking to retain influence in and secure economic advantage from sustainable development in the Global South and those simply searching for yield – and neither group is displaying a holistic understanding of the environment in which sustainable development is being negotiated. As indicated by then-Secretary Clinton, the goal of making impact investments was to secure new business for American companies and support the U.S. economy (U.S. Department of State, 2012a). While USAID worked with some

of the U.S.'s largest transnational corporations, including JPMorgan Chase, to build the sector, recall from above that corporate profits are strong (Summers, 2016). The prolonged period of low interest rates in the North also coincided with trillions of dollars worth of quantitative easing by Northern central banks that kept stock prices elevated (Balatti, Brooks, Clements, & Kappou, 2016). Meanwhile, the employment-population ratio in the U.S. shrunk from 62.9% in January 2008 to 60.1% in January 2018 (Bureau of Labor Statistics, n.d.). Therefore, questions about the *distribution* of expected financial gains from development in the Global South would seem paramount for Northern citizens, especially if corporations establish lucrative operations in a developing country with help from Northern governments.

In the case of certain institutional investors, like pension funds or school endowments, a narrow focus on the highest financial return possible that excludes other factors is somewhat understandable, since these organizations have a singular purpose and the funds are almost always distributed towards an inherent 'good,' either student support or old-age comfort for retirees. But while taxpayer money is used to support corporations that are not particularly suffering from the monetary environment, for these institutional investors to maintain emphasis on identifying the maximum financial return available without engaging in the broader political debate does not seem like an especially robust strategy. To the extent that these investors – and members of the Northern public in general – are less savvy about finance, a political process (Cerny, 2010), it is likely to reduce their ability to understand the full picture of financing for sustainable development. This deficit might then extend to understanding the nature of the financial relationship between themselves and their fellows in, say, Ghana.

Alternatively, it is possible that the interaction effect does exist, but was absent from the sample of documents gathered from the public discourse. Since interest rates are generally

expected to increase in the context of strong economic growth, a prolonged period of low interest rates tends to be reflective of less hardy growth. Therefore, it is potentially the case that Northern government efforts in support of impact investing are intended to ease the low-return environment, even if officials do not emphasize the undesirable effects of low interest rates. And certainly, if impact investing were to help generate stronger growth in the economy, it would present at least the opportunity to raise interest rates.

Nonetheless, the market for impact investing within the U.S. – which research shows “would not exist” without funding from the federal government (Tyson, 2014, para. 15) – is also supported by the Laura and John Arnold Foundation. In January 2015, the White House Office of Social Innovation and Civic Participation partnered with the Laura and John Arnold Foundation and the Nonprofit Finance Fund to present “one of a series of Pay for Success events” (“David Eccles School of Business; New Policy Innovation Lab,” 2015, para. 2). Additionally, technical assistance from the Social Impact Bond Technical Assistance Lab at the Harvard Kennedy School to eight U.S. states “to explore tackling persistent social problems with pay-for-success contracts” was “supported” by The Rockefeller Foundation and the Laura and John Arnold Foundation (Welch, 2017, para. 20).

Antony Bugg-Levine, current CEO of the above-referenced Nonprofit Finance Fund, previously served as a managing director at The Rockefeller Foundation, where he headed the impact investing initiative. Mr. Arnold is a billionaire and former Enron trader whose foundation has been criticized by certain groups, including unions (Potter, 2015; “The 2015 Pension 40,” 2015; Murtaugh, 2015), for its efforts to reform public pensions in the U.S. Research funded by Mr. Arnold’s foundation suggested “changes to pension systems that shift risk away from the government and taxpayers, and toward the public worker,” and in a 2012

white paper which included five potential solutions, “None of the solutions propose keeping the traditional pension structure, and four of them would partially or fully incorporate a 401(k)-style plan for workers” (Farmer, 2017, para. 21). As Mr. Arnold’s advocacy for pension reform is a prominent aspect of his philanthropic work and impact investors do not appear reluctant to engage in partnership with him, it appears somewhat less likely that the lack of an observed interaction effect is the result of understated efforts to address low interest rates.

4.2.5 Hypotheses Summary

The results above establish that Southern investors are engaged in development activities more than ever before, and these activities are altering the context in which traditionally dominant actors operate. Northern governments and philanthropies are engaging in impact investing in part because the use of private funds enables initiatives that go beyond the scope of what could be achieved with government and philanthropic funds alone. Further, many economies in the Global South are developing in ways that offer unique opportunity, and Northern investors are seeking to be early movers and position themselves to capture a share of the financial opportunities.

Such competition for advantage is expected of actors in capitalist systems, but in a world in which global sustainable development is also the goal, a level of cooperation might also emerge. Given this, the thematic analysis that follows focuses more in-depth on the dynamics of the changing economic power of the Global South and the nature of the benefits being pursued by Northern investors.

4.3 Thematic Analysis

Recall that I used the Dedoose program and manually extracted approximately 1,000 excerpts from the data set. For the thematic analysis, I coded each of the excerpts by hand, and in all, 77 codes were applied. The coding manual attached at Appendix B comports with the example shown in Braun and Clark (2006) and includes at least one example of each code (for several codes, there are multiple examples of its application). This does not provide a prescription for how to conduct the coding, but rather aids in the transparency and trustworthiness of the project. The coding scheme and the additional excerpts included in the body of this thesis are nearly 10% of the total excerpts.

After extensively reviewing and re-reviewing the coded excerpts, the codes were organized into a handful of preliminary themes. Table 4.1, below, shows the five initial themes, the number of codes associated with each theme, and the number of times those associated codes were applied across the excerpts.

Table 4.1 Initial Themes and Code Applications

Initial themes	Number of associated codes	Number of applications of associated codes
Novel financial returns to capital	11	207
Demand for better from investing	23	483
New economic power in Global South	16	295
Change Northern governments	7	129
Capital markets as indispensable	20	361

Note. Source: Author.

To aid in beginning to understand the coded data, I also created a code tree and an initial thematic map (the latter is shown in Braun and Clarke, 2006). Please see Appendix C for the code tree and Appendix D for a copy of the initial thematic map.

When it comes to generating a written report based on thematic analysis, the central research question and research objectives guide the choice of themes, which need to be significant for the project and reflective of “some level of patterned response or meaning within

the data set” (Braun & Clarke, 2006, p. 82). After reviewing all preliminary themes and codes several times, I chose two main themes for discussion here. As related above, the decision to write about two themes comports with the description of thematic analysis by Braun and Clarke (2006). The identification of these themes was also informed by my choice of theoretical thematic analysis, which seeks to investigate and analyze deeply an aspect of the data rather than offer an overview of the entire data set.

The first theme is the competition over development arising from the new economic power in the Global South. Since this is clearly related to the items incorporated as support for Hypotheses 1a and 1b, the thematic analysis will explore additional aspects of the phenomenon. The second theme is complementarity with corporate trends, which is related to strategic shifts by technology companies and changes in the wealth management business, both of which coincided with the corporate embrace of impact investing. Braun and Clarke (2006) indicated it is preferable if evidence of a theme appears multiple times, and is dispersed throughout the data, but also “more instances do not necessarily mean the theme itself is more crucial” (p. 82). Further, there is the need to both explicate “the ‘story’ that each theme tells” and “consider how it fits into the broader overall ‘story’ that you are telling about your data, in relation to the research question” (Braun & Clarke, 2006, p. 92).

The two themes, when considered from a wide view, can be understood as the supply and demand aspects of the rise of impact investing. The changes in the Global South are part of the ‘supply side,’ as the economic growth there has produced new opportunities for self-determination and a consumer base that is expected to be a significant source of future business revenue. The second theme, complementarity with corporate trends, can be understood as part of the ‘demand side,’ as the qualities of certain impact investments reflect a need for diversification

by Northern corporations and asset holders, which face weaker economic growth and saturated consumer markets at home. Also, the incredible and at times opaque economic rise of China is arguably never far from Northern investor outlook.

4.3.1 Contested Development

Richard Branson's reference to heavy investment in Africa by both China and India, and Hillary Clinton's explanation of the economic statecraft of impact investing, both mentioned above, suggest that impact investing is supported partly as a response to changes in global finance flows. My thematic analysis shows that a new element in development, South-South cooperation, is also a component of the current contest over development. In a July 13, 2015 media interview, Wu Hongbo, the U.N. Under-Secretary-General for Economic and Social Development and the Secretary-General of Third International Conference on Financing for Development in Addis Ababa, commented on it:

South-South cooperation is becoming increasingly more important. Triangular and South-South cooperation are important new features in the changing global financial system since the Monterrey Consensus [in 2002]. We are very supportive of this development. We believe that in many ways it serves as a good example for all countries. The programmes developed are considered cost-effective. **They involve technology transfer**, and the cost of personnel overhead is low, hence not much is spent on the cost of experts, their travel and accommodations compared to what is actually spent in host countries. (Wall, 2015, para. 10, emphasis added)

The United Nations' definitions of South-South cooperation and triangular cooperation are based on the December 2009 Nairobi Outcome Document. South-South cooperation is "a process whereby two or more developing countries pursue their individual and/or shared national capacity development objectives" in a variety of ways, and this "is not a substitute for, but rather a complement to, North-South cooperation" (UNDP, 2014, p. 2). Triangular cooperation

involves “Southern-driven partnerships between two or more developing countries, supported by a developed country(ies) or multilateral organization(s)” (UNDP, 2014, p. 2).

The increase in South-South cooperation was also evident in aid statistics for 2013, which showed that the United Arab Emirates “inched past traditional donors like Canada and Australia and became the ninth-largest provider of net ODA that year” (Gloeckl, 2014, para. 1). The same news piece related the results of a survey of business executives; most expected that impact investing would continue to grow, and “the overwhelming majority” anticipated that development aid would “transform substantially over the next decade, led mainly by the rise of” donors from emerging-market economies in the Global South (para. 2).

It is interesting, therefore, that in commenting in a September 29, 2014 news piece on the U.K.’s decision to invest in the aforementioned Global Innovation Fund established by Omidyar Network, Justine Greening, the U.K.’s international development secretary, said, “We must find and invest in more effective, faster, and more efficient ways of ending aid dependency” (Greene, 2014, para. 11). Moreover, Canada’s Chris Alexander, minister of citizenship and immigration, said the following in a January 23, 2015 speech that discussed Canada’s enthusiasm for new aid financing models, including impact investing:

And let us not forget that sustainable economic development is the only lasting solution to poverty.

Donors cannot fund poverty alleviation indefinitely in developing nations. There is a time when **they must take ownership of their own destiny** and foster a sustainable economic path for their countries and their people.

The income generated by private sector-led economic growth allows developing country governments to provide that future for their people without outside assistance. (Government of Canada, 2015, para. 20-22, emphasis added)

If Northern nations view the traditional development model as one of dependency, then these nations might be expected to celebrate the increased investments from China and India and others in the South, rather than view them as requiring strategic adjustment and statecraft. Also,

a somewhat impatient posture with respect to social needs was reflected by those enthusiastic about impact investing's prospects within developed countries. A September 1, 2015 *Sydney Morning Herald* (Australia) editorial discussed approvingly the desire of the Australian federal government to use private capital on behalf of public causes, and quoted Social Services Minister Scott Morrison: "What I am basically saying is that welfare must become a good deal for investors" ("Mike Baird is on a Winner," 2015, para. 9).

In order to consider this further, I engage below with two sub-themes regarding the contest over development. One centers on the desire to shape development, and the other involves the appeal of the financial returns.

Sub-theme 1: Shape Development Pathways

Elizabeth Littlefield, president and CEO of OPIC, expressed the organization's continuing support for impact investing in a December 15, 2016 news interview in which she also indicated that OPIC's goal with its venture capital program was to "deepen U.S. technologies in emerging markets" ("OPIC: Renewable Energy," 2016, para. 6). She further stated:

The pipeline of U.S. patented technologies in areas such as clean energy, health, and agriculture technology would leverage OPIC capital to spread these innovations across those developing countries that could best apply them to advance sustainable economic development in their local markets.

OPIC is also targeting U.S. and emerging market venture funds investing in the development sectors of digital revolution that expand access and reduce the cost of goods and services for low- and middle-income, and bottom-of-the-pyramid consumers. ("OPIC: Renewable Energy," 2016, para. 6-7, emphasis added)

In the aforementioned U.S. Senate testimony, CGD's Mr. Leo recommended the creation of a new U.S. development finance institution that would, among other things, "harness America's three greatest strengths: innovation and technology, entrepreneurship, and a deep capital base" (The U.S. Africa Leaders Summit, 2015, para. 23). The promotion of American

advantage in technology, and in particular Ms. Littlefield's reference to patents, can be compared with the aforementioned technology transfer associated with South-South cooperation and the 1997 Earth Summit+5 report mentioned in Chapter 2, which noted the South's frustration with what was perceived to be the North's failure to follow through on commitments to transfer technology.

USAID Administrator Rajiv Shah, in an October 8, 2010 speech, referenced success with the Development Credit Authority program, but noted that USAID was not "satisfied with this success. We're continuing to work on new funding mechanisms and business models that will foster even greater investments of private capital, and build the infrastructure to channel that capital to the people who need it most" (USAID, 2010, para. 37). After leaving USAID in February 2015, Mr. Shah founded a private equity firm called Latitude Capital, which focused on "power and infrastructure projects in Africa and Asia" (Lieberman, 2017, para. 7); he subsequently became president of The Rockefeller Foundation on March 1, 2017.

The data also show that Shujog, a Singapore nonprofit that focuses on helping impact enterprises, received support from The Rockefeller Foundation for its Assistance for Capacity Building and Technical Services (ACTS) program. A February 2015 report funded by Rockefeller, *Accelerating Impact*, described ACTS:

Shujog ACTS helps impact enterprises secure technical assistance to prepare for the capital-raising process. **Oftentimes, enterprises are ill prepared for raising capital and do not obtain professional technical support because they either cannot pay or are unwilling or unable to offer equity.** ACTS' unique model provides impact enterprises with up-front funding and connections to procure professional support for business plan development, financial modeling, impact assessment, and investor preparation. Impact enterprises repay the majority of this up-front funding once they raise capital.

This model not only allows impact enterprises to secure the investment-readiness support they need, but **it does so by forcing them to engage in traditional market mechanisms, instead of providing the services for free through donor subsidies.** Shujog hopes this structure will encourage impact enterprises to 'think like a business,' reducing their reliance on grants and donor funding, encouraging financial responsibility, and fostering the development of the broader impact investing market by enabling

professional services providers to see impact enterprises as viable customers. (Dassel, Saxena, Funk, & de Bruin, 2015, p. 49, emphasis added)

The utility of accelerators was also discussed in a September 2015 USAID report, *Gender Lens Investing in Asia*, which said these are a “common tool in impact investing” and are used by both USAID and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ):

Accelerators are a **useful leverage point because they shape how capital flows and are shaped by investors’ demands**. Philanthropic organizations (including Omidyar and Rockefeller) and donor groups (including USAID and GIZ) have focused on accelerators in Asia to support early businesses with a potential for significant social impact. (Anderson & Alleman, 2015, p. 19, emphasis added)

Omidyar Network makes commercial investments, sub-commercial investments, and philanthropic grants, and in exchange for making sub-commercial impact investments, the firm requires some form of additional return; one example of this is “influencing government policy or sparking debate on important issues in a way that helps shape market conditions” (Omidyar Network, 2016, para. 5). Moreover, in a December 12, 2011 media item, an Omidyar Network India managing director indicated the organization intended “to play a more active role on regulatory matters pertaining to our investment areas” (“Amarchand Hyderabad Only Partner,” para. 3).

According to December 4, 2015 article, Mark Zuckerberg said the Chan Zuckerberg Initiative had been set up as an LLC, rather than as a foundation, in part because the LLC structure allows him to “engage in policy debates—also known as lobbying” (Dolan, para. 4). Also, a July 22, 2015 media item quoted Alex Lykken of research firm PitchBook in discussing private equity and its pursuit of influence via impact investing in China: “Because the Chinese government has so much say over how the economy is structured, a lot of these companies are doing it from the bottom up rather than the top down” (Tsang, para. 14).

The full posture behind engaging with impact investments seems important to understand, especially as financing for sustainable development increasingly occurs at the intersection between basic human needs and the processes of the global capital markets. This also seems entirely related to von Moltke's (2000) aforementioned emphasis on the social dimensions inherent in investment. In a May 23, 2011 article in which the interviewer asserted it was "strange to think of rural water delivery as a profit-making opportunity" (Elstein, para. 7), the aforementioned Mr. Bugg-Levine, at the time a managing director at Rockefeller, responded:

I know. But the people who control large pools of investment capital are used to having results measured, and **anything we can do to encourage them to spend more to help those who need it is useful**. We talk about impact investing as an asset class. (Elstein, 2011, para. 8, emphasis added).

This is an uncomfortable fit with some of the framing in the excerpts above. If *anything* that promotes additional monetary flows towards important causes is positive, then it is difficult to understand the need for any Northern response when ODA from OECD development assistance committee countries, which has not declined but doubled since 2000 (OECD, 2017), became a small portion of capital flows to the South. But a response was articulated in Hypothesis 1a, when then-Secretary Clinton said that ODA was no longer the same quality of tool that it was in the past.

Also, if the methods of financing the delivery of crucial services like water are of secondary importance, as long as the financing is provided, then it is difficult to make sense of an emphasis on patented technology and the efforts on the part of Northern entities to use accelerators to shape capital flows. The March 2012 report assessing Rockefeller's impact investing initiative, *Unlocking Capital, Activating a Movement*, said that combining the strengths and tools of impact investors with the Foundation's work regarding innovative finance was

“particularly relevant now when Western aid budgets are declining as the new Southern economic powers (notably China, India and Brazil) continue their rise” (Jackson & Harji, p. xiii).

While not part of the original conceptual framework, the data show a similar theme outside of the South. Mr. Bugg-Levine was quoted in a March 5, 2011 article (“Nonprofit Finance Fund Receives Grant”) encouraging the acceptance of unconventional means of financing for public goods in the North. Here, too, the significance of the need was cited as the rationale:

As governments face tough cuts and economic troubles continue, **we need to be open to fundamental change in the way we address society’s needs.** The Social Impact Bond is a promising, innovative, results-based approach – worthy of deep study into how it might be adapted for the U.S. (“Nonprofit Finance Fund Receives Grant,” 2011, para. 3, emphasis added)

George Overholser, CEO of Third Sector Capital Partners, said in a September 12, 2012 media item that the demand for SIBs was partially driven by the anxiety from government budget cuts: “The fiscal crisis is making government officials willing to try things they might not otherwise” (“Social Impact Bonds,” para. 22). Sir Ronald Cohen, a leading proponent of impact investing, was quoted using a similar rationale in a June 2, 2014 news piece:

“Australia’s latest federal budget, with its cuts to education, health, and social services, **could have dire social consequences for many years to come,**” [Mr. Cohen] said. “It seems a **smart time for the government to start promoting the social impact investment market** to help fund some of those services, whilst outsourcing much of the risk.” (Rose, para. 9-10, emphasis added)

A citizen-level focus is important for analysis, especially as it pertains to finance for sustainable development and the question of *distribution* raised above. A May 2016 UBS report, *Doing Well By Doing Good*, said “impact investing is emerging at a time when aggregate private wealth has never been so high” and noted that “global high net worth wealth reached a peak of USD 52.6 trillion in 2014” (Freedman, Vartikar, Wiebeck, & Zoltani, 2016, p. 12). The report

also cited research which showed that 92% of high net worth individuals place a priority on making social impact, “led by younger investors (under 40 years) and by those in emerging markets” (Freedman et al., 2016, p. 12).

Aside from the issue of distribution, this raises a question about *access* to capital. To make an argument for impact investing based on monetary scarcity (cuts to public budgets) is to seemingly ignore or obscure the reality that private wealth is so substantial. A September 9, 2017 news article about the world’s first “humanitarian impact bond,” issued by the International Committee of the Red Cross to fund rehabilitation centers for the disabled, referenced bewilderment from some government officials who not only questioned the propriety of earning “profit from the handicapped” but also wondered why governments would not borrow the money directly, given the low interest rates (The Economist Intelligence Unit, 2017b, para. 7). Per the piece, officials asked, “Why don’t we just borrow cheaply?” (Economist Intelligence Unit, 2017b, para. 7).

Consideration of government borrowing is similarly sidelined when impact investing is proffered as a way for governments to “do more with less” (“The Center for American Progress,” 2013, para. 44). This issue is tied to austerity policies and economic thinking around the consequences of government debt, but also it is more than that. To suggest that less could create more – in this case, less public money – is to confuse the link between resources and results. In reality, the ‘more’ is produced via the addition of private capital, the owners of which are members of the global citizenry, i.e., ‘the public,’ the same as anyone else. Therefore this is not a matter of doing more with less so much as the application of a different mixture of resources, and one in which the financial benefits are captured not by the whole public, but by the subset of citizens with money to invest. In this time that demands serious debate about prudent

stewardship of planetary resources, natural and otherwise, rhetorical confusion like this could inhibit our understanding of important issues. Moreover, that impact investing could “deliver better outcomes for beneficiaries using the same or fewer resources” (Goodall, 2014, p. 3) and similar notions have been accused of re-framing a problem of government underfunding of public services as the solution (Saltman, as cited in Strauss, 2016).

Private, for-profit provisioning of sustainability endeavors, especially if achieved on a large scale, will entwine citizens of the North and South alike into new relationships with the delivery of their basic needs (McGimpsey, 2017). The impact investing market is still relatively small – it is projected to grow to about \$300 billion by 2020 (Pandit & Tamhane, 2018) – but scale is a goal (U.S. National Advisory Board on Impact Investing, 2014; Brandstetter & Lehner, 2015; Smiles et al., 2017). The kinds of impacts produced by impact investing will be influenced by the extent to which there is muscular discussion of these issues of access and distribution.

Sub-theme 2: Novel Financial Returns

The data also illuminate the nature of the financial returns being sought by impact investors. Less than one year after the collapse of Lehman Brothers in September 2008, a June 29, 2009 press release from the William J. Clinton Foundation about the Clinton Global Initiative’s (CGI) upcoming annual meeting called impact investing “a new destination for capital” and indicated that, “Despite the current economic crisis, investment opportunities are expanding in emerging markets that promise to contribute to sustainable economic growth and development worldwide” (para. 10).

In a May 15, 2017 article, the aforementioned Mr. Roth of LeapFrog Investments, which debuted at the CGI annual meeting in fall 2008, explained the firm had received investments

from firms including Axa, Met Life, and Swiss Re in part because, “The [financial] crisis changed investors’ views. In the immediate aftermath of the crisis with its origins in developed markets, emerging markets appeared less risky” (Mooney, 2017, para. 16).

Besides risk mitigation, the data illuminate the potential for significant financial returns. A July 7, 2016 media item reported that, “Earlier this year, Union Square Ventures Partner Fred Wilson called the developing world ‘the next whitespace’ for venture capital, pointing to 2.5 billion people poised to adopt smartphones” (Somerville, 2016, para. 4). LeapFrog’s above-cited Mr. Kuper was quoted in an April 17, 2014 news piece which said LeapFrog’s second fund would give the firm “the ability to strike larger deals and tap more meaningfully into” the economic growth in the Global South:

“Investors are looking for a window into the emerging-markets consumer,” [Kuper] says, citing a recent report by consulting firm McKinsey Co. which projects that by 2025, emerging consumers will constitute an annual market worth \$30 trillion, versus about \$12 trillion today. **“They can see the destiny of these countries and the world.”** (Timms, 2014, para. 4, emphasis added)

In addition to creating a domestic environment for new consumers, the economic growth in the South sparked coincident structural trends that made investments in areas linked to sustainable development, including infrastructure and natural resources, more appealing. A March 29, 2011 news article which reported that investing in “innovation in energy and materials is coming back into fashion” (Hadekel, para. 18) quoted Russell Read, formerly the CIO of the California Public Employees’ Retirement System and at the time chairman of impact investing firm C Change Investments:

“The investment opportunities are as compelling as any we have seen over the past 20 years,” Read says. But these opportunities will require a psychological shift on the part of most investors. “During the 1980s and ‘90s, if you were a North American investor, you could buy a diversified pool of stocks and bonds and meet your investment needs. It was a fairly easy environment.

“What we have now is a fundamental shift toward emerging markets, toward energy and materials and infrastructure.” (Hadekel, 2011, para. 20-22, emphasis added)

Similarly, a BlackRock survey referenced in a February 3, 2017 news article found that, in part spurred by “years of low rates” (Fischer, para. 4), institutional investors would allocate more money in 2017 to “real assets, including infrastructure, commodities, timber, farmland and the like” (para. 2). Beyond the low interest rates and strong growth in emerging markets, this is part of the larger shift from the previous paradigm, when monetary resources were concentrated in the Global North and the amount of financing for development often failed to meet targets. Instead, the Third Age of Financial Globalization (World Bank, 2013) includes increased financial power in the hands of the Global South, and it has led to more money being allocated for development. The increased development activity, in turn, heightened the demand for natural resources, and this has influenced the orientation of investors worldwide. All of this is happening at time when there is increasing emphasis on sustainability and prudent stewardship of the natural environment.

Some impact investors have positioned themselves to benefit from this set of circumstances, including Charly Kleissner, who found that agencies would pay “top dollar to conserve land . . . even during tough times” and whose firm, Beartooth Capital, “worked out a deal with the Nature Conservancy that yielded 4 percent to 5 percent during 2008 when the stock market tanked” (Stern, 2011, para. 22). Further, a March 9, 2015 article reported that Bank of America Merrill Lynch was recommending that its advisers take note, in particular concerning water (Hunnicut, 2015). Per the piece:

Much of the world’s water is either not potable or unreachable, yet clean water is a precursor to economic growth in developing economies, for uses including energy generation and agriculture.

“It’s a scarce commodity,” said [Mary Ann] Bartels, Merrill Lynch’s chief investment officer of portfolio solutions for U.S. wealth management.

She cited figures from the World Health Organization and UNICEF suggesting that 2.5 billion people lack access to proper sanitation. **“It is an investable theme, but it’s not just about buying the underlying commodity—water—it’s about buying companies that clean the water, that build the infrastructure,”** Ms. Bartels added. . . .

But its emphasis on water, which Merrill first presented as a long-term investing idea in 2013, isn’t primarily about returns. The theme also can be used to bring client portfolios in line with values of environmental sustainability or social equity. (Hunnicut, 2015, para. 3-5, 7, emphasis added)

Even if the investments are not “primarily about returns” for Merrill Lynch clients, the same article pointed to others investing in water because of its essential nature and what that could mean for financial returns:

Some companies enjoy regulatory advantages that let them control their markets and pass price increases to customers. And they may be able to exploit growth in emerging markets and water scarcity in the western U.S.

“For China to grow its economy, they have to produce more clean water,” said David Richardson, head of U.S. business development for Impax Asset Management, which runs a \$1.8 billion private water strategy and the Pax World Global Environmental Markets Fund (PXEAX). “It’s cold, red-blooded capitalism.” (Hunnicut, 2015, para. 10-11, emphasis added)

Also concerning water, a July 7, 2016 media item quoted Andrew Beebe, managing director at Obvious Ventures, described as “a venture firm for ‘world-positive’ investing,” who said, “take water [shortages] – on the other side of that solution is a massive pot of gold” (Somerville, 2016, para. 9). As in the aforementioned interview with Mr. Bugg-Levine, the question about whether water is a public good and a human right, or a commodity and an appropriate target for profit, appears again. Though Merrill Lynch views water as an investable theme and others are interested in its financial prospects, there is a contrasting, normative argument to be made. This argument holds as grave the potential consequences of connecting water with financial markets in a global context of significantly uneven distribution of wealth. It

also rejects any vision of ‘the future we want’ as being one in which water services are denied to people based on an inability to pay.

That trouble can arise at the intersection of transnational corporations, multilateral development institutions, and the commodification of water was evidenced in 2000, during the so-called Cochabamba Water War in Bolivia. Given the focus of this research, what was notable about that fight was the World Bank’s “firm position” that the Bolivian government should not introduce any kind of financial assistance that would aid Cochabamba residents in paying the rate increases for their water after the contract for its provision was awarded to Bechtel (Norris & Metzidakis, 2010, p. 38). This is reminiscent of Polanyi’s (1944) description of the social impacts of the Industrial Revolution and how “under the rule of the market, the people could not be prevented from starving according to the rules of the game” (p. 160). Such issues can and should be revisited in the present-day context of sustainable development, the potential power of impact investing if it becomes widespread, and the latter’s birth during a time of increasing South-South cooperation. Recall, also, that many viewed the establishment of the AIIB as an attempt to create a competitor to the World Bank.

Of further note here is a January 2017 report from UBS about impact investing and the SDGs, *Mobilizing Private Wealth For Public Good*, which indicated that using “multilateral development banks’ (MDB) balance sheet capabilities to augment investment returns may be just as, if not more, attractive for UHNW [ultra high net worth] clients than risk mitigation” (Smiles et al., 2017, p. 25). With private wealth both large and highly concentrated (Neate, 2017), there is the potential that returns to capital via the SDGs will reproduce some of the circumstances that led to the need for the SDGs in the first place. A November 2016 UNDP discussion paper, *Mobilizing Private Finance for Sustainable Development*, highlighted this:

For the first time global companies are investing more in emerging markets than in the USA, Europe and Japan. A number of African economies, where development needs are the highest, are now considered among the fastest growing economies in the world. **Any company with global ambition will have to invest in developing markets.** Yet, private sector investment continues to be highly concentrated geographically and sectorally, mostly in resource-rich countries, extractive industries and capital regions. **Policymakers, development partners and investors interested in a larger role for private finance in development must recognize that it still predominantly flows towards higher and middle-income countries and to bigger firms.** UNCTAD estimates that only 1.9 per cent of global FDI reaches the Least Developed Countries (LDCs). In Africa, the resource-rich countries' share of total FDI even if in decline is estimated at 70 per cent. The IFC's estimate is that only 15 per cent of MSMEs in the world have access to appropriate credit and other financial services. There is no indication this pattern will change without regulatory reforms that can shift incentives for investors combined with an endogenous push within the global financial market. (Riva & Neto, 2016, p. 8, emphasis added)

As the demand for natural resources is not predicted to wane, nor is Southern economic power, the characteristics of this new profit seeking in the Global South are almost certainly going to continue to influence the shape of global investment. While the hypotheses results show that impact investing is, in part, a Northern strategic response to new power in the global financial system, this first theme further illustrates that the strategy seeks financial benefit that is both unique, because it is not available in the North, and significant, given the number of people set to rise into the middle class. The first theme also points to impact investing as an effort to shape development. While such endeavors might lead to objectively better and more efficient delivery of services, they might also create opportunities for private actors to shape projects according to interests that are less aligned with the spirit of the SDGs.

In this context, the role of regulation becomes paramount, and this is treated in the Discussion section, below. But first, there are certain endogenous shifts in the private sector – specifically within the technology and banking industries – that have contributed to impact investing. These shifts are part of the second theme, and are discussed immediately below.

4.3.2 Complementary Corporate Trends

The second theme concerns strategic changes made by Northern corporations that shifted their businesses towards impact investing. This pertains to the internal motivations of corporations ('demand side'), rather than the external ('supply side') factors discussed above that are part of the contest over development. One sub-theme is education technology (edtech), and the other is the emphasis that transnational financial corporations placed on private banking. Both shifts placed the participating entities in business arenas where there are impact components, and the firms embraced this.

Although there was evidence in support of Hypotheses 2, which suggested that investors were spurred by low interest rates, this second theme suggests that the potential for outsized financial returns and the need to reorganize business models are also drivers behind impact investing. Note also that, while there were not a particularly large number of references to this second theme in the data set, because of the size and influence of the corporations involved, and the substance of the changes that spurred the new strategies, this theme is worthy of exploration as part of wider consideration of private finance and sustainable development.

Sub-theme 1: Edtech

A September 12, 2011 news article reported that after “a decade of small returns, some venture capitalists and institutional investors are adopting a strategy called ‘impact investing,’ and that’s good news for educational technology” (Kontzer, 2011, para. 1). The piece also discussed the sources of demand, and offered more detail about the benefits being pursued:

On the school front, a growing percentage of teachers are from the digital generation, and **sweeping education cuts are fueling their desire to use technologies that can help them with such issues as catering learning to the individual pace of each student. . . .** While hard numbers on ed-tech investments are hard to find, observers see a clear trend. In a recent blog post for the news site Inside Higher Ed, Joshua Kim, director of learning and technology for Dartmouth College’s Master of Health Care Delivery Science Program, wrote that “2011 will be remembered as the year the ed-tech sector got hot.” In the post, Kim wrote that tech companies like Amazon.com (AMZN), Apple (AAPL), Cisco Systems (CSCO), Google (GOOG), Intel (INTC), Microsoft (MSFT) and Oracle

(ORCL) — which he points out are collectively sitting on nearly \$200 billion cash — are set to make aggressive pushes into ed-tech through both acquisitions and investments. . . . While interest in achieving double bottom lines is rising, [Phoenix] Wang [co-founder of Startl.org] cautions against giving investors too much credit for altruistic ways.

She says most venture investors seek ed-tech investments because of the potential for huge returns, not primarily to do any social good.

Not that she’s complaining, but Wang says investors have been driven toward ed-tech in large part by a lack of good investment opportunities elsewhere. The search for opportunity has led them to the burgeoning ed-tech market. (Kontzer, 2011, para. 5, 8-9, 20-22, emphasis added)

In a September 29, 2012 media item, Omidyar Network Managing Partner Matt Bannick said, “Education is generally where there should be sector-level change” (Sullivan, para. 8), and the organization’s investment in Bridge International Academies, a chain of low-cost, private primary and nursery schools, was described as one that “seemed like a pure impact investment” (para. 9). Subsequently, a December 4, 2015 piece quoted Mr. Bannick highlighting the investment opportunities of edtech and fintech:

“We urge the VCs to go beyond the comfort of tested models to these exciting new businesses in areas such as fintech and edtech,” said Bannick.

“We believe financial technology, education technology, consumer internet and mobile represent the next frontier for venture capital in emerging markets. **Quick scale afforded by the spread of technology makes these sectors promising.**” he said.

While the focus areas of Omidyar Network are consumer internet, education, citizens and governance, financial inclusion and market access, it also backs early stage ventures in other areas such as solar energy, according to Bannick. (Toms, 2015, para. 9-11, emphasis added)

Klaus Schwab, executive chairman of the World Economic Forum and co-founder of the Schwab Foundation for Social Entrepreneurship, which “advocates impact investing” (Parmar, 2014, para. 2), expressed similar enthusiasm for increasing the role of technology in education.

The following is from the same September 4, 2014 news interview:

The world has changed. . . . Today, the word ‘entrepreneur’ is very important because we have recognized that, in the end, change—positive change—can only be brought about by people who use capital in the best way. And here social entrepreneurship is, for me, essential to driving inclusive societies, because **we know that we have many opportunities to apply new technologies and innovations to social problems. I’m just thinking of digital education**, of using mobile phones for farmers in Africa to get

market information, and so on—and that’s not something which, really, the government can dictate. You need poor persons on the ground, and then you have to replicate the idea. . . .

I would just add here: I would mainly invest in people. I would argue that we are in a situation where capitalism is replaced by talentism—everywhere—because capital is abundant today, but what really makes the difference is the talent that’s behind the company. (Parmar, 2014, para. 11-12, emphasis added)

The notion that capital is abundant comports with both the high savings rates in East Asia that were part of the conceptual framework and the questions raised above about why governments would not find borrowing attractive while interest rates are low. This seems particularly relevant for education, as public investment in public education would arguably yield tangible social dividends for decades thereafter. But where U.S. public policy with respect to education is concerned, a September 14, 2016 article about pay for success financing (also known as social impact bonds) referenced the Every Student Succeeds Act of 2015, which “directs federal dollars to incentivize these for-profit educational endeavors significantly legitimizing and institutionalizing them” (Saltman, as cited in Strauss, 2016, para. 9).

Later, a July 11, 2017 media item reported that The Rise Fund, the impact fund of hedge fund TPG, had received \$325 million from UBS and additional commitments from the New Mexico State Investment Council and Swedish pension fund AP2 (Markham, 2017). The piece also included the following:

At the Emerging Markets Private Equity Association conference in Washington D.C. in May, [Rise Fund Co-Founder Bill] **McGlashan told delegates every deal in The Rise Fund needs to return at least 2.5x**. He also said 65 percent of capital in the fund is institutional.

TPG has already begun investing The Rise Fund. In April **the fund led a \$190 million round in EVERFI, a provider of subscription-based digital learning to K-12 schools, universities**, corporations, sports leagues, and non-profits, while in May the vehicle made a \$50 million investment in Dolda Dairy, a Hyderabad, India-based fresh dairy product provider. (Markham, 2017, para. 13-14, emphasis added)

EVERFI's website has a list of investors that includes Bezos Expeditions, the personal investment company of Amazon CEO Jeff Bezos; Tomorrow Ventures, the investment vehicle of Google's executive chairman, Eric Schmidt; and Rethink Education and Rethink Impact, both venture capital arms of Seavest Investment Group, among others. Recall that both Google and Amazon were among the corporations that the September 12, 2011 piece said were set to invest heavily in edtech. Rethink Education also invested in the aforementioned Bridge International Academies, according to its website; besides Omidyar Network, other Bridge investors include the IFC, Novastar Ventures, Chan Zuckerberg Initiative, Bill Gates Investments, and LGT Impact Ventures (founded by the royal family of Lichtenstein). An April 8, 2014 press release that detailed how Novastar received a \$5 million investment from JPMorgan Chase and \$15 million from the U.K.'s DFID also indicated that the U.K. development finance institution CDC manages the fund (U.K. DFID, 2014).

In India, Burch and Miglani (2018) noted large investments in edtech by venture capital investors and foundations, and named the Michael and Susan Dell Foundation among the "highly active players in the Indian education reform movement" who were using impact investing "to increase supply and demand" for edtech (p. 593). The relationship between infrastructure investment and social needs might be obvious enough, but that this extends to education in the Global North might not be as clear. For impact investors, though, the opportunity exists. The below is from a March 21, 2016 news piece:

In the last few months, Santa Monica real estate investment firm Turner Impact Capital celebrated the launch of a Las Vegas charter school campus it helped build and snapped up two new apartment properties where it will offer affordable workforce housing. . . . Turner was founded in 2014 by former Canyon Capital Realty Advisors co-founder Bobby Turner, who realized about 15 years ago that there was an opportunity to generate a return by investing in the gap he saw between social needs and the amount of money being invested to try and solve them. . . . "To me, these daunting challenges also represented generational investment opportunities," Turner said. **"When you have 1.2 million kids on a waitlist for a**

charter school, at \$20,000 a school seat, that's a \$20 billion infrastructure opportunity." (Usheroff, 2016, para. 1, 3, 6, emphasis added)

With impact investing in education, private investors are engaging in different contexts – where there are established public school systems and where such systems are nascent or nonexistent. Education can be compared to water, as it can be argued that education is a human right and not a normatively appropriate arena for profit making. Also, SDG 4 concerns quality education and target 4.1 specifies that the goal is free primary and secondary education for all girls and boys.

With respect to the poorer countries of the developing world, an April 11, 2018 news item reported that the South African Democratic Teachers Union had protested IFC and World Bank support for the aforementioned Bridge schools because it was “essentially ensuring that a large number of the world’s most vulnerable children have no hope of receiving free, quality public education” (Villette, 2018, para. 9). In the Northern context, Saltman (cited in Strauss, 2016) suggested that pay for success projects like those undertaken in Chicago’s public schools “inject capital drainage” into public systems at “minimal risk” to the investors (para. 31).

Beyond monetary issues, there are issues of national sovereignty that concern Bridge schools. A February 6, 2018 press release from a federation of teachers unions contained the following:

The beginning of the new school year in Uganda has reignited the conflict between the Ugandan government and the for-profit education provider Bridge, who refuses to comply with the authorities’ request to meet national minimum standards on infrastructure, curriculum and teacher qualifications.

In a press release dated 6 February 2018, the Government of Uganda reiterated that Bridge schools “will not be permitted to open/operate this school year (2018).” However, Bridge International Academies, which operates 63 schools in Uganda, has ignored the order and reopened earlier this week.

This was despite a letter of 29th January from the Government of Uganda warning the company that its schools would not be allowed to operate, and a November 2016 court order authorizing the closure of the schools and that Bridge did not appeal. (Education International, 2018, para. 2-4)

In light of such events, a normative argument can be made that the monitoring of impacts of transnational investor activity needs to be ongoing and muscular. It is already well recognized that impact measurement plays a critical role in impact investing; it provides the investor with details of the impact achieved and is a record of behavior that supports investor and investee accountability to stakeholders and citizens (Jackson & Harji, 2014). Where social initiatives are being assessed, such measurement is also inherently sensitive. Maintaining privacy and the security of personal data is going to be important for impact investing to maintain social acceptance, and the security needs become even more acute when data about young people is collected by for-profit organizations funded by investors based outside of the country in which the students reside.

Thus technology innovations for education, as promoted by impact investors, have impacts that go beyond individual student learning outcomes. And here is an area where the notion that “impact is in the eye of the investor” (Schultz, 2016, para. 4) might mean there is a distance – and potentially a large distance – between sustainable development, as understood by the UN’s global framework of the SDGs, and the actions of impact investing practitioners. This is also related to the above-discussed sub-theme around shaping development. Transnational technology corporations that use their resources and expertise to design and disseminate for-profit educational tools will influence the shape of how the world progresses towards educational goals, irrespective of whether this was a component of the corporations’ original intentions.

Sub-theme 2: New Primacy of Private Banking

In the years immediately following the 2008 financial crisis, the actions of various authorities altered the position of many of the world’s largest wealth managers. One such

authority was the U.S. Internal Revenue Service (IRS), and a November 11, 2013 news article (Bender, 2013) noted that after UBS's cooperation with the IRS in 2009 "sounded the death-knell for banking secrecy and changed the face of the industry for good" (para. 10), the bank had "restructured and bounced back from a near-death experience to its perch of leading global wealth manager" (para. 2). The piece also quoted an unnamed practitioner who said private banking had previously been "akin to organized crime. It has not been about just stealing a few sweets" (Bender, 2013, para. 11). The item further related:

The role of Swiss private banks has changed beyond recognition. Once perceived as hiding places for cash hoarded by dictators, criminals and tax dodgers, many are now big participants in social impact investing and philanthropy projects. They help distribute the wealth of billionaires. (Bender, 2013, para. 3)

Indeed, a November 1, 2013 news item reported that UBS had "invested significantly in its ultra-high-net-worth segment, offering new initiatives such as impact investing" and "the bank's global family offices group functions as a joint venture between the wealth management unit and the investment bank, to target the needs of the world's largest 250 family offices" ("PWM/The Banker Global Private Banking Awards," 2013, para. 7-8). An August 1, 2017 media piece retrospectively detailed the changes at some of the world's largest banks after the 2008 financial crisis and related that Credit Suisse and UBS both rearranged the structure of their organizations so that wealth management was "the new core, with investment bankers supporting the private client managers" (Bender, para. 8). The item further stated:

By 2010, things had changed drastically. Goldman Sachs had moved its Manchester-born chief economist Jim O'Neill, inventor of the Brics acronym, which has defined emerging markets in the modern era, from the helm of the investment bank to head up the \$800 [billion] asset management division. This was in response to regulatory changes which redefined both investment banking and asset management, but was also recognition that after a series of crashes and scandals, investment banking was no longer held in such high regard by the institutions themselves. (Bender, 2017, para. 5-6)

Also with respect to the 2008 financial crisis, a retrospective June 6, 2017 news piece related that Goldman Sachs and Morgan Stanley, which “were forced to become deposit-taking institutions” during the crisis, were thereafter subject to the U.S. Community Reinvestment Act and “must allocate a portion of their capital to investing in the communities in which they operate, including low- and mid-income communities” (Rose-Smith, para. 7).

Another media item, this one from November 28, 2015, said that “even Goldman Sachs now considers an impact-investing arm to be a vital part of its services to families” and called wealth management “the bank’s bread and butter” (Milburn, para. 12). A September 2013 World Economic Forum report, *From the Margins to the Mainstream: Assessment of the Impact Investing Sector and Opportunities to Engage Mainstream Investors*, stated that “like other intermediaries, depository institutions in the impact investment sector are still small, niche players relative to large, multinational commercial banks” (Drexler, Noble, & Bryce, p. 17).

A December 5, 2015 media item quoted Mark Burrows, managing director and vice-chairman of global investment banking at Credit Suisse, who said, “All private banks are looking for impact investing products,” and “It is a terrific opportunity to access large private wealth managers around the world. Valuing natural capital is the next big thing” (Lloyd, para. 25). While there were numerous instances across the data sample in which bank representatives indicated impact investment products were created in response to client demand, a May 30, 2016 article said that while “everyone listens closely at customer presentations, it’s still a minority that really puts up their money” (Köler, para. 14). More recently, a February 23, 2017 piece reported industry research, which showed that while UHNW individuals “have long wanted to partake in impact investing,” according to Merrill Lynch, it was “only recently” that impact investing became of interest to the “broad wealth management client base” (Thrasher, para. 8).

The significance of the UHNW interest in impact investing is only heightened because of the upcoming intergenerational wealth transfer. The aforementioned January 2017 report from UBS, *Mobilizing Private Wealth For Public Good*, indicated that impact investing was very popular among young people, and in particular “millennials inheriting billionaire wealth see business success as a way of benefiting society” and are “passionately committed to their cause” (Smiles et al., p. 14). Also per the report, “we are about to witness the greatest transfer of wealth in human history. Approximately 460 billionaires will hand down USD 2.1 trillion to their heirs over a period of just 20 years” (Smiles et al., 2017, p. 14).

The aforementioned financing gap for the SDGs and the questions raised around both *access* to and *distribution* of private wealth make this transfer interesting from the sustainability perspective. There is an opportunity to have a public debate about new taxes on inheritance that could be used towards crucial sustainability targets. This debate might in particular focus on raising funds for those countries that continue to be financially excluded, even with the recent increase in private investment. Such a focus is important because, as shown in the support for the hypotheses and in the contest over development explicated in the first theme, the money engaging in impact investing is seeking profit and influence in ways that are unlikely to aid the poorest of the poor.

Already some emphasis on wealth transfer is evident within the EU, as there have been calls for a pan-European inheritance tax to help stimulate economic growth (Varoufakis & Galbraith, 2017). To the extent that there is resistance to a debate about such a tax with respect to sustainability, then that alone would be one answer to the question of the current relationship between finance and sustainability. Moreover, it is evident from the above that, given their role as intermediaries, private bankers and wealth managers will have distinct influence on the kinds

of impact investing initiatives supported in the future. Since the intergenerational wealth transfer means these wealth managers are themselves in transition in their businesses – because the clients are changing – this can be considered an opportunity for citizens to have some input regarding how the asset management business changes.

4.4 Discussion

Having conducted qualitative analysis to assess the hypotheses and explore two main themes from the data, there is now the opportunity to engage with the results from the critical realist perspective. Recall that Elder-Vass (2006) differed from Bhaskar (2008) and argued that causal powers also exist in the domain of the actual, because those powers are generated by entities when they interact. From the critical realist perspective, each of the organizations in the data set is an entity. With this project, there is the opportunity to identify and discuss some ‘actual’ causal powers related to impact investing, but not to engage with retrodution, i.e., a multi-leveled exploration of the actual causation of impact investing, including how ‘real’ causal powers combined to produce it. While, admittedly, Danermark, Ekström, Jakobsen, & Karlsson (2002) argued that “retrodution is the vital contribution of critical realism to social scientific methodology” (p. 11), because of the global macro level of analysis here, and the highly integrated global financial system that is just one component of impact investing, there are undoubtedly multiple ‘real’ mechanisms that have produced it, and those mechanisms certainly interact in complex ways. Future research might engage with retrodution in analysis, in particular as the academic literature regarding impact investing matures.

Meanwhile, the framework of neopluralism aids in identifying causal powers. Recall from above that Cerny’s (2010) transnational neopluralism focuses on the advantage that accrues to internationally connected actors within globalization. Further, McFarland (2004) identified

three categories of central actors in neopluralism: “producer groups”; “social movements”; and “institutional actors and state officeholders” (as cited in Cerny, 2010, p. 105). Notice that almost all of the entities in the data set fit into one of the three groups. For state officeholders like USAID and OPIC, the data showed that they engaged in the behavior of impact investing to enhance American influence in a changing global financial context. There was a desire to leverage private finance to extend the reach of U.S. foreign policy and development objectives (Gillam, 2010) and to support American companies in capturing some of the advantages of strong economic growth in developing countries (U.S. Department of State, 2012a). This overlapped with a changing atmosphere for internationally oriented philanthropic organizations like The Rockefeller Foundation and Ford Foundation. Via their support for the impact investing sector, these organizations not only responded to their diminishing share of global giving, but also aligned with and helped propel a much broader social movement that seeks to demonstrate that social and environmental projects are viable prospects within the traditional investing and commercial paradigms.

As both the state officeholders and those within the social movement found in impact investing a critical infusion of private capital, the behavior of the producer groups – many of the entities in the sample are transnational, financial services corporations, and I would include the World Economic Forum as a producer group – becomes especially important. The banks, after all, are the entities with capital to invest and clients who also have significant sums of money. The data indicated that many banks were motivated to engage in impact investing as part of a larger effort to reinvent their business models and strengthen wealth management capacities. They were also attracted because impact investments offer novel financial returns, the likes of

which were often difficult to obtain in Northern markets in the decade during which impact investing matured to its current state.

I suggest that one causal power is found in the interaction between the state officeholders and the entities within the social movement, as this made impact investing multidimensional. An activity that might have remained the purview of individual billionaires and traditional philanthropists became a development tool and a new posture for foreign policy because development finance institutions participated in a significant way. This also diversified the resource stream for the sector, as both public and private money was eligible for use in impact investing.

I suggest another causal power is found in the interaction between the state officeholders and the producer groups. Facing a skeptical public after the 2008 financial crisis, the banks met both customer and community demands for improved services via impact investing, and found a new stream of business that enhanced competitiveness in areas of the emerging markets where wealth is growing quickly. This was especially the case for UBS in Asia (UBS, 2017). Northern state officeholders, having rescued the banking system via bailouts after the 2008 financial crisis, benefitted from the re-positioning of these banks as intermediaries for sustainability-focused social and environmental initiatives. Impact investing, a government tool used by development finance institutions, thus became an additional kind of tool to the extent that it improved the image of the banking system that Northern governments had supported during and after the crisis. Given the opacity of the impact investing market thus far, however, the quality of this new intermediation is unclear. Thus, some hesitation might be healthy. If global financial institutions become deeply embedded in sustainability initiatives, it might make it harder to enact

changes to the structures of these institutions without threatening projects doing important environmental and social work.

4.4.1 Abduction

In critical realism, the process of abduction, or theoretical re-description, might result in the imperfect application of theory, Fletcher (2017) explained, but even so, abduction is important because it “raises the level of theoretical engagement beyond thick description” (p. 188). Danermark et al. (2002) defined abduction as “to move from a conception of something to a different, possibly more developed or deeper conception of it” (p. 91). Since impact investing is an increasingly popular component of a rapidly changing global context for finance and development, such deeper consideration is timely.

A key empirical finding of this research is the importance of transnational corporations. Beyond the participation from financial institutions, other major corporations, including technology firms and insurance companies, have made impact investments in areas such as edtech, micro-insurance, and green bonds as part of a strategic response to low yields in the Global North, and because these endeavors offer better, and potentially outstanding, financial returns. While, as discussed above, both Cerny (2010) and Grabel (2011) characterized the post-crisis period as a chaotic one that might sprout new power relations, an interesting aspect of the causal powers is how impact investing not only strengthened Northern governments by joining public money with private finance, but also strengthened Northern-based financial corporations. Arguably, this enabled these financial institutions to maintain a privileged position in globalization at a time when public regulation might have restrained them. Therefore, I suggest the findings of this project comport better with the argument in Crouch (2009). According to

Crouch's (2009) concept of privatized Keynesianism, it is likely there will be a governance shift from unregulated corporations to self-regulating corporations.

There are not yet any codes of conduct, voluntary or otherwise, for impact investing. But given the prominent participation from large corporations, and absent a trend shift, there is little reason to expect that any standards, if created, would be qualitatively different from the industry-led initiatives already in place. (As mentioned above, these include the SASB, UNPRI, and UNEP FI, among others.) The question then becomes whether an impact investing market shaped and led by self-regulating transnational corporations is capable, at scale, of meeting the financing needs of the transition to a more sustainable future. This question is open to debate, and a conclusive answer is not possible in this thesis. Nonetheless, the pension component, mentioned briefly above, might serve as evidence that impact investing is a tool that lends itself to considerable variation depending on the actors involved.

Recall that Crouch (2009) argued that labor would not be more than a “token actor” (p. 397) in the regime of self-regulating corporations. In this context I note that of the 31 entities in the data sample, there were two for which little involvement in impact investing was found in the collected data – SEIU and the United States Institute of Peace. For SEIU, the most substantive activity found was the organization's chief financial officer (CFO) appearing alongside then-Labor Secretary Tom Perez when he signed changes to Employee Retirement Income Security Act guidelines concerning socially responsible investing in October 2015 (Napach, 2015).

Nonetheless, a February 2012 report supported by The Rockefeller Foundation, *Impact at Scale* (Wood, Thornley, & Grace), included a breakdown of U.S. institutional investors, and it showed pension funds were by far the largest, with \$15.3 trillion in assets under management. The report also described pension funds and other institutional investors as “an especially

important category of current and prospective impact investor” (Wood, Thornley, & Grace, 2012, p. 7). In a later opinion piece, Matthew Weatherley-White, a co-founder of impact investing firm Caprock, stated that “government policy frequently allocates capital poorly” and “accordingly, institutions and other forms of private capital—wealthy families, sovereign wealth funds, pension funds—must get on board” with impact investing (Weatherley-White, 2017, para. 21).

Given the amounts involved, using pension fund money for impact investing could be very powerful. But the sustainability of traditional defined-benefit pension plans – i.e., the ability of these plans to continue operating in approximately the same fashion for the foreseeable future – is hotly debated right now. Recall from above that the Laura and John Arnold Foundation, which has worked on pay for success initiatives with The Rockefeller Foundation and the Nonprofit Finance Fund, seeks reforms to public pensions that include partially or completely privatizing them. To connect pensions with social and environmental initiatives at this time when pension structures are themselves subject to external drives for reform is to potentially add an element of instability to provisioning for sustainable development.

Another view of sustainability objectives also applies here. Sustainability requires transitions away from harmful processes, and these changes are going to be capital intensive. Success in these transitions is more likely if other structures that are generally effective now stay healthy. Therefore it becomes important that the retirement plans in place, whichever form(s) they take, effectively provide for citizens in their old age. A financial crisis for the elderly that coincides with all other sustainability imperatives would be, to understate it, a significant problem.

One critique of the efficacy of private, individual retirement accounts vis-à-vis more traditional group pension plans is that in a neoliberal paradigm that structurally supports “low or stagnant” wages and weak trade unions (Blyth & Matthijs, 2017, p. 210), many workers would struggle to defer enough of their wages for a secure retirement. Defined-benefit pension funds, in one sense, tether the fortunes of the working classes to the fortunes of returns to capital in the markets. Also, and importantly, large pools of capital can be powerful in ways not available to smaller actors. A move to individual retirement accounts would mean unionized workers forfeit the advantages of collective investment. The wisdom of moving to individual plans would thus heavily depend on the equitable treatment of small investors by the structures of the capital markets. Further, where the capital markets are substantively involved in sustainability initiatives, this can be extended to the treatment of individual citizens.

It is therefore of note, in the broader context, that the literature review by Dagers and Nicholls (2016) found no agreement about whether impact investors or the companies in which they invest “are accountable to the people whose lives they are aiming to change” (p. 18). If impact investing is to continue to grow, the implications of this are worthy of deep consideration.

Chapter 5. Conclusions

5.1 Summary of Findings, Contributions, and Limitations

Daggers and Nicholls (2016) described impact investing as an under-institutionalized field and called for more academic research into it. To help address this gap, I employed a critical realist methodological approach and used thematic analysis of documents to identify some causal mechanisms behind the emergence of impact investing. The results show that the field of impact investing needs to be understood as part of the politics of the international system, in particular the ongoing North-South development tensions and the emerging role of transnational corporations in global governance. Increasing South-South cooperation, including the ways in which it has altered the conditions for profit-making corporations, is influencing these relations. Issues of *access* to and *distribution* of natural and monetary resources are central to impact investing, and they are likely to have material influence on the shape of sustainable development. This research contributes to the academic literature about impact investing by connecting the sector with this broader political context.

Beyond the potential for researcher subjectivity that is inherent in document analysis and qualitative research more generally, an important limitation of this study is the size of the data sample, which contains just 31 organizations. These organizations were chosen from an English-language news database that is international in scope, but run by a U.S.-based company; it also focuses on business and finance. Such a bounding of the data set was appropriate because this research sought to understand the motivations of some of the most prominent actors in the field, as I suggested those actors are most likely to influence the future of impact investing. However,

as a consequence, the results are not generalizable to all impact investors, and the Southern view of impact investing is almost entirely absent.

It is also possible that the significance of corporations found in the results is partly reflective of the presence of several transnational corporations in the data sample. Future research, discussed below, might therefore use similar methods to study different and potentially larger populations of impact investors. Meanwhile, the subjectivity was addressed in part by the systematic collection of data and the transparency offered with respect to the data and coding for thematic analysis.

5.2 Directions for Future Research

Having completed this project, I see two primary avenues as promising for future research about impact investing. One, as referenced above, is the possibility of conducting similar thematic analysis on a different sample of entities and then comparing those results with the results here. This would aid in understanding the extent to which the entities I studied are representative of the overall sector. A larger project might even consider studying a sample of 100 entities or more. Multiple coders could be employed to make the volume of material manageable and address subjectivity. Moreover, if the organizations were grouped into the oft-mentioned three categories of actors in neopluralism – producer groups, social movements, and institutional actors and state officeholders – there would be an opportunity to conduct a comparative analysis of the themes found in documents from each group.

The second avenue involves inquiry into the relationship between large technology corporations and impact investing. Because decisions made by these firms and their executives, including via private foundations and family offices, have noticeable effects on the global economy, mapping their impact investing activity is likely to identify new relationships and

contribute to a deeper understanding of the emergence of the field. I suggest that this could be illuminating whether the firms and executives themselves are the starting point, and the mapping exercise seeks to describe their efforts, or if technology-related impact investments fitting a certain criteria provide the basis, and the mapping then seeks to identify the investors involved.

In September 28, 2017 conference presentation, UBS's Group CFO, Kirt Gardner, described as "astonishing" the pace of technological changes in finance, and said that banks are "increasingly becoming tech plays" ("UBS Group AG," para. 18). Additionally, a February 11, 2018 article in the *Financial Times* reported that American corporations had approximately "\$1 trillion in corporate offshore savings parked in liquid assets" (Foroohar, para. 4) and "the largest and most intellectual-property-rich 10 per cent of companies – Apple, Microsoft, Cisco, Oracle, Alphabet – control 80 per cent of this hoard," (para. 5). Note that all of these firms were also named in the above-discussed September 12, 2011 news piece about impact investing in edtech. As advances in technology are likely to play an important role in solutions for sustainable development, an understanding of the posture and future plans of already powerful technology firms seems to me to be especially critical.

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Appendix A – Documents for Analyses

Title	Type	Date
Rockefeller Foundation, www.rockefellerfoundation.org		
1. <i>Impact Investments: An Emerging Asset Class</i> (produced by J.P. Morgan, with contributions from The Rockefeller Foundation and the Global Impact Investing Network)	research report	November 2010
2. <i>Impact Investing in West Africa</i> (produced by Dalberg Global Development Advisors)	research report	April 2011
3. <i>Impact at Scale, Policy Innovation for Institutional Investment with Social and Environmental Benefit</i> (produced by Insight at Pacific Community Ventures and the Initiative for Responsible Investment at Harvard University)	research report	February 2012
4. <i>Unlocking Capital, Activating a Movement. Final Report of the Strategic Assessment of The Rockefeller Foundation's Impact Investing Initiative</i> , produced by E.T. Jackson & Associates	research report	March 2012
5. <i>Accelerating Impact – Achievements, Challenges and What's Next in Building the Impact Investing Industry</i> (produced by E.T. Jackson & Associates)	research report	July 2012
6. <i>Final Evaluation, The Rockefeller Foundation's Program-Related Investments Portfolio</i> (produced by Arabella Advisors)	research report	July 2013
7. <i>Scaling Impact Enterprises Through Innovative Platforms</i> (produced by Rockefeller and Monitor Deloitte)	research slides	October 2013
8. <i>Finance for Resilience: Engaging Impact Investors and the Private Sector</i> (produced by Total Impact Advisors)	research report	November 2013
9. <i>Social & Environmental Due Diligence: From the Impact to the Business Case</i> (produced by Root Capital)	issue brief	January 2014
10. <i>Venture Philanthropy in Development: Dynamics, Challenges and Lessons in the Search for Greater Impact</i> (produced by OECD netFWD)	research report	February 2014
11. <i>Sustainable Fisheries Financing Strategies</i> (produced by EKO Asset Management Partners, in cooperation with Oceana and Rare)	research report	March 2014
12. <i>Investing for Impact: A Strategy Choice for African Policymakers</i> (produced by Bridges Ventures and the	research report	April 2014

African Private Equity and Venture Capital Association)

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| 13. <i>2014 Echoing Green Snapshot: For-Profit and Hybrid Applications</i> (produced by Echoing Green) | research snapshot | May 2014 |
| 14. <i>Assessing Impact Investing: Five Doorways for Evaluators</i> (produced by E.T. Jackson & Associates) | research report | July 2014 |
| 15. <i>Accelerating Impact: Exploring Best Practices, Challenges and Innovations in Impact Enterprise Acceleration</i> (produced by Monitor Deloitte) | research report | February 2015 |
| 16. <i>Streams of Social Impact Work: Building Bridges in a New Evaluation Era with Market-Oriented Players at the Table</i> | working paper | October 2015 |
| 17. <i>Performance Measurement for Impact Employment: A Catalog of Impact Employment Metrics</i> | research report | October 2015 |
| 18. <i>Investing for Sustainable Global Fisheries</i> (produced by Encourage Capital) | research report | January 2016 |
| 19. <i>Innovative Finance: Mobilizing Capital for Maximum Impact</i> (by Knowledge@Wharton with the Wharton Social Impact Initiative) | research report | August 2016 |
| 20. <i>Situating the Next Generation of Impact Measurement and Evaluation for Impact Investing</i> | discussion paper | October 2016 |
| 21. <i>Exploring Incentive-Based Solutions for Freshwater Management</i> | research report | 2016 |

Omidyar Network, www.omidyar.com

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| 1. <i>Priming the Pump: The Case for a Sector Based Approach to Impact Investing</i> | research report | September 2012 |
| 2. <i>Accelerating Entrepreneurship in Africa: Understanding Africa's Challenges to Creating Opportunity-Driven Entrepreneurship</i> (produced by Omidyar Network in partnership with Monitor Deloitte) | research report | April 2013 |
| 3. <i>Beyond the Pioneer: Getting Inclusive Industries to Scale</i> (produced by Monitor Deloitte) | research report | April 2014 |
| 4. <i>Frontier Capital: Early Stage Investing for Financial Returns and Social Impact in Emerging Markets</i> | research report | October 2015 |
| 5. <i>Open Data: Six Stories About Impact in the U.K.</i> | research report | November 2015 |
| 6. <i>Evaluating Ecosystem Investments</i> (produced by FSG) | research report | June 2016 |
| 7. <i>State of Aadhaar Report 2016-17</i> (produced by IDinsight) | research report | May 2017 |
| 8. <i>Building a Philanthropic Investment Firm</i> | research slides | June 2017 |

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| 9. <i>Reaching Deep in Low-Income Markets: Enterprises Achieving Impact, Sustainability and Scale at the Base of the Pyramid</i> (produced by Monitor Deloitte) | research report | September 2017 |
| 10. <i>Impact Investing: Purpose-Driven Finance Finds its Place in India</i> (produced by McKinsey & Company) | research report | September 2017 |
| 11. <i>Constituent Voices, Issue 1: Trust and Privacy</i> | research report | October 2017 |

UBS AG, www.ubs.com

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| 1. <i>Adding Value(s) to Investing: Sustainable Investing</i> | research report | March 2015 |
| 2. <i>In Challenge Lies Opportunity: Investing for Sustainable Development</i> | research report | September 2015 |
| 3. <i>Doing Well by Doing Good: Impact Investing</i> | research report | May 2016 |
| 4. <i>Mobilizing Private Wealth for Public Good</i> | white paper | January 2017 |
| 5. <i>Millennials: The Global Guardians of Capital</i> | white paper | June 2017 |
| 6. <i>Business with Impact</i> | white paper | September 2017 |

Morgan Stanley, www.morganstanley.com

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| 1. <i>Investing With Impact: Creating Economic, Social and Environmental Value</i> | research report | February 2017 |
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Overseas Private Investment Corporation, www.opic.gov

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| 1. <i>Sarona Frontier Markets Fund 2</i> (produced by Convergence) | case study | June 2016 |
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JPMorgan Chase, www.jpmorganchase.com

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| 1. <i>Counter(Imp)acting Austerity: The Global Trend of Government Support for Impact Investment</i> | research report | November 2011 |
| 2. <i>Insight into the Impact Investment Market: An In-Depth Analysis of Investor Perspectives and Over 2,200 transactions</i> | research report | December 2011 |
| 3. 2012 Corporate Responsibility Report | corporate report | 2012 |
| 4. <i>A Portfolio Approach to Impact Investing: A Practical Guide to Building, Analyzing and Managing a Portfolio of Impact Investments</i> | research report | October 2012 |
| 5. <i>Perspectives on Progress: The Impact Investor Survey</i> | research report | January 2013 |
| 6. 2013 Corporate Responsibility Report | corporate report | 2013 |

7.	<i>Spotlight on the Market: The Impact Investor Survey</i>	research report	May 2014
8.	<i>Investing in Conservation: A Landscape Assessment of an Emerging Market</i> (produced by EKO Asset Management Partners and The Nature Conservancy)	research report	November 2014
9.	<i>Impact Assessment in Practice: Experience From Leading Impact Investors</i>	research report	May 2015
10.	<i>Eyes on the Horizon: The Impact Investor Survey</i>	research report	May 2015
11.	<i>Beyond Inclusion: A Strategic Approach to Investing in Financial Capability</i> (produced by Enclude)	research report	February 2016
12.	<i>State of Private Investment in Conservation 2016: A Landscape Assessment of an Emerging Market</i> (produced by Ecosystem Marketplace)	research report	December 2016

Bank of America Corporation, www.bankofamerica.com

1.	<i>Shifting the Lens: A De-Risking Toolkit for Impact Investment</i> (produced by Bridges Ventures LLP's Bridges Impact+)	research report	January 2014
2.	<i>Choosing Social Impact Bonds: A Practitioner's Guide</i> (produced by Bridges Ventures LLP's Bridges Impact+)	research report	October 2014
3.	<i>Impact Investing: The Performance Realities</i>	white paper	November 2016

BlackRock Inc., www.blackrock.com

1.	Annual Report, iShares MSCI EAFE ESG Optimized ETF and iShares MSCI Global Impact ETF	annual report	August 2016
2.	iShares MSCI Global Impact ETF	prospectus	December 2016
3.	BlackRock iShares MSCI Global Impact ETF	product brief	March 2017
4.	Annual Report, BlackRock Impact Bond Fund & BlackRock Impact U.S. Equity Fund	annual report	May 2017
5.	BlackRock Impact U.S. Equity Fund	product commentary	June 2017
6.	BlackRock Impact Bond Fund	product commentary	June 2017
7.	BlackRock Impact Bond Fund	prospectus	September 2017
8.	BlackRock Impact U.S. Equity Fund	prospectus	September 2017
9.	BlackRock Impact U.S. Equity Fund	investor brochure	September 2017

United States Agency for International Development, www.usaid.gov

1. <i>Financing Framework to End Preventable Child and Maternal Deaths</i>	research report	summer 2015
2. <i>Gender Lens Investing in Asia</i>	research report	September 2015
3. 2017 Impact Brief	impact brief	2017
4. <i>Investing for Impact: Capitalizing on the Emerging Landscape for Global Health Financing</i>	research report	August 2017

United Nations, www.un.org

1. <i>Progress Report on Options for a Future Business Model for the United Nations Capital Development Fund</i> (Executive Board of the United Nations Development Programme and of the United Nations Population Fund)	progress report	September 2004
2. Summary record of the joint meeting of the Second Committee and the Economic and Social Council on “ <i>Finding solutions for addressing sustainable development challenges and accelerating the achievement of the Millennium Development Goals</i> ”	meeting summary	December 2013
3. <i>Mobilizing Investment for Sustainable Development: Background Information and Considerations Pertinent to the Third International Conference on Financing for Development</i>	note by the UNCTAD Secretariat	February 2015
4. <i>Promoting Entrepreneurship for Development</i>	note by the UNCTAD Secretariat	February 2015
5. <i>Addis Ababa Action Agenda of the Third International Conference on Financing for Development</i> (General Assembly)	draft resolution	July 2015
6. <i>Entrepreneurship for Development</i> (General Assembly)	report of the Secretary-General	July 2016
7. <i>Taking the Next Step: Developing an Action Agenda for Science, Technology and Innovation for Sustainable Development in Asia and the Pacific</i> (Economic and Social Commission for Asia and the Pacific)	note by the Secretariat	August 2016
8. General Assembly resolution 71/221: <i>Entrepreneurship for Sustainable Development</i>	adopted resolution	December 2016
9. <i>Report of Team of Specialists on Innovation and Competitiveness Policies on its Ninth Session</i> (Economic Commission for Europe)	meeting report	January 2017
10. <i>Policy Approaches to Scaling Social Enterprise and Impact Investment in Asia and the Pacific</i> (Economic and Social Commission for Asia and the	note by the Secretariat	March 2017

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| 11. <i>Report of the Committee on Innovation, Competitiveness and Public-Private Partnerships on its eleventh session</i> (Economic Commission for Europe) | session report | April 2017 |
| 12. Summary by the President of the Economic and Social Council of the Forum on Financing for Development follow-up, including the special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development | meeting summary | June 2017 |
| 13. <i>External Debt Sustainability and Development</i> | report of the Secretary-General | July 2017 |
| 14. <i>Enhanced Cooperation Between the United Nations and All Relevant Partners, in Particular the Private Sector</i> | report of the Secretary-General | August 2017 |
| 15. <i>The UNOPS Strategic Plan, 2018-2021</i> | strategic plan | September 2017 |

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| 1. <i>Investing for Impact: How Social Entrepreneurship is Redefining the Meaning of Return</i> (produced by Credit Suisse and the Schwab Foundation for Social Entrepreneurship) | research report | January 2012 |
| 2. <i>Breaking the Binary: Policy Guide to Scaling Social Innovation</i> (produced by the Schwab Foundation for Social Entrepreneurship, in collaboration with InSight at Pacific Community Ventures, the Initiative for Responsible Investment at Hauser Center for Non-Profit Organizations at Harvard University and SK Group) | research report | April 2013 |
| 3. <i>From the Margins to the Mainstream: Assessment of the Impact Investment Sector and Opportunities to Engage Mainstream Investors</i> (in collaboration with Deloitte Touche Tohmatsu) | research report | September 2013 |
| 4. <i>From Ideas to Practice, Pilots to Strategy: Practical Solutions and Actionable Insights on How to Do Impact Investing</i> | research report | December 2013 |
| 5. <i>Charting the Course: How Mainstream Investors Can Design Visionary and Pragmatic Impact Investing Strategies</i> (in collaboration with Deloitte Touche Tohmatsu) | research report | September 2014 |
| 6. <i>From Ideas to Practice, Pilots to Strategy II: Practical Solutions and Actionable Insights on How to Do Impact Investing</i> | research report | September 2014 |
| 7. <i>Impact Investing: A Primer for Family Offices</i> | research report | December 2014 |

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| 1. <i>Impact Investing: What Role for Defined Contribution Plans?</i> | research report | November 2016 |
| 2. 2016 Sustainability Report, <i>The Purpose of Sustainability</i> | corporate report | 2016 |

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| 1. <i>Conservation Finance: Moving Beyond Donor Funding Toward an Investor-Driven Approach</i> (co-produced with WWF and McKinsey & Company) | research report | January 2014 |
| 2. <i>Investigating the Scalable Models of the Future</i> | workshop report | January 2014 |
| 3. <i>Aiming for Impact: Credit Suisse and the Sustainable Development Goals</i> | research report | August 2015 |
| 4. <i>Higher Education: Investing in Future Leaders. How Impact Investment Can Enable Underprivileged Talents to Access Best-in-Class Higher Education</i> (produced by INSEAD) | white paper | December 2015 |
| 5. <i>Conservation Finance From Niche to Mainstream: The Building of an Institutional Asset Class</i> (co-produced with the McKinsey Center for Business and Environment) | research report | January 2016 |
| 6. <i>Credit Suisse and the Sustainable Development Goals: Stakeholder Workshops in Hong Kong and Zurich</i> | workshop report | January 2016 |
| 7. <i>Microfinance – Building Capacity for Inclusive Growth</i> | research report | April 2016 |
| 8. <i>Levering Ecosystems: A Business-Focused Perspective on How Debt Supports Investments in Ecosystem Services</i> (co-produced with Clarmondial and the Climate Bonds Initiative) | research report | April 2016 |

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| 1. <i>Mind the Finance Gap: Evidencing Demand for Community Finance</i> (co-produced with Community Development Finance Association) | research report | 2013 |
| 2. <i>Making a Difference – 2015 Impact Report</i> | impact report | 2015 |

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| 2. BMO Women in Leadership Fund | annual management report 2016 | n.d. |

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1. Newpin Social Benefit Bond	information memorandum	April 2013
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4. Response to Tax White Paper Task Force	official submission	June 2015
5. SVA Social Impact Fund	annual investor report	June 2015
6. Newpin Social Benefit Bond	annual investor report	June 2015
7. SVA Social Impact Fund	annual investor report	June 2016
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9. Response to the Commonwealth Government's Social Impact Investing Discussion Paper	policy analysis report	February 2017
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12. SVA Diversified Impact Fund	information memorandum	September 2017

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2. SNS Institutional Microfinance Fund II	fund overview	2013
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4. SNS Institutional Microfinance Fund II	fund overview	2014
5. <i>Our Investment Policy for the Natural Resources Industries</i>	policy report	July 2014
6. <i>A Framework for Responsible Investment Research Into Third-Party Solutions</i>	policy report	July 2014
7. <i>Landgrabbing</i>	position paper	July 2014
8. ACTIAM Institutional Microfinance Fund I	fund overview	2015
9. ACTIAM Institutional Microfinance Fund I & II	investor impact report	2015
10. ACTIAM Institutional Microfinance Fund II	fund overview	2015
11. <i>An Overview of the Financial Instruments for Sanitation Used in FINISH Programs in India and Kenya, Financing</i>	research paper	October 2015

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12. ACTIAM Institutional Microfinance Fund III	fund overview	2016
13. <i>The Essence of Public and Private Funding for Sanitation, Financing Sanitation Paper Series #2</i> (co-produced with FINISH Society and WASTE)	research paper	January 2016
14. ACTIAM Institutional Microfinance Fund III	responsibility and impact report	October 2016
15. Voting Policy	policy report	January 2017
16. <i>Fundamental Investment Principles: Sovereigns</i>	policy report	January 2017
17. <i>Energy Transition</i>	policy report	March 2017
18. <i>Integrating Sustainable Materiality Into Investment Decisions</i>	research report	April 2017
19. <i>Fundamental Investment Principles – Companies</i>	policy report	April 2017
20. <i>The Social Value of Microfinance</i>	briefing note	n.d.
21. <i>Finance is Blind – We Better Steer it Towards Impact Investing</i>	briefing note	n.d.
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27. <i>We Are ACTIAM!</i>	informational flyer	n.d.
28. <i>Focus on Water, Climate and Land</i>	informational brochure	n.d.
29. <i>ACTIAM: Engaging to Change Meat Production</i>	case study	n.d.
30. <i>Direct Property</i>	policy report	n.d.
31. <i>International Award on Investor Climate-Related Disclosures</i>	company report	n.d.
32. <i>Focus Theme Strategy – Climate</i>	strategy report	n.d.
33. <i>Active Ownership – Focus Theme Climate</i>	strategy report	n.d.
34. <i>Focus Theme Strategy – Water</i>	strategy report	n.d.

35. <i>Active Ownership – Focus Theme Water</i>	strategy report	n.d.
36. <i>Focus Theme Land – Strategy</i>	strategy report	n.d.
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1. <i>Patient Capital: The Next Step Forward?</i>	research report	February 2006
2. <i>Frequently Asked Questions: Pay for Success/Social Impact Bonds</i>	informational summary	December 2014
3. <i>Pay for Success: The First Generation</i>	research report	April 2016

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1. <i>BNP Paribas Individual Philanthropy Index (co-produced with Forbes Insights)</i>	research report	2015
2. <i>Millennials & Impact Investment (co-produced by Toniic and Bank of The West, Family Wealth Advisors)</i>	research report	June 2016
3. <i>Passing the Torch: Next Generation Philanthropists. 2017 BNP Paribas Individual Philanthropy Report (produced by The Economist Intelligence Unit)</i>	research report	April 2017

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1. <i>Start-Up America Impact Investment SBIC Initiative Policy Update</i>	policy memorandum	September 2012
2. <i>SBIC Program’s Impact Investment Fund Policy Update</i>	policy memorandum	September 2014
3. <i>Office of Investment and Innovation – SBIC Overview</i>	policy report	April 2016
4. <i>Impact Investment Small Business Investment Company Fund</i>	policy report	n.d.

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1. <i>Inclusive Business Finance Field Guide 2012: A Handbook on Mobilizing Finance and Investment for MSMEs in Africa</i>	research report	2012
2. <i>Strategy for Engagement with Foundations</i>	research report	July 2012

3.	<i>Islamic Finance and Impact Investing</i>	research report	2014
4.	<i>Philanthropy as an Emerging Contributor to Development Cooperation</i>	research report	July 2014
5.	<i>Barriers and Opportunities at the Base of the Pyramid – The Role of the Private Sector in Inclusive Development</i>	research report	August 2014
6.	<i>Impact Investment in Africa: Trends, Constrains and Opportunities</i>	research report	November 2015
7.	<i>Impact Investment in Africa – An Action Plan</i>	research report	February 2016
8.	<i>Mobilizing Private Finance for Sustainable Development</i>	discussion paper	November 2016
9.	<i>Social Finance Landscape</i> (produced by ANGIN)	research report	December 2016
10.	<i>Impact Investment in Africa – An Action Plan</i>	research report	March 2017
11.	<i>I for Impact: Blending Islamic Finance and Impact Investing for the Global Goals</i>	research report	March 2017
12.	<i>Overview of Social Finance in Indonesia</i> (produced by Allied Crowds)	research report	n.d.
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1.	<i>The U.K. Social Investment Market: The Current Landscape and a Framework for Investor Decision Making</i>	research report	2012
2.	<i>Impact Investing: A Framework for Decision Making</i>	research report	December 2013
3.	<i>Introducing the Impact Investing Benchmark</i> (co-produced with the GIIN)	research report	June 2015
4.	<i>Mission Related Investing: Current Practices and Views of Non-Profit Investors</i>	research report	2016
5.	<i>Understanding the World of Impact Investing: A Practitioner’s Perspective on a Growing Field</i>	research report	September 2016
6.	<i>The Foundation of Good Governance for Family Impact Investors: Removing Obstacles and Charting a Path to Action</i>	research report	September 2016
7.	<i>The Financial Performance of Real Assets Impact Investments: Introducing the Timber, Real Estate and Infrastructure Impact Benchmarks</i> (co-produced with the GIIN)	research report	May 2017
8.	<i>Navigating the ‘Alphabet Soup’ of Mission-Related Investing</i>	research report	September 2017

Appendix B – Coding Manual

Excerpt example(s)	Code(s) applied
<p>“We are witnessing the rise of the next billion consumers, and the companies that are able to serve them at scale will be the iconic businesses of the future. Across 11 countries, our companies sell products that benefit more people than the populations of London, New York City and Hong Kong combined,” said LeapFrog’s Founder, Dr. Andrew Kuper. “These latest results show categorically that low-income people are willing and able to pay for affordable financial services, and that the private sector can serve this vast new market. For investors, there does not have to be a trade-off between financial performance and impact.”</p>	<p>a billion new consumers</p> <p>scale as goal</p> <p>‘no conflict’ between financial returns and impact</p>
<p>Simon Smiles, chief investment office, ultra high net worth at UBS: “The vast majority of people who we’re starting to see interested in impact investing are interested because they find great investment opportunities - more than any kind of bucketing in a charitable sense.”</p> <p>Andy Sieg, head of global wealth and retirement solutions at Bank of America Merrill Lynch: “These are not philanthropic activities masquerading as for-profit investments. Impact investments should stand on their own two legs in terms of investment return.”</p>	<p>not charity</p>
<p>Michelle Rogers, Community Capital Management: Investors benefit as well, according to Rogers. With a lot of impact investing going toward projects that have some form of government subsidy, investment portfolios have a good credit quality while generating market rates of return. "I think there’s a common misperception that you can’t make responsible investment choices and get market rates of return," she said, "but you can and we’re here to prove it."</p>	<p>government subsidy</p> <p>‘no conflict’ between financial returns and impact</p>
<p>The newly formed group, which helps wealthy families make impact investments, has assembled an experienced team for its first African office.</p> <p>One Thousand & One Voices (1K1V), a ‘movement of influential families’ which launched at the World Economic Forum on Africa in May, has opened its first sub-Saharan office, in Johannesburg, and hired three local dealmakers to staff it. . . .</p> <p>“Our view is that there has never been such an auspicious time for investment in Africa as right now . . . growth rates are among the highest in the world, democratic institutions are being strengthened, and a vibrant middle class is rapidly expanding,” [Navaid] Burney said in a statement. “One Thousand & One Voices is well positioned to help build profitable, job-creating African businesses.”</p>	<p>high growth rates in emerging markets</p>
<p>“It is the decade of agriculture in Africa. Food security will become the next tradable commodity,” said Soros Economic Development Fund President Stewart Paperin. “You don’t have to swoop in and say, ‘I’m going to take all of your crops.’ “You can operate in a responsible way and still make money,” he said. “This is just basic blocking and tackling - how you build an economy.”</p> <p>“For China to grow its economy, they have to produce more clean water,” said David Richardson, head of U.S. business development for Impax Asset Management, which runs a \$1.8 billion private water strategy and the Pax World Global Environmental Markets Fund (PXEAX). “It’s cold, red-blooded capitalism.”</p>	<p>invest in essential resources</p>
	<p>new tech creates</p>

<p>CreditEase’s founder and CEO Ning Tang spoke at the special event on “Scaling up STI for SDGs: Impact Investing and Other Innovative Instruments” regarding the effect of financial services in innovation and socioeconomic growth: “The traditional financial system lacks inclusivity -- small businesses, micro-entrepreneurs, and rural farmers are frequently left out. The advent of FinTech has facilitated the cost-efficient coverage of these previously neglected demographics.”</p>	<p>business opportunities</p>
<p>“It suits and fits better with our desire to be constructive and look for positive impact investments rather than excluding things,” Friar [Seamus] Finn [of the Oblate International Investment Pastoral Trust] said. There are less lofty motivations as well. Friar Finn said that impact investing was increasingly an important asset class in terms of diversifying and managing the group’s portfolio.</p>	<p>proactive creation of change portfolio diversification</p>
<p>For Michele Giddens, partner and co-founder at Bridges Ventures, this is “investing with an impact lens.” Although the primary purpose of Bridges’ private equity and property funds is to deliver returns to its investors, they use the principles of impact investing to seek out investment opportunities.</p> <p>Colin le Duc, Generation Investment Management: The firm’s impact investing activity is focused on areas that help with reducing social inequality and slowing down environmental destruction. This means, for example, investing in renewable energy companies, or in firms that ensure cheap access to healthcare, providing low-cost drugs or medical devices to poor communities. These companies are able to penetrate markets they would not otherwise be able to get into, and therefore no change in the return profile is expected, says Mr. le Duc. “While there are impact funds out there that are very explicitly compromising financial returns to higher social returns, we are not compromising financial returns,” he states.</p>	<p>profit is priority</p>
<p>“Leaps in technological innovation offer an unprecedented opportunity to drive health and financial inclusion on a massive scale worldwide, and generate outsize returns for investors in the process. That remains our mission,” says Dr. Jim Roth, LeapFrog’s Co-Founder. “The next decade will prove transformative not just for many societies but for the capital markets, as people recognise the benefits and competitive advantage of purpose-driven business.”</p>	<p>new tech creates business opportunities outstanding financial opportunities purpose drives profit</p>
<p>In March [Bill] Ackman put \$5.8 million into Bridge International Academies, a for-profit that has built a chain of more than 400 private nursery and primary schools in Kenya and Uganda that rely on technology and a standardized “school-in-a-box” approach to deliver quality education for just \$6 a child a month. “It’s a volume business. You need to keep prices so low that someone living on \$1.25 per day can afford your service,” says Bridge cofounder Shannon May. “If you can figure out how to drop prices on anything for someone living in poverty, there’s an unbelievably massive market.”</p>	<p>outstanding financial opportunities</p>
<p>“Our experience after 11 years in impact investing in emerging markets, including many throughout Africa, is that one can get strong returns and make a tremendous difference in people’s lives by focusing on people who are not the poorest of the poor but still have significant needs,” said Paula Goldman, Omidyar Network’s global lead for impact investing and a lead author of the report. “There are a range of investing</p>	<p>strong financial returns combine social and financial returns (double</p>

<p>strategies investors can explore directed at those earning between \$2 and \$8 per day as they make impact investing a truly viable part of their portfolios.”</p>	<p>bottom line)</p>
<p>Credit Suisse: “In the current environment, investors are looking for an edge to drive excess returns. Increasingly, they are seeing conservation impact investing as a way to achieve substantial environmental and social impact alongside market-rate financial returns.”</p>	<p>profit is priority combine social and financial returns (double bottom line)</p>
<p>Bill, McGlashan CEO of TPG’s The Rise Fund: Historically, the managers of commercial capital have avoided investing in impact funds due to a perception that this involves compromising on returns, said McGlashan. “Investors with a fiduciary responsibility ultimately need to prioritize financial returns. So the key here was that all of these institutions understood that our priority was financial returns and collinear impact returns. These are dual priorities and there is no conflict between them. The success of the businesses we are funding is ultimately the key to delivering impact and obviously the key to delivering returns,” he said.</p> <p>Pierre Omidyar: It’s important to note here that many people have questioned ON’s [Omidyar Network’s] decision to invest in for-profit companies as part of our philanthropic strategy. My own experience with eBay Inc. (the company I founded in 1995)-as well as ON’s work with dozens of for-profit companies-has demonstrated many times that there is not necessarily a trade-off required between financial and social return.</p>	<p>‘no conflict’ between financial returns and impact</p>
<p>Institutions such as Goldman Sachs, investment and retail banks and insurance companies make up the majority of [Arjan] Schutte’s investors [at Core Innovation Capital]. While some have philanthropic motivations, others have strictly commercial interests and some are strategic players that just want a peek at innovation. “I’ve got well over \$100 million under management and none of that comes from millennials,” he said.</p> <p>Andy Sieg, BofA: “Institutional investors start tracking it as a proxy for good management,” he said. For banks today, he said, supporting community-based initiatives and other social and environmental priorities such as climate change is “enlightened self-interest.”</p>	<p>commercial banks attracted</p>
<p>One country that has taken the lead in the area of impact investing is Australia, where investments in social enterprises and instruments such as social impact bonds and funds are gaining in currency, said Ian Learmonth, executive director, impact investing, Social Ventures Australia (SVA). “Not only have we achieved a lot in impact investing, but capital in the world is a lot more socially conscious compared to 10 years ago. People have started to question the single-mindedness of capitalism,” said Mr Learmonth, a veteran banker who joined SVA in 2011.</p>	<p>global shift to sustainability</p>
<p>Some of Norman Boone’s clients place the impact of their investments on causes important to them above high returns. “Usually with impact investing, you aren’t going to get market returns,” said Mr. Boone, founder and president of Mosaic Financial Partners. “Part of the bargain is</p>	<p>accept lower returns proactive creation of</p>

<p>you're giving up some of the typical returns, but [clients] understand there is a social contribution to the investment.”</p>	<p>change</p>
<p>Ben Thornley, Tideline: “But I think the reality is, what we’re seeing right now with really rapid growth in the market, is a sense of sort of an unstoppable force, now that a lot of people, including . . . millennials and others, are no longer willing to separate their values from the way they invest.”</p>	<p>align financial actions with social values</p>
<p>Richard Branson, interviewed by Credit Suisse: “Our world’s increasing population and our insatiable demand for goods and services means we are on a rapid path to destroying the natural resources that keep us alive. Instead of creating a fairer society, we are perpetuating growing inequity in the world. People all over the world are realizing this and demanding that we change the way we do business. So business as usual is no longer an option. What is an option is to reinvent capitalism to truly be a force for good in the world. Bill Gates, Ronald Cohen and many other top businesspeople realize this and are focusing their efforts on raising awareness and ensuring that others follow suit.”</p>	<p>changing relationship between business and society</p> <p>use the power of markets for good</p>
<p>“As widespread attention to sustainability continues to increase, consumers and investors alike are now more than ever factoring sustainability issues into their investment decisions,” said Audrey Choi, Chief Sustainability Officer and Chief Marketing Officer at Morgan Stanley.</p> <p>“A change in mindset is becoming evident,” says Richard Brass, director at Berenberg Bank. “Investors are actively seeking out those companies that pursue a clear sustainability agenda alongside a traditional financial return. At the same time private-wealth philanthropy is paying much closer attention to the social return from their charitable giving.”</p>	<p>investors more focused on sustainability</p>
<p>In other words, an impact investment is one chosen by an investor precisely because of its ability to generate the particular social and/or environmental returns of interest <i>to that investor</i>. (emphasis in original)</p>	<p>proactive creation of change</p>
<p>For [Patrick] McVeigh [president of Reynders McVeigh Capital Management], the investment strategies being used by first-generation wealth today are a direct reaction to the financial crisis of 2008.</p> <p>“They were told, ‘This is how you invest, this is how you minimize risk,’ and it was wrong,” McVeigh said. “They have a broader view of what they want to get with their money. The financial purpose isn’t the only purpose. I think they view the economy as a living organism that they want to sustain.”</p>	<p>response to the financial crisis</p> <p>wider view of risk</p>
<p>“All private banks are looking for impact investing products,” [Mark] Burrows [Credit Suisse managing director and vice-chairman of global investment banking] says. “It is a terrific opportunity to access large private wealth managers around the world. “Valuing natural capital is the next big thing,” he adds.</p> <p>Yuri Bender, editor of <i>Professional Wealth Management</i>: There is a recognition today that private clients have changed. The younger generation of entrepreneurs are sick of being force-fed capital markets products or being ‘advised’ to enter an IPO by sharp-</p>	<p>improve image of private banking and wealth management</p>

<p>suited charlatans for hefty fees. They are more interested in philanthropy, impact investing and educating the next generation of business leaders. Private banks must cater to this new mindset.</p>	
<p>The emergence of the “value investor” (i.e., investors who invest capital in line with their values) was another driver of growth in the impact investing market. . . . A United States Trust survey of 680 HNWI and UHNWI adults in 2014 revealed that half the participants and two thirds of the millennials saw their investment decisions as a way to express their social, political and environmental values. Almost three quarters of the millennials surveyed believed that it is possible to achieve market-rate returns when investing for social or environmental impact.</p>	<p>millennial attitudes</p> <p>align financial actions with social values</p> <p>‘no conflict’ between financial returns and impact</p>
<p>While the U.S. may be seen as the global leader when it comes to philanthropy, the majority of high net-worth individuals in the U.S. say their passion for giving is driven by their own internal satisfaction.</p> <p>In a survey of Asian high net-worth individuals by Credit Suisse and Campden Research, however, 95% of them said their main objective around philanthropy is to deliver social impact.</p> <p>This desire to give back and improve society means that most high net-worth individuals in Asia are looking for “Sustainability in their philanthropic work,” says Cynthia D’njou Brown, head of philanthropy advisory, north Asia, at HSBC Private Bank.</p>	<p>wealthy in Asia focused on impact</p>
<p>“The whole idea of impact investing is becoming very popular with our clients,” Ms. [Beijia] Ma says, referring to a style of investing that aims to produce environmental or social outcomes as well as financial returns.</p> <p>More than 90 percent of Merrill’s millennial clients —those in their 20s and early 30s—are telling advisers they want to consider such investments as a permanent part of their portfolios. “In the U.S., we’re seeing a much bigger grassroots movement to include green bonds into investment portfolios than in Europe or Asia,” Ms. Ma says. As a result, she adds, “This type of bond is likely to impact portfolios for years to come.”</p>	<p>client demand</p> <p>millennial attitudes</p>
<p>Impact investing is having a positive impact not only on the environment and other worthy causes, but on Wetherby Asset Management’s business.</p> <p>“About one-third of our new business inquiries are coming from people who want this,” says Deb Wetherby, chief executive officer of the \$3.5 billion San Francisco-based firm. “We’ve developed an expertise in impact investing and are attracting clients who want their portfolios to reflect their values in social and environmental change. For us, it’s a competitive advantage.”</p>	<p>compete for clients</p>
<p>“Impact investing has become increasingly important as asset management is in a state of flux and public funds face increasing constraints to address key societal needs. Trillions of dollars are expected to be inherited over the next 50 years by the next generation, a generation that believes business should play a crucial role in creating a better society,” said Chris Harvey, Managing Director of Global Financial Services at Deloitte.</p>	<p>scarcity of public funds</p> <p>intergenerational wealth transfer</p>
<p>After many Swiss banks pressed the panic button several years back, shocked at the increasing market imprint of multi-family offices staffed by dissatisfied executives</p>	<p>new primacy of private banking</p>

<p>from larger banks, UBS has invested significantly in its ultra-high- net-worth segment, offering new initiatives such as Impact Investing, combining philanthropic objectives of making positive social and environmental contributions, while also achieving good financial returns.</p> <p>The bank’s global family offices group functions as a joint venture between the wealth management unit and the investment bank, to target the needs of the world’s largest 250 family offices.</p>	<p>compete for clients</p>
<p>“Women want to do business with the organization that reflects their values and their priorities,” [Ileana] Musa [managing director and head of global client segment and strategy at Merrill Lynch Wealth Management] said.</p> <p>Female investors also tend to gravitate toward investments that have an added social, communal or environmental benefit, in addition to providing strong returns.</p> <p>“With our clients, women focus predominantly around the socially impactful, or high-impact investing,” said Laura Kaplan, managing director and private client adviser at U.S. Trust.</p>	<p>women want</p>
<p>Over the past decade, macroeconomic trends have compressed yields and interest rates close to or, in some cases, even below zero. The sudden evaporation of “easy money” puts many of the world’s largest pension and sovereign wealth funds at risk of insolvency in the near future. An initiative called Bretton Woods II sees opportunity in this turbulence. By using financial analysis and tools to advocate for redistribution of capital to social impact investments that address the fundamental drivers of volatility, they deliver superior risk-adjusted returns over time. Their board of directors includes a former managing director at Citigroup and a consultant at McKinsey. But it also includes an ex-Senate Foreign Relations Committee staffer and a nonprofit CEO.</p>	<p>poor returns in the North</p>
<p>Nick O’Donohoe: “Do we really just have binary choices – between public or private provision of education, health and other social services; between charities and aid agencies focused only on dire needs or corporations focused only on maximizing profits; between investors who can choose only to maximize their returns or make philanthropic donations? Is there a middle way? Is there a model that embraces the financial disciplines of market capitalism but also provides opportunity and support for the vulnerable, the dispossessed and the downright unfortunate? There is. Social enterprises balance a social mission with financial viability and sustainability, existing between the public sector and private markets.”</p>	<p>reject binary choice of profit or purpose</p>
<p>“There is a demand and the space is growing,” said Michael Van Patten, founder and chief executive of Mission Markets.</p> <p>“We’re seeing a macro shift away from the way people think about their investments. When you have a catastrophic financial event, people look more closely at what they’re investing in.”</p> <p>Dr. Harry Hummels, ACTIAM: In part, the emergence of impact investing is a reaction to the most recent financial crisis – without being able to provide a comprehensive answer to the challenges the crisis posed to us. It is an attempt to actively resolve the challenges and not simply sit back and wait for better times.</p>	<p>response to the 2008 financial crisis</p>
<p>To many, investment is purely about generating a return on their money, but a growing band of wealthy individuals and institutions are seeking to achieve a little more.</p>	<p>appeals to the wealthy direct influence on</p>

<p>“There’s a growing hunger from the wealthy to go beyond how to spend it, understanding if they don’t engage with these [social and environmental] issues, social problems will arrive on their doorstep,” says Paul Szkiler, chief executive of Truestone Impact Investment.</p> <p>Impact investing, most commonly defined as investments made with the intention of helping to solve a social or environmental problem as well as generating a financial return, has seen growing interest from investors, particularly since the financial crisis.</p>	<p>social tensions</p> <p>response to the 2008 financial crisis</p>
<p>Durreen Shahnaz, founder of Impact Investment Exchange (IIX): “I live in Singapore, a city which 40 years ago had nothing and now it is the one of the leading first-world cities. It is also a city that has the largest number of millionaires per capita. These things are all wonderful, but in the same Asia-Pacific we also have 1.2 billion people living in abject poverty.</p> <p>“This incredible growth we are witnessing is really on the surface. It’s really not happening in an equitable way or a sustainable way. What happens when you have unequal growth is you have the seeds of unrest. You have the seeds of discontent. When this whole impact investing space started coming about it was partly a result of that.”</p>	<p>direct influence on social tensions</p>
<p>“There is a greater focus on impact investing among policymakers in developed countries,” concedes [Saurabh] Rao of Frontier Markets Fund Managers, which is the principal advisor to GuarantCo.</p> <p>The OECD and the rich G8 countries are therefore beginning to radically restructure their giving patterns from the aid kitty—both of the multilateral and bilateral varieties—to align with impact investing. The idea is to foster business models that leverage private sector funding on the back of public money.</p> <p>A convergence is being spied between foreign aid and private sector interests. Hillary Clinton, US secretary of state, outlined this intent while addressing the Global Impact Economy Forum at Washington D.C. this April.</p> <p>She said: “We know that working with the private sector can bolster both our foreign policy interests and our development efforts. But we hope the private sector knows that working with government and civil society also offers value. And increasingly, our goals, I would argue, overlap.”</p>	<p>big shift in aid</p> <p>U.S. foreign policy</p> <p>entice other money/leverage</p>
<p>“It’s a breakthrough. It shows the gates of the capital markets are opening to social impact investing, says Kuper. “The reason we got great reinsurers is powerful data. They can see that huge portions of world GDP is coming from the world’s emerging markets and that the middle class of these markets, though tiny, is going to be large. And if you tap it now you’ll do very well.”</p>	<p>first-mover advantage</p> <p>high growth rates in emerging markets</p>
<p>While hard numbers on edtech investments are hard to find, observers see a clear trend. In a recent blog post for the news site Inside Higher Ed, Joshua Kim, director of learning and technology for Dartmouth College’s Master of Health Care Delivery Science Program, wrote that “2011 will be remembered as the year the edtech sector got hot.”</p> <p>In the post, Kim wrote that tech companies like Amazon.com (AMZN), Apple (AAPL), Cisco Systems (CSCO), Google (GOOG), Intel (INTC), Microsoft (MSFT) and Oracle (ORCL) —which he points out are collectively sitting on nearly \$200 billion cash —are set to make aggressive pushes into edtech through both acquisitions and investments. The implication is that “impact investing” is about to get a major shot in the arm.</p>	<p>edtech potential</p>

<p>Roth says LeapFrog’s investments also benefit its core investors, who include insurers Axa, Zurich and Swiss Re, JP Morgan, the World Bank’s investment arm IFC, and Britain’s CDC Group, the UK’s development finance institution.</p> <p>“If you look at growth in the insurance market in Europe and the U.S., it’s very saturated but in Africa and Asia, very, very small percentages of the population have any kind of insurance,” Roth said. “There’s an extraordinary commercial opportunity and we think this supplements the other tools in the development toolbox.”</p> <p>Hendrik Tuch, Head of Rates and Money Markets at Aegon Asset Management: “We appreciate the contribution of EIB to the development of the market for impact investment bonds; we also applaud the issuance of longer dated bonds, as these provide a good fit for liability hedging needs from insurance companies and pension funds.”</p>	<p>outstanding financial opportunities</p> <p>benefits Northern investors</p>
<p>A group of U.S. public and private organisations will give \$6.5m (£.2m, €.9m) to fund the development of the Global Impact Investment Rating System, broadening its geographical reach and creating a fund rating system on top of its extant company ratings. The group includes USAID, Prudential Financial, Deloitte and the Rockefeller Foundation.</p> <p>The concept of GIIRS goes beyond the idea of sustainable investment to ask whether investee companies are having a positive environmental and social impact. The impact investing sector is tiny, with around \$50bn in assets, but proponents are optimistic the development of formal ratings will help it grow rapidly.</p> <p>“A lot of capital is being kept on the sidelines by the lack of a useful tool,” said Andrew Kassoy, co-founder of B-Lab, which has been building GIIRS.</p> <p>The new funding will support 12 private equity and venture capital funds investing in the developing world in encouraging their investee companies to apply for the ratings. A further 12 funds in developed markets are expected to join them.</p>	<p>big corporations support</p>
<p>Reddy leads these efforts by harnessing impact investments, philanthropy, corporate contributions and employee engagement, and leveraging Prudential’s full business capabilities. Among examples: A recent partnership with Leapfrog Investments, a private equity platform focused on promoting financial inclusion in emerging markets, began as a \$15 million impact investment in a fund that invests in companies that provide insurance, savings, pensions, investment products and other financial services to emerging consumers in Africa, South Asia and Southeast Asia. By 2016, the effort grew to a \$350 million investment to expand Prudential’s international business footprint in Africa.</p>	<p>chance to grow business</p>
<p>Marcos Neto, Director, Istanbul International Center for Private Sector in Development: While institutional investors are currently constrained from large-scale participation in impact investing by their legal and fiduciary responsibilities, high net-worth individuals (HNWIs) are key players. Impact investment funds and development finance institutions (DFIs) are also prominent as impact driven organisations. Critical drivers of impact investing include the failure of governments to increase and deliver on their ODA commitments and the emergence of the ‘value-investor,’ said the report [I for Impact: Blending Islamic Finance and Impact Investing for the Global Goals, launched by IDB President Dr. Bandar Hajjar, and UNDP Assistant Secretary General Magdy Martínez- Solimá, during the 42nd Annual Meeting of the IDB Group in Jeddah, Kingdom of Saudi Arabia].</p>	<p>appeals to the wealthy</p> <p>DFIs are leaders</p> <p>ODA insufficient</p>
<p>In order for Omidyar Network to make an investment that is unlikely to generate</p>	<p>profit is priority</p>

<p>commercial returns, the firm requires that its social impact extend beyond its customers to the broader marketplace, such as:-- Pioneering a new business model that has the potential to create an entirely new market with broad social impact.-- Providing industry infrastructure that is necessary for markets to develop effectively.-- Influencing government policy or sparking debate on important issues in a way that helps shape market conditions.</p>	<p>shape markets</p>
<p>July 13, 2015. Wu Hongbo, the U.N. Under-Secretary-General for Economic and Social Development and the Secretary-General of the United Nations Third International Conference on Financing for Development in Addis Ababa, Ethiopia: South-South cooperation is becoming increasingly more important. Triangular and South-South cooperation are important new features in the changing global financial system since the Monterrey Consensus. We are very supportive of this development. We believe that in many ways it serves as a good example for all countries. The programmes developed are considered cost-effective. They involve technology transfer, and the cost of personnel overhead is low, hence not much is spent on the cost of experts, their travel and accommodations compared to what is actually spent in host countries.</p>	<p>South-South cooperation flourishing</p>
<p>But a dozen social investors have pooled SFr26m (\$27m) to finance the world’s first “humanitarian impact bond,” issued by the International Committee of the Red Cross (ICRC). It will pay for three rehabilitation centres to be built and run in the Democratic Republic of Congo, Mali and Nigeria.</p> <p>The ICRC’s obligations are backed by “outcome funders,” ie, donors, mostly governments. The bond is an example of “impact investing”, in which private investors seek out social and financial returns, and of “blended finance”, in which public funds help them to do so. Variants have included a bond aimed at educating girls in India and a World Bank-led initiative to raise money to respond to pandemics. The novelty in the ICRC’s bond is that the money raised will be used in conflict zones. . . .</p> <p>The bond’s history, however, shows how hard such innovations are. Its size is minuscule against the ICRC’s annual budget of \$1.7bn. Yet it took years to get to this stage. One of the greatest obstacles was to convince the outcome funders; even well-meaning Belgium had to change the law to allow more variable, outcome-dependent spending. And public servants balked at paying private investors to profit from the handicapped. “Why don’t we just borrow cheaply?” officials asked [Alexander] De Croo [Belgium’s development minister].</p>	<p>strategy of Northern governments</p> <p>DFIs are leaders</p>
<p>But, while a growing number of Western DFIs are “voting with their feet” to support impact investing, it is also true that some development constituencies (e.g., NGOs, some evaluation professionals, etc.) are skeptical that these agencies will stay in the field for the long-term, which is, ultimately, what success demands. Moreover, some development practitioners are concerned that impact investing could be used as a “Trojan Horse” to permit the local state and aid agencies to reduce their contributions to the development enterprise, or exit it altogether, leaving it to be driven by private interests and priorities.</p>	<p>DFIs are leaders</p>
<p>Klaus Schwab, executive chairman of the World Economic Forum: “So for investors to help those social entrepreneurs—what we call impact investing— I think mobile provides great opportunities not only for reasonable financial satisfaction but particularly for personal satisfaction, because, you see, you’re fulfilling an economic and social role in society if you invest in those people. I would just add here: I would mainly invest in people. I would argue that we are in a situation where capitalism is replaced by talentism—everywhere—because capital is abundant today, but what</p>	<p>push for entrepreneurs</p>

<p>really makes the difference is the talent that's behind the company.”</p>	
<p>Investors emphasized the importance of minimizing government involvement in certain sectors and opening them up to private capital. For example, in Ghana, government regulation in the cocoa sector is tight. The Ghana Cocoa Board, which sets prices and actively regulates sector growth, was seen as a barrier to impact investments in cocoa. In Nigeria, only recently have private investors been able to invest in the power sector following legislative reform and deregulation.</p>	<p>shape development</p> <p>promote private development</p>
<p>USAID isn't satisfied with this success. We're continuing to work on new funding mechanisms and business models that will foster even greater investments of private capital, and build the infrastructure to channel that capital to the people who need it most.</p> <p>That's why we're supporting the research of Monitor Group, on new, customer-focused, bottom-of-the-pyramid business models that can be employed to reach not just tens-of-thousands of people, but tens-of-millions.</p> <p>Development impact bonds are the product of a convergence of several important trends in foreign aid. One is an increasing emphasis on the private sector. “Ten years ago, the development finance institutions together [which invest in the private sector] were financing about \$10 billion in investments in emerging markets,” said Elizabeth Littlefield, the chief executive of the U.S. Overseas Private Investment Corporation and a co-chair of the D.I.B. working group. “Today it's \$40 billion. Tools to harness private capital for development are going to continue to grow exponentially.”</p>	<p>promote private development</p> <p>DFIs are leaders</p>
<p>The initiative is part of a growing trend among agencies and philanthropists of focusing on impact investment rather than direct aid.</p> <p>“This move signals a significant shift in our approach to more of a focus on social impact investing,” said Matthew Herrick, a spokesman for USAID, adding that it was “an entirely new strategy to development that USAID is rebuilding its infrastructure and funding mechanisms around.”</p>	<p>U.S. development agenda</p> <p>big shift in aid</p>
<p>So if we can open the doors to new markets and new investments, we can tap as many as 1.4 billion new mid-market customers with growing incomes in developing countries. Taken together, they represent more than \$12 trillion in spending power. That's a huge potential customer base, not only for American companies, which is my primary concern, but also for others. So when we make investments from the three stools of this strategy, official development assistance, not-for-profit philanthropic assistance, private sector investments, we are not only helping to grow and strengthen middle classes in developing nations, we are also supporting the businesses that create jobs here at home. We know that working with the private sector can bolster both our foreign policy interests and our development efforts. But we hope the private sector knows that working with government and civil society also offers value. And increasingly our goals, I would argue, overlap.</p>	<p>to make markets</p> <p>a billion new consumers</p> <p>U.S. foreign policy</p>
<p>How do we do more with less? How do we think more intelligently about using our resources and leveraging where we can?</p> <p>So the Office of Social Innovation at the president's request has been very focused on how do we facilitate and grow this market? And for us it's about how do we better optimize those scarce public dollars, the taxpayer resources, and how to create the conditions to attract incremental private dollars.</p>	<p>“do more with less”</p> <p>scarcity of public funds</p> <p>U.S. domestic policy</p>

<p>Regardless of the challenges, proponents of SIBs see great promise in the new tool. And they have government partners hungry for ways to do more with less. “Our phone is ringing off the hook,” says Third Sector Capital Partners’ Overholser. “The fiscal crisis is making government officials willing to try things they might not otherwise.”</p>	
<p>Social impact bonds completely disrupt the normal pattern of funding,” said John Hoffmire, director of the Center on Business and Poverty at the University of Wisconsin and director of the Impact Bond Fund at Saï School of Business at Oxford University. “They give us an opportunity to change the role of government. We are no longer taxing people to pay for social programs,” Hoffmire said. “Instead, investors fund social programs, and if they continue to work they will continue to fund them.”</p> <p>Ms. [Tracy] Palandjian sees it as a “philosophical divide.” In her view, social impact bonds are a way to begin to rewrite the “social contract” with government, in which the for-profit world takes on a bigger role in easing social problems.</p>	<p>alter Welfare State provisioning</p>
<p>“Government is often unwilling to try unproven approaches because taxpayers rightfully don’t want money being wasted,” says Mayor Michael R. Bloomberg. “Social impact bonds are unique because they repay the investor only if a program’s goals —like New York City’s aim to reduce recidivism —are actually met. “They’re exciting because they have the potential to be a new financial tool that can empower governments to innovate in ways they wouldn’t otherwise attempt.”</p>	<p>help government innovate</p>
<p>Social impact bonds (SIBs) are among the newest and most promising innovations within the impact investing space. As financial instruments that mobilize investment capital to tackle social challenges, they have the potential to create shared value – financial returns for investors, social benefits for underserved communities and individuals, and enhanced efficiency for governments and social service providers. Until their promise is demonstrated, however, the future of SIBs is far from certain.</p>	<p>Combine social and financial returns (double bottom line)</p> <p>improve government efficiency</p>
<p>It’s an idea whose time has come and was endorsed by Patrick McClure in his welfare system review. Social Services Minister Scott Morrison has indicated the federal government is keen to move on putting the abilities and capabilities of private capital to work. “What I am basically saying is that welfare must become a good deal for investors.”</p> <p>Some banks and super funds are already on board while groups like Social Ventures Australia and Impact Investing Australia are doing much to help it happen.</p>	<p>make returns from public services</p>
<p>Good morning, everyone. My name is Neera Tanden and I am the president of the Center for American Progress and we’re excited today about our panel on social impact investing.</p> <p>CAP has been working on this for several years now. We’re actually proud to say we’re the first think tank to put forward a paper on social impact bonds.</p> <p>And the reason why we’ve been working in this space is because we recognize that as we have fewer and fewer resources at the federal government, something that is unfortunate and that we try to help Sylvia with every day, or even at the local and state level that it’s important to leverage private sector dollars to address the challenges that our communities are facing and social impact investing is one way in which we do that.</p>	<p>scarcity of public funds</p> <p>entice other money/leverage</p>
<p>Twenty states have either enacted or are considering pay-for-success legislation and</p>	<p>U.S. domestic policy</p>

<p>bipartisan bills are currently in both houses of Congress to create a \$300 million federal pay-for-success incentive fund. The White House has also provided grants to more than 40 nonprofits and local and state governments to explore the feasibility of such projects.</p> <p>One reason for the enthusiasm: the post-2008 fiscal crisis. Governments were eager to find anyone but taxpayers to foot their mounting bills. Just as important, in an era of legislative gridlock, the idea finds rare bipartisan accord.</p>	
<p>At the global level, the value proposition advanced by the field’s leaders is that impact investing can potentially unlock \$500 billion in new capital, both private and public, to solve the world’s pressing social and environmental problems and improve the well-being of the poor.</p>	<p>‘unlock’ resources/capital</p>
<p>“While there are a number of factors contributing to this move, our battery of attitudinal questions shows that one of the biggest factors is that participants believe that impact investing is a more efficient use of funds to achieve social impact than philanthropy,” the [2015 Credit Suisse] report said.</p> <p>“This is no doubt linked to the commercial element, which will complement their own funding and help make the initiative more sustainable.”</p> <p>“Profit for profit’s sake is not that fulfilling in the end. This is purpose, and profit,” [Julio] De Laffitte said.</p> <p>“We want to invest in ideas that create good, but they have to make profit. Because that is how you sustainably solve ideas, and have the money and drive to do it again, and again.”</p>	<p>belief that market-based is better and more sustainable</p>
<p>High-net-worth families and asset managers are exhibiting a growing impatience with the old ways money was used to solve deeply entrenched problems, says Antony Bugg-Levine, managing director of the Rockefeller Foundation and co-author of <i>Impact Investing: Transforming How We Make Money While Making a Difference</i>. Impact investing taps deeper pools of capital than philanthropy. “The challenges around climate change and poverty are so vast that giving a little to charity isn’t up to the task,” he says. In fact, he adds, the idea for impact investing emerged from discussions among early investors in environmentally friendly technology and micro-financing.</p>	<p>challenges are huge & market must help appeals to the wealthy</p>
<p>In 2010, the Kellogg Foundation invested \$5 million in Wireless Generation, a tiny educational software maker working to improve public education in New York City. Just 219 days later, it made a 25.9 percent return after Rupert Murdoch’s News Corporation bought Wireless Generation for \$360 million.</p> <p>“The customer and market insights that the private companies we’ve invested in have, whether it be in food, health care, financial institutions or education, sharpened our ability to target our grant making and public policy efforts,” said Sterling K. Speirn, the foundation’s chief executive. “Similarly, I think the companies we have invested in are able to leverage not only our patient capital but the different kind of knowledge assets we bring to the relationship.”</p> <p>Furthermore, the [economic] downturn made philanthropists more aware of the sustainability of charities they were donating to, says Bill Woodson, head of family wealth management at Credit Suisse. “Philanthropists want to ensure that the charities they are funding have other means for raising money.”</p>	<p>changing strategy of philanthropy</p>

<p>“For an institution like ours, engaged in philanthropy for almost 100 years, the promise of impact investing is that it offers a framework for us to partner with investors who share our focus in solving social problems,” says Antony Bugg-Levine, MD of the Rockefeller Foundation. “Philanthropy can subsidise the development of business models that impact investors take to scale; it can provide the risk capital to prove a business concept; and it can provide subordinated investments that can entice more commercial investors to come into the market.”</p> <p>“Achieving food security in Africa requires public and private players working and investing together. This transaction is a testament to that kind of collaboration,” said USAID Administrator Rajiv Shah. “Investors increasingly see the promise of Africa’s agriculture sector, but the transaction risks are often perceived to be too high. That’s why we’re leveraging our development dollars and using innovative tools like the Development Credit Authority to lower the investment hurdles for private partners that want to invest with us.”</p> <p>“This transaction exemplifies an innovative approach to impact investing that we hope will be a model for the future,” said Peter Scher, the executive vice president and head of Corporate Responsibility, JPMorgan Chase & Co. “J.P. Morgan is thrilled to work with our private and public sector partners to make this landmark effort a reality.”</p>	<p>entice other money/leverage</p>
<p>“Capital investment in some sectors, geographies and industries is still lower than you would expect and like. Through the Impact Investment Fund, we’ve sent a message to professional fund managers with expertise in areas like clean energy, education technology, and advanced manufacturing as well as those looking for ‘off the beaten path’ gems in low income or economic distressed communities across the country. SBICs as a whole, fill capital formation gaps at the low end of the middle market, the Impact Fund, puts a magnifying glass where the gaps are widest,” said SBA Associate Administrator for Investment and Innovation Javier Saade.</p> <p>Ann Tutwiler, coordinator for global food security at the U.S. Department of Agriculture, calls Africa an “emerging priority” and said the U.S. government wants to encourage private investment in food and agriculture projects there. The U.S. government and wealthy foundations have numerous programs underway to help African farmers, boost food production and trade, and improve infrastructure. Still, Tutwiler said, private investors are critical. “Even with the amount of money the U.S. government and the other donors are putting in . . . it is small potatoes compared to the level of investment we need,” she said. “That investment has to come from the private sector.”</p>	<p>fill funding gaps</p>
<p>“SEIIF has been designed to meet the needs of the ‘missing middle,’” said Barbara Stocking, chief executive of Oxfam. “These are the countless small businesses in developing countries which have the potential to thrive but are completely stifled by limited access to credit.”</p> <p>The fund was intended to have a symbolic role for the rest of the industry. “We are determined to prove to the investment industry that its scale and influence means it could play a significant role in eradicating poverty,” said Ms. Stocking. “Our aim is to make impact investing a mainstream investment product which the sector recognises as a serious tool.”</p>	<p>missing middle</p> <p>to play a catalytic role in the space</p>
<p>Magdy Martínez-Solimán, UN assistant secretary general: “A common theme at this year’s General Assembly has been to explore practical ways in which the UN can help unlock the trillions of dollars in private sector finance, which we need to successfully</p>	<p>‘unlock’ resources/capital</p> <p>SDG financing</p>

<p>deliver the SDGs within the ambitious timetable of the Agenda 2030.</p> <p>The growing and promising niche of impact investing is a vanguard for how the private sector can intentionally create positive impacts. The term “impact” can be seen as a convenient shorthand for the 17 Sustainable Development Goals - and impact investors, by their own definition, intentionally create outcomes that are positive for society and the environment. The returns they target are much more than just financial. These experiences can guide us as we re-imagine development finance for the SDGs.”</p>	
<p>In the U.K., there are plans afoot to raise the profile of impact investing and make it more accessible to retail investors. This is the aim of the Social Stock Exchange, likely to launch some time next year.</p> <p>It is the brainchild of Pradeep Jethi, a former product developer at the London Stock Exchange, and is backed by the Rockefeller Foundation and the UK’s Big Society Capital.</p> <p>“I want to use my capitalist skills to make the world a better place,” says Mr. Jethi. “If we don’t do something, capitalism will eat itself.”</p>	<p>improve the capital markets</p>
<p>Canada’s minister of employment and social development, Jason Kenney, even paid a visit to Britain recently to look at the Peterborough example, said Jane Newman, Social Finance U.K.’s International director, who has also been working with the social impact investing team at MaRS.</p> <p>“Governments are not always best placed to solve the most pressing or persistent social and economic problems,” Eric Morrisette, spokesperson for Employment and Social Development Canada wrote in an email to the National Post. “There are Canadians who possess innovative solutions to these problems and there are others who are willing to fund ‘social entrepreneurs’ in meeting these challenges.”</p>	<p>lack of faith in government</p>
<p>And the reach of impact investments is certainly not limited to the United States. A skyrocketing global population, need for increased food production, widespread poverty, drought and lack of affordable health care and housing are all challenges in need of capital, said Fran Seegull, an adjunct professor at USC’s Marshall School of Business and chief investment officer of ImpactAssets, a Bethesda, Md., nonprofit impact investment firm.</p> <p>“Increasingly, there’s an acknowledgement that grant capacity and government aid alone are not enough to move the dial on issues,” she said.</p>	<p>Philanthropy and government are not enough</p>
<p>Aaron Elstein, <i>Crain’s New York Business</i>: How much money do you think could be directed into impact investing?</p> <p>Antony Bugg-Levine: A report we did last year with J.P. Morgan concluded that up to \$1 trillion could go into such areas as housing or rural water delivery over the next decade and generate \$183 million to \$667 million in profits.</p> <p>Elstein: It’s strange to think of rural water delivery as a profit-making opportunity.</p> <p>Bugg-Levine: I know. But the people who control large pools of investment capital are used to having results measured, and anything we can do to encourage them to spend more to help those who need it is useful. We talk about impact investing as an asset class.</p> <p>The Office of Social Innovation and Civic Participation (SICP) was first proposed as the Office of Social Innovation in 2007 by staff at the Center for American Progress (CAP), an independent think tank focused on progressive ideas. The idea for developing SICP reflected an understanding by CAP staff that, globally, social entrepreneurs who engage with policy-makers are more successful than those who do</p>	<p>preference for private-sector approach</p>

<p>not. The goal behind developing the Office of Social Innovation was to create a high-profile entity within the federal government to foster a policy environment that supports social innovation, social entrepreneurship and solutions to intractable social problems “without creating a new bureaucracy that runs counter to the culture of social innovation and entrepreneurship.”</p>	
<p>Although some of the biggest and most influential family foundations are said to be looking at impact investing, [Mario] Marconi [managing director and head of family services at UBS] says the emerging markets such as Asia and Africa will have a vital role to play. “A lot of the issues that need addressing are in these developing regions. There are many successful entrepreneurs that are looking to establish an approach to philanthropy, and they like the business proposition involved in impact investing.” But he says the mindset of philanthropy everywhere is evolving. “There is a fundamental transformation taking place. Now our clients’ biggest concern is ‘Am I making an impact?’”</p>	<p>entrepreneurs like business approach to doing good</p> <p>global shift to sustainability</p>
<p>Companies, too, are finding ways to reorganize their operations so that they generate social benefits in addition to profits. The Wal-Mart Stores foundation, for instance, recently pledged to spend \$100 million over the next five years to support the development of businesses owned by women and buy some \$20 billion in merchandise from such enterprises.</p> <p>“These are much larger pools of money that have traditionally been invested solely to achieve a financial return,” said Mr. Bugg-Levine, co-author of “Impact Investing: Transforming How We Make Money While Making a Difference.”</p> <p>“If just a fraction of those assets gets invested in this way,” he said, “it can make a significant difference.”</p> <p>Another criticism was the lack of scale of many of the projects. One answer put forward by Grete Faremo, executive director of the United Nations’ UNOPS programme, is a larger role for partnerships with overseas aid institutions who can provide seed capital and financial guarantees for impact investments. “There’s a colossal amount of capital available for projects that deliver impact,” she said in a keynote address on the second day of the conference.</p>	<p>put large(r) amounts toward social purpose</p>
<p>“There is a role for finance to provide a solution where there has been market failure for the provision of a global public good,” Caroline Anstey, global head of UBS and Society, the Swiss banking giant’s impact investing arm, told Devex. “The key is to do things that are going to make sense and be marketable as well, because if you want to scale up projects they have to appeal to investors.”</p>	<p>role to play</p> <p>scale as goal</p>
<p>James Lee Sorenson: “And as one who’s interested in really moving the needle in terms of solving problems, I think every dollar is a scarce resource and I want to see it in many cases magnified. And ultimately I’d like to see models that are more self-sustaining and scalable.</p> <p>And so that’s why I’ve been involved in what’s called impact investing, and that is looking at the use of -- of for profit as well as there can be non-profit business models that have a cash flow component to them that help in the scalability on self-sustaining of the -- the enterprise that -- that addresses social problems.”</p> <p>James P. Gorman, chairman and CEO, Morgan Stanley: To galvanize the necessary capital to have real impact, sustainable investing can’t be limited to investors willing to</p>	<p>scale as goal</p> <p>belief that market-based is better and sustainable</p>

<p>accept unattractive returns in order to create social good. Getting to scale requires investment products that seek attractive returns while benefitting society. This is the philosophy behind our Investing with Impact Platform.</p>	
<p>The [MaRS Centre for Impact Investing] will also operate as a general resource for the approximately 30 individual Canadian impact funds, which hold a portfolio worth \$200 million.</p> <p>“Our main tasks are education, raising awareness and stimulating interest in the mainstream (investment) community,” says spokesperson Adam Spence.</p> <p>With the recent volatility of financial markets, Spence has noticed openness from investment managers to alternative means of earning steady returns.</p>	<p>to play a catalytic role in the space</p> <p>portfolio diversification</p>
<p>The State Department is using the power of U.S. investors as a diplomatic weapon. Under a new program dubbed “smart power,” the Department of State says it will leverage its diplomatic network and resources with the “considerable expertise and assets of the private sector to create market opportunities and revenue-generating solutions to the world’s most pressing problems.”</p>	<p>to make markets</p> <p>U.S. foreign policy</p>
<p>[U.K. Prime Minister David] Cameron has been giving a big push to “social impact investing,” which harnesses private capital to help solve social problems such as youth unemployment, criminal reoffending or family breakdown—thereby alleviating pressure on the public purse.</p> <p>“We’ve got a great idea here that can transform our societies by using the power of finance to tackle the most difficult social problems,” Cameron said. “The potential for social investment is big. So I want to make it a success in Britain and I want to sell it all over the world.”</p> <p>BLANKFEIN: Well, obviously there’s a -- everyone is aware of the philanthropic overlay to all of this. You know, we -- we -- we stand for something, also. You know, we’re in these -- we go into these businesses because we believe in the importance of markets and -- and finance and the ability of these things to -- to actually improve people’s lives, you know, create wealth, allocate it in a sensible way, and improve people’s lives.</p> <p>I think the recent trends in social impact investing, I like them a lot because what they do is they demonstrate just how much value is create -- how much value there is to create by targeting investments to social things and not just things that are strictly economic, literally real financial value so that in a lot of the trends, whether it’s the social impact bonds or pay for success.</p>	<p>use the power of markets for good</p>
<p>“We can’t make a big dent in the challenges without a far greater ability to join forces,” says Sally Osberg, president and chief executive of the Skoll Foundation, which was founded by eBay billionaire Jeff Skoll to invest in social entrepreneurs.</p> <p>“That’s where I see all this heading.”</p> <p>In places such as the U.S. and U.K., governments have recognised the potential of joining forces with the private sector to advance domestic and overseas development agendas. Now, some are also turning to philanthropists.</p> <p>For example, a partnership was announced last year between the Skoll Foundation and the U.S. Agency for International Development (USAid). The idea is to invest in development innovations that have the potential for far-reaching impact at a fraction of the cost of such interventions when executed through traditional aid models.</p>	<p>working together is more powerful</p> <p>U.S. development agenda</p>

Appendix C – Code Tree

Codes	Number of applications
Theme 1. novel financial returns to capital	
a billion new consumers	13
government subsidy	6
high growth rates in emerging markets	28
invest in essential resources	10
new tech creates business opportunities	10
not charity	17
outstanding financial opportunities	23
portfolio diversification	14
profit is priority	38
purpose drives profit	11
strong financial returns	37
Theme 2. demand for better from investing	
appeals to the wealthy	30
direct influence on social tensions	10
combine social & financial returns (double bottom line)	41
‘no conflict’ between financial returns and impact	26
commercial banks attracted	13
global shift to sustainability	8
accept lower returns	15
align financial actions with social values	18
changing relationship between business & society	16
investors more focused on sustainability	11
proactive creation of change	36
wider view of risk	7
improve image private banking/wealth management	33
client demand	32
compete for clients	11
intergenerational wealth transfer	32
millennial attitudes	60
new primacy of private banking	5
wealthy in Asia focused on impact	19
women want	11
poor returns in the North	27
reject binary choice of profit or purpose	10
response to the 2008 financial crisis	12
Theme 3. new economic power of Global South	
big shift in aid	23
first-mover advantage	20
edtech potential	8

benefits Northern investors	11
big corporations support it	11
chance to grow business	12
ODA insufficient	17
shape markets	11
South-South cooperation flourishing	12
strategy of Northern governments	46
DFIs are leaders	39
promote private development	10
push for entrepreneurs	11
shape development	19
U.S. development agenda	29
U.S. foreign policy	16
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Theme 4. desire to change Northern governments	
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"do more with less"	4
alter Welfare State provisioning	11
help government innovate	10
improve government efficiency	18
make returns from public services	23
scarcity of public funds	43
U.S. domestic policy	20
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Theme 5. market as indispensable	
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'unlock' resources/capital	11
belief that market-based is better & sustainable	32
challenges are huge & market must help	15
changing strategy of philanthropy	22
entice other money/leverage	18
fill funding gaps	17
missing middle	8
SDG financing	23
improve the capital markets	18
lack of faith in government	16
philanthropy & government are not enough	21
preference for private-sector approach	18
entrepreneurs like business approach to doing good	18
put large(r) amounts toward social purpose	19
role to play	10
scale as goal	10
to play a catalytic role in the space	33
to make markets	18
use the power of markets for good	22
working together is more powerful	12

Appendix D – Initial Thematic Map

