



IMPACT INVESTMENT EXCHANGE ASIA

BRIDGING THE GAP BETWEEN DEVELOPMENT AND FINANCE





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CONTEXT



SETTING THE CONTEXT

ASIA: THE CURRENT NARRATIVE

Over the last five decades, Asia has enjoyed one of the highest economic growth records in the world, despite a multitude of political challenges and economic shocks. With the support of global organizations such as the United Nations (UN), Asia has led the world in the drive to achieve the Millennium Development Goals (MDGs), with the proportion of people living on less than \$1.25 per day projected to have fallen from 53% in 1990 to 12% by the end of the 2015.

However, there is still much to be achieved to maintain the momentum for the post-2015 era. Asia is at a crossroads with many of the MDG targets remaining unmet. Rising inequality poses a dire threat to continued prosperity in the region, where an estimated 500 million people remain trapped in extreme poverty, most of them women and girls. The huge gap between rich and poor hinders holistic growth, undermines democratic institutions and magnifies the risk of conflict – making these not just social problems, but also significant economic and political concerns. In the global context, the world has entered into the age of the Anthropocene, where natural resources consumption is on an unsustainable trajectory, climate change is creating irreversible damage to the environment and the future of our planet and humanity as a whole is in question.

Traditional development players (governments, donor agencies, foundations, INGOs, among others) continue to face a funding gap, with many endemic social and environmental issues competing for a limited pool of resources. It is imperative to mobilize new resources that can achieve scalable and sustainable impact and address large-scale, persistent and emerging social and environmental problems that are straining the economy. Without creating capital markets that allow for the convergence of social progress and economic growth, Asia will compromise its ability to achieve the new Sustainable Development Goals (SDG) targets. This mandates a need to redefine Asia's current development narrative and rethink the way the region leverages the power of finance to generate holistic value.

IMPACT INVESTING: AN EMERGING PARADIGM

Impact investments are investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return. Impact Investing is the manifestation of two emerging trends in the development space: an increased focus on programs that deliver sustainable value and a desire to support collaboration between the public and private sector. The practice of impact investing is further defined by the following four core characteristics:

- **Intentionality:** An investor's intention to have a positive social or environmental impact through investments is essential to impact investing.
- **Investments with return expectation:** Impact investments are expected to generate a financial return on capital or at minimum, a return of capital.
- **Range of return expectation and asset classes:** Impact investments target financial returns that range from below market to risk-adjusted market rate, and can be made across asset classes, including but not limited to cash equivalents, fixed income, venture capital, and private equity.
- **Impact measurement:** A hallmark of impact investing is the commitment to measure and report the social and environmental performance of underlying investments, ensuring accountability.

While impact investing aims to mobilize supply of mission-oriented capital, it is equally important to develop the demand side of the equation. The recipients of impact investments are termed as 'Impact Enterprises' (IEs) which can be classified either as mission-driven for profits (such as high-impact Small Medium Enterprises or Social Enterprises) or revenue-generating non-profits (such as NGOs that are financially sustainable). While traditional development approaches alleviate symptoms of social issues, IEs diagnose the issue and create paths to address the root causes of these problems. The growing impact investment market provides capital to IEs operating in high-impact sectors such as sustainable agriculture, clean technology, microfinance, and affordable and accessible basic services including housing, healthcare, energy, water and education.

KEY OUTCOMES: THE ROLE OF IMPACT INVESTING IN ASIA'S DEVELOPMENT AGENDA

The rationale for Asia to support the growth of the impact investing movement is based on the potential of the space to achieve three main outcomes:



1. Mobilize Large-Scale Capital and Integrate Multiple Stakeholders into the Development Equation:

With a global market size of Impact Investing (investments that are intended to create positive social impact beyond financial return) expected to reach \$1 trillion by 2020 (JP Morgan, 2010), impact investing represents an untapped pool of capital for Asia to complement existing government funding earmarked for sustainable development. The impact investing space also presents an opportunity to bring new stakeholders into the development equation, in particular from the private sector. Impact investment has attracted a wide variety of investors, both individual and institutional.

- Diversified financial institutions
- Pension funds and insurance companies
- Development finance institutions
- Large-scale family offices
- Fund managers
- Individual investors
- Private foundations making program-related investments

2. Catalyze Growth of Market-Based Solutions that Achieve Scalable and Sustainable Impact:

Impact investment capital fuels the growth of IEs which effectively shift the development narrative on creating demonstrable outcomes on the lives of Asia's most marginalized or disadvantaged communities. These entities represent a shift away from the traditional NGOs, that are grant-based or reliant on philanthropic capital, towards more market-based solutions that can create transformative change from the bottom-up. IEs challenge the status-quo by using innovative models that can scale impact and sustain results. As such, impact investing can refocus the conversation from reactive relief to proactive resilience.

3. Improve South-South Cooperation and Trans-boundary Solution Sharing: At a national level, embracing the impact investing space presents an opportunity for Asian countries to work towards a new paradigm of South-South Cooperation (SSC). As Asia's political and economic realities continue to change rapidly, SSC has gained increased importance and momentum in the region, going beyond infrastructure investments to support impact investing focus sectors such as agriculture, food security, affordable healthcare, education and renewable energy, among others.

IMPACT INVESTMENT EXCHANGE ASIA: MARKET LEADER IN THE REGION

Impact Investment Exchange Asia (IIX) has been at the forefront of the impact investing movement in Asia, with the mission to impact 100 million lives by 2020 by bridging the gap between development and finance. As the regional market leader, IIX has created a robust ecosystem to effectively mobilize supply of mission-oriented capital, develop demand to absorb and deploy the capital and bridge the gap between the two. IIX is facilitating over USD 40 million in impact investing capital and has developed a network of over 30,000 ecosystem partners, including the UN, to support the eradication of poverty and create resilient nations. The following section outlines how IIX is leveraging its expertise in impact investing and innovative finance to expedite Asia's sustainable development agenda.

CASE STUDY: THE IIX MODEL



CASE STUDY: THE IIX MODEL – CHANGING FINANCE AND FINANCING CHANGE

OVERVIEW

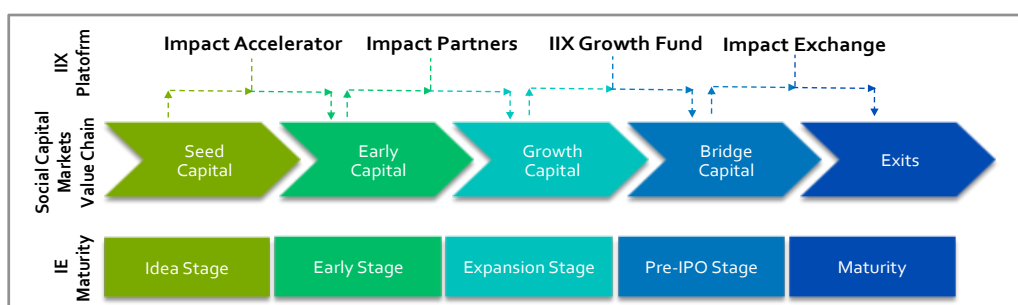
IIX has three overarching mandates described in brief below:



MANDATE 1: MOBILIZING CAPITAL FOR DEVELOPMENT

IIX works across the social capital markets value chain, ensuring alignment between supply of capital from impact investors and demand for capital from IEs and ensuring the capital reaches the millions of people in disadvantaged communities [Figure 1]. The key objective of IIX's platforms are to enable the transition between various stages of maturity of IEs to help them grow and to push the impact investing space from the margins to the mainstream. To achieve this objective, IIX has four key platforms: Impact Accelerator, Impact Partners, IIX Growth Fund and Impact Exchange.

FIGURE 1: IIX PLATFORMS ACROSS THE SOCIAL CAPITAL MARKETS SPECTRUM



MANDATE 2: KNOWLEDGE MANAGEMENT

IIX and its sister entity Shujog (focused on impact assessment, research and advocacy) are positioned

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https://www.yunbaogao.cn/report/index/report?reportId=5_3459

