PRIVATE CAPITAL
PUBLIC GOOD

How Smart Federal Policy Can Galvanize Impact Investing — and Why It’s Urgent

JUNE 2014
As part of the June 2013 G8 meeting, an international effort was undertaken to explore the possibilities for impact investing to accelerate economic growth and to address some of society's most important issues.

Under the auspices of that effort, the United States National Advisory Board was formed to focus on the domestic policy agenda. The board is comprised of 27 thought leaders, including private investors, entrepreneurs, foundations, academics, impact-oriented organizations, nonprofits, and intermediaries.

The group’s purpose is to highlight key areas of focus for US policymakers in order to support the growth of impact investing and to provide counsel to the global policy discussion.

This report is the result of a collaborative process. Each member of the National Advisory Board (NAB) brings different perspectives and priorities to this effort. Members of the NAB have participated in their capacity as individuals, rather than representatives of their organizations. The report represents the collective perspectives of the group, rather than the specific viewpoints of each individual.
A movement is afoot.

It reaches across sectors and across geographies, linking small-business loans in Detroit with community development financing in Delhi. It has animated a generation of entrepreneurs and captured the imagination of world leaders. It links the social consciousness of philanthropy with the market principles of business. It’s about how the power of markets can help to scale solutions to some of our most urgent problems.

The movement is called impact investing. It brings together entrepreneurs, investors, foundations, public-sector leaders, nonprofits, and intermediaries to use private capital for public good. Simply put, impact investing generates measurable, beneficial social or environmental impacts alongside financial returns. It’s a simple idea with profound implications.

For all the media coverage impact investing has earned recently, it is not a new concept. It has deep historical roots. Impact investing was built in partnership among investors, foundations, and the US government over the course of decades. Today, impact investors finance undertakings from early childhood education to global economic development, from preventive health care services to village-based solar microgrids.

We are at an inflection point in the impact investing movement. New energy has enlivened the space. A recent report from J.P. Morgan and the Global Impact Investing Network (GIIN) of 125 major fund managers, foundations, and development finance institutions found $46 billion in impact investments under management, a nearly 20 percent increase from the prior year.¹ But impressive as that progress sounds, impact investments still represent only 0.02 percent of the $210 trillion in global financial markets.² For all its promise, the movement is not yet living up to its potential—which many believe to be 10 or even 20 times its current size.³ For impact investing to reach massive scale—bringing private capital to bear on our greatest problems—it will require a more intentional and proactive partnership between government and the private sector.
This report highlights strategies for how the government can partner with impact investors to unleash new capital, talent, and energy for social, economic, and environmental good. Members of the National Advisory Board, who produced this report along with input from many others, are part of a growing group of skilled investors, entrepreneurs, and intermediaries who believe that capital can be used more reliably and effectively as a tool for long-term progress. Together, we explored a range of government policies to advance impact investing. The policies we recommend build on the historical successes of the field. Many policies do not require any additional government spending; those that do often repay their costs over time. This report is the product of months of discussion, extensive consultation, and deliberation. While each of the members of the NAB brings different priorities and perspectives to this effort, all agree that we are at an inflection point where smart policy can scale smart capital for social benefit.

Policy matters greatly to scale effective solutions. Strong and purposeful partnerships among governments, investors, entrepreneurs, and philanthropists are essential to tackle the increasingly complex and difficult public concerns we face. Government plays a vital role. It can modernize rules, improve key programs, and promote areas of mutual benefit. Ultimately, it can help mobilize the talent and capital to tackle core social and environmental challenges at scale.

In light of what we face as a nation, there is no excuse for leaving willing talent and capital sitting on the sidelines.
STRATEGY 1
Remove regulatory barriers to unlock additional private impact investment. Innovative impact-oriented businesses are in need of investment, and certain regulatory barriers stand in the way—leaving much private capital on the sidelines. For example, the IRS could further clarify and refine its rules about foundation investments in for-profit enterprises to help fill the funding gap between grants and commercial capital. This would be cost neutral.

STRATEGY 2
Increase the effectiveness of government programs. Government agencies frequently lack the flexibility and range of tools needed to achieve social and environmental goals. For example, Congress could revise the longstanding investment restrictions under which the Overseas Private Investment Corporation operates, so that it could participate in a wider range of impact investments, reinvest its proceeds for portfolio growth, and develop next-generation financial instruments and models. These policies would increase the environmental and social impact of programs while lowering costs or potentially increasing revenue.

STRATEGY 3
Provide incentives for new private impact investment. Some markets need a push to get off the ground. By putting the first dollar on the table, government can attract private investment to support important social and environmental goals. More federal agencies should have the authority to replicate successful impact investing programs, such as the Community Development Finance Institution (CDFI) Fund, which marshals $20 of private capital for every $1 of federal funds invested. These policies may increase agency expenditures, but they often repay their costs over time or attract considerable private funding.

SUPPORTING POLICY AREA
Encourage and support innovative impact-oriented organizations and impact investment opportunities. Every entrepreneur needs support in getting off the ground. Congress, the White House, and government agencies command powerful public platforms for spreading the word about the benefits of impact investing. They can support the development of field-building organizations.

SUPPORTING POLICY AREA
Standardize metrics and improve data access. Measuring impact is critical to the development of the impact investing field. The government can support and accelerate private-sector standards while promoting open access to data. For example, development finance institutions could coordinate to create a platform that enables data sharing and due diligence, modeling their efforts after the Department of Education’s Investing in Innovation (i3) fund.
CONTENTS

WHO WE ARE 3
EXECUTIVE SUMMARY 4
INTRODUCTION 9
Seizing The Opportunity 11
Federal Policy As A Key Lever For Change 16
A National Policy Platform For Impact Investing 17
A FRAMEWORK FOR FEDERAL POLICY ACTION 21
Strategy 1. Remove Regulatory Barriers To Unlock Additional Private Impact Investment 21
   Modernize Regulation Of Fiduciary Duty 21
   Encourage Increased Impact Investing By Philanthropists 24
   Looking Forward: Ongoing Evaluation Of Barriers 25
Strategy 2. Increase The Effectiveness Of Government Programs 26
   Increase Agency Flexibility 26
   Support Cross-agency Connections 29
   Develop New Tools To Improve Effectiveness 29
   Looking Forward: Test Supportive Procurement Policies 30
Strategy 3. Provide Incentives For New Private Impact Investment 31
   Invest Targeted Government Funds To Leverage Private Investment 31
   Increase Use Of Collaborative Financing Vehicles 33
   Looking Forward: Reshape The Federal Tax Code 35
Supporting Policy Area: Encourage And Support Innovative Impact-Oriented 36
   Organizations And Impact Investment Opportunities
Supporting Policy Area: Standardize Metrics And Improve Data Access 37
   Pursue Agency Endorsement Of Standards For Impact Metrics 38
   Identify Areas To Open Access To Agency Impact And Return Data 38
CONCLUSION 41
APPENDICES 42
This report provides a framework for federal policy action in support of impact investing. This is a bipartisan effort. Even during this time of great political polarization, many of the measures described here support the values and goals of constituencies across parties. Collectively, these proposals—some near-term and concrete, others longer-term and more ambitious—have the power to unlock dramatic economic activity and immense positive impact. Ultimately, they may serve as a catalyst to help change the way investors think about long-term risks and returns.
A new generation of entrepreneurs is reshaping how we think about the role of business in solving our most urgent social problems. These entrepreneurs, domestic and global, seek both profit and social or environmental impact. Their blended missions can blur the traditional division between for-profit and nonprofit enterprises, between commercial investment markets and their philanthropic counterparts. It’s a quiet revolution in the making.

The transformation has reached school cafeterias. Concerned about epidemic childhood obesity and mounting evidence that school lunches share part of the blame, two business school friends (and moms) decided to start a company to provide nutritious lunches to school kids across America. Kristin Richmond and Kirsten Tobey launched Revolution Foods in 2006 with mixed financing from a diverse range of sources, including both impact investors and private venture capital firms. Today, Revolution Foods has contracts with school districts in 27 cities across 11 states, and provides 1 million healthy meals each week to school children, 75 percent of whom are low-income. The firm has been listed by Fast Company and Inc. magazines as one of the nation’s fastest-growing and most innovative companies.

Impact-oriented organization: an enterprise—for-profit or nonprofit—that seeks to address social or environmental concerns while seeking sustainable financial returns.

Half a world away, US-born entrepreneurs Nikhil Jaisinghani and Brian Shaad struggled with a different problem: over 400 million people in India lack access to electricity, a critical need to boost economic growth, improve health, and advance education. That inspired Jaisinghani and Shaad to found Mera Gao Power (MGP) to sell microgrids—solar powered small-scale electrical systems—whose up-front costs can be shared across a village, enabling households to buy energy at half the cost of kerosene. USAID’s Development Innovation Ventures program awarded MGP a $300,000 grant, allowing the organization to reach 25,000 people in 222 villages across Uttar Pradesh in northern India—and to become profitable. After proving that their business model worked, MGP secured equity financing from Insitor Management, an impact investment firm, to fund further expansion.
Richmond, Tobey, Jaisinghani, and Shaad are four actors in a growing global movement—extending beyond entrepreneurs to include nonprofits, governments, and major corporations—that aims to marshal public and private resources to reshape where investors decide to place their capital and how we think about business.

This philosophical shift—the blending of purpose and financial reward—comes not a moment too soon. The magnitude of our most important problems eclipses the public and philanthropic resources currently allotted to combat them. Government dollars will fall short of supporting our national interests, both at home and abroad—whether that means increasing employment, supporting global development, or improving education to boost our global competitiveness. Philanthropy, while growing, will not be sufficient to fill the gap. Fresh thinking, innovative funding approaches, and new financing models are needed to complement traditional systems.

**PAYING FOR SUCCESS**

Social impact bonds (SIBs) are tools to finance government pay-for-success contracts. Investors provide up-front funding for a program of prevention or early intervention services that are currently beyond the reach of limited government funding. If the program hits performance targets and saves the government money, government uses some of the savings to repay investors with interest. If the program fails, government owes the investors nothing.

To date, most US social impact bonds have been state-, county-, or city-led, with philanthropy playing a critical role to mitigate risks. In 2013, following in the footsteps of the nation’s first SIB launched in New York City, the State of New York, Social Finance US, and Bank of America Merrill Lynch announced the first SIB globally offered to investors via a mainstream wealth management platform. The $13.5 million raised from more than 40 individual and institutional investors will be used to expand the work of the Center of Employment Opportunities (CEO), a successful provider of employment and reentry services to formerly incarcerated individuals. The Rockefeller Foundation provided a first-loss guarantee of 10 percent, helping to lower the risk for other investors. If the program is successful at reducing recidivism and increasing employment relative to a control group, as determined by a randomized control trial, investors recoup their principal and can earn up to a 12.5 percent rate of return. Social Finance, as intermediary, will also provide ongoing performance management and project oversight throughout the life of the five and one-half year project.
Enthusiasm to meet this challenge has galvanized investors, entrepreneurs, foundations, public-sector leaders, nonprofits, and intermediaries, who—under the banner of impact investing—are dedicated to targeting and tracking social or environmental value alongside financial return. Hundreds of fund managers, including those at the nation’s preeminent financial institutions, are raising capital in the impact investing field from high-net-worth individuals and pension funds alike. Giving Pledge members, some of our nation’s most successful entrepreneurs, described impact investing as “the hottest topic” at their 2012 meeting and are forming a community of practice among themselves to share lessons learned.

This year, impact investors will channel billions of dollars to finance early childhood education, innovations in clean technology, financial services for the poor and struggling middle class, and other impact areas. Some of this investment is catalyzed by tax credits or regulatory mandates. Other investments are driven by forward-thinking policymakers embracing new investing tools that can augment traditional grant making—building on successful models in housing, infrastructure, and other sectors. Leveraging the scale and dynamism of markets, these public-private innovations can bring effectiveness, accountability, and scale to important services to complement public-sector commitments.

Impact investing is not a panacea. Private capital alone will not solve tough social problems. But impact investing can pave the way for more effective, proactive investment across the public and private sectors and help move talent and capital interested in both social and financial returns into the mainstream. In light of what we face as a nation, there is no excuse for leaving willing talent and capital sitting on the sidelines.

SEIZING THE OPPORTUNITY

Investment can produce economic value, create jobs, and improve our standard of living. Increasingly, investors across a wide variety of sectors recognize that explicitly focusing on these outcomes can impact their bottom lines, helping them to refine their focus, plan effectively for long-term risks, and capitalize on a growing movement of socially conscious consumers. Both microfinance and community development, for example, have for decades driven positive change in underserved communities. Impact investing is firmly rooted in, and expands upon, these important historical movements.

Impact investors are a diverse group, seeking a wide variety of social and financial objectives. Some, including institutional and other mainstream investors, seek risk-adjusted market-rate returns. Often, these funds focus on more mature sectors, such as microfinance and community development
**A BRIEF HISTORY OF IMPACT INVESTING**

Investing with social purpose is not a new phenomenon. Here are some of the highlights of its development.

**In 1950**, the US government began providing political risk insurance to private investors doing business abroad.

**In 1958**, Small Business Investment Company (SBIC) was established.

**In 1961**, President Kennedy created USAID to fund global development.

**In 1968**, the Ford Foundation began experimenting with Program-Related Investments (PRIs; see page 24 for further detail) that offered the potential for social change while returning investment principal for future use.16

**In 1970**, Incubated development finance operations, leading to creation of the Overseas Private Investment Corporation. The 1970s also saw the launch of Grameen Bank and the microfinance industry.17

**In the 1980s and 1990s**, socially responsible investors—who attempt to avoid investments deemed harmful to society—diverted capital from South Africa to pressure leaders to end apartheid.18

**In 1971**, as international aid grew, USAID incubated development finance operations, leading to creation of the Overseas Private Investment Corporation. The 1970s also saw the launch of Grameen Bank and the microfinance industry.17

**In 1980**, USAID incubated development finance operations, leading to creation of the Overseas Private Investment Corporation. The 1970s also saw the launch of Grameen Bank and the microfinance industry.17

**In 1986**, The Low-Income Housing Tax Credit was introduced.

**In 1990**, Congress passed the Riegle Community Development and Regulatory Improvement Act, which promoted access to capital and local economic growth via community development financial institutions (CDFIs).19

**In 1994**, Congress passed the Riegle Community Development and Regulatory Improvement Act, which promoted access to capital and local economic growth via community development financial institutions (CDFIs).19

**By the first decade of the 21st century**, the Foundation Center tracked 427 foundations that financed nearly 4,000 PRIs for a total of over $3 billion—significant progress, but still a fraction of the more than $200 billion in grants given over the period by the nation’s top 100 foundations.20,21

**In 2000**, The New Market Tax Credit was introduced.

**In 2007**, recognizing this proliferation of socially minded investment activity, the Rockefeller Foundation convened a meeting in which several leaders in finance and philanthropy coined the term “impact investing.”22 As The Monitor Group, a consultancy, observed in a seminal 2009 report, this marked a transition in the impact investing industry’s evolution from a stage of “uncoordinated innovation” to a more unified phase of “market building.”24

**By 2012**, The Forum for Sustainable and Responsible Investment reported that the socially responsible investment market had grown to over $3.7 trillion.23 Impact investors began to work in concert to build industry infrastructure and centers of investment activity, such as the Global Impact Investing Network (GIIN) and the Global Impact Investing Rating System (GIIRS). Through these market-building efforts, GIIN has defined impact investments as “investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return.”24

**In 2012**, First Social Impact Bond in the US was introduced.

**IMPACT INVESTING** has become a popular topic of discussion among investors, heads of state, and social entrepreneurs attending the World Economic Forum Annual Meeting in Davos, Switzerland. And the Obama Administration has made impact investing a central feature of its Power Africa initiative, which seeks to leverage billions in private finance to double the number of people with access to energy systems in sub-Saharan Africa.26
finance, or high-growth, high-risk industries, such as emerging markets infrastructure. In one study of self-reported data, for example, Elevar Equity’s, investments in the microfinance space returned 21 percent to investors.27 Other funds, often capitalized by philanthropic sources, intend to pioneer new markets and build sustainable industries. These funds may be working in fields traditionally supported through public finance (such as water, sanitation, or education). They focus on underdeveloped geographies or target consumers with low incomes, providing scalable and sustainable pathways to reach the world’s poorest. They may also help an enterprise or market reach commercial viability, where it can scale through private sector markets and begin to attract commercial investors. Such funds may accept returns below commercial rates. For example, Accion Texas returned 2–3 percent to investors from its US-based small-business loans.28 In the absence of more transaction data, it is too early to systematically assess risk-adjusted rates of return, but these examples of pioneer investors suggest the breadth of potential objectives that can be accomplished using the tools of impact investing.

Sometimes, investors from across this spectrum of purpose join together to create innovative solutions. The Collaborative for Healthy Communities, a $130 million initiative to fund community health centers across the country, is one such example. The Collaborative makes use of a variety of financial tools and actors. It includes senior loan capital from Goldman Sachs’ Urban Investment Group and three community lenders (Low Income Investment Fund, Primary Care Development Corporation, and The Reinvestment Fund), a subordinate loan from the Rockefeller Foundation, and a loan guarantee from the Kresge Foundation, reducing the risk for other investors.29

All of this comes as impact investing shows signs of robust growth. A 2014 survey from J.P. Morgan and the Global Impact Investing Network (GIIN) of 125 major impact fund managers, foundations, and development finance institutions identified $46 billion in impact investments under management, with annual funding commitments estimated to increase by 19 percent in 2014.30 While this is significant, it remains a tiny fraction of the $210 trillion value of the world’s equity market capitalization and outstanding bonds and loans.31 Projections of future market size vary but are tantalizing. Sir Ronald Cohen, a leading British venture capitalist and impact investor (and chair of the Global Social Impact Investment Taskforce) believes the market’s potential to grow to be as large as “the $3 trillion of venture capital and private equity.” The field will provide increasing support to low-income housing, smallholder farms, affordable financial services, and more along the way.

**Credit Enhancements:** Methods of reducing risk for potential investors in order to increase private capital flow include:

- **Subordinated debt/first-loss capital:** a loan or security that ranks below others in payout; in case of default, does not get paid out until senior or other higher-ranking debt holders are paid in full.
- **Partial risk guarantees:** a form of insurance providing some limited protections against loss or default.

**Today, these credit enhancement tools are being used across agencies, including:**

- **Domestic investments:** loan guarantees through the Small Business Administration for start-up expansion and through the Department of Energy for renewable energy technologies, subordinated debt such as Rockefeller’s investment in the Collaborative for Health Communities, and many others.
- **Global development:** partial loan guarantees through the USAID Development Credit Authority and Overseas Private Investment Corporation (OPIC), project preparation funds and barrier removal from the Africa Clean Energy Finance initiative (a multiagency project), and many others.
Businesses, from startups to multinationals, increasingly see opportunities to serve new markets with products and services that have explicit social impact. Revolution Foods, for example, is attempting to disrupt the world of school lunches, providing over 1 million healthy, affordable meals to students across the country, more than 60 percent of whom are in low-income households. At the same time, many companies are also innovating for positive social and environmental impacts. Google has invested $1 billion in renewable energy projects, and Coca-Cola is investing $1 billion in its 5by20 Program to develop business skills among 5 million women- and minority-owned suppliers by the year 2020. Businesses including Patagonia and Etsy have become Certified B Corporations—for-profit entities that consider society and the environment in their business decisions—that are scoring high against higher standards of social and environmental performance, transparency, and accountability.

Individuals and companies at major financial institutions like Goldman Sachs and Morgan Stanley increasingly see impact investment opportunities. Some see impact investment as a way to diversify and strengthen their portfolios across new sectors, geographies, and time horizons; others use it to enable their clients to take a more active role in advancing their values. Increasingly, pension funds and other institutional investors around the world—which represent more than $80 trillion in assets under management in the 34 OECD nations alone—are beginning to warm to impact investments, such as those in renewable energy or in emerging markets, in search of higher yields and markets with long-term high-growth potential.

High-net-worth individuals have shown tremendous interest in impact investing. High-profile entrepreneurs and investors, such as Steve and Jean Case, Vinod Khosla, Pierre Omidyar, Jeff Skoll, and George Soros have made significant commitments to impact investing to unleash the power of entrepreneurship to solve significant social and environmental problems. Others, such as Charly and Lisa Kleissner, have developed portfolios meant to demonstrate impact investment's ability to compete with traditional investments. Interest is likely to grow exponentially in coming years. Studies suggest that Millennials, who are poised to be on the receiving end of an intergenerational wealth transfer of $41 trillion in the coming decades, place considerable emphasis on aligning their investments with their values.

Private foundations increasingly see impact investing as an important complement to grant making. The Gates Foundation manages a $1.5 billion commitment to income-generating program-related investments (PRIs); the MacArthur Foundation’s PRIs now total $300 million; and the Robert Wood Johnson Foundation announced a $100 million commitment to PRIs in 2011. Meanwhile, the F.B. Heron Foundation has set a pioneering example with its own endowment. After successfully deploying more than 40 percent of its assets to impact investing (while maintaining risk-adjusted returns), the foundation announced its intention to commit 100 percent. Foundations can make their balance sheets go even further by providing guarantees to private-sector investors to support high-risk investments.

Social service providers have been helped by philanthropy to test and refine ideas, but many are starved for growth capital to scale their work and meet urgent demand. Nurse-Family Partnership (NFP), for example, is a rigorously tested program in which trained nurses provide support for low-income, first-time mothers. Evidence from over 30 years shows that the program reduces costs to both state and federal governments, providing a powerful return on investment. Impact investments—such as the social impact bond in development to support NFP in South Carolina—could supply nonprofit direct-service providers with the capital needed to scale.
What does this mean? It means supporting socially minded businesses and entrepreneurs, whether they are bringing a grocery store to an urban food desert in Philadelphia; inexpensive solar electricity to rural villages in Kenya; or small-dollar, low-interest loans to the unbanked in San Antonio. It means testing innovative public-private financing models like “pay for success,” which encourage government agencies to pay for measurable social outcomes and scale cost-effective preventive social services, such as asthma management or prisoner recidivism reduction. And it means doubling down on the progress we have made in the last quarter century, leveraging private capital for charter schools, financing low-income housing, and building small businesses where they are needed most.

At the same time, to truly scale these innovative solutions and produce widespread social change and economic value, investors across the public, private, and philanthropic sectors need to invest in market infrastructure. Like traditional financial markets, impact investing needs enabling policies; standardized performance measurement and reporting systems; third-party ratings and regulations; platforms to share market information and match capital with investments; educational programs to encourage impact investing; and easily accessible, transparent data to support investors in making disciplined investment decisions.
The impact investing industry stands poised for dramatic growth. The magnitude of that growth depends to a great extent on the degree to which the federal government will enact policy and regulatory changes to unleash the sector’s potential.

Take, for example, the La‘i‘Opua Health Center, a new 11,500-square-foot medical center being built in the Kealakehe community of Hawaii’s Big Island. In its first year, the health center—located in an underserved, low-income community—will provide medical and dental care to some 4,300 patients and add 25 full-time employees and another 10 part-time. The health center also serves as a catalyst for a broader area redevelopment plan that will include low- to moderate-income housing, a grocery store, a pharmacy, elementary schools, transit-oriented development, and a regional park. Yet the health center could never have been built without support from both private capital and public programs. The redevelopment plan relies on a bridge loan from the Nonprofit Finance Fund, matched with $10 million in tax credits from the federal New Markets Tax Credit program, and a grant from the Health Resources and Human Services agency of the Department of Health and Human Services.

Policy matters greatly. Government acts as regulator and standard setter, but also as coinvestor, risk mitigator, major buyer of goods and services, and sometimes as a market maker. The federal government exerts significant influence on where and how investors place their funds, regulating the use of pension funds, writing tax rules for foundations and others, and creating incentives to direct private capital. And the federal government is an extraordinarily powerful stakeholder with the ability to move and shape markets. It manages billions in domestic contracts, international development financing, and research funds; provides subsidies and credit enhancements; and builds market infrastructure.

With the leadership of forward-thinking policymakers, we can increase the efficiency and impact of public dollars, accelerate and expand the volume of private capital financing public goods, and use more of our country’s most talented entrepreneurs on fixing our most urgent problems. Indeed, numerous case studies throughout this report demonstrate that it is possible to apply the power and discipline of markets to public goals—and that smart policy can generate tremendous leverage on limited government funds. Today, investment areas once considered tenuous—from low-income housing to charter school development—have been proven, thanks to innovative partnerships between private-sector leaders and the government. By continuing to cultivate new and deeper partnerships, we have the opportunity...
CHANGING THE STAKES OF AFFORDABLE HOUSING: THE NYC ACQUISITION FUND

Impact investing challenges the public, private, and philanthropic sectors to turn innovative ideas into reality. The collaborative effort to relieve the shortage of affordable housing in New York City is a good example. In 2005, the city and several foundations—including Rockefeller, Robin Hood, and MacArthur—contributed $28.8 million to a capital pool that would absorb initial losses in the event of a loan default. This “first-loss” guarantee helped to attract a group of banks—including Bank of America, J.P. Morgan Chase, and Wells Fargo—that raised over $150 million, which has been used to build or preserve over 6,290 housing units. Mark Enterprise, a leading provider of affordable housing for low-income people across the country, acted as managing general partner of the fund and originator of the loan. This innovative partnership led to millions in new capital investment, with investor returns ranging from below-market (for the foundation group) to market-rate (for the bank consortium). In addition, it served as a model for other programs across the country, including those in Los Angeles and Denver.

to draw billions of dollars and untold amounts of entrepreneurial talent into the great task of solving our most persistent social problems and fostering economic prosperity for all over the medium and long term.

A NATIONAL POLICY PLATFORM FOR IMPACT INVESTING

The National Advisory Board that produced this report represents the diversity of the impact investing marketplace. We come from successful private enterprises, leading financial institutions, groundbreaking nonprofits, innovative universities, market-shaping investment funds, pioneering public agencies, and major foundations.

We come from different backgrounds, but we are united behind a clear vision of the future, one in which the federal government supports a bold vision of impact investing as an important tool for promoting the public benefit. Strong partnerships must be sustained and strengthened between government, private investors, foundations, intermediaries, the social sector, and entrepreneurs, in order to develop a thriving impact investing marketplace. And to reach its potential, this marketplace must provide investors with sufficient data to make informed investment decisions.
The policies described in this report—developed during an extensive review and consultation process (see appendix for further details)—range from modest to far-reaching. Neither the policies, nor the examples which illustrate them, are intended to be exhaustive representations of activity in impact investing. While state and local government have essential roles to play in further support of impact investing, these policies focus on the federal government. Some will require detailed and ongoing study; some entail staged change, building on the success of other policy recommendations. All, however, require immediate action to build support, develop model legislation or regulation, and enact the solutions that will help our communities, our country, and the world harness the power of private capital and entrepreneurial ingenuity to make lives better.
<table>
<thead>
<tr>
<th>LEGISLATIVE ACTION</th>
<th>JOINT ACTION &amp; INFLUENCE</th>
<th>EXECUTIVE ACTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approve the Treasury’s Pay-for-Success Fund. (p.29)</td>
<td>Promote flexible funding within agencies. (p.27)</td>
<td>Conduct further research on unclaimed assets. (p.28)</td>
</tr>
<tr>
<td>Ongoing support for the Community Reinvestment Act (CRA). (p.16)</td>
<td>Replicate model impact investing programs to stimulate private investment. (p.31)</td>
<td>Provide guidance regarding disclosure requirements. (p.23)</td>
</tr>
<tr>
<td>Ongoing support for The Community Development Finance Institution (CDFI) Fund, along with the Capital Magnet Fund (CMF), and funding for the National Housing Trust Fund (NHTF). (p.33)</td>
<td>Encourage integrated public-private grant-investment capital funds for global development. (p.35)</td>
<td>Revise visa investment criteria to redirect funding toward qualified impact investments. (p.29)</td>
</tr>
<tr>
<td>Ongoing support for the Low-Income Housing Tax Credit (LIHTC) and the New Market Tax Credit (NMTC), including efforts to make the NMTC permanent. (p.35)</td>
<td>Use the influence of Congress, the White House, and federal agencies to celebrate impact-oriented entrepreneurs and businesses. (p.37)</td>
<td>Broaden the scope of current federal capital access programs to include nonprofits. (p.32)</td>
</tr>
<tr>
<td>Review the tax code to target opportunities to support impact investments. (p.35)</td>
<td>Clarify standards for assessing production of income. (p.24)</td>
<td>Designate a third party to develop a visible public framework to identify key bureaucratic barriers to impact investing. (p.25)</td>
</tr>
<tr>
<td>Loosen regulatory and legislative constraints on the US Overseas Private Investment Corporation (OPIC). (p.26)</td>
<td>Clarify that impact investing can be consistent with ERISA. (p.23)</td>
<td>Endorse a framework for more robust impact measurement and standards. (p.38)</td>
</tr>
<tr>
<td>Remove investment restrictions on USAID’s Development Credit Authority. (p.26)</td>
<td>Clarify standards for exiting program-related investments. (p.25)</td>
<td>Develop multilateral, pooled vehicles to fill gaps in early-stage risk capital. (p.34)</td>
</tr>
<tr>
<td>Streamline access to development finance. (p.29)</td>
<td>Enable broader range of mission-related investments. (p.25)</td>
<td>Replicate innovative data-sharing efforts. (p.40)</td>
</tr>
<tr>
<td></td>
<td>Experiment with impact-oriented procurement. (p.30)</td>
<td>Encourage agencies to fund enterprises, not just projects. (p.28)</td>
</tr>
<tr>
<td></td>
<td>Support the growth and development of field-building intermediaries. (p.37)</td>
<td>Experiment with Development Impact Bonds. (p.30)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Increase guarantees to mobilize greater US institutional capital for impact investing abroad. (p.33)</td>
</tr>
</tbody>
</table>
REMOVE REGULATORY BARRIERS TO UNLOCK ADDITIONAL PRIVATE IMPACT INVESTMENT

Policies should support rather than impede effective public and private solutions to our most pressing social and environmental challenges. However, current interpretations of the federal laws around fiduciary duty hamper the ability of investors to take these factors into account in their investment decisions. Federal officials should address these issues by revising regulatory guidance, particularly for pension funds and private foundations.

MODERNIZE REGULATION OF FIDUCIARY DUTY

Impact investing is consistent with the role of a responsible fiduciary. Indeed, a long-term understanding of social and environmental impacts is becoming an increasingly important element of making prudent investments. However, some interpretations of fiduciary duty have not kept pace with this understanding.

Policy can help to support this trend toward a more inclusive understanding of fiduciary duty. In particular, regulators can clarify ERISA regulations for pension funds and further support the rise of new corporate forms with expanded fiduciary duties.

Under the Employee Retirement Income Security Act (ERISA) of 1974—which regulates trillions in pension fund investments—pension plan fiduciaries must act prudently, diversifying their investments to minimize the risk of large losses, and must act for the exclusive benefit of plan participants and beneficiaries. Over the years, the US Department of Labor (DOL), which enforces these requirements, has provided guidance in its interpretation of the law. In the late 1970s, for example, DOL clarified that investments in venture capital funds could be consistent with ERISA guidelines, helping to launch the industry.

In 1994, building on its long-term informal direction, DOL provided formal guidance that plans could consider targeted economic, environmental, and other concerns, so long as doing so was consistent with the fiduciary obligation to the plan participants—that is, providing the same level of return at the same level of risk as comparable investment alternatives. In 2008, the Department of Labor changed its guidance. It said that fiduciaries “may never subordinate the economic interests of the plan to unrelated objectives,” and that they could not make investment decisions based on “any factor outside the economic interest of the plan,” with the exception of rare, specified circumstances. The changes sent an important signal to investors. Whereas the previous guidance had been taken as a mechanism of supporting

Fast Fact: Standards of prudence evolve over time. As recently as the 1970s, stock investments were widely viewed as imprudent for trust fiduciaries.
In recent years, numerous examples suggest the changing dynamics of fiduciary duty.

Research, such as that conducted by CFA Centre for Financial Market Integrity and the Business Roundtable Institute for Corporate Ethics, studied investor time horizons and concluded that “the obsession with short-term results by investors, asset management firms, and corporate managers collectively leads to the unintended consequences of destroying long-term value, decreasing market efficiency, reducing investment returns, and impeding efforts to strengthen corporate governance.” For many, this suggests that fiduciary norms that exclude such long-term factors are unjust, particularly from an intergenerational perspective. Education and culture change will be essential to training the next generation of global business leaders about the importance of accounting for long-term risks in their investment decisions.

In 2010, the US Securities and Exchange Commission issued guidance on disclosure of climate risk information by publicly listed companies, suggesting that environmental concerns are important potential investment concerns.

The Sustainability Accounting Standards Board (SASB), a nonprofit supported by foundations and corporations, is developing industry-specific sustainability accounting standards to provide investors with insights into factors that will materially influence their financial decision-making.

University endowments, private foundations, and others have chosen to incorporate long-term environmental, social, and other factors into their investment strategies. For example, Stanford University recently decided to divest its endowment funds from coal mining companies.

Over 1,200 investors with $34 trillion in assets—including CalPERS, the second-largest public pension fund in the United States, and the Norwegian Government Pension Fund, one of the world’s largest sovereign wealth funds—have joined together to support the United Nations Principles for Responsible Investment. Members of the global network believe that environmental, social, and governance issues pose risks to their portfolios and may harm the interests of their beneficiaries. They see consideration of these factors as an essential component to upholding their fiduciary duty—that is, to maximizing long-term returns for their beneficiaries. They are part of a sea change in financial markets. According to KPMG, 93 percent of the world’s largest 250 companies report on non-financing factors.

Other countries have altered their fiduciary regulations. For example, South Africa now requires that investors “consider any factor which may materially affect the sustainable long-term performance of the investment, including those of an environmental, social, and governance character.”
impact investments, the 2008 guidance created the opposite impression. As a result, some investors are reluctant to take environmental or social factors into account when determining the economic benefit of an investment. For example, a fiduciary might be concerned that consideration of significant environmental disruption from climate change—and the related effects of current and future public policies—might be seen as outside the “economic interest of the plan,” even though it will influence returns within the lifetime of plan participants.

We believe it would be beneficial for the Department of Labor to make it clear that consideration of targeted economic, environmental, and social factors is consistent with ERISA’s fiduciary obligations to plan participants. Specifically, we recommend that the Department of Labor:

› **Clarify that impact investing can be consistent with ERISA.** The Department of Labor should make clear that ERISA fiduciaries may consider environmental, social, and governmental factors in making investment decisions, and that doing so is consistent with their responsibility to act in the economic interest of the plan. This change could dramatically increase the private capital available for impact investment. Even a small percentage of the trillions in pension funds governed by ERISA could create enormous public benefit.

Even as pension funds confront the meaning of fiduciary duty, states are leading the charge in redefining the role of prudent corporate citizenship. Twenty-seven states—from Oregon to Arkansas to Delaware—have introduced a new corporate form, the benefit corporation, designed for businesses that consider society and the environment in addition to profit in their decision-making process. To support these businesses, we recommend that regulators:

› **Provide guidance regarding disclosure requirements.** The Securities and Exchange Commission should explicitly provide guidance around the disclosure requirements and investor regulations of companies with expanded fiduciary duties, such as B Corporations.

---

**POLICY IN ACTION: FEDERAL POLICY REVITALIZES VENTURE CAPITAL**

In the 1970s, the young field of privately managed venture capital nearly faded away. However, seeing the potential for unleashing innovation and growth, the US government stepped in with a series of smart policy changes to revive the industry. In 1979, clarifications to ERISA’s “Prudent Man” rule allowed pension funds for the first time to make venture investments. The following year, two new policies increased venture funds’ flexibility: the Small Business Investment Incentive Act removed the need for venture firms to register as investment advisors, while the ERISA “Safe Harbor” regulation clearly stated that VC managers would not be considered plan fiduciaries. At the same time, capital gains rates were cut twice, from 49.5 percent in 1979 to 20 percent by 1981. Over this period, VC investment skyrocketed from nearly zero to over $5 billion. Entrepreneurship has never been the same. Today, venture-capital-backed companies account for 12 million US jobs and over $3.1 trillion in revenue (based on 2010 data), according to IHS Global Insight’s 2011 Venture Impact study. Removing regulatory barriers and providing incentives helped to spur the rebound and serve as a driver of US innovation.
ENCOURAGE INCREASED IMPACT INVESTING BY PHILANTHROPISTS

As inherently mission-driven institutions, private foundations have been among the most active proponents of impact investing. Foundations use two main impact investing tools: investments aligned with their mission and expected to generate a financial return (mission-related investments, or MRIs), and investments that are primarily charitable in purpose (program-related investments, or PRIs), which also count toward a foundation’s mandated annual 5 percent grant payout.

For foundations, both MRIs and PRIs are sustainable tools for supporting their mission and programmatic work—fueling growth of mission-driven organizations while returning the invested principal for use in future investments. Both MRIs and PRIs perform a crucial function for impact-oriented organizations, filling the funding gaps between grants and commercial capital. For example, in 2009 the Kellogg Foundation made a $500,000 MRI in Acelero Learning, a for-profit company that supports and manages high-quality Head Start programs in Nevada and New Jersey. That same year, the Bill & Melinda Gates Foundation made a $10 million PRI (alongside a $4 million grant) in Root Capital—a nonprofit social investment fund—to provide affordable credit to small agricultural businesses in Africa and Latin America.

Nevertheless, current practices and guidelines perpetuate an investment blind spot. There are some impact investments, particularly in new or higher-risk ventures, that lie between what is considered acceptable for an MRI (based on the fiduciary duty of endowment management) and the special requirements for PRIs (that they be charitable and not primarily intended to produce financial returns). Foundations are particularly well suited to bridge the pioneer gap in these types of situations, but their ability to do so today is limited—due to both cultural and organization divisions between managers of PRIs and MRIs, and to existing regulations that may place unnecessary constraints on the continued growth of these important impact investment vehicles. While foundations themselves—such as the F.B. Heron Foundation and Omidyar Network—are experimenting with new methods of integrating their investment teams and philosophies, we encourage continued evolution in PRI and MRI regulation.

Efforts to clarify and simplify the process of making PRIs have already made important progress. The IRS recently issued clarifications supporting a broader set of examples, and the proposed Philanthropic Facilitation Act would streamline the approval process for eligible charitable investments. The IRS should continue to update examples periodically in order to keep up with growing opportunities for impact. It should also provide greater clarity to its definition of charitable purpose in order to provide greater comfort to foundations seeking to address new or emerging challenges.

In addition, two further evolutions of PRI regulation could make the process of program-related investing even more straightforward for foundations:

- **Clarify standards for assessing production of income.** Opportunities for impact investment have changed significantly since PRI regulations were originally written. The IRS should clarify standards for assessing production of income such that foundations are not precluded from: (a) using a traditional commercial investment analysis or approach to review the strength of an investment; or (b) investing alongside for-profit investors without having to
be concerned about other investors’ motives for investing. These clarifications could be accomplished by an update to PRI regulations, a revenue ruling, or possibly a strategically developed private-letter ruling.

› Clarify standards for exiting program-related investments. Today, while foundations can stay in profitable PRIs (so long as the investee’s mission has not changed dramatically), the perception is that foundations lack flexibility in determining when to exit a PRI. The IRS should clarify that a foundation should use its best judgment (including delaying an exit until it is prudent to do so), and in doing so would not violate expenditure responsibility.

Looking beyond today’s PRI regulations, another more fundamental change could ease the process for making higher-risk investments:

› Enable a broader range of mission-related investments. To provide private foundations greater latitude and expand the range of potential MRIs, the IRS should consider updating standards for “jeopardizing investments” with language from UPMIFA (state-level legislation governing the investment practices of charitable institutions) which allows consideration of “an asset’s special relationship or special value, if any, to the charitable purposes of the institution.”

Beyond rule changes, we also believe that federal agencies should continue to support and encourage foundations to make MRIs and PRIs. Increasing excitement about these tools and knowledge of rules governing them can help more foundations to make their scarce funds go further.

LOOKING FORWARD: ONGOING EVALUATION OF BARRIERS

To drive change across federal policy, it will be important to maintain a consistent review of key barriers to impact investment. To do so, policymakers could:

› Designate a third party to develop a public framework to identify key bureaucratic barriers to impact investing. Issue a broad call to action for regular review of regulatory, policy, tax credit, and capital programs to identify barriers, propose solutions, and establish principles to avoid these barriers in new legislation and rule making. Use this “diagnostic” framework to build an ongoing action plan and database similar to the World Bank’s Ease of Doing Business index. This process would likely begin as an external review from a think tank, but could ultimately be incorporated within current government processes (e.g., scoring of proposed rules).
Federal agencies have an imperative to use taxpayer dollars to get the best outcomes for the people they serve. Current rules, however, can hold agencies back from reinvesting in programs that work or from innovating to improve program performance. Policymakers should unleash the power and creativity of agency programs to engage in impact investing.

**INCREASE AGENCY FLEXIBILITY**

Agencies face a variety of barriers to increasing the reach of impact investing programs. They may be limited by internal policies and guidelines, lack of precedent or examples of previous success, or by explicit congressional or regulatory guidelines. We need to increase the effectiveness of agencies, allowing them to tackle old problems with new tools. To do so, Congress and agencies could:

› **Loosen regulatory and legislative constraints on the US Overseas Private Investment Corporation (OPIC).** OPIC is a government agency whose mission is to promote international development by encouraging US investment in emerging markets. It helps American businesses expand into the developing world through debt financing, guarantees, political risk insurance, and support for private equity investment funds. OPIC produced net income of over $436 million in 2013, and has returned profits to the US Treasury for over 30 consecutive years. It has also created significant sustainable development impact through the projects it supports. Nevertheless, it could generate even greater economic, social, and environmental returns if Congress changed some longstanding constraints on OPIC’s investments and administration.

Since 2007, OPIC has been reauthorized on an annual basis. We recommend that Congress give OPIC permanent reauthorization, or revert to multiyear reauthorizations, thereby reducing uncertainty and improving OPIC’s ability to secure long-term private-sector partnerships.

In addition, Congress should allow OPIC to retain a modest portion of its earnings to increase its staffing. Currently, OPIC has roughly $12 billion in additional deployable investment capital but does not have an adequate administrative budget to fully deploy that capital while maintaining stringent portfolio oversight. OPIC also lacks the authority to make early-stage equity investments. We suggest that Congress provide it with the flexibility to pilot these investments. Finally, Congress should consider updating the requirement that OPIC only support projects with meaningful connections to US citizens or businesses. An exception, for example, could be instated for the world’s poorest countries. No other major development finance institution has this kind of nationality restriction. Broadening it in limited circumstances would help OPIC to advance its core development objectives and allow select investments based entirely on their combined social-financial value.

› **Remove investment restrictions on USAID’s Development Credit Authority.** Regulations similarly constrain another of our most effective development finance programs. USAID’s Development Credit Authority (DCA) uses partial loan guarantees to demonstrate that underserved businesses in the developing world are commercially viable and creditworthy borrowers. In the past two years alone, DCA has used its $8 million annual budget to leverage over $1 billion in private investments.
Moreover, DCA-supported borrowers have a 98 percent loan repayment rate. However, congressional appropriations language has limited the organization’s authority to work with other financial guarantors, which would greatly expand its scale, reach, and impact. DCA is limited not simply by level of risk exposure ($300 million per country)—a prudent method of limiting taxpayer liability—but also by the total face value of loans guaranteed (currently $1.5 billion, with a proposed FY 2014 limit of $2 billion), regardless of the agency’s stake in those loans. This regulation deters DCA from creating scaled deals at lower exposure to taxpayers. Like OPIC, DCA’s administrative budget also remains highly constrained. With a modest increase in annual appropriations (e.g., $2-3 million), it could expand its operations and help unlock hundreds of millions of dollars more in private capital every year.

Promote flexible funding within agencies.
Grant makers and development specialists both at home and abroad often do not have clear guidance or permission to support impact investing. While many creatively find ways to provide financing to impact-oriented organizations, they do so in spite of constraining traditions and outdated internal policies. Where possible, agencies should work to encourage
experimentation with impact investing—structuring grant funds in more dynamic ways, such as first-loss guarantees or pay-for-success arrangements. It can also help to repurpose agency funds for innovative programs. Modifications to HUD’s $5 billion Hurricane Sandy Community Development Block Grant permitted recipient states to use up to 15 percent of their federal funds in pay-for-success arrangements, providing a model for creative flexibility.74

Encourage agencies to fund enterprises, not just projects. Many agencies and financial institutions track success and make investment decisions on a project-by-project basis. However, this approach makes clear lines of accountability across service providers difficult to track, drives up transaction costs, and makes efficient organizations difficult to reward and scale.75 Agencies that invest in enterprises or intermediaries (e.g., the US Treasury via the Community Development Financial Institutions program), however, can clearly track successful investments across their portfolios and increase support for effective organizations. Investing in organizations—through grants, loans, or equity—builds their capacity, and strengthens their balance sheet over time. As a result, investments in organizations have the potential to generate multiplier effects. If new funds, such as the National Housing Trust Fund, could be used to make equity investments in housing organizations, such funds could help catapult a group of high-performing affordable housing organizations to a new level of scale and efficiency.

STATES LEADING THE CHARGE: UNCLAIMED ASSETS

In the world of impact investing, state governments are key actors in advancing innovation. As described in this report, state and municipal actors have been early adopters of social impact bonds (see page 10) and have long worked with communities to finance sustainable development and create jobs.

One potential untapped source of impact investing funds may lie in the unclaimed assets of dormant bank accounts.76 Following in the footsteps of the UK government—which used unclaimed bank assets to launch Big Society Capital, a social investment bank—the United States could seek to use these funds for impact investments. Each state, however, has its own set of regulations and programs governing these funds. Further research should be undertaken to demonstrate how states can use unclaimed assets to create public good, and how the Treasury can support states to build innovative funds with these assets.
SUPPORT CROSS-AGENCY CONNECTIONS

The work of agencies—particularly in the realm of economic development—often overlaps. Agencies can capture synergies and efficiencies by proactively working together toward common goals, sharing data, agreeing on key impact measures and definitions, and coordinating investments. For example, they could:

› Revise visa investment criteria to redirect funding toward qualified impact investments.

The EB-5 visa, developed nearly 25 years ago, creates a pathway for foreign investors to obtain green cards by investing $500,000 and creating 10 or more jobs in economically troubled areas. Today, investments—approximately $1.8 billion in 2012, and with a recent surge in interest—are typically channeled through “regional centers,” economic development entities certified by the U.S. Citizenship and Immigration Service (USCIS) to invest EB-5 funds. In the future, USCIS should leverage the existing impact standards already certified and regulated by other agencies. By investing with existing intermediaries—such as community development financial institutions, Small Business Investment Companies, and other proven US-focused impact investment vehicles—EB-5 investors could channel job creation efforts to communities that need it most, all the while supporting organizations that create positive social or environmental impact.

› Streamline access to development finance.

Development finance tools in the United States are spread across a variety of agencies, each with its own priorities, policies, and regulations. This presents challenges for impact-oriented organizations to access capital. To create efficiencies and develop a unified approach to promoting global development finance, the United States should act on the Global Development Council’s April 2014 proposal to create a “one-stop storefront” by formally combining relevant programs at OPIC, USAID, the US Trade and Development Agency, the State Department, and the Treasury’s Office of Technical Assistance. This new US Development Finance Bank would draw upon OPIC’s capital base, with grant making and technical assistance activities being sustainably self-financed through the retention of OPIC profits. The new organization would also serve as the central platform for project sponsors and investors to readily identify the full range of financing options—helping entrepreneurs to grow—including how to obtain local currency financing and guarantees.

DEVELOP NEW TOOLS TO IMPROVE EFFECTIVENESS

Paying for success means delivering better outcomes and improving the effectiveness of government funds. (For additional detail, see page 10.) Ultimately, pay-for-success arrangements expand the value of government dollars. With that in mind, we recommend that Congress and relevant agencies:

› Approve the Treasury’s Pay-for-Success Fund.

Congress should capitalize the $300 million pay-for-success fund proposed in President Obama’s budget and in draft legislation in the House. The fund is designed to provide incentives for state and local governments to develop pay-for-success projects. One key challenge facing these models is risk management. States could agree to a deal, but then not pay investors at the deal’s successful end. Massachusetts addressed this issue by establishing a Social Innovation Financing Trust that ensures investors get paid if a deal produces desired results—even if the state’s priorities change.
In addition, the fund could be used to help solve “wrong pocket” problems—problems that occur when one agency takes risk while another reaps rewards. For example, when the Department of Transportation funds an initiative to reduce obesity, and subsequent cost savings accrue to Health and Human Services without a way for Transportation to be reimbursed for its initial investment. The fund could develop a structure for sharing the cost savings of pay-for-success contracts between federal and state or local budgets (“vertically”) or across agencies (“horizontally”).

➤ **Experiment with Development Impact Bonds.**

Development impact bonds (DIBs), like social impact bonds, are a method of transferring performance risk for development projects to the private sector and forming more effective partnerships to solve social problems. In a DIB, private investors provide up-front project capital, and donors—rather than country governments—pay if it succeeds in meeting a previously agreed-upon outcome (that is independently and transparently monitored). Internationally, US donor agencies should lead a proposed G7 initiative committing each member country to piloting DIBs focused on social and development objectives. The core elements should include: paying only for successful outcomes, applying rigorous evaluations of program implementation and results, and publishing lessons learned to encourage knowledge dissemination and best practices. Among other things, the latter should include information on DIBs’ payout amounts and timing, and what their success and failure rates have been. One concrete approach, which would generate operational efficiencies, is to pool capital with other G7 countries to create a $100 million DIB Outcomes Fund, to which developing countries could submit proposals and compete for funds.

The US federal government is the world’s largest buyer of goods and services. In FY 2013, it awarded $460 billion in contracts to private enterprises, of which $83 billion went to small businesses.83 To further their own impact investing goals, federal agencies should be allowed to evaluate contractors for social impact. The ultimate success of such targeting should be closely tied to progress in impact measurement (see “metrics and data,” page 38). As social impact approaches are piloted, agencies should consider:

➤ **Experiment with impact-oriented procurement.**

Today, some agency procurement policies support environmentally sustainable or minority- or women-owned businesses.84 Building on these programs, agencies could launch pilot procurement programs that explicitly preference contractors with positive social or environmental impact.
Impact investing is a framework unifying diverse actors. While many impact investments occur in mature markets, others seek to prove and stimulate new markets. Such deals may initially be smaller, riskier, and more difficult to evaluate relative to traditional markets.\(^8\)

Small investments or time-limited tax incentives from the government, subtly shifting the risk-return balance, can attract a significant influx of private capital and help to jumpstart sustainable markets. To bring investors into this nascent practice, US agencies can deploy funds for credit enhancements, reducing (but not eliminating) investors’ risk of a loan default. Agencies can also help to develop a strong impact investment pipeline abroad, addressing gaps in emerging markets by supporting early stage entrepreneurs and providing liquidity to the market. These kinds of investments are proven, cost-effective economic development tools.

A well-known example of early-stage government support for impact-oriented organizations is M-Pesa, the Kenyan mobile payment service. Nearly a decade ago, DFID and British telecom company Vodafone each provided £1 million in seed capital to create M-Pesa’s technology. In parallel, the Kenyan government created an enabling regulatory and political environment for a pilot program and advanced adequate consumer protections. M-Pesa launched in 2007, and by 2013 it was used by 17 million Kenyans and handled transactions responsible for over 25 percent of the country’s GDP providing access to financial services and facilitating remittances from urban areas into poorer rural ones.\(^8\)

The M-Pesa story of economic benefit resulting from early-stage seed capital and government support is only one approach to leveraging markets. Governments can use a range of financial tools to incent more private capital into impact investing—stimulating deal flow through early-stage grant or risk capital, mitigating risk through partial guarantees or first-loss capital, or supporting investors via tax policy.

**INVEST TARGETED GOVERNMENT FUNDS TO LEVERAGE PRIVATE INVESTMENT**

Many impact investments are slightly riskier relative to their expected return than typical commercial investments. Relatively small investments of public funds can mitigate this risk, allowing private investors—such as the bank consortium described in “Changing the Stakes of Affordable Housing” (page 17)—to enter the market and effectively use private capital to achieve public goods. Expanding and replicating existing agency loan or guarantee programs—another way of lessening risk—would also help to expand this impact. To bring in new funding, we recommend that federal agencies:

- **Replicate model impact investing programs to stimulate private investment.** A number of agency programs today provide investment and grant capital for economic development projects. Successful models that attract investors to impact investing are being tested today, both domestically and abroad. The Impact Investment Small Business Investment Company (SBIC) Initiative has committed $1 billion in matching capital for fund managers—at no cost to taxpayers—who commit more than 50 percent of the fund to impact investments.\(^9\) OPIC has dedicated $285 million to seed impact investment funds in emerging markets with the intention of drawing $590 million in co-investment from private sources.\(^9\) The Department of Labor recently repurposed
POLICY IN ACTION: ATTRACTING PRIVATE CAPITAL TO FINANCE CHARTER SCHOOLS.

Charter schools offer an example of how government funds can leverage private investment. Charters do not typically have access to municipal bonds or local tax base revenue to finance their own facilities. Since 2002, however, the Department of Education has helped charter schools obtain school facilities through purchase, lease, renovation, and construction. With credit guarantees totaling $243 million in the decade since the program’s inception, the Charter School Credit Enhancement Program has helped nearly 1 out of 10 charter schools nationwide gain access to financing and has leveraged $2.7 billion in private capital. Under the program, less than 1 percent of all funds awarded have been lost to default—demonstrating creditworthiness to the market—which will encourage more private lenders to make loans to charter schools without the need for credit enhancement.

$24 million of existing Workforce Innovation Fund money to pilot pay-for-success programs, joined by almost $50 million of state and private capital in the process. As described above, DCA has attracted $1 billion in private investment with an annual budget of just $8 million. USAID’s Agribusiness Project provides matching grants to support impact-oriented businesses and nonprofits, mitigating early stage risk for investors focused on innovative clean energy technologies and financing mechanisms, as well as other sectors.

Other agencies should build from these examples to use their current funding pools to encourage private impact investors. For example, the Millennium Challenge Corporation (MCC)—an independent US foreign aid agency—could complement its $7 billion in traditional grant making by further encouraging compact countries to support innovative public-private partnerships. MCC could build on its ongoing efforts to develop impact funds around major infrastructure projects, leveraging private capital to expand the reach of its resources, strengthening country capital markets, and filling capital gaps preventing innovative solutions from achieving scale. Similarly, the Economic Development Administration could redirect a portion of i6 Innovation Challenge funds to support innovation centers that invest in green or impact-oriented organizations, as it did in 2011 with its i6 Green Challenge.

> Broaden the scope of current federal capital access programs to include nonprofits.

Government loan programs can help small enterprises grow and attract additional capital. Few such programs, however, take into account the blurring distinction between the private and social sectors. The SBA 7(a) loan program, for example, supplies significant amounts of capital to American small businesses to support economic development and job creation. In FY 2012, it issued over 44,000 loan guarantees totaling more than $15 billion. Under current regulations, however, nonprofits—even those with sustainable revenue models—are not eligible to participate. This regulation has the unintended effect of limiting access to capital for enterprises that deliver public goods and services. Through a combination of legislative and regulatory change, agencies such as the SBA, Housing and Urban Development, Education, Energy, and others should modernize financing programs to support high-impact businesses regardless of corporate form.
> Increase guarantees to mobilize greater US institutional capital for impact investing abroad. Many US institutional investors have not deployed their capital for global impact investing due to concern about risk and lack of reliable information. OPIC and USAID’s Development Credit Authority should explore providing modest, first-lost guarantees for impact investments to the full spectrum of globally oriented investors. This would build off of their track record with other risk mitigation products, such as political risk insurance and partial loan guarantees.

INCREASE USE OF COLLABORATIVE FINANCING VEHICLES

Lack of appropriate capital across the risk/return spectrum is a critical challenge to growth for the impact investment field. This is particularly acute at the early stage of the capital pipeline. Early-stage risk capital can be a smart and sustainable public investment. Once the model has been proven, an impact-oriented organization can grow without additional public support. However, global impact-oriented organizations may face particular difficulties in finding early funding, as many entrepreneurs serving the poor also must overcome challenges, such as poor physical infrastructure and thin pools of skilled labor. Many observers contend that development finance institutions, in particular, have moved away from taking early stage risk due to profit-maximizing objectives and disincentives for staff. Additional research is needed to serve as a call for change for development finance institutions to reevaluate their investment philosophies.
In response to limited early stage capital, domestic and global agencies could support the development of innovative collaboration models that seek to:

> Develop multilateral, pooled vehicles to fill gaps in early-stage risk capital. Agencies should encourage consolidation of mixed investment and grant capital in order to develop a more robust pipeline of startups and entrepreneurs. Domestically, Living Cities’ Catalyst Fund serves as an effective example, pooling investment from many of America’s largest foundations to improve education, economic development, and health in underserved communities by providing below-market-rate loans and guarantees. One promising international vehicle is the Global Development Innovation Ventures (GDIV), a new early-stage emerging markets investment platform cofounded by USAID and the UK’s Department for International Development. It is modeled after the Development Innovation Ventures program at USAID to identify potential solutions to problems inhibiting global development—deploying staged financing to test pilot programs, and then scale up those interventions that prove to be cost effective. GDIV should recruit top private-sector talent with experience in emerging market businesses and seek to maximize coinvestment and follow-on investment from the private sector.

The challenge to finding appropriate growth capital continues as enterprises grow. Funders pursuing different investment approaches face challenges in collaborating. When they do occur, collaborative deals are often conducted ad hoc. The complexities of aligning multiple actors across the philanthropic, development, and private capital sectors can create significant transaction cost and friction. To alleviate these difficulties, US global development agencies could:
Encourage integrated public-private grant-investment capital funds for global development. By developing a standing investment facility, foundations, development finance institutions, and private investors can align the timing and uses of their respective grants and investments. This would provide businesses the right kind of funding at the right stage in their development, as described in a recent OPIC proposal. In the process, such a facility would help to bring in additional private investment. For example, small-grant funding could focus on helping businesses meet global standards and certification, while a mix of debt, equity, and grants can support businesses in gaining scale before being able to take on commercial capital.

LOOKING FORWARD: RESHAPE THE FEDERAL TAX CODE

Government can take direct action to incent private impact investments, helping to build the market during its early stages. While tax reform may be politically challenging, it is important to begin building political will and model language to seize a future opportunity if it presents itself. To that end, Congress could:

- Review the tax code to target opportunities to support impact investments. To influence greater participation in the impact investment field, Congress can provide tax incentives that modestly lower corporate tax rates for qualified impact businesses, lower capital gains rates for investors supporting qualified impact businesses, allow impact investors to write off losses as a charitable tax deduction, or allow individuals to deduct contributions to US impact initiatives. Alternatively, Congress could allow tax-advantaged repatriation of record levels of overseas profits to support an impact investing fund in the United States.

POLICY IN ACTION: HISTORICAL IMPACT INVESTING TAX CREDIT PROGRAMS HAVE BEEN TREMENDOUSLY SUCCESSFUL.

For decades, impact investing in the United States has been buoyed by federal tax programs. Key among these programs are:

- The Low-Income Housing Tax Credit (LIHTC), “the most successful affordable rental housing production program in US history.” Since 1986, it has been responsible for nearly $100 billion in private investment capital, supporting the development of 2.6 million affordable homes and 95,000 jobs.

- The New Market Tax Credit (NMTC), a cornerstone of support for impact investing by the US government. NMTC attracts private capital to some of the most distressed communities throughout the country. Since its inception in 2000, the Department of the Treasury’s CDFI fund has allocated over $36.5 billion in NMTC authority—leveraging $8 in private capital for every $1 invested, and creating over 500,000 jobs in our most distressed areas.

We strongly endorse ongoing efforts to ensure continued support for these critical initiatives, including efforts to make the NMTC permanent.
POLICY IN ACTION: INCUBATING ENVIRONMENTAL ENTREPRENEURSHIP.

Federal programs can support the development of impact-oriented entrepreneurs one sector at a time. In January 2014, the Department of Energy announced a $3 million program, called the National Incubator Initiative for Clean Energy, to support the commercialization of clean energy technologies. The fund will support five incubators to develop clean-energy sector best practices, as well as fund a national organization to coordinate energy-focused clean-energy startups. The program builds on a strong precedent in the energy arena: the SunShot Incubator Program has funded 58 startups with $104 million since 2007 and has amassed more than $1.7 billion in private venture capital and private equity investment.¹¹²

Building from a series of related congressional proposals enjoying bipartisan support,¹⁰⁶ in the event of such a bill’s passage, Congress should consider leveraging existing federally regulated impact investment programs (such as CDFIs) as mechanisms for deployment. Each of these policy ideas will require further research to identify their full effects, determine appropriate tax rates, and resolve key implementation questions¹⁰⁷—particularly the ability to properly identify and catalogue covered impact investments. Tax reform policies would build on progress outlined in the “metrics and data” section of this report (see page 38), but would require organizations to achieve a higher standard of classification, accreditation, auditing, or legal requirements to receive these benefits.
Impact investors consistently cite a lack of investment-ready deals suitable for deploying their capital. Indeed, in the 2014 impact investor survey from J.P. Morgan and the Global Impact Investing Network (GIIN), investors identified “shortage of high-quality investment opportunities with track record” as the most limiting characteristic of the market today. More must be done to increase entrepreneurial capacity, streamline and reduce transaction costs, and mainstream entrepreneurial interest in socially oriented businesses. Doing so will decrease the financial and organizational burdens placed on these enterprises, allowing them the opportunity to focus on their work rather than on investor red tape.

However, many of these changes will be led by the private sector. In support of developing more and higher-quality entrepreneurs and organizations, the federal government could:

› Use the influence of Congress, the White House, and federal agencies to celebrate impact-oriented entrepreneurs and businesses. Shining the federal spotlight on successful impact-oriented organizations is a low-cost and powerful way to challenge entrepreneurs, raise the profile of impact investing within policy circles, inspire participation from high-net-worth individuals, and to encourage agency employees to innovate. One component of this idea could be to offer an annual award, gathering like-minded entrepreneurs, nonprofits, businesses, and impact investors from within and beyond the government to highlight the benefits provided by impact investments both at home and abroad.

Another way to resolve the mismatch between supply of impact investment capital and investable opportunities is direct capacity-building efforts, both at home and abroad. These efforts can build critical institutional infrastructure for impact investing.

› Support the growth and development of field-building intermediaries. Great companies are not built without help, and government can play a role in facilitating the growth of an enabling entrepreneurial ecosystem. Domestically, additional agencies can follow the example of HUD Section 4 grants that flow to intermediaries such as Enterprise and LISC, who then re-grant to organizations to enhance their capacity. Similarly global development agencies and international finance institutions could develop partnerships with field-building organizations that support impact-oriented organizations. For example, USAID’s Partnering to Accelerate Entrepreneurship (PACE) Initiative invests up to $10 million to test scalable models for accelerating early enterprises by supporting incubators, accelerators, investors, and others. Another USAID program, the Higher Education Solutions Network (HESN), matches $25 million grants against university funds to create Development Labs which evaluate and strengthen development innovations. Field-building organizations, such as the Global Impact Investing Network (GIIN) and the Global Entrepreneurship Research Network (GERN), can help to spread education, build databases that will allow more in-depth research on successful and unsuccessful transactions and incubation methods, and promote a better understanding of policy barriers.
SUPPORTING POLICY AREA: STANDARDIZE METRICS AND IMPROVE DATA ACCESS

To make fully informed decisions, impact investors need clear metrics to compare the impacts (both social and financial) of different businesses.

Tools for measuring financial performance are well developed, but tools for measuring social and environmental impact are nascent. The private and nonprofit sectors are working to build consensus around which social impact metrics matter, and how to best measure performance via third-party ratings and accreditation. The federal government can use its influence to accelerate the process of reaching consensus first by endorsing a set of guidelines about what constitutes a rigorous standard, and second by adopting metrics developed by the private and nonprofit sectors to evaluate agency procurement and investment policy (see “test supportive procurement policies” on page 30).

Investors also need more and better data about the performance of impact investments. More data will help to establish the risk and return of a breadth of impact investments—reducing barriers for new investors, and enabling current investors (including government agencies themselves) to accomplish more with their investments. To this end, federal agencies should consistently include impact analysis as a part of their deal selection and diligence processes, attempt where appropriate to measure the economic savings generated via social interventions, and make their impact and return data easily accessible and well organized to promote rigorous analysis.

PURSUE AGENCY ENDORSEMENT OF STANDARDS FOR IMPACT METRICS

Investors need a unified set of metrics by which to measure the social impact of their capital. However, it is important to allow industry to coalesce around these metrics unimpeded by direct government intervention. US government agencies can play a supporting role. We recommend that they:

› Endorse a framework for more robust impact measurement and standards. The Office of Social Innovation should endorse the framework under development by the Global Task Force on Impact Investment established by the G8, which seeks to clarify the key elements of a robust impact measurement system—encouraging transparency, cocreation, and comprehensiveness. In turn, relevant US agencies should apply this framework to their respective impact measurement initiatives.

IDENTIFY AREAS TO OPEN ACCESS TO AGENCY IMPACT AND RETURN DATA

US government agencies collect enormous amounts of information that would be useful to investors and researchers. For decades, development finance institutions and other agencies have developed rigorous definitions and collected impact data. However, there has been little sharing of these data; when information is shared, it is sometimes poorly organized or difficult to understand. In concert with the private sector and nonprofits, agencies should work to identify where key data sources exist and create solutions for increasing their accessibility. They should attempt to:
POLICY IN ACTION: FOLLOWING THE INDUSTRY’S LEED.

In 2007, the federal government set forward an ambitious set of energy savings and sustainability goals for its own facilities as part of the Energy Independence and Security Act (EISA). To achieve these goals, the nation’s biggest landlord, the General Services Administration, turned to the experts on green buildings and construction: Leadership in Energy and Environmental Design (LEED). LEED provides a third-party rating system grounded in industry expertise. In the last decade, dozens of cities and counties, from Gainesville, Florida, to Seattle, Washington, and from Howard County, Maryland, to Harris County, Texas, have implemented incentive programs (such as tax credits, low-interest loans, and permitting priority) to support LEED-rated buildings. The ratings are developed and administered by the members of the US Green Business Council, a large and diverse coalition of building industry leaders, and the General Services Administration reports that LEED continues to help government achieve its energy and sustainability goals while saving money. As the impact investing space matures, independent third-party certifications and accreditations—similar to LEED standards—have begun to form.
Replicate innovative data-sharing efforts. The sharing of government data is often hampered by confidentiality constraints. Agencies should pursue approaches that respect these important proprietary, competitive, and legal constraints but seek to:

Increase sharing—US agencies and development finance institutions should seek to publish the maximum amount of transaction-level data possible. In places where sharing at this level is sensitive, programs with significant caches of data should identify methods of sharing in aggregate, as long as doing so protects proprietary information. For example, USAID could aggregate data on the various entrepreneurship and impact investing programs currently being implemented (such as DIV, Grand Challenges for Development, Feed the Future, PACE) and make those data available in a searchable format. OPIC could publish a core set of transaction-level impact data, including financial returns, along with aggregated country-level and sector-level data in instances where confidentiality constraints may be an issue. And the Department of Health and Human Services might publish aggregated outcome tracking data from Affordable Care Act reforms in order to support creation of pay-for-success instruments.

Promote opt-in solutions—Some programs have created mechanisms designed to overcome constraints on sharing confidential transaction-level detail. The Department of Education’s i3 Fund, for example, enables applicants to opt-in to allowing private philanthropists to review and coinvest in their applications. Through a joint platform, development finance organizations and multilaterals could replicate this system to allow organizations to opt-in for shared due diligence.

Build the evidence base around unit costs—Modeling efforts off of an analogous UK project, the United States could begin an interagency effort to create a shared understanding of the cost effectiveness of social interventions by developing a unit-cost database. Such a database would house the government’s collective knowledge on cost estimates of crime, education and skills, employment and economy, fire, health, housing, social services, and more, helping to frame the value of pay-for-success proposals and other impact investments.
CONCLUSION

Today, we have the opportunity to help cultivate an important set of innovations at the intersection of private capital and public good. The tools of impact investing can help scale innovative solutions to our most pressing problems. Government can supercharge impact investing by reducing bureaucratic barriers and providing incentives for public-private partnerships.

Innovation is in our American DNA, and US policy has a long tradition of supporting that innovation which contributes to our global competitiveness. This support reaches into nearly every industry. Last year, President Obama’s budget request included over $140 billion for research and development, stimulating industries from biotechnology to robotics. At the same time, the government is deeply engaged in the process of economic development—from supporting entrepreneurs and small businesses (e.g., through the Small Business Administration) to providing grants to distressed communities (e.g., via the Economic Development Administration). Our entrepreneurs and investors drive economic growth, and the US government provides an important source of support for those efforts.

The recommendations in this report provide a path forward. The federal government, working with Congress, should revise rules that are inhibiting the flow of new capital toward investments that create both positive financial and social outcomes. It should also partner with the movement where possible, helping to promote impact-oriented entrepreneurs and to encourage an efficient marketplace of disciplined investors making data-driven decisions.

These strategies can help to unleash American innovation and entrepreneurial activity equal to the challenges we face. It is time for us to create partnerships that can unlock new sources of economic and social value for US corporations, small businesses, communities, and families. Neither government nor philanthropy alone can solve our nation’s biggest problems. Impact investing can help—but only if it is able to reach sufficient scale. Policy can help to remove barriers blocking this market’s progress and to recast the role of financial markets in our society, harnessing their power to serve a higher purpose: to promote new solutions that bring the effectiveness of the market to bear on our most important public concerns.
Overview of Social Impact Investing Task Force and National Advisory Board Process

Background. Ahead of the 2013 G8 meeting, the UK government hosted a Social Impact Investing Forum, under the chairmanship of Sir Ronald Cohen. The forum convened more than 100 thought leaders from around the world, including G8 member states, to discuss the state of the global market. This group of policymakers, private investors, and social entrepreneurs explored the possibilities for impact investing to accelerate economic growth and to promote the public interest in industrialized as well as developing countries.

Based on the success of the meeting, the UK launched a Social Impact Investing Task Force (SIITF) to promote policy changes and private sector action on several fronts: working with the OECD to assess the size of the global market, harmonizing impact metrics across borders, and exploring how to increase the use of impact investing in a development context. The Task Force includes two representatives from each of the G8 countries as well as the European Union nations, and will convene six times through October 2014.

The US National Advisory Board. To support the US delegation, the US National Advisory Board (NAB) was appointed to formulate a US-focused impact investing policy agenda. Over several months, the NAB developed a set of guiding principles for agenda-setting and highlighted key initiatives for US policymakers.

Membership. The NAB is comprised of 27 thought leaders in US impact investing, spanning the sector and including private investors, foundations, academics, impact-oriented organizations, nonprofits, and intermediaries. Matt Bannick, Managing Partner of Omidyar Network, and Tracy Palandjian, CEO of Social Finance US, serve as the board's cochairs.

Policy development process. The NAB kicked off its work with a meeting in September 2013 in which it split into five topic focus groups: Mainstreaming Impact Investing, Strengthening Nonprofit Capital Markets, International Development, Impact Measurement, and Communications and Engagement. Using surveys, focus group meetings, and individual interviews facilitated by The Bridgespan Group—and supplemented by extensive secondary research
and engagement with other groups, such as the Accelerating Impact Investing Initiative (AI3)—NAB members worked to develop a list of over 70 policy ideas with the potential to accelerate the market.120 (Please see Appendix VI for a representative sample of this broader set of policies). These policies were further segmented by how they could be enacted (e.g., via legislation, executive action, regulatory change, or influence strategies) and which actors they would affect (e.g., investors, intermediaries, or impact-oriented organizations). Some were meant to be both highly actionable, near-term ideas, whereas others were broader, more far-reaching concepts.

In discussions regarding the expected impact and feasibility of these policies, a shorter list was prioritized and discussed in detail during in-person meetings in Washington, D.C., in February and April, via follow-up conference calls, and through multiple rounds of detailed written feedback.

These policies, taken as a whole, were intended to be:

- **ambitious**, with the ability to create significant changes in the impact investing field,
- **inclusive**, supporting the evolving culture and set of practices of impact-oriented investment professionals, institutional fiduciaries, foundations, and mission-driven nonprofits; and endorsing the diversity of approaches within impact investing’s “big tent,”
- **broad-based**, garnering wide support from across sectors and political orientations, rather than narrowly tailored to a given industry or ideology, and
- **actionable**, defining the potential steps to be taken by policymakers to enable effective solutions to our most pressing and longstanding problems.

In these meetings, members further articulated a set of overarching strategies that united these policies. This report is structured around those strategies.

This report is the result of an in-depth, collaborative effort of the NAB members. They were deeply involved in the policy strategies and recommendations as well as the selection of case studies. The report benefited enormously from the diversity of expertise and opinion that NAB members as a group brought to the task. As individuals and as a group, NAB members hosted opportunities of consultation, advocacy, and engagement with hundreds of stakeholders working to build the field of impact investing and entrepreneurship.
APPENDIX II:

US National Advisory Board Membership List

Matt Bannick (cochair)  Omidyar Network
Antony Bugg-Levine  Nonprofit Finance Fund
Jean Case  The Case Foundation
David Chen  Equilibrium Capital
Audrey Choi  Morgan Stanley
Maya Chorengel  Elevar Equity
Cathy Clark  Duke University
Kimberlee Cornett  Kresge Foundation
William Foster  The Bridgespan Group
Seth Goldman  Honest Tea
John Goldstein  Imprint Capital
Josh Gotbaum  Pension Benefit Guaranty Corp
Michelle Greene  NYSE Euronext
Sean Greene  Revolution
Ben Hecht  Living Cities
Andrew Kassoy  B Lab
Zia Khan  The Rockefeller Foundation
Clara Miller  F.B. Heron Foundation
Elizabeth Littlefield  OPIC
Tracy Palandjian (cochair)  Social Finance
Stewart Paperin  Soros Economic Development Fund
Andrea Phillips  Goldman Sachs
Luther Ragin  Global Impact Investing Network
Curtis Ravenel  Bloomberg LP
Harold Rosen  Grassroots Business Fund
Debra Schwartz  John D. and Catherine T. MacArthur Foundation
Darren Walker  Ford Foundation

All advisors serve as individuals, imparting personal and professional expertise. The organizations listed alongside NAB advisors are for identification purposes only.
Funders

We are grateful to the following organizations that provided generous financial support to the operations of the National Advisory Board.

Omidyar Network
Ford Foundation
John D. and Catherine T. MacArthur Foundation
The Case Foundation
The Rockefeller Foundation
Soros Economic Development Fund
F.B. Heron Foundation
Living Cities
National Advisory Board Team

Secretariat:
Omidyar Network hosted a secretariat that managed the strategic and day-to-day activities of the National Advisory Board and supported US representation to the Global Social Impact Investing Task Force. Paula Goldman served as executive, Rosita Najmi served as manager, and team members included Lauren Booker and Kelsey King.

Communications and Engagement:
Senior Advisor Michael Chodos directed communications and engagement for the National Advisory Board. Sonal Shah, Kate Ahern, Allyson Burns, Sarah Koch, and Emily Yu of the Case Foundation and Christopher Keefe and Maura Donlan from Omidyar Network provided invaluable strategic advice and partnership. Tricia Primrose, Peter Barden, and Rachelle Grey of Rational 360 managed public relations. Jane Metcalf of Calamity Creative designed the report and website. Westland printed the report and is a woman owned, family owned, environmentally responsible commercial printing and specialty finishing company located in the Washington, D.C. metropolitan area.

Research and Consultation:
The research, consultation, and operations of the US National Advisory Board benefited from a six-month engagement with The Bridgespan Group. Team members included: Jeff Bradach, Renna Caccese, Paul Carttar, Christina Crotteau, Michael Etzel, Alexandra Polson, Paul Rosenberg, Jake Segal, Willa Seldon, Roger Thompson, and David Washer.

Special Thanks:
Paula Goldman elevated the US NAB engagement well beyond the production of a policy report. Paula’s leadership and commitment ensured that this process also included consensus building critical to the advancement of the impact investing movement. The National Advisory Board is grateful for the outstanding contributions to the report of Michael Etzel and Jake Segal as well as for the tireless efforts of Rosita Najmi and Michael Chodos across the board’s effort. We are also grateful for contributions of Stephanie Shieh from

The National Advisory Board thanks Sonal Shah for strategic leadership on outreach efforts, as well as Melissa Bradley who, together with Sonal and Sean Greene worked to educate legislators about impact investing. We are also particularly grateful to a number of staff members of organizations affiliated with the US National Advisory Board for invaluable feedback on the contents of this report: Xavier Briggs, Lisa Davis, Frank DeGiovanni, Jane Hughes, Christine Looney, Joshua Mintz, Margaret Moore, Sandra Noonan, John Olson, and Andrew Park. Special kudos to Ben Leo for invaluable input on the international development recommendations. Thanks also to Nana Akowuah, Tonusree Basu, Laura Callanan, Colby Dailey, Katie Grace, Brenna McCallick, Sarah Ritter, Abby Jo Sigal, Beth Sirull, Ben Thornley, David Wood, and Betsy Zeidman for their ongoing thought leadership on the topic of policy for impact investing, and for their authorship of a US ecosystem map that was an important input. And, of course, this effort owes immense debt to the leadership of Sir Ronald Cohen and the partnership of Rebecca Thomas and Stephen Brien as well as the ongoing engagement of Kieron Boyle, Alexandra Meagher, and Claire Michelet.

All errors and omissions are ours alone.
Contributors
Engagement and Consultation Process

The following organizations and individuals contributed to the engagement and consultation process by co-hosting events, panels, working sessions, and briefings—and in many cases providing detailed feedback on the effort:

• Accelerating Impact Investing Initiative (AI3) (Abby Jo Sigal, Ben Thornley, and David Wood)
• Aspen Institute (Tracey Rutnik)
• Center for Global Development (Ben Leo and Robert Morello)
• Clinton Global Initiative (CGI)
• Council on Foundations Annual Meeting
• Georgetown University McDonough School of Business Global Social Enterprise Initiative (Bich Le and Ladan Manteghi)
• Global Impact Investing Network (GIIN)
• Impact Capitalism Summit
• Milken Conference
• Mission Investors Exchange
• NYSE
• Orrick Impact Finance
• RFK Compass
• SoCap
• Skoll Centre and Skoll World Forum
• USAID
• US SIF: The Forum for Sustainable and Responsible Investment (Lisa Woll)
• Task Force Working Groups

We are grateful to a number of the Americans who serve on the working groups of the Global Task Force and that also contributed to the US NAB process and report. Namely:

Asset Allocation: David Chen, Josh Gotbaum, Sean Greene, Abigail Noble, Terri Ludwig, Andre Perold, and Fran Seegull

International Development: Nancy Birdsall, Sasha Dichter, Tilman Ehrbeck, Mike Kubzansky, Elizabeth Littlefield, Stewart Paterin, Harold Rosen, Sonal Shah (chair)

Impact Measurement: Inoor Ebrahim, Bart Houlanhan, Carla Javits, Luther Ragin (chair)

Mission Alignment: William Clark and Andrew Kassoy
We thank the following individuals for feedback via participation at one of the above events, review of the report, or individual interviews.

Rosemary Addis  Impact Investing Australia
Sondra Albert   AFL-CIO Housing
Bob Annibale    Citigroup, Inc.
Leonie Arnoldi  Enclude
Ross Baird      Village Capital
Owen Barder     Center for Global Development
Amy Bell        J.P. Morgan Social Finance
Shari Berenbach US African Development Foundation
Peter Berliner  Mission Investors Exchange
Lorenzo Bernasconi The Rockefeller Foundation
Paul Bernstein  Pershing Square Foundation
Alison Bevilacqua Legg Mason Investment Counsel
Suzanne Biegel  ClearlySo
Jim Bildner     Draper Richards Kaplan Foundation
Jon Bishop      Envest Microfinance
Alex Blake      Georgetown University School of Foreign Service
David Blood     Generation IM
Bob Bloom       Heifer International
Francois Bonnici Bertha Centre for Social Innovation, University of Cape Town
Amit Bouri      GIIN
Monica Brand    Accion
Paul Brest      Stanford University
Kathleen Britain Barclays
Philip Brown    Citigroup, Inc.
James Buro      Wall Street Speaking
Laura Callanan  Foundation Center
Mildred Callear SEAF
Kathy Calvin    UN Foundation
Mark Campanale  Halloran Philanthropies
Jason Campbell  Arete Development Group
Bruce Campbell  Blue Haven Initiative
Winthrop Carty  The Melton Foundation
Alan Chang      Capricorn Investment Group
Ann Mei Chang   Mercy Corps
Ryan Chao       Annie E Casey Foundation
Veronica Chau   Dalberg Global Development Advisors
Grace Chen      Georgetown University
Christy Chin    Draper Richards Kaplan Foundation
Michael Chu     Ignia
Dina Ciarmatori Neuberger Berman
Ron Cordes      Cordes Foundation
Steve Coyle     AFL-CIO Housing
Alex Denny      Total Impact Advisors
Sandhya Deshetty The Aspen Institute
Pat Dineen      EMPEA
Annie Donovan   Coop Metrics
Cheryl Dorsey   Echoing Green
Ellen Dorsey    Wallace Global Fund
Laura Dreese    Envest Microfinance
Jessie Duncan   Monitor Deloitte
Maria Luque    McDonough School of Business
Minh Luu    Revolution
Martina Macpherson    Sustainable Investment Partners
Karin Malmberg    Principles for Responsible Investment
Natasha Matic    King Khalid Foundation
Kathryn McCloskey    United Church Funds
Andrew McIntosh    Loring, Wolcott & Coolidge Trust
Michael McLaughlin    McDonough School of Business
Matthew Michel    Enclude
Ted Moran    Center for Global Development
Will Morgan    Sonen Capital
Robert Mosbacher    BizCorps, Inc.
Anne Mosle    The Aspen Institute
Patrick Mullen    James Sorenson Global Impact Investing Center
Cynthia Muller    Arabella Advisors
Dorje Mundle    Novartis
Mark Newberg    5 Stone Green Capital
Craig Neyman    The David and Lucile Packard Foundation
Jenna Nicholas    Phoenix Global Impact
Alex Nicholls    University of Oxford
Bill Novelli    McDonough School of Business Global Social Enterprise Initiative
Maura O’Neill    University of California, Berkeley
Innocent Obi    Beeck Center for Social Impact and Innovation
Jean Oelwang    Virgin Unite
Jen Olson    ONE Campaign
Edwin Ou    Skoll Foundation
Seun Oyewole    Beeck Center for Social Impact and Innovation
Aunnie Patton    Bertha Centre for Social Innovation, University of Cape Town
Cameron Peake    Mercy Corps
Nick Pelosi    First Peoples Worldwide
Rita Perakis    Center for Global Development
Nancy Pfund    DBL Investors
Susan Phinney    Silver The David and Lucile Packard Foundation
Jan Piercy    Enclude
Shelly Porges    Ready for Hillary
Ben Powell    Agora Partnerships
Gerhard Pries    Sarona
Cliff Prior    UnLtd
Julia Rebholz    Centrica
Celia Roady    Morgan, Lewis & Bockius LLP
Timothy Rudd    MDRC
Jenae Ruesch    Domini Social Investments
Lewis Runnion    Bank of America Merrill Lynch
Tara Sabre    Collier GroFin
Yasemin Saltuk    J.P. Morgan Social Finance
Rachel Samuelson    The Aspen Institute
Steve Schueth    First Affirmative Financial Network
Liz Sessler    Enterprise Community Loan Fund
Shrupti Shah    Deloitte GovLab
Frederic Sicre    The Abraaj Group
Kristin Siglin    Housing Partnership Network
Ian Simmons    Blue Haven Initiative
Liesel Simmons    Blue Haven Initiative
John Simon    Total Impact Advisors
<table>
<thead>
<tr>
<th>Name</th>
<th>Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heather Smith</td>
<td>Pax World Management</td>
</tr>
<tr>
<td>Megan Smith</td>
<td>US SIF</td>
</tr>
<tr>
<td>Jim Sorenson</td>
<td>James Sorenson Global Impact Investing Center</td>
</tr>
<tr>
<td>Laurie Spengler</td>
<td>Enclude</td>
</tr>
<tr>
<td>Lili Stiefel</td>
<td>Stiefel Family Fund</td>
</tr>
<tr>
<td>Julie Sunderland</td>
<td>Bill &amp; Melinda Gates Foundation</td>
</tr>
<tr>
<td>Brad Swanson</td>
<td>Developing World Markets</td>
</tr>
<tr>
<td>Paul Szkiler</td>
<td>Truestone Impact Investment Management</td>
</tr>
<tr>
<td>Steve Taylor</td>
<td>United Way</td>
</tr>
<tr>
<td>Eric Techel</td>
<td>Capricorn Investment Group</td>
</tr>
<tr>
<td>Sean Tennerson</td>
<td>The Case Foundation</td>
</tr>
<tr>
<td>Gabriel Thoumi</td>
<td>Calvert Investments</td>
</tr>
<tr>
<td>Brian Trelstad</td>
<td>Bridges Ventures</td>
</tr>
<tr>
<td>Andrew Tyndale</td>
<td>Grace Mutual Limited</td>
</tr>
<tr>
<td>Marta Urquilla</td>
<td>America Achieves/Results for America</td>
</tr>
<tr>
<td>Trent Van Alfen</td>
<td>McDonough School of Business</td>
</tr>
<tr>
<td>Michael van den Berg</td>
<td>Triodos</td>
</tr>
<tr>
<td>Wally Verdooren</td>
<td>Feeding America</td>
</tr>
<tr>
<td>Michelle Suzanne Viegas</td>
<td>Inter-American Development Bank</td>
</tr>
<tr>
<td>Meg Voorhes</td>
<td>US SIF</td>
</tr>
<tr>
<td>Tracy Washington</td>
<td>International Finance Corporation</td>
</tr>
<tr>
<td>John Wasielewski</td>
<td>Africa Guaranty Fund</td>
</tr>
<tr>
<td>Grace Webster</td>
<td>Duke the Fuqua School of Business</td>
</tr>
<tr>
<td>Dennis Whittle</td>
<td>Global Giving / Feedback Labs</td>
</tr>
<tr>
<td>Karen Wilson</td>
<td>OECD</td>
</tr>
<tr>
<td>Benoit Wirz</td>
<td>Knight Foundation</td>
</tr>
<tr>
<td>Joel Wittenberg</td>
<td>W.K. Kellogg Foundation</td>
</tr>
<tr>
<td>Jonathan Wong</td>
<td>DFID</td>
</tr>
<tr>
<td>Erin Worsham</td>
<td>Center for the Advancement of Social Entrepreneurship (CASE) at Fuqua School of Business</td>
</tr>
<tr>
<td>Mariana Yazekb</td>
<td>Aspen Institute, AMP</td>
</tr>
<tr>
<td>Kim Zeuli</td>
<td>ICIC</td>
</tr>
</tbody>
</table>
Additional policies considered

Below are additional policy ideas derived from the extensive outreach and engagement process undertaken by the National Advisory Board in developing this report. They are not specifically endorsed by the board, but reflect policy changes recommended by experienced impact investing practitioners in each of the subject areas addressed.

REMOVE BARRIERS TO UNLOCK ADDITIONAL PRIVATE IMPACT INVESTMENT

- **Further clarify that impact investing is compatible with fiduciary duty**, providing SEC guidance about the role of registered investment advisors in recommending and supporting impact investments, releasing an SEC clarification letter delineating that employees may allocate 401(k) investments in qualified impact investments, creating a safe-harbor provision under ERISA for impact investments, or ensuring that impact investments clearly fit under professional indemnity insurance plans.

- **Supporting foundation efforts to make impact investments** by raising awareness and understanding of impact investing tools and structures (for example, through use of Program-Related Investments (PRIs) and Donor Advised Funds), creating incentives for Donor Advised Funds to invest in PRIs, mandating a percentage of foundation endowments be allocated to impact investing, or by increasing foundation payout requirement but allowing increased eligibility for impact investments.

- **Use the influence of Congress, the White House, and agencies to increase the profile of impact investing**, by mentioning impact investing in the State of the Union, encouraging major financial services companies to further support impact investing, or identifying, disseminating, and supporting best practices via government-funded research and reports.

- **Cultivate talent** by developing a fellowship program to match mid-career venture capital investors with impact investment funds.
INCREASE THE EFFECTIVENESS OF GOVERNMENT PROGRAMS

• Promote flexibility of government funds to support innovative impact investing tools, such as social impact bonds (SIBs), by issuing an executive order authorizing agencies to use SIBs, clarifying federal administrative rules and regulations related to federal block grants to enable state- and municipal-led pay-for-success deals, or researching key priority areas and economic rationale for pay-for-success models.

• Expand the federal Social Innovation Fund to include debt as well as grants, creating the US equivalent of the UK’s Big Society Capital.

• Create an exemption in the Paperwork Reduction Act for US agencies (e.g., OPIC, SBA) to ask for impact reporting without requalification.

PROVIDE INCENTIVES FOR NEW PRIVATE IMPACT INVESTMENT

• Broaden banks’ ability to invest Community Reinvestment Act funds in new types of impact investing deals (i.e., beyond community development, housing finance, etc.).

• Expand the New Markets Tax Credit program, for example, by launching a new Impact Communities Tax Credit modeled after the Manufacturing Communities Tax Credit.

• Issue federal partial guarantees for state-led SIBs in case a change in administrations leads to a failure to fulfill payment obligations.

• Create more financial products for impact investing (e.g., Social Impact T-bills, Dutch grant-to-equity model, new funding mechanisms for DFIs).

ENCOURAGE AND SUPPORT INNOVATIVE IMPACT-ORIENTED ORGANIZATIONS AND IMPACT INVESTMENT OPPORTUNITIES

• Expand the reach of technical support, mentorship, and capital access networks (e.g., CDFIs, Micro-Lenders, SBDCs, MEPs, Rural Extension Centers, Regional Innovation Clusters and accelerators) and provide technical assistance grants alongside agency debt and equity investments.
• **Create a mentorship program** that pairs a for-profit entrepreneur with a social entrepreneur.

• **Propose model process for SIB legislation** (e.g., make the contracting process public, create legislative templates).

• **Identify, disseminate, and support best ways for impact-oriented organizations to scale** (e.g., sector-based approaches) via government-funded research and reports.

**STANDARDIZE METRICS AND IMPROVE DATA ACCESS**

• **Increase impact disclosure requirements for private companies**, mandating impact reporting for all businesses working with the federal government, requiring financial institutions to report impact of CRA and/or NMTC investments, or supporting the development of SEC/CFTC/CFPB rules governing collection and disclosure of impact data by public corporations.

• **Increase disclosure of financial alignment of foundations**, revising the 990 form to include self-reporting on percent of endowment invested in activities aligned with mission.

• **Take the lead on developing metrics**, creating ratings and certification agencies to provide objective third-party impact evaluations, codifying and endorsing what qualifies as an impact investment.
NOTES:

4 http://www.cdc.gov/healthyyouth/obesity/facts.htm
5 http://www.nytimes.com/2011/02/08/health/research/08childhood.html
7 http://seattletimes.com/html/opinion/2021604806_marilynmckennaopedschoollunches14xml.html
9 http://www.haas.berkeley.edu/groups/pubs/berkeleyhaas/fall2013/revolution-foods-expanding-the-menu.html


U.S. CDFI Fund, “About the CDFI Fund,” <http://www.cdfifund.gov/who_we_are/about_us.asp>


In 2012, the top 100 foundations gave out ~$21B in grants. Assume that has remained constant 2000-2010. Foundation Center <http://foundationcenter.org/findfunders/topfunders/top100giving.html>

Michael Drexler, Abigail Noble and Joel Bryce, From the Margins to the Mainstream: Assessment of the Impact Investment Sector and Opportunities to Engage Mainstream Investors (The World Economic Forum and Deloitte, 2013).


http://www.usaid.gov/powerafrica


JP Morgan and GIIN, “Spotlight on the Market,” May 2, 2014. Other researchers, drawing on this work, have attempted to use the investor survey to estimate the full market size. See: World Economic Forum, “From the Margins to the Mainstream,” 2013. Drawing from research on: Perspectives on Progress: The Impact Investor Survey (J.P. Morgan and the Global Impact Investing Network), 51 impact investment funds each expect to raise an average of US$ 112 million in 2013 (median of $US 60 million); given there are approximately 250 global impact investing funds, a crude estimate of the market size is likely between US$ 15 and US $28 billion. This is likely a low estimate given it only includes certain asset classes (e.g. venture capital, private equity, etc.) and excludes others (e.g. green bonds, infrastructure, etc.). Furthermore, CGAP estimates that in 2011 cross-border funders committed at least US$ 25 billion to microfinance and financial services to the poor (see: Current Trends in Cross-Border Funding for Microfinance (December 2012), CGAP). Although not all of these investments would be considering impact investments, it confirms that an existing market size of US$ 25 billion may be understated.


http://www.bcorporation.net/community/revolution-foods
33 http://www.google.com/green/energy/#investments
34 http://www.hks.harvard.edu/m-rcbg/CSRI/CSRI_BusinessFightsPoverty_5by20Report_September2013.pdf
37 http://www.macfound.org/programs/program-related-investments/strategy/
38 http://www.nursefamilypartnership.org/assets/PDF/Policy/NSO-SIBS-Overview.aspx
44 Market Wired (2014)
47 Krehmeyer, Orsagh, and Schacht 2006
48 http://www.reinhartlaw.com/Publications/Documents/art111020%20RIIS.pdf
49 From SRI to ESG: The Changing World of Responsible Investing
50 http://www.sasb.org/
52 http://www.unpri.org/signatories/signatories/
53 http://www.unpri.org/about-pri/about-pri/
56 Investment Company Institute 2013 “US Total Retirement Market Assets” 2013:Q4
58 Interpretive bulletin relating to the fiduciary standard under ERISA in considering economically targeted investments. 59 Fed. Reg. 32, 607 (June 23, 1994)
59 “Fiduciaries who rely on factors outside the economic interests of the plan in making investment choices and subsequently find their decision challenged will rarely be able to demonstrate compliance with ERISA absent a written record demonstrating that a contemporaneous economic analysis showed that the investment alternatives were of equal value.” Supplemental guidance relating to fiduciary responsibility in considering economically
targeted investments. 73 Fed. Reg. 61, 735 (Oct. 17, 2008)

Capital Institute, “EBSA’s ‘Rigid Rule’ on ETIs” <http://www.capitalinstitute.org/node/315>

MRIs have had limited traction to date, driven in large part by divisions in organizational structures, skill-sets, and incentives between investors who focus on social returns from those who focus on financial returns.


MRIs have had limited traction to date, driven in large part by divisions in organizational structures, skill-sets, and incentives between investors who focus on social returns from those who focus on financial returns.


investments that show a lack of reasonable business care and prudence in providing for the long- and short-term financial needs of the foundation for it to carry out its exempt function.

http://www.doingbusiness.org/rankings

OPIC’s multibillion-dollar annual budget is served by fewer than 200 employees.

Since 2007, OPIC has reauthorized annually, where it was previously authorized on a five-year basis.

Projects today must “have a meaningful connection to the U.S. private sector.” This is defined as “a U.S.-organized entity 25 percent or more U.S.-owned or a majority U.S.-owned foreign organized entity; U.S. citizens, lawful permanent residents and U.S.-organized non-governmental organizations.” OPIC, FAQs, <http://www.opic.gov/media-connections/faqs>

Projects today must “have a meaningful connection to the U.S. private sector.” This is defined as “a U.S.-organized entity 25 percent or more U.S.-owned or a majority U.S.-owned foreign organized entity; U.S. citizens, lawful permanent residents and U.S.-organized non-governmental organizations.” OPIC, FAQs, <http://www.opic.gov/media-connections/faqs>


http://www.cgdev.org/blog/congress-your-face-value-limit-hamstringing-taxpayer-value-usaid


http://www.housingpartnership.net/documents/policy_paper_web.pdf#page=10

Generally, an account is considered unclaimed or dormant when there has been no customer activity for some time between three to five years. Once assets have been deemed “unclaimed” and the bank cannot reach the customer, the bank turns the assets over to the state.


Requirements for EB-5 visas include: investment of $1M, or $0.5M in “Targeted Employment Areas,” defined as rural (outside of an OMB-defined metropolitan statistical area [MSA]) or within an MSA experiencing unemployment of 150% above the national average. This investment must be show to create 10 jobs, either directly within a commercial enterprise or indirectly via an approved “regional center,” defined as “any economic entity, public or private, which is involved with the promotion of economic growth, improved regional productivity, job creation and increased domestic capital investment.” U.S. Citizenship and Immigration Services, EB-5 Immigrant Investor, <http://www.uscis.gov/working-united-states/permanent-workers/employment-based-immigration-fifth-preference-eb-5/eb-5-immigrant-investor>.

http://www.whitehouse.gov/sites/default/files/docs/gdc_memo_for_the_president_final.pdf

http://toddyoung.house.gov/social-impact-bonds

Sonal Shah, Social Finance: A Primer (Center for American Progress, 2013).


84 e.g., EPA’s Environmentally Preferable Purchasing program, Commerce’s Minority Business Development Agency Federal Procurement Center, and SBA’s Women-Owned Small Business program
85 Average deal size $2M compared to $36M for PE growth capital deals
86 http://www.economist.com/blogs/economist-explains/2013/05/economist-explains-18
87 http://www2.ed.gov/programs/charterfacilities/index.html
88 http://www2.ed.gov/programs/charterfacilities/performance.html
89 http://www.iff.org/charter-school-credit-enhancement-program
90 http://www2.ed.gov/programs/charterfacilities/performance.html
93 http://www.dol.gov/opa/media/press/eta/ETA20131936.htm
94 http://www.agribusiness.org.pk/node/19
97 http://www.cdfifund.gov/what_we_do/programs_id.asp?programID=14
98 http://nlihc.org/issues/nhtf
104 http://www.ssrreview.org/articles/article/closing_the_pioneer_gap
106 http://www.washingtonpost.com/opinions/improving-us-infrastructure-starts-with-tax-reform/2014/05/02/97c3769c-cbc7-11e3-95f7-7ecd0d72d2ea_story.html?wpisrc=emailtoafriend
107 For instance, the tax incentives could come in the form of “impact economy tax brackets” tied to performance (e.g., by hitting more challenging social impact targets, social enterprises lower their tax rates), a flat rate applied to all qualifying impact-oriented organizations (e.g., B Corps, L3Cs, etc.), or other vehicles.
Increasingly, a network of supports exists to prepare businesses for growth. Incubators typically offer work space, training in basic business skills, and access to financing and professional networks; they may last for a year or more. Accelerators help businesses prepare for rapid growth, sorting out organizational, operational, and strategic difficulties over the course of an intensive ~3-6 month program. Increasingly, new incubators and accelerators are dedicated to impact-oriented businesses, such as Santa Clara University’s Global Social Benefit Incubator, Philadelphia’s GoodCompany, and San Francisco’s Hub Ventures. 

http://energy.gov/eere/sunshot/sunshot-incubator-program

Increasingly, a network of supports exists to prepare businesses for growth. Incubators typically offer work space, training in basic business skills, and access to financing and professional networks; they may last for a year or more. Accelerators help businesses prepare for rapid growth, sorting out organizational, operational, and strategic difficulties over the course of an intensive ~3-6 month program. Increasingly, new incubators and accelerators are dedicated to impact-oriented businesses, such as Santa Clara University’s Global Social Benefit Incubator, Philadelphia’s GoodCompany, and San Francisco’s Hub Ventures. 

http://cleantechnica.com/2014/01/08/does-3-million-clean-energy-incubator-funding-is-very-niice/


http://www.gsa.gov/portal/category/25999


http://www.usgbc.org/articles/once-again-gsa-recognizes-leed-works

See Appendix IV.

NOTES: