



An Emergent Impact Investment Ecosystem

The concept of *Impact Investments* was born in 2007, after Antony Bugg-Levine, former managing director, Rockefeller Foundation, articulated that money needed to solve global problems went far beyond what governments and philanthropy could provide. This gave shape to a synergistic idea: Deploy the power of capital markets to unleash the entrepreneurial energy and expertise of social enterprises - for *meaningful impact*¹.

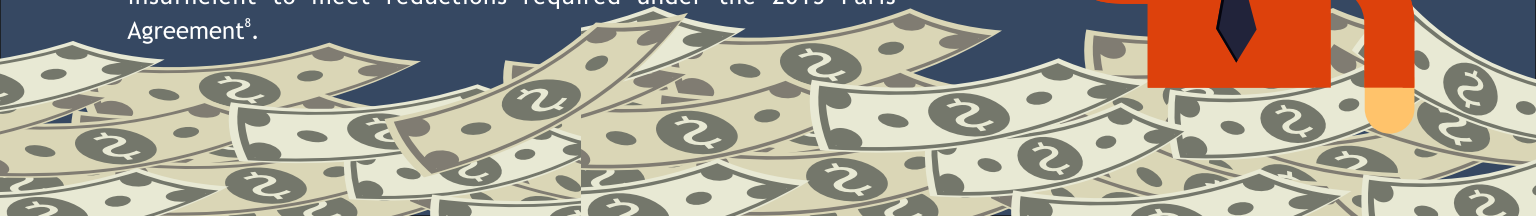
Trends indicate a shift of businesses from a solely profit driven pathway towards an impact driven one; necessitated by changing consumer patterns and their new demands. But, questions that remain unanswered are how and when impact will reach its intended goal of sustainability, across the three pillars of economics, equity, and environment.

CONSUMER DEMAND FOR ECO-FRIENDLY PRODUCTS MAKES IMPACT INVESTMENTS ATTRACTIVE²

A 2020 global survey by consultancy, ACCENTURE, reported that 60 per cent of consumers were making more environmentally friendly, sustainable, or ethical purchases since the start of the COVID 19 pandemic. Another global survey by research group KANTAR revealed that consumers consider it important "that climate change is prioritised in the economic recovery after corona virus... People's views on sustainability have become reinforced, even accelerated. We are at a tipping point. All around the world, people are expressing an appetite for change" says Karine Trinquetel from KANTAR's sustainable transformation unit.

An analytical assessment of 'impacted' individuals, enterprises and systems, demonstrates a woeful lack of change in their lives, functioning, and preservation of natural ecosystems. Indeed, recent years have seen a further increase in inequity⁵, an alarming disruption of climate patterns, and intensified degradation of natural ecosystems⁶. Yet, the wealth of the world's richest 0.01 per cent individuals keeps increasing: it increased by one whole percentage point⁷ during the COVID 19 pandemic. And, despite blanket shutdowns, the drop in greenhouse gas emissions was still insufficient to meet reductions required under the 2015 Paris Agreement⁸.

Impact investments are made with the intention of generating BOTH, financial returns and social and/or environmental impact^{2,3}



Constraints and Opportunities for Impact Investing in India

Both, global and domestic investment firms target the impact space in India with its large underserved and unserved population which is most vulnerable to adverse socio-ecological changes, supported by social organisations whose numbers are more than double that of schools for children.⁹ But, numbers in the socio-ecological domain are not an issue; the concern is whether current models that support social enterprises have resolved issues such as access to education by a 10-year old girl in a faraway rural village, risks of sea-level rise in Mumbai, the restoration of degraded forest lands while providing livelihoods for the locals, and so on.

An analysis of the prevalent Impact Investment Ecosystem shows that the approach continues to tweak existing capital deployment models.

Therefore, there is an urgent need for synergistic partnerships in the long term between these two worlds that currently are, at best - disconnected, and at worst - untrusting, of each other.

The gap appears to be in connecting socio-ecological enterprises with the impact investment world, by language, by purpose, by objective, by approach.

During interactions, social enterprises expressed an inability to go beyond traditional government and philanthropic funding models or overseas development assistance and work with impact investors. In turn, a majority of impact investors focus on venture-capital attributes such as valuation, equity, exit, scale, and so forth. Thus, large impact spends made by for-profits are invariably focused on technology - fin-tech, agri-tech, ed-tech and so on, even though that is only a subset of the impact domain. This is clearly not the desired new impact investment world!



Rooting an Impact-centric Agenda

The IIP programme kicked off in May 2020¹⁰ with participants across diverse social and ecological spaces such as clean energy, education, human rights, sustainable housing, pollution control and waste management. Insights and feedback made it clear that outcomes of multiple initiatives for long-term, positive change are not effectively addressed under the current Impact Investment Ecosystem.

For example, most solutions for reducing air pollution are technical in nature and limited to 'sensors, monitoring and reporting'¹¹ and despite several mitigation initiatives, air quality in India has not improved, at all.¹² Carbon capture is an engineering fix.¹³ A bottoms-up systemic approach to solving the underlying problem is missing.

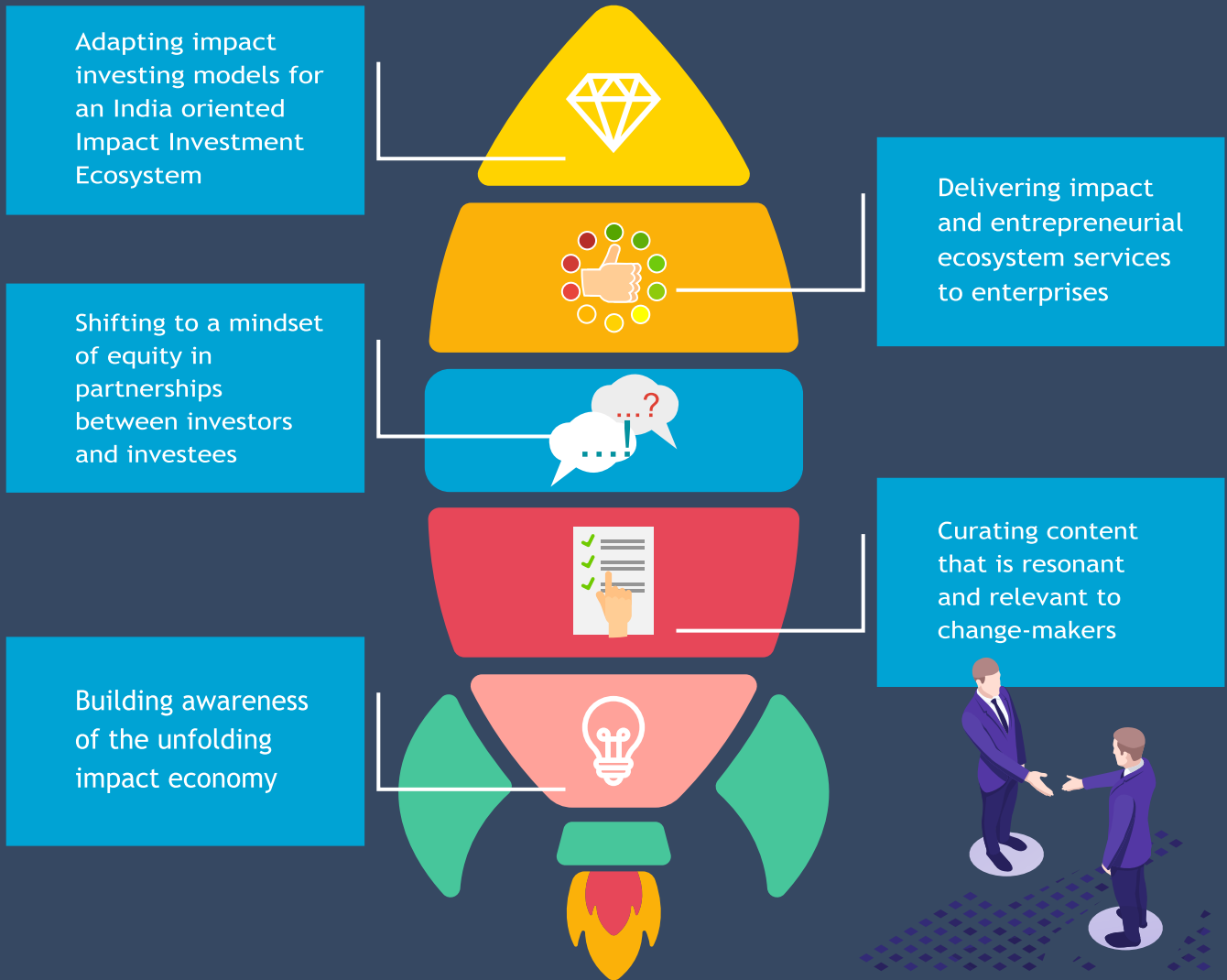
Therefore, programme objectives were expanded to include a focus on transforming the culture of change by examining how change-makers aim to achieve sustainable results that benefit all stakeholders. So, programme design and entrepreneurship were integrated with social and environmental sustainability, with the aim to provide a facilitating architecture for transformative change.

The imperative is an ecosystem that supports and nurtures change-makers, enables their transformative initiatives to scale and deliver meaningful impact, in turn, contributing to the UN's 2030 Sustainable Development Agenda.



A Systems Change Incubator

The systems change incubator will play a pivotal role in moving social enterprises and social start-ups into socio-ecological consolidations for transformative change by fulfilling the following objectives. An Impact Seed Fund that incorporates key components of these objectives will go a long way in making available a pool of near-ready impact enterprises.



Roadmap to an Impact Economy: A Call to Action

The Impact Investment Ecosystem Roadmap will develop knowledge and understanding, across enterprises and educational systems, of protection, preservation and provisioning for socio-ecological gains.

A Four-Year Agenda on Four Pillars

Year and its Key Focus	Impact for Enterprises and Entrepreneurs	Impact for Students	Impact for Payments for Ecosystem Services (PES)	Impact for Systems Change
2020 Year 1 Kickoff	Content Preparation Impact Training Impact Advisory			
2021 Year 2 Framework	Impact Advisory Impact Training Analysis & Reports	Engage with Institutes Content Preparation Careers in Impact	Research & Outreach PES Position Paper PES Advisory	
2022 Year 3 Partnerships	Impact Advisory Impact Training Outreach to Partners	Engineering Management Social Sciences Architecture	Partner Network PES Pilot Programs PES Advisory	Partner Network Develop Mandate
2023 Year 4 Sustain	Ongoing Training Ongoing Advisory Delivery Network Impact Investee Council	Partner Network Ongoing Delivery Curriculum Design	PES India Chapter Charter & Principles Ongoing Advisory	Establish Incubator Charter & Principles 1st Batch of Enterprises



- Impact for Enterprises:** Introduce and advise social enterprises engaged in socio-ecological transformation to leverage impact by embedding both 'PURPOSE' and 'PROFIT' in their activities.
- Impact for Students:** Create awareness for engineering, management, social sciences, and architecture students, on the opportunities to 'DO WELL (for themselves)' and simultaneously to 'DO GOOD (for the planet).'
- Impact for Payments for Ecosystem Services (PES):** Establish a robust framework in partnership with like-minded entities, for nature-based systems - PROTECTING AND PRESERVING the natural ecosystems while simultaneously PROVIDING LIVELIHOOD OPPORTUNITIES for the local communities that inhabit them.
- Impact for Systems Change :** Work with multiple players across sectors, disciplines, and social groups through a 'SYSTEMS CHANGE INCUBATOR' that is supported by a collaboration of stakeholders to address root causes.

JOIN US!

The impact future, and axiomatically the sustainable development future, is necessarily one of partnerships and collaborations.¹⁴ FES-India and Second Nature Sustainable Solutions are keen to work with more partners in the form of a 'COALITION OF THE WILLING' to co-create systems that achieve this aspirational agenda.

If you belong to this community of organisations - including philanthropists, foundations, impact investors, corporates, government agencies, and multilateral organisations - we urge you to fundamentally rethink the way systems change approaches are being supported - and cordially invite you to partner with us.

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Institutions For Transformative Change

An Impact Investor Council exists for the investment community; there needs to be an effective IMPACT INVESTEE COUNCIL too.

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Second Nature Sustainable Solutions is a clean-tech and climate finance advisory company that deploys scalable innovative models towards the sustainable development goals. A key mission is to increase the flow of Impact Investment to scalable initiatives in the socio-ecological sector.