

IMPACT INVESTMENT PRIMER

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SECOND NATURE
Clean-tech. Consumer-centric. Best-in-class.

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ABOUT THE PRIMER

Impact Investments - investments made with the intention of generating both financial return and social and/ or environmental impact - can fulfil the gap between the money forecast to be needed for achieving the UN Sustainable Development Goals (about \$6.5-7 trillion) and that available from philanthropy and government (about \$3 trillion).

However, in India, 2 out of 3 social enterprises identify “access to finance” as a barrier to the growth and sustainability of their operations. The gap in realizing the stated social and environmental goals is not only due to massive shortfalls in funding the social enterprises, but also due to an inability of the financial ecosystem to access and nurture on-the-ground change-makers to create and maintain the change.

This propelled Friedrich Ebert Stiftung, under its 'Designing for Socio-Ecological Transformation' program, to engage Second Nature to create and conduct an Impact Investment Primer (IIP) that connects socio-ecological change-makers to the Impact investment eco-system.

Between the months of June-December 2020, 39 change-makers participated in the IIP. The participants represented the diversity of social and ecological sectors, their primary sector of work ranging from **Education and Human Rights, to Ecological Services and Sustainable Housing & Architecture, and to Clean Energy and WASH (Water, Sanitation, and Hygiene) & Waste Management**. The IIP was conducted in two stages - participants attended two webinars in Stage 1. A cohort of 10 social enterprises continued on to one-to-one impact advisory in Stage 2.

STAGE 1: KEY MESSAGES

- Recognize the fundamental shift under way in the practice of investing
- Introduction to the 5 M's of Impact Investment
- Emphasis on the Investee-Investor relationship dynamic

Feedback: almost 90% of participants will highly recommend the IIP to other social enterprises

STAGE 2: CURRENT COHORT OF SOCIAL ENTERPRISES

Earthyantra: Tree plantation under Payments for Ecosystem Services (PES)

Riverse: River rejuvenation under PES

Ayaad Foundation: Symbiotic living between the elderly and children

Anonymous (per Enterprise Request): Access to social & climate justice

The Eco-Logical Foundation: Climate resilient livelihoods in the Sundarbans

NotOnMap: Travel to Impact

Sarvasva: Creative economy, crafts, and livelihoods

AIDMI: Disaster Risk Reduction (DRR)

MinusCO2: Retail Impact investors for distributed urban solar & clean-tech

Kesarjan Building Center: Recycling construction & demolition waste

RECOMMENDATIONS FOR IMPACT INVESTORS

Approachability: interactions to remove the perceived and real gaps in mindset and language

Collaboration: with social enterprises to build expertise and to pilot new approaches and models

Partnership of Equals: to go beyond transactional relationships and to build long-term trust

Content Dissemination: on the lifecycle of Impact enterprises and Impact measurement

Funding and Securitization: to look beyond equity and to deploy innovative outcome-based models

THE ROAD AHEAD FOR THE IIP: 2021 AND BEYOND

The IIP team will continue to engage with the first cohort, possibly create new cohorts, but it has also identified three significant missing opportunities in the Indian Impact ecosystem:

1. **Payment for Ecosystem Services (PES):** In spite of several critical natural ecosystems across the length and breadth of the country, India does not yet have a robust framework for PES and Natural Capital Financing. IIP will aim to establish a PES chapter dedicated to work with the enterprises, multi-lateral organisations, government bodies, and civil society, that are tackling the challenges that ensue from a lack of natural ecosystem support.

2. **Impact Investee Council:** to be established for the investee community, on lines similar to the Impact Investors Council for investors. The IIP team will create and incorporate the initial entity; and invite Impact field builders, ecosystem players, and Impact social enterprises to co-create the council.

3. **Systems Incubator with Impact Seed Fund:** an incubator to moderate the exchange of experiences, align strategies, amplify policy objectives, and that is supported by a collaboration of several funders to address root causes in a full spectrum manner, is a necessary next step.

As a field builder, the IIP will focus on:

- **Building Awareness:** change-makers are largely unaware of the unfolding Impact revolution and its primary intent to contribute, significantly, to the SDGs.
- **Content Development:** complete with language, tools, templates, and delivery, that resonates with change-makers.
- **Impact Ecosystem Services:** advisory organisations and market-makers to bridge the gap between the change-makers and the Impact investors.
- **Mindset Shift:** the entrenched unequal positioning amongst investor and investee needs to transform into a mindset shift towards equal partnership.
- **India-Oriented Investment Models:** for an Impact market as diverse as India.
- **Impact Seed Fund:** establishing a seed fund to deliver ecosystem services and to make available a pool of near-ready Impact enterprises.

We invite the community of organizations – including philanthropies, Impact investors, corporates, government and multilateral agencies – to partner and co-create this exciting and aspirational vision with us.