INVESTING IN THE FUTURE

EXPLORING THE FRONTIERS OF IMPACT INVESTMENT

POSITIVE IMPACT IS AT THE HEART OF WHAT WE DO

Produced in Collaboration

(Version Available to the General Public)

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EXECUTIVE SUMMARY

According to reports from the Economic and Social Commission for Asia and the Pacific (ESCAP) and the United Nations Development Programme (UNDP), the development of impact financing represents a shift in traditional financial outcome models. By aligning social and environmental returns along with financial interests - occurring across asset classes, including private equity and venture capital, as well as debt - impact investing has the potential to drive positive change and contribute to a more sustainable and inclusive future.

This study on the frontiers of impact investing recognises the challenges that traditional venture capital methodologies and investors are facing to not only identify competitive opportunities but also create better incentives to guide financing and access to capital markets in both the global north and global south. Instead, this whitepaper seeks to establish a methodology to bypass intersectional barriers and embrace the fundamental advancement of individuals and their communities. Our proposed methodology investigates impact investing through three scales: the macro, meso, and micro. This enables an investigation into different variabilities and depths of the industry. This study proposes the inclusion of impact investing in the private sector as an innovative way of financing and contributing to sustainable development. We also consider the broad interest of internal and external stakeholders to create not only economic value but also social and environmental value.

This paper explores the frontiers of impact investing, from introducing a new way of thinking for investors on the perception of a successful investment prioritising a long-term return on investment and the creation of a collaborative community, to the risks associated with impact investing, particularly in the global south, and finally to the challenges of collecting and quantifying non-tangible social data among the population.

It is with great pleasure that ImpactVest Alliance published this second whitepaper, targeted for discussions between Impact Investing fund managers and to raise awareness among the public audience.

Acknowledgements

We would like to thank Gregory Neal, Founder at Kite Impact, and all the participants in our research, who generously shared their time, experiences, and insights with us. Their willingness to engage with our study was essential to the success of this whitepaper, and we are deeply grateful for their participation.

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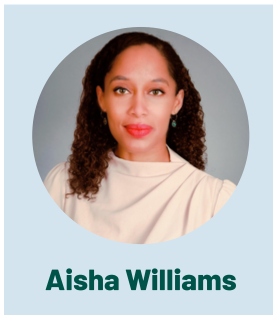
FORWARD

Aisha Williams, Founder CEO at ImpactVest



Aisha Williams

In an era defined by interconnectedness and growing awareness of our global challenges, the conventional notions of investment are being redefined. Today, we stand at the threshold of a remarkable shift—one that compels us to look beyond immediate financial gains and consider the wider implications of our investment choices. Impact investment calls upon us to reassess the purpose of capital, encouraging us to invest in enterprises that not only generate financial returns, but also catalyse positive social and environmental change.

This whitepaper reveals the powerful intersections where investment and impact converge. By doing so, we broaden our horizons, expand our perspectives, and deepen our understanding of how capital can shape a better future.

However, let us acknowledge that impact investment is not a panacea. It requires a nuanced approach that considers the inherent complexities of the issues we seek to address. We must confront systemic barriers, challenge deeply entrenched norms, and navigate the complexities of global dynamics. Yet, within these challenges lie the seeds of possibility. They invite us to think creatively, embrace resilience, and cultivate solutions that transcend short-term gains. Impact investment calls upon us to build a future that is economically robust, socially just, and ecologically balanced.

This whitepaper is open to exploring the challenges of impact measurement, impact transparency, and the delicate balance between financial viability and social impact. By critically examining these complexities, we gain a clearer view of the landscape and can navigate its intricacies more effectively.

Furthermore, as we explore the frontiers of impact investment, we must recognise that our journey is collective. The power of impact investment lies not only in the hands of individual investors but also in the collaboration and collective action of various stakeholders. We must foster partnerships between investors, entrepreneurs, policymakers, and communities to amplify our impact. Together, we can create an ecosystem that nurtures innovation, promotes inclusivity, and paves the way for sustainable change.

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FORWARD

Aisha Williams, Founder CEO at ImpactVest

I want to extend my sincere appreciation to the contributors of this whitepaper, including our ImpactVest African Innovation fund managers. Their commitment to the principles of impact investment has played a crucial role in the creation of this publication. Through their diverse expertise and insightful contributions, they have provided valuable insights into the intricacies of impact investment, offering guidance to those interested in exploring this transformative field.

As we delve into the frontiers of impact investment, let us approach this path with humility, empathy, and a dedication to ongoing learning, acknowledging the transformative potential of investments in improving lives, communities, and ecosystems. Together, we can forge a future where finance becomes a positive catalyst, prosperity is shared, and our actions have a lasting positive impact on future generations.

Aisha Williams

Founder and CEO
ImpactVest

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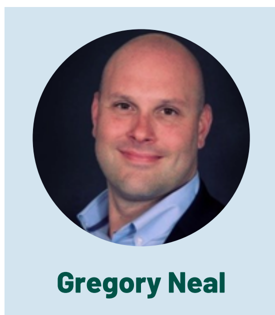
Gregory Neal, Founder at Kite Impact



Gregory Neal

As we traverse the dynamic terrain of impact investing, the beacon of innovation shines brightly, illuminating the path toward uncharted frontiers of sustainable change. Yet, nestled within the layers of this transformative journey, from the macro vision of the investors to the micro implementations of portfolio companies, lies an integral truth – the essence of our pursuits is rooted in the lives of the stakeholders we aim to uplift.

In the realm of impact venture capital funds capital allocation often spans multiple layers, linking fund managers, entrepreneurs, and ultimately, the stakeholders directly influenced by these investments. Even though some investors or fund managers may not have a direct relationship with the end stakeholders, it is essential to remember that impact investments are designed specifically for these individuals and communities, thereby underscoring the central role of the human element of our impact investing mission.

The future of innovation in impact venture capital is unknown, yet its full power can only be harnessed when the needs, aspirations, and cultural contexts of the stakeholders are front and centre in the investment process. By integrating these human aspects, innovative solutions align with market demands and resonate with stakeholder realities, amplifying their impact.

The layers of impact investing are interconnected by the robust bridges of communication and relationships. These relationships, built among fund managers, entrepreneurs, and stakeholders, foster a shared understanding that is instrumental for the successful future of impact investing. Clear communication also serves as the lifeblood that ensures alignment and understanding between diverse parties, bridging the broad vision of investors, the strategic implementation of fund managers, and the ground-level implementations of portfolio companies.

As you delve into this whitepaper, let it serve as a reminder that the future of impact investing is underpinned by innovation and needs to be guided by the human element. Each level of this intricate system contributes to the orchestration of meaningful change, creating a ripple effect that touches lives and communities.

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Gregory Neal, Founder at Kite Impact

The future of impact investing is a tapestry woven from the threads of innovation, the human element, and communication. As we continue to chart the unexplored frontiers, let us remain steadfast in our shared intention – to create positive impact for the stakeholders we serve. This guiding principle is our compass as we journey towards a more sustainable, inclusive, and prosperous future.

Gregory Neal

Founder
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INTERVIEW PROFILES

This section contains the profiles of ImpactVest African Innovation fund managers interviewed for this whitepaper.

Mope Abudu

AfriGloCal Venture Capital, Managing Director

Mope Abudu is the Managing Partner of AfriGloCal Venture Capital, a VC firm positioned to back pre-seed and seed staged African-focused fintech and digital infrastructure/technology enabled start-ups that combine wealth creation and GloCal visioning solutions driving impact and saleability within the Nigerian and/or West African environments. AfriGloCal VC leverages deal flow from their Knight Ventures Accelerator and investor platform. They also apply a gender balanced lens with an investment focus. Mope is driven to enhance the digital economy benefits of the geo-focused African countries where she operates through appropriate funding and investments and the appropriate business support for a winning business model that will yield impact and returns.

Michael Akindele

Uncharted Future Ventures, Founder

Michael is a General Partner and Fund Manager with a strong background in startups and venture capital. As the founder of Uncharted Future Ventures, he focuses on backing diverse-led startups in the consumer, food-tech, and fintech sectors, providing them with the necessary tools and support to scale their businesses. With over 15 years of experience, he is well-versed in digital transformation, innovation, agile strategy, and design thinking. Michael's entrepreneurial endeavors have garnered recognition from esteemed publications and platforms such as Forbes, Shark Tank, and George Mason University, where he has been featured as an innovative entrepreneur. Additionally, he has made significant contributions as an angel investor, leveraging his expertise to guide organizations and drive exponential growth through research and design-driven interventions.

INTERVIEW PROFILES

continued

Abass Bila

ImpactVest Ventures, Managing Partner

Abass Bila is a fund manager at ImpactVest Ventures. A problem-solver by nature, Abass has been combining technological solutions and management skills in order to manage assets that are worth several million USD. He provides meaningful value to stakeholders as non-sustainable solutions are shown to be less competitive in this rapidly changing world. Abass believes that integrating the ESG approach to entrepreneurship brings an additional layer, which produces real impact for stakeholders. At HEC Challenge Plus Afrique, Abass learned to immerse himself in the emerging economies start-up ecosystem, and how to change the world through solutions that not only make great impact on both social and environmental sides, but also produce financial returns. Abass has co-founded two start-ups, both in the green energy industry with the aim of changing the lives of people both in urban and rural areas.

Dr. Amanobea Boateng

Women's DNA Fund, CEO and Founder

Amanobea Boateng is the founder and CEO of Women's DNA Fund and Women's DNA Foundation. 'DNA' encapsulates the passion to develop, nurture and advance successful African female entrepreneurs by providing capacity building, mentorship and funding. Since 2019 Women's DNA has provided business skills, coaching, and mentorship to over 300 Ghanaian entrepreneurs from different sectors. Amanobea is the author of a book entitled "African Female Entrepreneurship: Merging Profit and Social Motives for the Greater Good" (Palgrave Macmillan, 2018). She holds a doctorate in business administration (DBA) from the Grenoble École de Management, France; an MBA (Finance) from Stirling University, Scotland; and a BA (Hons) in French and Spanish from Cardiff University, Wales.

INTERVIEW PROFILES
continued

Jacob Fohtung

Jamani Corporate Group LLC, Founder and Managing Director

Jacob Fohtung is the founder and Managing Director at Jamani Corporate Group LLC, a conglomerate of platforms that aim to build growth markets with a focus on Africa via in-depth entrepreneurship research and education, networking, podcasting, world-class consultation, and funding. Jacob is also the founder and host of the Doers Within Us podcast highlighting the work of diverse founders and investors building businesses in underserved markets with the ultimate vision to create a local and global impact. Jacob has authored several articles at the Clayton Christensen Institute such as "Disruptive Innovation" and "Modularity Theory" to how they can be used as lenses to create prosperity in the world. Along with fellow Babson College alumni, Jacob founded Bingus Auto, an international supplier of automotive goods, and aims to advance the electrification of the automotive industry as its Chief Growth Officer.

Njabulo Khulu

Ubukai Ventures, Managing Partner

Njabulo Khulu is a Managing Partner at Ubukai Ventures, Venture Capital fund manager in South Africa backing Africa-focused seed stage tech start-ups. Njabulo is a multi-skilled entrepreneur and Venture Partner supporting VCs and Angel Investors to find and develop startups into investable companies. He assists tech entrepreneurs and innovators to raise capital, improve their business strategy and operations in order to achieve product market fit. Njabulo is a highly experienced corporate development professional with global mergers and acquisitions (M&A) experience in both buy-side and sell-side investment deals. Njabulo also has been a project manager for multi-national M&A projects and has helped global corporates with their financial operations.

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INTERVIEW PROFILES

continued

Daniel Levy

Impact Design Studio, Founder

Daniel Levy is a business, product, program, and project development expert with focus on innovation, entrepreneurship, and behavioural design, and creativity. He excels at leveraging finance and direct investments, with a particular emphasis on management systems, strategy, partnerships, and business development to lead large teams, directing international operations, policy & implementation, ensuring service delivery and investment optimisation. An expert in rapid scaling, strategic pivots, turnarounds & change-management, Daniel has 15 years in business as Managing / Country Director, as well as in NGOs as CoP, Country Director, Team Leader/Key-expert in economic development, research & policy. Daniel is also highly experienced in bid-evaluation, RFPs, proposal writing, policy, business development, and public-private partnerships.

Tonderai Leonel Njowera

Mosi Partners, Founder and ESG Consultant

Tonderai Leonel Njowera is the founder and ESG Consultant of Mosi Partners. Tonderai is a certified expert in sustainable finance, as well as a civil and water engineer. A fatal accident propelled Tonderai to catalyze investments in green real estate, renewable energy, utility social infrastructure, in addition to safe and smart mobility. Tonderai has developed sustainability management frameworks for financial and real economy companies. These aim at integrating, setting metrics and targets for, as well as reporting ESG factors at board and operational levels. Moreover, Tonderai has also led heavy civil engineering projects in the mining space, applying strict quality, environmental management as well as occupational health and safety standards, where he also won a provincial award. Tonderai is a recent founder of the Chakata Fund and he sits on the board of a special purpose acquisition company with a mandate to advise on ESG and sustainability matters.

INTRODUCTION

Practitioners of impact investment often encounter challenges in their work for which there are no textbook solutions: in this developing space, an experimental approach is often the only way forward. Their work seeks to embrace companies and communities, reaching across nations and industries in deploying capital towards prudent, innovative initiatives that generate quantifiable benefits for the world we inhabit. This field necessitates an approach that combines venture capital's institutional wisdom with sustainability principles. Reliably incorporating these demands into a workable and scalable methodology of investment is an incomplete process, owing to the relative youth of the impact investment strategy, the rapid expansion of new technologies and industries associated with green growth, and the development of ever-more sophisticated understandings of the connection between social welfare and economic growth.

We term these exciting areas of development within impact investment as being the industry's frontier. While the challenges of meeting the dual mandate of creating financial and socio-environmental returns have been considered independently, this whitepaper aims to map the industry's landscape. This geographic language provides more than a convenient metaphor - it underscores the tremendous changes that the industry has undergone in terms of the locations in which it operates, the precision of its social and ecological indicators of impact, and the role it plays in furthering the agenda of global sustainable development along equitable terms. By reviewing the boundaries of this industry's progress, we can characterise the areas where frameworks for change have yet to catch up to the realities of a world where globalised financial flows are increasingly being mobilised for the benefit of our shared community. This whitepaper will, therefore, explore the frontiers of an industry being built for the future.

In mapping the boundaries of this industry, we suggest three core characteristics that constitute 'the frontier'. These characteristics range in scale from the abstract to the technical and must be understood in connection. They are each limiting factors that impact investment's growth towards being a mainstream financial framework. Firstly, on the macro scale, there is the challenge of introducing a new paradigm in entrepreneurs' and investor's perception of the fundamental meaning of value creation, moving away from one centred on purely commercial benefit and towards a mindset of investment that considers the social and ecological creation of value. But also the roles played by impact-oriented venture capital funds against traditional venture capital funds in driving sustainable market transformation. Secondly, on the meso scale, considerable progress must be made on how value is assessed and communicated between impactful entrepreneurs, fund managers, and external stakeholders. Thirdly, on the micro-scale, there is the persistent challenge of operationalising impact measurement and management practices in environments where data-guided investment is less common. These three characteristics will be the main focus of this whitepaper.

Given the growing extent to which impact investment frameworks and funds are applied to businesses within the global south, the economies of growing countries may also be considered frontiers. However, the challenges of impact investment are pronounced in the global south's economies, particularly in data collection and framing impact models in conversation with traditional financial service providers.

IMPACT INVESTMENT: A BRIEF OVERVIEW OF THE INDUSTRY

Looking at 1984, when the first U.S Sustainable Investment Forum was established in response to climate and environmental concerns until the Rockefeller Foundation created the Global Impact Investing Network in 2009, impact investing has come a long way in a relatively short period. With 2023 marking fifteen years since the climax of the 2008 financial crisis and the halfway point towards the 2030 Sustainable Development agenda, it is a prudent time to reflect on the development of the impact investment industry.

In 2022, the Global Impact Investing Network estimated that USD 1.164 trillion in assets were managed under impact-driven frameworks across 3,349 organisations, reaching a significant milestone of USD 1 trillion in assets holding (GIIN, 2022). The Global Sustainable Investment Alliance found that the sustainable investment market was worth USD 35 trillion worldwide (GSIA, 2021). While these figures serve as a positive sign for the industry, it also calls for further action to address the 4.2 trillion funding gap required to achieve the UN Sustainable Development Goals by 2030 (OECD, 2020). Banks and institutional asset owners must contribute a mere 1.1% of their holding assets to address this gap.

IMPACT INVESTMENT: CURRENT RATES OF INCLUSIVE INVESTMENT

Economics theories suggest that capital flows from capital-rich economies to capital-poor economies, meaning that the relatively low endowment of physical capital in the global south, coupled with relatively abundant labour and natural resources, should suggest that physical capital should have a high marginal product in Africa, where the return on capital would be higher. Lucas' paradox implies that capital flows do not move as expected from developed countries to developing countries, as those models would suggest. Historically, capital flows have been concentrated in the global north due to established financial markets, institutional frameworks, and lower perceived risks. In terms of foreign direct investment (FDI), data from UNCTAD's World Investment Report 2020 indicated that developed economies received the majority (77%) of global FDI inflows in 2019 while developing economies received a smaller share (23%).

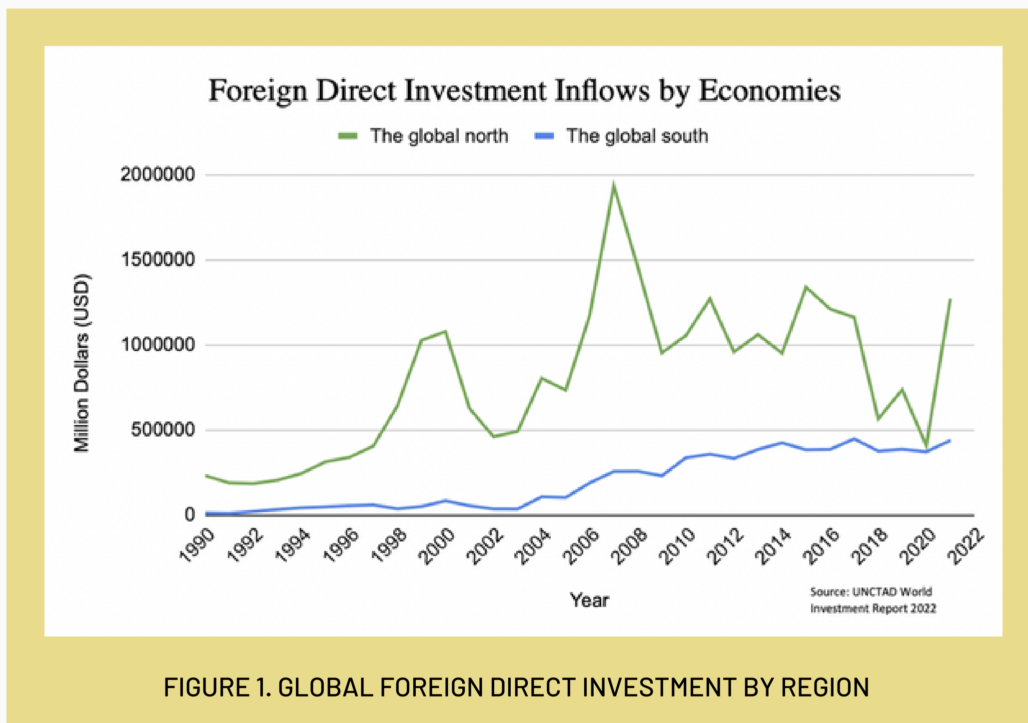

FIGURE 1. GLOBAL FOREIGN DIRECT INVESTMENT BY REGION

Over the past three decades, the investment flows to Africa accounted for only 3.1% of the global FDI. In 2021, the FDIs to Africa hit a record of 83,000 million dollars, double the observed amount in 2020. Despite that strong growth, investment flows to Africa were still 5.2% of global FDI, up from 4.1% in 2020. Even though most countries realised a rise in FDI in 2021, around 45% of the total FDI was due to an intra-firm financial transaction in South Africa. The dominant owners of foreign assets held on the African continent are Europeans, led by the United Kingdom and France. This disparity can be attributed to factors such as the perceived risks associated with investing in developing countries and the availability of better investment opportunities and market access in developed countries.

From the same perspective of Lucas' Paradox, one potential solution to address the limited flow of financial capital from the global north to the global south is to adopt a down-top approach that focuses on local impact standards. This approach recognises that developed and developing economies face investment risks, but these risks vary between economies and are generally higher in the global south. A top-down approach is an investment strategy that primarily considers macroeconomic factors and global market conditions. This approach often overlooks the risks and challenges unique to each local context in the global south. Consequently, investments based solely on a top-down approach may encounter difficulties and perceived failures due to inadequate consideration of these localised risks.

On the other hand, a down-top course emphasises understanding and addressing the risks and challenges specific to the local environment in the global south. By adopting local impact standards, investors can consider market dynamics, currency risks, liquidity challenges, political stability, regulatory frameworks, and cultural nuances relevant to the specific region or country. Investors can enhance sustainable profitability and impact by navigating the risks through a down-top approach.

Additionally, there is a profoundly unequal distribution of gendered funds in the early stages of start-ups. Addressing women's access to capital is critical for solving the UN's Sustainable Development Goal, as they perform better in fintech and impact businesses than men. Recent research suggests that 75% of women believe investing responsibly is more important than the returns they generate (WealthiHer Network). Some 53% of women indicated they want to give back to their communities, while 63% believed practising philanthropy is essential, compared with 56% of men. Despite this, female-led businesses often have difficulty accessing funding from impact investing providers. The International Finance Corporation (IFC) shows that women's access to finance is disproportionately low, estimating that only 7% of total private equity and venture capital is targeted towards female-led businesses. Similarly, only 3% of philanthropic environmental funding supports women's ecological start-ups. To unlock the potential of women entrepreneurs, the Gender Lens Investing (GLI) has been developed by the GIIN to consider gender-based factors across the investment process to advance gender equality and better inform investment decisions.

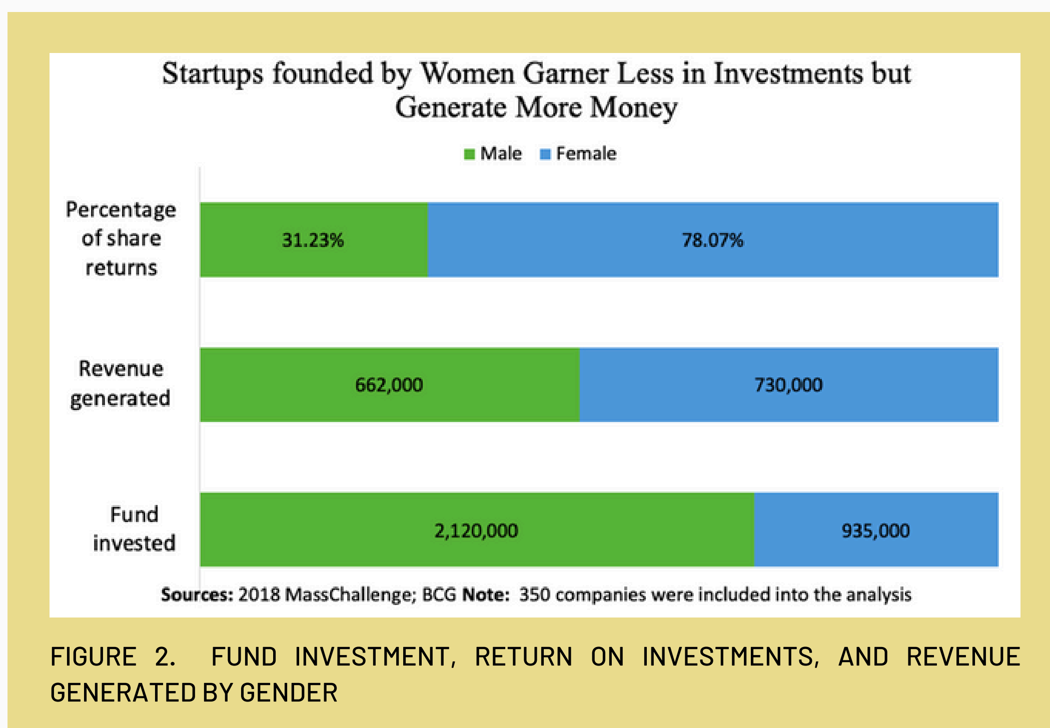

FIGURE 2. FUND INVESTMENT, RETURN ON INVESTMENTS, AND REVENUE GENERATED BY GENDER

Over 350 companies, including 258 founded by men and 92 founded by women, the graph shows a clear initial funding gap between female-led and male-led businesses. Investments in companies based on women averaged $935,000, less than half the average $2.1 million invested in companies founded by male entrepreneurs. Despite this disparity, women-founded startups performed better over time, generating 10% more cumulative revenue over five years: $730,000 compared with $662,000. In terms of how effectively companies make returns on investments, even though women startup founders get fewer investments in the initial stage, they are significantly better at generating financial returns to the investors and their local community.

MACRO SCALE

Changing Value Creation

A change in our discussion of value is taking place. Within impact investment, the creation of value must accommodate traditional financial concerns, alongside new concerns of social and ecological value creation. The creation of impact value should become more mainstream in financial institutions.

A NEW PARADIGM FOR THE DEVELOPMENT OF IMPACT FINANCING

Impact investing, which generates both financial returns and social and environmental returns, introduces a paradigm shift in traditional finance and outcome models. This value-driven approach challenges the conventional mindset that investment decisions should be solely based on financial returns. It provides a means for investors to make a meaningful difference through their capital. However, are the current investment landscape and venture capital methodologies conducive to impact investing? It is argued that the dominant financing mechanisms, that is, how public and private funds are channelled and spent, show long-term structural issues and the inadequacy of current policy tools.

" As we build economies, we have to think of the impact that we contribute to emerging markets."
Jacob Fohtung, Jamani Corporate Group LLC

In recent times, the economic crisis has shown us that traditional finance is not working anymore, and the tools used to regulate the economy have yet to be designed to provide long-term solutions. Today's financial system prioritises short-term gains over long-term sustainability, encouraging speculative behaviour and contributing to market volatility. Weak regulations and inadequate governance structure within the financial system contribute to the distortion of our economy. Although central banks play a vital role, there is an imbalance between the amount of money injected into the economy and the limited availability of natural resources. Through monetary policy tools, central banks can increase the money supply to stimulate economic activity and address issues such as recession or deflation. However, this money supply expansion does not create new natural resources or increase the Earth's finite supply of raw materials. This leads to a distortion of investors' perception of value creation, driven by a mismatch between the growth-oriented nature of the current economic system and the finite nature of Earth's resources.

"In every industry, it is crucial to consider the potential impact that innovations can unlock for specific communities. By recognizing and addressing the needs and opportunities within these communities, industries can drive positive change and create meaningful outcomes for all stakeholders involved."
Michael Akindele, Uncharted Future Ventures

Following this reasoning, there is a trade-off between the number of resources on our planet and value creation. The imbalance between expanding money supply and limited natural resources highlights the urgent need for policymakers to incorporate environmental limits into economic decision-making. To address this imbalance, it is crucial to reshape investors and venture capital methodologies on the meaning of a successful investment and return on investment. While financial returns remain important for pooling people together, impact investors recognise that investments can also generate measurable positive impacts in the long term and create lasting change. This expanded perspective encourages a shift in mindset, where investment success is measured not only by short-term monetary gains but also by the ability to address pressing societal and environmental challenges.
Moreover, aligning investors' values and principles with impact investing goals is a crucial consideration in sustainable finance to understand stakeholders' motivations and risk appetite. There is a need to reshape how investors and entrepreneurs define growth and prioritize fiduciary duty. To comply with the sustainable development goals, it is essential to identify investors who are profit-driven and open to long-term nurturing.

TRADITIONAL RETURN ON INVESTMENT DILEMMA: UNIFICATION OF SUSTAINABILITY AND PROFITABILITY AS MUTUALLY BENEFICIAL

Impact investing is not a tradeoff between profit and positive social change but a movement that calls for unification rather than partition. Companies are expected to make financial returns while giving back to the community. No longer is profit to be mutually exclusive from that of social well-being. It advances beyond the prerogative of ability on behalf of the financial industry to create positive social change into that of responsibility. On a functional level, social and monetary values can co-exist and benefit each other within the same system. The finance community is responsible for giving back to the world that comes without sacrificing or changing the very meaning of their industry. Impact investing is not necessarily replacing the monetary value for that of the social but rather contextualising it and placing it in harmony with that of the world. Financial returns do not eliminate the potential for social good, nor does social good remove that of profitability. Thus, profitability is that of a neutral position that is not in isolation. Instead of disruption, impact investing seeks to redirect the financial industry into following economic models in harmony with the world and those living within it. Finance is not an entity that exists outside of that socio-environment.

"There's a big misconception that you don't have to pay attention to profitability because that's not the only factor for business stability and sustainability, promoted by the ESG advocates. This is a dangerous misconception as currency has emerged as the most efficient and effective tool allowing us to exchange value, conceivable."
Daniel Levy, Impact Design Studio

Profit is not disincentivised but instead redirected into a format that encapsulates the world's needs and the market. Instead, impact investing directs capital towards industries that offer financial and social returns. Concessionary returns, which are returns that are willing to sacrifice profit for that social impact, cannot be the standard. Although one would take the opportunity of the development of impact investing in changing our perception of return on investment, concessionary returns cannot be the standard for impact investing. Instead, impact investing should be seen as a positive change resulting from a financial return. Thus impact is the end for the means, while profit is the means to an end. As profit results from achieving a goal, a successful impact investment requires profit. This is even more true when to attract business angels and investors, impact investing start-ups also need to generate profits. Portfolio management is another crucial aspect of the process; impact investors closely monitor the progress of their investments. They want to ensure the portfolio company is focused on commercialising and becoming sustainable in a reasonable time. Finally, the concept of additionally regarding the divergence from concessionary capital allows for impact to be the outcome of a financial return. Thus one does not sacrifice financial returns; instead, social benefits are viewed as an additional rather than a replacement for profit.

"Angels and investors are commercially focused, if they decide to invest in a company, it is because they know they can achieve a desired result within 9 to 12 months. The desired result is generating more money, the increased sales pipeline, new product innovations, and reaching next fundraising milestones."
Michael Akindele, Uncharted Future Ventures

The market operates within an ecosystem of finite resources, and businesses must act contingently with this world. While impact investing transforms the unification of profit and social good from an ideal into that of potentiality, it is not without difficulty. This unification requires more work and consideration on behalf of investors and companies. It is the responsibility of the finance industry to recognise its ability to create positive change within the world and to seek it out. Impact investing calls for sacrificing previous economic understanding, not financial return.
In conclusion, this new movement advocates for simultaneous social and monetary profit. Previous economic models should have encompassed the potential for social good within the financial industry. Thus, at the frontier of impact investing lies the establishment of new interpretations and understandings of the economy and the world.

"Any investment that would sacrifice profitability over the investment term, and can perform sustainably, might be suited toward expected private equity impact investment."
Daniel Levy, Impact Design Studio

REMODELLING TRADITIONAL FUNDING LANDSCAPE

Having characterised the extent to which profit complements social benefits, we turn to the critical areas of remodelling the funding landscape and how impact investors differ from traditional venture investors.

While venture capital (VC) is an ideal financial structure to support impact investing, it must adapt how it operates to meet social impact goals. The VC industry can work in areas governments, non-governmental organisations (NGOs), and nonprofits have traditionally steered away from. This is because that stability drives other institutions, whereas VC is less risk averse, allowing growth potential and an opportunity cost for new market development. Due to its higher bailor rates structure, venture capital has been tailored to take on risks and create a return on investment far more significant than other traditional investing models might recognise, such as family offices, private equity funds and angel investors. The VC industry is uniquely positioned to work with these areas that offer a high return on impact. The nature of venture capital provides avenues for fund managers to contribute to building a solid company culture, fostering innovation, and enhancing growth. Although VC's operation has undeniable advantages for financing impact projects in risky-considered emerging countries, its modus operandi requires a few changes. These changes imply rethinking traditional venture capital models as a dynamic and agile process rather than a fixed entity. It is a tradeoff between the ideals of profit and impact that requires agility to play. More established markets need this agility, making it more difficult for them to enter this industry. By altering how we see venture capital as a process, it encourages investors to explore new impact themes, be self-aware, adapt to changes in innovative impact measurement methodologies, and incorporate emerging sustainability practices. This adaptability enables investors to stay at the forefront of the rapidly changing impact investing industry landscape.

"The private equity industry has more flexibility to interact with areas that other organisations do not go to. Venture Capital has more opportunities in high market growth potential alongside higher risk than in traditional markets. And actually, this is where innovation and growth is driven."
Abass Bila, ImpactVest Ventures

Venture capital's involvement goes beyond financial support. Instead, it is crucial to consider the broader impact objectives and ensure that the funds invested have a multiplier effect. Unlike traditional investment vehicles, venture capital has the opportunity to engage with companies at an early stage, allowing fund managers to shape the core values and missions of these businesses. This active involvement grants venture capitalists a significant level of influence over the growth and nature of a company, going beyond providing mere financial investment.

Strategically and purposefully, founders can maximise their potential for creating meaningful and sustainable impact. Venture capitalists often become trusted advisors and mentors, leveraging their experience and expertise to guide entrepreneurs through the challenges of scaling their businesses. They offer strategic guidance, connections to valuable networks, and industry insights that contribute to the overall success of the venture. In this way, venture capital provides funding and actively contributes to the development of the business, its culture, and its growth trajectory. By engaging with startups and early-stage ventures, venture capital reduces the time it takes for innovative ideas to reach the market. This accelerated timeline empowers entrepreneurs and innovators, enabling them to bring their ideas to fruition and create an impact more rapidly. This speed-to-market advantage is crucial in an ever-changing business landscape where competition is fierce, and staying ahead is vital for success.

"Merely providing capital is not sufficient to address the needs of founders. The focus should be on ensuring that the funds invested have a multiplier effect in terms of achieving impact objectives."
Mope Abudu, AfriGloCal Venture Capital

"Venture capital reduces the time from idea to market, and having this is empowering. There is a need for the development of ideas and technology that provides confidence to communities."
Njabulo Khulu, Ubukai Ventures

The renewed attention towards implementing impact investing strategies throughout the investment process comes with the drive for more holistic and transparent tools. The promotion of this mechanism depends mainly on the interactions between the main stakeholders. Creating a positive impact implies a better redistribution of financial returns among all stakeholders, which primarily contradicts traditional finance models based on fulfilling returns on investments to shareholders. The traditional shareholder-centric approach prioritises maximising profits for shareholders at the expense of other stakeholders such as employees, communities, and the environment. This leads to short-term thinking, inequality, and externalised costs.

In contrast, a stakeholder's primacy model recognises the interconnectedness of various stakeholders and emphasises their collective well-being. But this also implies lower returns on investment for shareholders. Stakeholders need to establish an incentive structure based on the delivery of tangible social outcomes. The benefits are measured by the population successfully provided with the identified service. This "input" model system allocates capital without repayment to its creditor, often failing to leverage further funds to ensure sustainability. By redefining the primary focus on the financial model, we are moving from a mere shareholder-centric approach to the consideration of a mere stakeholder centric-approach, driven by the individuals within the firm, their expertise, networks, and collective efforts in supporting early-stage companies. The search for more holistic and transparent tools between shareholders and stakeholders can be achieved with the creation of a community that helps foster collaboration and discussion between key

players. By leveraging diverse knowledge and perspectives within a community, investors can make better-informed decisions, foster innovation, and develop more effective impact strategies to think beyond financial returns. It also empowers stakeholders, such as employees and communities, by giving them a voice and ensuring their interests are considered. When both shareholders and stakeholders have access to information, it promotes open communication, reduces conflicts, and encourages long-term thinking.

"The financial industry can shape a better future by putting better processes and policies and driving more collaborations that allows for more people to come into the fold and be able to access capital and scale their company. By creating a community, it allows funders to be able to collaborate and share resources."
Mickael Akindele, Uncharted Future Ventures

IMPACTVEST ALLIANCE

MESO SCALE

Changing Dynamics

Globalisation is changing the flow of capital from the global north to the global south. Development finance in the form of impact capital can bring significant benefits if it is delivered through locally-informed fund managers who can communicate effectively with all stakeholders.

THE GLOBAL SOUTH: GROWTH POTENTIAL AND INVESTMENT STABILITY

The global south, comprising countries in Africa, Latin America, Asia, and the Caribbean, has emerged as a region with immense innovation and value-creation potential. While the global north has traditionally been viewed as the centre of knowledge and technology, the global south has gradually transformed into a hub of creativity, entrepreneurship, and groundbreaking ideas. As emerging markets in the global south continue to develop, they provide fertile ground for new ideas and approaches to take root. The more the market is emerging, the more innovation and impact you can create. Uncertainties and challenges that come with investing in emerging markets in the global south create opportunities for entrepreneurs and innovators to develop novel solutions. These markets' unique economic, social, and environmental landscapes often require creative thinking and adaptive approaches to address the specific needs and complexities they present. The need for established infrastructure, limited access to essential services, and systemic gaps offer opportunities for entrepreneurial minds to identify unmet demands and devise innovative business models that can effectively bridge these gaps. By embracing the uncertainties as opportunities, entrepreneurs and innovators in the global south can leverage their deep understanding of local contexts, cultural nuances, and resource constraints to develop groundbreaking solutions that cater to the unique challenges faced by these markets.

"Africa has a lot of challenges but these challenges are actually opportunities to sort out the eco-structure, inclusiveness, and diversification of ideas and solutions."
Mope Abudu, AfriGloCal Venture Capital

Whether it involves leveraging mobile technology for financial inclusion, creating sustainable agriculture practices, or delivering affordable healthcare solutions, the uncertainties inherent in emerging markets serve as catalysts for creative problem-solving and the development of transformative innovations that can have a significant positive impact on the lives of millions of people in the global south.

Investing in such markets that are still evolving allows for room to disrupt existing systems and establish new ways of creating impact. More established markets, with their well-established structures, institutional frameworks, and entrenched practices, often need help entering the impact investing industry due to a perceived lack of agility and adaptability to the evolving dynamics of profit-impact alignment. These markets have typically been shaped by traditional investment models that prioritise financial returns and may have regulatory frameworks and economic systems that need to be better-suited to accommodate the nuanced considerations of impact investing. The need for agility arises from the complex and rapidly evolving nature of impact investing, which requires investors to navigate multifaceted social and environmental challenges, identify emerging trends, and swiftly adjust investment strategies to seize opportunities that effectively balance profit and impact objectives. However, as the concept of impact investing gains traction and societal expectations shift towards sustainability, established markets are increasingly recognising the importance of agility and are making efforts to adapt their practices, frameworks, and mindsets to participate actively in the industry, contributing to positive change and value creation alongside financial returns.

> “At their core, so long as businesses and investments in the private sector support the development of livelihoods within their developing economies, then lives will also be improved.”
> **Daniel Levy, Impact Design Studio**

UNLOCKING INVESTMENT POTENTIAL IN THE GLOBAL SOUTH: THE NEED FOR A HANDS-ON APPROACH

Investing in any region comes with inherent risks; the global south is no exception. Political instability, regulatory complexities, and economic uncertainties can pose challenges. The finance industry, with its vast resources and reach, can make a significant impact by adopting a hands-on approach that considers the global south's unique economic environment. The global south comprises emerging and developing economies, presenting distinct challenges and opportunities that require tailored financial solutions. By understanding and actively engaging with these regions' specific economic dynamics, cultural nuances, and socio-political contexts, the finance industry can unlock transformative potential and foster sustainable development. Moreover, the hands-on approach helps establish strong market positions, build brand recognition, and benefit from the first-mover benefits as Africa's economic potential unfolds.

The hands-on approach entails a deeper understanding of the economic landscape of the global south. This includes recognising the structural constraints, resource limitations, and systemic issues hindering economic growth and development. By considering these factors, financial institutions can design innovative products and services that address the specific needs of local businesses, entrepreneurs, and consumers. This may involve developing accessible financial tools, promoting financial literacy, and supporting inclusive financial systems catering to the global south's diverse economic realities.

A hands-on approach in the impact investing industry encourages active engagement with local communities and stakeholders. This involves forging partnerships with local organisations, government agencies, and development institutions to ensure that financial initiatives align with the broader development goals of the global south. By collaborating with these stakeholders, financial institutions can better understand the local context, identify investment opportunities, and provide targeted financial support to sectors that have the potential to drive economic growth, such as agriculture, renewable energy, and technology innovation. This understanding can also entail local insights in calculating the actual cost of doing business in specific global south regions.

"Different regions have different peculiarities,
so you cannot have a one size fits all solution."
Mope Abudu, AfriGloCal Venture Capital

Africa, and the global south in general, can be subjected to different criteria for evaluation than other regions because the profile of people and the challenges are different. Solutions could be global, but they should have a local fit first and then be modelled to fit other regions afterwards. VC and fund managers should understand the geographies in which they are operating and apply localised tools best suited to the peculiarities of the local economic landscape. As Tonderai Njowera emphasises, being a fund manager comes with the "absolute beauty" of being exposed to portfolio companies as a financial backer and an active participant in their growth. This perspective enables fund managers to understand the challenges specific to the sectors they invest in. By being well-informed, they can identify and connect entrepreneurs with experts who can support the company's success—this collaborative approach positions fund managers as trusted partners who contribute valuable insights and resources beyond financial capital.

"The absolute beauty that comes with being a fund manager is that you are exposed to your portfolio companies, not only as an investor, but as an active contributor to their development. You're not seen as just 'the money man', but as someone who is well informed of the challenges of the sector you are investing in. You support policy, markets, and business development, and identify and connect entrepreneurs with experts who can support the business."
Tonderai Njowera, Mosi Partners

"Fund managers should be allowed the autonomy to operate on principles that are governed by those markets and economies they invest in, not by the source of funds themselves."
Daniel Levy, Impact Design Studio

Being on the ground facilitates a comprehensive assessment of the market landscape. Investors can observe the local competitive landscape, consumer behaviours, regulatory frameworks, and market gaps that may not be apparent from a distance. This in-depth knowledge helps investors identify better investment opportunities that align with a specific region's unique market conditions and demands. It allows them to recognize untapped potential, emerging trends, and disruptive innovations that may not be visible through remote analysis alone.

Moreover, being physically present and actively engaged provides invaluable insights into the founders and their ventures, enabling investors to identify better opportunities and make informed investment decisions. By immersing themselves in the local ecosystem, investors gain firsthand knowledge of the cultural, social, and economic dynamics influencing entrepreneurial ventures in a specific region. This proximity allows for a deeper understanding and assessment of the founders' capabilities, motivations, and commitment to their business.

"Being on the ground gives you better insights about the founders, and helps in identifying better opportunities to guide them, hence making better investment decisions."
Mope Abudu, AfriGloCal Venture Capital

Through face-to-face interactions, investors can build personal relationships with founders, gaining a deeper understanding of their vision, drive, and ability to execute. These direct interactions offer insights into the founders' character, leadership style, and resilience, which are critical factors in determining the potential for success. By observing their passion, determination, and problem-solving skills firsthand, investors can better gauge the founders' ability to navigate challenges and seize opportunities.

Fund managers' presence and engagement in the local ecosystem enable them to guide and support founders throughout their entrepreneurial journey proactively. The proximity allows for regular and meaningful employment, facilitating mentorship, coaching, and access to resources that can contribute to the growth and success of the venture. By providing guidance based on firsthand knowledge of the market and context, investors can help founders navigate challenges, refine their strategies, and make informed decisions.

NAVIGATING RISKS IN UNCERTAIN MARKETS: THE COLLABORATIVE RELATIONSHIP AMONG IMPACT INVESTING PARTIES

Effective communication and constant collaboration between fund managers and portfolio companies are crucial when managing investments for financial returns and impact. This partnership allows fund managers to go beyond being mere investors and actively contribute to the development of portfolio companies. By engaging in ongoing dialogue and collaboration, fund managers can leverage their expertise and support policy, market, and business development efforts, fostering a holistic approach to investment management. This comprehensive approach requires open lines of communication and collaboration between fund managers and portfolio companies to address the diverse needs and challenges faced by the companies. The role of the fund manager extends beyond providing financial resources to companies. They also bear the responsibility of ensuring that portfolio companies have the necessary resources to achieve financial success and positively impact their respective industries.

"You have to know the people behind the business before you can understand the business. When you focus on people, you can understand what they have achieved in spite of their circumstances and what they could have achieved if they had more."
Amanobea Boateng, Women's DNA Fund

"Africa is the only continent left for investors and active players."
Jacob Fohtung, Jamani Corporation Group LLC

When fund managers take the time to know the founders honestly, they can appreciate the immense value that lies within their experiences and accomplishments, particularly in the face of challenging circumstances. Understanding the founders' backgrounds, motivations, and aspirations allows fund managers to assess their resilience, determination, and ability to seize opportunities. This holistic understanding helps gauge the potential for success and impact, enabling fund managers to make informed investment decisions.

Moreover, a collaborative relationship between fund managers and founders is essential to de-risk investments. They can identify and address potential pitfalls, develop mitigation strategies, and align their goals and expectations by working closely together. The shared responsibility for de-risking investments involves actively managing and minimising uncertainties, such as market dynamics, regulatory challenges, and operational risks. Fund managers can provide founders with valuable insights, guidance, and support, leveraging their expertise and networks to navigate these complexities. This collaboration ensures that investments are grounded in a well-informed, risk-mitigated approach, increasing the likelihood of achieving sustainable profitability.

" Mitigating risk in Africa means being localised and understanding the local markets in which you are investing in. The risk is relative to the specific industry and community."
Njabulo Khulu, Ubukai Ventures

Fund managers should play a guiding role for founders on how to measure and assess their impact. By establishing clear criteria and expectations, fund managers provide a framework for founders to track, evaluate, and report on the social, environmental, or economic outcomes generated by their ventures. This collaborative partnership enables founders to align their impact measurement practices with the fund's objectives and industry standards.

"It is the role of the fund manager to give a clear understanding of the criteria they are using to establish what we mean by impact in their specific case. If the fund manager doesn't set up these measurement indicators, the whole system is getting blurred. You don't just invest and leave. You make the investment and you assist the company. It is our role to provide them with the resources and strategies they need to create an impact."
Abass Bila, ImpactVest Ventures

An active partnership between fund managers and founders ensures ongoing communication and collaboration in the impact data collection and reporting process. Fund managers can guide robust measurement methodologies, data collection tools, and reporting frameworks. They can support founders in setting targets, establishing key performance indicators (KPIs), and integrating impact measurement into their operational practices. Through regular discussions and feedback loops, fund managers and founders can refine their impact measurement approaches, address challenges, and collectively strive for greater accuracy and relevance in reporting.

GENDER-FOCUSED INVESTMENT STRATEGY

Women across the world are participating in the market economy. They are consumers but also employees and employers. Women are operating and working for global businesses. However, the recognition of this work and the flow of investment capital does not match their output. Furthermore, this gender inequity regarding investment extends within the global south. Women within the global south are running businesses across all sectors. However, the majority remain grassroots operations. By applying the correct tools and an investment strategy that focuses on women-owned companies, individual women can elevate their socioeconomic positions and their entire communities.

"When women are empowered, they empower other people."
Amanobea Boateng, Women's DNA Fund

Financially empowering individual women gives them the ability to have agency over their lives and their communities. Women utilise capital not just for themselves but for their families. Statistically, gender is a critical tool for development. Giving women access to capital can have a multiplier effect across a community. It is not a matter of cultivating talented women to participate in the economy but recognising their existing labour and skills. Women already contribute to the economy but do not receive the same levels of support and acknowledgement for their work.

"The problems that women bear are within their lack of available opportunities, not in their abilities."
Njabulo Khulu, Ubukai Ventures

"Women have the ability to build great success and should not be hindered by lack of capital."
Mope Abudu, AfriGloCal Venture Capital

A gender-focused investment strategy recognises these inequalities and seeks to rectify this imbalance. Crucially, gender-focused investment strategies do not prioritise particular population demographics over others. Instead, it understands that when women have access to finance, they empower themselves as individuals and benefit the community around them.

Gender inclusivity, in this sense, is about creating equal access to capital. Leaving women economically behind also means leaving other members of the community behind. A gender-based investment strategy focusing on women's economic inclusion does not come at the expense of excluding other groups within a community. Instead, other groups are brought up as a byproduct of female empowerment. Thus, an intentional focus on the investment of women-owned businesses is the investment of an entire community. Women uphold their families and local communities and offer the potential to empower large groups of people as an outcome of an individual's commission. In empowering an individual, one can affect an entire system of human life.

"A lot of education needs to take place. Women need not only access to capital, but to be empowered to recognise their own abilities."
Amanobea, Women's DNA Fund

Gender investing strategy goes beyond the flow of capital and into that of education across sectors and geography. The financial industry must learn new techniques that apply an inclusive understanding of various markets and demographics. It is not necessarily targeting women-owned businesses for investment purposes but expanding the scope of investment to reach a diverse range of individuals and talent. In this sense, inclusive finance ensures that talent and potential are not left to waste on account of ignorance or misinformation. Gender inequality is a two-fold problem. External factors, such as the lack of capital, and internal factors, such as the lack of knowledge on behalf of formal institutions, continue to restrict women. More is needed to bridge the financial gap and address the education gap.

Investors should take a hands-on approach when assessing risk and not make assumptions. This is a more humanistic approach where individuals are placed above that of the company. Individuals do not serve companies; companies serve individuals.

MICRO SCALE

Changing Methods

There are difficulties in establishing a data-driven approach to impact investment in a way that does not negatively impact start-up companies. This section covers the complexity of quantitative and qualitative methods for charting change locally.

THE DILEMMA OF DATA COLLECTION

Theoretically, impact measurement is an integral tool that can improve the scale of development. It enables organisations to create measurable objectives and allows social enterprises to improve. Having access to data enables organisations the clarity needed to understand the scales of impact, but also the ability to make adjustments. However, in going beyond the theoretical, impact measurement indicators need help to perform. In practice, impact measurement needs a uniform agreement over standardised metrics across investments and sectors. This discordance occurs when attempting to harmonise performance across different industries and within the sector itself. With a clear set of standards, businesses can choose which standards they abide by.

"Coming up with a comprehensive data architecture allows for data to be collected in a transparent way, from the project level right through to the investors. Picking up from the Task Force on Climate-Related Financial Disclosures, we know that transparency is one of the most important areas of impact management."
Tonderai Njowera, Mosi Partners

Companies that wish to align themselves with the impact investing industry cannot opt out of reporting impact data, as to forgo disclosures of change would be to disregard the industry to that of rhetoric. Data ensures a sense of accountability for companies and acts as a way to regulate impact-washing; however, it also leads to a restrictive understanding of impact across the business community. It is easy for companies to state that they promote ideals of well-being across social spheres; it is far more challenging to translate this into action. Corporations must be held accountable for ensuring that their words come to completion. While it is integral for companies to go beyond that of language, proving this without an established understanding of what must be measured is a burdensome disconcertion. If the standards for impact measurement still need to be set and clear, then individual companies will not be able to provide accurate data and documentation. The pressure for companies to prove their impact is quite unfair, as it means companies have to decide how they will measure their impact in addition to data. Thus, data is both a simultaneous means by which individual companies identify their social consciousness as well as

a limitation. The pressure to measure and demonstrate a company's impact on a community can result in lower-quality studies and pull valuable resources from a company's potential influence. To ensure an evidence-based system that works across various sectors and communities, it is essential to consider the appropriateness of quantifiable data. Addressing the problems with measuring impact does not dismiss data's need or importance. Data offers a means of initiating checks and balances over a company. Instead, it considers when and when not to measure impact.

"Impact investing today needs more investment action rather than it had been in the past. We all agree that there is a high need for investment in emerging countries and the development gap is huge. But there is a divergence in regards to real investment actions that address the development needs."
Abass Bila, ImpactVest Ventures

As noted previously, standards for measuring impact are already in existence and in use. However, the problems with these standards extend beyond the lack of universal agreement and into their lack of diversity by failing to encapsulate a variety of business models and societies. Companies create impact in unique ways that depend highly on the market in which they work.

"I hope that the impact investing industry is able to accommodate variability regarding the expected returns on investment opportunities and adapt to various business models."
Daniel Levy, Impact Design Studio

Even if the condition of universal standards were established, the comprehensive quality would not be able to capture the nuances and differences within the locality's market spheres. The problem of measuring impact lies in the reliability of data provided by companies and in the science itself. Standards must be ubiquitous and upheld by the investing industry, but they also must have the breadth to encompass the vast scale of the global market economy. It is a struggle between the need for regulations to be affirmed and recognised across the industry while maintaining an inclusive and diverse structure. However, this dichotomy does not mean sacrificing one for the other. Instead, the industry must recognise the importance of both sides and leave neither to neglect. The call for a balance between inclusivity and universality has yet to be a simple solution. Instead, this balance calls for industry members to maintain a sense of awareness of this dichotomy and not favour one over the other. It is about reminding those establishing and practising impact measurement standards to consider both factors intentionally.

LOCALISED FORMS OF KNOWLEDGE

The problems of impact data extend to our very understanding of impact. Social impact is complicated to compute, and it is not the same as looking at the number of people using a product but an attempt to measure the change that a product brought to a user and to rate that change on its value.

“It is easy to measure the consumers of a specific service or product. However, this does not always capture the real impact an investment can have on the day-to-day life of the people.”
Abass Bila, ImpactVest Ventures

Change occurs on varied levels across society. Having access to finance and technology can improve the quality of life and one’s outcomes. However, quantifying this social change is extremely difficult. Expressing the scope of impact in a number can limit the interpretations and understanding of this change. Impact occurs not within a calculation but instead through everyday life. The expression of these large positive forces across society manifests in small ways. Understanding this goes beyond that of the quantifiable and into something more qualitative forms of knowledge. Attempts to create an impact involving social structures have an inherent responsibility to the individuals residing within these structures. In placing individuals at the heart of effects, measurement procedures must also centre around that person.

The standardisation problem is further compounded for small business enterprises or markets in the global south that need more funding and operate in the informal market economy. The informal labour market across the global south accounts for most of the workforce and is a central avenue for investors to tap into if they wish to establish positive socio-economic development. Nevertheless, measuring this transformation rate within informal markets poses a challenge beyond the establishment of clear impact measurement standards. The informal market holds great potential for development, and its inability to provide authentic data sources limits its progress.

“The opportunity is there, but the market is not well known. Investment firms lack relevant information about emerging market companies and this bottleneck has to be addressed in some ways in order to facilitate investment, transparency, and post-investment monitoring.”
Abass Bila, ImpactVest Ventures

Understanding this market requires contextualisation and communication. It is through the interaction of people living and working within these localities that provides understanding. In this sense, it is not data collection that is required but a contextual understanding of the complexities of individual societies and cultures. An ethnographic collection site provides focalisation upon the individuals and their lives. At the heart of impact lies not that of money but that of the everyday. And it is the examination and interaction of the ordinary that will enable greater accounts of the influence of a company over that of society. Creating evidence in highly contextualised environments requires going beyond the calculable and examining that of the local. Thus, the issue is twofold due to the discrepancy in clear measurement standards and the difficulty providing impact statistics. Impact investing requires expansive standards that can measure a variety of contexts and societies.

"There are not enough positive stories about the global south. And it is possible that this is because the people telling these stories are not from the global south."
Amanobea, Women's DNA Fund

"To have a balanced sustainable business, there has to be a focus on the data, financial returns for investors as well as storytelling because people are moved by emotions."
Mickael Akindele, Uncharted Future Ventures

Integral to creating inclusive knowledge is the origin of the data itself. Knowledge is a form of power, and the way it interacts with social structures dictates its ability to influence. Understanding new markets means gathering information from the society in which the market operates. In utilising an ethnographic approach, fund managers can highlight the importance of narration and storytelling in data collection operations. This method of storytelling not only serves to understand better the influence a company has over people but provides a path. Impact investing can offer financial empowerment and individual autonomy over one's story. Therefore, data must go beyond the financial and engage with the personal.

"We need to work as a community to change the language of investment and support entrepreneurs to think beyond financial returns."
Jacob Fohtung, Jamani Corporate Group LLC

IMPACTVEST ALLIANCE

Data collection is not just limited to quantifiable facts and figures but also communication and human relationships. At the centre of measuring impact lies the relationship between the fund manager and the company. It is both an internal and external process that requires the participation of both sides of the industry. The impetus for data collection remains within the portfolio company, but the fund manager must provide resources and knowledge on necessary data.

"The ideas are variable but the opportunity to invest is not there. It is the role of the fund manager to bridge the gap between opportunity and idea."
Njabulo Khulu, Ubukai Ventures

Impact standards must be adequately explained, and desired outcomes must be communicated to ensure the ideals into praxis. However, the fund manager must express this to their portfolio companies while the portfolio company must share their goals for impact. This allows for outcomes to be shared between the fund manager, the company, and the community at large. Furthermore, increased communication will enable companies to be more productive and efficient in selecting shared data and impact goals. It is the responsibility of investors to understand the market in which they are working and to seek to comprehend the market source. Ultimately, investment serves not only to bridge the gap of resources but also of information. Impact investment has the potential for both economic empowerment and educational empowerment. These aspects should work together in a mutual relationship rather than as separate entities.

CONTEXTUALISING MEASUREMENT STANDARDS

Examining the issues of impact investing standards goes beyond that conceptual and discursive disagreement into the very entity of impact investing. To fully understand the role of impact data, it is integral to note the current position of impact investing, which largely remains in academia. At this stage, the foundation of impact investing is being created and established. Participants utilise the theoretical ideas shown within academia and apply them to fundamental markets.

"Being on the frontier means that you are a pioneer. If you're a pioneering investor, you are embracing innovations."
Tonderai Njowera, Mosi Partners

IMPACTVEST ALLIANCE

At this early stage, the very practice of the theoretical remains that of a test of its validity rather than evidence of its claims. In contextualising the industry as being in its early stages of development, one must similarly contextualise its participants. Those putting impact investing into praxis are at the very frontier of the industry. Ultimately, understanding the impact created by a business is not a resolute concept. Interpretations of these outcomes must maintain this systematic fluctuation to enable progress within the industry. In moving beyond impact measurement as a concept into that of process, an error is encouraged to not be a flaw within the system but rather a means of improvement. As a means of trial, the data's validity rests on the condition of its recognition and change.

"In markets where it is difficult to access data, we have to establish a benchmark: go out there and create a data baseline so you can build on."
Mope Abudu, AfriGloCal Venture Capital

In establishing benchmarks across informal market economies, fund managers can measure the progression of change occurring within a society with a before-and-after approach. Data exists within all markets; it is a matter of whether it is being utilised. Data utilised to understand the market's potential can be the foundation for defining a community before the company's introduction. In contrast, the continual ethnographic collection of the community can offer support for what a company looks like. Within areas lacking traditional data outposts, these means can support and uphold localised knowledge and the standards of life with that of impact. Impact is a new frontier within the financial industry, and as it grows, changes and mistakes will inevitably occur. Participants within this industry must then be flexible and open to these changes. Measuring impact is not a binary restricted to that or truth of falsity, but rather an entity still being created. Thus, at the system's core lies room for growth and change, and those working within the system must match this nature.

In conclusion, at the frontier of impact investing is an adaptable nature for both the industry and its participants. Standards and meaning are actively being created and interpreted. As a system in flux, those working within it must be adaptable. In conclusion, in understanding the particular stage of impact investing, what is needed is a commitment to positive change and the ability to recognise past mistakes as opportunities for improvement.

CONCLUSION

This report argues for advancing an inclusive financial system encompassing a diverse range of economic sectors and communities. This does not mean a complete overthrow of traditional economic values and ideas but rather the concession that the world requires new solutions and ideas. Instead, this report seeks to establish a methodology to bypass intersectional barriers and embrace the fundamental advancement of individuals and their communities. Our proposed methodology investigates the impact of investing through three scales: the macro, meso, and micro. This enables an investigation into different variabilities and depths. Within this methodology, a unifying theme emerges, one important to acknowledge the individuals that reside within that structure. Ultimately, the financial industry is made up of individual persons for the service and usage of others. In placing individuals at the frontier of the impact investing industry, investment strategies emphasise the greater importance of communication and inclusivity. These solutions must come from a broad range of sources to fully encompass the market and the world in which it operates. This means greater contextualisation of the function and interaction of capital. This understanding cannot originate from one source or one particular sector. Necessarily, this understanding must stem first from the acknowledgement that the financial industry extends into the everyday lives of individuals and, secondly, that the voices of these affected individuals offer insight and value into the market. In this sense, the frontier of impact investing lies within bridging the gap between stakeholders and shareholders through conscious communication and recognition of each side's value.

This report consists of interviews with eight ImpactVest fund managers to understand what lies at the heart of impact investing. These interviews form the structure of this whitepaper and represent our report's findings and content analysis. They do not offer a uniform answer to the frontier of impact vesting. Nor do they claim to be representative of the entire financial industry. Instead, these conversations provide a varied and diverse perspective on the potential of an enterprise to progress. In highlighting and identifying the strengths and weaknesses of impact investing, these fund managers transformed problems into opportunities for the industry to grow and progress. Bringing together these voices and their collaboration is the first step in creating better communication and development within the industry. Thus, the call for greater communication between crucial industry players begins within this report's structure.

This whitepaper maintains that impact investing is a space that is still in development, and its progress lies not within a particular solution but rather a transformation around the importance of human communication and interaction. A human-centred approach takes into account not only financial considerations but also matters of the personal. It creates an intersection between public and private market spheres of influence. Corporations of these individual sectors require investment strategies that prioritise a high level of communication between different actors within a financial agreement. In conclusion, this paper calls for the unification and collaboration of financiers, businesses, and consumers through increased interaction and expression of different party needs and ideas.

LIST OF TERMS AND DEFINITIONS

2030 AGENDA FOR SUSTAINABLE DEVELOPMENT

Adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries - developed and developing - in a global partnership. They recognise that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests.

CONCESSIONARY FINANCIAL RETURNS

Refers to investment strategies willing to accept some financial sacrifice – either taking greater risks or accepting lower returns – in exchange of generating higher societal impact.

IMPACT INVESTING

Impact investing is a strategy where an investor chooses to invest in companies in which they can see the impact of their contribution. This is favoured by investors who like to know where their money is going and what it is being used for. Whereas socially responsible investing (SRI) is a bit like playing defence, impact investors go on offence. An example could be choosing to support renewable energy or sustainable agriculture.

LUCAS PARADOX

In economics, the Lucas paradox, also known as the Lucas puzzle, refers to the intriguing observation that capital does not tend to flow from developed countries to developing countries, even though the latter typically have lower levels of capital per worker. This phenomenon challenges the conventional expectations of capital flows based solely on capital scarcity and productivity differentials.

THEORY OF CHANGE

We formulated a strategic question based on the theory of change concept to compare fund managers long-term perspectives on the matter. It can be defined as a method that explains how a given intervention, or set of interventions, is expected to lead to specific development change, drawing on a causal analysis based on available evidence. A theory of change also helps to identify the underlying assumptions and risks that will be vital to understand and revisit throughout the process to ensure the approach will contribute to the desired change (UNDAF).

VENTURE CAPITAL (VC)

VC firms provide funding to entrepreneurs during the early stages of a company's development, typically between research and development and commercialisation (Malen et al., 2013), in exchange for a stake in the company. These firms are managed by general partners and aim to make high-risk, high-reward investments by financing a portfolio of 10 to 20 startups (Wayman et al., 2017). VCs can play a crucial role in addressing the "valley of death" for new companies that are too advanced for public research support but not yet mature enough for commercial success (Polzin et al., 2017). After providing initial funding, VCs may also provide additional rounds of financing to support growth (Australian Investment Council, N/A).

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IMPACTVEST ALLIANCE

PRODUCED IN COLLABORATION

Kite Impact is a specialist consultancy offering services that support the development, implementation, and due diligence of impact investment strategies across asset classes.

Kite Impact works with impact fund managers and responsible asset owners such as family offices and foundations to provide confidence and transparency to their impact investing.

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Published: July 3, 2023

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