The Impact Revolution: Building the Investment Pipeline for an Inclusive Economy

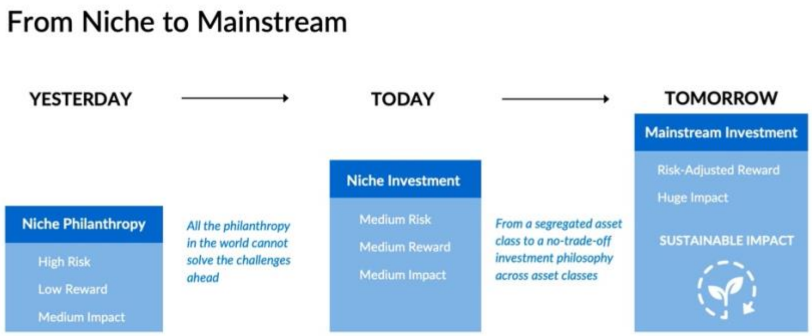
Wednesday, July 22, 2020

Webinar Panelists included:

- **Glenn Yago (Moderator),** Senior Fellow/Founder, Financial Innovations Labs, Milken Institute; Senior Director, Milken Innovation Center—Jerusalem Institute
- **Sir Ronald Cohen**, Chair, Global Steering Group for Impact Investment and the Portland Trust
- **Rene Karsenti,** Senior Advisor and Former President, International Capital Markets Association; Former Board Chair, International Finance Facility for Immunization
- **Julie Monaco**, Managing Director, Global Head Public Sector Coverage, Corporate, and Investment Bank, Citi
- **Cynthia Mueller**, Director, Mission Investment, W. K. Kellogg Foundation

During this webinar, experts examined the long arc of financial history in building novel financial structures to expand capital access, as well as the growing role of impact investment in resolving big capital allocation disparities disrupting the economy due to social, health, environmental, and economic crises. The panelists focused on measures to lower the cost of capital and overcome capital allocation barriers to these growing risks. In short, they asked and answered how to end redlining that limits capital access and discussed how to build a more complete market and inclusive economy.

Sir Ronald Cohen framed the Impact Revolution as building capital structures that bridge social, health, economic, and environmental gaps generating systemic risks that markets can ill afford, as demonstrated in both recent global financial crises. The ESG (Environmental-Social-Governance) market (which now includes projects and financings to meet Sustainable Development Goals) is now considered to be over $31 trillion dollars (15 percent of total global assets under management), of which the impact market is $26 trillion dollars of that demand. How do we carve channels for sustainable impact projects and firms to that capital to be a new financial accelerator for change?



Since 2016, the size of the impact market has doubled each year. RISE (TPG), Blackrock, KKR, and other private equity firms, pension funds, and sovereign wealth funds now view the triple helix of risk, return, and impact as the bridge to post-crisis recovery. Impact-linked finance includes a combination of impact investing, results-based finance, and blended finance that are all discussed in this session. It refers to capital market solutions for enterprises linking financial returns to the achievement of positive social and environmental outcomes. Additionally, new metrics created in the impact market create a forward-looking methodology to estimate the financial value of social and environmental impacts that result from each dollar invested, ensuring risk mitigation for returns and impact.

Cynthia Mueller, who directs impact investing at the W. K. Kellogg Foundation, detailed the disruption caused by structural racism behind inequities and how to create investment opportunities to address them by using philanthropic capital to absorb losses for risky investments through blended finance. She presented the growing evidence that there is no trade-off between growth and increased equity and how that can be achieved. Rene Karsenti of the International Capital Markets Association (ICMA) addressed the bottlenecks in creating deal flow and the program initiatives to mainstream the impact market. He noted further mapping of the United Nation's Sustainable Development Goals to specific capital market products, and solutions done by the ICMA are now being used by entrepreneurs, project managers, and asset managers. He detailed several examples of structures (in Africa, Asia, and the lessons learned from the Global Alliance for Vaccines and Immunizations) that can build sustainability-linked bonds based on key performance indicators and other new, novel results-based financings. Julie Monaco of Citi discussed what it is doing in its main lines of business (not simply its philanthropic arm) to drive innovative financing. Its goal is to amplify impacts of investing through recent direct debt financing of $532 million for mitigating risk for the new US Development Finance Corporation to fund 56 companies in 27 developing markets in agribusiness, affordable housing, energy access, education and water, and sanitation. Also, she detailed initiatives in funding the scaling of social enterprises and the creation of a new for-profit Citi Impact Fund serving double bottom line businesses.