

## The Deloitte difference

As a global member firm organization, we are uniquely positioned to help our clients develop and deliver transformative social innovation strategies. Our experience in the impact investing space allow our practitioners to bring:

- **Experience from 'blueprint to scale':** Deloitte provides leading strategic advisory services, as well as a range of "downstream" support services, including world class data and analytics capabilities to clients spanning private, public, and non-profit sectors. Member firms around the world can offer support ranging from strategic advisory services (or 'blueprints'), to the design and launch of investment vehicles, infrastructure development, and measurement services. This experience uniquely positions Deloitte to bring a strategic and aspirational view to the table that is rooted in a deep understanding of market realities.
- **A proven track record in impact investment, enterprise development & entrepreneurship:** Deloitte has completed over 75 projects around the world with players

across the impact investing ecosystem. Deloitte practitioners work across an array of sectors, including housing, financial inclusion, water, and agriculture in developing, emerging, and developed markets alike, a track record that delivers a broad view on the market and deep insight into leading models and practices.

- **A global delivery platform & network:** Active presence in over 150 countries around the world equips Deloitte to deploy the right practitioners quickly, disregarding what your markets of focus are. In addition, a global network of internal and external impact investing professionals allows member firms to cross-fertilize best practices and models across markets.

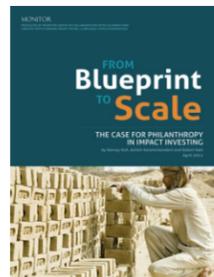
## Insights & research

Deloitte has been a thought leader in the impact investment space with seven major reports published to date. Notable reports are the 2009 report *Investing for Social and Environmental Impact: A Design for Catalyzing an Emerging Industry* in which we coined the term "impact investing"; the report *From Blueprint to Scale: The Role of Philanthropy in Impact Investing* that identified a 'pioneering gap' in existing funding models together with the Acumen Fund; as well as the previously mentioned World Economic Forum report *From the Margins to the Mainstream*.



Investing for Social & Environmental Impact

[www.monitorinstitute.com/what-we-think/impact-investing/](http://www.monitorinstitute.com/what-we-think/impact-investing/)



From Blueprint to Scale

[www.monitorinstitute.com/what-we-think/blueprint-to-scale/](http://www.monitorinstitute.com/what-we-think/blueprint-to-scale/)



From the Margins to the Mainstream

<http://reports.weforum.org/impact-investment/>

### Global contacts

Deloitte practitioners worldwide are available to support you. For more information, please do not hesitate to contact our team, who can connect you with our impact investment professionals in your local markets.

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# Deloitte.

## Impact investing & payment for success Integrated support from blueprint to scale



### Impact investing: What it is. Why it matters.

While multiple definitions of the term impact investing exist, we like to refer to impact investment as 'an investment approach that intentionally seeks to create—and measure—both financial return and positive societal impact'. Impact can be social as well as environmental in nature. Well-known segments of the impact investing market include microfinance and the renewable energy market.

Impact investing is increasingly recognized as an emergent investment field with potential for scale. The field has seen significant and accelerating activity over the past decade. Estimates of the size of the market, and its potential, range from ~US\$650 billion to US\$1 trillion by 2020.\* It is expected to generate between US\$183 billion and US\$667 billion of profit during the same period.\*

Despite this positive outlook, succeeding in this highly evolving and often uncharted field is challenging. The report "From the Margins to the Mainstream", authored by the World Economic Forum and supported by Deloitte, uncovered challenges including: the early-stage nature of the ecosystem; the small 'deal size' or character of investable opportunities; the misalignment with existing asset allocation frameworks; and the complexity that quickly emerges when investors and companies are asked to manage for a 'double or triple bottom line'. Meanwhile, social enterprises face similar challenges. They are asked to deliver impact and financial returns in a highly resource-constrained environment.

\* World Economic Forum Investors Industries in collaboration with Deloitte, "From the Margins to the Mainstream Assessment of the Impact Investment Sector and Opportunities to Engage Mainstream Investors," World Economic Forum, 2013.

# How Deloitte can help

Developing dynamic impact investing strategies that account for the ground realities of the field while anticipating its future growth is complicated, regardless of where one operates along the investment 'value chain'. Deloitte has a role to play in this emerging space as a leading global professional services organization. Practitioners at Deloitte member firms have global cross-sector expertise—and offer solution sets designed to help clients address their top of mind challenges and move from 'blueprint to scale'.

## Top of Mind Challenges and Questions

### 1. Moving beyond an early stage ecosystem

The impact investing ecosystem is still evolving with comparatively few of the "necessary ingredients" in place (e.g., intellectual capital, advisors, accelerators, proven financial returns / models, exits, supporting policies and regulations). Meanwhile, social enterprises often encounter on-the-ground challenges related to the newness of their offering (e.g., lack of corporate forms, lack of consumer awareness / education, underdeveloped sales / distribution channels).

- As an investor, social enterprise, or intermediary, how do we navigate the current, rapidly evolving marketplace?
- What can be done to stimulate investors and enterprises to pursue both financial return and societal benefit?
- What does it take to establish a flourishing, efficient market place, and to coordinate market action?
- What role can and/or should individuals organizations play in advancing the collective ecosystem?

### 2. Establishing & finding 'investor ready' enterprises

Investor-ready social enterprises are difficult to find and deal sizes are smaller than traditional investments. Especially for larger asset owners with higher fixed costs, a scarcity of sufficiently sized investment opportunities is an obstacle. Social enterprises meanwhile struggle to attract the right type of capital.

- As an investor, what investment vehicles should we employ to meet enterprise needs while delivering returns?
- How can we effectively develop our immediate and longer-term investment pipeline?
- What is the most effective and efficient way to scale the impact enterprises and model(s) we care about?
- As an investor, what strategic partnerships should we prioritize to pool investment capital and mitigate risk?

### 3. Preparing for the future & managing performance and risk

Today's impact investing products do not easily fit into institutional asset allocation frameworks, the central features of which are risk and return, and include issues such as volatility, liquidity, and exit timelines. In addition, while capabilities required to deliver on an impact investment strategy overlap with traditional investment qualifications, integrating impact investment into your current operations poses unique challenges.

- How can we integrate our impact investing product portfolio into offerings and units across the organization?
- What customer segments and sales channels should we prioritize for our impact investment portfolio?
- What capabilities and assets do we require to deliver on our strategy, and how should we organize ourselves?
- How do we engage our internal organization in a strategy that focuses on financial and impact success?

### 4. Managing a 'double or triple bottom line'

Optimizing for financial as well as social and/or environmental returns adds ambiguity and complexity across the investment value chain. For investors, it adds new measures of success that need to be considered pre- and post-investment. For social entrepreneurs, it creates unique market dynamics and requires ongoing 'mission-money trade-offs'.

- What is required to meet market/investor demand for transparency and to credibly report on our impact?
- What external standards and/or industry certification bodies should we align with?
- How can we take an outcomes approach to measuring performance and results?
- How can we fully integrate impact measurement practices into our investment/portfolio decisions?

## Solution Sets

### Strategies for investors, social enterprises, intermediaries & field builders

Successful strategies clearly articulate the investor's goals and priorities, account for ground realities of today's impact enterprise landscape, and anticipate future growth and evolution within the ecosystem. Having worked with some of the leading players in the impact investing field, Deloitte member firms' practitioners offer strategic advisory services designed to help clients establish winning strategic roadmaps and achieve financial and societal leadership in a rapidly evolving field.

### Innovative financing mechanisms & fund structures, including social impact bonds

Successful financing mechanisms match investors with different 'risk-return-impact' appetites to impact investment opportunities. Steeped in practical insight into what it takes to launch innovative financial instruments, Deloitte helps design and launch products that align with clients' impact and investment objectives. Innovative financing mechanisms include payment for success: products that incentivize innovation and allow governments to pay only if an initiative is successful.

### Bringing social enterprises to scale

Many different models exist to establish social enterprises that operate at scale. Models range from prizes, accelerator models, or fellowships for starting entrepreneurs, to support for commercially-focused enterprises looking to assume a double or triple bottom line. Deloitte member firms worldwide have worked with social enterprises, intermediaries, and field builders alike to develop and implement scaling models that are most appropriate given the goals and unique context in which they operate.

### Performance measurement & reporting

Recognized performance measurement and reporting standards allow an organization to report on its impact, return, and risk profile. If designed well, they also enable better management decision making and promote transparency and increased confidence in the information disclosed to the market. Leveraging deep experience with global financial and non-financial standards setters and ratings organizations, as well as with corporations seeking 'impact transparency', Deloitte supports clients in implementing rigorous, yet practical impact evaluation and reporting practices.

### Strengthening the impact investing ecosystem & 'aligned action' services

Successful ecosystem efforts are often the result of multiple, parallel interventions where players from across sectors work together to facilitate, stimulate, and even enforce action. Learning from 'aligned action' engagements across a host of issue areas and geographies, Deloitte can help individual clients and client consortia agree to and deliver on a common mandate and action agenda. Services range from strategy formulation, to meeting facilitation, research, and project management support.