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PROCEEDINGS

MR. KHARAS: Welcome. Sit yourself down, Philippe. It's going to take a while.

Well, it's always great to get off to a Monday morning start with a sense that the world can really be a better place than our usual things that in Brookings that we look at the miserable problems in the world. So, thank you for that.

I did want to mention that this is being webcasted. There is also a hashtag, #impact4impact.

Philippe Le Houérou is CEO of the International Finance Corporation, the World Bank's private sector lending arm. The second of the World Bank groups' organizations. It has been making investments in developing countries for 60 plus years now. So, they have considerable experience.

Philippe sent much of his career at the World Bank in a range of different positions, including as a vice-present for South Asia. He's also worked at the European Bank for Reconstruction and Development before coming back to the World Bank Group as the CEO for IFC.

I think that under Philippe's leadership, IFC has really started to take their role as a thought leader in the private sectors role in development and the private sector's contribution to the sustainable development goals very seriously. And so, Philippe, I thank you for that. But perhaps also, thank your alma mater from which you got your Ph.D. in economics, the Institut d'Etudes Politiques de Paris where they probably have finally found him alumnus who is, you know, worthy of that degree. (laughter).

So, thank you so much. And the floor is yours. (applause)

MR. LE HOUÉROU: Thank you, Homi. And I can see that you recycle information extremely quickly, which is a very good quality to have when you're CEO of IFC.

But anyway, good morning, everybody. And obviously, I'd like to thank Brookings for hosting us today and specially, Homi for that kind introduction. I'm very glad that you mentioned EVP because it taught me much more than my MBA in Columbia University.

So, today, we are talking about this. And what I want to focus my remark on is simply the why, and then we'll get into the what.

So, why did we write this report? Why did we spend many, many months with our partners in private investment, development finance institutions, universities, think tanks, civil society organization, etc.? To create the operating principles for impact investing.

There are two reasons. The first one is this work is co-part of our mission. It is part of our broader efforts at IFC to improve the measurement of the impact of our own investments, to improve our analysis of private-sector development, and to help deliver on the billions to trillions agenda for developing countries.

Our new strategy, which I call IFC 3.0, is focused on two interrelated pillars. The first one is what we call creating markets. Very simply put, it is about the shifting from being reactive to proactive into creating projects and opportunities and creating sometimes a whole market and for sure, deepening the markets that exist.

The second pillar is to maximize private finance for development. So, impact investing, the subject of today's report is obviously linked to the second pillar. It's an issue that we know well.

As Homi told us, IFC is one of the world's largest and earliest impact investors since 1956. And this is from the Bourgeois Gentilhomme. So, those of you that know French literature, know that the Bourgeois Gentilhomme discovered that he was speaking (inaudible) without knowing it. I think that IFC is discovering that we're the mother of all impact investors without knowing it. We did not have the words for it. Now we do.

So, our purpose now more than ever is to achieve development impact. And as I told my staff when I joined IFC three years ago now, is that I want to put development impact at the heart of IFC, but also to put IFC at the heart of development finance.

That's why two years ago, we launched the AIMM, and that's an initiative to measure (inaudible), the development impact of each of our projects. And we have one number from zero to 100 that measure development impact. There's a whole methodology. I think it's one of the annex in the report. We can drill even deeper. It took us some time to develop it, but now it's implemented systematically to every single project that IFC goes to the Board and doesn't go to the Board with.

So, it's very simple, we have two numbers: internal rate of return and development impact. So, we can measure, and we can slice by sector, by country, by regions. It's a very useful tool.

And then the AIMM, there's two AIMMs. It's measurement, the first AIMM. But the second is monitoring, we need to follow through because like internal rate of return, this is (inaudible). You think that's what the revenue's going to be, that's what the discounted flow of your profit will be, but reality has a very weird way of not delivering exactly what you planned.

So, the same for the development impact. (inaudible) we're putting the whole system to make sure, and then we can compare. Like for the internal rate of return. If we're right or wrong and then adjust as we go.

So, that's the first reason. So, it's obviously very well aligned with what we're trying to do in the new IFC strategy.

Now, the second reason to write this report is that it's more opportunistic. It's more we see that there is a growing demand out there for impact investing. I'm sure you've seen it in the newspaper. There are the new impact funds, there is the new impact something. There's a lot of impact going on. And we believe that we're at the kind of turning point in time where the private investors, especially the millennials, are increasingly looking for way to achieve, not only financial returns, but also to make a difference. And to make a difference in (inaudible) causes like poverty, the fight against poverty and fight against climate change.

So, the point is, we need to capitalize on this change by establishing a set of impact principles that are credible and will create the wave of new investments that are good for the world.

By one estimate, there's about $30 trillion in financial assets that will be transferred over the next two or three decades from baby boomers like me to generation so-called X and the millennials.

The (inaudible) our investors that as I said, want good returns, make no mistake, they want their returns, but they also want to invest in a sustainable world, which I think is also good investing because without sustainable, your returns will not be sustainable also.

So, we know that the impact investment market is small today, and there are different measures. But we know also that it is growing rapidly. So, to realize the market potential, more investors will need to be persuaded of the business case. Many are unsure whether they can earn commercial financial returns compared to the non-impact investors.

So, I agree that the jury is still out. And I look forward to hearing the opinions of the experts in the investment world on the panel today. But I also believe that it's possible to achieve both impact in a wide range of markets without compromising on returns. And I can look at my own institution in the IFC. From '88 to 2016, our realized equity of returns outperformed the MSCI market index.

And even more interesting than that is that our average returns were higher on in lower middle-income countries than in upper middle-income countries. I agree, that may not be. The jury's still out, as I said, but this is one point in a much bigger landscape.

The second issue is in growing the commercial impact investment market, is the lack of investable opportunities, so-called bankable projects. And IFC's helping by mitigating risks and creating opportunity for investors in markets that those investors will never go or will not go without us. And that is the first pillar of that strategy, which is the creating market part of the strategy.

So, it's kind of supply and demand. So, you have sources of fund that will go hopefully to good (inaudible) causes. But you have to have a supply side. And we're working on the supply side by creating markets, creating opportunities. And I can elaborate on that (inaudible) examples and more and more of those.

And finally, the third issue is the lack of quality and standards for impact investing. So, today, the promise of impact investment is clouded by hype and flood of new entrance. But we hope that the new operating impact investment principles combined with the analysis in today's report will inject clarity, integrity, and transparency into the market.

Neil will talk about the principles themselves and the system for monitoring those principles. He will also give you more details into our estimates and those ranges of the size of the potential impact investment market.

But before I hand him the mic, I'd like to stress that it is not the first time for IFC to help establish standards or principles to systematically influence the financial world.

Fifteen years ago, we worked with international banks to establish the Equator Principles, which allowed the most tested and applied global benchmark for sustainable project finance in emerging markets. The Equator Principles have been adopted by 94 institutions in 37 countries and have greatly increased the attention and focus on environment and social standards and governance.

Today, more than 80 percent of project finance transactions in the emerging market, adhere to these principles.

In 2012, we worked with banking regulators and associations from 10 countries to create the Sustainable Banking Network. This is a forum to advance sustainable finance in emerging markets in line with international good practice.

Today, the network has members from 35 countries that collectively account for more than $40 trillion in banking assets. That's 85 percent of total banking assets in emerging markets.

Third, the IFC together with the World Bank, the EBRD, the EIB, and others have also worked to develop the guidelines and procedure for the Green Bond market as a member of the Green Bond Principle Executive Committee.

The principles were established in 2014 to promote market discipline, transparency, and to avoid greenwashing. Since then, (inaudible) bond insurance has grown from $10 billion in 2013 to $180 billion last year in 2018. This is remarkable. Still small and growing. And it's growing very fast.

So, there is a line connecting all these Equator Principles to sustainable banking network to green bonds, and today, the impact investing principles. And this line is not random, it's deliberate.

At IFC, we have one fundamental goal, that is to substantially increase the amount of responsible private investment in developing countries. We strongly believe that the impact investment principles and analysis in today's report will help move massive amounts of financing to make a difference where it needed most.

I would like to turn now the program over to Neil, an he's one of the authors of the report. So, thank you very much for your attention. (applause)

MR. GREGORY: Good morning, everybody and thank you for the opportunity to share with you some of the main findings of this report, Creating Impact.

Whenever we start to talk about impact investing, we need to ensure that we're starting from a common understanding of what we mean by the term. It's a label that's commonly used. And sometimes people are confused between what is sustainable investing versus responsible investing versus other types of investing.

So, we use in this report, a definition which we believe is commonly accepted across the industry. And this is a definition which describes three things that impact investors do differently from other investors.

Firstly, they have an intent to create social and environmental improvements through their investments.

Secondly, they make a contribution to the achievements of those improvements, either through the capital they provide or other forms of value (inaudible) they provide to the companies.

So, already, we can see this goes beyond just them investing in companies which have impact. An impact investor actually has a thesis for how their investment makes a difference to the company's ability to impact.

And thirdly, impact investors measure what they do and measure their improvements that they make to impact just as they would on the financial side, measure their financial returns. And that can be at the level of the company and the project, or it can be at the level of the systemic change which they make at market level which is something that in our new AIMM framework that IFC now attaches more attention to.

So, using this definition, what is the size of the market today? Now, this turns out to be a challenging question to answer because most of the surveys so far have relied on self-reporting, and the reporting doesn't necessarily follow this consistent definition.

So, in this report, we take a different approach, and we actually use public data sources and use the screens of this definition to actually filter for those investments which have these attributes of intent, contribution, and measurable improvements.

So, what do we find? We find that there are a number of different brackets here which have different elements of the attributes.

Firstly, on the top left, we have the $71 billion in private impact funds. This is what people think of first and foremost when they think about impact investing today. It has all the attributes of the definition, but it's small in the context of overall capital markets because most investors put their money into public markets, not into private equity invest.

So, if we look at the public markets, we do see two investment approaches, which at least have the potential to impacts and some investors may be using to drive impacts. But we can't today measure how much of it is being used for impact.

The first type is activist shareholder strategies in public equity markets, which is an $8 trillion market today. And there, that can be a strategy for driving impact if the investor has that intent.

And then secondly, as Philippe had mentioned, the green and social bond market which is rapidly growing, and which shares many of the attributes of impact investing.

But what we tried to do also in this report is to take a broader lens on impact investing and recognize that when you look at the mandates of the development finance institutions in their private-sector operations, they also share these attributes of having an intent for social and environmental impact, for making a contribution to the impact of the companies they invest in, and for the most part or for at least some part, measuring and reporting on it.

So, there's a group of 25 DFIs who have agreed to a common framework for measuring impact called HIPSO. And they collectively manage about $740 billion collectively, both investments for their own accounts and what they mobilize from private investors.

And then beyond that, there's a bigger world of another 80 or so development banks who collectively manage about $3 trillion. And too much is known about how they manage those funds in detail. But they have some kind of policy or social mandate which gives them at least some of the attributes of being an impact investor.

So, today, we can't come to one total number because we don't know what proportion of the investors in some of these brackets are actually investing. But what we can say is that we think that the market today is much smaller than it's potential. And the reason that we say that is because in the report, we actually look at what is the appetite of investors today. When given the choice to invest in an asset which has some sustainable or responsible element to it, what do we see from their preferences.

And what we find is that there's a much larger appetite than is available in the actual impact investments in the market today, and we see two things. If we look at private markets, investors are less willing to invest in those markets, and so, they have perhaps an appetite for $5 trillion or so in that market. But if you look at on the other blue column, it's much larger in the public markets.

Now, this depends on achieving commercial returns. The orange bars show how much less the appetite is if they have to make a tradeoff and achieve lower returns.

So, there are two takeaways from this. Firstly, for impact investment to really scale, it's critical that it offers assets which achieve something comparable to commercial returns that could be received otherwise. And secondly, it needs to offer the liquidity of offering assets in public markets. Today, impact investing is mostly in private markets, but where the big potential, where the big investor appetite is, is in the public markets.

Now, in public markets, a lot of the money is managed by pension funds and insurance companies that have fiduciary duties to their investors. So, the last takeaway is that for impact investing to take off, you need to take a somewhat broader view of fiduciary duty to represent the interests of your asset owners. If those interests encompass having an impact as well as achieving a financial return, then we think there is scope for regulators to recognize that as being within the fiduciary duty.

So, we think there are three key elements needed for the impact investing market to scale and meet this investor appetite.

The first is that we need to have more evidence on the financial performance of impact investments. And that is why in this report, we are for the first time, sharing information on IFC's portfolio performance. And we hope that more impact investors will do the same.

And what we see here is that in a range of markets, we have compared our performance over a long period in both equity and debt portfolios with a public market emerging market index.

Now there are all kinds of caveats in the report. It's not exactly an apples to apples comparison. But whether an investor is thinking about investing in emerging markets, their point of reference is going to be what would I get from just investing in the public market index. And so, what we show in the report is that you could've achieve broadly comparable returns if you had invested in the impact strategy of the type that IFC followed, which took us to riskier markets and riskier projects and more impact for investments than you would've got just by putting your money into a public market asset.

IFC is just one data point, although it's one of the largest impact investors in the market. We hope that over time, we'll be able to gather more information for more investors to start to make the case that it is possible to make good money while investing for impact.

The second thing which we think is also needed is to bring some clarity and consistency to what this impact label means. There's been a real surge in the last couple of years in the number of funds and strategies being marketed to investors with the impact label and not surprisingly, because of the appetite that we see in the market for these products.

But when we talk to asset owners, they tell us that they're very confused because they don't really know what they're going to get. It says impact on the label, but what's in the tin.

And so, what we've tried to do over the past year is to work with a group of investors to say, what are the common disciplines that we all follow to integrate the impact consideration alongside the financial consideration into all the decisions we make in managing an investment portfolio.

And so, on Friday this week, we will be meeting with the first group of investors who are committing to adopt this set of principles. These principles talk about how you manage an investment portfolio, starting (inaudible) strategic intent for origination and structuring, to portfolio management, all the way to your exit.

And critically, when investors sign up for these principles, they're committing to two key things, which we think will bring clarity and transparency to the market.

Firstly, they commit to an annual public disclosure of how their management systems for their investments follow these impact principles. And secondly, they commit to periodic independent verification. So, it's not just their investment manager is telling you they do things, but there's actually an independent view that verifies that yes, they actually do follow through with this in their portfolio.

We think this is going to go a long way to helping investors know where to put their money if they want it to be invested for impact but disciplined. And we hope that many more investors will come to adopt these principles over the months ahead in the same way that people came to adopt the Equator Principles and the Green Bond Principles.

The third area where we think we need to see progress is in measurement. Now, there's been a lot of innovation, and it's still a new field. So, I think that innovation is good. But we do think that the scope over time for convergence on some broad approaches, which will be helpful for asset owners and investors to be able to compare across impact funds.

We think because of the variety of impacts and types of investing, that we may not converge on one approach, but we can already see three broad approaches that seem to make sense emerging.

The first one is having a specific target. If you have a fairly definite narrow impact like a particular sustainable-development goal or a climate-change goal, that may work well for you. If your investment's targeting a range of definite impacts, than coming up with a composite rating like we do in the AIMM's system can be a good way of doing that. And for some impacts where you can put a money value on the impacts, then there are frameworks which actually take a monetization approach.

We think for different investment funds, each of these approaches can work well. And we hope over time, that they'll be more convergence in how people do these things. And so, in the report, we give case studies, and we spend quite a lot of time talking about how to make these different approaches work.

So, there's a lot more information in the report in the annexes, which is available online. And at this point, I'll hand over to the panel who are going to discuss these issues further. Thank you very much. (applause)

MR. KHARAS: Thank you. While the panel is getting mic'd up, let me introduce them. We've got a wonderful panel. And let me say that when we come to the Q&A section, Neil and Philippe are both here, and are also available, you know, answer up questions specially pertaining to IFC on this.

But what we thought we do is try to have a panel and get some perspectives from the community that's actually going to use some of these principles and hear from them about whether or not they're useful.

And so, immediately on my left is Alifia Doriwala. Alifia is a Managing Director at Rock Creek, which is a Washington-based investment company. She's been an equity arbitrageur, trader. She's basically been in the markets for some years, Merrill Lynch. And she has an MBA in finance and marketing from NYU's Stern School of Business. Alifia, thank you for being here.

To her left, is Jane Nelson. Jane's most important affiliation is a Nonresident Senior Fellow of the Brookings Institution. Thank you, Jane. But in her normal day job, she is Director of the Corporate Responsibility Initiative at the Harvard Kennedy School.

Jane has been one of the people who has been most closely associated with trying to bring private finance to bear on the sustainable development goals with a number of initiatives at the UN. She's been a senior associate with the Institute for Sustainability Leadership at Cambridge. She's been advised at the Clinton Global Initiative. She worked with the UN Global Compact. She worked with the World Business Council for Sustainable Development in Africa. She's on severable boards. You get the picture. Jane, thank you for being here.

Jenn Pryce is another practitioner. She's the President and CEO of Calvert Impact Capital. Calvert Impact Capital I think is an organization that is almost as longstanding as IFC in the impact investing world. It's been a very important demonstration of the way in which impact investment funds can be used in developed and as well as developing countries. We often think about impact investing as something about financing in developing countries. I think we really do have to consider this also as something that is of equal, in fact, possibly even larger, immediate benefit in developed countries in many areas.

And finally, we have Sonal Shah. Sonal is the Founding Executive Director of the Beeck Center for Social Impact and Innovation, Professor at Georgetown University. Sonal, welcome. She worked in the Obama Administration and founded the Whitehouse Office of Social Innovation and Civic Participation. She has led the technology initiative for civic Voice at Google, and the Investing for Impact as the head of the Global Development Initiatives at Google. She also worked at Goldman Sachs and has founded her own NGO in her spare time, called Indicorps in India.

So, it's a wonderful panel with a very impressive range of experience.

Alifia, I wanted to start with you and pick up on one of the issues that Philippe raised in his opening remarks, which is this perception that impact investing somehow involves a tradeoff between financial returns and impact returns. And I think that there is still very much the sense that if you want to do impact investing, if you really want to do some good, you have to accept a less than commercial rate of return. And, you know, some people are prepared to do this, but it's in that spirit at least that impact investing was born and is still there. Rock Creek doesn't think of it that way, right?

MS. DORIWALA: No, and we haven't thought of it that way for the last 15 years as we've been investing money. And partly, I think is there's been a shift a little bit in the amount of investment opportunities that have been available as well. But we also rely on data. And if there is good data out there, which is why it's so important with the IFC, is working on in terms of transparency, the data is critical to show that while there are risks, the returns are greater. Especially, if you look at returns as both financial returns, marketplace returns, as well as returns that are value oriented and mission based.

So, returns don't just have to be financial returns, they can be a combination. And when you look at those returns and you look at the risks that you're taking, it's very clear from the data in terms of the investments we've been making over the last 15 years, both in developed world as well as developing worlds, that there are a great number of investment opportunities out there that can achieve both.

And the other part of this is that the fiduciary responsibility and definition is really changing. We work with many pensions here in the United States for example. And it's very interesting their perspective versus foundation's prospectives. You would think that foundations would be ahead in this area. In fact, what we've been seeing is a greater demand from pensions because their constituencies are demanding that put our money to good work, but also, you need to deliver our return. We need both. And that is a growing, growing need that we've been seeing. And they're struggling to figure out what their policies should be and then how to actually access these investments.

So, I think there's a turning point in also what does fiduciary responsibility mean. And if you have a group of constituents, they're asking for these types of investments. You have to show that the returns can be generated, that there are good investment opportunities out there, and the data can help support that.

And in fact, what we've been working with many of our investors on is showing that risks can actually be mitigated if you take in to account impact investments.

The risk of an impact investment in many sectors will actually reduce the risk of your overall portfolio if you look at it in five or 10 years. And that's something that I think has been missing in this perception that the risk is so much greater than return.

MR. KHARAS: So, just to follow up on that, you talked about the fiduciary responsibilities. Under the Obama Administration, there was some change in those fiduciary responsibilities and regulations. Has that made a difference? Do you see that there's more to be done, or are we now at a stage where this is generally accepted in the United States as well as in other places?

MS. DORIWALA: I don't know if it's generally accepted, but I think there is a growing demand in certain pockets, certain states, certain foundations even, and constituencies.

So, while I think that regulation would help and would help move this matter much faster, I also think that if you just try to push everything from the top, it's also not going to be necessarily the fastest way to get to where we want to be.

So, having this kind of groundswell of investors pushing it because their constituencies are pushing them, is actually I think the best way to move this forward versus regulation saying you have to do this. That tends to then be more in the whitewashing, and you get a lot of pensions who said my board told me I had to do this. So, let me go and find the biggest private equity firm that I already have a relationship with and put a billion dollars there. And then I've taken care of it. And that's all they've done.

That to probably all of us, would not be true impact, or that they're missing out on such a wide variety of opportunities, both in developing worlds as well as right in their hometowns. And so, I think that you have to have this come from both bottom up as well as top down.

MR. KHARAS: Jane, you know, this point about sometimes people are just trying to use these principles for, you know, ticking a box. I mean, you've been involved with the UN. For a long time at the Global Compact, they had something called the Principles for Responsible Investing. You've got a massive list of investors who've signed up for that. How do you see these kinds of efforts to try to bring companies along with a new sense of how they should be thinking about investing and impact investing?

MS. NELSON: Thanks, Homi. And good morning, everyone. I think you're building on both the presentation and Alifia's comments. I think these efforts are absolutely crucial. And I think if I look at the very good job that the IFC has done in sort of mapping the current landscape and then looking at where we've got to go, it seems to me, we need sort of a convergence, sort of three areas of action on the way forward. And one is definitely around this, you know, developing common operating principles and measurement frameworks.

And, you know, I think we've now got some very good foundational aspects there with the operational principles being launched this week, but also, the work that the Impact Management Project and the Global Impact Investing Network have done around measurement frameworks. I think we've got the foundation of what I would call sort of principle-based frameworks for action. And that the challenge now going forward is three-fold, and it's already been partly addressed. One, how do you ensure its principle based to get as many different (inaudible) classes, types of investors, business models in as possible? And not too prescriptive initially, but they make sure that those principles have rigor and, you know, and legs to them.

And that's where the idea of independent verification and annual disclosure I think helps to move it from being very nice principles and tick box exercises to your actual intentionality and rigorous measurement and accountability.

So, I do think these sort of voluntary principles, and I think that the Equator Principles are a good example, and even the UN Principles for Responsible Investment. Once you get a critical mass, it becomes less voluntary because, you know, if your competitors are there, you need to be there as well.

So, I think these sort of voluntary frameworks that are collective action platforms are very, very important, you know, to move forward.

I think secondly, and Alifia sort of hinted at this, your market-based approach of mobilizing different asset sources. I mean different financial instruments, different sources of finance in a sort of blended financing and sort of blended resourcing model, I think is going to be very important.

And particularly here, the whole concept of (inaudible) to the IFC and the

Bank and good DFIs are brilliant at doing. I'm saying they can work with a little bit of public money and either to provide technical assistance or some initial risk mitigation and then crowd in the pension funds and other private-sector funding is specifically on impact investing has enormous potential. And I don't think we're going to get to scale without really, you're putting that on standards as it were as a way forward.

And I think your key messages there which came out of the report is that there tends to be a focus of either looking at mobilizing finance or the sort of technical assistance piece. And I think impact investing is a field where you're going to need to mobilize all these different sources of finance from both public and private sources of finance but also, be really thoughtful and structured about what type of technical assistance is needed.

And it is needed on two sides here. One is developing bankable projects and pipeline, which, you know, we're familiar with. But the second is you're helping those projects, the companies, and investors to understand what does impact mean. How do you measure it? How do you maximize it, etc.? How do you mitigate, you know, the potential negative impacts?

So, I think sort of advisory services technical assistance is going to be crucial. And that's something that the public sector and foundations can help fund. And it's harder, you know, for the private investors themselves.

So, you've got sort of what I call sort of standardizations and some principle-based standardization and accountability. There's leverage and mobilization, you know, of both financial and technical resources.

And then third is, again, Alifia already commented on and as did Neil and sort of regulation and incentives. And I think the type of regulation we need again shouldn't be prescriptive, but it should be around, you know, three areas to me I think are going to be particularly important. Absolutely fiduciary duty.

And I think here in developing countries, the Bank and the IFC have such potential to help investment policy, securities law, corporate law in emerging markets and pick up some of the lessons that have already been learned here in America. Some of the work that's going on in the EU and the UK on fundamentally shifting what does fiduciary duty mean. And I think that will be a really big game changer, and then could be interpreted in different ways, but it will enable both investors and corporations to be much more explicit about non-financial, you know, returns and non-financial results.

So, the fiduciary duty piece I think is absolutely crucial.

The second area I think is crucial, are disclosure requirements. And again, I don't think you have to be prescriptive, but actually requiring both investors and corporations, whether they have signatories or principles or not. If you have public disclosure requirement on non-financial impact, it forces companies and investors to think well what is our non-financial impact? How do we mitigate the negatives, optimize the positives, and report on them?

And so, just having a disclosure requirement forces that process to start happening and scale, and then you can learn from each other on how to measure.

So, I think sort of disclosure requirements are key and sort of a semi-government part of that is Stock Exchange listing. And again, we now do have a Sustainable Stock Exchange Initiative. How can we make sure their listings go from sort of risk mitigation-type listings to impact requirements for companies being listed?

And third and finally, and I'll finish here. I think the enormous potential on not just public pension funds, but public procurement in integrating sort of impact measurement requirements. If you're going to want to do business, then your public procurement budgets of governments in any country are massive. So, if you have your public pension funds, which are large, whether it's in, you know, Nigeria or here, and you have public procurement being more intentional about requiring their suppliers to demonstrate impact, yeah, I think we can go along way there. And likewise, big corporations, you know, requiring their supplies to demonstrate impact.

So, you know, the sort of fiduciary aspects, your disclosure requirements, and then, you know, sort of procurement requirements I think can help increase scale along with the standardization and accountability and mobilization.

MR. KHARAS: I mean all of this is a, you know, it's a big change in the market that you're describing. I mean many different players, whether it's regulators, whether it's the fiduciary view that directors of companies take on, etc. Jenn, I wanted to come to you and just, you know, say do you -- I mean how likely is it that we're going to be able to actually get all of these different pieces all sort of, you know, aligned so that the market goes forward? You're sitting there, you know, and doing this work on a daily basis, along comes IFC, and says here are some new operating principles. Are they useful for you? Do they fit with what you're already doing? Do they nudge you in a different direction? I mean there's a lot of kind of, you know, questions around whether the market is really poised to take off now at this particular juncture.

MS. PRYCE: Yeah, it's complex for sure. And you've hit a lot upon a lot of the different actors. And I'm going to just come at it at a different angle. And with an answer to your question, I'm extremely bullish that we're going to get there. Maybe because it's Monday. (laughter). And if this was a Friday panel, I'd have a different answer.

But I'm extremely bullish. And you hit on it, where we sit, we are practitioners. So, we are in the market moving the money. So, how I kind of look at the money or look at the market, is where the money sits, what we need to do to unlock it, and move it into investments like we're talking about here today.

And when I look at it that way, there's two big pools of private capital, but they're very, very different. There's one pool that sits in the capital markets behind J.P. Morgan, behind Goldman Sachs, behind the large banks. Extremely high regulatory legal operating realities. They are not going to budge to meet us, we got to meet them every time.

And then there's private capital that sits in endowments. Well, not endowments. Either in family foundations, retail, I call it fundraising. These are highly discretionary. These are very wealthy people that can make a one-off investment in a social entrepreneur that's building an enterprise that really has deep impact outcomes like we saw up here. This is a much smaller pot of money.

This money down here, that's like the half billion we see in the GIIN reports. This is the private capital that's kind of retail fundraising. If you raise a fund, you go out one by one and you knock on all these doors.

Cap over here, this is the 260 trillion. This is the stuff we got to crack. This is the wholesale capital raising. Cracking this is no small thing though. You got to get on platforms and compete with products and funds that have been in the market for decades, that are large, you know, half billion, you know, billions of dollars of funds. They offer liquidity. They offer risk diversification. A lot of the characteristics that Neil had in his slide that investors are looking for.

And that means you got to go through the legal and compliance department of these large banks with your product and got to get on their platform.

Why am I optimistic? Because there's been people like us at Calvert Impact Capital and other fund managers that have been at this now for a decade, 20 years, and we're starting to crack that nut. Why? Because we got track record at Calvert Impact Capital, we've raised and invested $2.5 billion. A hundred percent track record repaying investors' principle and interest over years. You need that kind of track record to crack that nut up there.

There are others of us like that, that are now able to crack that nut. That means we're going to be placed on platforms. That means that financial advisor, a chief investment officer of a pension fund or endowment can say hey, I want to put that asset in my client's account. He's now got, or she's got, product to select. And it has been a long time coming, let me tell you, to get to that place. But we're there. And now it's just kind of adding fuel to some of these scaling funds and really getting them over the hump so they can really pierce that set of capital.

The complimentary piece that makes me excited about today, is now we got standards that enable us to pierce that with integrity. So, it's not just anyone slapping on a label saying I got the right assets under management sides, I offer liquidity, come and put me on your platform because I have impact in my name. No, I got all those things here at Calvert Impact Capital plus integrity around impact kind of through the guidelines you saw up here. So, it's both. But the first piece is what makes me optimistic.

I think the plumbing is starting to come. And that's really, really, really important, is if investors don't have options, they can't move their money. Even if they want to. Even if clients are demanding. If they don't have a place to put that capital, it doesn't move.

MR. KHARAS: So, if you're trying to move big amounts of capital like this, you don't do it on a project-by-project basis.

MS. PRYCE: You got it.

MR. KHARAS: You have to do it as a portfolio (inaudible) basis.

MS. PRYCE: You're right. And this is --

MR. KHARAS: So, how many people are pulling all of this together into a portfolio like --

MS. PRYCE: Calvert Impact Capital or anyone. Yeah, this is really important. I say, you know, probably if you went inside IFC, we look pretty much the same, Calvert Impact Capital and IFC. We're built for purpose. There is 40 of us up in Bethesda, Maryland that are built to do this type of work.

So, there's two things. One, to answer your direct question, how do we aggregate capital to get it to the volume and the size that investors need? How do we create the characteristics around liquidity and duration that they need? It's a fund-to-fund models right now. And that means I'm a fund. I lend into funds. They lend into business.

And we kind of need that right now because the pipeline is still developing in community. And to kind of get it up to really meet investor needs, you need another layer of intermediation that's taking care of the structural issues like liquidity, like diversification, like tenor. Then you can have the intermediaries that are closer to the ground that are providing the technical assistance, moving the capital end through a blend of finance vehicles. Doing the work that gets the money into communities in the ways that it demands. So, it's the right type of capital at the right time.

So, it's a fund-to-funds model for the most part that we're seeing. There are other strategies, but then it's this built for purpose.

So, we have risk models that are very sophisticated. Within our risk-adjusted return and how we price our capital, we look at our track record of lending to these types of assets over 30 years. It's big data. And we run regression analysis to understand our probability of default. If you've never lent to these assets, you don't have that track record. So, you give it a much higher risk premium than we would at Calvert Impact Capital because we have that big data of lending into these markets, emerging markets, healthcare entities, microfinance institutions for 30 years.

So, it's both inside, you know, it's finance, it's finance, it's finance. But we've tailored our model to really speak to the type of assets we're lending to. And that's how we're built for purpose. You'll see it in how we risk (inaudible) assets, how we look at our investment policy, who sits on our investment committee. They have expertise in this area that really bring the risk-adjusted return into a place where we see that it's really similar to the earlier comments, aligned with the type of return we need for the capital we're managing.

MR. KHARAS: So, I mean this, you know, characterization that if you just take a hard look at the data, you see better financial returns, lower risk, and the ability to manage risk, etc. I mean, you know, you look at this from the aggregate. You've looked, you know, yourself worked on some of the academic literature in this area. If it's all such good news, why isn't it just happening?

MS. PRYCE: You get the hard one.

MS. SHAH: Well, I think it's just an aggregation of sort of all the comments plus the report that the IFC is putting out.

But first of all, I do want to thank the IFC for doing this report. It's super important, and the timing is great. The GINN Report came out today -- yesterday, and the IFC report today, to show A, that the market is --

MR. KHARAS: GIIN is the?

MS. SHAH: I'm sorry, Global Impact Investing Network, which Jane mentioned. But market is changing. It's growing, but it's also changing, and I think that's probably the bigger question. And IFC has been in this for a long time, as has Calvert, as are many others. But creating common standards makes a huge difference. And it's sort of been a bottom-up approach so far, which is everybody has developed their own standards along the way. Whether it's B corps or whether it's the GIIN or whether it's other reports, everybody has a set of standards and all good. But to have in common principles makes a huge difference because it starts to create some sense that we can agree on a few things.

But the challenge with this has been, and I think Jenn talked about this a bit, is that we have not collected this information over the last 25 years, so now we're like well, the measurement of impact equals the measurement of returns. We've collected return measurements. We've just not collected impact measurements.

So, you can't retroactively go back and now collect impact measurements, which is the whitewashing problem, which is -- everybody's like well, I'm an impact investor because I've been investing in social capital, or I've been investing in infrastructure. I've been investing in (inaudible), but if the intentionality wasn't there at the beginning then we're just sort backward trying to fill that in.

So, part of the importance of transparency in reporting is to show that we're doing it with intentionality, and we're reporting on it, and it's super critical that we're clear as to what it is the impact we're trying to measure. We may fail, which is okay, actually. But the fact is we're trying to measure impact, and that's what matters.

And I think two things that need to happen. One, intentionality, we need to be clear as to what we're doing. Two, we need to be reporting. And three, we need to accept failure. And our challenge in this space is everybody wants to talk about how it all succeeded, but we don't want to talk about the businesses that actually failed or the institutions that actually failed. And we should be okay with that because I don't know a private equity institution that has done private equity investments that all of their investments and their whole portfolio has succeeded. We're happy to see Google succeed, but we never talk about the nine other things that failed.

So, we all sort of accept that as okay in the private sector side, but when it comes to social impact, we're like well, we can't have failure. Somebody has to have failure, and it's how we're going to learn. But the data matters. And if we don't have data, it doesn't matter. I mean Jenn should talk about the D.C. Bond. The problem is because they have the data, the risk was still priced higher when they did their D.C. Green Bond then any other market out there because nobody else had data, and they had the data. So, how do we think about that today?

And also, finally, I just want to mention two things that -- Jane's point are super important -- earlier. The ERISA Reform piece was not a small thing that we did in the Obama Administration.

MR. KHARAS: Just explain what --

MS. SHAH: ERISA is public pension funds. And what we did during the Obama Administration is we made it okay to look at social impact measures at the same time as you're looking at financial measures. It was not a regulatory requirement. It just said everything else being equal, you can look at social impact measures.

MR. KHARAS: It was guidance.

MS. SHAH: It was guidance. And that made a huge difference in the way public pension funds looked at their pension funds. It didn't tell them what to do. But what happened is a state pension fund started to make clear that that was okay to do. So, CalPERS, which is the California investment funds and New York state pension funds all started to ask these questions, saying where can we put our money where we can also get impact as well as financial returns. And that was super important.

The second piece that I think is important, is the procurement reform. And I want to give an example just to give why we should be thinking about procurement reform or how you might spend your public private dollars if you're a government.

So, New Zealand, has been doing investments in prisons. So, in the United States, for example, private prisons are a very profitable enterprise. Do not look at the private prison records, and the profit on private prisons has been extraordinarily high. And the way it's treated, by the way, is it's a hotel aspect. How many people are in prison, is how cheap it is to run a prison. It runs like a hotel. So, what do you think the incentive structure is? Put more people in prison.

So, New Zealand, on the other hand, has taken a different approach. If you are investing in a private prison, the John Laing Group has been a large private equity investor in this, you get paid for the number of people that don't come back to prison.

Now, imagine just the public procurement shift in that process, that you are now getting paid to no longer put people in prison. What does the public shift happen? And it's paid by the government. It's not paid by the private sector. The private sector's getting money from the government to build a prison, to operate a prison. Now, Cira, which is the company running it, is going around the world saying which country has closed down prisons and how do we do that better.

It shifts your mindset as to how you do that. And I think really thinking about procurement reform in a deeper way than just how do we give out our money, but to think about what it is we're trying to incentivize, makes a huge difference in doing that.

MR. KHARAS: So, just to push you a little on that, it's a great example of how there may be vested interests that actually are against these kinds of changes. Where do you see the pushback on impact investing coming from? Is there a pushback? Are there groups that are organizing themselves not to embrace this but to kind of block it? And I'm thinking about, you know, especially in the financial industry, we've had a series of efforts to introduce more transparency, more let's just fairness to our consumers. And there's been some pushback against many of those efforts.

MS. SHAH: There's a lot of pushback on impact investing. I mean I don't think we should all kid ourselves up here sitting here thinking that it's everybody loves it. I mean first, the question comes out as to one, who's impact and what impact. So, what do you call impact? What do I call impact? And it's why transparency matters. We're not telling you what to do. We're just saying put what you're reporting and what you're saying you're having impact on and have it out there, so.

MR. KHARAS: It's like organic farming. Everything is labeled organic, right?

MS. SHAH: Right. But put it out there, because at least now we can see what we like in organic and what we don't like in organic. So, that's one.

Two, there's no way you can impact returns and financial returns. That consistently across the board in the financial markets, everybody will say the same thing. And I think we have to ask that question, which is what do we mean by impact returns and financial returns? And what is it that the financial returns are giving that has impact or doesn't have impact. But we don't actually ask that question.

So, the private markets are very clear that they don't think both of those things can happen. And just because we're talking about the numbers here, doesn't mean that that's a true statement.

And then the third piece, is, and everybody falls on this, which is the reporting isn't consistent. So, what are actual measures of impact, and we haven't done that. Again, why this report matters. But we haven't been reporting on it, so we don't have a history of this.

And so, we sort of go into the circular debate of we don't have measures, therefore we can't measure impact. And so, it's a circular problem that happens. And I think having a group like the IFC putting it out there makes a huge difference because we can all scream about it on the sidelines, but actually, a large organization that has real impact on the markets can have a huge impact on that.

So, I think there is a lot of skepticism. I don't think anybody should -- we should kid ourselves there isn't. I just think that demand for impact, whether you see the report of the Blackrock's Larry Fink's letter or whether you see even today, J.P. Morgan announce that they are doing much more on trying to do more in public policy where it has impact, you're starting to see people feel that it's no longer a license to operate if you're not trying to do impact. And so, it's a shifting perception, but it's not enough yet. We have to still move the money in that direction, which is the trillions that Jenn's talking about.

MS. PRYCE: Sorry, I would just highlight on that topic. I think part of the challenge up until now has also been that larger investors in the U.S. don't know how to tackle it from a portfolio. Like they don't know how to integrate it into their portfolio. A, they don't know how to source the investment opportunities. B, they don't know how to integrate it into a portfolio context.

So, sometimes, financial returns are bad because you just picked a bad investment, and then it happened to be labeled impact, or you were in the wrong asset class, or you were in the wrong market, or you were in the wrong region. That has nothing to do with necessarily impact. I mean there's lots of examples we can all talk about where U.S. investors say oh, that private equity fund was in Africa, and it was healthcare. It must have been impact and look what happened.

I mean people tell us that all the time, and I'm like that has nothing to do with impact. Those are not the education, you know, funding logistics company in Nairobi that's actually a huge profit center for that company and for the community around it.

So, I think there's been a perception that -- and there's a bifurcation in terms of investors and how they look at it. It is so amazing to me that some of the largest foundations in the U.S., the chief investment officer will say oh, that's the ESG impact stuff over there. You work for one of the largest foundations, your entire job is to give away money and figure out a way to have both of these things happen.

But there's such a bifurcation. I think you need leaders, and you need success stories to show that the data's important. And you need these success stories of larger pools of money. And Europe has it. There's a lot of success stories in Europe that we just need to bring out I think a little bit more here.

MR. KHARAS: All right. I'm going to open it up to the audience. And I see a range of hands. We've got some roving microphones. Can we have -- we'll take two or three and then come back to the panel.

If you could introduce yourself.

MR. BRUNNER: Sure. I'm Tom Brunner from Leapfrog Investments, which is one of the smallest buckets that Neil had in his presentation.

I have a somewhat subversive question, and that is that it seems to me we have on the one hand, a focus on measuring and disclosing impact, and then on the other hand, we have an indication that the biggest difficulty we have on the market place is the lack of credibility on financial returns. And therefore, I wonder whether we shouldn't also be excluding from the definition of impact investors, those firms that are expressly predicated on concessionary rates of return. Now, that is, if you will, right-wing deviationism, but it, nonetheless, seems to me to be necessary to have the maximum pact on those crotchety investment managers that we're trying to reach. And I realize it would exclude for example, Muhammad Yunus from whence all of this arguably came. But I don't see how we can avoid taking that hardline and saying if you're relying on concessionary capital, you're not part of what we're talking about in terms of impact investing.

MR. KHARAS: Thank you.

MR. BRUNNER: That's a question.

MR. KHARAS: It's a very good question. But I'm just going to take a couple more and then go back to the panel.

SPEAKER: So, my name is Colin Willsault, and I am (inaudible) two minds about IFC jumping into this field. I think you've laid out very ably and (inaudible) way the benefits and how the complexities of a market like this evolves.

My question is if you think there is also a risk of the IFC potentially underselling its impact in connecting itself to a movement that is so clearly based on volunteerism and in many cases, even predicated on volunteerism when as Jane ably laid out, such an important part of actually moving the agenda is not going to be aligned with that assumption. So, IFC is in a way uniquely positioned as not having to be a voluntarist organization, it is government, and should government go in this direction? It's not either or. It's a matter of where you balance your projection of yourself.

MR. KHARAS: Thank you.

SPEAKER: Thank you. My name is Aman Kinai, and I work with some social enterprises in Asia and West Africa helping them raise capital from impact funds and also work with the World Bank and IFC as a consultant.

I see a lot of discussion about blended finance and impact investing, and I don't see enough of the two being spoken of together. Jane, you mentioned it, and I was thrilled when you did so.

The fact that there is not enough of the larger capital that Jennifer mentioned, the 216 trillion, that is not going down into the impact space, it's probably to do with what's Sonal called out, you can do both together. You may have a small site where you can get both together in social and financial returns. A large part of that has already been discovered because markets find their way. Some of that may not have been discovered because there's information asymmetry and so on. But there's a much larger site where your financial returns may be compromised. And that is where I think the blended structures, whether it's a guarantee or something or, you know, a first-class guarantee or advisory services and technical assistance come into play.

I haven't seen too much of these two being spoken about together. And I think Philippe also mentioned -- referred to the report (inaudible) has spoken about. There was the grassroots business fund, which was incubated with an IFC, which when I have spoken and worked with them found that one to be extremely interesting and exciting. But it got, you know, pretty much (inaudible). And it's not been mainstreamed in IFC.

So, you know, I'm just trying to understand if we have to unlock that 216 trillion to the extent that pool could find both happening together, they have found it already. You know, there may be some information asymmetries and so on because the market is, you know, functioning.

For the larger part of impact where you might not get the same returns, you may get slightly lower. We need to be able to find capital which is, you know, grant oriented or low return oriented and blend it in structures to get more of this 216. So, that part of the capital from those pension funds gets what they need, but you use someone who's doing grant at minus 100 percent return to come in and do it like three percent return. So, that's (inaudible).

MS. PRYCE: I'm happy to start (inaudible) place, and then we can move through.

MR. KHARAS: Good, Jenn.

MS. PRYCE: Just starting where you are. I think there's two things to me in your question. One, is I really think impact investing is a means not the end. All right. So, it can be means to unlocking private capital. But the theory of change of say grassroots business fund could be a means to changing how banks in community think about investing in those social enterprises different. So, the takeout might not be IPOing or social stock exchange or getting to traditional markets. It might be the local bank in that country thinking about underwriting those credits differently.

And so, there's different ways, and then government reform. I think you hit it on another out. You know, thinking about how we use our government dollars in ways that are different than today.

So, it's a bridge. It's a way to get to somewhere else. What we're really doing is reforming finance more globally. Not just the capital markets. Not just private capital. So, just keep that in mind. And with that, it's a continuum. Right? So, you start with what you said with some of these early entrepreneurs that need a lot of subsidy. They got a long way to travel to hit a out. Until the theory of change becomes realized. We're talking two decades we saw with microfinance for the most part. How they get there over time is going to have a lot of different kind of color.

And I do believe that what we're trying to get to the outs are market solutions, market-financeable solutions. And a long those ways, it might be that policy needs to be kind of pushed. Reforms need to happen. And that's when we have investors have to step back and stop pushing a square egg in a, you know, a square peg in a round hole and say this is a policy moment perhaps, which brings me to your question. I think we do need a to bifurcate them. And I'll just leave it there and pass it on to some others.

MS. NELSON: That's interesting because I absolutely degree with your point about the spectrum. And I think there's that sort of, you know, spectrum across a number of ways of looking at it.

So, there's a spectrum from, you know, sort of impact first and maybe, you know, forgo some financial return, to commercial first but, you know, being intentional about achieving some impact. And I would have thought there's also spectrum from, you know, purely commercial and, you know, concessionary. And it's not a bifurcation per say, but, yeah, you're going to have less and less concessionary as you move more towards commercially viable. But we're certainly not going to get the large pools of pension fund money and sovereign wealth fund money until we're towards that commercially viable end of the spectrum. And that's where whether, you know, some concessional financing, blended finance, technical assistance that can help shift that old policy incentives. You know, I think that's the way we need to go.

But that might not have answered your questions. Alifia, as an investor, you might be better.

MS. DORIWALA: Well, I mean I think there will always be pools of capital that don't care whether you call it impact or not and want to generate the return. If they measure their portfolio and there's impact, great, if there's not, not great. There's always going to be pools of capital like that.

I think sometimes we get bogged down in the definition of impact also. I mean I think there's a lot of ways to move the capital that don't necessarily have to be so fit into a, you know, into one box.

I do think though that there's an element of risk that we haven't taken into account when we look at returns. So, you might be thinking that you're taking concessionary returns, but if you're in that community for the next 20 years, what you're setting up in that community today might actually mitigate risks for your investments in the next five and 10 years. So, the risk part of it, I think is very hard to tackle and articulate. But I think it does exist, especially in developing markets. And I think there's a lot to be done in terms of educating investors on the risks.

MS. NELSON: Absolutely. Yes.

MR. KHARAS: Thank you. Let's take a few more questions.

MS. NELSON: And then while we get into the questions, one other point on the risk. Bank of America's research team has just done some great work on that risk mitigation aspect, which is worth looking at.

SPEAKER: Hello. My name is Dianna. I'm a Georgetown graduate student.

So, as you may know, the GIIN is launching the IRIS upgrade in May. So, I was wondering how do these principles feed in these new efforts or the IMP to avoid more fragmentation in terms of impact measurement?

MR. KHARAS: Great. Maybe I'll turn to Neil to answer this. Lady just behind. Just behind.

MS. ABRAMS: Hi. Julie Abrams, Impact Investing Analytics consultancy.

Two questions. Oh, I was not the lady behind. I'm sorry.

MR. KHARAS: Doesn't matter. Keep going.

MS. ABRAMS: Two questions. One is for Jane. Can you expand on what you envision could be done more with fiduciary duty beyond what Sonal referenced about the risks of clarification? And then, the other question I guess is for anybody, maybe Alifia. It seems that a lot of the impact investing is considered this monolithic group but really, it's a number of basically every possible asset class. And in the regular capital markets, nobody would put all these together and then compare them. So, how do we make that distinction that within impact investing, it's actually numerous and pretty much every possible asset class? How to do that better? Thank you.

MS. KHARAS: Thank you. And the gentleman right down here, please. I'll come back.

MR. SNOWER: I'm Dennis Snower. I'm a nonresident fellow with Brookings among other things.

I'd like to ask the entire panel, what you think are the chances that environmental and social returns will be measured as simply and straight forwardly as GDP and shareholder value? Can you imagine how far we would've got with the market economy if we didn't have those two measures. Can you imagine how little we will achieve without such measures.

Everybody's agreed the GDP doesn't measure what most people believe it does. Here, we would require simple measures. And the question is, how does one get around the problem of vested interests that you've talked about? Because in terms of social returns, you're trying to help the disadvantage. So, the vested interest problem is somehow built into the situation. And therefore, the two questions, one is do you think we will get simple measures analogous to GDP and shareholder value? And how does one deal with vested interests?

MR. KHARAS: Thank you. If you could just pass the mic to Neil. Neil there was a specific question about IFC and GIIN.

MR. GREGORY: So, the question about the IRIS indicators, which for those who don't know, is a set of impact indicators which are commonly used. The original IRIS indicators were based off a set of indicators that IFC developed in its previous generation of our impact management system. So, we've stayed closely involved for their evolution. We think they're a building block in getting to this common approach and language for talking about impact with investors. So, I think it's very helpful that more people use them. But they remain just the set of metrics, and they don't answer the question about the choice of impacts, which I think many people have been asking that. But they can be very helpful I think in having a common language, a basis, for talking about impact.

MR. KHARAS: Thank you. Alifia, there was a specific question.

MS. DORIWALA: Yes, to the question on asset classes, I think that is a great point. And I think if you're a financial investor looking to see now you can invest in impact, that is something that tricks you up because you don't understand how to integrate it into your portfolio.

I mean one of the things we've done at Rock Creek, and that we've actually talked to a lot of foundations and IFC and others about is having this be an open market platform where you look at deals. You look at public funds. You look at private funds. And you look at them compared to the larger universe. Because again, data is critical to show what risks are you taking, what returns are you taking. And if you had nonimpact investments, what risks and returns would you be taking.

But I think you have to look at it as a financial investor does. If you're an impact fund wanting to get that capital because you have to position, and you have to be competitive against those investments, and you don't necessarily have to be competitive and just return. There are so many factors that you look at when you look at an investment. And certain investors have certain reasons why they might take a lower return investment in their portfolio and have a higher risk portfolio investment.

So, I think having a data base, having a marketplace, having this type of information transparent of impact investments, properly categorized as a financial investor would look at it, that will also make this much more accessible to larger pools of capital that really truly do want to do good and generate return. They just don't know how in some cases.

MS. NELSON: I agree. And I think building that, and Jenn's comment about, you know, markets sort of being a means to an end, you know, or an approach to investing, I think there's a tendency sometime to think of impact investing as an asset class in itself rather than saying it is relevant potentially across all asset classes.

And that sort of leads in part to the fiduciary question. I think sort of two immediate responses to that. There's the sort of challenge and opportunity if you have fiduciary responsibility from a fund management and fund manager prospective and then from a sort of, you know, corporate board or enterprise board of director perspective. And I think in both of those, you know, and sort of investment laws and policies and in, you know, sort of corporate law and policies and security law, there's I think sort of three types of core shifts we need. One is, you know, to enable boards of directors and, you know, fund manager fiduciaries to look not just at financial but also nonfinancial and be explicit about that. Secondly, to enable them to be, you know, more intentional and explicit about those short-term returns as well as long-term returns and strategy and the interplay between them. And then thirdly, I'm on the corporate board side, you're being asked to be more explicit about not just shareholders and, you know, fiduciary duty to shareholders but also to other stakeholders.

So, I think those are some of the three shifts we need. How we get them, I think again, it's a role possibly the World Bank could, you know, look at a little bit more.

I think there's not that much good data analysis if you know what New

Zealand's doing, what the UK is doing, what South Africa's doing, etc. And this whole area shifts under the interpretation of fiduciary duties.

Looking at some of the good practices and then how capacity building can be provided to, you know, to governments, to bar associations, etc. What we can do more. There's been some very interesting work done in the human rights area with the International Bar Association, the American Bar Association, on how your general counsels and legal actors are looking at fiduciary duties.

So, I think there's a movement happening in a number of areas. But looking at some of the good practices on that, I think would be an interesting step forward.

MR. KHARAS: Sonal, do you want to very quickly touch on Dennis' question, will we ever get a world of simple metrics of environmental impact and social impact?

MS. SHAH: I mean I think that's sort of Jenn's point, and then to go back to kind of if we have enough and more is happening, then we start getting to a place where we're shifting the way we think about finance and not just the way we think about impact investing or impact in each of our portfolios. But the way we rethink what should the capital markets be doing different, and how do we shift that.

I will say, just even with GDP and other numbers, it's simple on the outside, but the backend is super complicated. And so, I think we should be cognizant that we should start collecting the backend data to make it a simple measure. But for now, it's a little bit complicated until we have enough of the backend data that makes it a simple measure.

So, it's easy to say, let's just get to simple measures. It's harder because the complication of the data at the backend. We need to create a model. We need to test that model. We need to understand that model to think about what the right measure is. But ideally, we would get to that model, which is what does impact look like. And too, I think the other comments here, how is impact the risk that everybody's looking at. Not just is it a risk of financial returns, but if you're not looking at risk as an impact or a portion of that return, then you're not actually getting to the outcome that you want to get to.

So, agreed, we want to get there. I think we just have to work through the complications of the backend model.

MS. PRYCE: And one last thing on that --

MR. KHARAS: Thank you.

MS. PRYCE: -- just I think about the importance of today and where we're at is I had a mentor a long time ago, Clara Miller, who ran the Heron Foundation who used to say accounting is destiny. And like I got it, but I never really did until today. So, thank you Neil and team at IFC because you're the bridge to get us there, I think. As soon as we get some kind of data that's comparable and that we can all buy into, then you can start to account for it. And then once you start to account for it, then I think you can get to where you're hoping we get to and we all do.

So, I think this is a, you know, we're on the path.

MR. KHARAS: Thank you. There was one question of somebody who I had passed over. And I think that will bring us to the conclusion.

MS. EDWARDS: Thank you. Sorry about that. Sophie Edwards, a reporter with Devex.

Question for someone from IFC if possible. Isn't this a little bit of a moot discussion though if we can't fix the pipeline issues, especially in fragile conflict states where IFC needs to increase its own investments? Can we talk a little bit about what's being done on that side? We might raise all this money but have no projects to put it into.

MR. KHARAS: Thank you. Philippe, you wanted to take that?

MR. LE HOUÉROU: I guess by default (laughter). By subtraction. Hi, Sophie. This one is very simple. I mean I said in the opening remarks I mean first of all we're talking here about something that is much broader than IFC. In fact, the vast majority of impact would be (inaudible) countries and not in the emerging markets. Let's be very clear, unless there was some confusion. But in the report, I think it's pretty clear because impact can be, you know, in Bethesda. So, that's one thing.

On the pipeline, the point is what I was trying to say in my opening remarks is, we're at one point where if we want to increase our impact and our projects in IDA countries, IDA Is let's say the poorest country in the world, below $103,000, and in fragile states even more, we cannot do business as usual. Business as usual is we wait as in a real banker for a sponsor to come and say hey, I got this great project, can you structure the finance. Again, no (inaudible) warranties of real private finance. And that's what we have done.

Now, it's shifting the table. And I come back from Africa where in fact we're creating really creating markets. We're designing projects from scratch where in fact we're creating a mortgage market in Kigali, Rwanda. Where we both create the supply and the demand. Working with the World Bank, that adds as a Fanny Mae equivalent from scratch. (inaudible) in Kigali, you will have almost no mortgage market with up to 25 years over market. We're doing that. We're creating a market for solar in Africa. But that takes time. Some of these things take two years of work before you can see.

So, the pipeline I'm interested in is not the pipeline of the next three months. It's a pipeline of the next 10 years, which is micro (inaudible) and the capital increase.

So, we are organizing ourselves to really create our own opportunity. And Homi, I know you're looking at the watch, but one thing. The World Bank in 1947, loaned to my country, France, it's first loan. When they landed in Paris, they had the whole visibility study all done. In fact, they had better engineers than the World Bank.

But that's changed. When after the colonization, they went to go through to go with the capacity (inaudible), and then the Bank started to create projects. To rethink projects with the government as a partnership as opposed to just a pure financier. That's on the public side. We're doing the same now in IFC on the private side.

So, pipeline is a long, long, long story, but because the road is long, we have to start very early.

MR. KHARAS: Thank you, Philippe. So, three quick takeaways. We're creating markets and opportunities. We are reforming finance. And accounting is destiny. So, you know, very simple kinds of projects. Please join me in thanking IFC and our panel for wonderful discussion (applause).

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