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# IMPACT INVESTING

*A SUSTAINABLE APPROACH TO DEVELOPMENT*



## Event Summary Report

September 12th, 2017, Mumbai

September 15th, 2017, New Delhi

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## INTRODUCTION

**IPE Global Limited** in partnership with **The Impact Investors Council (IIC)** and the **U.S. Agency for International Development (USAID)** hosted a conference in New Delhi on 15<sup>th</sup> September, 2017- **“Impact Investing: A Sustainable Approach to Development”**. The Conference aimed at building awareness and encouraging wider participation in Impact Investing as a distinct investment approach for sustainable development.

A similar conference was also held in Mumbai on 12<sup>th</sup> September, 2017. A study report on Impact Investing in India released by **McKinsey** and insights on Global Impact Investing Trends by **GIIN** were the key highlights of the events.

Both the conferences saw collective participation from close to 200 delegates, representing a diverse mix of industry players and leaders shaping and strengthening the impact investment ecosystem such as Donors, Foundations, Family Offices, Corporate CSR, Impact Investors, Development Finance Institutions, Policy makers and select Social Enterprises. The conference had several informative and thought provoking sessions.

Indian Impact Investors deployed \$5.2bn over 7 years impacting 80 million lives. Impact investment in India is expected to grow to \$8bn annually by 2025. The Impact Investors Council (IIC) is a national industry association, established to build and strengthen the social impact investment community in India. It has an active support from leading Impact Investors and ecosystem players.

USAID is the lead U.S. Government agency that works to end extreme global poverty and enable resilient, democratic societies to realize their potential. IPE Global is a leading international development consulting firm providing expert technical and implementation assistance in developing countries for equitable development.

A joint initiative of USAID and IPE Global, **“PAHAL”** - Partnerships for Affordable Healthcare Access and Longevity, aims to catalyze and strengthen market based healthcare solutions for the underserved through advisory and impact investment. PAHAL is helping build the impact investment ecosystem in healthcare.



## WELCOME ADDRESS

**Ms. Geeta Goel**, Vice President, Mission Investments, Michael & Susan Dell Foundation (MSDF) & Chairperson- IIC and **Mr. Arvind Mathur**, Non Exec Director, IIC welcomed the guests and highlighted the importance of investments in the coming decade to catalyze resources and scale approaches to achieve greater social impact for millions, while generating financial returns for sustainable growth at the same time.

The conference began with the ceremonious lighting of lamp by key dignitaries from USAID, Impact Investors Council (IIC), Global Impact Investing Network (GIIN), and IPE Global.



## KEYNOTE ADDRESS: MS. RAMONA EL HAMZAOU, DEPUTY MISSION DIRECTOR, USAID/INDIA



**Ramona El Hamzaoui,**  
Deputy Mission  
Director, USAID/India

*"USAID focus is now on identifying evidence-based innovative approaches and combining these with Indian financial and intellectual capital to sustainably advance health and development goals in India. Thus, the support to building an impact investment ecosystem is very important."- Ramona El Hamzaoui*

**Ms. Ramona El Hamzaoui**, Deputy Mission Director, USAID/India, delivered the keynote address, elaborating on USAID's new strategic approach for sustained development. She emphasized on the need to promote and support entrepreneurs and out of the box solutions to usher in rapid sustainable growth. She acknowledged the long standing culture of public-private partnerships, entrepreneurial spirit and responsible corporate citizenship prevailing in India. She underlined the need to promote ecosystem platforms such as **PAHAL** in healthcare, being implemented by IPE Global, for supporting market based models. She further highlighted USAID's initiatives in fostering social innovation, driving entrepreneurship while especially targeting gender parity and prosperity for all.

## OPENING SESSION

Key insights on Global Impact Investing Trends were shared by **Ms. Hannah Schiff**, Manager Research, GIIN which set the agenda for the event. She shared how impact investing has metamorphosed from being a nascent sector till about a decade ago to a full-grown fledgling industry today and how it is catching the interest of many investors, foundations and family offices globally.

*“Half of the global fund managers, 40% of foundations and family offices are already allocating funds to impact investments and many more have a keen interest in impact investing”.*

GIIN worked in conjunction with Cambridge Associates to produce the first Impact Investment standards benchmark on private equity asset classes and also studied the financial performance of individual impact investing funds in the private equity class. It was revealed that impact investing funds yield returns, similar to conventional private equity returns. However,



**Hannah Schiff,**  
Manager Research, GIIN

*“There is enough evidence to suggest that impact investing funds can generate financial returns, quite similar to conventional private equity returns.”- Hannah Schiff*

fund managers selection is the key to fund performance and some fund managers purposely seek low returns. Overall impact investing is still a small pie of the global capital market and there is a long road ahead.

## KEY CONCERNS

- Risk of Impact washing - Players without any impact focus, getting an impact re-branding
- Impact Performance - Lack of evidence base on impact performance in comparison to financial performance
- Small Size - Despite increasing allocation, impact investments are still a very small part of global capital market
- Accessibility to Impact investments - Currently accessible to only a small number of institutions/ individuals; need to democratise it; improve access for retail investors.

This was followed by a Summary Display of the report by **McKinsey** on Impact Investing in India presented by **Mr. Vivek Pandit**, Senior Partner, Private Equity and Principal Investor Practice, McKinsey & Co. Vivek co-leads McKinsey's Principal Investor practice globally and serves the world's leading investors and shareholders and advises them on investment strategy, operations, origination, transformations, and exits. As per his experience, investors are now increasingly talking about the principles of social impact investments and aligning them in their investment philosophy. This challenges the long held view that philanthropy should fund social returns and mainstream investors should only look out for financial gains.



**Vivek Pandit,**  
Senior Partner,  
McKinsey & Co.

*“India is today emerging as one of the most attractive markets for impact investing given its opportunity rich environment. Impact investors are leading the way to profitable social investments”- Vivek Pandit*

He shared key findings from their latest research report on Impact Investing in India, which was facilitated by IIC and is based on data from 15 Limited Partners, 16-20 General Partners and 34-40 Social Entrepreneurs in the space. Key insights shared included the impact investing trends, rationale for understanding the impact investment landscape, and common assumptions associated with impact investing vis-à-vis scale of impact, return on investment, holding period, and sources of capital. He highlighted how India is emerging as one of the most attractive markets for impact investing given its opportunity rich environment. He showed with data that profitable exits are possible in social enterprises and dispelled the notions that impact investing lead to lower returns.

## KEY HIGHLIGHTS

- Of the total impact investments, 45 per cent happening in emerging markets
- Impact investments in India expected to grow from \$1 bn in 2016 to \$8 bn by 2025
- Annual beneficiaries of impact investor-backed institutions 60-80 million in India
- Initially dominated by financial inclusion and clean energy, sector spread fast diversifying
- Impact investments generated a gross IRR for of 10 per cent in dollar-adjusted terms
- Mainstream funds infused 48 per cent capital in impact enterprises

## PANEL DISCUSSION 1: LEARNINGS FOR INDIA FROM GLOBAL IMPACT INVESTING



(Left to Right: Anil Sinha, Global Liaison, GIIN South Asia, Nehal Sanghvi, Sr. Advisor for Innovation and Partnership, USAID; Ashwajit Singh, Vice Chairman & Managing Director, IPE Global; Abhilash Mudaliar, Research Director, Global Impact Investing Network (GIIN); Hannah Schiff, Manager Research, GIIN)

The high power panel discussion, moderated by **Mr. Anil Sinha**, ex IFC and Global Liaison, GIIN South Asia, and with key participation from dignitaries such as **Mr. Nehal Sanghvi**, Sr. Advisor for Innovation and Partnership, USAID; **Mr. Ashwajit Singh**, Vice Chairman & Managing Director, IPE Global and **Mr. Abhilash Mudaliar**, Research Director, Global Impact Investing Network (GIIN) and **Ms. Hannah Schiff**, Manager Research, GIIN, deliberated on using finance as a medium to support intentional social good and strengthening the impact investing ecosystem.

The panelists informed how donors and development agencies are changing approach and looking to take up a more strategic advisory and catalytic role with increased focus on innovation around development capital, leveraging resources and focus on impact measurement. "While USAID may not be able to match up to the capital requirements, it can play a key role as a provider of intellectual capital, including monitoring and evaluation support" - Nehal Sanghvi.

The importance of working in partnerships and increased risk appetite was emphasized. "The trinity of donor, governments and private sector must work in collaboration for the success of impact investing. Focus on higher impact would lead to larger scale and higher returns in the long run" – Ashwajit Singh.

It was felt that the impact funding to emerging markets must increase. The discussion stressed the need to have transparency and standardization in measurement of impact. The critical role of data analysis in impact planning, measurement and improving business performance was discussed.

The panellists further discussed the constraints in the ecosystem and ways to improve them. They also talked about the importance and need for Blended finance and converging capital from different stakeholders, such as the Government, Donors, and Private sector (including CSR). Further, they also discussed the need to create exit options (an exit fund), as well as current donors to take lead on buying impact via social/development impact bonds (SIB/DIBs). The panel discussion was followed by an interaction with the participants.

## KEY HIGHLIGHTS

- Development agencies to play a catalytic role in impact investments
- Focus on impact and its measurement key to expansion of impact investments
- Working in partnerships (donors, government and private sector) critical for the success of impact investing
- Blended finance the way forward for high risk social enterprises
- Development agencies have to increase their risk appetite and create exits in difficult impact sectors

## THE GUEST OF HONOR ADDRESS: MR. SUNIL KANT MUNJAL, CHAIRMAN, HERO ENTERPRISES

The Guest of Honor, Mr. Sunil Kant Munjal, Chairman, Hero Enterprises Group a veteran business leader turned impact investor, shared his experience in conversation with Mr. Vineet Rai, Founder, Aavishkaar and Intelicap Group. He provided the context to the meeting by sharing the importance of investing in positive impact for the disadvantaged. Both shared the philosophy behind their respective ventures and the role of domestic capital contributions in impact investment funds.



**Sunil Kant Munjal,**  
Chairman, Hero Enterprises

*"Lack of access to opportunity is our biggest hurdle in becoming a Global power and impact enterprises have the potential to provide such access!!"*

*"Our biggest problems can become our biggest opportunity." -*

*Sunil Kant Munjal*



(Left to Right: Sunil Kant Munjal, Chairman, Hero Enterprises Group and Vineet Rai, Founder, Aavishkaar, Intellectap & Intellegrow Group)

Sunil Kant Munjal shared his family’s journey to set up what is today India’s premier automotive manufacturing group with a host of other businesses after having lost everything to the partition. He shared that though the concept of impact investment is not new, it has never been able to reach a scale to match the country’s requirements. He has been working on these issues for a long time and has recently invested in a significant amount in an impact fund – Aavishkaar. “Our family has been fortunate enough to have established a successful business conglomerate in one generation and investing in positive impact is our way of saying thank you”. He also emphasized the need for investors to be patient in expecting returns to be in sync with the relatively longer gestation periods of social impact businesses. He shared about Serendipity Arts Trust which is working on promoting Indian Arts and Crafts, which have the potential to provide livelihoods to 140 million Indians.

## KEY HIGHLIGHTS

- Greater social divide between the rich and the poor can result in an uncontrolled social upheaval
- Social enterprises can turn deprivation into an opportunity and support government’s efforts
- Lack of access to opportunity is India’s biggest challenge, which impact enterprises have the potential to provide
- Creating opportunities for women, another great challenge for India
- Need for patient capital to build social impact businesses
- Global corporate leaders have shown belief in impact investing and India is waking up to this reality



## PANEL DISCUSSION 2: CATALYSING IMPACT INVESTING ECOSYSTEM

**Ms. Geeta Goel**, Chairperson, Impact Investors Council (IIC) and Director-Mission Investing, Michael & Susan Dell Foundation (MSDF), moderated the next panel discussion: “Catalyzing the Impact Investing Ecosystem”, and set the context of building greater mutual understanding of risk-return and social impact through Impact Investing in a financially viable and sustainable manner in order to address India’s development challenges. The esteemed panel comprised of: **Mr. L.M. Singh**, Head Impact Investments and Project Director, PAHAL; **Dr. Syed Sabahat Azim**, Founder & CEO, Glocal Healthcare; **Mr. Sudhir Mathur**, Member of Executive Committee Team, Vedanta; **Mr. Sunil Thakur**, COO, Quadria Capital; **Mr. Vijay Mahajan**, Founder, BASIX Social Enterprise Group.

The panelists shared that the social enterprise sector today not only needs the right intent but also capital to do anything significant. Drawing on the learnings of the microfinance sector, working collaboratively with the government and the need of capital which does not overtly focus on quick and high returns was emphasized.

“State, civil society and businesses have to find a respectful way of working with each other to successfully use investment capital to leverage and enhance state capital” said Vijay Mahajan.

The panel reiterated the power of convergence of stakeholders in shaping and strengthening the social investment ecosystem to meet the development goals. Project PAHAL - Partnerships for Affordable Healthcare Access and Longevity, a joint initiative by IPE Global and USAID was brought up as an example in converging multiple stakeholders such as healthcare entrepreneurs, innovator, donors, equity investors and lenders to create business models that are scalable. Based on the PAHAL experience and its strong background in the development sector, IPE Global announced the launch of “Ajooni Impact Fund”, which will invest in scalable impact enterprises towards achievement of sustainable development goals.



(Left to Right: Dr. Syed Sabahat Azim, Founder & CEO, Glocal Healthcare; Vijay Mahajan, Founder, BASIX Social Enterprise Group; Geeta Goel, Chairperson, Impact Investors Council (IIC) and Director-Mission Investing, MSDF; Sunil Thakur, COO, Quadria Capital; Sudhir Mathur, Member of Executive Committee Team, Vedanta Member; L.M. Singh, Head Impact Investments and Project Director, Urban Affordable Health (USAID))

The importance of technical assistance along with investment capital was emphasized, using examples of early pioneering players such as SIDBI and IFC.

The panel discussed the role of CSR in alleviating disparity, working in collaboration with the government and the private sector. The participants also revealed the potential of blending CSR and social impact funds to de-risk investments and attracting private equity to amplify impact. It was felt that the impact story has to be backed with evidence in order to shift capital into social enterprises. The panel stressed the need for all businesses to create impact.

“No organization can generate profits sustainably in the long run without making a substantial impact and solving a problem” shared Sabahat Azim. The discussion also brought out the impact investor’s perspective. The ideal investment is the one that is successful in delivering impact, is scalable, and at the same time delivers returns. The ESG (Environment, Social and Governance) standards were also a key consideration in investing.

## KEY HIGHLIGHTS

- Social impact is as important for impact investor as the return on investments
- An ecosystem approach is most effective for scaling up impact businesses
- It is important to leverage and complement the state capital for impact businesses
- Establish trustful functioning relationships amongst the state, civil society and businesses
- CSR funds have the potential to complement impact capital, but not allowed in the current regulatory context
- IPE Global sponsoring Ajooni Impact Fund, with a focus on evidence of impact and ESG improvements

## CLOSING REMARKS

The event concluded with a summary of the day’s discussions and a vote of thanks from **Mr. Nitin Agrawal**, Deputy CEO, Intellegrow and **Mr. Kartik Desai**, Executive Director, ASHA Impact.



## KEY HIGHLIGHTS

- Social impact is equally important for impact investor vs return on investments
- The impact investing ecosystem is relatively new, but looks vibrant and promising
- Need for expanding the impact investment landscape via asset classes, encouraging partnerships with Government, defining benchmarks for social returns and measure outcomes
- Returns are possible in impact investing sectors and talent is critical for returns

## MUMBAI CONFERENCE

The Mumbai event began with a welcome address by **Ms. Geeta Goel**, Vice President, Mission Investments, Michael & Susan Dell Foundation (MSDF) & Chairperson- IIC.

**Mr. Edgard Kagan**, The U.S. Consul General, was the Guest of Honor in Mumbai and gave a key note address. He shared that this is an opportune time to discuss and encourage Impact Investing in India, as it embarks on a new era of financing to meet its social development goals. India's economic progress backed by an entrepreneurial culture, rapid technology adoption and progressive government policies places it favorably to solve some of the toughest development challenges. He shared that US government would be happy to support such initiatives in the impact investment sector, creating high impact financing solutions which reduce dependence on external assistance and mobilize domestic resources.



**Mr. Edgard Kagan,**  
*The U.S. Consul General*

The event also marked the unveiling of the **McKinsey Study Report** on Impact Investing in India by **Ms. Roopa Kudwa**, Partner & Managing Director at Omidyar Network India Advisors and **Mr. Vivek Pandit**, Senior Partner, Private Equity and Principal Investor Practice, McKinsey & Co. which was followed by insights on Global Impact Investing Trends shared by **Mr. Abhilash Mudaliar**, Research Director, Global Impact Investing Network (GIIN).

**Ms. Preeti Sinha**, Senior President & Global Convenor, Yes Global Institute (YGI), brought to perspective impact investing as viewed from a Banks lens and YGIs vision and involvement in the impact investing ecosystem. The conference proceeded with Panel discussions and debate on how the social impact of investments should be the yard stick for all investments going forward. The esteemed panel comprised of : **Mr. Ravi Tyagi**, Managing Director & Chief Executive Officer, SIDBI Venture Capital Ltd.; **Mr. Nehal Sanghvi**, Sr. Advisor for Innovation and Partnership, USAID; Mr. Gopal Jain, Co- founder & MP- Gaja and **Ms. Veena Mankar**, Independent Director- Board of IDFC Bank & Founder- 3 entities, Swadhar Brand.



The conference concluded with networking and a note of thanks to the participants.

## KEY TAKEAWAYS & WAY FORWARD

- Ecosystem building was identified to be critically important for the growth of impact investing
- Lessons from the microfinance sector necessitate the need for patient capital and collaboration with the government and civil society
- Building of evidence base for impact performance is equally important.
- The sector is still small but promising. Need to enhance and diversify the sources of capital.
- Impact investing can be viewed to play a complementary role to government and philanthropy to help solve social problems.
- Applying business and investment tools to social problems is the way forward for sustainable solutions.



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