# International Trends in Social Impact Investment

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# Preface

In the 1960s and 1970s, The Environmental Movement took off in the Western world. In the 1970s and 1990s, the Social Impact Investment (SII) started to influence the United States and Europe respectively. The year 1972 witnessed the United Nations Conference on the Human Environment, the UN's first major conference on international environmental issues. In 1992, Agenda 21 was adopted; in 2006 the UN Principles for Responsible Investment (UN PRI) were launched. Thanks to the UN efforts, the idea of environmental protection has been growing in popularity and recognition. The appeals and advocacy have made investors increasingly aware that environment-related ideas may affect the financial performance of their companies, pushing SII to the spotlight. Currently, there are some similar ideas in the market to describe the portfolios or financial services that incorporate financial and social performance, including Ethical Investing, Socially Responsible Investing (SRI), ESG Investing, SII, and Sustainable Investing. Despite some nuances, these types of investment have one thing in common — they stand between philanthropic giving and purely profit-driven investment, i.e., they value both social performance and financial performance. So, the CAFI suggests that to more effectively promote this balanced investment approach, we need a name that encapsulates these features. This kind of investment with the core of "solving social problems by mobilizing social capital" can produce social and economic benefits, and reflects the social responsibility of investors. Taking these characteristics into consideration, we suggest that this type of investment be called "social impact investment".

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# 1. Definition and concept of Social Impact Investment

## 1.1 Definition

Social Impact Investment (SII) is the provision of funds to companies, organizations, and foundations to generate positive, measurable social and environmental impacts and financial returns. [1]. This definition covers a wide range of investments, but the two key distinguishing elements are social performance and financial returns, which means that investors incorporate social influence into their decisions[2].

SII is an investment that is designed to generate social and/or environmental benefits in addition to financial benefits. This form of investment is very important to the government because it advocates the use of private capital to assist limited public resources in pursuit of solutions to major problems. If SII can effectively and efficiently generate social benefits while providing investors with desired returns, promoting SII will help invoke a more distinct and precise government intervention strategy that releases the stress on

1. thegiin. org/impact-investing

2. Huamin Philanthropy Brochure Series, China Philanthropy Research Institute, Beijing Normal University, Huamin Research Center, School of Social Work, Rutgers University

government finances. [2]

## 1.2 Core concept and significance

Mobilizing “private capital” to solve “social problems” is the core concept of SII. From the government's point of view, allowing private capital into the public sector can guarantee the sustainability of solving existing social problems, no matter the situation of the government's access to financial resources. From the market players' point of view, investing capital into the public sector can benefit investors with an environment where they can enjoy healthier developments in terms of both social and financial perspectives. From the public's point of view, SII provides them with high-quality goods and services and the fulfillment of individual development needs. In this sense, SII can solve social conflicts caused by “unbalanced development” and promote a more harmonious and stable society. The development of SII can strengthen the key role of investment in optimizing the supply-side structural reform, by effectively stabilizing aggregate demand and promoting economic restructuring. Along with other means, SII can activate social capital investment. Across the global market, SII is not only embraced by developed countries and regions but also accepted by underdeveloped and developing countries and regions too; it can be traced back to 2009 in South Africa, and currently, SII has a sizable global scale. In Thailand, for example, a series of policies have been put in place to support "businesses and institutions engaging in social missions" since the Thai government issued the Guidelines for Sustainability Reporting in 2010. As of 2017, 3 million micro, small, and medium-sized enterprises (MSMEs) and 120,000 organizations that engage in SII-related work have been registered.

As the global capital market is seeing a growing need for SII, major international financial institutions represented by Goldman Sachs, Morgan Stanley and other investment banks are reorienting themselves towards the companies that are more socially responsible. In 2019, Goldman Sachs pledged to deploy $750 billion across investing, financing and advisory activities by 2030.