# Overcoming Barriers to Scale: Institutional impact investments in low-income and developing countries

**Gabriel A. Huppé** – Responsible Investing Project Officer, IISD  
**Mariana H. Silva** – Sustainable Finance Officer, IISD  
**David Uzsoki** – Sustainable Finance Specialist, IISD

## Impact Investment: Objectives

**Social impact objectives**

**Environmental impact objectives**
Biodiversity conservation - Energy and fuel efficiency - Natural resources conservation - Pollution prevention and waste management - Sustainable energy - Sustainable land use - Water resources management

## PRIMARY PROBLEMS  |  SECONDARY PROBLEMS
--- | ---
Investment risk/return profiles | Impact measurement
Investment track records | Blended capital curve
Exit options | Scalability
Sourcing deals/investment costs | 

Source: IISD

## What can governments do? Impact Investment Policies

- Strengthen the pipeline
  - Technical assistance
  - Seed funding
  - Entrepreneurship development
  - Networking
  - Application of successful business models
  - Partnership with capable organizations
- Intermediaries and an impact investment ecosystem
- Promote and enable blended capital arrangements
  - Bespoke co-investment
  - Safety net
  - Cautious co-payment
  - Market for externality
- Tax policies and subsidies
- Provide data and impact reporting
- Improve general business and investment environment
- Consider the fit of local pension and sovereign wealth fund mandates with national impact objectives

## Innovative Financing Options: Blended capital arrangements

- Securitization
- Alternative fund structures
- Social bonds

## Product of our analysis: National Impact Investment Readiness (NIIR)

1. **National political and economic context** (e.g. housekeeping factors such as macro policies, political economy, local financial markets, corporate governance standards; plumbing factors like legal and regulatory frameworks, custody, clearing and settlement and taxes)
2. **Impact investment policies** (e.g. financial, economic, regulatory, technological, skills and information, relevant infrastructure, institutions and networks)
3. **Financial industry initiatives** (e.g. availability of innovative financing, financial player’s programs for enhancing competitiveness in the impact sector; extent to which complementary resources and services are coupled with funding programs)
4. **Ecosystem completeness** (e.g. interaction of the parts and interlinkages between ecosystem scales; size of impact investment opportunity set and projected size and robustness of the impact investment pipeline into the future; investment readiness of these enterprises)
5. **Global fitness** (e.g. national entrepreneurialism orientation, impact data measurement and reporting, relations to global investor networks)

## Case Study: Barriers to the full scaling of the impact sector in India’s ecosystem

- Lack of understanding about market specific risks and business-model risks
- More research to meet investors’ specific needs
- Need to define field of impact
- Reliable ratings of the real impact of enterprises
- Investor participation in local networks and impact investment forums
- Impact investment products and services provided through a highly networked model
- Investors providing capital for enterprises in the consolidation stage and an exit for early-stage investors
- Government support is highly critical

## GREEN INFRASTRUCTURE – The future of impact investing?