



Creating value for society through impact investing

**An introduction to the KPMG
Global Impact Investing Institute**

KPMG International

[kpmg.com](https://www.kpmg.com)



What is impact investing?

Impact investing is “a financial undertaking that aims to generate positive social and environmental outcomes that are specific, measurable, and result in financial gain.” Impact investing is the latest iteration of responses to seemingly intractable social and environment problems. At its foundation is the idea of applying private sector capital and learning to traditionally ‘public’ sector issues.

Impact investors intentionally and explicitly seek the dual objective of producing both financial and social/environmental returns. As evidenced by its growth, investors are seeking innovative dual return assets and there is also growth in measuring impact and outcomes. These investments not only enhance the profile of an organization by demonstrating social value and enable it to contribute towards sustainable development, but can generate a return to capital.

The KPMG Global Impact Investing Institute summarizes effective impact investing as **solving a societal need** by **implementing with fidelity, measuring outcomes,** and **achieving sustainable financial rewards.**

The global market

The global market is huge:

- There is significant potential for growth due to demand for private capital i.e. SDGs (US\$3–5 trillion annually)¹, Paris Agreement (US\$700 billion annually)², development needs, and social services.
- The global market of outstanding green bonds surpassed US\$200 billion in February 2017.
- At the end of 2015, 156 respondents to the GIIN survey reported US\$77.4 billion in impact investing assets under management, with plans to scale up.³
- Over 60 social impact bonds have been issued since their inception in 2010, valued at over US\$200 million.⁴

Barriers affecting the impact investing market



¹ UNEP Finance Initiative (2017), 'Principles for Positive Impact Finance'.

² World Economic Forum (2013), 'The Green Investment Report: The ways and means to unlock private finance for green growth'.

³ Global Impact Investing Network (2015), 'Eyes on the Horizon: The Impact Investor Survey'.

⁴ Brookings Institute (2015), 'The Potential and Limitations of Impact Bonds'.

There are a range of social, environmental and development finance instruments, including:



Green bonds (labelled)



Climate-aligned and blue bonds



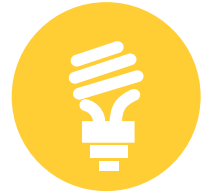
Payments for success schemes



Social enterprises



Social and development impact bonds



Program and mission-related grants and investments



Capital projects



SDG Bonds (issued by World Bank)



SDG-linked private equity and pension fund investments

Creating value for society — from idea to impact

KPMG’s Global Impact Investing Institute adopts a full life-cycle approach — however, services can be offered individually or built into a modular offering to suit your needs. Service clusters can be a useful way of guiding the discussion. KPMG professionals:

Measure

Provide independent evaluation and impact measurement services across social and environmental impact, including complex outcomes measurement design, assurance, and ex-post assessments.

Robust Impact Validation:

Measure, verify, refine

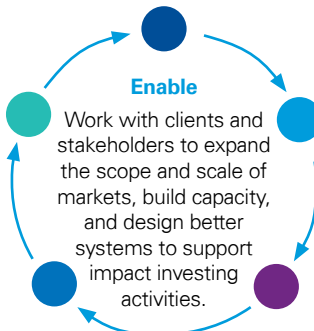
Implement

Stay with clients through their impact investing journey, installing project management, tracking and monitoring systems, and reporting project KPIs and milestones.

Strategy

Support clients to build impact into their organizational strategy, and help optimize alignment of activities with values.

Enable



Ecosystem: Identify partners and leverage funding resources

Smart Deal Origination:

Support strategy design and deal pipeline development

Deal

Offer clients in-depth and evidence-based deal structuring services, working with clients to help identify the right transactions to bring their impact vision to life.

Fund

Extensive financial services expertise enables KPMG professionals to assess and mitigate risks, identify financing sources, and design financial structures to fund impact creation.



KPMG professionals support clients across the spectrum of the project life cycle, from idea to impact, and work with “Smart” deal origination to identify new opportunities:

- more effective, lower cost deal origination (global reach of KPMG’s network of firms)
- experience in using grant resources to create pipeline of investible deals
- means to gauge ex ante social/environmental “impact” of investments/projects
- risk measurement and mechanisms to mitigate risk.

Ecosystem: Blended financing models to leverage resources:

- mobilize a variety of funding sources and greater leverage (private vs. public)
- deploy practical implementation models.

Robust impact validation:

- ability to evaluate results at low cost
- effective means to communicate “impact”
- recalibrate delivery model.

Guiding principles



Service offerings and experience across the spectrum of impact investing market and transaction development.



Value-add tools and methodologies that can be tailored to local contexts and client needs.



Clear pathways to draw on global expertise, subject matter experts and knowledge base.



A customizable 'building block' approach that can be built up or down to suit clients' needs across the spectrum of emerging and established impact investing markets.



A commitment to creating value for clients in the context of the SDGs, or the social/environmental strategy pursued by each client.



Independent view on deal structuring and evaluation since KPMG member firms do not have a specific funding interest.



Driven by measureable impact (True Value, VfM and other KPMG tools) and monetizing returns.

Measuring social impact

A key challenge in the adoption of impact investment recognized worldwide is effective measurement of the impact, as this is needed to attract investors. Done effectively the measurement of social impact investments can increase transparency and accountability, attract further capital for investment and generate intrinsic value for all stakeholders involved.

This need to effectively measure the impact of social reforms is not new, as the measurement of the effectiveness, efficiency and sustainability of social policy programs has always been an area that must be carefully considered.

KPMG professionals understands this challenge and is able to draw on extensive experience in evaluating a breadth and depth of social policy programs, corporates and non-government organizations. KPMG firms are best placed to measure social impact investment that works to help improve outcomes and attract investors.

KPMG professionals focus on three key dimensions so that impact is achieved:

1 Value theory — agenda setting

— We put clients and government on the front foot by recognizing key social and environmental problems that need to be solved

2 Measuring impact

— Clients and investors can expect accurate outcomes and impact information when we undertake robust and reliable measurement

— We assess the risk reward for impact-oriented investments

3 Implementation

— Value is created when we assess that implementation was with fidelity and outcomes were achieved

KPMG Global Impact Investing Institute

KPMG professionals have significant practical experience in the emerging impact investing market, with credentials and experience:



Across a range of green bond development phases, including designing green bond criteria; fund design; advising on implementation of bonds; monitoring and reporting; and third-party assurance services.



In market development activities and transaction development for social impact bonds in a number of jurisdictions, including development of standards for government; evaluation for government; end-to-end bond development; and, standalone services such as business case development.



Across a range of impact-related services in the development finance sector, including impact fund management; work with pension funds, philanthropies and private equity; strategy; and organizational capacity-building.

The KPMG Global Impact Investing Institute is a global body that brings together KPMG professionals' impact investing work experience and insight to support clients.

It works as a single point of contact enabling clients to access industry experts from their sector, region and with the necessary skillset to address their challenge.

The Institute also manages KPMG's global knowledge, supports our market-leading thought leadership and develops strategies, tools and methodologies to help ensure that our approach remains at the leading edge of impact investing.

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