



# SOCIAL IMPACT INVESTMENT for Development: Increasing Private Sector Investment to Address Development Challenges

INNOVATIONS FOR THE 2030 AGENDA

## WHAT IS SOCIAL IMPACT INVESTMENT?

Social impact investment (SII) is an innovative approach to further drive economic development and achieving social outcomes. SII responds to the need for a new sophisticated financing strategy in order to deliver on the Sustainable Development Goals (SDGs) and the Addis Ababa Agenda for development finance.

Social impact investing provides finance to organizations addressing social and/or environmental needs with the explicit expectation of a measurable social and/or environmental, as well as financial, return.

## WHY DO WE NEED SOCIAL IMPACT INVESTMENT FOR DEVELOPMENT?

The SDGs apply to developed and developing countries alike and require new approaches and financing to address economic, social and environmental challenges. A strong emphasis will be needed on using public resources more strategically to catalyse private resources targeted towards achieving the sustainable development goals. While these innovative new financing approaches will not replace the core role of the public sector or the need for philanthropy, they can provide models for leveraging existing capital using market-based approaches with potential to have greater impact.

## HOW CAN WE WORK TOGETHER TO ADVANCE SII FOR DEVELOPMENT?

The OECD has been playing a key role in the global social impact investment initiative launched in 2013 during the U.K. Presidency of the G8, alongside the Global Steering Group (GSG). The OECD Phase I report focused on building the evidence base in the social impact investment market.



### Phase I Report: Social Impact Investment: Building the Evidence Base (2015)

This publication provides a framework for assessing the social impact investment market and focuses on the need to build the evidence base. It highlights the importance of further international collaborations in developing global standards on definitions, data collection, impact measurement and evaluation of policies.

In a fast-evolving new area, experience sharing between players in the market is also vital. International organisations such as the OECD can play an important role in facilitating these collaborations as well as conducting further analysis and data collection.

<http://www.oecd.org/sti/ind/social-impact-investment.htm>

## WHAT'S NEXT: OECD SOCIAL IMPACT INVESTMENT INITIATIVE PHASE II

The next phase of work has expanded to include a broader set of countries, including developing ones. While the SII market is in the early stages of development, awareness of social impact investment has grown considerably across developed and developing countries. Developing countries, in particular, are increasingly of interest to social impact investors<sup>1</sup>. The OECD Social Impact Investment Phase II work includes: (1) developing a framework for internationally comparable SII data; (2) creating a set of case studies focused on investment patterns and financing instruments; (3) facilitating research and regional workshops mapping the SII market in developed and developing countries; and, (4) mapping and reviewing policies to facilitate social impact investment. The findings from this work will be pulled together into a second landmark OECD Social Impact Investment report to be published in October 2018.



<sup>1</sup> Chapter 5, "Investing for social impact in developing countries" in OECD (2016), *Development Co-operation Report 2016: The Sustainable Development Goals as Business Opportunities*, OECD Publishing, Paris. DOI: <http://dx.doi.org/10.1787/dcr-2016->