

THINK TANKS and impact investing



How can think tanks play a role in contributing to solutions to address the challenges in the impact investing sector in emerging markets?

1

Consolidate, communicate and facilitate research into practice

Since the impact investing sector has **limited research capacity and/or limited ability to leverage existing studies and knowledge** this gap presents an immediate opportunity for think tanks. While most think tanks in emerging markets have not targeted traditional investors nor impact investors as key audiences for their research, many have a wealth of research already completed on key sectors.

While most think tank research has tended to have a policy focus, **there is an immediate opportunity for think tanks to understand the needs of investors and repackage and communicate existing research reports and studies to both impact investors and mainstream investors.**

2

Identify sector opportunities

With **concentration of impact investing in few sectors**, and Impact Investments not necessarily **targeting catalytic sectors/ opportunities**, **national think tanks can provide context-specific sectoral expertise and analysis embedded within the macroeconomic and policy realities of the country or region.** Think tanks can do this through research on the effectiveness of approaches to lessen pipeline challenges, such as examining effectiveness of incubation and acceleration. They can also help to map the existing enterprises in those sectors and could carry out market studies for impact opportunities in specific product areas or value chains in key sectors.

3

Inform and connect policy and markets

As trusted actors in the research to policy and policy formulation space, think tanks have the potential to **contribute to the development of national and regional capital markets** by bridging the space between the private sector and government. **Think tanks can contribute research and analysis to inform decision-making on improving the enabling environment for areas that are critical for impact investing and investment growth more generally.** With this research, think tanks are well connected with government agencies to whom policy reforms can be proposed and advocated for and through dialogues and convening of both public and closed-door meetings they can use their research to promote change to drive investments in high impact sectors.

4

Facilitate social impact evidence

A. Consolidate and communicate existing IMM knowledge products:

To address the issue of **a lack of reliable, comparable impact data**, and **lack of independent IMM capacity** in most emerging markets, **think tanks can build on their evaluation expertise to compile, consolidate and communicate data at the sector, fund and company levels to bring an independent, approach to the assessment of impact.**

Many think tanks have extensive experience conducting impact evaluations of public policies and programmes and these approaches to impact investing will help to improve the credibility of impact across different levels within the industry. Local think tanks could play a potential role in developing **databases, IMM for mainstream investors, and facilitating IMM capacity.**

B. Beneficiary representation:

Think tanks can contribute to improve **the lack of data on actual impact on beneficiaries** by raising the voices of groups or sectors whose needs and interests are not often heard, but that are affected. **Local think tanks can help assess and incorporate the perspective of stakeholders experiencing the impact (whether positive or negative, direct or indirect, intended or unintended). Think tanks are well-positioned to raise the profile and amplify the needs and interests of intended beneficiaries of impact investments.** Think tanks know the national realities of where investments are made and have experience collecting data and engaging with beneficiaries and stakeholders at the national and local level. Particularly on issues of gender, inclusion, and diversity, think tanks have demonstrated their expertise in channeling the voices of beneficiaries to ensure their interests are considered in public policy decision-making and holding the government accountable to citizens.

5

Broker and facilitate

Think tanks are well positioned to convene and facilitate dialogues with different actors in a national context and as independent actors, think tanks can also play the role of trusted broker. They can bridge dialogue between government agencies, private investors, intermediaries and enterprises (through SME associations and / or industry associations or chambers of commerce) to improve the coordination and collaboration in the impact investing ecosystem and for specific sectors/populations. This role may be feasible for some think tanks in particular contexts where the impact investing ecosystem lacks coordination and where there is an absence of actors already actively engaged.

Recommendations and corresponding topics/research questions

Recommendations

Consolidate & communicate research into practice

Identify sector opportunities

Inform & connect policy & markets

Facilitate social impact evidence

- Translate IMM
- Beneficiary representation

Broker & facilitate

Topics

The role of think tanks

Good practices and successful experiences

Impact investment and public policies

Impact measurement and methodologies

Coordination of initiatives/efforts

Good practices and successful experiences

Regulatory frameworks

Research Questions

What research products and what areas of expertise do think tanks have that is applicable to the impact investing sector?

How should think tanks change/adapt/modify their approach to increase relevance to the sector?

What financing structures and models work best in different sectors to achieve both impact and return?

To what extent do contextual factors influence the achievement of impact and return?

What has worked in a sector (eg: early childhood education) that can inform investors strategies in that sector in a certain country?

What are successful examples of investments/instruments/collaborations (NABs for example) that demonstrate the business/impact case?

What are the regulatory and policy limitations for impact investment? How does impact investing connect to public policy? Is there space for advocacy and research to change/modify these frameworks and regulations?

What effect have policies had on impact investing? What is the impact of corporate social responsibility policies in enhancing impact investment? To what extent have policies created incentives or disincentives for impact investing including: start-up acts, venture capital policies, fiscal incentives, certification, public procurement, environmental, climate policy, employment policy, - other "social impact" oriented policies that could require additional analysis, research – agriculture, healthcare etc?

Does IMM incorporate beneficiary voice, in terms of understanding the impact of the investment on citizens, target beneficiaries?

- If yes, when/how?
- If no, how to do so?

How to raise awareness/interest in measuring impact amongst enterprises, investors, fund managers?

Are think tanks positioned to play a third party verification role?

How to assess the impact of the various investment structures and models?

Who is doing what in the region?

How to improve/strengthen the effectiveness of impact investing networks?

What are the agendas of different actors? Can these agendas be aligned? To what extent?