amplify the ingo value proposition for impact investing
Preface

The INGO Impact Investing Network was formed in 2015 to facilitate shared learning, effective collaboration, and mutual advocacy on behalf of international NGOs involved in impact investing. With opportunities to accelerate mission benefits through impact investing, more than 40 international NGOs have joined and participated in activities, information sharing, and regular network forums.

One immediate need the network recognized was the lack of a shared understanding across international NGOs (INGOs), as well as the overall impact investing ecosystem, of the growing activity, varied experiences, and different roles that INGOs are playing. In order to fill this gap, the network surveyed its members in early 2016. This report seeks to highlight the exciting landscape for INGOs that is emerging by presenting both the overall survey findings and specific case studies. These initial findings reveal the unique value that INGOs offer as well as the actions required to accelerate the ongoing development of impact investing to deliver and sustain mission benefits. Equally, INGOs are discovering rich collaborations, keen market insight, and shared impact alongside a full spectrum of impact-oriented entrepreneurs and enterprises.

We look forward to future initiatives which will provide additional perspectives on the opportunities and issues for international NGOs in this dynamic environment.

Sincerely,

The Steering Committee of the INGO Impact Investing Network

acknowledgments.

Editors: Tom Dente
InsideNGO
tdente@insidengo.org

Stephanie Marienau Turpin
Pact
smarienau@pactworld.org

Susan Barrows Libby
InsideNGO
slibby@insidengo.org

Shikhank Sharma
Pact
sharmashikhank@gmail.com

Contributors: ACDI/VOCA, Education Development Center, GOAL

Designer: Maggie Dougherty, Pact

Steering Committee: Aspen Network of Development Entrepreneurs, InsideNGO, GOAL, Mercy Corps, Pact

Impact investing—the investment of capital to drive measurable social, economic, and environmental as well as financial returns—presents a compelling opportunity to achieve increased scale, innovation, sustainability, and partnerships in international development. The INGO Impact Investing Network is collaborating to understand how INGOs [International NGOs] are currently engaged in impact investing, to identify different approaches to investing for development outcomes, and to share best practices and lessons learned with one another. This within-sector collaboration represents the collective approach that is required across the broader ecosystem of impact investing actors.

Impact investing research, discussion, and literature has been noticeably void of insights about the potential assets, capabilities, and networks that INGOs bring to impact investing. A key first step toward increasing impact investing dialogue and engagement among investors, banks, corporations, universities, and social enterprises with INGOs is for the sector to develop a deeper understanding of the current landscape of INGO impact investing activity.

Together, we recognize the INGO Impact Investing Network for its efforts to produce Amplify?: The INGO Value Proposition for Impact Investing, a report which outlines the INGO sector’s self-assessment of its current impact investing activity and provides a basis for further analysis and discussion about where INGOs could have the greatest contribution in the impact investing ecosystem. INGOs have deep and trusted relationships with communities in developing countries; maintain broad geographic footprints; have world-class technical expertise in social, economic, and environmental development and humanitarian response; and understand the needs of local communities. The future trajectory of impact investing and associated societal prosperity will benefit from the insights and data contained herein.
executive summary.

This is a period of unprecedented change for international NGOs and their partners. The scale of economic and social problems, the complexity of the global environment, and the myriad forces that pressure traditional models are resulting in new creativity, innovation, and types of collaboration. Nowhere perhaps is this trend more pronounced than in the impact investing arena. Over the last several years, the INGO sector has seen a number of developments in impact investing and social enterprise creation that are exciting in their range and potential to scale and sustain long-term mission results.

Our recent review of activity across the newly formed INGO Impact Investing Network reveals several developments that present a compelling view of a sector positioned to deliver mission benefit in new ways.

Though early in its development, international NGO activity in impact investing is larger than traditionally reported, and growing.

In our review of survey data from the INGO Impact Investing Network, almost 60% of INGOs are actively engaged or piloting approaches with the remainder exploring how to incorporate impact investing into their programs and strategies. As just one example of the ways INGOs are engaging, INGO-managed or founded impact investing funds encompass $545.1 million in assets. With different degrees of experience in impact investing, this is a period of intense development, learning, and creativity across the INGO sector.

Focused on better delivering their missions, international NGOs are exploring and implementing impact investing solutions across a wide range of geographies, program areas, and return expectations.

Though activity to-date is focused on earlier adoption areas such as agriculture, livelihoods, and financial inclusion in the regions of greatest need, most program areas and geographies are exploring, piloting, or implementing impact investing approaches. Overall, INGOs tend to be impact-first investors, ready to accept below market-rate returns with less than 20% expecting market-rate returns, and nearly 45% expecting no additional returns beyond capital preservation.

With their unique global capabilities and program expertise, international NGOs are playing multiple roles in the overall impact investing ecosystem.

INGO capabilities are multi-faceted: their deep knowledge of local environments, programs, and technical solutions; their long-standing networks and sophistication in partnering with multiple actors; their financial sophistication from their wide-ranging donor relationships; and their experience in complex, multi-year measurement of impact. As a result, international NGOs are playing multiple roles including making impact investments through direct and indirect means and across several different asset types, receiving impact investments, offering various forms of technical assistance to support different players, and building the impact investing ecosystem.
International NGOs are approaching impact investing with a long-term view, focused on developing new capabilities and engaging with existing and new partners to deliver mission results and establish their essential presence in the impact investing ecosystem.

As they begin to play larger roles, INGOs are taking a longer-term view of success. They are focused on enhancing internal capabilities including the systems and skills to engage key actors, conduct due diligence, structure deals, and measure impact while ensuring their organizational culture supports the long-term engagement required for success.

Externally, INGOs are actively addressing stakeholder communications, exploring legal options and requirements, identifying options for deal and resource flows, and creating new partnerships across the impact investing ecosystem.

Making the commitment to address these internal and external requirements—and effectively managing known and new risks—with a multi-year horizon, will be essential for success.

Looking ahead, several issues will need to be more fully explored and addressed as INGO activities expand and the impact investing ecosystem continues to evolve. These issues cover a wide area of further development and assessment including:

- Designing new INGO agency and program strategies that incorporate the full range of impact investing and social enterprise options;
- Understanding the role impact investing plays in supporting the ongoing evolution of INGO operating model(s); and
- Developing more robust services and measurement infrastructures to support the ongoing growth of social enterprises and of new impact investing structures.

With their increasing range and depth of participation, unique expertise and capabilities, and ability to collaborate with multiple actors at different levels around the world, international NGOs are poised to play essential roles ahead. In doing so, INGOs will not only deliver needed and necessary results, they also accelerate their own organizational evolution. New roles in impact investing, dependent upon knowledge, services, and networks, bring new value from core capabilities that complement INGOs’ traditional roles in development and humanitarian work.

It is an exciting time as actors across the impact investing ecosystem, including international NGOs, collaborate more closely to sustain and accelerate the promise that impact investing holds. The promise of shaping the impact investing ecosystem to bring more resources to address critical global needs offers INGOs a collective role beyond their missions: to create a growing resource environment that brings new possibilities to deliver, adapt, and sustain results into the future.
the ingo value proposition.

Given their global position and perspective, INGOs are uniquely positioned to assist investment partners in navigating the impact investing landscape. With more than 40 members in the INGO Impact Investing Network, survey respondents collectively represent more than $8.5 billion in annual revenue and more than 100,000 employees.

Some key areas of value that INGOs bring to impact investing:

**ON-THE-GROUND PRESENCE & NETWORKS:** While the majority of impact investors are based in New York, London, San Francisco, and Washington DC, INGOs’ geographic diversity provides on-the-ground knowledge of where investments can be best deployed. When leveraged, the INGO network provides unmatched demand-side and supply-side connections, bringing to the table quantifiable added value to impact investors’ needs, while also providing non-financial leverage to their projects. An example of this is INGOs’ ability to offer deal flow, matching investors with social enterprises in target geographies or impact areas, or directly making investments in those enterprises themselves.
LOCAL KNOWLEDGE: Through experience, INGOs know “all politics are local.” They understand local culture and politics and have the ability to work at the local level, easing roadblocks and expediting timing—significant cost savers and value creators that can add to investors’ ROI (return on investment). INGOs’ ground floor connections facilitate conversations up and down communications channels ranging from high levels of government to customers and beneficiaries. They are experienced in working in challenging frontier markets and conflict regions, possessing the capacity to manage and mitigate the associated risk.

SECTOR EXPERTISE: Many INGOs work to alleviate poverty through strengthening specific sectors or value chains, from dairy to tin. These organizations have deep subject-matter-specific knowledge as well as an understanding of gaps and obstacles in these value chains. This gives them an advantage in evaluating businesses in the sector, as well as the ability to add value to investments through technical assistance and network introductions.

IMPACT FOCUSED: Social and environmental impact is central to the mission of INGOs. They are implementing programs and making investments in enterprises that address the needs of base of the pyramid consumers. Often impact-first investors, INGOs can help bridge the gap in finance for seed and early-stage enterprises.

BLENDRED CAPITAL: As experienced fundraisers, INGOs can work with bilateral and multilateral donors, private foundations, and high net worth individuals to complement investments with philanthropic capital, providing support to activities difficult to cover through traditional investment structures, like technical assistance to investees.

IMPACT MEASUREMENT: INGOs have well-developed and tested methodologies and systems for measuring and reporting on the multi-year impact of their work. As impact measurement is frequently mentioned as a challenge for impact investors, partnerships with INGOs could help close this gap and improve the sector’s overall impact reporting.
Amplify: The INGO Value Proposition for Impact Investing is a joint effort of more than forty international non-governmental organizations working together to bring the scale, skills, and resources of the international social sector to amplify the impact of impact investing.

Published by: INGO Impact Investing Network, July 2016

To access the full report: http://insidengo.org/downloads/amplifyfullreport.pdf

For more information about the network, contact:
Susan Barrows Libby
InsideNGO
slibby@insidengo.org

Lauren Farello
Aspen Network of Development Entrepreneurs
lauren.farello@aspeninstitute.org

Copyright © 2016 by The INGO Impact Investing Network. All rights reserved.