

Incentivizing Impact Investing

using

Social Impact Guarantees (SIGs)

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How does society produce Social Good?

- Markets?
- Governments?
- Businesses?

Fundamental Tension

- Profits vs Social Good

Different points of view

- Milton Friedman
- Muhammad Yunus

Best of Both Worlds?

- Efficiency
- Social Good

Key Idea

- Regular Investors
- Socially Conscious Investors
- Use both

How?

- Sell Social Impact Guarantees (SIGs) to social investors
- What are SIGs?
 - Pay less if social good is produced
 - Pay more if not

Incentives

- Social Investors
- Regular Investors
- Managers

Markets

- Standard equity based incentives
- Do not need special charter provisions
 - as in Benefit Corporations

SIGs not SIBs

- SIBs raise money
- Do not solve incentive conflicts

Who will buy SIGs?

- Philanthropists, Governments, Socially conscious investors
- Must be Large
- Resale of SIGs by small investors

Role of Large Social Investors

- Foundations, Social Funds, Governments
- Raise funds from Small socially conscious investors

Benchmarks are Key

- Third party standards
 - IRIS (Impact Reporting and Investment Standards)
 - GIIRS Ratings and Analytics for Impact Investing

Information in Market Prices

- Prices reflect what society values
- Useful for
 - investors
 - decision makers