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Doing Well by Doing Good: An Introduction to Impact Investing

Driven by the campus anti-apartheid and environmental movements of the 1970s and 1980s, "impact investing" has transformed the public debate on economic growth. Defined by the Global Impact Investing Network (GIIN) as investments made "with the intention to generate positive, measurable social and environmental impact alongside a financial return," the impact investing market was valued at $502 billion in late 2018.[1]

This Columbia University case study traces the development of the impact investing movement and examines the roles and strategies of several key actors. This case was researched and produced in cooperation with Worldview Global Impact (WGI), and includes original interviews with: Dr. Judith Rodin, former President of the Rockefeller Foundation; Jimmy C. Chang, Chief Investment Strategist for Rockefeller Capital Management; Xavier Michon, Deputy Executive Secretary of the United Nations Capital Development Fund (UNCDF); Jacqueline Novogratz, Founder and CEO of Acumen; Audrey Choi, Chief Marketing Officer and Chief Sustainability Officer of Morgan Stanley.

The case includes the following elements:

- Video Introduction and Discussions: Available online
- Written Case Study: This Document
- Annex A: Original Documents
- Annex B: Selected Interviewee Bios and Interview Transcripts (not needed for core case; presented for research purposes).

[1] Global Impact Investing Network, "Sizing the Impact Investing Market," April 1, 2019 (bit.do/impinv-market).

This case was written by Jasmine Wang, Robin Lewis, Adam Stepan, Charles Euchner and Sarah Johnson for the Picker Center Digital Education Group at Columbia's School of International and Public Affairs (SIPA). The faculty sponsors are Professors William B. Eimicke and Howard W. Buffett. It was developed with support provided by Chain DD.

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Investing and Philanthropy

Scholars trace the origins of philanthropy to tithing, the practice of donating one-tenth (or a "tithe") of income to benefit others. This concept is common to Christianity, Judaism (*ma'aser kesafim*), and Islam (*zakat*).

In 1889, Andrew Carnegie (1835-1919), the Scottish-American industrialist who gained monopolistic control over the steel industry, called on the rich to share their wealth for the greater good. In his seminal essay "The Gospel of Wealth," Carnegie noted that mass production had created a condition of mass inequality in modern life and that the rich have a responsibility to donate their resources to improve opportunity for the rest of society. Carnegie gave away $350 million ($65 billion in 2019 dollars) over the last 18 years of his life to fund libraries, hospitals, schools, and other public goods.[2]

John D. Rockefeller (1839-1937), the oil magnate, also retired from his business ventures to begin a second career as a philanthropist. Rockefeller and Carnegie talked often about their philanthropic goals. In one letter, Rockefeller vowed to do more than "put bandages on gaping wounds" with his philanthropy. In 1913 the industrialist established the Rockefeller Foundation. Rockefeller argued that philanthropy should aim to confront society's biggest problems, not just provide comfort and succor to the afflicted.

At the time, profit-seeking and charity were considered two separate worlds. To give required getting first. "I believe," Rockefeller once said, "it is a religious duty to get all the money you can, fairly and honestly; to keep all you can; and to give away all you can."[3]

Still, many of the greatest companies in the American system embraced a social mission. Henry Ford paid workers higher wages, which brought them into the middle class—and also gave them the ability to buy Ford cars. In 1928 Ford created the town of Fordlandia in Brazil, where he hoped not just to gain access to rubber for his cars but also to create a new kind of integrated community.[4] That effort was no more successful than his 1915 Peace Ship, which gathered the nation's leading pacifists to rally for an end to the First World War.

Ford's son Edsel did better with the founding of the Ford Foundation in 1936, institutionalizing philanthropy.[5] Much of the foundation's resources came in the form of Ford Motor Company stock; as the company fared, so fared the philanthropy. This connection between commercial and philanthropic interests was arguably one of the first examples of what later came to be known as corporate social responsibility.

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[2] David Nasaw, *Andrew Carnegie* (Penguin, 2006). See also *The Autobiography of Andrew Carnegie and The Gospel of Wealth* (Penguin Books, 2006).
[3] Quoted in *Time* magazine, May 21, 1928.
[4] "Fordlandia: The Failure of Henry Ford's Utopian City in the Amazon," *The Guardian*, August 19, 2016 (bit.do/fordlandia).
[5] Francis X. Sutton, "The Ford Foundation: The Early Years," *Daedalus*, Winter 1987, pp. 41-91.

The Professionalization of Charity and the Creation of the Development Industry

In the 1950s, 1960s and 1970s, the world's largest charities transformed from "private offices," designed to pursue their founders' interests, into professional organizations—a process that the German sociologist Max Weber called the "institutionalization of charisma." Governed by boards of directors, these entities hired professionals to invest their money and coordinate their programs.

In the post-World War II era, the growth of corporate power and the need to redevelop Europe and Asia produced new models of economic and social development. The Marshall Plan offered a compelling blueprint for successful redevelopment: providing financing, trade, and educational and social programs to rebuild the nations ravaged by the war. This "all-out" approach to addressing economic and social problems inspired generations of policymakers and philanthropists.

During the Cold War, American policy makers sought to win the "hearts and minds" of nonaligned and developing nations to defeat the Soviet Union, the People's Republic of China, and the Communist bloc. The World Bank, the International Monetary Fund, and other multilateral organizations worked to spur international development. Under President John F. Kennedy, the Peace Corps sent young Americans to volunteer their services to developing nations.

These new organizations, along with the professionalization of U.S.-based charities, led to the development of new metrics to guide program development, project management, and measurement of outcomes. As the programs moved from their nascent experimental phase to mature global bureaucracies, new questions arose. Could philanthropy foster real economic development and address social problems like poverty, education, and environmental degradation? Or could the unfettered marketplace do more to create greater growth and opportunity for developing as well as advanced nations? Beyond this choice lay a third way, which combined the best of economic and philanthropic ventures.

Critiques of Aid

By the end of the 20th century, research showed that the programs of the World Bank and IMF had produced, at best, mixed results. Despite investing more than $300 billion in development assistance in sub-Saharan Africa since 1970, according to Dambisa Moyo, a Zambian economist who has worked at the World Bank and Goldman Sachs, the poverty rate in Africa rose from 11 percent to 66 percent between 1970 and 1998, when aid reached a peak.[6] Widespread corruption, failed policy experiments, dependence on extractive industries, unfavorable trade treaties, limited access to capital, isolation of entrepreneurs, poor education, and widespread migrations have all contributed to poverty in the Third World. Philanthropy and international aid could not reverse these trends.

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[6] Dambisa Moyo, *Dead Aid: Why Aid is Not Working and How There is a Better Way for Africa* (Farrar, Straus and Giroux, 2009).

Some critics have called for a drastic overhaul or even the elimination of foreign aid programs. In *Dead Aid*, Dambisa Moyo called for phasing out all aid over a five-year period. Development aid, she argues, actually undermines growth by creating vast pools of money for corrupt purposes and diverting attention from the private-sector creators of growth.[7] Others, like Paul Collier, take a more positive view. In *The Bottom Billion*, Collier argues that aid added 1 percentage point to the growth rates of the 50 poorest nations in the last generation.[8]

Toward the end of the 20th century, socially responsible investment offered a third path to development, beyond free markets and aid programs. Even if the aid programs worked as well as promised, developing nations would still need a means to continue their progress. "If you want sustainability once development aid and philanthropy aid ended, which it always does at some point," said Judith Rodin, the former President of the Rockefeller Foundation, "then you have to engage the markets."[9]

The Environmental and Anti-Apartheid Movements, and the First Exclusionary Funds

In the 1970s and 1980s, as economic policymakers embraced the market-oriented policies of Ronald Reagan and Margaret Thatcher, activists sought to promote social values like equity and opportunity by embracing rather than rejecting free markets.[10] This approach was, in fact, really a modern version of the age-old understanding that businesses can and must "do well" by "doing good." Philosophers of the Scottish Enlightenment, including Adam Smith, had long argued that virtue and social good were essential to the proper functioning of market economies.

The process began with the environmental movement, which boomed after the publication of Rachel Carson's *Silent Spring*, a devastating expose of DDT and other chemicals. In 1970, President Richard Nixon signed the Clean Air Act and created the Environmental Protection Agency.[11] That same year, the World Wide Fund for Nature (WWF), established in 1961 as the World Wildlife Fund, created a $10 million fund to promote its causes. The environmental movement embraced not just government regulation but also a more robust approach to economic growth and investment.

Meanwhile, the global movement against apartheid reached its peak in the 1980s with college protests against apartheid in South Africa. Student groups demanded their universities divest from companies that traded or operated in South Africa; many faculty assemblies and boards of trustees later embraced these strategies. Activists also pressed corporations, labor unions, and state and local governments to deploy their investments, pensions, and other funds to effect social change.

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[7] Farrar, Straus and Giroux, 2010.
[8] Oxford University Press, 2008.
[9] Quote from Dr. Judith Rodin in interview with Adam Stepan. All further quotations of Rodin come from this interview, unless otherwise attributed.
[10] Howard Buffett and William Eimicke, *Social Value Investing: A Management Framework for Effective Partnerships* (Columbia University Press, 2018).
[11] Lily Rothman, "Here's Why the Environmental Protection Agency Was Created," *Time*, March 22, 1917 (bit.do/epa-creation).

Wall Street began to see its first exclusionary funds, which allowed people to profit with investments that avoided "sin stocks" in industries such as tobacco, firearms, alcohol, and gambling.

Eventually, a whole new investment strategy emerged from the 1970s and into the 1990s. As Howard W. Buffett of Columbia University notes, "you started to see a growth of pooled assets or funds that took an active role in excluding certain industries, particularly certain stocks of companies that they didn't want to have in their portfolios. Some of this was shareholder-driven and user-driven or beneficiary-driven. Some of it was leadership-driven." Some investors put a scarlet letter on sin stocks like tobacco and firearms.[12]

Impact Investing is Born

As socially minded investment gained momentum in the 1990s, the Rockefeller Foundation began to reconsider its philanthropic investment strategies.

"There was a recognition that philanthropy needed not only to do traditional grant making but to start thinking about mission-related investing," said Judith Rodin of the Rockefeller Foundation. This broader agenda, Rodin said, meant "not only *not* doing something"—like divesting from companies doing business in South Africa—but also "doing something that was proactive and positive."

In her position, Rodin convened a group of bankers and other investors to explore the possibility of investments with a "double bottom line," which would measure not only financial gains but also social and environmental benefits from investments. In 2007, the Rockefeller Foundation convened a meeting at its conference center in Bellagio, Italy and participants at that meeting coined the term "impact investing."

The Foundation commissioned the Monitor Institute to write a report for the emerging practice. The resulting blueprint, published in 2009, identified four goals:[13]

- Creation of a common platform for investment, which led to the founding of the Global Impact Investing Network (GIIN).[14]
- Establishment of clear metrics, which emerged in the form of the Impact Reporting and Investment Standards (IRIS)[15] and the Global Impact Investing Rating System (GIIRS).[16]
- A process for working with companies, which was accomplished through funding B Lab and developed the B Corp Certification.[17]

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[12] Quote from Howard W. Buffett in interview with Adam Stepan. All further quotations of Buffett come from this interview, unless otherwise attributed.
[13] Monitor Institute, "Investing for Social and Environmental Impact," 2009 (bit.do/investforenv).
[14] Website for Global Impact Investing Network (thegiin.org).
[15] Website for IRIS+ (iris.thegiin.org).
[16] Website for the B-Impact Assessment (b-analytics.net/giirs-funds).

- Influencing public policy, including regulations such as the Employee Retirement Income Security Act (ERISA) in the United States, which mandate fiduciary duties that can act as an obstacle to impact investing.

The new call for socially beneficial investments required significant upfront capital. The process also required new kinds of collaboration and coordination. As the Rockefeller Foundation's Judith Rodin noted, "that's what philanthropic capital is for—to fund infrastructure that accelerates and allows innovation to occur."

Rockefeller Capital Management – Doing Well by Doing Good

Rockefeller Capital Management was established in 1882 to offer financial advice to the family office of John D. Rockefeller. Almost a century later, in 1979, the family office incorporated under the name Rockefeller & Co. to provide a wide range of asset management and wealth advisory services. In 2012, Rockefeller Asset Management, a division of Rockefeller & Co., was a signatory to the United Nations Principles for Responsible Investment (PRI).

The move to institutionalize its socially minded investment was a product of the "Cousins Generation," the family's fourth generation, in the 1970s. Long active in not just business and philanthropy but also in politics, the family had by now embraced a more formal, codified approach "to do good and to do well." This group, notes Jimmy C. Chang, the Chief Investment Strategist for Rockefeller Capital Management, "asked that the family office help them to find investments that would pursue their goal in terms of making contribution in education, in healthcare, on the environment, and also back then this whole movement of anti-Apartheid."[18]

Today Rockefeller Capital Management had more than 380 employees (including six dedicated ESG analysts) and managed approximately $32 billion, at the end of the third quarter of 2019, with plans to grow rapidly to reach more than $100 billion by 2025. The Rockefeller Asset Management team focuses on public equities and fixed-income investments. As shareholders in publicly traded companies, the team engages in constructive dialogue with management and exercises their influence through the proxy voting process.

The key to the process, Chang says, is using assets to influence other asset holders. "We want to leverage our voice to have a dialogue with the companies that we invest in," Chang says. "[We] try to get them to do better on certain metrics, so that over time it sets the bar higher for other companies in the industry." Step by step, the imperative to invest in a socially responsible way would spread across major sectors.

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[17] Website for The B Lab (bcorporation.net/about-b-lab).
[18] Quote from Jimmy C. Chang in interview with Adam Stepan. All further quotations of Chang come from this interview, unless otherwise attributed.

The range of social impact investing strategies runs from exclusion (divesting from segments of the economy such as fossil fuels) to active engagement (companies operating in sectors with the potential for major environmental improvements, such as energy and utilities).

Even changes in the metrics can produce a real impact on the economy and on the environment. The focus on that second bottom line can lead to major changes in mature industries, like airlines.

"Some may question, 'Why invest in a high carbon emission industry?'" said Chang. "The fact is you cannot move away from flying in the modern economy. Until we find some other means of traveling, you will have to rely on the airlines. When we engage with these companies, we talk about labor issues. We talk about more efficient planes, a lighter weight. We talk about reduction of plastic materials to make improvement on the usage of materials, which will benefit the environment."

Better-run companies, the Rockefeller team has found, tend to be more socially responsible companies as well. In the long run, those companies generate better returns for shareholders—allowing ESG investing strategies to be sustainable. The goal, Chang says, is to create a system in which companies and investors "don't have to sacrifice financial returns to be socially responsible."

From 2008 to 2018, these investments have achieved compounded annualized return of 11.1 percent for the Global Environmental, Social and Governance Equity Strategy[19], compared with the global equity market's return of 9.2 percent.[20] "It's about a 2 percent annualized alpha, or excess return over the market's return," Chang said. "We think that indeed allowed our clients to do good and to do well."

Acumen – A Non-Profit Global Venture Fund

A different approach to social investing, a non-profit global venture fund called Acumen, was established in 2001 by Jacqueline Novogratz with support from the Rockefeller Foundation, Cisco Foundation, and three Silicon Valley philanthropists. Acumen's mission is to change the way the world tackles poverty by investing "patient capital."[21]

Acumen, Novogratz says, combines the best of market and philanthropic approaches. Pondering a variety of social problems, she asked: "If you brought the efficiency of the market place with the risk orientation of philanthropy—and you married the two and you used a very long time line—might we be better placed to actually create sustainable solutions to the problems of poverty?"[22]

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[20] Rockefeller & Co. Asset Management (rockco.com/rockefeller-asset-management).
[21] Website for Acumen (acumen.org)
[22] Quote from Jacqueline Novogratz in interview with Adam Stepan. All further quotations of Novogratz come from this interview, unless otherwise attributed.

Acumen began as a team of four people with $8.5 million in original philanthropic commitments for a five-year period. The organization planned to make grants, loans, and equity investments. But in reviewing 750 opportunities in its first summer, the team found no viable investments.

"On the philanthropic side, very few program officers understood what a financial statement was," she said. "They could tell you what a budget was. On the investing side, there were very few social entrepreneurs that were structured as for-profit entities."

Acumen's first investments validated the need for long-term, patient capital. Through these first investments, Acumen could see that patient capital was desperately needed to enable these enterprises and innovations to thrive and change entire systems to better serve the poor. But what level of patience is needed to create this kind of change?

"At the beginning, our time horizon for investment was seven to 10 years," Novogratz said. "Now we see it more as a 10- to 15-year investment in intrepid entrepreneurs that are daring to go where markets and government have failed." The fields of health care, education, agriculture, and energy offered opportunities for long-term change with the right management support.

Since 2001, Acumen has invested over $117 million in 116 companies in 14 countries and eight sectors.[23] Unlike Rockefeller Capital Management, Acumen targeted a 1X return on investment, which would then be reinvested.

The 1X standard might seem unambitious, but, Novogratz says, "as it turns out, 18 years later, 1X is actually a very strong standard for this kind of super early-stage patient capital to build industries that have never existed before for people who make $1, $2, $3 a day." For early-stage investments, with entrepreneurs in underfunded industries, below-market returns are more typical. So a 1X return is reason for celebration.

"I am so excited right now not to push the impact fields towards more commercial returns," Novogratz says. "That would be a disaster. We are in a moment of the greatest inequality in our history and we need that early-stage pioneering capital to go into the early sectors as well as to create partnerships."

In some fields, like energy, more investment was necessary. After Acumen invested almost $25 million in patient capital, leveraging $150 million of further investment and reaching 50 million individuals, the firm concluded that growth to scale required rounds of $40 million to $50 million, not $4 million to $5 million. So Acumen launched KawiSafi, a nearly $70-million for-profit fund designed to invest in early-growth capital to scale companies providing clean, affordable, and efficient energy to East Africa, low-income, off-grid populations."[24]

Over time, Acumen aims to understand the particular needs and dynamics in a wide range of sectors and geographic markets. "My dream for this sector is that it continues to segment and that

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[23] Acumen 2018 Annual Report promotional brochure (acumen.org/2018-annual-report).
[24] Website for KawiSafi Ventures (kawisafi.com/origin.html).

we understand the kind of capital that is needed in early stages … and then build other kinds of funds that will attract different kinds of capital," Novogratz said. The starting point, she added, was to assess "how they impact the poor, the vulnerable, and I dare say, the Earth, because that's really our moral obligation."

To assess its progress, Acumen developed an innovative measure called Lean Data.SM LeanData SM leverages low-cost, phone-based surveys to speak directly with customers to understand how their lives have changed and how our companies can improve their products and services to better serve them.

In early 2019, recognizing the potential to make a contribution to the broader sector by scaling the approach to measuring impact, Acumen out its Lean Data SM to create a new team called 60 Decibels.

EthioChicken – An Emerging Market Bet

Acumen invested in EthioChicken, a for-profit company that provides chicks to rural farmers in Ethiopia.[25] EthioChicken breeds highly productive, disease-resistant chickens that mature fast and produce an estimated five times as many eggs as local Ethiopian chickens. The company distributes the chicks to mother-unit farmers who rear them for 45 to 60 days before distributing them to rural households. This model allows the birds to withstand a harsh environment on smaller holder farmer lots.

Since 2010, EthioChicken has distributed 52 million chickens to approximately 10 million households. The company operates 10 facilities throughout Ethiopia and has created more than 5,000 jobs. "We now have 1,300 direct employees with more than 5,500 mother-unit farmers trained to farm with chickens within the value chain," said Ulric Daniel, Managing Director of EthioChicken. "These 5,500 mother-unit farmers were distributed to more than 3.5 million Ethiopian small-holder farmers in 2019. This is where the real impact is felt as protein consumption increases in rural Ethiopia."

With the increase in productivity, farmers can produce more meat and eggs, leading to increased incomes. EthioChicken is credited with reducing childhood malnutrition from 53 to 38 percent in Ethiopia's Tigray region.[26]

EthioChicken is also poised for more growth. Working with the Ministry of Agriculture, the company plans to distribute approximately 20 million chickens in 2019. Future success depends on creating a whole network, says Fseha Tesfu, the sales and marketing director for the company:

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[25] John Aglionby, "EthioChicken: Ethiopia's well-hatched idea," *Financial Times*, March 15, 2018 (bit.do/ethiochicken)
[26] Information from interviews with Dr. Fseha Tesfu and Jacqueline Novogratz

"We need to have additional extension support, we have to have expert trainings, we have to engage the farmers as much as we can."[27]

Everytable – From Wall Street to Compton

Acumen has invested in another food company called Everytable, which makes nutritious, fresh food that is affordable and accessible to all.[28] Everytable sells healthy meals at seven stores in the "food deserts" of Los Angeles, areas that lack access to fresh produce and rely on fast food and overpriced convenience stores.

Everytable's founder, a Los Angeles native named Sam Polk, left a successful career as a hedge fund trader on Wall Street when he began to investigate the connection between food and poverty.

"A kid born in South L.A., where per capita income is $13,000 a year, will live 11 years less than a kid born in Bel Air," Polk said. "It seemed like healthy food should be a human right, just like water and shelter. The fact that we had created a society where [good food] had become a luxury product seemed not right."[29]

To address the problem, Polk created a non-profit called Groceryships (now known as Feast), which worked with families in food deserts to provide education, classes, produce, and support groups to help them to make healthy choices. But when Polk struggled to get enough donations to run and scale the nonprofit organization, he explored alternative business models. Right away, he rejected the standard model for restaurants as "inefficient."

Polk's model created new restaurant efficiencies in both labor and real estate. Everytable's seven restaurants are supplied from a central kitchen, where workers prepare meals every day from scratch. The meals are packaged in grab-and-go containers. "Because our stores don't each require a kitchen, they're much cheaper to build and operate," Polk says.

With this model, Everytable can make healthy food more affordable than can its competitors. But the company went one step further: To assure that customers could afford meals, Everytable adopted a variable pricing model.

In Santa Monica and Brentwood, a salad at an upscale eatery like Sweetgreen could cost $15. "For us, we can sell an equivalent, better-tasting salad for $7 or $8," Polk said. "But in Compton and Watts in South Los Angeles and Crenshaw, $7 or $8 is still unaffordable. In those neighborhoods, we sell the same meals for $5 or $6. The beauty is that it really allows us to go into any kind of neighborhood and make the restaurant profitable, but make the locations accessible to everybody in that neighborhood."

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[27] Quote from Dr. Fseha Tesfu in interview with Adam Stepan. All further quotations of Tesfu come from this interview, unless otherwise attributed.

[28] Website for Everytable (everytable.com/mission)

[29] Quote from Sam Polk in interview with Adam Stepan. All further quotations of Polk come from this interview, unless otherwise attributed.

Selling food for $5 to $6 has the potential for serious financial returns similar to McDonald's, Burger King, and Taco Bell, Polk says. The social mission, he says, offers a "huge advantage in terms of the capital we're able to attract, the kind of employees that we're able to attract."

Last year, Everytable closed an investment round of $5.3 million, with Acumen among the investors. The money allowed Everytable to fully build out their model in Los Angeles. Later rounds would help the company expand around the country. Polk's long-term ambition is audacious: "to be the largest food company in the world."

Early success is often the easiest part of a company's development easier for companies to achieve than longterm viability. For companies like EthioChicken and Everytable, a harder challenge is moving from the "incubator" stage to ramping up with even more outside investment.

Domestic companies like Everytable can often attract investment capital from angel investor networks and venture capital funds. But for social enterprises in emerging markets, financing is scarce. Many investors consider emerging markets too risky.

UNCDF – Supporting Social Enterprises in Developing Markets

On the global scale, the United Nations Capital Development Fund (UNCDF), created in 1966, offers financing for the "missing middle" – too big for microfinance but too small for mainstream investment. The UNCDF deploys 80 percent of its staff of 230 to Least-Developed Countries (LDCs) or in regional centers.

"We serve primarily…the least-developed countries," said Xavier Michon, the Deputy Executive Secretary of UNCDF. "So basically we are supporting incubation and acceleration of companies, but also local governments at the local level." The fund works "in spaces where development assistance hasn't reached, where economic growth has not benefited those populations, and where the private sector today is a little bit reluctant to embark."[30]

UNCDF deploys performance-based grants and loans to bridge the financing gap in these communities. The fund also provides technical and professional support in the field from seasoned professionals.

"We are trying to support that segment that today is not receiving commercial capital, so they [can] move to the next level," Michon said. "We have experts in the areas of digital finance, financial inclusion, [and] local development finance."

The UNCDF connects the worlds of the entrepreneur and investor. Under the UNCDF's "challenge fund," businesses propose innovative solutions to social problems.[31] UNCDF's laboratory allows

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[30] Quote from Xavier Michon in interview with Adam Stepan. All further quotations of Michon come from this interview, unless otherwise attributed.
[31] Website for UNCDF (uncdf.org/shift/challenge-fund-facility).

companies a chance to test a product, see how it works, and assess whether it yields hoped-for results.

In a recent call, the UNCDF asked respondents to explore the use of solar technology in development in Uganda. The UNCDF found fifteen companies that could both meet a social need and maintain a business. Proposals came from international companies seeking to test the market, as well as from national companies seeking to expand operations.

Michon sees UNCDF as a "landing strip" for investors. "The investor can land and discover the market and bring other forms of capital in a positive manner," he said.

Morgan Stanley – Mainstreaming Sustainable Investing

In just three years, from 2016 to 2019, the assets involved in sustainable investing have grown by more than a third, with total assets now reaching $30 trillion, according to a report from the Global Sustainable Investment Alliance. The largest sustainable investment strategy globally at the start of 2018 was negative/exclusionary screening at $19.8 trillion, followed by investments made for environmental, social, and governance goals ($17.5 trillion), and corporate engagement/shareholder action ($9.8 trillion).[32]

Morgan Stanley and other investment banks have concluded that environmental, social, and governance factors have significant financial implications.

Morgan Stanley has looked sector by sector to identify the environmental and social issues that can produce new financial impacts on businesses. "They may not currently be on the balance sheet or the required disclosures by the regulatory authorities," says Audrey Choi, the Chief Officer for both Marketing and Sustainability at Morgan Stanley, "but they can have real financial effect. Then how do we actually price those in?"[33]

In 2013 the investment company founded the Morgan Stanley Institute for Sustainable Investing. "We saw very early on that sustainable investing and impact investing were really important parts of the ecosystem," said Choi. "We had a critical role to play. We're focused on what are the new products or new investment strategies that combine economic return with impact returns."

After examining nearly 11,000 funds from 2004 to 2018, a 2019 Morgan Stanley white paper found "no financial trade-off in the returns of sustainable funds compared to traditional funds." Even better, socially responsible investing has a lower downside risk.[34]

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[32] Michael Holder, "Global Sustainable Investing Assets Surged to $30 Trillion in 2018," *GreenBiz*, April 8, 2019 (bit.do/sustainablesurge).
[33] Quote from Audrey Choi in interview with Adam Stepan. All further quotations of Choi come from this interview, unless otherwise attributed.
[34] Morgan Stanley Institute for Sustainable Investing, "Sustainable Reality," 2019 (bit.do/sustainablereality).

"Sustainable investing is the future of investing," Choi said. "There will be a day when it will seem like a somewhat antiquated question to say, 'Do you want the sustainable investing option or the traditional option?'"

Morgan Stanley plays a major leadership role in the investment community. Choi is working to leverage its leadership to shape investments across the industry. "We are working with some of the largest corporations [and] investors around the world," Choi said. "If you can get that scale of thinking—initially even just a little bit about impact and then over time more and more about impact—we believe you can start moving the needle with speed and scale."

Under its Plastic Waste Resolution program, Morgan Stanley is working to prevent, reduce, and remove 50 million metric tons of plastic waste in rivers, oceans, landscapes and landfills by 2030.[35]

The Future of Investing

On one idea, scholars of economics and business agree: capitalism is a system of competition, driven by the quest for market growth and profits, within the rules of acceptable behavior set by society.

Even Milton Friedman, in his seminal essay calling profits the sole goal of businesses, acknowledges that market systems may operate according to different rules and values. Once the political process devises rules for "open and free competition," companies have to decide whether it is in their shareholders' interest to pursue a single or a double bottom line.

Socially conscious investors believe that companies can not only "do good," but also "do well" by considering larger social concerns, like energy, the environment, labor, human rights, and more. Some studies seem to show that this long-term perspective yields greater returns, and for longer periods.

Today's investors have more opportunities to follow this logic than ever before. Sustainable and impact investing offers a broad range of strategies and payoffs. Acumen and UNCDF focus on incubating and enabling early-stage social entrepreneurs, providing concessionary or below-market returns. For more mature businesses, Morgan Stanley and Rockefeller Capital Management consider ESG factors that can produce improved performance and superior financial returns.

Times and circumstances change, so investors and corporations need rigorous processes for assessing the financial and social impact of their investments. That debate will twist and turn with the changing opportunities and imperatives of the marketplace, public policy, and philanthropy.

[35] "Why Morgan Stanley Is Focusing on Plastic Waste," April 16, 2019 (bit.do/plastic-pollution).