The American University in Cairo
School of Business
John D. Gerhart Center for Philanthropy, Civic Engagement and Responsible Business

FORD FOUNDATION

THE EVOLUTION OF PRIVATE WEALTH IN DEVELOPMENT:

FROM CHARITY TO IMPACT INVESTMENT

By: Noha El-Mikawy*

INTRODUCTION

Private wealth is gaining in importance as a major source of financing human development. An OECD report (2018) found that official development aid (ODA), i.e. government to government assistance, has been dwarfed by private sources of wealth. These include remittances of migrant workers, high net worth individuals , insurance giants, commercial banks, and institutionalized family endowments, whereby the latter are the smallest in the crowd.

Thus, achieving the SDGs in a region like MENA will require a transformational vision that envisages a role for private wealth without forgetting the responsibility of states. The importance of good governance of public investments and expenditures is not to be undermined as one lifts up the issue of private responsibility.

For example, one estimates that the total sum of remittances, foreign direct investments and official development assistance entering the MENA region were sufficient to meet the shortfall in funding development. But these private and public sources of wealth have been dwindling and thus the question is pertinent: what other sources of public and private wealth exist and how to employ them better for sustainable development. The Middle East controls 40% of all sovereign wealth funds (Asia controls 39.7%).(1)

A recent study by UN-ESCWA indicates that oil-rich Arab economies are investing almost $3 trillion in sovereign wealth funds outside the Arab region, and are financing the public debt of many developed economies at a volume that exceeds the entire external debt stock owned by their non-oil Arab counterparts.(2) On the other hand, the cost of conflicts in the region, with an estimated $752-$856 billion lost in terms of economic activity and material damages, has thrown the region back. Excessive military spending, currently more than double the global average share in output growth, risks further diverting resources away from sustainable and inclusive development.(3)

Accordingly, a conversation about the role of private wealth has to be had without diluting the responsibility of governments for investment in development, be that through redistributing public expenditure to benefit basic social services and welfare, or broadening the tax base, and/or removing tax exemptions. If states in the MENA region continue to show their inability to increase public spending on a transformational agenda of sustainable and inclusive development, **countries in the region will likely have to mobilize private sector financing.** In so doing, they will need to ensure such financing is subject to safeguards so as not to replace or compromise state responsibilities for delivering on inclusive and sustainable development that incorporates social, environmental, labor rights, gender equality and transparent corporate governance.(4)

*The author would like to thank the Impact Investment team at the Ford foundation in New York - Roy Swan, Margot Brandenburg and Christine Looney- for their valuable comments on earlier drafts of this paper.

(1) The biggest five are Norway, China, UAE, Saudi Arabia, & Kuwait. The next five are predominantly Asian, with Qatar, UAE, Libya among them. China has three of the top 10 sovereign wealth funds in the world.

(2) ESCWA concept paper to a League of Arab States Workshop Oct. 2018. 3 ESCWA Concept Paper for League of Arab States Meeting October 2018.

(3) ESCWA concept paper to a League of Arab States Workshop Oct. 2018. 3 ESCWA Concept Paper for League of Arab States Meeting October 2018.

(4) ESCWA concept paper for a League of Arab States workshop in October 2018.

The Boom in Private Wealth

Private giving for social good has been with us for centuries. In all regions of the world, private giving has manifested a deep-seated tradition of generosity and empathy. Private wealth made through business and/or inheritance has been over the centuries used to support charitable activities by wealthy individuals and families who gave directly to individuals, organizations and communities with no expectation of making profit or getting their money back. Most of that charitable work supported health and education outcomes of individuals and communities.

The new millennium marked a qualitative shift towards a discourse that puts private wealth at center stage. The dramatic surge in wealth over the last few decades has brought to the fore a large number of high net worth individuals. In the period 2003-2016 alone, the number of high net worth individuals rose from 7.7 million to 16.5 million; their net wealth increased from 28.8 trillion dollars to 63.5 trillion dollars [5] in the same period. This boom happened in the USA and Europe, but also in Asia Pacific and Africa and the Middle East.

This boom in private wealth has seen an exponential increase since the COVID pandemic, albeit with increasing concentration of wealth in the hands of few individuals. While many millions of citizens around the world suffered job loss or business closure, some wealthy individuals made unprecedented gains. As reported in USA Today, over only seven months since March 2020 "America's 614 billionaires grew their net worth by a collective $931 billion."[6]

Sustainable Development is a Collective Responsibility

This surge in private wealth is reflected in the international development agenda, which emphasizes collective responsibility and partnership. This agenda was ascertained in the Monterrey Consensus at the 2002 UN Monterrey Conference on Financing for Development.[7] New development aid commitments were made at the conference, including 0.7% of GNP contribution to official development aid (ODA). The document embraced other sources of financing development, esp. FDI, international trade and international financial and technical cooperation. Countries also reached agreements on debt relief and fighting corruption. With the exception of Scandinavian countries, most states around the world struggled to meet the 0.7% of GNP mark. The financial crisis in 2008 exacerbated that tendency.

The Monterrey Consensus was updated in Doha, Qatar (2008)[8] .The Doha Conference concluded with a strong commitment to maintain ODA targets. The conference also highlighted the importance of national ownership of development strategies and of an inclusive financial sector, as well as the need for strong policies on good governance, and accountability.

In 2015, a follow up conference on financing development took place in Addis Ababa. Building on the outcomes of Monterrey and Doha, it marked a turning point in international cooperation. It underscored the importance of aligning private investment, along with public policies and regulatory frameworks, to set the right incentives for sustainable development. Domestic resource mobilization continued to be central, alongside other measures aimed at widening the revenue base, improving tax collection, and combatting tax evasion and illicit financial flows.

(5) OECD Private Philanthropy for Development, 2018, p. 22. 6 Over fifty Heads of State and two hundred Ministers of Finance, Foreign Affairs, Development and Trade participated in the event. Governments were joined by the Heads of the United Nations, the International Monetary Fund (IMF), the World Bank and the World Trade Organization (WTO), prominent business and civil society leaders and other.
(6) https://www.usatoday.com/story/money/2020/12/01/american-billionaires-that-got-richer-during-covid/43205617/
(7) Over fifty Heads of State and two hundred Ministers of Finance, Foreign Affairs, Development and Trade participated in the event. Governments were joined by the Heads of the United Nations, the International Monetary Fund (IMF), the World Bank and the World Trade Organization (WTO), prominent business and civil society leaders and other stakeholders.
(8) The Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus in Doha was attended by some 40 Heads of State or Government, 9 Deputy Heads of State or Government, 50 ministers and 17 vice-ministers of foreign affairs, finance, development cooperation and trade, as well as other high-level officials of 170 States and major institutional stakeholders.

Philanthropy

Private philanthropic giving has been practiced over the centuries. It is, however, hard to estimate its total sum in dollars because most of it is given in anonymity and is not measured or counted for. The little given by institutionalized philanthropy organizations is also not well captured in all regions of the world. OECD tried to capture it and managed to reach what it estimated at only 5% of all expenditure for development. And yet, in another OECD report on philanthropy, it was clear that private philanthropy for development is an important source of funding. Surveying 143 foundations, the OECD found out that they, combined, are the third largest funder of health especially in low income and middle income countries. [9]

Social Corporate Responsibility (SCR)

SCR is another form of private giving through the devotion of portions of corporate profit to making good in the communities and for issues relevant for development, e.g. education, health, financial inclusion and environmental sustainability. SCR comes in different forms but all point towards the rising awareness among corporates of the relevance and importance of their business models and practices in the communities that surround them. Call it mission driven, environmental responsibility, good corporate governance, or other names, it boils down to a global trend showing corporate entities devoting portions of their profits to social and environmental benefits. Some corporations see such giving as an investment in their brand and customer acquisition.

According to Georg Kell, CEO of the UN Global Compact, what began as damage control by certain companies turned into an understanding that "a company's long-term financial success goes hand in hand with its record on social responsibility, environmental stewardship and corporate ethics." Currently, the Global Compact engages 8000 companies in more than 145 countries on human rights, labor standards, and environmental sustainability. [10]

Strategic Philanthropy

Strategic philanthropy is giving to address the root causes of social problems, not the symptoms thereof. For example, if many children of economically weak or racially different backgrounds are not getting equitable access to education or are not doing well in school, strategic philanthropy not only offers some of those children scholarships to address the problem of access but also spends money on research to understand why is inequitable access and differential performance happening and what policies, trends in expenditure or societal behavioral patterns may be causing systemic bias against those children. In this way, strategic philanthropy does not only address the symptom; it also supports the research and builds the evidence that informs policy reforms to address the problem at its root, not only for 1 or 10 children with scholarships. Darren Walker, the president of the Ford foundation, calls this "from generosity to justice", a paradigmatic shift that transforms private giving and makes it a force for reducing inequality. [11]

(9) With the Bill and Melinda Gates Foundation have 50% of that. See OECD Private Philanthropy for Development, 2018, p. 15-19.
(10) https://www.theguardian.com/sustainable-business/blog/five-trends-corporate-social-responsbility-global- movement
(11) Darren Walker From Generosity to Justice: A New Gospel of Wealth

WHAT IS IMPACT INVESTING AND WHAT IS IT NOT?

Impact investing is a term coined in 2007 to describe a spectrum of investment practices intended to generate social and/or environmental impact alongside a financial return. The characteristic feature of impact investment is that it denotes an investment into other ventures than one's own in order to induce social &/or environmental sustainability alongside a financial return. Poverty of marginalized women, for example, can be reduced with a good business plan to give women small loans and help them learn a craft and set up a micro business of their own. Nowadays called financial inclusion schemes, these programs are often seen as examples of impact investment because they require an investor to put up the capital for the micro and small loans that create financial empowerment for women and from that flows positive "impact" on their lives and that of their families. In several cases, microfinance moved closer to traditional finance; many banks have business lines in microfinance.

As we begin the global sprint towards the sustainable development goals (SDGs), we realize the enormity of the challenge and the needed resources to meet it. The United Nations Conference on Trade and Development (UNCTAD) estimates that achieving the SDGs will take between US$5 to $7 trillion, with a financing gap in developing countries of about $2.5 trillion. At the same time, a recent OECD DAC report shows that in 2016 the total official development assistance reached a peak of $142.6 billion, which is way below the needs.[12]

This finance gap for development requires the attention of big institutional investors whose model of investment is fundamentally about returns. They are the ones who will need to become excited about blending the return on investment with social and environmental positive impact.

The Do No Harm Phase

Since the 1980s, divestment movements around the world have asked institutional investors to consider how their investments are related to the wider world. Whether they were demanding divestment from tobacco, fossil fuels, or apartheid South Africa, these movements reminded us that our investments are part of a broad ecosystem of consequences, intended and unintended—consequences that we realized we could not ignore. These movements tried to prevent investors from harming society.

The Do More Good Phase

Now, institutional investors can begin to move from "do no harm" to exploring how "to do more good." All manner of financial institutions, from private wealth advisers to large asset owners and private equity managers, are now deploying investment modalities to meet the rapid increase in demand for sustainable investments.

That is where impact investment that achieves social/environmental impact and financial return comes in, as well as blended finance that blends public and private capital. Here are some examples:

Philanthropy foundations have been among the first to engage in social impact investment. Beyond giving out grants to individuals, civil society organizations and public entities, philanthropy foundations have since the 1960s experimented with another option, namely using a portion of their assets for social benefit with financial return. For example, the Ford foundation created in 1968

(12) http://www.undp.org/content/undp/en/home/blog/2017/7/13/What-kind-of-blender-do-we-need-to-finance- the-SDGs-.html and OECD 2018 report Making Blended Finance Work for the Sustainable Development Goals, p. 18. http://www.oecd.org/publications/making-blended-finance-work-for-the-sustainable-development-goals-9789264288768-en.htm

the program related investment ("PRI") vehicle. The Ford Foundation pioneered the practice of "program-related investments" (PRI's) to complement, not replace, philanthropic giving of grants. Since 1968, the foundation has directed more than **$740 million to PRIs**, supporting social entrepreneurs, like Muhammad Yunus of Bangladesh. The objective was to improve access to financial services, increase accessibility to affordable housing and create quality jobs." And most recently, the Ford Foundation has devoted **$1 billion from its endowment for 10 years** (i.e. roughly $100 million per year) to **Mission Related Investments (MRIs).** Like PRIs, MRIs are designed to have high social and environmental impact. But, unlike PRIs, these investments are also designed to have market rate financial returns. MRIs target areas that are central to disrupting inequality. In the United States, MRIs support the supply of affordable and inclusive housing, support greater job quality for workers and more[13]. The MRIs are intended to complement the grantmaking that the foundation has done for decades in order to expand its impact towards social justice and combatting inequality.

The global financial markets have the funds needed to cover the SDGs. **In 2015, Deutsche Bank estimated the value of global financial markets to be $294 trillion,** and this amount continues to grow as time goes by. Traditionally, this capital has been invested solely with consideration of financial returns without thought to social or environmental impact. Now, "impact investing units" are ubiquitous at the world's largest banks—Deutsche Bank, Morgan Stanley, Merrill Lynch, and so on. In the US alone, sustainable investing has grown by 33% since 2014, which is a faster rate of growth than investments in traditional markets. [14]

Institutional investors like sovereign wealth funds,[15] pension funds and insurance giants are becoming key players[16]. Institutional investors have been looked to as a potential source of financing for sustainable development, both because of the size of assets under their management, and because of the long-term liabilities of some investors, which should enable the longer-term investment necessary for sustainable development.

Around $78 trillion of the total $115 trillion in institutional investor assets at the end 2014 is held by "primary" institutional investors, such as pension funds, insurance companies, and sovereign wealth funds (SWFs), with long-duration liabilities. Sovereign Wealth Funds alone control a value of assets of up to $7 trillion; the IMF estimates $10 trillion, with oil and gas funds accounting for 70% of the total.[17]

Blended finance facilities that mobilize public and private funds are an important enabler of institutional investors. Blended finance, according to the OECD, is the strategic use of development finance for the mobilization of additional finance opportunities towards sustainable development. Seventeen of the OECD development assistance committee (DAC) members engage in blending finance. 167 facilities have been launched between 2000-2016; they have pooled and blended $31 billion of private and public sources. This is finance that absorbs risk in developing countries.[18]

The importance of taking a careful and critical look at impact investment today has to do with the magnitude of resources available, if and when public and private resources are strategically used for sustainable development. That would include public sources in sovereign wealth and pension funds as well as private resources in the hands of giant insurance, tech and financial companies and commercial banks.

(13) One of these investments is into a private equity fund formed by Jonathan Rose Companies, which develops affordable and energy efficient multifamily rental housing for low- and moderate-income residents. This company attracts private investors by offering an investment opportunity with steady cash flows and attractive risk-adjusted returns while meeting the needs of an underserved market.
(14) https://www.ussif.org
(15) Sovereign wealth funds are state owned investment funds or entities that are commonly established from balance of payment surpluses, official foreign currency operations, the proceeds of privatization, governmental transfer payments, fiscal surpluses and/or receipts resulting from resource exports. This excludes foreign currency reserve assets held by monetary authorities for traditional balance of payments or monetary policy purposes, state owned enterprises in the traditional sense, government employee pension funds funded by employee contributions, or assets managed for the benefit of individuals. Source: https://www.swfinstitute.org/sovereign wealth-fund/
(16) The Doha High-Level Conference on Financing for Development recognized that sovereign wealth funds could become an important player in green investment and thus could contribute to filling the large financing gap for investment in sustainable infrastructure.
(17) https://www.un.org/development/desa/dpad/wpcontent/uploads/sites/45/2017wesp_chap3_en.pd
(18) The partnership of Ford Foundation with Citibank and the US Treasury is a case in point. It is a blended finance of financial services for the poor which entails a certain anticipated rate of default on payment. Both Ford and the US treasury picked up some of that risk to entice Citibank to put up the needed resources for the lending scheme to materialize.

SKEPTICISM

Poverty is not a Business Opportunity

In 2005, as the MDG sprint was coming to an end and the international community was realizing that the goals will in many places not be met, voices were raised about the need to look at poverty as a business opportunity for private investors. The report of the 10th international business forum (September 2005) was titled "Fighting Poverty: A Business Opportunity." [19] With the launch of the SDGs, UNDP continues to press for this same line of thinking that frames a social or economic problem – such as unemployment or bureaucratic red tape- as a matter of financial efficiency, stressing the financial gains that would result from addressing the problem "as an investment opportunity for the private sector, guaranteed and repaid with a premium by the government with potential support from donors." [20]

Nobel Prize laureate Joseph Stiglitz reminds that we should not expect to business our way out of poverty when those who claim to want to do good are enabling inequality and not ready to finance reforms that stop it.[21] This approach has its sceptics. They argue that all institutional investors are fundamentally lenders. Their DNA is lending and thus they tend to be inherently conservative. What this means is that any complex problem or high risk investment idea is unlikely to present a compelling business case for institutional investors unless there is capacity and expertise developed to present the business model compellingly.

Anand Giridharadas is another sceptic. He argues that the Market World has adopted a stance of win-win solutions, making a difference and doing good [22] .But they have not given attention to solutions that change the rules of the game: paying better salaries, allowing unions and progressive taxation. Giridharadas, author of Winners Take All, tells us that private investors who are looking for social impact ideas are compelled by poverty, not inequality. Poverty can be relieved by short term giving; inequality is complex. They are also compelled by a focus on the victims of a problem not its root causes, which are usually systemic. Private investors, he argues, seek to maintain certain principles as taboos not to be broken, e.g. "inspire the rich to give back, but never tell them to take less" and "inspire them to join the solution, but never accuse them of being part of the problem." (page 155)

Poverty is Structural

Behind all of these skeptical views is one fundamental observation: the drivers of development failure are structural and have to do with bad governance that results in skewed domestic resources or lack thereof. So, the challenge to private wealth is not that they are asked to contribute but that they are asked to pull the cart at a time when the wheels, the load, the road, and the driver of the cart are part of the problem.

As the Social Watch Report 2014 states, by embracing market and business principles while rushing to adopt social enterprise, public-private partnerships and big corporations' solutions to poverty, we should be weary of "allowing states to outsource their responsibilities and obligations…. while pleading impotence." [23]

This does not mean that partnerships are inherently wrong. It just means that all concerned may have to be careful not to formulate partnerships and

(19) The international business forum was organized by the World Bank, the UN Global Compact, Germany and Brazil.
(20) http://www.undp.org/content/undp/en/home/blog/2017/7/13/What-kind-of-blender-do-we-need-to-finance- the-SDGs-.html
(21) https://www.nytimes.com/2018/08/20/books/review/winners-take-all-anand-giridharadas.html
(22) Winners Take All: The Elite Charade of Changing the World and https://www.washingtonpost.com/outlook/beware- thought-leaders-and-the-wealthy-purveying-answers-to-our-social-ills/2018/09/28/517c7342-b069-11e8-aed9001309990777_story.html?noredirect=on&utm_term=.559bfac05514
(23) Social-watch-report-overview2014_eng.pdf, page 32.

multi stakeholder platforms that favor the big corporations and the stakeholders who tend to "tinker at the edges of the system."[(24)] The system needs transformative reform and that includes among other things listening to civil society voices that raise the critical arguments about power imbalances.

Luckily, there is an emerging global narrative supported by some UN agencies, the World Bank as well as international NGOs, such as Oxfam, that chart a path for transforming the power imbalance. The narrative speaks of "national inequality action plans that should include delivery of universal, public and free health and education and universal social protection floors." The narrative looks at how to finance all this, highlighting contexts in which progressive taxation and clamping down on exemptions and tax dodging are feasible policies. Finally, this transformative narrative does not neglect respect for union rights, women's equal rights and more [(25)] .These are systemic changes that dispel inequality and poverty.

What to Do Now?

What is most needed today are ideas that address inequality while not diluting the focus on structural drivers of inequality, for which government action is needed, and at the same time present good opportunities for market – or close to market – returns on investment. Within that context, there are a number of barriers and opportunities.

(24) Social-watch-report-overview2014_eng.pdf, page 32.
(25) https://oxfamilibrary.openrepository.com/bitstream/handle/10546/620553/rr-commitment-reducing- inequality-index-2018-091018-summ-en.pdf page 2. See the CRI Index website: www.inequalityindex.org for the data tool, and the full report and methodology details at http://policy-practice.oxfam.org.uk/publications/the-commitment-toreducing-inequality-index-2018-a-global-ranking-of-government-620553

BARRIERS

Diversity of actors. All of the above points to a need to take seriously the building of ecosystems of diverse actors. All of the previously mentioned actors(philanthropy engaging in impact investment, social enterprises, institutional investors, blended investments etc) come with diverse business models, incentive structures and expectations about risk, return and assessment / monitoring of impact. That alone requires more attention to make sure such models and expectations, alongside language and terms, do not get in the way of accomplishing needed collaboration and building sustainable partnerships.

Misperception that social impact investment is sacrificing financial returns on investment. This is often based on lack of information about how impact and sustainable investing generate reasonable risk-adjusted returns, while also generating social returns. Roy Swan of the Ford foundation says, "in the U.S., a private equity fund that invests in multifamily affordable rental housing may publish a lower target return than a private equity fund that invests in luxury rental apartments. However, multifamily affordable rental housing in the U.S. is generally less risky than luxury housing, because vacancies are low in strong economic environments and even lower in recessions because more people need affordable housing. In contrast, in a recession, an investment in a luxury rental housing is at higher risk." Thus, when risk is considered, an investor's perspective on returns and assessment of risk could make the difference between engaging or avoiding great impact investing opportunities.[26]

There is a mismatch between business needs and investors' incentives. Innovation at the business level has outpaced innovation at the investment structure level. We are seeing a proliferation of mission-driven business models invested in using the same 2/20 structure from mainstream private equity / venture. That points to a need to match business ideas with investment structures that encourage private wealth interested in short term returns[27] and big institutional investors - like sovereign wealth funds - which are interested in longer term returns.

There is a need for measurement tools. Regions where impact investment is still nascent have minimal information about how to assess bad and good companies in which to invest. The "do no harm" movement has helped deal with that barrier in the past. Now there are tools to assess risks created by investing in tobacco companies, in fracking companies, or companies that mistreat their employees. There is, however, a need for more such assessment tools alongside tools to measure positive impact in the "do more good" direction (beyond doing no harm) in order to inform institutional investors and private equity fund managers across a wide spectrum of economic sectors and activities. Another related challenge is harmonization and regionalization of tools. With the proliferation of tools/methods to assess environmental, social and governance performance, a need for coherence and harmonization, if not consolidation, of tools is needed with special sensitivity to regional contexts.

An enabling environment is always needed and that includes regulations and human expertise. Lack of regulations that enable social investment in many countries is a barrier. Lack of experienced private asset managers who understand models and facilities of impact investment and of blended finance is another[28].In that context, there is an increasing need for de-risking facilities. While impact investment is gaining more and more popularity in OECD/DAC countries, investors are more cautious about putting their money in riskier developing markets. In these settings, ODA can provide seed money to protect, encourage or "de-risk" investment.[29]

(26) Morgan Stanley have created curated catalogues that match an investor's investment criteria with impact investment products. For example, if an investor seeks liquid investments that match the returns of the Barclays Intermediate Term bond fund, there are impact investment products fitting that criteria.
(27) An OECD report on private philanthropy states that most philanthropic foundations interviewed for the report invest along a time span that rarely exceeds 5 years. OECD Private Philanthropy for Development, 2018.
(28) https://www.forbes.com/sites/skollworldforum/2012/11/19/banks-need-to-play-a-larger-role-in-social-good/#33418b648e62
(29) http://www.undp.org/content/undp/en/home/blog/2017/7/13/What-kind-of-blender-do-we-need-to-finance- the-SDGs-.html

We are seeing a positive relationship that connects impact investing and official development aid. We have started to see a real premium to green and social bonds. Issuers (including governments) can lower their borrowing costs by using bond proceeds for social or climate purposes.[30]

The expansion in the field is enriching everyone with experience and lessons. For example, Japan's Government Pension Investment Fund, which is the world's largest pension fund, has allocated ¥1 trillion ($8.9 billion) to companies that focus on positive environmental, social, and governance practices. During the G7 Summit this year, the Canadian Pension Fund announced its intention to invest in renewable energy (solar, wind, etc). Furthermore, the expansion in the field is enriching everyone with experience and lessons. In the USA, there is burgeoning growth in the number of private equity impact funds with experienced managers raising capital from family offices, pension funds, etc.

Regulatory clarity is increasing. In the U.S., regulatory clarity has made it easier for foundations to explore social impact investment ideas. Until recently, for example, it was not clear whether mission related investments (MRIs) could meet the prudent investor standards that government sets for how foundations can invest their endowments. But in 2015, the United States Treasury clarified its position, establishing the legality of MRIs as part of a larger effort to encourage them.[31]

Measurement tools available to measure social impact have improved, thanks in large part to the work of several leading institutions. For example: Sustainability Accounting Standards Board (SASB), an independent council, has worked to standardize corporate reporting of material nonfinancial data in areas like employment, environmental sustainability, and governance. The Global Impact Investing Network has released "Impact Reporting and Investment Standards," a catalog of accepted performance metrics that helps guide investors who want to consider their social and environmental impact. The Global Impact Investing Ratings System rates companies and funds based on environmental and social impact, just as S & P rate credit risk. Here, one can also mention IFC's principles and increased momentum around disclosure and transparency.

Philanthropy organizations, such as Ford foundation, are now considering their role as knowledge producers to reduce bias against workers, poor women, people living with disability, mobile communities and diasporas. These are biases inherent in national taxation, national allocation of subsidies, tariffs, exemptions. Here is a place for philanthropy to add value. Data collection and organization can be done through grant making in support of research and knowledge production entities. Grants could also be given to empower national advisory boards that advocate for policy reforms needed to incentivize more social impact investors. Finally, intermediary entities that support funds and assess and manage risk could also be supported by institutional grants from philanthropy foundations to strengthen the capacity and training capabilities of such intermediary entities.

(30) https://www.ifre.com/story/2871194/greenium-growing-despite-surge-in-esg-bond-issuance-mfyykq6jdw
(31) IRS Notice 2015-62 was released on Sept. 15, 2015

CONCLUSION

There is a long and strong history of human desire to do good including that of private wealth owners, be they individuals, families or institutional entities. There are challenges related to varying terminology, models, and expectations among a hugely diverse set of actors. There are other barriers related to the enabling environment. Yet, the trends point to a positive future that requires building an ecosystem of partnerships among researchers and practitioners.

And there is legitimate skepticism. J. Stiglitz wrote, “Very rich people will always use money to maintain their political and economic power. But now we have another group: the unwitting enablers. Despite believing they are working for a better world, they are at most chipping away at the margins, making slight course corrections, while the system goes on as it is, uninterrupted.” This skepticism should be used to push the needle towards deep change.

Many in the new generation of young and rich entrepreneurs and professionals are no longer willing to see gross inequality fester and grow. For example, 1/5 of new companies and community foundations in Europe are investing with a social agenda in mind, be that in education, small scale energy etc. That is a moment to build on. Partnerships can provide philanthropic contribution to pick up some of the risk (examples were given in this article), support knowledge production entities, support intermediaries and foster national advisory dialogue on needed tools and policies. Today is a moment to request “all hands on deck” because the storm is too mighty.