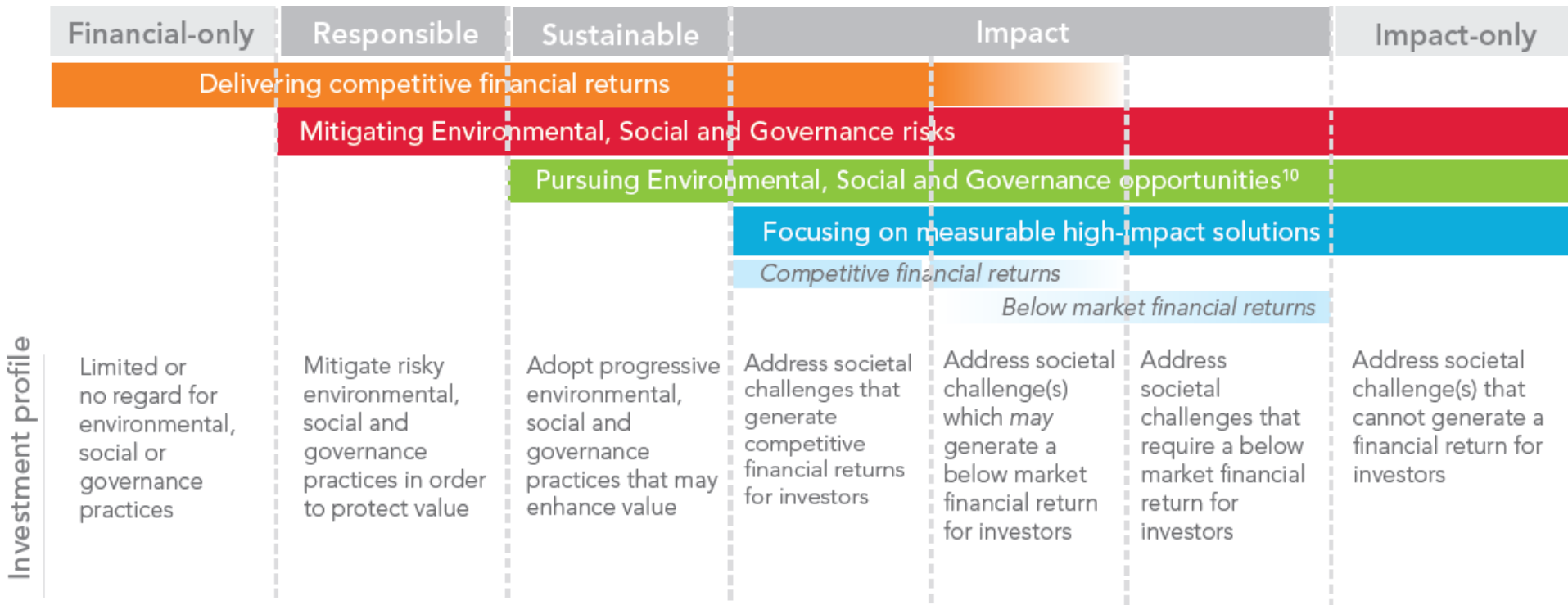




# Innovative Sustainable Finance – Definition and Fundamental Issues

**Introduction  
IFI WP1 Workshop**

**Dr. Volker Then  
Online, December 16th, 2020**



Source: OECD, Figure 2.1., p. 13.

### Strategies

#### Investment aiming at ...

**Impact-First:** focuses primarily on social and/or environmental returns and only secondarily on financial returns.

**Finance-First;** aims for financial returns, which are, however, strategically explicitly combined with social or environmental returns.

**ESG Investing (Environmental, Social, Governance):** generates financial returns but explicitly avoids social, environmental or governance risks or corresponding negative externalities.

**Socially Responsible Investment:** aims to achieve financial returns but generate positive social or

### Market Size

Market Size (2019/20)	Global	Germany
Impact Investing:	\$ 715 bn	€ 6.5 bn
ESG:	\$ 18 tr (2018)	€ 145.8 bn
Sust. Investments:	\$ 31 tr (2018)	€ 269.3 bn
SRI:	\$ 100 tr	€ 1,64 tr

### Defintion

- Private asset investments
- Combination of financial return orientation and positive social or environmental impact
- Blended value directly intended and documented
- Obligation to measure impact, to communcate it, and to use it to inform future decisions

### Approach

- Bridging financial markets and social impact markets for the public benefit

### Goal

- Strengthening of social impact sector/markets



**Contribution to a sustainable society!**

### Sectors

- Public sector
- Non-profit sector, philanthropy and civil society
- New contestant: the market sector itself

### Failures

- Market failure – hybrid models
- State failure – non-profit and civil society responses
- Non-profit failure: particularity

### Responses

- Social innovation
- Quasi-market regulation
- (Social) Impact Investment

### Welfare Regimes

- Supply side role
- R&D (demand side) role

### Market Models

- Free competition business to client
- Regulated quasi-markets in the service triangle  
producer – cost carrier - client
- Public services dominant in the field

### Hybrid Models

- Mixed financing beyond revenue for services  
(e.g. cash donations, public funding,  
volunteering)
- Co-production with clients
- Non-monetary resources relevant

### Sources of Returns

- Business with direct clients: Risk of „cherry-picking“ in unregulated private markets?
- Public funds in regulated quasi-Markets?
- Source of return: Innovation!

# Market Study Impact Investing 2020 – A Dynamic Growth Market

- The Impact Investing Market is bigger than expected and has grown dynamically in the last ten, above all the last five years.
- Impact Investing in a **narrow understanding** (Finance-First & Impact-First) has reached a market volume of approx. **€ 2,9 bn.**
- Impact Investing in a **broad understanding** (ESG & SRI) has reached a market volume of approx. **€ 3,6 bn.**

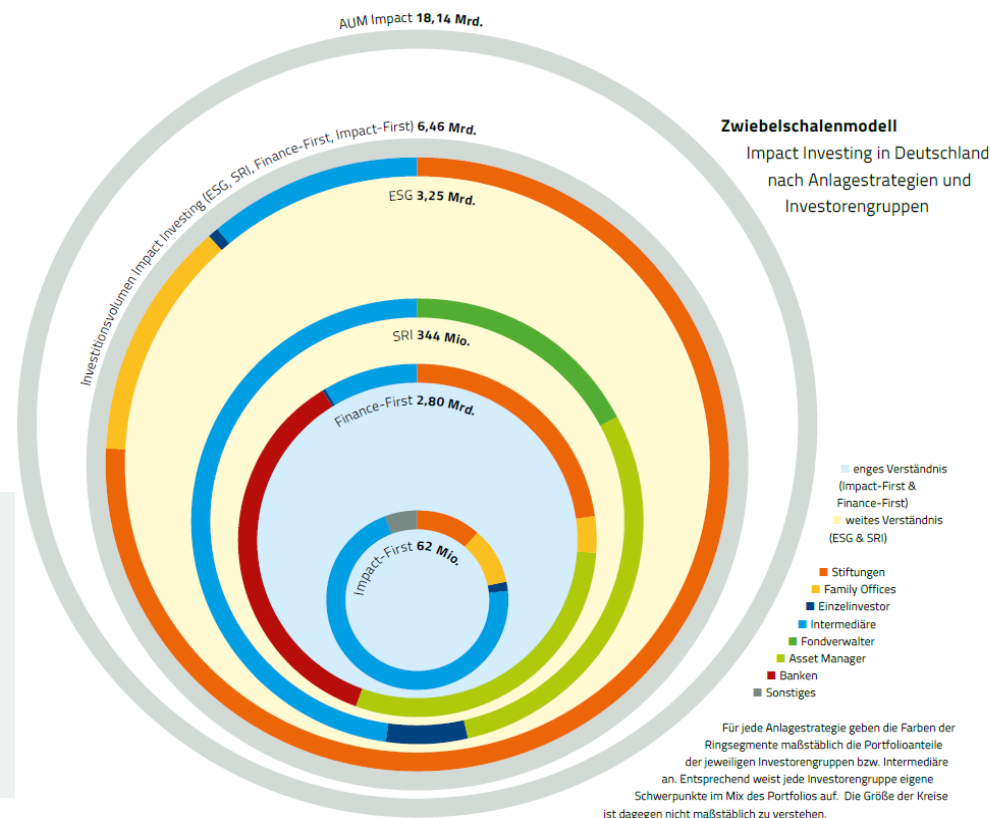
## Investment aiming at ...

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# Thank you very much!

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