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THE EMERGENCE OF IMPACT INVESTING IN FINLAND: CHALLENGES AND OPPORTUNITIES

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ABSTRACT
The purpose of this study is to examine the emergence of impact investing in Finland. The aim is to identify key challenges that hinder the emergence of impact investing. In addition, opportunities and key roles are discussed. Consequently the main research questions are: what are the most significant challenges of the emergence of impact investing, what are the key opportunities of impact investing and what actors and actions are in key position to accelerate growth.

The literature review examines the main studies of impact investing. Furthermore, it introduces the key challenges identified in the literature. Due to the novelty of impact investing, definition and origins of impact investing are carefully examined. An empirical study is carried out on how Finnish impact investing actors perceive the current impact investing landscape in Finland and what are the key challenges that hinder the emergence of impact investment. The study follows a qualitative research design in collecting data and analyzing results. Data is collected by interviewing impact investing actors. Analysis of the results is done by organizing the collected data into smaller themes in order to draw out conclusions.

The study shows several key challenges that hinder the emergence of impact investing. These challenges are categorized under three broader themes: *novelty of the field, impact investment characteristics and shortage of attractive deals*. As the market is still in its early development phase, many challenges are related to the field's novelty and are likely to be solved if the field grows and matures. Impact investing requires a change in mindset on what constitutes as profit and on how investments are made. In addition to challenges, interviewees identified great opportunities that impact investing presents, especially in narrowing the sustainability gap in public finances and tackling global issues.

KEYWORDS: impact investing, socially responsible investing, ESG, investing

1. INTRODUCTION

Today's society faces critical social and environmental issues. Challenges such as climate change, population growth and inequality cause both human suffering and substantial economic losses (Burke, Hsiang & Miguel 2015). Because of the nature and magnitude of these challenges, the government funding and philanthropic grants, restricted by limited resources and scope, are insufficient to solve them. As a result, new and innovative approaches are needed. To answer this demand, social and environmental issues have fueled the formation of a new innovative financing called *impact investing*. By utilizing approaches from the venture capital markets, impact investing aims to generate social and environmental impact (hereafter, denoted social impact) alongside a financial return (Global Impact Investing Network 2016). Although the concept of investing for social impact is nothing new, the term itself was coined only in 2007. What has changed is the increasing effort to build a formal impact investing market (Höchstädter & Scheck 2014). From the beginning, impact investing has gained a lot of attention among practitioners and service providers, the initial stage of industry development being driven by a core group of proponents (Jackson 2013a). The emergence of impact investing coincides conveniently with the aftermath of financial crisis when the financial world is under heavy scrutiny and new sustainable investment approaches are called for (Nicholls 2010).

While impact investing challenges the traditional models of investment and the concept of risk and return, the actual potential of impact investing remains under discussion (Mendell & Barbosa 2013). On one side, impact investing is argued to be the 'next venture capital' and an asset class of its own, and on the other side, it is said to be 'overhyped' (Cohen & Sahlman 2013, O'Donohoe et al. 2010; UK Cabinet Office 2013). According to estimates by Freireich and Fulton (2009) impact investing market could grow to represent about one percent of all professionally managed assets over the next ten years.

1.2. Purpose of the Study

The thesis explores the emergence of impact investing in Finland. Focus of the thesis is on the challenges impact investing faces in Finland as well as the opportunities it provides. In addition, views on the current impact investing landscape and the key roles

in accelerating growth and suggestions for action are examined. The research questions are:

- What is the current landscape of impact investing in Finland?
- What are the most significant challenges of the emergence of impact investing?
- What are the key opportunities of impact investing?
- What actors and actions are in a key position in accelerating growth?

Impact investing has received little attention in the literature and no previous academic literature concerning Finland exists. The main contribution of the study is to provide an overall understanding of this new subject as well as in identifying the challenges that hinder the emergence of impact investing in Finland.

1.3. Structure of the Thesis

The research is organized into nine main chapters. The first chapter gives an introduction of the study's background and motivation as well as the purpose of the study. Second chapter focuses on clarifying the definition of impact investing and overlapping terms. In addition the origins of impact investing are shortly reviewed. Relevant main studies are presented in the third chapter with an aim to give a comprehensive overview of the current impact investing research. The fourth chapter discusses the challenges faced by impact investing. The impact investing market both from global and Finnish perspective is reviewed in chapter five. In addition, in chapter 5.3. social impact bond is introduced because in 2016 the only official impact investment made in Finland is a SIB and few more are under development. The empirical part begins from chapter six, by introduction of the adopted methodology and research design. Chapter seven presents the results obtained from interviews. Analysis is also included in the chapter in order to answer the research questions. Conclusions are presented in chapter nine. Last chapter focuses on limitations and suggestions for future research. References and appendix are presented last. Appendix includes the interview guide as well as presentations of the interviews and their organizations.

2. DEFINING IMPACT INVESTING

In this chapter, the relevant impact investing literature is reviewed and analyzed. First subchapter focuses on the definition of impact investing by first shortly reviewing the historical background of impact investing, then defining the term and finally discussing related concepts and terms. Second subchapter reviews the main studies. The aim is to provide an overall outlook of this relatively new subject. Because the term 'impact investing' was coined only in 2007, academic research is still scarce and scattered. Research has been mainly led by practitioners; hence also some practitioner studies are included in the literature review (Clarkin & Cangioni 2015).

2.1. Historical Background

Although impact investing is a new term, the concept of using investments for social purposes is not (O'Donohoe et al. 2010). Impact investing has its roots in social and environmental corporate responsibility movements. The attention to social and environmental responsibility is said to be as old as the society itself has existed for decades (Höchstädter et al. 2014). Already in the 18th century, John Wesley, early adopter of SRI, the importance of ethics in business.

"*Gain all you can, without hurting either yourself or your neighbor in soul or body.*"

Modern discussions about corporate social responsibility (CSR) occurred in the latter half of the 20th century. Discussions stemmed from growing attention to the impact of business activity on society. In addition, economist Milton Friedman's (1970) argument that companies' only responsibility is to generate profits and increase shareholder value within the limits of law and ethical customs resulted in debates over the relevance of CSR (Carroll 1999). During the last decades various movements have preceded impact investing; ethical consumerism, business ethics, CSR, SRI and environmental, social and governance (ESG) investing (Höchstädter et al. 2014). The first investment fund using ethical screening, *The Pioneer Fund,* was founded already in 1928. During the 70s and early 80s SRI emerged in the US and in the late 80s spread across the world (Sparkes 2002). Since the early 1990s, the SRI industry has experienced substantial global growth and become a global practice, reflecting investors' growing awareness of ESG issues (Sparkes 2002; Renneboog, Horst, Zhang 2008).

The social finance movement where investments were used to actively create social impact began in the 2000s. Social finance is often used as a synonym to impact investing, however it differs from impact investing in that unlike impact investing, social finance also includes grants. Impact investing is often regarded as a sub-type of social finance (Moore, Westley, Nicholls 2012; Höchstädter et al. 2014). The global development of social finance and then in 2007 impact investing happened somewhat organically. The financial and economic recession led to a decrease in public spending and an increase in demand for social support and services. Simultaneously awareness on environmental issues grew. While economic recession created new opportunities for social sector and social enterprises, decrease in philanthropic grand donations led social enterprises and charities to look for non-grant funding (Clearly So 2011; Huybrechts and Nicholls 2012). In addition, an increasing number of investors started looking for opportunities to invest in mission-driven organizations in order to maximize blended value of their investments (Harji & Hebb 2010).

2.2. Definition of Impact Investing

A degree of uncertainty around the definition of impact investing exists. Impact investing suffers from clear definitional boundaries and overlapping use of terminology (Höchstädter et al. 2014). However, in terms of scoping and sizing the market, establishing a common terminology is crucial and would benefit policy makers, practitioner and researchers (OECD 2015). Due to this definitional uncertainty, it is essential to clarify what the term impact investing refers to in this study.

A generally accepted definition of impact investing includes an expectation of both financial return and non-financial impact (Höchstädter et al. 2014). Global Impact Investing Network (Global Impact Investing Network 2016) defines impact investments as *"investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return"*. Similarly, according to Hebb (2013) *"impact investing occurs anytime there is a deliberate decision to achieve both a financial return and an ancillary social and/or environmental benefit from the investment opportunity"*.

Table 1. Characteristics of impact investing (Grabenwarter & Liechtenstein 2011).

Five characteristics of impact investing
1. Profit as an objective
2. Positive correlation between intended impact and financial return
3. Intentional pre-determined social impact
4. Measurable impact
5. Net positive impact on (change to) society

Key components of impact investing are the *intent* to create social impact and the *measurability* of created impact. Impact investing differs from traditional investing in that it proactively pursues social impact. It is not limited to certain "demographies or geographies, sectors, or impact objectives, asset classes, or financial instruments". In general, all asset classes and financial instruments can be used, though impact investing has focused mainly on venture capital, private equity and debt. In addition, public debt and equity as well as quasi equity and guarantees are used to some extent. Investors are entitled to financial return from their investment. The pursued return varies between return of capital and above-market-rate. Investments are made for both developed and emerging markets. (Bugg-Levine & Emerson 2011:10; Höchstädter et al. 2014.)

Impact investing has many alternative terms and related concepts. Impact investing differs from similar socially responsible investing concepts in that instead of being designed to minimize negative impact, it proactively pursues to create positive impact. Diverse use of terms and lack of clear boundaries between similar concepts results in incorrect and unclear use of them. Terms such as blended value – investing (Bugg-Levine et al. 2011), social finance (Höchstädter et al. 2014), philanthropic venture capital (Scarlata & Alemany 2011), social investment, double and triple – bottom – line investing, mission – related investing and social venture capital are commonly used to describe investments with a social mission (Bugg-Levine et al. 2011).

2.3. Overlapping Terms

Academic literature refers to the broad genre of investment practices that integrate a consideration of environmental, social and governance (ESG) criteria by multiple names. Common terms include *Responsible Investment* (e.g. Dembinski, Bonwin,

Dommen & Monnet 2003)*,* *Ethical Investment* (e.g. MacKenzie & Lewis 1999)*, Sustainable Investment* (e.g. Koellner, Sangwon, Weber, Moser & Scholz 2007)*, Socially Responsible Investment (SRI)* (e.g. Renneboog et al. 2008)*, Social Investment* (e.g. Dunfee 2003) and *ESG investing* (Himick 2011). These terms lack clear boundaries and are often used interchangeably. This can cause confusion and lead to an incorrect use of terms (Höchstädter et al. 2014).

On a general level, the broad definitions of the above mentioned terms do not differ dramatically. Ethical investment is defined as *"set of approaches which include social or ethical goals or constraints as well as more conventional financial criteria in decisions over whether to acquire, hold or dispose of a particular investment*" whereas sustainable investment consists of taking "*sustainable social, ethical, socioeconomic, and environmental aspects into account simultaneously*" (Cowton 1999; Koellner et al. 2007). Similarly, social investment refers to "*any investment strategy based upon identifiable non-financial criteria incorporating a social or religious criteria*" (Dunfee 2003). Although responsible investment is also defined similarly as *"an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions",* the aim is purely to "*better manage risk and generate sustainable, long-term returns"* and ESG criteria is considered part of general risk an opportunities framework. (UNPRI 2016). The same applies for ESG investing that integrates ESG criteria into investment practices while pursuing competitive financial returns (Himick 2011). Eurosif (2014) defines ESG integration as "…. *the explicit inclusion by asset managers of ESG risks and opportunities into traditional financial analysis and investment decisions based on a systematic process and appropriate research sources….*"

2.4. Socially Responsible Investing

SRI is an investment strategy that is closely related to impact investing, as it similarly considers environmental, social and governance criteria in its investment decisions. However, though similar, impact investing is distinct from SRI and it is even considered to go beyond SRI. Consequently, SRI is considered as an umbrella term for impact investing and other sustainable investing strategies. (Höchstädter et al. 2014.) For the purpose of this study, it is important to clarify the differences between these two concepts. Because of that, SRI is explained in the context of impact investing.

SRI is defined as *"financial initiatives, which seek to integrate ethical, social, environmental and/or corporate governance concerns in the investment process"* (Sandberg, Juravle, Hedesström, Hamilton 2009). It typically "*engages in the local communities and shareholder activism to further corporate strategies towards the ecological, social, corporate governance or ethical aims*" (Renneboog et al. 2008). SRI often uses negative or positive screening in order to invest responsibly. Investors' investment decisions rely heavily on ratings by social rating agencies (Renneboog et al. 2008). SRI market has experienced notable growth moving from a niche market to mainstream. As large investment institutions have adopted SRI as an investment philosophy, the market has also matured. Moreover, the development of SRI has put pressure on major companies to adopt corporate social responsibility factors in their business (Sparkes & Cowton 2004; Revelli 2015). In addition, the financial crisis (2008-2009) that led to a demand for better practices also accelerated the mainstreaming of SRI (Revelli 2015).

Like mentioned above, SRI is based typically on investment screens to select or exclude assets making it more of a passive investment strategy while impact investing is more proactive and intentional in creating impact (Renneboog et al. 2008). Creating impact is a priority and a driver for impact investors and investors actively seek to invest in companies that create positive social or environmental impact hence impact is at the core of the value proposition (Höchstädter et al. 2014). In contrast, SRI is used more as a "do not harm" strategy to manage risk and create higher returns (Weber 2010, Revelli 2015). There is no requirement in SRI to measure and report potential impact whereas measuring impact is a key element of impact investing. In addition, also the expected financial return distinguishes impact investing from SRI. While the required return of impact investing varies from below-market returns to above-market returns and investors may be willing to accept a lower financial return in favor of social impact, SRI investors seek commercial returns (Höchstädter et al. 2014). Furthermore, impact investing and SRI differ in the nature and size of investments (Ckineticks 2012: 5). SRI is generally linked to publicly traded bonds, stocks, or funds and focus is on large corporation. In contrast, impact investing typically targets small enterprises and makes direct investments using private equity or debt (Fleming 2012; Saltuk, Bouri, Mudaliar, Pease 2013). However, it is good to note that either SRI or impact investing are not restricted to these specific types of investments.

SRI has also received criticism. A study by Revelli (2015) reveals that as the SRI moved from a niche market to mainstream with a simultaneous growth in performance,

the main objective shifted from an ethical goal to a financial one. The motivation behind SRI is nowadays foremost financial impact and rehabilitating legitimacy whereas ethics is secondary. Furthermore, a new form of SRI has emerged that is less restrictive and includes consideration of some ESG issues by management. As a conclusion, the study suggests placing ethics again at SRI's core. Individual investors have to be able choose investments based on their own values from a global investment universe not only from a pool of best risk/return securities rated by rating agencies. As a result, investors can become active actors in their investment decisions and will be able to express their values through investment. As the development of impact investing ecosystem also faces risk of mission drift, the experience from the growth of SRI market can provide valuable insight as well as impose an important question on whether impact investing should move to mainstream.

3. MAIN STUDIES

This chapter identifies the main studies of impact investing. It summarizes current research and aims to give a comprehensive outlook of the most relevant impact investing studies.

Due to the field's novelty, academic literature on impact investing is scarce and scattered, but growing (Emerson & Spitzer 2007; Nicholls 2010; Moore, Westley & Nicholls; Evans 2013; Jackson 2013a; Mendell et al. 2013; Clarkin et al. 2015). One of the first introductions to impact investing can be found in Emerson's *Blended Value Proposition* (2003) where the concept of maximizing blended value, which integrates financial and social returns, is presented. In this study, Emerson states that the challenge of the future is to build frameworks and metrics in order to comprehensively assess the total performance and return of investments.

The term *impact investing* was coined only in 2007 with a purpose to create a common term to describe investments that aim to generate both financial return and measurable social impact. However, due to its novelty several aspects of impact investing are still lacking consensus, starting from the lack of common definition and terminology. A research using content analysis to study the use of the term *impact investing* both in scholarly journals and practitioner literature reveals inconsistencies on definitional, terminological and strategic level (Höchstädter et al. 2014). Furthermore, there is an ongoing debate over whether impact investing is an asset class of its own or an investment approach that spans across different asset classes, geographies and sectors (O'Donohoe et al. 2010). Another debate concerns whether a trade-off between risk-adjusted market-rate returns and high social impact is inevitable (Evans 2013). One point of view is that these two objectives are positively correlated and hence can be attained simultaneously (Grabenwarter & Liechtenstein 2014). Furthermore, based on the interviews with impact investors, a study by Grabenwarter et al. (2014) argues, that impact investing is defined exactly by the lack of trade-off. By contrast, the other point of view (O'Donohoe et al 2010, Cheng 2011) suggests that investors have to sacrifice one return in the expense of the other. Depending on which return investors prefer to maximize, investors can be divided into impact first and financial first investors (O'Donohoe et al. 2010).

Current academic research on impact investing discusses a broad variety of topics with some recurring themes. Recurring themes include investment structures (Brown 2006; Edery 2006; Scarlata & Alemany 2010; Sunley & Pinch 2012; Lyons & Kickul 2013; Evans 2013), institutionalization of impact investments (Nicholls 2010; Wood, Thornley, Grace 2013) and impact evaluation (Global Impact Investment Network 2011; Antadze & Westley 2012; Best & Harji 2013; Jackson 2013b; Social Impact investing Taskforce 2014).

Contributing to the trade-off debate, a study by Evans (2013) proposes a framework that enables investors to determine whether and how to invest without a trade-off. The framework is based on an application of multitask contract theory and an analysis of incentives in multitask principal-agent relationships and recognizes the challenges of investment management under two objectives. The study suggests application of principal-agent theory to impact investments, making a remark that contract design and right incentives with right performance measures do matter. However, the author also argues that the need to implement incentives is against the ideal vision of impact investing, as all participants should be aiming for both the financial and social return. A paper by Brown (2006) presents a similar notion of conflicts between different interests. While equity finance for social enterprises has many benefits such as providing capital for growth, releasing social enterprises from the obligations of debt as well as no obligations to repay shareholders, potential conflicts between shareholder interest and social objectives make it's use controversial. The paper presents different options for the design of equity finance in social enterprises depending on the motives of investors. The focus is on variations of a set of ownership rights, namely liquidation rights, income rights, appreciation rights, voting rights and transfer rights, in order to overcome the critical problem of designing equity finance for social enterprises that is the *"the lack of agreement about the underlying values and principles"*. The paper argues that the ordinary share capital design is not suitable for social enterprises as it purely focuses on the financial return and instead suggests a range of options regarding limited rights in equity finance design for social enterprises. Furthermore contributing to the subject, Scarlata et al. (2010) examine the deal structuring in philanthropic venture capital (PhVC) investments and discovers that the non-distribution constraint of non-profit social enterprises is an effective tool in aligning the interests of investee and investor. The study analyzed a set of semi-structured interviews with PhVCs and surveyed PhVC funds in Europe and in the United States. The findings suggest that while moral hazard is not a severe issue in financing non-profit SEs, it is relevant in financing for-profit SEs. This is because the non-distribution constraint is not applied in financing for-profit

SEs and as a result for-profit financing is more similar to traditional venture capital investing.

Because SEs have difficulties in meeting the demands of traditional capital, new sources of capital such as patient capital, characterized as long-term and risk-tolerant, are needed for growth after the SE's seed stage (Lyons et al. 2013). Even though new sources of financing have emerged, a study (Sunley et al. 2012) examining the diversification of SE financing found limited change in demand for loan finance. The study aims to explain this by comparing two theoretical perspectives on SE development. The first perspective relates to financial survival of SEs in resource poor environments and the second perspective relates to reliance of learned habits and practices of operating in SE's environment. The study is based on limited sample of 40 in-depth interviews with SEs in England. The findings suggest practical and adaptive financial management in SEs that is cautious. The results implicate that it is unrealistic to expect a radical shift towards traditional financing in SE financing, as they require softer finance and support from intermediaries. Nevertheless, financial intermediaries providing loans for SEs have emerged. Research (Edery 2006) conducted on eight financial intermediaries providing loans for SEs argues that the increase in ethical awareness in society has enabled the creation and success of the ethical financial intermediaries. The rise of ethical intermediaries have the potential to influence mainstream lenders by allowing SEs to establish credit ratings and by encouraging mainstream lenders to adapt ethical policies themselves as a result of success of profit-making intermediaries. While research on financing SEs has developed, a scan of the social enterprise financing landscape including impact investing reveals several research questions that still need to be addressed (Lyons et al. 2013). Research is warranted in a variety of fields such as entrepreneurship, finance and economic and with an aim to understand how financial sustainability and social impact of firms are assessed as well as what affects the investor's investment decision.

Logically as measuring impact is fundamental to impact investing, metrics have received notable recognition in the literature. For the industry to grow and gain legitimacy, developing standardized, industry – wide impact metrics are of great importance (Antandze et al. 2012; Geobey et al. 2012, Jackson 2013b). Recently, standards and metrics, such as GIIRS ratings and IRIS metrics, have emerged increasing transparency, accountability and comparability of impact investments (Tuan 2008; Brandenburg 2010; Bugg-Levine & Emerson 2011, GIIN 2014, IRIS 2016). Yet, because of the complex process of creating social impact, these metrics are not

necessary sufficient. In order to clearly evaluate the additionality of impact investments and to assess social innovation as a process, approaches from developmental evaluation are shown to be useful (Antadze et al. 2012; Jackson 2013b). Theory of change, an approach and framework from developmental evaluation, is already used by some impact actors, providing a cost-effective way to evaluate actual outcomes at all levels and among all stakeholders. However, the study argues that theory of change needs to be implemented more thoroughly to all levels of the field in order to build an impact investing industry that is "*adaptive, transparent and self-sustaining*". In addition to the framework of theory of change, development evaluation provides multiple other strategies and methods such organizational assessment tools, participatory evaluation as well as social return on investment that coul be implemented to impact evaluation. (Jackson 2013b.)

Another factor influencing market growth is the participation of governments and institutional asset owners. Governments play an important role as "*underwriter, co-investor, regulator, procurer of goods and services, or provider of subsidies and technical assistance*" (Wood et al. 2013). Fortunately, reports by the G8 Social Impact Investing Taskforce (2014) and OECD (2015) show promise that governments are interested in advancing the impact investment industry. Through public policy, governments can promote impact investments by institutional asset owners that are constraint by fiduciary duties. This is especially important as institutional investors can have a substantial effect on the impact investing industry as investors due to their large assets. In addition, participation of institutional investors can legitimize the field due to their eminent position and catalyze other investments. As a result, coordination between policy makers and institutional asset owners is vital (Wood et al. 2013). Furthermore, Nicholls (2010) discuss that the institutionalization of impact investing is largely dependent on investment logics and investor rationalities, presenting three future scenarios for impact investing based on dominant investor rationality. The first scenario, *absorption,* suggests impact investing could move into the mainstream financial markets and, potentially be absorbed by them while the second scenario, *parallel institutionalization,* sees impact investing as something to stay in the margins of mainstream and only intersect on occasions. The third scenario, *institutional transformation*, proposes that impact investing values and rationales eventually lead to a systemic change across all investments. Even though they are different, all three scenarios indicate that the field continues to grow. These scenarios are not without limitations as is noted in the paper and proposes testing these propositions.

In general, literature on impact investing presents a positive and optimistic outlook for the future of impact investing (Clarkin et al. 2015). However, few studies also address the multiple barriers and disincentives that still exist and hinder the emergence of impact investing (Nicholls & Pharoah 2008; Glänzel & Scheuerle 2015; Ormiston, Charlton, Donald & Seymour 2015). These challenges can be arranged along three dimensions: "financial returns, social returns and the relationship between individual investors, investees, and the surrounding infrastructure" (Glänzel et al. 2015). Challenges such as a lack of attractive impact investing deals (Saltuk & Idrissi 2015), a lack of standardized metrics (Antadze et al. 2012; Jackson 2013b) and a lack of supporting infrastructure (Mendell et al. 2013) all limit the participation in the impact investing market. From the investee perspective, obtaining financial capital to finance growth and scale impact remains to be the key challenge (Brown 2006). Other challenges include lack of impact investing expertise (Ormiston et al. 2015), impact investments incompatibility with traditional investment portfolios (Brandstetter et al. 2015) and legal complexities (Clarkin et al. 2015).

Literature also examines the need for risk assessment and portfolio tools (Harold, Spitzer, Emerson 2007; Ottinger 2007; Geobey et al. 2012; Brandstetter et al. 2014) as well the impact investing market and platforms (Mendell & Barbosa 2013). Regarding risk assessment and portfolio tools, impact perspective raises questions on what are the effects of demanded social return on financial risk as well as what risks influence the social returns. Because current tools do not include social return and risk perspective, impact investments do not fit into the portfolios of traditional impact investors. Brandstetter et al. (2015) contribute to this issue with a proposal of a model that is based on the Black-Litterman asset allocation model and integrates social and environment perspective into the traditional portfolio allocation logic with financial perspective. Geobey et al. (2012) also propose an alternative evaluation model, "*developmental impact investing"* and identify three sources of difficulty in risk assessment: setting boundaries of what to measure, integrating investors' heterogeneous values and managing the first two sources in an affordable and easy way as not to discourage innovation. The developmental impact investing cycle aims to measure the impact in order to develop understanding and this understanding in turn guides impact investment.

4. CHALLENGES OF IMPACT INVESTING

This chapter focuses on the key challenges of impact investing found in the literature. Due to the lack of research, also practitioner surveys are employed.

"*The impact investing industry still suffers from inefficiencies that limit its impact. The challenges it faces include the lack of efficient intermediation, which implies high search and transaction costs, fragmented demand and supply, complex deals, and underdeveloped networks*." (Lyons & Kickul 2013).

Table 2. Key challenges of impact investing. (Saltuk et al. 2013).

Key Challenges of Impact Investing
• Shortage of attractive impact investment deals with track record
• Blended capital curve
• Scalability
• Sourcing deals/investment costs
• Inadequate impact measurement practice
• Difficulty exiting investments
• Lack of appropriate capital across the risk/return spectrum
• Lack of innovative deal/fund structures accommodate portfolio companies' needs
• Lack of research and data on products and performance
• Lack of investment professionals with relevant skills

From the investor perspective, key constraints that limit the industry growth are the shortage of attractive impact investment deals with track record and lack of appropriate capital across the risk/return perspective investments (Saltuk et al. 2013; 2015) Investment options that meet the required return are hard to find. Especially the impact-first investors, who generally require market rate returns, are facing a shortage of competitive investment options. Moreover, impact investments are lacking sufficient track records that demonstrate the likelihood of impact investments to generate positive returns as well as the "investment-readiness" of investees (Huppé & Silva 2013). As a result, a market gap between the supply of capital intended for impact investments and the availability of impact investment options prevail.

Furthermore, the exit strategies for impact investments are limited, making it difficult to exit investments. This holds true especially for developing markets with

underdeveloped capital markets that are not able to provide investors suitable exit options in reasonable time (Saltuk et al. 2015) . Impact investments are relatively illiquid and the market is fragmented, adding an element of risk (Mendell & Barbosa 2013). For instance, a J.P. Morgan study (Saltuk et al. 2011)surveyed that about 90 percent of impact investments are private equity or private debt. While the traditional exit strategy for private backed companies has been an initial public offering, for impact companies it is generally out of reach. In order to improve liquidity and to increase exit options, secondary markets for impact investments and new financial products that provide exit strategies are needed (John 2007; Mendell & Barbosa 2013). All in all, the lack of impact investing market infrastructure.

Since institutional investors have a fundamental role in the global capital markets, they also present an important role in the emergence of impact investing. However, institutional investors are constraint by fiduciary duties of risk and return. To evaluate financial risk and return, institutional investors apply conventional portfolio allocation frameworks that do not yet know how to include social risk and returns. Since institutional investors rely on optimized asset allocation and impact investments do not match the logic of traditional finance tools, institutional investors are unable to fully participate in the impact investing market (Brandstetter et al. 2014) . In fact, J.P. Morgan survey identified “lack of innovative deal/fund structures to accommodate investors’ or portfolio companies’ needs” as a challenge to the growth (Saltuk et al. 2011).

In addition to the above – mentioned challenges, several others exist. It is important to understand the strategic challenges faced by an impact investor. As a result of asymmetric information concerning the pursue of agreed goals and the generation of financial and social returns principal-agent problems arise (Alemany & Scarlata 2012; Evans 2013). Furthermore, no widely accepted framework that allows impact investors to determine if there will be a trade-off between social and financial returns or how to avoid it exists (Evans 2013). Evans (2013) continues to argue that “one of impact investment’s critical challenges is to come to an industry-wide and public consensus as to when and why an impact investor will struggle to generate strong financial returns alongside high impact”. This will “help investors to rationalize their portfolios, focus on entrepreneurs or businesses that are most likely to meet their risk-returns-impact requirements, and better learn from failed investments”. In addition, the valuation of social enterprises during the deal structuring process is difficult (Alemany et al. 2010). Andatze and Westley (2012) also found that measuring or even quantifying the social

impact is difficult. The lack of common evaluation and impact measures not only complicate the performance measuring but also cause high transaction costs for investments (Social Investment Taskforce 2014a). The legal form of social enterprises also causes problems, among others that it limits the access to capital due several regulations (Mendel et al. 2013)

5. OVERVIEW OF THE IMPACT INVESTING LANDSCAPE

This chapter examines the size and potential of the impact investing market. In addition, market's development phase is discussed. Both global and Finnish market are examined.

5.1. Global Impact Investing Market

Impact investing market is still in the early development stage, representing only a small share of the global capital markets. Because of its constantly growing nature and the lack of clear common definition it is difficult to estimate the exact size of the current market (Wilson, Silva, Richardson 2015). Nevertheless, some estimates about the current and potential size have been made. According to GIIN, 60 billion dollars of impact investments are under management among its members. Furthermore, study by GIIN and J.P. Morgan (2015), based on a survey of impact investors, found that 48 percent of impact investments are in emerging markets. However, 78 percent of impact investments are headquartered in Northern America and Europe. The estimated potential of impact investing market in only five sectors – urban affordable housing, rural access to clean water, maternal health, primary education, and microfinance – varies from 400 billion to one trillion dollars by 2020. Potential profit estimate varies from 183 billion to 667 billion dollars (O'Donohoe et al. 2010).

In 2010 the global impact investing industry was in a transitional stage, moving from "uncoordinated innovation" phase to the "marketplace building" phase (Freireich et al. 2009). By 2012, it had moved onto the second phase with the potential of transitioning to the "capturing the value of the marketplace" phase (Harji & Jackson 2012). The estimated potential of impact investing market in only five sectors – urban affordable housing, rural access to clean water, maternal health, primary education, and microfinance – varies from 400 billion to one trillion dollars by 2020. Potential profit estimate varies from 183 billion to 667 billion dollars (O'Donohoe et al. 2010).

Table 3. The evolution of impact investing market (Freireich and Fulton 2009).

PHASES OF INDUSTRY EVOLUTION (Freireich and Fulton 2009)			
UNCOORDINATED MOTIVATION	**MARKETPLACE BUILDING**	**CAPTURING THE VALUE OF THE MARKET PHASE**	**MATURITY**
Disparate entrepreneurial activities spring up in response to market need or policy incentives.	Centers of activity begin to develop.	Growth occurs as mainstream players enter functioning market.	Activities reach a relatively steady state and growth rates slow.
Disruptive innovators may pursue new business models in seemingly mature industries.	Infrastructure is built that reduces transaction costs and supports higher volume activity.	Entities are able to leverage the fixed costs of their previous investments in infrastructure across higher volumes of activity.	Some consolidation may occur.
Characterized by lack of competition except at top end of the market.		Organizations become more specialized.	

5.2. Impact Investing in Finland

Impact investing in Finland is still in its infancy. In 2014 the Finnish Innovation Fund Sitra introduced impact investing in Finland and has since led the market development. Sitra established impact investing focus area that aims to build an impact investing ecosystem and to bring various stakeholders together to build a market place for impact investments. In 2015, a national steering group to support impact investing market in Finland was established with various representatives of investors, the public sector, organizations and research institutes. The first Social Impact Bond in the Nordics was launched in 2015 by Sitra, We - foundation and a private financial investor. The SIB aims to improve occupational well-being in the public sector and is managed by Epiqus Oy, the only fund manager in Finland dedicated to impact the moment. Another SIB by Sitra and the Ministry of Employment and the Economy is under development. The aim of the SIB is to improve refugees' social integration by improving employment (TEM 2015). Beside the two SIBs, there are not other impact investments carried out in Finland, at least not publicly. (Sitra 2015a; 2016a; 2016b.)

Among other objects, impact investors can invest in social enterprises. There are an estimated 19 000 self - identified social enterprises in Finland, largely acting in the social - and healthcare sector. Together these enterprises employ around 125 000 people, making it a significant employer in Finland. However, generated social impact is largely unknown since it is not measured or reported in practice. This is problematic as measurable and measured impact is a key element when seeking capital. According to a survey social enterprises in Finland are facing difficulties in raising capital and over one fourth of social enterprises have passed an investment project due to difficulties of accessing capital. (Kotiranta & Widgren 2015) As a result, social enterprises are largely financed by public sector and not by private sector that demands verified impact. To support social enterprises' business development, Sitra has started impact accelerator programs that focus on modeling and measuring impact and as result in making social enterprises investment ready (Sitra). As can be seen, it is evident that the impact investing market is in its early development phase. Only few impact actors currently exist, but interest on the topic is growing.

5.3. Social Impact Bond

A social impact bond (SIB), also known as pay-for-success financing, is an innovative financial mechanism that provides investors an opportunity to fund public services and take part in preventive interventions. A SIB is constructed as a contract between public or nonprofit service providers, private investors and public sector. Despite the name, it is not an actual bond. Whereas a bond provides a fixed interest rate and guaranteed repayment of the principal, SIB’s return is not predetermined but depends on the achieved and verified social outcome. If the desired outcomes are achieved, investors are paid back their initial investment and an additional return on investment. As a result, SIB investors face a considerable risk of losing all of the invested capital (Warner 2013.)

Godeke and Resner (2012: 5) provide a good simple explanation of a SIB ”A government enters into a contract to pay for social outcomes – e.g., declines in prison recidivism rates – not just outputs. Investors fund the cost of running the program which creates the social outcomes. The government pays investors for the costs of these services plus a return on their investment if the outcomes are created. The outcome performance risk may be transferred to the investors or shared among the stakeholders (investors, philanthropy, service providers, and the public sector).”

SIB provides many benefits for stakeholders. For public sector, a SIB removes financial risk of program failure and shifts risk to investors. Public sector only pays for realized results. In addition, SIBs provide additional resources to finance social services. This benefits cash-strapped public sector as well as public service users. The pay-for-success model also corrects service providers' poor incentives, increases transparency and allocates funds to projects that have the greatest impact. Furthermore, a SIB provides a new, ethical investment opportunity for investors. (Disley, Rubin, Scraggs et al. 2011; Warner 2013.)

Although SIBs show great promise, also concerns have emerged. Some leading impact investing actors have expressed concerns about the difficulty of actually achieving social outcome targets that are sometimes very ambitious. Social outcomes depend on diverse set of factors that are not all included in the design of program financing. Therefore, realistic targets that can be measured and attained during the financing period are called for. Another concern is related to evaluation as it plays a critical role in realization of financial returns. In order to assess SIBs transparently, evaluation needs to be designed carefully (Jackson 2013b). The financialization of social services also raises questions regarding "creaming of the population most likely to benefit, transaction costs of program design, budget liability and risk, and potential stifling of further program innovation in order to ensure continued private returns" (Warner 2013).

The world's first SIB, the Peterborough SIB pilot was launched in 2010 in the UK. It aimed to reduce prisoner recidivism and have been evaluated as an effective financial model and a success. Interim results show that the rate of reconviction had declined while the national rate increased (Ganguly 2014). Since the Peterborough pilot, many advanced economies have introduced SIBs. In the United States the first SIB was announced in 2012 for youth offender rehabilitation (Warner 2013). SIBs commonly target issues such as mortgages for affordable housing, equity in organic farms, loans to renewable energy businesses, the securities of micro-lending institutions, and working capital for businesses owned by gay and lesbian entrepreneurs (Harji & Jackson 2012). Research shows that SIBs are fast becoming a part of the social policy landscape (Jackson 2013). The first SIB in the Nordics was launched in 2015 by Sitra, We - foundation and a private financial investor. It is also the first official impact investment made in Finland. It aims to improve occupational well-being in the public sector. In the spring 2016, a second SIB in Finland is under development (Sitra 2015a; 2016).

6. DATA AND METHODOLOGY

The data was collected from existing and potential Finnish impact investing actors. Potential impact investing actors were also included because of the infancy of impact investing in Finland. Because of the exploratory nature of the study, a qualitative approach was adopted to study the emergence of impact investing in Finland as well as the challenges and opportunities in investing for impact. Current and potential impact investing actors were interviewed for their perspectives on the state of impact investing in Finland. Semi-structured interviews were chosen to allow the interviewees to present and develop their own views on the research topics. Issues that were investigated were the barriers and drives of the emergence of impact investing in Finland.

6.1. Research Approach and Strategy

The purpose of the research is to study the challenges and opportunities concerning the emergence and growth of the impact investing market in Finland. To carry out the study, an inductive approach to research is chosen. Inductive approach is beneficial in exploring a new phenomenon with little existing literature (Creswell 2003). Unlike deductive approach that begins with a hypothesis and aims to test a theory, inductive approach starts with observations and generates new theories from data, using research questions to narrow the scope of the study. The approach allows generating novel insights about the underlying factors and causal mechanisms that influence the outcomes. (Patton 2002.)

The study follows a qualitative research design in collecting data and analyzing results. Qualitative research is an inductive, holistic approach that occurs in a natural setting where the researcher attempts to make sense of the studied phenomenon from the participant's viewpoint (Creswell 2003). Creswell defines qualitative research (1998:15) as

"an inquiry process of understanding based on distinct methodological traditions of inquiry that explore a social or human problem. The researcher builds a complex, holistic picture, analyzes words, reports detailed views of informants, and conducts the study in a natural setting".

The choice to use a qualitative research design is justified for the following reasons. First, qualitative research allows in-depth examination of a new phenomenon by answering questions what and why (Creswell 1998). It is suitable for gaining an understanding of a complex problem area that is difficult to measure with quantitative methods making it an appropriate choice for multifaceted problems such as recognizing the various challenges and opportunities of impact investing (Creswell 2003). Second, since impact investing is a new phenomenon it has received little attention in the literature. Qualitative approach is appropriate for this type of early-stage research, with limited knowledge, that is explorative in nature. When little is known about a research topic, a qualitative study can work as an introductory research that generates hypotheses regarding a phenomenon, its' precursors and consequences. This informs and helps to structure further research (Strauss & Corbin, 1990; Creswell 2003).

6.2. Data Collection and Analysis

There are several techniques to collect data in qualitative research. These techniques include interviewing, observation and questionnaire among others (Saunders, Lewis & Thornhill 2000). For this study, in-depth interviews with current or potential impact investing actors in Finland were used.

Data collection consisted of intensive individual interviews with a small number of interviewees. A large number of interviewees can hinder the researcher's ability to get in-depth answers and to gain understanding of each respondent (Kvale 1996:101). This study was based on interviews with seven interviewees that were all part of the national impact investing steering group. Because of the novelty of the subject in Finland, the number of potential interviewees that could provide valuable insight based on knowledge and experience was limited. The criteria for choosing the interviewees was that they were familiar with the impact investing concept and that they were or potentially could be part of the impact investing ecosystem.

The aim of interviewing is to *"understand the world from the subjects' points of view, to unfold the meaning of their experiences, to uncover their lived world prior to scientific explanations*" (Kvale and Brinkmann 2009:1). An interview has a structure and a purpose that is defined and controlled by the interviewer (Kvale et al. 2009:3). Interview types can be divided into structured, semi-structured and unstructured interviews. This study applies semi-structured interview style since it allows focused,

conversational, two way communication. *"Semi-structured interviews are used in qualitative research in order to conduct exploratory discussions not only to reveal and understand 'what' and 'how' but to also to place more emphasis on exploring the 'why'"* (Saunders et al. 2000). Interview's framework is fairly open, allowing flexibility. A set of questions that cover the key themes identified during the literature review were prepared beforehand but the order and wording of questions can change during the interview, depending on the flow of the discussion. Interviewer can clarify and deepen questions if needed (Creswell 1998; Patton 2002). In this study, the first set of questions were open-ended to encourage the interviewees to give long elaborated answers. In the challenge part of the interview, after open-ended questions, a list of challenges identified in the literature were presented for the interviewees to review and evaluate whether those challenges apply in Finland. The interviews were recorded.

"*Knowledge is constructed in the interaction between the interviewer and the interviewee by changing views*" (Kvale et al. 2009:2).

The aim of qualitative analysis is to organize the obtained data into smaller units or themes and draw out conclusions (Creswell 1998). This was also done in this research. However, the only topic that gained enough data to be categorized was the challenges section. Responses to other research questions were too fragmented to form any definite categorizations or conclusions. Nevertheless, summarized points from these responses are presented in the results. Results and analysis are presented in chapter seven.

6.3. Validity and Reliability

Reliability describes the consistency and authenticity of a study. Consistency of a study indicates the degree to which the chosen methodology would yield similar or comparable findings if the study was repeated on a different occasion by an independent researcher (Yin 2009: 45). In qualitative research, the reliability of the study can be improved by a clear description of the methodology and careful documentation. Similarly, the use of direct quotes and tables increase reliability. In order to increase reliability in this study, these guidelines are taken into account by clearly describing methodology and documenting the interviews.

The validity of a study refers to whether or not a study is well designed. Different approaches to validity include internal validity, external validity and constructive

validity. A study is considered internally valid if a causal relationship between variables can be definitively demonstrated and there exists no alternative explanatory variables. Externally valid study can be generalized to a broader population. When a study is constructively valid it measures what it is intended to measure and to the extent that observations really reflect the phenomena or variables of interest. In this study, validity was improved by collecting data from multiple sources that were chosen with an aim to get as versatile and extensive group of people. (Patton 2002; Kvale et. al 2009.)

7. RESULTS AND ANALYSIS

This chapter presents the results of data collection. The data was collected using interviews with Finnish impact investing actors. The aim of the interviews was to identify challenges and opportunities regarding the emergence of the impact investing in Finland. A further aim was to examine what actors play a key role in removing barriers and accelerating market growth. Interviews were open-ended, except for the second part of the challenge section that was structured as a yes or no questionnaire. The interviews were carried out in Finnish and then translated into English transcriptions.

Total of seven current and potential impact investing actors were interviewed. Each respondent was part of the national impact investing steering group. Because of the novelty of the subject in Finland, the number of potential interviewees that could provide valuable insight based on knowledge and experience was limited. As the criteria for choosing interviewees was that interviewees are familiar with impact investing and are or potentially could be part of the impact investing ecosystem, the choice of non-random sampling from national steering group is justified.

The results are structured in the following order. First sub-chapter shortly presents interviewees' views on the current landscape of impact investing in Finland. Results from the questions about the challenges of impact investing are presented in Chapter 7.2. Third sub-chapter includes review of the opportunities and the final sub-chapter discusses key roles and suggestions for action.

7.1. Impact Investing Landscape in Finland

Interview section concerning the current landscape in Finland included questions about the development phase in Finland as well as the interviewees' view on return expectations and possible trade-off. Trade-off was included in the questionnaire as it is a common subject of debate in impact investing. However, the basic idea behind impact investing is that impact is achievable without having to sacrifice financial return. The choice to include question about trade-off was found to be a right decision as the responses provided information about how the interviewees perceive impact investing during different development phases.

7.1.1. Current state of impact investing in Finland

The first set of questions was aimed to gain understanding on the impact investing landscape in Finland as well as the expectations. Because information about the emergence and current landscape of impact investing in Finland is not available, the interviewees were asked for their view on the subject. The interviews confirmed that impact investing in Finland is clearly still in its very early development phase. In general, the interviewees pointed out that impact investing is only emerging and talk about current landscape is almost misleading. As one respondent put it "*impact investing is utterly in its infancy*". Few actors currently work in the impact investing field with an intention to establish this new practice of investing. Sitra is leading the way with an ambitious aim to build an impact investing ecosystem. However, the field shows promise as several actors have expressed their interest in impact investing. Interestingly, one respondent questioned how to apply impact investing to Finland. The reasoning behind this comment was that impact investing has emerged primarily from the United States and United Kingdom and these countries have a completely different societal structure. Also research and data originate from these countries. Hence, attention should be paid to whether there are some fundamental differences in structures that warrant different perspective, preparation and implementation of impact investing to Finland.

Table 4. How do you see the emergence of impact investing in Finland? What is the development phase of impact investing in Finland?

Current state of impact investing in Finland
Completely in its infancy
In market building phase
Worth looking into
If consensus over profitability is achieved, why not participate
Impact investing probably will emerge in Finland
Increased emphasis on ESG issues
Many actors have expressed interest

7.1.2 Return expectations and trade-off

Overall opinion was that trade-off between risk and return is not inevitable. The aim of impact investing is not charity but instead to pursue competitive financial returns. Hence return expectations for impact investment market are based on average market returns. In order to achieve these returns, careful planning is needed. However, at this early stage compromises have to be made and possibly some financial return will have to be sacrificed for impact. One respondent pointed out that without comprehensive performance data it is hard to comment what the returns will be in reality and whether trade-off is inevitable. Responses are summarized below in Table 5.

Table 5. What kind of return is expected from impact investments? Is trade-off between financial return and impact inevitable?

Return expectations and trade-off
Possibly investors will have to sacrifice maximal profit to some extent
Trade-off is not necessary, but needs careful planning
Even though trade-off is not inevitable, investors should not participate if their only interest is to profit
Starting point that there is no trade-off
In the beginning trade-off is likely
Hard to comment without comprehensive data
Aim is to pursue average market returns
It's all about finding the right balance

7.2. Challenges

In this subchapter the results from interviews concerning the challenges are presented. First, results from the two sections are presented separately. Finally, the results are combined and categorized into broader themes.

7.2.1. Open-ended questions

As mentioned previously, the interview section about the challenges consisted of two parts. The first part included open-ended questions. Interviewees were asked to identify

the most significant challenges concerning the emergence and growth of impact investing. The data obtained from this part was unitized and categorized in order to transform it into a form that enables qualitative analysis. Unitizing data refers to an action where data is broken-down into meaningful units. After unitizing, the data was classified into different categories that were derived from these units.

In this section 13 different categories were identified. Some of the categories do overlap to some extent, but for clarity reasons these categories were chosen to keep separate. Below Table 6 presents the different categories and the number of responses as well as comments.

Table 6. What are the biggest challenges of the emergence of impact investing in Finland?

CHALLENGES	NUMBER OF RESPONSES	COMMENTS
NOVELTY OF THE FIELD	**7**	• Lot of uncertainty and suspicions that are typical for early stage development phase • Requires a big change of mindset • Requires a big change in how demand and supply side operate • Requires new culture • Fear of failure and consequences • How to justify impact investing and its fit in investor's organization • Many unidentified risks associated with the novelty of subject • Unclear roles • Lot of moving pieces that have to be fitted together
DEMAND SIDE	**5**	• Lack of sensible projects, only few actors on the demand side have a validated concept of operation that can generate profits and measurable impact • Lack of investment ready companies • From fund managers' perspective investments are often too small and specific • Significant difficulties to do any risk analysis due to a lack of track record • Credibility of social entrepreneurs' agenda
RISK AND RETURN	**4**	• Finding the balance between risk and return is one of the most essential questions especially with respect to fiduciary duties • In pay-for-success models a substantial risk that investor loses all the invested capital

(Table 6. continues on the next page.)

(Table 6. continues from previous page.)

REPUTATION RISK	**3**	• Huge profits risk the reputation of impact investing and can make investors look like exploitative capitalists that benefit from other people's suffering
MEASUREMENT	**2**	• Difficulties in defining the impact objective and how it manifests • Difficulties in deciding what to measure and how • Lack of historical data and control groups for comparing the outcomes • How to ensure that results are unambiguous and clear for all the participants in a way that profits can be determined unanimously based on them
FIDUCIARY DUTIES	**2**	• Institutional organizations are often restricted by fiduciary duties • Required to pursue low risk, high return investments
POLITICAL CONSIDERATIONS	**2**	• Challenging for public sector to use capital from private sector for public services
ILLIQUIDITY, INVESTMENT PERIOD	**2**	• Long investment horizon that requires patient capital can be a problem for some investors
HISTORICAL DATA ON PERFORMANCE	**2**	• Successful cases are needed in order to sell the concept to a larger audience • No historical data for performance comparisons
THE SIZE OF INVESTMENTS	**3**	• Small investment sizes limit the participation of large institutional investors • Due to small investment sizes costs vis-à-vis to the amount of work are high • Too big investments can prevent public sector from participating
PUBLIC PROCUREMENT LAW	**1**	• Public procurement law is complex and not build for this type of activity
LACK OF EXPERTISE		• Lot of complicated issues such as legal and tax issues that require a special set of skills
CREDIBILITY OF SEs	**1**	Uncertainty about SE's agenda, whether they will choose impact over profit

As seen in the table above, three categories rose above others – novelty of the concept, demand side and risk and return. Each of the interviewees mentioned novelty as a challenge and majority also commented that it is the single most critical challenge. The interviewees felt that characteristics that are common for early stage development phase, such as uncertainty and unidentified risks, apply to impact investing as well. At the moment, roles of different players are unclear and many moving pieces exist that

need to be fitted together. Moreover, fear of failure and its consequences, especially when trying something new, are a significant barrier. As one respondent put it: "*it's nice if you try something new and succeed but if you fail everybody thinks the idea was ridiculous*". Another respondent pointed out that "*nobody blames you if you do the same as always and fail*". In addition to these common early stage challenges, it was evident that the biggest challenge relating to the novelty of the concept is that impact investing requires a substantial change in mindset and in the way that public sector, investors and investees operate. A whole new culture has to form around investing. Instead of the typical two-dimension model of risk and return, investors have to add impact as a third dimension to the framework. In addition, public sector has to start buying results instead of work and focus on preventive actions instead of just fixing existing problems. The comment below illustrates well how radical the idea of impact investing is:

"*Change should happen through evolution. Instead, impact investing aims to start a revolution.*"

Another critical challenge that was mentioned by five interviewees concerned the demand side of impact investing. Even though demand exists, the field lacks investments ready companies with a track record. According to one respondent "*only few companies exist in Finland that have a validated concept of operation that can generate profits as well as measurable impact*". The interviewees stressed that lack of track record is a serious problem for investors since it makes conducting proper risk analysis nearly impossible. In addition, two of the interviewees commented that lack of research and data on performance and products hinder the emergence of impact investing. Without historical data and research it is impossible to research the performance of impact investment market, research that is needed to justify and sell the concept of investing for impact to a larger audience. Although insufficient measurement practices have received lot of attention in the literature, only two interviewees mentioned it during the interviews. Because profits are dependent on impact, it is essential to ensure that impact measurements are unambiguous and cannot be manipulated.

Nearly half of the interviewees stated that the size of investments limit the participation of large institutional investors and investment funds. One respondent found that investments are often too small and specific. Small investments impose relatively high management costs while too specific investments make scaling problematic. On the other hand, large innovative investments could exclude public sector because of the

higher risk and amount of capital needed. Size is not the only issue for large institutional investors. Two interviewees pointed out that institutional investors are often restricted by fiduciary duties i.e. they are legally obliged to maximize profit and minimize risk. These obligations restrict taking non-financial criteria into account. While most of the interviewees felt that trade-off between profit and impact is not inevitable, the common opinion was that in this current early-stage phase, investors have to compromise and sacrifice financial returns for impact. Consequently, four interviewees stated that finding the balance between risk and return is a key challenge. Especially in pay-for-success models risk is extremely high as investors risk to lose all of the invested capital. In addition, two interviewees perceived long investing period as a problem.

Several other challenges were identified as well. Three interviewees mentioned reputation risk and two political considerations as issues to consider when investing. Due to public's reservations about privatization, politicians are faced with a challenge of justifying the inclusion of private capital in solving social challenges that are typically seen as the public sector's obligation. Moreover, reputation risk was linked to unacceptably huge profits if the payer is public sector. For example, one respondent commented that "*large profits will make investors look like exploitative capitalist that profit from other people's suffering and this could hurt the whole industry*". In addition, challenges included complex public procurement law, social welfare and healthcare reform and the structure of public sector. Current public procurement law is not suitable for impact investing because decisions do not include non-financial criteria and are based on price. In the case of pay-for-success, the price is only determined in the end of investment period. Fortunately, the public procurement law is under development and the aim is to include non-financial criteria to investment decisions. Meanwhile, lack of expertise in complex public procurement law and tax issues remains to be a challenge according to one respondent. One respondent suggested that at the moment public sector's structure and decision-making elements do not further the transformation to impact investing where as another respondent pointed out that the ongoing social welfare and healthcare reform is a significant risk factor that could hinder impact investing in Finland. This is because nobody knows which entity is going to be responsible for producing certain public services in the future. If investment deals are made now, it is unclear who is responsible of paying investors.

7.2.2. Survey

After open-ended questions, a list of challenges identified in the literature were presented to the interviewees. Interviewees were asked to evaluate whether the challenges on the list apply to Finnish investment environment. The list was based on the investor survey by J.P. Morgan (Saltuk et al.2011). The results from the questionnaire are presented in Table 7.

Table 7. Challenges of impact investing. (ΔYES = Table.7- Table 6.)

CHALLENGES	YES	NO	N/A	ΔYES
Lack of research and data on products and performance	6	1	0	+4
Shortage of attractive impact investment deals with track record	5	2	0	+/-
Lack of investment professionals with relevant skills	5	1	1	+4
Difficulty exiting investments, illiquidity, long investment horizon	3	1	3	+1
Scalability of investments	2	4	1	+2
Sourcing deals/investment costs	2	1	4	+2
Inadequate impact measurement practice	2	3	2	+/-
Lack of innovative deal/fund structures accommodate portfolio companies' needs	1	1	5	+1
Lack of appropriate capital across the risk/return spectrum	0	7	0	+/-

Many of the challenges on the list already came up during the open-ended questions and naturally same responses occurred in the second section. Interviewees were clearly able to identify significant challenges without pre-determined options. In order to distinguish new responses from the first section, the last column of Table 7 presents the change of yes responses.

Six interviewees mentioned *lack of research and data on products and performance* as a challenge, while one respondent argued that it is not a problem. *Shortage of attractive*

impact investment deals with track record was also on top of the list. *Lack of investment professionals with relevant skills* was thought to be a challenge by five interviewees. As shown in the last column, lack of research and data on products and performance as well as lack of investment professionals with relevant skills both got four mentions more compared to Table 6. Even though five interviewees identified lack of investment professionals as a challenge, it was considered to be only a minor problem. This view is in line with study by Monitor Institute (2009) that reported an opportunity in the form of increasing interest of young talent towards impact investing and social entrepreneurships. Six out of seven interviewees considered lack of research and data on products and performance as a challenge. This category received four responses more compared to the first section, though it can be linked to the novelty of the concept challenge. Two interviewees stated scalability of investments as an issue while four interviewees did not feel that that it is an issue. Both sourcing deals and investment costs were also mentioned twice.

7.2.3. Combined results

This subchapter combines results from open-ended questions and survey. In Table 8, the results from Table 6. and Table 7. are combined in order to present the total number of responses and categories.

The responses presented in Table 8. (p.41) clearly indicate that *the novelty of impact investing, lack of research and data on products and performance* and *shortage of attractive impact investment deals with track record* are the most significant challenges that hinder the emergence of impact investing. Even though *lack of investment professionals with relevant skills* was mentioned by five interviewees, it was not considered to be a significant problem. Instead, interviewees perceived that even though skills are currently inadequate, they can be acquired during the impact investing building phase. In addition to these challenges, several others were mentioned, seventeen to be exact.

Because of the abundance and overlapping of the identified challenges it was critical to arrange them under broader themes. Review of the responses revealed three broader themes that challenges fall under. These themes are: *novelty of the field, impact investment characteristics* and *shortage of attractive deals* and are shown in Table 9.

Table 8. Challenges in total: combined results from Table 6 and Table 7.

CHALLENGES	YES	NO
New Concept	7	
Lack of research and data on products and performance	6	
Shortage of attractive impact investment deals with track record	5	2
Lack of investment professionals with relevant skills	5	
Risk & Return	4	
Difficulty exiting investments, illiquidity, long investment horizon	4	1
Investment size	3	
Reputation risk	3	
Inadequate impact measurement practice	3	3
Fiduciary Duties	2	
Political Pressure	2	
Scalability	2	4
Sourcing deals/investment costs	2	1
Public Procurement Law	1	
Social Welfare & Healthcare Reform	1	
Lack of innovative deal/fund structures accommodate portfolio companies' needs	1	1
Credibility of SEs	1	

Because impact investing is in its infancy, it is not surprising that each respondent stated *novelty of impact investing* as an issue hindering the emergence of impact investing and emphasizing its significance. Uncertainty, unidentified risks and fear of failure that stem from the field's novelty all have an effect on the decision-making and on whether to participate in the impact investing market. As a result of the field's novelty are also *lack of research and data on products and performance* as well as *lack of investment professionals with relevant skills*. This is a challenge because it makes it difficult to justify involvement in impact investments as well as to sell the concept to a wider audience. Though some data and research is available it is mainly from the United States and United Kingdom. Due to different societal structures, legal systems and investment environments it may be difficult to draw definite conclusions on whether same practices will apply to Finland. Moreover, lack of professionals who have the

knowledge to build impact investments and also convince others about the functionality of them adds uncertainty and hinders the creation of impact investing ecosystem. These issues will only be solved as the market grows and more research and data from impact investments are available. However, in order for this to happen, an increase in impact investments is necessary. Hence, open-minded investors, investees and public sector that can envision the future potential of impact investments are needed. Accordingly, few interviewees emphasized the importance of first adopters and one respondent pointed out "*a common pattern is that one third will be the first movers, after which one third will follow and one third will be against*".

Table 9. Three main themes that hinder the emergence of impact investing in Finland.

Novelty of the field	Number of responses	Investment charasteristics	Number of responses	Shortage of attractive impact investment deals	Number of responses	Other	Number of responses
Novelty of impact investing	7	Risk and return	4	Shortage of attractive deals with track record	5	Reputation Risk	3
Lack of research and data on products and performance	6	Illiquidity, lack of exit opportunities and long investment period	4	Credibility of SEs	1	Political pressure	2
Lack of investment professionals with relevant skills	5	Small average deal size	3			Public Procurement Law	1
		Fiduciary duties	2			Social Welfare & Healthcare Reform	1
		Lack of innovative deal/fund structures accommodate investors' or portfolio companies' needs	1			Inadequate impact measurement practice	3
		Sourcing deals/investment costs	2			Scalability of investments	2

The second broader theme, *investment characteristics* that include *risk and return, small average investment deal size* as well as *illiquidity, lack of exit opportunities* and *long investment period* all have a negative effect on the investors' ability to participate in impact investing. This is the case especially for institutional investors and other investors that are bound by fiduciary duties. Investors such as pension funds have a legal obligation to pursue investments that have the best possible risk-return ratio. These obligations can form a bottleneck for growth as over half of the interviewees perceived finding the balance between risk and return as a significant challenge. Institutional investors are excluded from impact investment markets as long as the risk-return ratio of impact investments fail to meet their standards or these standards are changed. This is a serious problem as large institutional investors provide legitimacy and manage a significant portion of the global investment capital. Hence, actions of institutional investors have a significant effect on the impact investing market. Furthermore, the impact aspect is not included in the investors' decision-making framework. One respondent identified a problem in *lack of innovative deal/fund structures to accommodate investors or portfolio companies' needs* and suggested that impact investments have to be structured in a way that adds impact as a third dimension to the risk and return framework. This would enable increase in potential investors.

Furthermore, small average deal size of impact investments imposes relatively high costs for fund managers since the cost of sourcing deals as well as investment and management costs are close to those of larger investments. According to one respondent this issue was clearly demonstrated during the build of the first SIB. In addition to small deal size, a lack of experience among stakeholders meant everything had to be built and solved from scratch and these two issues in turn led to considerably higher costs compared to traditional large investments. As one respondent put it "*in the beginning you really have to want to do this, it is hard work and compered to traditional investments the return in relation to work amount is significantly smaller"*. Furthermore, another respondent indicated that without large investment funds, big investors are not going to get involved; "*first SIB was 1.5 million euros when institutional investors do not invest unless the fund is over 10 million euros"*. In addition to these two characteristics, illiquidity, lack of exit opportunities and long investment period is also a challenge for some investors. There is not a secondary market for impact investments and creating impact and measuring these results is an extensive process. Hence, investors have to provide *patient capital* for impact investments. One individual stated that this issue is something that investors are aware of and could adjust to, while another respondent argued that this is a critical problem for

many investors and without shorter investment period some investors will avoid impact investments. In addition, fiduciary duties can have regulations that forbid illiquid investments.

The third theme, *shortage of attractive impact investment deals*, was perceived to be one of the most significant challenges. According to the interviewees, only few companies in Finland exist that can claim they are investment ready. Companies have to provide a proof of concept for investors about their potential to create impact as well as financial return. At the moment, only few Finnish companies are able to do that. Social entrepreneurs also have to validate their own agenda and convince investors about their intentions to generate profit alongside impact. Investors are wary of SEs sacrificing return over impact. Furthermore, investment deals lack proven track records. This is only natural because the field is new and the requirement to measure impact in this scale is new to even established organizations. However, because impact investments are plagued by lack of track record, investors face difficulties in conducting risk analysis and comparing investments. Without a comprehensive risk analysis, it is hard to justify making the first impact investment. As can be seen, impact investees face serious challenges in the form of proving that their business are worth investing while investors that would be eager to invest also face challenges that are beyond their control.

Interestingly, none of the interviewees thought lack of appropriate capital is an issue. This is in stark contrast to surveys (Saltuk et al. 2011; 2014) that states it as a top challenge for market development. Instead, the general view was that the main challenge is located on the demand side and investors are ready to invest as soon as attractive deals emerge. It is possible that this is actually the case. But the lack of capital could also appear after investment ready deals begin to emerge. Also the interviewees were mainly from the investor side and it is possible that their views are biased.

Other challenges included inadequate impact measurement practices as well as the current transformation phase in public sector services. On impact measurement, two divergent views emerged. While three interviewees argued that inadequate impact measurements are a significant hindering factor, three argued that it is not a considerable challenge. One respondent suggested that if investments are modeled properly the measurable targets will be easy to detect hence it is essential to focus on the modeling of investments. Some of the views were on contrary to previous research (Saltuk et al. 2011) that argues that inadequate metrics are a significant challenge. It is possible that the opposite views are due to the fact that the measurement practices have

developed during the recent years and efforts have been made to create common, standardized metrics such as GIIRS and IRIS. Hence, it is possible that this issue is gradually being solved.

Although only one respondent mentioned the social welfare and healthcare reform, it is worth mentioning. The Finnish public sector is in the midst of a huge transformation and this adds uncertainty to an already uncertain, almost nonexistent market. This could even delay the emergence of impact investments because of the significant role public sector and social services play in impact investments. Investors may prefer to wait for until the reform is settled because the reform adds investment risk substantially.

7.3. Opportunities and Drivers

The final part of the interview concerned the opportunities and drivers of impact investing. Interviewees were asked to name the biggest opportunities and drivers of impact investing in Finland. Drivers and opportunities were seen to be impossible to distinguish from each other, rather the interviewee argued that the drivers and opportunities tend to overlap. The general view among interviewees was that opportunities are limitless and can be found in every sector. Interviewees were also asked to give their opinion on the future of impact investing. In general, the views were optimistic. Each of the interviewees mentioned growing interest both on the demand and supply side. Otherwise, views were scattered and generalizations could not be made. The responses are shown in Table 10.

Not surprisingly, the scale of social and environmental problems is a significant driver and opportunity for impact investments. As environmental and social challenges continue to grow, the sustainability gap in public finances continues to widen. In spite of actions taken to bridge the gap, it was argued not to be enough. At the moment majority of municipalities are burden with both obligations and debt. As a result, they are looking for new, innovative ways to ease this burden and impact investing could provide a solution. Public sector in Finland spends around 25 billion euros annually on the public procurement of goods, services and public works. That is about 15 percent of the Finnish GDP hence the potential market is considerable.

Table 10. What are the key opportunities and drivers of impact investing in Finland?

Opportunities and drivers	
The scale of social and environmental problems	Scalability of investments
Sustainability gap in public finances	Doing good, having a positive impact on society
Plenty of capital looking for attractive impact investment deals	Current investment environment (zero interest rate environment, volatility)
Around 25 billion euros are spent annually on the public procurement of goods, services and public works.	Intuitive feeling that impact investing is smart
Municipalities are looking for new opportunities to manage their obligations	Diversification of investments

In addition to obvious drivers of doing good and having a positive impact on society, impact of investing provides many benefits for investors. At the moment traditional security investing is extremely risky and the current zero interest rate environment has led investors to look for alternative investment options. Though illiquidity is a challenge, it is also found to be a driver. This was because illiquid investments do not suffer from daily or annual fluctuations in volatility the same as liquid, publicly quoted stocks. Impact investments also offer more options for diversification. One respondent commented that "*from investors' perspective, all the drivers are in place*".

7.4. Key Roles and Recommendations for Action

In the final part of the interview, possible key roles in removing obstacles and accelerating growth were discussed. In addition, interviewees were asked for their view on the future of impact investing in Finland.

As discovered in the previous sector, interviewees felt that supply side is not an issue. Instead, the demand side, namely lack of attractive investment options, is one of the main challenges that hinders market growth. Consistently, interviewees suggested that government and municipalities can play a role in accelerating impact investment market by creating demand. This is be done by building investable options for investors. For instance, public sector can participate in social impact bonds. In addition, interviewees proposed support from the government in lowering barriers to participation. Suggestions included investment guarantees for investors as this would reduce the

investor risk considerably. Especially in pay-for-success models, the risk of losing some or all of invested capital is high and guarantees were seen as an effective way to tackle this issue. Guarantees could also lead to reduced return expectations. In addition, one respondent recommended clarification of the public procurement law and tender process with regards to impact investment. It might not be necessary to change the law, but at least favorable, innovative thinking is required from policy makers.

At this early stage, interviewees perceived the role of Sitra to be essential in taking impact investing in Finland to the next phase. This is because Sitra is an independent actor that has not personal vested interest in impact investing. One respondent also mentioned the role of recently established foundations. These foundations are not bound by incumbent thinking and could play the role of first-movers that others will later follow. If impact investments succeed, the pressure to participate will grow. This pressure will come from opportunities to generate profit but also from image reasons.

It is important to note that in general the market growth was seen to depend more on successful cases and courage to participate than on any particular actor. All the stakeholders have an important role to play and that is to participate in the impact investing market. Successful investments will accelerate interest and lower the threshold to participate and this is the key. Hence, in the beginning relatively simple and safe investments are preferred in order to provide examples on the profitability of impact investments. Summarized points are presented in Table 11.

Table 11. What actors would you say are in key position in removing obstacles and accelerating growth? How could these actors promote impact investing?

Key actors	Recommendations for action
Government	Clarify public procurement law
	Investment guarantees
	Create demand and build investable options for investors
Municipalities	Create demand
New foundations	Act as first-movers
Stakeholders	Increase knowledge and skills
	Dialogue between stakeholders
	Finding safe investments that verify the market

Finally, interviewees were asked to give their opinion on the future of impact investing. In general, the views were optimistic. Each of the interviewees mentioned growing

interest both on the demand and supply side. Otherwise, interviewees perceived that it is too early to predict more than that more actors will emerge.

8. CONCLUSIONS

The purpose of the study was to explore the emerging field of impact investing in Finland. The main focus was to identify the challenges that hinder the market growth. In addition, opportunities of impact investing in Finland and key actors were investigated. However, responses regarding opportunities and key actors were scattered and as a result it was impossible to draw any definite conclusions. Due to the exploratory nature of the study, a qualitative approach to research was chosen. Data was collected by interviewing Finnish impact investing actors.

Based on the findings it is evident that impact investing in Finland is still in its infancy. As the global momentum around it continues to build, several challenges still exist that need to be overcome in order for the market to grow, mature and gain legitimacy. This study shows that the main challenges fall under three broader categories; *novelty of the concept, impact investment characteristics* and *lack of attractive impact investment deals with a track record.*

Several challenges stem from the novelty of impact investing. As the field is still relatively new, it is inherent that a limited amount of research and data exist. Furthermore, the research is mainly only from the United States and United Kingdom. This lack of research and data translates into uncertainty, unidentified risks and fear of failure. Because comprehensive knowledge about the products and performance of impact investing market is lacking, it is difficult to make decisions based on facts, to conduct risk analyses and to provide justification for impact investing. In addition, without performance data it is impossible to argue definitely that trade-off in a larger scale is avoidable. Furthermore, lack of impact investing professionals presents a challenge in the form of lack of expertise in building impact investments and lack of understanding of the market and products, which in turn translates into another source of uncertainty.

Another category of challenges hindering the emergence of impact investing is investment characteristics. This challenge also partly stems from the early development phase and the size of the market. The small average deal size, illiquidity and long investment period are all significant barriers that impose relatively high investment costs and require patient capital. Furthermore, finding the balance between risk and return remains to be the key challenge that need to be solved immediately. Current

investment characteristics are especially problematic for large, institutional investors bound by fiduciary duties. Institutional investors manage a significant amount of global capital and create legitimacy in the markets; hence it is essential to get them involved. The third challenge facing impact investing is the shortage of attractive impact investment deals with track record. Only few potential investees have a validated concept of operation that can generate profits and measurable impact. Without track record, conducting proper risk analysis becomes difficult. Thus, investees are faced with a challenge of assuring the investors about the validity of their business.

While the study identified several challenges, it also identified opportunities and drivers that impact investing brings to Finland. Foremost, impact investing provides a way to tackle the issue of growing sustainability gap in public finances. In addition, the scale of global environmental and social problems warrants a new way of thinking and more capital and as a result provides significant investment opportunities. Impact investing encourages innovation and provides an opportunity for investors to have a positive impact on the society. The study argues that though some actors might have a role in accelerating the market growth, in general the growth depends more on successful investment cases, on courage to invest under uncertainty and on the effort to develop investment ready businesses.

Clearly impact investing represents an entirely new way of investing. As a result, it requires a change in mindset on what basis investments are made and how, and especially on what constitutes as a profit. An entirely new investment culture has to form that emphasizes the fact that financial and non-financial return do not exclude each other but instead can be attained simultaneously. It is evident that several challenges still exist and these challenges largely stem from the novelty of impact investing. Consequently, many of the challenges are likely solved only as the market grows and matures, creating a vicious circle. Therefore, the market needs visionary thinkers and first-adopters among investors, investees and public sector, that can envision the future potential of impact investing and trust that in the long run markets evolve and provide a payoff for the initial contribution.

9. LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

Although the study reached its main goal in identifying significant challenges that hinder the emergence of impact investing, it was not without limitations. Existing research and data was limited because of the subject's novelty. Even though quantitative data in addition to the qualitative data would have provided more reliability to this study, it did not exist. Especially the Finnish impact investing market is in its infancy and has a limited number of actors working in the field. However, a sufficient number of interviewees were found for the study. Each respondent of the study is part of the national impact investment steering group, has studied the subject and has practical experience. Hence, the interviewees were able to provide valuable information. The empirical part of the study consisted of interviews with seven participants. Even though a small number of participants is common for qualitative research, no generalizations can be made from a small amount of data.

Due to the novel nature of impact investing a broad spectrum of research topics remain that has to be addressed. Few suggestions for future research stemmed from this study as well. As the study identified challenges faced by the Finnish impact investing market, future research is required to examine how to overcome these challenges. Comparisons between Finnish impact investing market and countries in a more developed phase would add valuable insight to this. In addition, whether there are some fundamental differences in societal structures between countries that affect the impact investing market provides an interesting topic for future research. The opportunities of impact investing, specifically in Finnish context, make another important topic for future research as it can also help to provide drivers to invest for impact as well as more knowledge on the subject. Furthermore, as more data becomes available it enables new research to be conducted such as performance of impact investments.

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APPENDIX 1. INTERVIEW GUIDE

Background information

1. Tell shortly about your organization and your position.
2. How are you and your organization involved in impact investing?

Impact investing landscape

3. How do you see the emergence of impact investing in Finland?
4. What is the development phase of impact investing in Finland?
5. What kind of returns is expected from impact investments? Is trade-off between financial return and impact inevitable?

Challenges and opportunities

6. What are the biggest challenges of the emergence of impact investing in Finland?
7. What are the key opportunities and drivers of impact investing in Finland?
8. What actors would you say are in key position in removing obstacles and accelerating growth?
9. How could these actors promote impact investing?
10. How do you see impact investing landscape developing in Finland?

APPENDIX 2. LIST OF INTERVIEWEES

- **Esko Torsti, Head of Non-listed Investments and Director of Non-listed Investments, *Ilmarinen*, Helsinki. 12.5.2016.**
  Ilmarinen is a mutual pension insurance company and has assets under management over EUR 35 billion.
- **Teri Heilala, CEO, *FIM Group,* Helsinki. 12.5.2016.**
  FIM Group consists of FIM Corporation, the parent company, and two subsidiaries: FIM Investment Services Ltd and FIM Asset Management Ltd. FIM Asset Management Ltd offers asset management services for institutions, companies and private investors, and engages in mutual fund operations. FIM Investment Services executes and transmits assignments related to financial instruments for active institutional and private investors. It also offers securities clearing and custody services. FIM Corporation is part of the Finnish S-Bank.
- **Pentti Pikkarainen, Director General, Financial Markets Department, *Ministry of Finance*, Helsinki. 21.4.2016.**
  The Financial Markets Department of the Ministry of Finance draws up the rules for financial markets and strengthens the framework in which the markets can operate. The goal is stable, efficient and equitable operation of the financial markets that citizens can trust in all circumstances. The Ministry of Finance is also responsible for ensuring that the Ministry's national and international activities in financing issues are effective and valued. Pentti Pikkarainen also serves as Chairman of the Board at Nordic Investment Bank and at the National Steering Group of Impact Investing.
- **Jari Vaine, Senior Adviser, Finance, *The Association of Finnish Local and Regional Authorities (Kuntaliitto),* Helsinki. 11.5.2016.**
  The Association provides lobbying services, research and development services and other expert services for local authorities. The Association’s goal is to promote the opportunities for local authorities to operate and co-operate and to enhance their vitality and viability for the benefit of the residents.
- **Tom Liljeström, CEO, *LocalTapiola Asset Management (LähiTapiola Varainhoito Oy),* Espoo. 26.4.2016.**
  LocalTapiola Asset Management Ltd concentrates on asset management services. Assets under management EUR 9.1 billion (12/2014). LocalTapiola Asset Management is part of LocalTapiola General insurance Group.

- **Mika Pyykkö, Senior Lead, Impact Investing, *The Finnish Innovation Fund Sitra,* Helsinki. 18.4.2016.**
  Sitra is a public fund aimed at building a successful Finland for tomorrow. As a future-oriented organization, Sitra promotes Finland's competitiveness and the well-being of the Finnish people. Sitra has established an impact investing focus area that aims to build an impact investing ecosystem in Finland. It has EUR 1.5 million to use for impact investments.
- **Jussi Nykänen, Co-Founder and Chairman*, Epiqus Oy,* Helsinki. 28.4.2016.**
  Finnish impact investment fund manager**.** Epiqus manages capital to create measurable social and environmental impact alongside financial return. It also dedicates 50% of our profits to social and environmental mission goals. Epiqus is the second registered EuSEF- (European Social Entrepreneurship Fund) manager in Europe.