Building an Impact Economy in America

A Report on the White House–Aspen Institute Impact Economy Summit

October 2011

The Aspen Institute

Program on Philanthropy and Social Innovation

The Impact Economy Initiative

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PROGRAM ON PHILANTHROPY AND SOCIAL INNOVATION
THE IMPACT ECONOMY INITIATIVE

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Foreword

On June 22, 2011 more than 150 participants convened at the Building an Impact Economy in America Summit, co-hosted by the White House and the Aspen Institute Program on Philanthropy and Social Innovation's (PSI) Impact Economy Initiative. Leaders in the field – investors, philanthropists, executives, and policymakers – gathered with high-level Administration officials for the first time to discuss the emergence of the Impact Economy. The day was devoted to understanding and articulating key issues surrounding the field, and to considering its long-term scope and shape.

The Summit was born of a goal shared by the U.S. government and PSI's Impact Economy Initiative – to create jobs and generate income, using market-based mechanisms to support the growth of businesses that intentionally produce both financial and social returns. The Aspen Institute is uniquely suited to support events such as the Summit because of its heritage as a non-political organization that convenes elected officials, public servants, and other thought leaders from both sides of the aisle to foster consensus on a range of complex issues.

The Impact Economy Initiative (IEI) was launched by PSI in 2010 to support the larger goal of exploring new trends in social innovation and the broader emergence of hybrid institutions and the investors that support them. The Summit was an important contribution to advancing IEI's efforts to create an enabling environment that supports the growth and development of the Impact Economy. The Summit helped to catalyze discussion and cultivate new ideas about how policy can stimulate economic gain and generate social benefit for all segments of society.

It was an important day during which senior government officials acknowledged and encouraged the advancement of the field. The Summit was enlightening, provocative, inspiring – and only the first step. From that day in June participants now move forward together, engaged with a new vision, a focus, and an understanding of how the work they do can inform and be informed by the Impact Economy. In its nascent stages, the Impact Economy is evolving, a phenomenon that functions only as well and ranges only as far as the input of all of its players. This Report seeks to inform the growth of a movement, which is improved and honed with the ongoing contributions of its participants.

Jane Wales
Vice President, Philanthropy and Society
Executive Director, Program on Philanthropy and Social Innovation
The Aspen Institute

Jonathan Greenblatt
Deputy Director, The Impact Economy Initiative
Program on Philanthropy and Social Innovation
The Aspen Institute

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Introduction

Today America finds a new market force emerging: companies that achieve an intimate connection between profit and purpose. And these businesses are supported by a developing system of investors and other financial actors that seek to place capital in firms that are achieving social impact. A new trail is being blazed for our country – open, far-reaching, transformative, offering an opportunity for renewal and growth. This is the Impact Economy.

The Impact Economy refers to a market ecosystem wherein the twin forces of impact investing and social entrepreneurship converge to achieve both financial profit and social and environmental impact. This new paradigm rejects the notion that the goals of financial success and social success are at odds, rather they complement, propel, and deeply inform each other. The Impact Economy is composed of those entities that see their financial bottom-line and their social bottom-line as reinforcing and buttressing each other, the result of which is innovation and sustainable growth across the economy.

"For a long time, there have been a lot of people who have said, "You can't have economic prosperity and also drive forward on social good at the same time…. We think quite the opposite – that many of you have been constructing important nonprofit organizations, dynamic businesses… that prove that we can have economic good and social good and prosperity at the same time."

Melody Barnes
Assistant to the President for Domestic Policy and Director of the Domestic Policy Council

A new generation of actors explicitly aligned around such values has emerged. When such capital flows – known as impact investments – intersect with dynamic firms – known as social enterprises – that are supported by a new class of conscious consumers, the results can be remarkable. This is particularly true when abetted by a supportive regulatory and policy climate that encourages experimentation and rewards results. The success of the combination of investors and enterprises can contribute to growing our domestic economy and help spur economic renewal, social cohesion, and stronger communities. **These twin forces represent convergent strands of supply and demand and constitute the core of the Impact Economy.**

The Impact Economy encompasses a wide range of sectors, including community enterprises, clean technology, and affordable housing, among others. As the Impact Economy takes shape, public policy can play a pivotal role to accelerate its evolution, creating the operating context in which this new paradigm can flourish. By the same token, a lack of clarity about policies or an absence of programs can hinder its development. Government inadvertently could slow the growth of the Impact Economy and foreclose an area of enormous financial and social potential.

Social Enterprise

A social enterprise is a venture that places a social mission at the heart of its value chain. Such an organization can be structured as a conventional business or as a nonprofit entity. In both scenarios, the social enterprise utilizes earned income to generate a sustainable operating model. At the same time, the business prioritizes its socially motivated mission – and likely measures such performance in a transparent manner.

On June 22, 2011, the Domestic Policy Council and National Economic Council collaborated with the Impact Economy Initiative of the Program on Philanthropy and Social Innovation at the Aspen Institute to convene a Summit on the Impact Economy. It brought together more than 150 distinguished individuals from around the country to discuss the Impact Economy and consider its implications for growth. The meeting was organized because the Obama Administration and the Aspen Institute identified a common interest – pursuing a policy agenda that would focus on job creation and income generation derived from market-based models driving capital to businesses that generate both financial and intentional social returns. As Bill Daley, Chief of Staff to President Barack Obama, remarked at the Summit, "We've got to do more with less and find creative ways to do the things that we think really matter to society and make this a better place for all of us." Many of the participants have spent their careers in this realm, working to raise capital, create businesses, scale companies, and serve customers, inherently accelerating and amplifying the movement to an Impact Economy. (See Appendix A for a full list of the participants.)

It was an important day for many reasons. First, although small businesses and investment firms have recognized and participated in this emerging trend, this convening was the first-of-its-kind gathering among government officials and the industry leaders driving the Impact Economy. After opening remarks and a plenary panel, participants divided into four working groups to tackle specific dimensions of the Impact Economy in-depth: Promoting Shared Value, Creating Social Metrics, Breaking Administrative and Regulatory Barriers, and Building Impactful Financial Systems.

Throughout the day, as the conversation deepened, there emerged the consensus view that the Impact Economy is a crucial tile in the mosaic of 21st-century competitiveness and growth – perhaps even a cornerstone.

This report provides a condensed summary of the day, including transcripts of remarks, an exposition of the themes and principles that surfaced throughout the various conversations, and a synthesis of recommendations. As the Impact Economy continues to evolve, the ideas contained in this report will inform the path ahead so that policymakers may create the policy conditions for this ecosystem to thrive, driving economic returns and bringing social benefits to the broadest public possible.

Summit Agenda

June 22, 2011

Introductory Plenary Session

Sonal Shah, Director, White House Office of Social Innovation and Civic Participation
Bill Daley, Chief of Staff to President Barack Obama
Melody Barnes, Assistant to the President and Director, Domestic Policy Council
Gene Sperling, Assistant to the President and Director of the National Economic Council

Panel: "State of Impact Investing"

Moderator: Joanne Lipman, *Newsweek/The Daily Beast*
Panelists:
John Buley, J.P. Morgan
Cheryl Dorsey, Echoing Green
John Goldstein, Imprint Capital Advisors
Adam Lowry, Method Products, Inc.
Elizabeth Littlefield, Overseas Private Investment Corporation

Keynote Address

Karen Mills, Administrator, U.S. Small Business Administration

Concurrent Breakout Groups

Promoting Shared Value

Moderator: Jonathan Greenblatt, Aspen Institute

Panelists:
Priya Haji, SaveUp
Nancy Pfund, DBL Investors
Kim Azzarelli, *Newsweek/DailyBeast*

Creating Social Metrics

Moderator: Jessica Freireich, Monitor Institute

Panelists:

Aaron (Ronnie) Chatterji, White House Council of Economic Advisors

Amit Bouri, Global Impact Investing Network

Ron Cordes, Genworth Financial

Eric Hespenheide, Deloitte

Breaking Down Administrative and Regulatory Barriers

Moderator: Cliff Kellogg, U.S. Department of the Treasury

Panelists:

Robert Wexler, Adler & Colvin

Lisa Hall, Calvert Foundation

Cathy Clark, Duke University Center for the Advancement of Social Entrepreneurship

Building Impactful Financial Systems

Moderator: Sameera Fazili, U.S. Department of the Treasury

Moderator: Sean Greene, U.S. Small Business Administration

Panelists:

Bob Annibale, Citi Microfinance

Stephen DeBerry, Bronze Investments

Peter Knight, Generation Investment Management

Wrap Up/Announcements

Jonathan Greenblatt, The Aspen Institute

Mark Zuckerman, Domestic Policy Council

Sonal Shah, Office of Social Innovation and Civic Participation

Methodology

The central objective of this publication is to report on the details of an historic gathering and to place the conversation in the larger context of issues surrounding the Impact Economy.

This report includes a synthesis of the conversation in each of the four breakout groups (Promoting Shared Value, Creating Social Metrics, Breaking Down Administrative and Regulatory Barriers, and Building Impactful Financial Systems); partial transcripts of remarks given throughout the Summit; and other key details from the day. Each session report summarizes the discussion, key themes, and ideas that emerged.

This document is neither a literal transcript of each session nor an exact reporting of every word. Some of the discussion has been edited and rearranged for the sake of cohesiveness and brevity. However, throughout the report, the essence of the discussion has been retained. This report does not convey the views of the Aspen Institute or the White House. Instead, it shares the issues that were generated with the intent of encouraging further engagement.

It is hoped that this report will initiate a prolonged and inclusive dialogue about the Impact Economy. The Impact Economy Initiative of the Aspen Institute Program on Philanthropy and Social Innovation seeks to advance that conversation. To that end, please visit http://www.aspeninstitute.org/impacteconomy for more information.

Summary of Introductory Plenary Session and "State of Impact Investing" Panel

Building an Impact Economy in America opened with an overview of the key issues surrounding the Impact Economy. Building on recent industry landscaping reports such as those published by the Monitor Group and J.P. Morgan, participants discussed a variety of ways to enhance and catalyze the sector. These included: how the White House can provide support, how impact can be measured, how to allow for strong market feedback and evolution, and how to develop innovative financial instruments that encourage impact investing, among others. The necessity of creating clarity around the Impact Economy was stressed – what it is, how it can grow, and who should be encouraged to participate – will all influence broader implications for the economy and the public.

A critical part of the White House's domestic policy agenda is fostering economic prosperity and social good. All agreed that the Impact Economy can be a cornerstone of American values, with its goal of shared prosperity and spirit of opportunity. The Administration, through an inter-agency process led by the Office of Social Innovation and Civic Participation with support from the National Economic Council, is attempting to explore how to leverage existing and successful market-based models, as well as to develop a better understanding of barriers to the growth of the sector, and how intervention from the Administration could overcome such obstacles.

Engaging a set of federal entities – such as the Overseas Private Investment Corporation (OPIC), United States Agency for International Development (USAID), the Community Development Financial Institutions (CDFI) Fund, and the Small Business Administration (SBA) – the federal government can play a vital role in helping businesses flourish and compete on a level playing field. The SBA, in particular, is a crucial part of the picture. At an important tipping point, the SBA is pursuing many goals to further the development of the Impact Economy. All of these actors can apply mechanisms to facilitate the entrance of institutional and private investors and more conventional entrepreneurs into the Impact Economy – for example, by creating pathways to explore so-called "frontier" markets and making it easier for ventures to access start-up capital, among others.

Discussants also raised the issue of scale and incumbency: as a business grows and creates positive impact, such growth can bring with it a range of challenges on a number of levels. Such growth will lead to direct competition with conventional firms that might not seek to create broader social benefit. Many wondered aloud how such firms can balance the demands of growth with the desire to remain true to the principles of creating shared value and generating social impact. Others talked about the benefit of encouraging greater "intrapreneurship," introducing a culture of experimentation inside large corporations that often are burdened by bureaucracy and overly focused on quarterly returns.

"I often think a double bottom line is often just kind of a code for a single bottom line that is just richer and more long-term. Often when we say double bottom line, it means that it doesn't fit into the most narrow, quarterly sense of what is in the interest of the particular enterprise.

When there is growth and productivity, it's not only benefiting the economy as a whole but that idea that more people can share in their prosperity. That is more important today than ever before."

Gene Sperling
Assistant to the President and
Director of the National Economic Council

Participants suggested that a focus on market size should not predominate; rather, the need to build a sound infrastructure is critical – it is the scaffolding that will allow the Impact Economy to prosper. To that end, they discussed the accelerating momentum of infrastructure-type reform, such as standardized metrics, measurement, and reporting standards. There is an equally pressing need for innovative financial instruments to fill in gaps – longer tenures, more mature capital, more patient capital. Participants strongly recommended the creation of incentives to make impact investments feasible and attractive, with increased risk mitigation.

Finally, panelists affirmed the importance and prospective opportunities created by the emerging Impact Economy, but also warned about the perils of hyperbole. While the field is growing rapidly and gaining mainstream attention, participants agreed on the crucial need to set realistic expectations and not over-promise. A reasoned view of the growth possibilities and the challenges that lie ahead should benefit all parties.

Breakout Group: *Promoting Shared Value*

Introduction

Though much attention is placed on small-scale social entrepreneurship, large-scale businesses increasingly see the connection between financial success and social responsibility. Companies are seeing clearly that products or processes that they once might not have recognized as profit sources – for example, investment in the local communities or a focus on environmental impact – actually are *central* to their long-term growth. Whether the result of changing consumer behaviors, the explosion of social media, a higher degree of globalization, or a combination of these and additional factors, the idea of making money and doing good is maturing into a societal norm.

Many large firms are reinventing conventional views of corporate responsibility, moving beyond a focus on public relations, corporate philanthropy and reputation maintenance to an understanding that ***shared value***[1] needs to be embedded in the core mission of the business. Global corporations are attempting to recruit or consult with social entrepreneurs who possess the insight and knowledge of this field that most companies lack. As such, the relationship between large and small businesses is changing, as both seek paths to generate greater shared value. The relationship between business and government is changing, too, as the Impact Economy necessitates new thinking about how all actors can collaborate to create greater social benefit. The path to shared value requires a holistic engagement of all stakeholders.

Driving Themes

Small and large companies: a value-creating relationship. At the intersection of small start-ups and large corporations lies potential for shared value creation. Large companies bring scale, capital, distribution, and myriad resources that can be used for momentum and leverage. Smaller start-ups bring innovation and entrepreneurship. The social enterprise movement thrives on the energy and dynamism that larger corporations frequently lack. Encouraging larger, more mainstream businesses to fully engage with smaller firms in strategic partnerships to help drive both profit and purpose is critical.

1 "Creating Shared Value," Michael E. Porter and Mark R. Kramer. Harvard Business Review, January 2011.

The need to distinguish companies through corporate form. Leaders in the business and legal communities are beginning to consider how legal constructs such as corporate form can enable more effective distinctions between corporations and their commitment to social impact. Legislation has been passed in many states that allows entrepreneurs to establish their business as a Benefit Corporation. Other models, such as the Flexible Purpose Corporation or the Low-Profit Limited Liability Company (L3C), have shown potential to explore new approaches to corporate form as well. Each has its own merits, but such models allow companies to distinguish themselves as businesses that are also explicitly pursuing social benefit. This should promote improved transparency and more effective accountability, perhaps even encompass differentiated tax treatment for new corporate forms, all of which likely will attract more capital into these enterprises.

L3Cs and Benefit Corporations

L3Cs are "low-profit limited liability companies." Benefit or B corporations are a new type of corporation that use the power of business to solve social and environmental problems; they may be certified by a designated nonprofit organization..

Ideas

Include mainstream and larger companies. Larger companies must be encouraged to join the conversation. Government can help to bring them to the table to discuss their role in the Impact Economy. Their existing efforts to generate shared value should be encouraged and showcased. When larger companies recognize the merits of these models, they can nurture and sustain such efforts and take them to scale through new business models or thoughtful corporate social responsibility initiatives.

Develop "R&D" centers to promote exchange of ideas and practices. Smaller companies – more agile, perhaps less entrenched by the bureaucratic or cultural constraints of a large business – can serve as R&D (research and development) centers for large corporations, "petri dishes" of social enterprise and entrepreneurship. Larger companies, in turn, can grow and innovate on a different scale. If such actors can recognize the mutual benefits, shared value can flourish:

- A mutual support for innovation in terms of social good
- The larger company brings core competencies, leverage, and capital
- The smaller company brings a closer, more hands-on vision of and experience with how to do business for social good

Use bully pulpit to encourage more intrapreneurs. It is essential to cultivate intrapreneurs, who often drive innovative practices in a large organization and build partnerships with entrepreneurs outside of an organization to promote shared value. It is important to have companies foster those individuals and processes within their organizations to promote innovative, collaborative solutions to problems. Their maverick-style approaches often support positive social return while still motivating conventional, margin-driving measures.

Breakout Group:
Creating Social Metrics

Introduction

As the pursuit of socially responsible goals has become an explicit element of numerous businesses, many have sought to identify measures for such activity. But there are long-standing questions about whether and how such objectives can be measured by companies and across industries. Is it possible to quantify such "returns" in an effective manner that allows comparative analysis?

Metrics are a fundamental element of our capitalist system. They are critical to a functioning market economy because they provide a means by which to evaluate organizational performance relative to past performance and relative to peer firms. The desire for equivalent standards to assess social and environmental value – sometimes referred to as social metrics – is a long-held goal of progressive-minded investors. Such social metrics could support the calculation of the specific impacts of a project, business, fund, policy, or organization, and how the firm manifests its values in addition to its value-creation. These measurements should provide vital transparency that will facilitate improved performance, support a more efficient flow of capital, and ensure sustainable market growth. However, there are many challenges to establishing a robust and practical set of metrics, including high cost, difficulty in developing criteria, and a lack of common industry standards.

It is important to recognize that social metrics will be imperfect. Like the prevailing standards of financial accounting, systems require frequent iteration and adaption to reflect the dynamism of the market. As was the evolution of investment ratings systems such as Morningstar or Moody's, the establishment of a general set of principles and factors to measure social metrics could be a foundational element of the Impact Economy.

Numerous processes have been initiated to tabulate social performance. One of the most prominent and recent bottom-up developments is creation of the Impact Reporting and Investment Standards (IRIS), a set of indicators developed by a cross-sector, standards-setting body. A number of businesses are attempting to use IRIS to tabulate their social impact in a transparent and quantifiable manner.

Impact Reporting and Investment Standards (IRIS)

Impact Reporting & Investment Standards*, or* IRIS*, is a tool of measurement that organizations can use when seeking to quantify the social and environmental impact of their work. Moving beyond financial performance data, IRIS provides an independent set of metrics, in a common language. IRIS was conceived by the Global Impact Investing Network (GIIN) Investors' Council, which noted a lack of transparency and credibility in how social and environmental performance was tracked. IRIS grew out of the efforts of the Rockefeller Foundation, Acumen Fund and B Lab to design a system that seeks to enable measurement of impact.*

Driving Themes

Progress is being made in the use of metrics to measure social impact. Many are optimistic about the development of social impact metrics. As measurement standards are adopted and implemented by firms and investors, we will be able to understand the levels of performance and "social returns" that merit an impact investment. Many industry leaders concur that in the next few years there will be improved clarity standardization of metrics for social impact measurement. The resulting transparency should have deep impact on companies' practices, particularly in terms of accountability.

There is no "one-size-fits-all" set of metrics to be used. One should not expect that there will be a single common measure to evaluate the social performance of all organizations. The heterogeneous nature of social enterprise parallels the varied nature of conventional businesses. In a similar manner, even if a single standard prevails, it can be expected that the indicators and performance levels will vary greatly depending on the mission, industry, size, and nature of firms. Summit participants agreed that the system of social metrics used should be tailored to the specific industry being measured.

Organizations need to collect, synthesize, and share data to strengthen the role of metrics in the Impact Economy. The more it is ensured that strong measurement is undertaken – collecting, tracking, assessing, reporting – the greater the impact that social metrics can have in developing and growing the Impact Economy. Investors will be able to see with clarity how they can more efficiently allocate resources. All of the stakeholders, from impact investors to social entrepreneurs to market intermediaries, need to be encouraged to participate in adopting and supporting appropriate and clear social metrics.

Ideas

Perfect is the enemy of the good. It is important to strive for the base level of metrics that can help draw capital to the market, but actors should not wait for the perfect system. A rigid, "top-down" assessment standard will not work. Government should not pick winners per se, but experiment with policies and programs to create the conditions that support sound metrics. The focus should be on measuring what matters. Policymakers should encourage stakeholders to engage in the "messy," bottom-up process of developing and adopting metrics to the extent possible.

Remember the Goldilocks principle. Social metrics that capture performance in the Impact Economy should aim to be "just right" or "right enough," – a level that is sufficient for now, but ideally will support a continuous cycle of improvement. This parallels our contemporary capital markets, whose dynamism and flexibility – rather than their timeless perfection – enable long-term market growth.

Ensure that rural communities are not disadvantaged by metrics. After measuring impact, capital likely will flow into efforts that optimize efficiency and returns. Rural communities, because of their low population densities or other structural disadvantages, may not be able to demonstrate equivalent social and financial returns and could be hindered in a highly competitive market. Government must be careful to ensure that policymakers create the conditions that aid such areas, not by distorting the market, but by supporting metrics that adequately capture all elements of performance.

> **"There's significant, positive work being done by many people at GIIRs, IRIS, B Lab and others, and many others who are defining and measuring social metrics.**
>
> **There's no one-size fits all because you cannot measure the efficacy of someone who is building wells in Africa, versus someone doing eyesight and healthcare in India, versus job creation in the United States. It is an evolving activity and as our research report showed, there's room for everyone."**
>
> **John Buley**
> *Managing Director, J.P. Morgan*

Prioritize the propagation of metrics. Government can support the bottom-up development of metrics by collecting and releasing data on social returns. Agencies such as the SBA and IRS could begin to request additional information from firms regarding social impact measures. While such efforts could be catalytic for the field, policymakers must be mindful of "unintended consequences," and as such operate with extreme caution before adopting regulations that could place undue burdens or other complex requirements on firms of all varieties.

Breakout Group: *Breaking Administrative and Regulatory Barriers*

Introduction

As the old view of the distinction between social responsibility and successful business gives way to the more interrelated notion of an Impact Economy, it becomes clear that there are significant administrative and regulatory barriers to growth. The Impact Economy Summit focused on identifying these obstacles and discussing how they can be minimized, if not removed entirely. Concrete changes can involve enacting new laws, promulgating new regulations, amending existing regulations, and updating policies, and attendees made suggestions in each of these areas.

Alternatively, several in attendance preferred to focus on ways to use and improve upon existing regulations and policies. Some specifically reflected that it would be unwise simply to throw the "baby out with the bathwater." Instead, existing policies should be viewed, now, through the lens of the Impact Economy. It might be preferable for policy makers to adjust existing programs or regulations to reflect and support this new paradigm of pursuing profit and purpose.

Driving Themes

Use what we have. Rather than create new administrative and regulatory programs, it is best to utilize tools that already exist. How can existing programs and regulations be adjusted to allow for the growth of the Impact Economy? Focus should fall on how to make the policy support system that is already in place more effective.

Leverage smart, limited regulation to drive capital flows. As the government drives large amounts of capital into the economy, it should look at ways to encourage that capital to flow to social enterprises. A number of government policies and programs could be adjusted to help burgeoning start-up ventures thrive. Such activities should be calibrated very cautiously, but by using techniques like governmental purchasing power, policymakers can accelerate the flow of private capital into these markets.

Recognize critical role of education. The Impact Economy represents a new trend that is not well understood in all circles. The private sector will lead, but government has a role to play to educate investors, educators, and policymakers themselves about its importance and implications. Such work will help the field to grow and its values to spread more broadly.

Ideas

Reform targeted tax policies. Aligning tax policy to support the Impact Economy could have a catalytic effect on the field. Specifically, the attendees discussed updating the IRS regulations on program-related investments (PRIs) and mission-related investments (MRIs) to encourage more impact investment by foundations and large public charities. For private foundation PRIs, specific regulatory changes already have been drafted and submitted to the Treasury Department. In addition, with congressional action, tax credits could be provided to angel investors who invest in social enterprises or firms that explicitly measure social impact through a credible and/or regulated standard, such as one developed via the Impact Reporting and Investment Standards (IRIS) body, or standard ratings system such as the Global Impact Investing Rating System (GIIRS). In addition, Securities and Exchange Commission (SEC) restrictions could be relaxed to allow crowdfunding in the form of an investment for impact-oriented enterprises

Improve existing market-making mechanisms. Many see the benefit of updating models that already exist. For example, the Community Reinvestment Act (CRA) could be expanded to allow commercial lending institutions to earn CRA credit for supporting impact investments. The long-standing "accredited investor" rule could be modified to facilitate impact investments. The SBA's Small Business Investment Company (SBIC) program could be expanded beyond its current parameters to encompass impact investments. SBA loans could be available to nonprofit organizations that produce earned income and demonstrate a sustainable revenue model. As long as the entities are creditworthy and clear the typical review process, such organizations theoretically can repay loans in the same manner as a conventional business.

Enact ERISA reform to engage pension funds. Many experts consider Employee Retirement Income Security Act (ERISA) reform in the late 1970s to be among the most important factors in growing the venture capital industry. The decision to allow pension fund managers to invest in alternative assets brought large amounts of capital to the field. The government should not pick winners per se. However, if policymakers can clarify ERISA language and make it easier for fiduciaries to deploy funds toward impact investments, it could unlock large amounts of capital. This also could be achieved by creating a reasonable "safe harbor"-style carve-out for impact investments. In either scenario, if pension funds lead, it could motivate other large institutional investors, such as private equity funds and university endowments, to follow.

Employee Retirement Income Security Act (ERISA)

The Employee Retirement Income Security Act (Pub.L. 93-406, 88 Stat. 829), or ERISA, enacted in 1974, is a federal law that sets minimum standards for pension plans in private industry. Under ERISA, pension fund managers are allowed to invest in alternative assets. This has facilitated capital flow into the venture capital industry. Similarly, policymakers could make it easier for fiduciaries to deploy funds toward impact investments.

Leverage government procurement policy. Government must be careful not to pick winners in the Impact Economy, but simply to create the conditions under which such firms can compete on an even playing field. Businesses organizing under new legal structures, such as L3Cs, benefit corporations, and certified B Corporations, should not be given legal procurement preference per se, but many of these new entities, along with other social enterprises, might benefit from favorable procurement policies. As they have done with other nascent industries, policymakers can use procurement policies to support particular industries and determine whether they can scale. This is not a silver bullet and should not be implemented in a manner to disadvantage other firms. Rather, the General Services Administration and other agencies could develop pilot programs to catalyze demand and cultivate nascent markets.

Breakout Group:
Building Impactful Financial Systems

Introduction

During this breakout session, participants discussed ways to build the Impact Economy within the constructs of modern financial systems. The discussion touched on the need for long-term and big-picture thinking, moving away from the quarter-to-quarter mentality that seems to be pervasive in the financial sector. Rather than growing too quickly – and overselling or over-promising – a steady evolution toward the Impact Economy will create a stable foundation for sustainable, long-term growth.

Participants agreed that we need to focus on how best to utilize existing financial tools that can drive capital into the Impact Economy. There was strong agreement that once capital is flowing, it will be important to facilitate capital recipients' ability to absorb this investment capacityproductively.

Driving Themes

Exploring Models of Financial Innovation. Private actors in the financial world consistently demonstrate a remarkable capacity for change. Impact investors are a powerful reminder of this trend. Government needs to ensure that such innovation can flourish. This might not require new regulations per se, but could include adapting existing laws and models to facilitate increased capital flows.

Strengthening the ecosystem of the Impact Economy. In the space between investors and entrepreneurs, it is important that the market intermediaries – the entities that facilitate flows between capital and enterprise – are strong and efficient. The work that occurs in this area is vital to the development of a well-functioning ecosystem. Some examples include facilitating administrative support and accelerating communication, and helping entrepreneurs and investors understand the market options and choices before them.

Recognizing the importance of parallel, concurrent growth. Though there is widespread agreement about the need to bring more capital in various forms into this field, it is unclear whether there is sufficient deal flow to absorb such funds. Government should ensure that it creates the conditions in which social enterprises can benefit from the resources and services available to conventional firms to facilitate their growth.

Ideas

Updating CRA for the Impact Economy. The Community Reinvestment Act was created to facilitate community finance by supporting borrowers in designated geographic areas. Today, it could be expanded to include impact investments that inherently create community benefit in a manner similar to the original intent of CRA. This could involve integration with the SBIC program or engagement with other federal agencies.

Apply calibrated tax incentives. Such incentives could break through the barriers to growth in the Impact Economy. Potential investors need such encouragement to back start-ups or other enterprises with an unknown level of risk and return. Such tax treatment can take many forms, but reasoned incentives could be catalytic to attract new investors who might need a nudge to enter this emerging sector.

> **"It comes down to finding mechanisms that fill financing gaps that reduce risk, that enhance returns, and to innovate by using the tools available within the government to create structures that are fitting a specific need."**
>
> **Elizabeth Littlefield**
> *President and CEO,*
> *Overseas Private Investment Corporation*

Contemplate new government funding and leverage models. The Administration already has created new funding models, such as the U.S. Department of Education's i3 Fund or the Social Innovation Fund at the Corporation for Community and National Service. These programs could be widened and new models of competitions and prizes could be introduced through other agencies to encourage and reward innovative approaches to creating jobs and other impacts in the Impact Economy.

Utilize Social Impact bonds. Potentially a major breakthrough to enable early interventions, Social Impact Bonds (SIB) represent an important model of cross-sector collaboration. They involve governments, NGOs, and foundations collaborating to execute investments in targeted initiatives designed to generate specific social outcomes. Unlike traditional philanthropy, this instrument carries upside and downside risk: social-minded investors provide initial capital to fund programs that seek to deliver a targeted social return. Government agencies pay returns to these investors if, when, and only to the extent that improved social outcomes are achieved. The federal government should accelerate its efforts to leverage SIBs when appropriate because such support could generate widespread benefits as states and local actors follow this lead.

Conclusion

The Impact Economy that is emerging presents a glimpse of the future of America itself. It advances a vision of a society strengthened by bold entrepreneurs and investors who attempt to address social challenges and environmental issues through market-based models and creative frameworks that serve these needs and generate sustainable economic results along the way. A sea change is at work, in which the mechanisms of profit and social impact not only occur at the same time – by working together, they thrive.

The story of the Impact Economy is a truly American narrative. It is a story in which individuals and teams of people band together to innovate, create and launch new ventures, creating entirely new business models whose whole is far greater than the sum of their parts.

Even in the face of economic recession and our troubled financial markets – or perhaps *because of* these persistent problems – more Americans are expressing a desire to earn a living and make a difference. Indeed, job creation and economic renewal should not come at the expense of affecting social impact in the world. On the contrary, an economy that drives concurrently toward *all three* goals is smart, practical – and imperative.

"We need to recognize that we are advocating for a new world view that breaks out of the old mode, where we thought that government and philanthropy dealt with social problems, and business only dealt with profit and making jobs. There's an opportunity for political leadership to message that correctly so that it creates the space for many of these other more tactical initiatives that also need to occur at the same time."

Clifton Kellogg
Director, State Small Business Credit Initiative,
U.S. Department of the Treasury

The Summit held on June 22, 2011, was the start of an important process. Leading voices from government, business, and civil society came together to pose the question: How can we work together to rebuild our economy and revitalize our communities? To answer this question will require the continued efforts of those who participated in **Building an Impact Economy in America**, as well as businesses, small and large, across the country. These businesses – from manufacturing companies in the Midwest, email marketing firms in the Research Triangle, apparel companies in central California, and recycling plants in Brooklyn and the Bronx – are driving economic returns, satisfying their investors and their shareholders, and intentionally generating measurable social impacts.

Such ventures have a greater likelihood of success if there is an appropriate mix of policies and programs to create a supportive ecosystem for the benefit of these firms and their customers. The Summit made clear that the best role government can play is to use the tools at its disposal to enable the market to best facilitate the growth of the Impact Economy. When used well, government tools can help mitigate risk so businesses can create jobs and wealth.

To that end, **Building an Impact Economy in America** was only the beginning of an ongoing discussion of ideas and commitment to action. This report is intended to catalyze further conversation – attracting more voices, fostering innovation, and sharpening the recommendations for our elected officials – a process that should yield gains for all of us and for generations to come.

Appendix A:
List of Participants

Wendy Abt	United States Agency for International Development
Kiran Ahuja	White House Initiative on Asian and Pacific Islanders
Frank Altman	Community Reinvestment Fund
Bob Annibale	Citi Microfinance
Kim Azzarelli	*Newsweek/ The Daily Beast*
Melody Barnes	Domestic Policy Council
Caroline Balerin	Hewlett-Packard
John Belluomini	Mogul Advisory Group
Shari Berenbach	United States Agency for International Development
Eric Boehm	The Aspen Institute
Angela Bonarrigo	Ceres
Brian Bordainick	9th Ward Field of Dreams
Amit Bouri	Global Impact Investing Network
Melissa Bradley	Tides Network
Margot Brandenburg	Rockefeller Foundation
Jerome Brown	United States Department of Energy
Matt HoganBruen	Bank of America Merrill Lynch Capital Access Funds
Anthony Bugg-Levine	Rockefeller Foundation
John Buley	J.P. Morgan
Will Byrne	The DC Project
Laura Callanan	McKinsey & Co.
Sarah Cannon	National Economic Council
Melissa Carrier	University of Maryland
Melford Carter	Credit Suisse Customized Fund Investment Group
Rosalie Sheehy Cates	CDFI Community Investment Initiative
Ronnie Chatterji	Council of Economic Advisors
David Chen	Equilibrium Capital

Hillary Chen	White House Office of Science and Technology Policy
Audrey Choi	Morgan Stanley
Rachael Chong	Catchafire
Amy Chung	Living Cities
Catherine Clark	Duke University Center for the Advancement of Social Entrepreneurship
Ron Cordes	Genworth Financial
Paul Corson	United States Department of Commerce
Michael Cox	HUB, Bay Area
Kristi Craig	United States Small Business Administration
Bill Daley	The White House
Stacey Danner	Sustainable Environmental Enterprises
Linda Darragh	University of Chicago
Stephen DeBerry	Bronze Investments
Cheryl Dorsey	Echoing Green
Lala Faiz	United States Department of State
Sameera Fazili	United States Department of the Treasury
Sean Foote	Labrador Ventures
Jessica Freireich	Monitor Institute
Butch Frey	United States Small Business Administration
Donna Gambrell	CDFI Fund
Chris Gergen	Bull City Forward
Jim Gibbons	Goodwill Industries
Kyle Gibson	*Newsweek/ The Daily Beast*
Jay Coen Gilbert	B Lab
John Goldstein	Imprint Capital Advisors
Jonathan Greenblatt	The Aspen Institute
Sean Greene	Small Business Administration
Mark Grovic	New Markets Venture Partners
Jon Guidroz	Free Flow Power Corporation
Ellen Gustafson	30 Project
Priya Haji	SaveUp
Lisa Hall	Calvert Foundation
Maureen Harrington	Standard Bank
Charles T. Harris	Sea Change Capital Partners
Elie Hassenfeld	GiveWell
Robert Haynie	United States Department of State
Sue Henderson	Habitat for Humanity International
Eric Hespenheide	Deloitte

Danny Hosein	United States General Services Administration
Judy Hu	General Electric
Holmes Hummel	United States Department of Energy
Carl Jenkins	Harris Bank
Jamie Jones	ShoreBank International
Matthew Josephs	CDFI Fund
Andrew Kassoy	B Lab
Tricia Keller	United States Department of State
Clifton Kellogg	United States Department of the Treasury
Georgia Levenson Keohane	Roosevelt Institute
Eric Kessler	Arabella Advisors
Ellen Kim	United States Small Business Administration
Will Kirksey	Worrell Water Technologies, LLC
Matthew Klein	Blueridge Foundation
Peter Knight	Generation Investment
Carl Kopfinger	TD Bank
Michael Kubzansky	Monitor Institute
Divya Kumaraiah	Domestic Policy Council
Christina Lagdameo	United States Department of Education
Doug Lawrence	5 Stone Green Capital
Christina Leijonhufvud	J.P. Morgan
Emily Leventhal	Athena Capital Advisors
Ginger Lew	National Economic Council
Joanne Lipman	*Newsweek/ The Daily Beast*
Elizabeth Littlefield	Overseas Private Investment Corporation
Adam Lowry	Method Products, Inc.
Ivy Mackin	United States Department of the Treasury
Caitlin MacLean	Milken Institute
Ruth Madrigal	United States Department of the Treasury
Asad Mahmood	Deutsche Bank
Jessica Matthews	Cambridge Associates
Mark Mazur	United States Department of the Treasury
Doug Mellinger	Foundation Source
Jim Miller	Charitable Leadership Foundation
Karen Mills	United States Small Business Administration
Bonny Moellenbrock	SJF Ventures
Rhett Morris	Endeavor Global
Craig Muska	Threshold Group

Cate Muther	Three Guineas Fund
Mark Newberg	United States Small Business Administration
Katrina Ngo	Clinton Global Initiative
Lisa Nitze	Social Enterprise Alliance
Doug O'Brien	United States Department of Agriculture
Kathy O'Hearn	*Newsweek/ The Daily Beast*
Tim O'Shea	CleanFish
Tracy Palandjian	Social Finance US
Jean-Luc Park	Impact PRI
Nancy Pfund	DBL Investors
Ron Phillips	Coastal Enterprises, Inc.
Jan Piercy	ShoreBank International
Preston D. Pinkett III	City National Bank of New Jersey
Shervin Pishevar	Menlo Ventures
Ben Powell	Agora Partnerships
Chris Pyke	United States Green Building Council
Viki Radden	United States Agency for International Development
Nagesh Rao	United States Patent and Trademark Office
Beth Richardson	Global Impact Investing Rating System
Michael Robertson	United States General Services Administration
Ryan Ross	The Aspen Institute
Heerad Sabeti	Fourth Sector Network
Stewart Sarkozy-Banoczy	United States Department of Housing and Urban Development
Rob Schneider	United States Agency for International Development
Chris Schultz	Launchpad Partners
Arjan Schutte	Core Venture Capital
Debra Schwartz	MacArthur Foundation
Jason Scott	EKO Asset Management Partners
Fran Seegull	ImpactAssets
Truman Semans	GreenOrder
Pallavi Shah	Pallavi Shah Consultants
Sonal Shah	White House Office of Social Innovation and Civic Participation
Lizzy Shepard	LifeCity
Scott Sklar	The Stella Group
Abby Jo Sigal	Enterprise Community Partners
Jayant Sinha	Omidyar Network India Advisors
Beth Sirull	Pacific Community Ventures
Gene Sperling	National Economic Council

Jacqueline Strasser	Overseas Private Investment Corporation
Bill Strathmann	Network for Good
Julie Sunderland	The Bill & Melinda Gates Foundation
Wendy Taylor	United States Agency for International Development
Kerwin Tesdell	Community Development Venture Capital Alliance
Paul Thanos	International Trade Administration
Ben Thornley	Pacific Community Ventures
Marjorie Tsang	Office of the New York State Comptroller
Seth Turner	Goodwill Industries
John Tyler	Ewing Marion Kauffman Foundation
Casey Verbeck	Touchpoint Trust Group
John Walker	Echoing Green
John Wasielewski	United States Agency for International Development
Peter Weeks	United States Department of Energy
Robert Wexler	Adler & Colvin
Erin White	FSG Social Impact Consultants
Judy Wicks	Business Alliance for Local Living Economies
David Widawsky	Environmental Protection Agency
Cynthia Williams	University of Illinois
Dan Winters	5 Stone Green Capital LLC
Andrew Wolk	Root Cause
Lisa Woll	United States Social Investment Forum
Stuart Yasgur	Ashoka
Jessica Yuen	United States Department of Housing and Urban Development
Betsy Zeidman	Robert F. Kennedy Center for Justice & Human Rights

Appendix B:
Transcript of Selected Remarks

The following is a truncated transcript of selected remarks at the Summit from Melody Barnes, William Daley, and Gene Sperling. A full transcript of the opening and closing sessions can be found on aspeninstitute.org/impacteconomy.

Melody Barnes | President's Domestic Policy Advisor and the Director of the Domestic Policy Council

Good morning, everyone. It is a pleasure to be here with you, and welcome to the White House. We are really, really thrilled that you're here. Sonal and Marta and the rest of us, Divya, along with our colleagues in the White House and across the Administration, have been working on this and thinking about this and talking about this for a very long time. So it's a pleasure to see today finally come together.

You know I don't have to tell you that the impact economy is growing. That it is rapidly growing, and we see it here in the Obama Administration as being a critical part of our domestic policy agenda. We know that business has a critical role to play in not only growing the economy but also taking important steps forward to address the critical challenges that we're facing in society. And whether that is education or housing or healthcare or clean energy or job training, the list goes on and on. The role that you all are playing makes a huge, huge difference in our work.

And we know that for a long time there have been a lot of people who have said that you can't have economic prosperity and success, and also drive forward on social good at the same time. But we think that people who think that way are creating artificial barriers, and we think quite the opposite – that many of you have been constructing important nonprofit organizations, dynamic businesses, and you've been employing all of these techniques and all of these skills that prove that we can have economic good and social good and prosperity at the same time.

As you were doing business differently, we also realize that those of us in the Administration have to do business differently as well. And today is the beginning – but it's also a result of that kind of thinking. And we want to support and encourage this growing sector and we want to leverage the market-based models that already exist and those that will continue to grow. To achieve these shared goals, we've been partnering with our colleagues in the National Economic Council, and in a minute you're going to hear from my colleague and my partner, Gene Sperling, and he will talk about that. And we already have an interagency group that's put together that helped to construct today's agenda, but also will be doing the work going forward while we work with our colleagues across the Administration.

So we brought those of you here from all different sectors – whether it's business or philanthropy, or corporations, those of you who are small entrepreneurs and others, to have a tough conversation with us. A very honest conversation with us because we want to better understand what the barriers are to what you're doing and how we can eliminate those barriers and how we can encourage the sector. And also think about other kinds of changes, other things that we can do from a policy perspective and from the White House perspective to try and encourage and support your work.

As I said, we think that today is just the beginning and we hope that the sessions that you'll have that Sonal just described will allow you to have the fruitful conversations that I just mentioned, and also to share information with each other as well as with us so that we can further catalyze this sector. And we look forward to continuing the work with the Aspen Institute. They've been great partners in helping us put today's session together. And they're also going to work with us to synthesize what we get out of today's sessions so that we can put out a report that you all will see later this summer. So we look forward to hearing all of your thoughts and getting your input.

As I said, having those honest conversations – and I'm sure I probably don't have to say it to this group – but we really want to hear what you're thinking and what's going on and what will be useful and helpful because that's the only way that we're going to be able to deploy that in the work that we're doing, and to further develop this agenda. So I'm going to close now but, again, I want to thank you for being here. As I said, in a minute we're going to hear from my colleague, Gene Sperling, who [is] such a treasure. He wears kind of the chief green eye shade pocket protector wear around here. But he's got a social sector heart, and it's one of the reasons I really enjoy working with him.

But before you hear from Gene, I want to introduce the Chief of Staff to the President, Bill Daley. I think many of you probably know him or know him by reputation. He is a wonderful leader here in the White House, and he also understands that sweet spot between doing social good and also economic prosperity, and growing the economy, and growing jobs. So with that, I want to turn this over to our Chief of Staff, William Daley.

Bill Daley | Chief of Staff to the President of the United States

Let me thank you all for being here today. I appreciate it. Welcome to the White House.

Obviously, this is a gathering, looking at the list of some great representatives of companies who are involved in impact investing. Quite challenging, obviously, at this time but extremely important. The President believes that we are all in this together. Obviously, lots of people look to the government, "What can you do?" These are difficult times, you know it.

Difficult times in businesses and philanthropy, the overall economy, the challenges we've got in the government right now with a tremendous debt that's built up over years. So it's a tough time out there. We've got to be creative. This is what you do every day. Obviously, I had the pleasure when I was at J.P. Morgan of overseeing our corporate responsibility and I know there are some people here [whom I know] … I see John Buley, and I think Christina's here from J.P. Morgan.

And there are lots of great companies, as I said, represented here. And we need your help. We need your innovation. We need your creativity. Obviously, you've got challenges as you look to try to make some impactful investing, and you've got the challenges of dealing with real metrics, the responsibilities you've got to the shareholders, to the investors and to really make judgments about what can be impactful with the money that we can find, the resources, the financial gap that's out there, and attracting real money to make a difference.

So social investing, impact investing – however you want to call it. The responsibility of all of us to join together to try to change this world and to do some good; do well and do good, as my friend Ron Brown used to say. That's the challenge you've got. We've got that challenge to deal with fewer resources at the federal government, but we are trying to be much more creative as you try to do. So we thank you for being here; we want to hear your ideas.

Obviously, you've got some great participants from the government that are here. We hope to be helpful to you. We need to hear from you, what you think we can do to make opportunities for your investing and to address some of these inherent problems in our society and worldwide – try to address them ... Gene [Sperling] has been intimately involved in every issue in this Administration – the economic difficulties we've got. He's been at the core of the budget discussions with the vice president and these are tough things.

I mean, there's a belief over the last 30 years that the answer to all of our ills is to cut spending and cut revenue. And I think that model's been proven wrong, that's our belief. There are others who believe strongly other way. So we've got to do more with less, as you do every day, and find creative ways to do the things that we think really matter to society and make this a better place for all of us ...

We are in a crisis. We're trying to get some people to understand that this is a real crisis, and the ways in which things happen in this town have got to be jumpstarted based upon the difficulty we're in. And I think we're having results there. I think we are seeing that with a lot of the programs.

I think [of] a lot of the Recovery Act efforts that were taken and were acted upon rather quickly … We've got to be made aware of these things quickly so we can find a way to circumvent what would be the normal system, which is what you laid out.

There is no one who works harder, other than the President of course, obviously, I say that, on these 18 acres and contributes more to the dialogue in this place – a positive dialogue – than Gene Sperling. So it's an honor for me to introduce our NEC director, Gene.

Gene Sperling | Assistant to the President and Director of the National Economic Council

Thanks so much. Let me start by first thanking or acknowledging a few people. One is Melody Barnes, who has shown enormous leadership in this area and in her department in Domestic Policy. And we do work together, and the answer to your question is the way things work is that it's not agency versus White House. The way Melody and I operate is that we're the honest brokers.

We bring the departments around, and the fact that this is driven out of the White House, it is a perfect example. Of course, it doesn't mean we do everything. It means we bring people together. We make sure we've written all of the ideas we're presenting to the President. There are some issues where it's just the National Economic Council [that] will do most of it but they'll be at the table.

There's others where the domestic policy runs. This is one that is so intimately related to the fundamental goals of domestic policy and many of the means of the economic team that we work together in partnerships. So there's just a very, very strong linkage, and I've been honored to have this job since January. But long before that, Melody was showing great leadership on it.

Second person I want to acknowledge is Sonal Shah. Sonal has been everywhere … including Bosnia with me for different ventures, and she has had such a passion and leadership for this. And what she's done with her family in India, what she's done professionally, corporate responsibility-wise, what she's done here. She has … a driving passion for this, and she's one of my favorite people and I want to acknowledge her.

And, finally, another woman who's been just a star in this area is Ginger Lew. And I have to acknowledge her because it's her last few days [working here]. She makes things happen. She makes things happen even when resources are tight … our only comfort that she is departing for more normal life is that she will be just on this side of the podium the next time we're doing any of these things.

So I really just want to acknowledge all three of them. Let me just make three points and, again, as Bill said, you are the experts, but just three thoughts really. One, I think this area is beyond just economics. I mean it does go to sense of purpose and sense of mission for people. And I think that anybody engaged broadly in our economy likes to believe that they're a part of an overall system that, in general, has worked over time, over the last couple of centuries, to create greater opportunity.

But for a lot of people, just having that general and vague sense is not enough. They want to see that connection. They want to be able to explain that connection to their friends, to their family, to themselves, to their god. They want to be able to see very clearly how what they are doing through their entrepreneurship, through their private sector, through their nonprofit sector, is having those results. I think there are a lot of amazing people coming out of school and to the workforce, people already there who want to see that connection tighter.

They want to feel that every day in their lives … I think it is that personal sense of purpose and mission that drives the social entrepreneur world, that drives the impact investing world.

And secondly, "double bottom line" is the kind of common phrase that we use. But I often think a double bottom line is often just kind of a code for a single bottom line that is just richer and more long-term. I think often when we say double bottom line, it means that it doesn't fit into the most narrow quarterly sense of what is in the interest of the particular enterprise.

I think much of this happens when people take a richer view, a longer-term view. I remember my friend, Maria Eitel at Nike, giving an interview once where she said, after some of the child labor issues came out, that workers there were ashamed to tell people at picnics who they worked for. That is not just a double bottom line. That goes to the reputation, the type of people that you get, the pride people have in the enterprises they're working for. That may be double bottom line. I think for a lot of companies and organizations, it's more of a richer and deeper and reflective long-term sense of what is in their interest.

And all of us benefit. Anybody, particularly in the private sector, has to benefit ultimately. That people have confidence that things work in a way that leads to shared prosperity. I mean the goal of our country, from Ben Franklin through the Revolution, was we were not a country in which the outcome of your life was based on the accident of your birth. … We're not a dumbbell economy with a lot of people on one side, a lot on the other and just a thin line in the middle ... We want most of the people in the middle. A sense of opportunity that when there is growth and productivity, it's not only benefiting the economy as a whole but [enforces] the values that more people can move up and share in their prosperity. That is more important today than ever before.

People are doubting that more than ever before. We see counties across our country with 15 percent unemployment and more still reeling from the worst financial crisis that many of the people suffering from had little to do with in contributing. So it is also a richer sense of what is best long-term for everyone. So I believe that that kind of depth in terms of the reputation, in terms of the motivation and the type of people you hire, in terms of the overall confidence in the system really does, to me, mean that sometimes double bottom line just simply means a more longer-term and more reflective view of what is a single bottom line.

And third, I think it is just driven by a sense of a greater understanding in recent times of the importance of both entrepreneurship and sustainability … Our initiatives – things like the community, the CDFI, community development banks, the New Markets Tax Credit, the impact fund that Karen Mills is leading – these things are all very much designed to support the social impact investing, the leveraging, the core sustainability, the entrepreneurship … This will be my only thing that approaches a political statement is to say, it is my hope… and [it] may not be all of your hope but it's my hope that we're just barely through a quarter of President Obama's presidency, which means that I hope we're just a quarter of the way through the new ideas we will do. So we're not here just to tell you what we've done. We're here to hear [you] because we're hoping to be around for a while, and we're hoping that we're just 25 percent through the new ideas. So please don't feel like anything's too late. There is a long time.

It is going to be a long climb back from this deep recession. It's a long climb back to the kind of economy we want, and we will be needing the ideas that you have for a while, whether it's us or someone else. So thank you very much. Thank you to Melody and to Sonal and Ginger, and I will let you move on. Thank you.

Karen Mills | Administrator of the U.S. Small Business Administration

Thank you to these great panels. I thought they were terrific, and I'm going to refer back to a couple of things that they brought up. Particularly this notion of using some of the tools that we already have in government to advance this intense activity that exists in this sector. As some of you know, I'm from the private sector; I grew up in the private equity world before there was private equity investing. When I looked at that J.P. Morgan report, [I realized] we have really come maybe to the tipping point, or over the tipping point, depending on what all you decide today. This is a very important moment, and we do actually have in government a number of tools to make public-private partnerships accelerate in this area. I'm going to talk about the things that we are actively doing at the SBA to advance this agenda.

How many of you know what Start-up America is? Good. You all should know what it is because it is the Administration's wide effort to help our high-growth entrepreneurs. What we say at the SBA is that there are many kinds of entrepreneurs; we help main street entrepreneurs. Restaurant opens, restaurant closes, we're there with new loans for them, but most of the net new job creation and the innovation is taking place in this high-growth sector. Start-up America is a public-private partnership in conjunction with Steve Case and a number of corporate participants. Those of us across the Administration in the SBA and other places who are working with entrepreneurs – and what we said in this room when we talked about Start-up America – this winter we're going to do a number of things. We said first we were going to work on accelerating the growth of some of these high-growth businesses with mentorship. We actually launched a nationwide mentor corps; we launched the pilot program with companies that have been funded by the Department of Energy. We said we were going to fund four accelerators at the SBA to match a hundred of these promising clean entity entrepreneurs with mentors who had been there and done that, and we've done that program. It is now sort of poised for that next step coming forward. I think this notion of mentorship and counseling is equally important as the money.

The second thing we said is that what we're hearing from a lot of the entrepreneurs is that there are a lot of barriers to their growth, and we were going to go out and find out what they were and we went out around the country. I'm around the country anyway; I think I've been in 34 states. Yesterday was Pittsburgh, and we talked about exactly this, that there are barriers to entrepreneurs finding the help they need from the federal government, there are barriers to entrepreneurs with regulation. How can we do what the President wants to do, which is remove those barriers? Daley talked about this frequently, the President really believes that we should, and has asked Cass Sunstein to do a regulatory review and get rid of unnecessary and burdensome regulation. We went around the country and you're going to see, very shortly, actually, the summary of that report, and you've already seen Cass can come up with a number of the regulations that we're working on removing.

The third thing that we said is very relevant to what we're talking about today. That is, we made a commitment at the SBA to do an impact investment initiative of $1 billion over five years. Now, we may have gone quiet about it … but I want to make sure you all know about it because you're going to be hearing a lot about it starting now. You saw from the J.P. Morgan report that this kind of investing is moving from the periphery to the mainstream, which I think some of you will agree with [and] others of you might not, but we believe in this win-win formula. And so, what we asked ourselves at the SBA is how could we use, as John said, the tools that we already have to give the taxpayers good bang for their buck and have a model. What we have at the SBA is something called SBICs. Who knows about SBICs? Who is an SBIC? All right, good. Well, I don't have to give quite the primer then, but we have these small business investment companies; they are licensed by us at the SBA. We have about 300 of them, actually. And they've got quite a good track record. They are the ultimate public-private partnership and they actually are subsidy-neutral, no cost to tax payers. It makes them a very powerful model.

… See if you can guess who this is. Back in 1969, computers and microchips were the emerging industry, remember that, and SBIC invested $300,000 in a chip manufacturer with 200 employees and $500,000 in revenues today – it's Intel. The mid-'70s air cargo industry, another SBIC, invested

$5.8 million in a small company – today it's FedEx. We have a whole list of this. I won't go through them all, but the current example, Action Carting Environmental Services, is based in a low-income area of New Jersey. This is a recent investment. Facilities in the Bronx and Brooklyn, we made an SBIC investment in 2007, they went from 94 employees to 365 and they've built one of New York City's largest recycling facilities, 100,000 tons of waste each month. This is how SBICs are working, and one of the complaints that I heard when I came in is "too much paperwork, too much time." It's too burdensome to do an SBIC. In fact, Sean Greene, who's here in the back – make sure you know him – has cut the turnaround times in half. He's put a fast-track program in for those who are coming for their second or third fund, which I think is, what, two months? Two months for turning around those licenses, and he's doubled the amount of financings that have gotten done. We did $1.6 billion in financing last year through SBICs, $1.6 billion. This is now a very effective tool of government. How are we going to turn it to the issue that you are all engaged in? We chose the SBIC as the platform for this billion-dollar impact investment initiative, and … what we're going to do is provide two-to-one match to licensed funds and we pick two categories: place-based and sector-based.

Place-based, we're targeting underserved markets. We have, right now, as you all know, most of the venture capital investment goes in three or four states. We have great ideas and great entrepreneurs everywhere, particularly in underserved markets where there's a market gap and there's a shortage of this capital. Second thing, we're going to target emerging industries, and as a country, clean energy is one that we know [that] we've got a lot of opportunity in, and that's one we're going to work on as we plan to out-compete the rest of the world with our entrepreneurs and innovators … We're announcing our first partnerships, so the fund is funded and getting on their way. The first of these impact funds we're going to announce, and we have several other fund managers and institutions – we have a call out to all of you. Hopefully some of you are in conversation with us. Please talk to Sean Greene if you've got questions or are interested in understanding. There's not one deadline, there's a rolling process. You'll be able to, when you're ready, come in and apply. We can also match-make between great fund managers and those we have who are quite interested in providing capital. Please continue that conversation with us.

Now, you're going to now go and try to answer some of the additional questions that we have. We appreciate that very much because all of the things that we can do here are not yet written. Once again, I know one of your roundtables is going to follow up on our "reducing barriers road trip" that we did to eight cities, where we've gotten a whole series of ideas. We want to continue to bring those forward and implement them, and we want to understand how to do the rest of what we're going to implement on this billion-dollar fund and what else we can do under this umbrella. We have extensive resources, as you know, around the country who counsel entrepreneurs and underserved markets in all sectors, and we want to be able to create leverage and align those things that we are doing with those things that you are doing. We have $90 billion in loan guarantees and capital that are also an important part of this equation. I'll just close by saying, remember the impact of our entrepreneurs and small businesses. Half of Americans who work, own or work for a small business, and they create 64 percent of the net new jobs and maybe these high-growth companies you're talking [about] create all the net new jobs, depending on which study you see.

If we're going to do what the President talks about, out-innovate, out-compete, out-build the rest of the world, it's going to be because we support our entrepreneurs and our investors to create more jobs and the prosperity that we're looking forward to. Thanks for your help and thanks for being here today.

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