IMPACT INVESTING IN THE U.S. AND THE FIFTH DISTRICT

Impact investing is an investment strategy that finances companies, organizations and funds that generate a positive social or environmental impact, in addition to a financial return for the investor. While community development financial institutions (CDFIs) have historically funded socially impactful ventures, the term “impact investing” was coined in 2007 by the Rockefeller Foundation and impact investing has since grown into a more widely pursued investment strategy. The net assets of investment funds pursuing an impact investment strategy have grown from $12 billion in 1995 to $4.3 trillion in 2020.

HOW DOES THE FEDERAL GOVERNMENT SUPPORT IMPACT INVESTING?

The U.S. government has a long history of encouraging private investment that supports public goals. Federal legislation such as the Community Reinvestment Act, tax credits such as the New Markets Tax Credit, and targeted initiatives such as creating a framework for equity crowdfunding all serve to encourage impact investing.

IMPACT INVESTMENT FUND (IF)

The creation of the Small Business Administration’s Impact Investment Fund in 2018 heralded a source of direct support for small business investment companies (SBICs) that pursue impact investing.

SOCIAL INNOVATION FUND (SIF)

The Social Innovation Fund is run by the Corporation for National and Community Service (CNCS), a federal agency that supports impact investments in three priority areas: economic opportunity, healthy futures and youth development.

OVER $241 MILLION TO
27 INTERMEDIARIES

OVER $516 MILLION IN MATCHING GRANTS

282 NON PROFITS

37 STATES & D.C.

For more information, visit http://www.richmondfed.org/publications/community_development

SOURCES: