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The Mansion House

First, may I thank the Lord Mayor for putting the revolution in philanthropy so prominently on her agenda. The City is well acquainted with "The Wealth of Nations" and the "invisible hand" of markets. It is less well versed in Adam Smith's other major work, "The Theory of Moral Sentiments" and what we might call the "invisible heart" of markets. This is my subject today.

In his address here in November, William Shawcross set the scene as Chair of the Charity Commission: philanthropic funding is under pressure, lack of scale plagues philanthropic service providers, social issues are increasing and persist across generations, and governments are under pressure as their planned provision of social services falls far short of the expected need. He said there was a clear need for a revolution in philanthropy and pointed to impact investment and the Taskforce established by the G8 to catalyse it internationally as signposts to where a revolution may be leading us.

The Entrepreneurial Revolution

I have been fortunate in playing a role in one revolution, that which entrepreneurship brought about over the last forty years, both within and beyond the field of high technology. When I set up in 1972 what became Apax Partners, few knew what an entrepreneur was and fewer still believed that entrepreneurs would achieve much of consequence for our daily lives.

Forty years later, our lives have been completely transformed by entrepreneurs. The chip, the P.C., the mobile phone and the internet, with its search engines and the instant access it provides to information and people, have revolutionised the way we live. They have brought a revolution as momentous as that which followed the transmission of knowledge through the invention of the alphabet and the invention of printing. Entrepreneur-led companies have overtaken those that had led their fields for nearly a century. IBM was overshadowed in the space of a couple of decades by a start-up, Apple, which is now the largest company in the world by market cap. Microsoft, Amazon, Google, and Oracle made it from start-up to the top 30 companies by capitalisation in the world.

The tech entrepreneurial revolution was driven by innovation and risk-taking. It transformed the mindset of governments about how economic growth should be achieved. In the USA, in the space of 25 years, it has been estimated that 50 million jobs were lost by smokestack industries, while 60 million jobs were created by new companies. It affected the portfolio strategy of institutional investors, taking them from investing only in the most liquid investments, government bonds and big companies' shares, to investing in illiquid, 10-year venture capital funds and the riskier shares of promising young companies that had yet to make a profit. It raised the status of employment by young companies with growth potential and that of ambitious start-ups higher than employment by established corporate leaders.

How come these attitudes changed so fundamentally? They did so because the challenge of high-risk/high-return investments was met by the creation of a totally new investment class, venture capital and private equity. Venture capital was a response to the needs of ambitious new companies engaged in high-risk innovation. The innovation itself created the opportunity to build companies to exploit breakthroughs. It involved a transformation of mindset, led by young entrepreneurs who cultivated "the art of the impossible". It was driven by the creative destruction of conventional thinking and institutionalised companies, by the need of governments to create jobs, and by far-sighted investors who funded risk-taking through venture capital funds and the stockmarket.

I believe we are now in the early days of a social revolution. A rising wave of social entrepreneurship follows the wave of business entrepreneurship. It seeks to make a difference, to be meaningful, to improve people's lives. The equality of opportunity that has been our mantra for decades, as the foundation for a fair and thriving society, is calling us to confront social challenges. For what does equality of opportunity mean for a child born to parents who are unemployed and in the grip of substance abuse? For a prisoner who is released from jail with insufficient money to make it to the first benefit payment and who has no place to sleep? For adopted children whose new parents are given inadequate support to cope with adopted children's complex challenges? For the homeless who face numerous challenges that require simultaneous solution?

We are still very far from resolving even our most urgent social issues. Instead, as Philip Larkin put it, "Man hands on misery to man", social issues are passed unresolved down the generations. Why?

Traditional Philanthropy and the Social Sector

Over the past couple of centuries, philanthropists have tried their very best to improve the lives of those left behind. Their charity became increasingly organised through Victorian times and brought sizeable charitable foundations into being that were given tax incentives early in the 20th century. But by the mid-1930s, governments had begun to realise that philanthropy alone could not cope. They started to accept responsibility for the less well-off and by the mid-40s a number of countries including the UK embarked on welfare states. Today, welfare states designed for the 20th century are throwing up their arms in face of the struggle against the new century's social challenges. They realise that they are not best placed to innovate in bringing solutions to social issues. Their projected social expenditure falls far short of expected needs and the yawning gap poses grave challenges for them and for the nature of our society, as mounting social issues impact our values, our social cohesion, and our lives. If both traditional philanthropy and government have struggled to do so, how should we tackle social issues?

When we started to think about this question in the Social Investment Taskforce in 2000, I began to realise that while our capitalist system in many respects deals admirably with its economic and financial consequences, as we saw during the recent crisis, the same cannot be said of its social consequences. And yet between the private and the public sector is a social sector, traditionally known rather patronisingly as the Third Sector. It is often ignored, yet it counts in the UK alone 160,000 charitable organisations including some but not all of the 60,000 social enterprises, including many service providers to the less well off, and employs 800,000 people motivated to help improve other people's lives. It is supported by Charitable Trusts and Foundations with about £100bn on their balance sheets. And what is the common characteristic of the charitable social service providers who are the backbone of the social sector? They are small and have no money. The Social Investment Taskforce estimated that three-quarters of them had insufficient capital to look ahead more than three months. Recent figures from the USA illustrate the problem of inadequate scale and resources. Despite three-quarters of a trillion dollars in US charitable foundations, and 9 million people employed in non-profits, very few US service providers have managed to raise the funding necessary to achieve scale. Over a period of 25 years, 50,000 US businesses have successfully crossed the line of $50m of sales. How many non-profits have done so in the same period? Just 144.

As I have worked to help define solutions, with colleagues on the Social Investment Taskforce, the Commission on Unclaimed Assets and now the Social Impact Investment Taskforce established by the G8, and to help implement them through Bridges Ventures, Social Finance and Big Society Capital, I have come to realise why we face this predicament. The primary reason is that traditional philanthropy has focused on the act of charitable giving rather than on achieving social outcomes. It has given charitable organisations money for two or three years and told them as a sanity check to raise money elsewhere after that – oh and not to waste any of it on their overheads. Yet if business entrepreneurs had come to me at Apax with business plans that involved investing nothing on overheads I would have shown them the door. The combination of unpredictable funding and lack of investment capital has prevented almost all charitable organisations from realising their potential effectiveness and scale.

The Birth of Impact Investment

I began then to see the challenge in different terms: how can we do for social entrepreneurs and organisations what we have successfully done for business entrepreneurs? How can we connect them to the capital markets? How can we harness the most powerful forces of capitalism: entrepreneurship, innovation and capital to tackle social issues more effectively? How can we fund those who are capable of creating and implementing innovative solutions so that they do achieve scale appropriate for the population group and the severity of the social issues they address? How can we help them achieve real impact in resolving the social issues that ruin so many lives?

The Social Investment Taskforce could see already in 2000 that the answer would require innovation. Just as venture capital was a novel response to the investment needs of high-risk, innovative businesses, so we now need a novel response in order for high-risk, innovative social organisations to access capital markets. In order to bring such innovation, friends and I created Social Finance in 2007 to bring social and financial expertise under one roof. Within three years, Social Finance had developed the Social Impact Bond and the Ministry of Justice had contracted to pay according to the reduction achieved in reoffending among those released from Peterborough Prison.

This was a breakthrough in thinking at several levels. Perhaps for the first time, the social performance of the charitable organisations concerned was to be accurately measured. Then its measurement was contractually linked to a financial return for investors wishing to improve released offenders' lives. The capital and interest was to be paid by the Ministry of Justice and the Big Lottery Fund together, in the expectation that it would represent only a minority of the potential savings by the Ministry. If the minimum performance set was not achieved, investors would lose their money, in effect making a charitable contribution. If the minimum performance threshold was passed, the return to investors would increase from 2 to 13% according to the reduction in the reoffending rate.

The Peterborough Bond is now the first of more than 20 SiBs, 14 in the UK, 5 in the USA, 2 in Australia and one in Holland. They cover reoffending, homelessness, youth at risk of unemployment, adoption, problem families, early childhood education and asthma in a disadvantaged population. The most recent SiB was announced by Social Finance USA on December 30th. It is the largest at \$13.5m (£8.5m). It too is helping released prisoners, this time for New York State. It was placed by Bank of America Merrill Lynch and the Rockefeller Foundation assumed responsibility for the first 10% of any loss. Goldman Sachs has invested in two bonds in the USA. A pipeline of SiBs is building up covering a wide range of new social issues: In Israel early detection and treatment of Type 2 pre-diabetics. Diabetes affects 10% of the world's population, particularly the poor and accounts for 12% of global health expenditure. In Italy, a drug rehabilitation SiB is being explored by San Patrignano, a charity which has developed a very effective programme in the field.

Here in the UK, the Prime Minister and the Cabinet have led the world in moving policy on impact investment forward. The Department of Work and Pensions under Iain Duncan Smith has led with the number of SiBs, and the Ministry of Justice under Chris Grayling and DFID under Justine Greening are also supporting their use. The Mayor of London, Boris Johnson, has implemented a Homelessness Bond and the Essex Local Authority a bond for adolescents on the edge of care while Manchester City Council is exploring a foster parentage bond.

The SiB is, for today's charitable organisations, only the first embodiment of finance linked to social improvement. It is likely to emerge as one of a range of pay-for-outcome options including development and environmental impact bonds. Beyond SiBs we are seeing quasi-equity, unsecured debt and senior debt coming to supplement grant funding in creating proper balance sheets for non-profits. We see the emergence of a spectrum of investors in search of different combinations of social and financial returns: from those like charitable foundations, prepared to accept low returns, through individual investors who require somewhat higher ones, all the way to pension funds that aim for near market returns. All these investors are motivated by a shared desire to improve lives. It is they who are funding the revolution in philanthropy.

Impact investment, of which SiBs are an expression, is the response to the funding needs of social entrepreneurs and organisations intent on innovation and growth. It is for social issues what venture capital is for high-growth young businesses. Like venture capital and private equity before it, impact investment is financing a revolution, becoming a significant part of investment portfolios in the process, primarily across "alternative investments" for now, as Impact Private Equity, Impact Real Estate and Impact Absolute Return, but also across Fixed Income and Public Equities.

Impact Entrepreneurship

Impact investment aims directly to improve lives. Its objective can be social, environmental or developmental. It includes investment in non-profit organisations and "profit-with-purpose" businesses. Its defining characteristic is the setting of clear impact objectives from the start and the continuous measurement of their achievement. The choice of non-profit versus for-profit models is down to the social entrepreneur and the impact investor to make. Both models can be successful and they complement each other. How do they compare?

Early experience suggests that non-profit models will win out where commissioners, social investors, or the target group are wary of profit-making and where support of the community is important in achieving results. In contrast, profit-with-purpose models are more likely to prevail where market forces are big drivers of growth. Since profit-with-purpose companies can access financial markets via venture capital and private equity funds, angel investors and stockmarkets, for-profit impact investment faces a lesser challenge. It is tweaking mainstream models by adding measurable social or environmental objectives. Firms like Bridges Ventures, Big Issue Invest, NESTA and LGT-Berenberg help address social issues through investment in for-profit social businesses as well as non-profit social organisations. Some like Bridges also invest in property in poorer areas or property designed for vulnerable populations such as the elderly. The bigger challenge these organisations find is in the area of funding non-profits and so I will concentrate on this today, but let me quickly say a few words about the challenge facing profit-with-purpose companies.

Aside from the general challenge of measuring social returns, the main obstacle facing the growth of for-profit impact investment is the need to ensure that profit-with-purpose businesses do not drift away from their social mission under pressure to deliver profits. In the USA, we have seen the creation of Benefit Corporations as a first step in enabling businesses to pursue social objectives rather than maximise profits. Since 2010, 20 states, including Delaware, have passed legislation for this purpose and another dozen are actively considering it.

But Benefit Corps are only a first step. There is a need to lock in the mission beyond the sale of a profit-with-purpose business which a Benefit Corp structure does not do. The G8 Taskforce is examining this issue. Once we can lock in the mission, I expect to see more Angel Networks and Social Venture Funds focusing on investment in place-based, issue-based and tech-based profit-with-purpose companies.

We should be careful not to confuse impact investment and investment with impact. Many businesses create positive impact from their normal business activity, for example by creating jobs in poorer areas across the G8 or in developing countries. Others are making attempts to rid their supply chains of undesirable social consequences such as child labour or deplorable working conditions. They are examples of investment with impact.

Impact investment is where achieving a social goal is embedded within the business model and where social outcomes are continuously measured alongside financial results. A business like The Gym, which serves poorer areas and where about a third of users have never been able to afford a gym before, or the Hoxton hotel, which was located purposefully within a poorer area of London are examples of impact investment.

If a new generation wishes to make a difference, not just to make money, to do good and to do well, profit-with-purpose models will inspire many. But I have found it striking how many young people are attracted to non-profit rather than for-profit models. They prefer the culture of non-profit organisations, their single-minded focus on helping others, the inspiration that comes from striving to achieve lofty goals. Helping non-profits to transform their capacity to improve lives is the great challenge of impact investment.

How do we do it? The answer is through greater innovation, effectiveness and scale. This requires access to capital providers seeking social improvement and prepared to accept the risks that accompany innovation and growth. We need to help non-profits build strong balance sheets with grant funding at the base and layers of social capital above: quasi-equity, SiBs, Social Bonds, debt, liquid and illiquid financial instruments. In order to access this capital they will need to improve measurement of the social performance they achieve, so that it can be linked to payments from government, foundations or corporations as outcome funders. From the outcome payments they receive, they will pay acceptable returns to philanthropic investors, and generate a surplus to fund innovation and growth.

We already see notable changes in the way impact investments are thought through and presented. Investment proposals are framed in new ways that assess expected social as well as financial returns. Take an investment committee considering a £10m SiB that pays out 2-13% per annum according to social outcomes achieved. Say the most likely net return is 7% p.a. while the risk requires 11% p.a. Previously the committee might have turned it down. Today, the social value created would be quantified. The missing 4% p.a. over the 7 year life of the SiB translates into £4.7m. If the SiB aims to get 4700 released prisoners, over and above the average number in the past, into jobs and useful lives, this would represent £1000 per offender helped. If philanthropic foundations experienced in helping reoffenders would have been pleased to donate £1000 to rehabilitate a prisoner, then the social return would be 4%. If they would have been pleased with £3000 per prisoner, then the social return would be three times as great, 12%. An investment generating a 7% financial return and a 12% social return would be very attractive.

We can already anticipate the day when for each social issue, each country has the cost of an effective social intervention, the savings government can expect to make from it, and above all its value to society. Some interventions will inevitably be achieved more economically than others. Some outcomes will be more highly valued by outcome funders. Some social entrepreneurs will make their mark on the toughest social challenges, others will be inspired to touch the lives of more people by tackling less obdurate ones. But entrepreneurs and philanthropic investors alike will focus on achieving social outcomes, rather than on giving. They will strive to "Do Good as well as Feel Good".

Of course, not everything that counts can be counted and impact investment will not make sense for every social issue. But when work started on the Peterborough Bond, some thought that only reoffending might be tackled this way and today seven social issues are the object of SiBs and others are in the SiB pipeline across the world: aside from Type 2 diabetes and drug rehabilitation, SiBs to address drop-out rates from higher education, malaria, sleeping sickness, employment of women in developing countries. Clearly more social outcomes are quantifiable than we have assumed until now.

The Impact Revolution: Supply of Impact Investment

Impact investment has already started to change philanthropy's mindset. Some foundations are now seeking to measure outcomes from grant giving accurately, by way of qualitative criteria if not quantitatively. Some are beginning to see impact investment as a complement to philanthropic grants, more effective in driving achievement of desirable social outcomes. Some are using their endowments to attract investors as the Rockefeller, Bloomberg and Pritzker Foundations have done by assuming a portion of potential losses on behalf of third party investors. Most importantly, some charitable foundations are beginning to see themselves as the natural drivers of impact investment especially the kind that carries the greatest financial risk and the potential for the highest social return. They think it natural to achieve some of their social objectives through direct investment from their balance sheets. In the UK, the Charity Commission has led in focusing attention on this opportunity with its Guidelines on Mixed Motive Investing, enabling forward-thinking trustees to consider how investment from their endowments can help achieve their social aims.

So we can say that philanthropy has begun to renew itself. What is the scope for this renewal to turn into a revolution?

Investor interest in dealing with social issues is a key factor in answering this question. The growth of Socially Responsible Investment is one indicator. Established as a general values-based investment approach, SRI has quickly grown to about $10trn over the last couple of decades. It has focused on negative screening, of investment in public companies in areas such as tobacco, defence and occasionally fossil fuel, as well as positive screening of environmentally or socially conscious companies. How big can impact investment get relative to SRI?

The answer depends in part on financial innovation. If it leads to liquid impact investment vehicles, then a very broad market can be created. The cash equivalent "bond fund" that Threadneedle and Big Issue have recently launched with the backing of Big Society Capital is a potentially large offering. We can also envision large, diversified, quoted pools of SiBs. The growth of social venture funds is another promising opportunity. So the potential is certainly there for impact investment to become significant relative to SRI. The involvement in impact investment of forward thinking foundations, in this country such as Barrow Cadbury, The Big Lottery Fund, Esmée Fairbairn, Lankelly Chase, Panahpur and Tudor Trust; and in the USA of The Arnold Foundation, Bloomberg, F.B. Heron, Omidyar Network, Rockefeller, Skoll Foundation; and, in Germany of the Bertelsmann Foundation, is evidence of this potential. So is the involvement of leading financial institutions such as JP Morgan, Deutsche Bank, Goldman Sachs, Bank of America Merrill Lynch, Morgan Stanley, AXA, HSBC and UBS.

If, as seems possible to me, impact investment can deliver 7-10% per annum net of fees with a low correlation to equity markets, this allocation should grow to 3-5% of High-Net Worth Individuals and foundation portfolios over a decade or two. As foundations step in to absorb part of the downside on SiBs, we can see a greater number of pensions funds, insurance companies and individuals attracted to the SiB market. Already within the UK, five Local Authority Pensions Funds have created a £250m Impact Investment Pool. So my conclusion is that the capital flows into impact investment are potentially huge.

In order to help release these flows, regulators such as the Charity Commission in this country need to reinforce the signal to foundation trustees that impact investment is a desirable development in achieving their social objectives. In the USA, regulatory changes to the ERISA regulations signalled in 1978 that prudent investment managers of corporate pension funds could invest in venture capital funds. Over the following five years, the flow of capital multiplied twenty-fold. If the Charity Commission continues to send positive signals, it will empower forward-thinking trustees to invest. Because there is a reticence to reach for high rates of return on philanthropic investment, the way forward for pension funds appears to lie in the partial protection of the downside, by Foundations and also by corporations prepared to act philanthropically in tackling social issues relevant to their business.

If there is considerable latent demand from large investors, what is the role of the individual investor?

The Chancellor has helpfully announced tax incentives to be enshrined in the next Budget. Subject to EU State Aid approval being obtained, these will bring incentives for impact investment in non-profits in line with those available for SMEs through the existing EIS and, hopefully, also VCT schemes.

The natural role of individuals is in funding local organisations and we can be hopeful that these new incentives will get money to flow at a local level. Crowd funding and platforms such as "The Big Give" will potentially connect local projects and investors. The other major opportunity is lower risk investment through ISAs in funds that target cash equivalent impact investment bonds such as those targeted by the new Threadneedle Fund.

So we are on our way to bringing impact investment to the public consciousness as well as the institutional one.

What is the role of corporates? Bearing in mind the distinction between impact investment and investment with impact, most corporations have no impact investment role though many are searching for one. Some corporations like Group Danone and Unilever have focused on impact investments here and there. I see an impact investment role emerging for Corporations as outcome funders and as mentors for charitable organisations that address issues relevant to a corporation's business. For example a pharmaceutical company selling diabetes products might want to be one of the outcome funders alongside government and health maintenance organisations for SiBs that seek to reduce the number of people contracting Type 2 diabetes. Some big corporates like Whole Foods, Saga and Telsa have created business models to tackle environmental and social issues and are precursors of new scalable profit-with-purpose models.

The Impact Revolution: Demand for Impact Investment

I have focused first on the flow of impact investment because I found that the supply of venture capital created its own demand. But what is the likely demand for impact investment from social organisations?

Impact investment will encourage a change in the mindset of social organisations and entrepreneurs. It will enable them to take risks as they invest in innovation and growth. As the availability of capital grows, so social entrepreneurs will be attracted to enter the market and to recruit executive talent. This change of mindset will not happen overnight, it will take ten to twenty years to gather great momentum because role models take time to build and it is role models that drive entrepreneurs forward. But it has started and it will happen.

Many social service providers do not yet perceive the opportunity to raise impact investment to supplement the raising of donations. This is why the market-building role of Big Society Capital is so crucial. Big Society Capital has already put the UK in the lead in terms of its market structure and the number of participants. Two dozen social impact investment intermediaries of significant size exist: Big Issue Invest, Bridges Ventures, Charity Bank, ClearlySo, Impetus-PEF, LGT-Berenberg, NESTA, Social Finance, Social Investment Business, Unlimited, to name but a few. Almost all of these have been backed by Big Society Capital. Big Society Capital is building capital flows to social organisations, adding to the supply of capital, SiBs, unsecured and secured debt. At the start of 2013, £25m was in impact investment managers' hands; today the sum is over £150m. As innovation spreads and social organisations expand delivery of their services, capital will be needed. But it will take time. If it mirrors the growth of the venture capital industry in the UK, it will take about a decade for impact investment to become established here, for social entrepreneurs to understand how to prepare a social business plan, to attract teams with the skills necessary to take innovative ideas to successful implementation, to understand the trade-off between controlling a smaller social organisation and leading a more impactful one.

Social entrepreneurs and organisations will need to make adjustments. Most importantly, they will have to meet the challenge of measuring their social performance and of reporting it in comparable terms, as we are used to doing for financial performance. Defined, audited metrics of performance presented in a standard way are the foundation of impact investment. Social entrepreneurs will espouse it, but for large social organisations, it may be easier to start implementing it at first in one area of their activities where metrics can be readily defined.

The Role of Government

What about government? In the UK, what interaction does it currently have with social organisations, what benefits can it expect from impact investment? What role should it play?

In the UK, in 2012, out of £250bn of social service delivery, government contracted out £61bn, £48bn to for-profit companies and £13bn to non-profit organisations. The non-profit total has trebled over the previous nine years. The cost of direct social service delivery by government was £200bn. Of this, about half, say £100bn, might be simplistically viewed as “accessible” to impact investment. Simplistically adding the two would make a total accessible market of up to £150bn.

What benefits does impact investment bring to government? The first is innovation. The second is investment to fund it on the basis that government only pays if successful outcomes have been achieved. The third is prevention. Governments everywhere concentrate on the most urgent consequences of social issues. They have little money to spend on prevention. SiBs generally focus on prevention, of recidivism, school drop-out rates, homelessness, and so on, and set benchmarks for the effectiveness and cost of social interventions.

Contrary to the fears of some, impact investment is not about government relinquishing responsibility for social issues, it is about government encouraging innovation, paying for successful interventions and driving down the cost of achieving a successful outcome. Nor is it about privatisation. Philanthropic investors are funding non-profits to serve governments on the basis of payment for outcomes. If government can pay for success, hold on to more the half the savings from innovative intervention funded by outside investors, increase the number of successful outcomes and improve citizens' lives in the process, this is an attractive model. At a national level, government is increasing the social capital of our country. It is improving our productivity, competitiveness and strengthening the values that bind our society.

What role is required of government? Domestically, government has two important roles. The first is to create an ecosystem that supports social entrepreneurship and investment. Today, the UK is ahead of other countries in building this ecosystem. The Labour Party kicked us off with the Social Investment Taskforce in 2000 and the Unclaimed Assets legislation of 2008. The Coalition expanded the vision in setting up Big Society Capital with all the unclaimed assets, more than £400m, and an additional £200m from our four largest commercial banks. Big Society Capital has £600m of equity, the world's leader in impact investment. With the tax incentives announced in the Autumn Statement, the Coalition is filling in another of the ecosystem's important gaps. Boldness is required in providing powerful incentives. Here we have much to learn from US experience with the Community Reinvestment Act and the New Markets Tax Credit that together bring more than $20bn of investment a year to poorer areas of the USA. The US Administration has provided outcomes funding for SiBs and is actively engaged in promoting impact investment. In France, capital flows into social organisations have benefitted from the requirement that pension contributions go to funds investing 7-10% of their assets in tackling social or environmental issues. Across the EU, the European Investment Fund is leading the effort to develop impact investment management firms.

The second domestic role of government is as a constructive commissioner of impact investment, focusing not on the layers of cost that impact investment necessarily involves, but on the cost per successful outcome. There is a big step involved in government moving from a procurement mindset to an impact commissioning one.

The third role of government is in International Development where $150bn is expended every year in aid, and governments are looking for more innovative and effective approaches to tackle the challenges of economic development and social issues such as literacy, child malnutrition, and illness.

Impact investment is potentially a powerful way for government to improve the lives of those left behind and thereby the lives of all. This is why the Prime Minister has put impact investment on the G8 Agenda, why he has advocated the establishment by the G8 of a Taskforce, and why he personally launched the Social Impact Investment Forum last July.

This Taskforce which I am privileged to lead will report to the G8 in September 2014. It is becoming the international vanguard of the revolution in philanthropy. More than 200 able figures are engaged across the G8, Australia and the EU, in national Advisory Boards focused on establishing impact investment as a powerful force in each country, and in Working Groups formulating recommendations on Measurement of Impact, Asset Allocation, International Development and Mission Alignment for profit-with-purpose businesses.

Conclusion

It is too early to tell which social issue or which social group will put impact investment firmly on the map. Will it be 'children', 'unemployed youth', the 'elderly poor', 'reoffenders', 'health' or 'International Development'? But I can tell you this from my experience. Impact investment portends a real revolution, driven by innovation. It will settle over two or three decades between the $60bn of microfinance and the $3trn of venture capital and private equity. It will drive great innovation and it will come to characterise our times. For philanthropy, which started it, it is an opportunity to harness the mood of the times, reflected in the calls of the Pope as well as the Archbishop of Canterbury, to reinvigorate our efforts to build a fairer and better society. We have started the revolution. There is much to do. Let us rise up together and let us bring the "invisible heart" of markets to help those whom the "invisible hand" has left behind.