



# POTENTIAL FOR IMPACT INVESTING: THE DOMINICAN REPUBLIC AND THE ENVIRONMENTAL SECTOR

Jenna A. Giandoni

*Civil Society Policy Forum: Why Impact Investment  
Can Be An Effective Tool for Social Development*

# PROBLEM: INVESTMENT STRATEGIES LIMITING THE GROWTH OF RENEWABLE ENERGIES

- A sole focus on financial return for investments ignores the importance of critical factors such as social and environmental concerns, leading to potential negative impacts in all areas of the investment.



## SOLUTION: IMPACT INVESTING



- “Investments concerned with results-based outcomes that improve society or the environment while still garnering economic returns”—Huffington Post
- “Investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return.”—Cambridge Associates

Source: [http://www.huffingtonpost.com/mitchell-kutney/the-sharks-of-microfinance\\_b\\_4012486.html](http://www.huffingtonpost.com/mitchell-kutney/the-sharks-of-microfinance_b_4012486.html)



# GLOBAL IMPACT INVESTING NETWORK

- “Investments made into companies, organizations, and funds with the intention to generate measurable social and environmental impact alongside a financial return. Impact Investing includes investments that range from producing a return of principal capital to offering market-rate or even market-beating financial returns...Impact investors actively seek to place capital in businesses and funds that can harness the positive power of enterprise.”

Source: <http://www.thegiin.org/cgi-bin/iowa/home/index.html>



# IMPACT INVESTMENT CORE CHARACTERISTICS

- **Intentionality:** An investor's intention to have a positive social or environmental impact through investments is essential to impact investing
- **Investment with Return Expectations:** Expected to generate a financial return on capital or, at minimum, a return of capital
- **Range of Return Expectations and Asset Classes:** Impact Investments target financial returns that range from below market, and can be made across asset classes, including but not limited to cash equivalents, fixed income, venture capital, and private equity
- **Impact Measurement:** Commitment of the investor to measure and report the social and environmental performance and progress of underlying investments, ensuring transparency and accountability while informing the practice of impact investing and building the field

Source: <http://www.thegiin.org/impact-investing/need-to-know/#s2>



# TYPES OF IMPACT INVESTMENT PRODUCTS

Availability across all asset classes:

- Private debt
- Government debt
- Private equity (direct purchase of shares in enterprise)
- Deposits in social banks, credit unions, CDFIs
- Community investment notes
- Social or environmental impact bonds



# TOP IMPACT INVESTING FUNDS



\$350M in AUM  
Vital Capital Fund;  
development of  
infrastructure,  
housing projects,  
agro-industrial  
projects, renewable  
energy, health care,  
and education

Triodos Bank



\$335M in AUM  
Renewable energy,  
arts and culture,  
sustainable real  
estate projects, health  
care, and organic  
farming



BlueOrchard  
Impact Investment Managers

\$280M in AUM  
Provides both debt and equity  
financing in alleviating hunger  
and poverty problems, fostering  
entrepreneurship, establishing  
food production and education  
programs, and working on  
climate change issues.



THE REINVESTMENT FUND

CDFI with over  
\$330M in AUM  
Housing projects,  
access to health care  
educational programs,  
and job programs



Capital for Communities -  
Opportunities for People®

\$335M in AUM  
Renewable energy,  
arts and culture,  
sustainable real  
estate projects, health  
care, and organic  
farming



# WHAT IS DRIVING IMPACT INVESTMENTS?

- Increasing realities of climate change
- Pandemics such as HIV/AIDS and obesity
- Increasing disparity in wealth
- Interest in using investments to yield positive change throughout the world



Source: [http://www.veriswp.com/wp-content/uploads/2014/03/ImpactInvestingPrimer\\_CA\\_2013\\_04\\_17.pdf](http://www.veriswp.com/wp-content/uploads/2014/03/ImpactInvestingPrimer_CA_2013_04_17.pdf)







Source: witiger.com



# PROJECT 1: ASOCIACION PRODUCTORA DE LECHE LA CABRITA (PEDERNALES, BARAHONA)

- *Environmental Impact*
  - Organic dairy products (yogurt, milk, cheese)
  - Antibiotic and hormone-free livestock yielding less impact on soil content and in the water supply
- *Social Impact*
  - 11 jobs created
  - Healthier dairy products available for consumers
- *Challenges*
  - Limited ability to purchase dairy goats to expand business
  - Business knowledge
  - Social and cultural clashes
  - Unreliable electricity



# ASOPROLECA GOAT FARM



# LACTATING GOATS



# MINERAL BLOCK



# PROCESSING GOAT'S MILK



# COCOA

- One of top 10 major producers and exporters of cocoa in the world



# PROJECT 2: CHOCAL AND COCOLALA

- *Environmental Impact*
  - Organic cacao producer—no chemical fertilizers sprayed
  - Controlled water use
  - Transportation impact limited through sustainable supply chain management
- *Social Impact*
  - Chocal: 28 jobs
  - Cocolala: 20 jobs
  - Flexible work schedule fosters work-life balance
- *Challenges*
  - No formal contracts—production is reliant on short-term demand
  - Mechanization
  - Expensive electricity
  - Marketing training
  - Transportation of final product to market
  - Data collection
- *Loans*: \$12,000 received at 5% interest from government; repaid bi-monthly





# SEED DRYING TENT



# SEEDS DRYING



# SCREENING SEEDS



# SEPARATING SEEDS



# TOASTING CORN FOR CHOCOLATE TOPPING



# PREPARATION STATION



# CHOCAL CHOCOLATE ROLLS



# EQUIPMENT





# FORMING CHOCOLATE



# FINAL PRODUCT

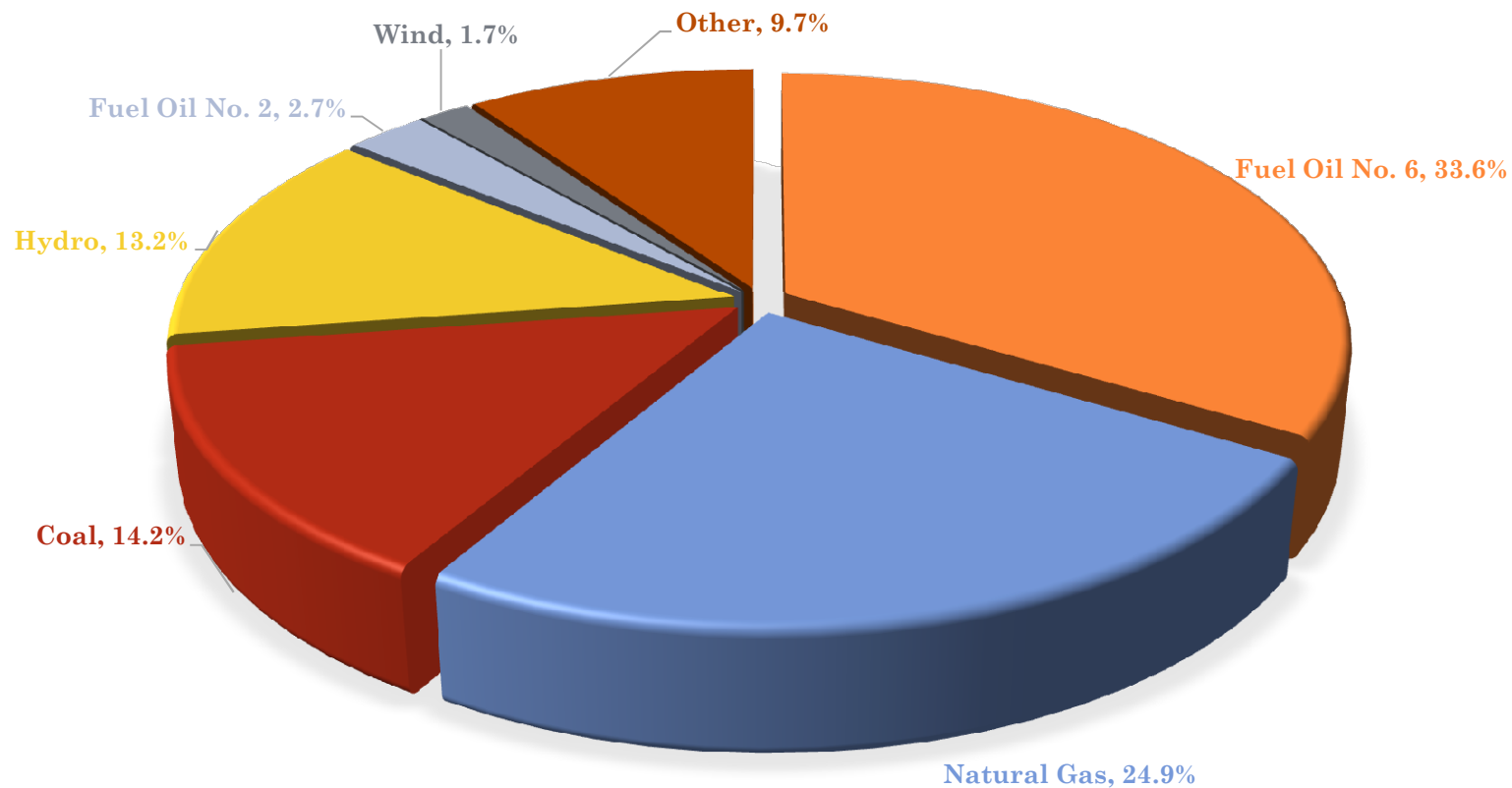


# DOMINICAN REPUBLIC ENERGY SECTOR

- Approximately 3,600 MW of installed capacity
  - Peak Demand: 1,800 MW
- Industrial and Commercial sectors: 21 cents/kWh
- Residential: 27 cents/kWh
- Country spends almost 9% of GDP on fossil fuel imports
- 85% of Dominicans receive a subsidized billing rate costing the government approximately \$1BN



# ANNUAL ELECTRICITY GENERATION IN THE DOMINICAN REPUBLIC BY FUEL TYPE



Source: [http://www.worldwatch.org/system/files/DR\\_report\\_English\\_hi-res.pdf](http://www.worldwatch.org/system/files/DR_report_English_hi-res.pdf)

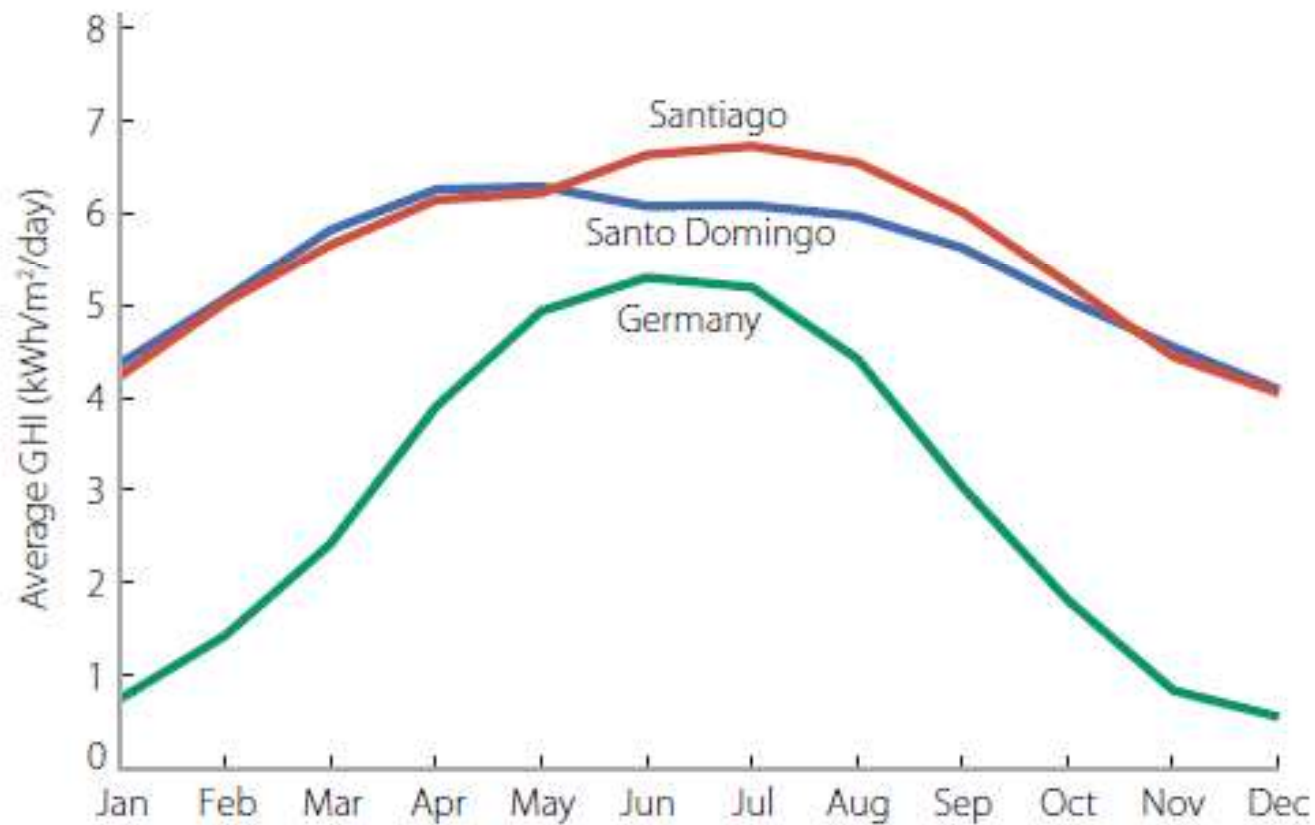
# PROJECT 4: GRUPO EMPRESAS DOMINICANAS DE ENERGIA RENOVABLE (GEDER)-SOLAR PROJECT



- Solar association working in the DR since 2007
- *Environmental, Social, and Economic Impact*
  - Decreased utility rates
  - Construction, Installation and Maintenance (CIM) and Operation and Maintenance (O&M) jobs created through solar: 0.8 to 1.2 jobs per MW (natural gas similar to coal: 0.13 annual jobs)
- *Challenges*
  - Primarily funding
  - Technical skills



# COMPARISON OF MONTHLY AVERAGE GHI (GLOBAL HORIZONTAL IRRADIANCE): DOMINICAN REPUBLIC VS GERMANY



# PROJECT 3: PARQUE EOLICO, LOS COCOS- EMPRESA GENERADORA DE ELECTRICIDAD HAINA-EGE HAINA (BARAHONA)

- *Environmental Impact:* generates 220,000 MWh/year; 77.2 MW grid-connected wind farm
- *Social Impact:* potable water project, recreation facilities, jobs created during construction/operation, literacy programs, job training-beekeepers, fishermen, microfinance training
- *Total Cost:* \$180M, 40 wind turbines, land
- Project displaces 160,000 tons of CO2 equivalent per year

Year	Emission Reductions (tCO2e)
2013	54,183
2014	54,183
2015	54,183
2016	54,183
2017	54,183
2018	54,183
2019	54,183
Total reductions	379,280



# PARQUE EOLICO: EGEHAINA FACILITY





# PARQUE EOLICO: WIND TURBINES



# PARQUE EOLICO: FACILITY



# PARQUE EOLICO: SOCIAL IMPACT RECREATION AREA



# OVERALL INVESTOR INVOLVEMENT

## GIIN INVESTORS' COUNCIL

The GIIN Investors' Council is a leadership group of nearly 60 large-scale impact investors around the world.

**\$60 billion**

IMPACT INVESTMENT  
ASSETS UNDER MANAGEMENT

**\$11 trillion**

TOTAL ASSETS UNDER MANAGEMENT

## IMPACT BASE

ImpactBase, managed by the GIIN, is the online global directory of impact investment funds and products.

**2,059**

INVESTORS SUBSCRIBED

**355**

FUNDS & PRODUCTS

**\$30 billion**

USD TARGET AUM

**\$25 billion**

USD COMMITTED CAPITAL

## ANNUAL SURVEY

Since 2010, the GIIN and J.P. Morgan have published an annual survey of impact investors. The most recent report, published in May 2015, included data on aggregate impact investing activities of 146 respondents:

**\$60 billion**

COLLECTIVELY, THE 125 INVESTORS  
SURVEYED MANAGE A TOTAL OF USD 46 BILLION  
IN IMPACT INVESTMENTS.

**\$10.6 billion**

THESE INVESTORS COMMITTED USD 10.6 BILLION TO  
IMPACT INVESTMENTS IN 2014, AND PLAN TO INVEST  
16% MORE—USD 12.2 BILLION—IN 2015.



# THE POTENTIAL OF IMPACT INVESTING



# PRIVATE IMPACT INVESTING FUND RESULTS

- Impact investing funds launched from 1998 through 2004 performed in line with or better than the comparative universe of non-impact investing funds. Funds launched in more recent periods are trailing the comparative universe but their returns remain largely unrealized.
- Emerging market impact investing funds launched from 1998 through 2010 performed in line with emerging market funds in the comparative universe of non-impact investing funds.
- Emerging market impact investing funds raised between 1998 and 2004 generated a pooled net internal rate of return (IRR) of 15.5%, versus returns of only 7.6% for emerging market funds with those vintage years in the comparative universe.
- In addition, smaller impact investing funds often outperformed smaller funds in the comparative universe of non-impact investing funds. For instance, for all vintage years, impact investing funds that raised under \$100 million returned a pooled 9.5% net IRR – outperforming similar-sized funds in the comparative universe of non-impact investing funds in each vintage year grouping except 2008 to 2010.
- US-focused impact investing funds returned a 13.1% pooled net IRR versus a 3.6% IRR for comparative US funds under \$100 million.

Source: <http://www.cambridgeassociates.com/news/articles/private-impact-investing-funds-yielded-financial-performance-in-line-with-similar-private-investment-funds-with-no-social-objective/>



# RECOMMENDATIONS, CHALLENGES, AND SUCCESSES

- Capacity Building and continued training
- Due diligence and follow-up of investments
- Standardize metrics for investments to increase assessment efficiency (beyond *Impact Reporting and Investment Standards*, IRIS 400 metrics)
- 1,600 signatories have signed up to the UN Principles for Responsible Investment (combined assets over \$62 trillion)
- JPMorgan Chase: in 2010, 2% of impact investors used IRIS; in 2013, 52% were using IRIS



Q&A

Thank you!

