



Place-based impact investing

Championing impact investing that drives positive, sustainable outcomes in underinvested places around the UK

If 5% of Local Government Pension Scheme funds were allocated to local investment it would unlock £16 billion.¹

The UK is a country of long-term entrenched place-based inequalities. The Covid-19 pandemic and Brexit have combined to move these place-based inequalities to centre stage in public debate – alongside a search for effective and sustainable ways of tackling them. For both moral and practical reasons, the way we finance transition to net-zero should also answer this inequality challenge. It should aim to correct long-standing economic disparities and ensure that the new economic direction is fairer for all. If that opportunity is not taken, left-behind communities will resist the major changes necessitated by climate mitigation and adaptation. Any efforts to tackle the climate emergency need to do better for our livelihoods, our health and our places.

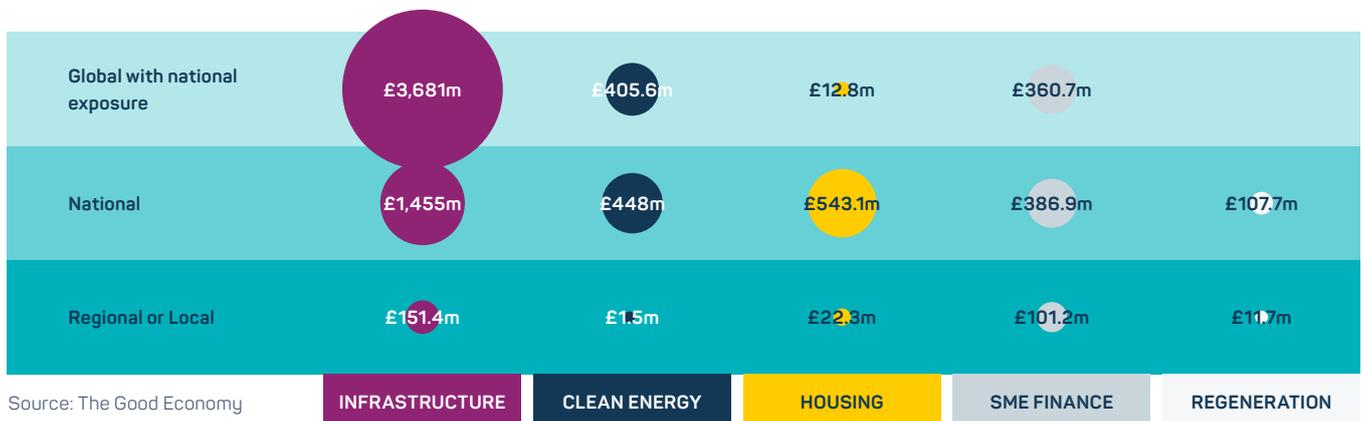
Place-based impact investing is an approach to investment that answers this need for a Just Transition. It centres place as the organising principle behind investment activity. Purposeful capital partners intent on supporting places' visions of themselves deliver creative solutions and produce measurable benefits across a wide range of social and environmental outcomes.

Our research has shown that there is a real opportunity for responsible, patient private capital to invest directly in UK towns, cities and regions in ways that help communities thrive. It enhances local resilience, drives more inclusive and sustainable development and generates a financial return.

Working together, places, impact investors, social investors and the public purse can deliver a fairer, greener, more prosperous Britain. Currently, there is not enough capital dedicated to place-based impact investment opportunities, with (for example) only £300m of Local Government Pension Scheme investment allocated to regional place-based opportunities. Yet investment opportunities that are delivering outcomes for places and risk-adjusted market rate returns abound: in social housing, clean energy, regeneration, small and medium-enterprise (SME) finance and infrastructure.

Place-based impact investments are made with the intention to yield appropriate risk-adjusted financial returns as well as positive local impact, with a focus on addressing the needs of specific places to enhance local economic resilience, prosperity and sustainable development.¹

Value of Local Government Pension Scheme investment in key place-based impact investment sectors, 2020



Source: The Good Economy

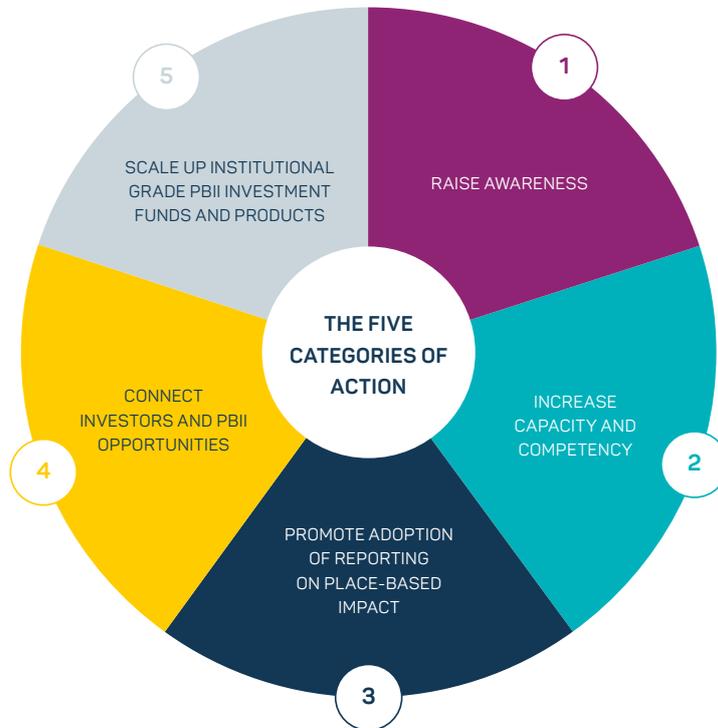
¹ Scaling up institutional investment for place-based impact investing, The Good Economy, Impact Investing Institute, Pensions for Purpose, May 2021

Our goal

Our goal is to mobilise more institutional capital to engage in place-based impact investing (PBII).

We want to make it easier for institutional investors, in particular Local Government Pension Schemes, to consider the opportunities presented by place-based impact investing.

What are we doing



We are working with investors, policymakers, local government and industry leaders to raise awareness of, as well as build capacity and competency in place-based impact investing.

Our work includes:

- A partnership project with Lloyds Banking Group focusing on how UK financial institutions can apply a place-based lens to their investment approach and exploring their role in promoting regional regeneration.
- Our Learning Hub module on place, launched in August 2021, is a resource for investors who are exploring place-based impact investing.
- A programme of events with the Pensions for Purpose Place-Based Impact Investing Forum, working with all parts of the pension investment ecosystem to help them engage in place-based impact investing.
- In partnership with The Good Economy, development of an impact reporting framework for investors and investees.
- Exploration of origination platforms which help connect impactful investment opportunities with appropriate investors in place; and the role of financing vehicles that can deliver place-based opportunities for institutional investors.

With thanks to our funders and partners in delivering this programme of work.



Metro — Dynamics



© Impact Investing Institute
www.impactinvest.org.uk