RESTLESS DEVELOPMENT

Impact Investment

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For today's youth, understanding impact investing is not merely an academic exercise but a practical necessity for navigating and shaping tomorrow's economy.

Introduction

The global funding landscape for youth organisations is shrinking, leading to immediate and serious consequences. Cuts to Official Development Assistance (ODA) from traditional donors have disproportionately impacted youth civil society in the Majority World. At the same time, young people are increasingly conscious of their role in addressing global challenges; traditional funding mechanisms often fall short of bridging the gap between profit and purpose.

That's where impact investing comes in. It's a new way of using money to do good and make a profit. Instead of only giving grants, impact investors put their money into projects or businesses that make a positive difference, like protecting the planet or creating jobs, while also earning some financial return.

For young changemakers, understanding impact investing isn't just "nice to know." It's a key skill for building sustainable projects and influencing how the future economy works.

But there's something to think about. Impact investing treats change like an investment, focusing on value-creation, while rights-based approaches focus on governments' duty to provide services and protect people. Both matter. The challenge is to find a balance, making sure that new funding models enhance the agency of young people without replacing the responsibility of governments to deliver on rights.

What It Is

Impact investing started from the idea of socially responsible investing, which focused on avoiding specific industries for ethical or religious reasons. Over time, investors began to actively support positive social and environmental causes, such as civil rights, the fight against apartheid, and sustainability.

This shift introduced the idea of the "triple bottom line"- focusing on people, planet, and profit together. Impact investments are defined as investments made with the intention to generate positive, measurable social or environmental impact alongside a financial return. There are four key characteristics:

1. Intentionality

Impact investing means choosing to invest in a way that purposely helps people or the planet. These investors are trying to fix problems or make positive changes, not just make money. This clear goal sets them apart from other investors who might care about impact but don't make it their main focus.

2. Use of Evidence and Impact Data in Investment Design

Impact investments should be based on facts and data, not just guesses or gut feelings. Using good information helps investors design smart investments that can really make a difference.

3. Management of Impact Performance

Since impact investors have a clear goal to create positive change, they need to track their progress and adjust as needed. This means having systems to measure results and sharing updates, so everyone involved can work better toward the intended impact.

4. Contribution to the Growth of the Sector

Good impact investors use common language and tools to explain what they are doing and how well it's working. They also share what they learn, so others can improve and more people can invest in ways that help society and the environment.

What motivates investors?

1. A desire to create positive social impact	
Many impact investors are motivated by a deep commitment to helping young people thrive. They want to reduce youth unemployment, improve education, or support mental health.	**Example:** The Tony Elumelu Foundation has committed $100 million since 2010 to support young African entrepreneurs, fueling the creation of 400,000 jobs and generating over $2.3 billion in revenue. Their programmes, like the Green Entrepreneurship Program, also aim to combat climate change while fostering economic opportunity.
2. Combining a financial return with social alignment	
Investors want to earn financial returns while also making a difference in people's lives. Youth-focused initiatives can offer strong returns when they tap into growing sectors like education technology or workforce development.	**Example:** Owl Ventures, a venture capital firm specialising in education technology, has backed platforms like Quizlet, helping underserved students study more effectively while delivering financial returns.
3. Innovation and market opportunity	
Young people are early adopters of technology, and investing in youth-oriented services and products opens up fast-growing markets.	**Example:** Lumos, a growth-equity impact investor, led an $80-million Series C round in OpenClassrooms, a global digital education-to-employment platform that targets underserved learners with apprenticeships and job support.
4. Responding to stakeholder and consumer pressure	
Companies and institutions are increasingly expected to demonstrate social responsibility – especially toward future generations.	**Example:** Texas Pacific Group's "The Rise Fund" invested in youth development areas like education and workforce readiness in response to growing pressure from stakeholders, especially socially conscious Millennials and Gen Z, to address issues linked to racial and social equity.
5. Improving reputation and branding	
Impact investing can enhance an investor's public image, especially when targeting causes with broad appeal.	**Example:** Better Society Capital in the UK has invested over £1 billion in social impact-including youth support projects, boosting its reputation in outcome-driven philanthropy and investment.

What Young People Need to Know...

Young people are often left out of funding opportunities, especially when it comes to newer or less traditional types of funding. It is helpful for young people to learn how impact investing works, including its benefits and risks, so they can make informed choices about accessing opportunities.

Opportunities of Impact Investing

More Funding Options

Impact investing brings in private money, helping youth programs get resources that governments or traditional donors might not provide.

Supports Growth and Innovation

It makes it easier to scale programs and try out new, creative approaches compared to traditional funding.

Focus on Results

It encourages programs to be results-driven, with clear goals and accountability.

Shared Values and Long-Term Impact

It seeks social good while promoting sustainability, reducing dependence on donors, and helping programs become self-sustaining.

Potential Challenges of Impact Investing

Conflict between Social Goals and Financial Returns

Focusing too much on measurable returns, including profits, can undermine inclusion and equity, which often take more time and resources and may show lower immediate results. This can cause programs to drift away from their original mission.

Power Imbalances

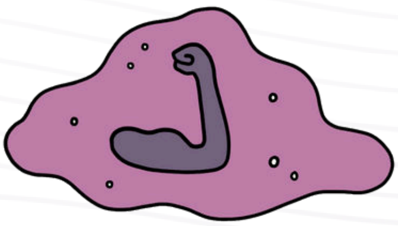
Young people and target communities often have little say in decision-making compared to investors.

Reliance on Market Logic

Youth development often involves complex, long-term work that doesn't always fit a business-style focus on cost-efficiency, quick results, and easy scalability.

Limits of Measurement

Emphasising short-term, measurable results may overlook deeper, transformative impacts and can even lead to "impact washing"- making things look effective without real change.



Where Do Young People Start?

Young people and youth-focused organisations can take a proactive approach by following certain principles and strategies when exploring impact investing for funding. At the same time, they can encourage investors to adopt these good practices, helping make impact investing more effective and responsible for everyone involved.

1. Make sure youth voices lead the way

When exploring impact investing, young people shouldn't just be invited to the table; they should help set the agenda. Push for the creation of or join Youth Advisory Councils or Youth Boards to make sure decisions reflect your realities, priorities, and ideas.

2. Redefine what success means

Work with the investors, other young people and communities to decide what real change looks like, not just numbers, but stories, relationships, and lived experiences. Mix both data and community insights to track progress that truly matters to you.

3. Engage investors with mission and lived experiences

Share your organisation's mission and purpose to inspire investors. Let young people share their own experiences in pitches, making the story more authentic and relatable.

4. Prioritise equity and inclusion

We all know that young people are diverse, so focus on including those most in need. Applying an equity lens ensures social justice is upheld and reduces the risk of superficial impact.

5. Transparent reporting to youth and community

Beyond reporting to investors, think about providing updates in youth-friendly ways, using social media, community meetings, surveys, or zines so young people can see progress and provide feedback.

6. Use blended financing strategies

See if you can combine impact investing with other funding sources like grants, government support, or community fundraising. This creates flexibility and opens up more resources.

Types of impact investment

Type	Description
Venture Capital or Private Equity	This means giving money to new or growing businesses that have a social purpose, helping them start, grow, and make a positive difference while earning profits.
Venture Philanthropy	This means providing money and practical support, such as mentoring, training, or advice, to help organisations grow and make a greater social impact.
Debt or Fixed Income Investing	This means lending money to a social enterprise or government to help achieve a positive goal. The investor owns the initiative. The money is later paid back with some interest, and the investor supports the project's success.
Social Enterprise Lending	This means giving low-interest loans to businesses that aim to create social change. The investor doesn't own the business but helps it grow by offering affordable financing.
Social Impact Bonds	Investors pay for a social project upfront, and the government pays them back only if the project succeeds and meets its goals.
Development Impact Bonds	Investors fund a project, and private donors or foundations pay them back only if the project achieves its goals.