

## Alternative Financing for the Emerging Impact Economy *Charly Kleissner, Ph.D., Co-Founder Toniic and KL Felicitas Foundation*

The current economic and financial system is failing, having been outpaced by significant social and environmental disruptions. Betting our collective global future on unlimited exponential growth on a finitely resourced planet, and then treating the resulting systemic issues as externalities, has proven to be a losing proposition. System level challenges – like inequality, social injustice and climate change – are the result of this failing economic and financial system that has been serving itself rather than humanity and the planet.

However, there is a viable alternative – the emerging impact economy. By addressing systemic issues at their core; by fully integrating social and environmental impact; and by building solutions with a non-anthropocentric level of awareness and consciousness, we have an opportunity to change course.

Venture capital was birthed to serve the chip economy. Classical private equity was designed to maximize financial returns for investors without any consideration for the other stakeholders. Classical debt has had a myopic focus on financial risk, failing to see the mounting impact risks. In fact, all of these financing mechanisms have been blind to the growing social and environment impacts that investors now see as material risks. It should, therefore, not come as a surprise, that the impact economy, which cares about long term sustainable impact with appropriate financial returns, is actively designing the new financing mechanisms needed to take this new economy to scale.

A holistic view of supply and demand is at the core of these new financing mechanisms, which are no longer siloed, but integrated or blended to address capital and resource needs of individual enterprises as well as the ecosystem that they reside in. And Europe, with its political, economic and philosophical differences, has demonstrated that it can build a thriving economy on a diverse foundation, a skill that uniquely positions Europe to lead the development of the emerging impact economy.

Europe is already at the forefront of alternative financing, like blended capital, the intentional integration of government, private and philanthropic capital, the tokenization of impact, and so-called Pay-For-Success instruments like Social Impact Bonds, where the financial return is explicitly tied to proven social and/or environmental impact. And Europe brings its deep understanding of high ethical standards to this movement.

However, Europe must invest in innovation and modern technology – in artificial intelligence, blockchain and tokenization of assets, strengthen its entrepreneurial infrastructure, and pass appropriate regulatory legislation. This will enable new players to emerge on the supply and demand side, and it will enable new intermediaries to thrive. This will unleash a wave of innovation in the private and financial sectors and it will enable innovative public/private partnerships to tackle wicked systemic challenges. And European citizens will participate in this new economy by offering modern crowd-funding and peer-to-peer financing platforms for smaller impact businesses.

The impact economy is already emerging. It is not something we have to wait for. Let's not sit on the sidelines. Let's join the innovators who are already at the table and bring this new financial and economic model to scale.