



Enhancing Efficiency in Sustainable Markets

Mario La Torre and Helen Chiappini

1.1 THE PATH TOWARD SUSTAINABLE FINANCE

Sustainable investments—although still working outside a clearly defined framework—include investments aiming at achieving a positive impact on environment and society. Several different investments strategies (e.g., negative screening, positive screening, best in class) and many dominant purposes are inspiring sustainable investing.

Addressing the funding gap connected to the financing of sustainable development goals (SDGs) included in the United Nations Agenda 2030 (United Nations 2015) represents one of the priorities for sustainable investors over recent years. The Agenda 2030 includes 17 SDGs—including no poverty, zero hunger, quality education, reduced inequalities, and climate actions—and 230 precise targets that need to be financed by public and private investors. Similarly, the Climate Agreement signed by 195

M. La Torre
Sapienza University of Rome, Rome, Italy
e-mail: mario.latorre@uniroma1.it

H. Chiappini (✉)
G. d'Annunzio University of Chieti-Pescara, Pescara, Italy
e-mail: helen.chiappini@unich.it

countries pushed funding needs connected to climate issues to the top of the agenda for the public (and private) sector.

Sustainable investments represent a growing, worldwide phenomenon: recent data from Global Sustainable Investment Alliance (GSIA 2019) estimates the market in USD 30.7 trillion, with a growth of 34% since 2016.

Public investments, however, are still insufficient to cover the funding needs of sustainable sectors. In such a panorama, public partnerships (PPP) are an alternative strategy to support the transition toward a more sustainable and inclusive economy. Similarly, public commitment—expressed through policy incentives—is particularly desirable. In this perspective, it is good to know that young generations are aiming at a positive impact with their investments: recent research by Schrodgers (2018) highlighted that 52% of younger people invest in sustainability compared to 28% of older generations.

Despite the interest that sustainable investments are gaining with governors, investors, and practitioners from many sectors and geographical areas, several related issues remain to be addressed.

This book aims at shedding light on some current issues featuring sustainable finance through an in-depth discussion of the relevant debates related to the financing of social and environmental initiatives.

The first part of this book focuses on improving the effectiveness of sustainable investments through efficient capital allocation and impact measurement, while managing the primary challenges to green finance is the focus of the second part of the book.

On efficient capital allocation and impact measurement:

Chapter 2 *Financing Sustainable Development Goals: Economic and Legal Implication for Sustainable Entrepreneurship* by Raffaele Felicetti and Alessandro Rizzello explores the theme of how social entrepreneurship may be financed in the current legal framework and contributes to the debate on how social and economic value may be maximized through both entrepreneurial and financial solutions.

Chapter 3 *Rethinking Taxation of Impact Investments* by Alessandro Mazzullo suggests a tax incentive model for social impact investments, discussing potential *pros* and *cons* of such a scheme.

Chapter 4 *Profitable Impact Bonds: Introducing Risk-Sharing Mechanisms for a More Balanced Version of Social Impact Bonds* by Giulia Proietti proposes an *alternative* financial scheme of social impact bonds (SIBs), analyzing how risks may be shared by a plurality of subjects and how to distribute more equally the benefits of SIB contracts.

Chapter 5 *Social Stock Exchanges—Defining the Research Agenda* by Karen Wend discusses the need of a social stock exchange to help impact investors find efficient investments and closing the gap between potential investors and investments currently available in the market.

Chapter 6 *A Macro-level Analysis of the Economic and Social Impact of Microfinance in Sub-Saharan Africa* provides an example on how micro-credit activity can contribute to meeting social aims in Sub-Saharan Africa. Specifically, the chapter by Roberto Pasca di Magliano, Andrea Vaccaro, and Giuliana Ferrara estimates the economic and social impact of a sample of microfinance activities in Sub-Saharan Africa.

How some of the relevant challenges in green finance may be managed:

Chapter 7 *Environmental Impact Investments in Europe: Where Are We Going Ahead?* by Giuliana Birindelli, Annarita Trotta, Helen Chiappini, and Alessandro Rizzello discusses the environmental European impact investing landscape, *considering* the new regulatory framework and the overall impact investing practices.

Chapter 8 *The Increase Importance of Green Bonds as Instruments of Impact Investing: Towards A New European Standardization* by Maria Cristina Quirici discusses the role of green bonds in financing environmental projects, with specific emphasis on the state of the art of green labels.

Chapter 9 *Green Banking in Italy: Where We Are and Where We Are Going* by Giuseppina Procopio, Annarita Trotta, Eugenia Strano, and Antonia Patrizia Iannuzzi contributes to the international debate on green banking, analyzing two case studies of Italian banks.

Chapter 10 *Opportunities and challenges in impact investing in Climate-Smart Agriculture in Latin America* by Angélica Rotondaro, Andrea Minardi, and Leonie Dissemond focuses on the strengths and weaknesses of investing in agriculture projects, paying great attention to climate change and the overall *issue* of sustainability.

Chapter 11 by Mario La Torre and Helen Chiappini concludes the book discussing the trends, *opportunities*, and risks of sustainable finance.

REFERENCES

- GSIA. (2019). *2018 Global Sustainable Investment Review*. http://www.gsi-alliance.org/wp-content/uploads/2019/03/GSIR_Review2018.3.28.pdf
- Schroders. (2018). *Global Investors Study 2018*. <https://www.schroders.com/en/insights/global-investor-study/2018-findings/sustainability/>
- United Nation (2015). *Transforming our world: the 2030 Agenda for Sustainable Development*. Resolution adopted by the General Assembly on 25 September 2015.