SCHWAB FOUNDATION
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In collaboration with SK Group's Center for Social Value Enhancement Studies and Rockefeller Philanthropy Advisors

Redefining Value: From Outcome-Based Funding to Tradeable Impact

WHITE PAPER

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Foreword

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The social and environmental challenges of our time are growing increasingly complex and interdependent, demanding solutions that move beyond traditional philanthropy or compliance-driven efforts. A new paradigm is needed to connect measurable social outcomes with financial value. This would enable impact to be both recognized and rewarded at scale, contributing to a thriving, inclusive future.

Over the past decade, social entrepreneurs have shown us what's possible in this area, designing grassroots community currencies (such as the South African Zlto) that reward social impact creation. What if we could scale these initiatives to transform positive social outcomes into tradeable assets and to enable market-based mechanisms that accelerate progress on pressing social issues?

Building on the progress of social entrepreneurs within their communities and the global success of outcome-based funding (OBF) mechanisms in international development and social entrepreneurship, this paper explores how stakeholders – corporates, governments and investors alike – can design markets that recognize, quantify and reward verifiable social outcomes.

Drawing on practical examples – including Social Progress Credits (SPCs), Zlto and the Common Good Marketplace (CGM) – it offers a blueprint for how verified social impact can be embedded into a dynamic new marketplace. In doing so, it charts a path towards more sustainable, accountable and inclusive systems of value creation.

If we work together to rethink our economic foundations, we can reshape how we align purpose and profit. By integrating social impact into business models, investment strategies and policy frameworks, we can unlock new sources of capital, strengthen resilience across sectors and accelerate innovation for the public good.

Developed collaboratively by the Schwab Foundation for Social Entrepreneurship, SK Group's Center for Social Value Enhancement Studies (CSES) and Rockefeller Philanthropy Advisors, this paper serves both as a source of inspiration and a practical guide – an invitation to reimagine what is possible when impact becomes tradeable. Through collaboration, bold thinking and shared commitment, we can help build a more equitable economy – one where doing good and doing well are not at odds, but mutually reinforcing goals.

Executive summary

Tradeable impact turns social progress into economic value, transforming the market to incentivize impact.

As the world faces mounting pressure from climate change, social fragmentation and economic instability, the current models of social financing seem insufficient to address social and environmental challenges at scale. Tradeable impact offers a market-based alternative that rewards positive social and environmental outcomes with real economic value. Rather than relying on goodwill, philanthropy or compliance-driven regulation, tradeable impact reframes how value is assigned, transforming outcomes across education, health, caregiving and resilience into measurable, investable assets.

As highlighted throughout this paper, tradeable impact is a financial innovation that reimagines economic fundamentals. Much like carbon credits internalize the cost of emissions, this system is a potential evolution of outcomes-based funding that **incentivizes positive contributions using impact credits (ICs)**, turning social value into a financial asset or currency that could be earned, traded and reinvested. The model unlocks new revenue streams and lowers costs of capital (e.g. by providing impact-linked finance) for social entrepreneurs, NGOs and other impact-creating actors, driving capital towards effective solutions and embedding impact in the private sector.

Overcoming substantial design and governance challenges will be crucial to realizing this vision, however. Social outcomes are complex, context-dependent and difficult to measure consistently. Without robust verification systems, price discovery mechanisms and legal infrastructure for transferability, impact assets risk being symbolic rather than functional. Poorly designed markets could amplify inequities, exclude grassroots actors and reduce impact to tokenized data points.

Six foundational building blocks are needed to avoid these pitfalls:

1. **Demand mechanisms** – regulatory and financial incentives to generate buyer interest
2. **Measurement and standardization** – agreed frameworks for defining impact
3. **Valuation and pricing** – methods to assign monetary value and enable trading
4. **Market infrastructure** – registries, exchanges and digital tools for secure transactions
5. **Verification and integrity** – trusted assurance systems to validate impact claims
6. **Governance and inclusion** – systems that ensure transparency, legitimacy and equity

The paper explores **three possible futures** for tradeable impact:

- Expanding markets for **negative externalities** (e.g. integrating social impact into carbon, biodiversity and/or plastic credits)
- **Scaling existing grassroots community currencies** that reward impactful activities and **integrate financialized impact assets into capital markets** (powered by decentralized technologies like blockchain, based on a solid ecosystem of verification and clearing organizations, regulatory demand creation and central bank oversight)
- A future where **ICs evolve into a complementary currency**, enabling systemic resource redistribution and reframing how prosperity is defined

A phased transition – beginning with pilots, moving through institutionalization and culminating in full economic integration – is essential. Governments, companies, financial institutions and civil society can act in concert to build the required infrastructure and incentives. Early examples such as the Common Good Marketplace (CGM), Zlto and the Giga Initiative already demonstrate the potential of this approach at both community and global levels.

Ultimately, tradeable impact is a mindset shift. It encourages humanity to build systems in which doing good is not a cost but a strategic advantage, where value creation is measured not only in profit but in societal progress. If pursued with integrity, equity and shared purpose, tradeable impact may become the cornerstone of a more inclusive, resilient and regenerative global economy.

Introduction

Traditional approaches fail to fully address social and environmental issues – tradeable impact offers a bold alternative.

Social issues are becoming increasingly diverse, complex and severe. The challenges the world faces today demand systemic change rather than incremental progress. Yet, the economic tools at the disposal of policy-makers and businesses remain limited.

Recent geopolitical tensions have disrupted decades of progress in global development, and efforts to combat climate change and advance sustainable development are being neglected in favour of other pressing priorities. In this context, the limitations of traditional approaches have never been more evident. It is becoming increasingly necessary to explore new models that fundamentally change how humanity works, lives and grows together. This general rethinking will shape future institutions.

So far, financial innovations have primarily focused on pricing negative externalities. For example, carbon credits aim to internalize previously overlooked environmental costs. Similar mechanisms are now being developed for biodiversity and plastic waste.[1] These approaches, while necessary, have also resulted in increased production costs for companies and accelerated so-called "climate inflation".[2] These frameworks primarily function as cost adjustments rather than incentives for proactive, positive action.

This paper presents a supplementary policy approach, which involves using positive incentives to encourage market actors to take meaningful action. Positive incentives represent an alternative to punitive measures in long-term behavioural change. Their application improves not only individuals' ecological behaviour but also companies' social performance.[3] Rewarding social and environmental contributions (rather than implementing punitive measures) can open new avenues for economic growth, driving innovative business opportunities and enabling economic systems to prioritize prosperity, social progress and planetary health.

Solving social issues is no longer solely the responsibility of governments. The key question is not "who" should address these challenges, but rather "how effectively", "how efficiently" and "how equitably" they are addressed by a multiplicity of actors. While bold philanthropy remains vital to step-change and systemic solutions, business efficiency is growing increasingly necessary in the scale-up of solutions that have already proven viable. Businesses are, however, also navigating a backlash against diversity, equity and inclusion (DEI), environmental, social and governance (ESG) criteria and broader sustainability efforts. This trend marks a turning point, prompting companies to review social and environmental impact initiatives in light of their contributions to core business strategies.

Simultaneously, the escalating climate crisis and growing social disruptions, driven by rising costs of living and job displacement caused by technological advancements, necessitate solutions that enhance corporate value chain resilience and secure long-term societal trust. In this era of rapid change, adaptation strategies and corporate contributions to social coherence are key to maintaining a business's license to operate.

Relying solely on goodwill to create social value has clear limitations. At the same time, there's growing evidence showing that positive social and environmental impact improves a company's business success. However, since social impact does not directly generate returns comparable to economic gains, market participants prioritize financial incentives. This paper explores how standardization, securitization and eventual trade of verified social or environmental impact could create novel economic value and incentives.

In an era of slowing and sometimes negative gross domestic product (GDP) growth, the world is searching for new opportunities to cultivate prosperity. Since the early 20th century, oil and fossil fuels have developed into key commodities driving economic growth. In the 1990s, exponential global trade fuelled economic expansion. In the 2000s, technological advancements drove productivity gains. Perhaps, in the coming decades, it will become possible to value previously underrecognized human activities (such as improved quality of life, poverty elimination or a higher sense of belonging) and transform them into measurable economic contributions.

How can problem solvers be motivated to address social issues? One approach is to reward the values that society deems important but has not yet started compensating. This is where the concept of tradeable impact comes in.

The insight report *Beyond Compliance: Embedding Impact through Innovative Finance*, published in January 2025, demonstrates how companies can generate social and environmental impact while simultaneously strengthening their businesses through innovative finance models such as outcome-based funding (OBF). The underlying mechanism financially rewards measurable social and environmental outcomes. While these mechanisms are primarily focused on one-time transactions, they are also helping to establish the foundations of a future market based on tradeable impact.

Tradeable impact is not a new concept. This paper explores its development, existing solutions and real-world applications while also guiding stakeholders – including governments, businesses, non-profits and financial institutions – on how to approach and evaluate the use of tradeable impact.

↓ **Image credit:** Glasswing

1 Challenges of traditional financing approaches

Traditional funding models are failing to address the scale of today's social challenges, leaving critical gaps in impact financing.

Traditional approaches to solving social issues have led to significant progress over the past decades, yet they remain constrained, in part, by inefficiencies in resource allocation. A fundamental challenge stems from the disconnect between social value and economic value. Under the current system, achieving the United Nations' Sustainable Development Goals (SDGs) appears increasingly unlikely. It is crucial to allocate resources more effectively to accelerate progress and address social issues that require greater support and investment. Meanwhile, it is equally vital to unlock private-sector investments to meet the SDGs' financing requirements.

1.1 **Government approaches**: structural limits and fiscal challenges

Governments have historically played a central role in addressing social issues, but structural challenges hinder their ability to allocate resources in a timely, efficient manner. Social problems are increasingly interconnected and evolving at an unprecedented pace, making it difficult for government policies and budget frameworks to keep up and effect meaningful outcomes (instead of financing activities). Limited fiscal space further restricts governments from taking on the full responsibility of solving social issues alone, highlighting the need for cross-sector partnerships and market-driven innovation.

For instance, global official development assistance (ODA) is expected to decrease by 30% ($74 billion) in 2025,[4] reflecting a radical shift in budget priorities away from global development. Additionally, global government debt reached 97% of GDP in 2021,[5] limiting fiscal flexibility and reducing the ability of governments to expand social programmes at the necessary scale. As defence and other urgent expenditures take priority, social funding often faces budget cuts, making long-term impact planning increasingly difficult.[6]

1.2 **Corporate approach**: the limits of traditional corporate social responsibility

Corporations play a pivotal role in addressing social issues within and outside of their own value chains. Many companies continue to address these issues mainly through corporate social responsibility (CSR). However, CSR programmes are usually small in volume and not directly tied to business operations, making them even more vulnerable to budget cuts during economic downturns. The Financial Times Stock Exchange (FTSE) 100 Companies allocate an average of $23 million to corporate giving. At the same time, their average procurement spending is $5 billion – more than 400 times larger.[7] While some companies have attempted to integrate impact more deeply, corporate giving among FTSE 100 companies declined by 8.3% in real terms in 2023,[8] signalling that voluntary corporate efforts alone may not be sufficient to address systemic social challenges. Furthermore, a lot of global companies report difficulties in measuring the impact of their CSR initiatives,[9] making it harder to justify long-term investments in social impact. Without clear financial incentives and concrete steps that align core business interests with societal benefits, social impact may be deprioritized in favour of short-term financial performance.

1.3 Philanthropy: a limited resource

Philanthropy has played a crucial role in funding social impact efforts, yet it remains inherently constrained in scale and sustainability. While accurate data on the size of philanthropy does not exist globally, it is clear that it only represents a fragment of global financial transactions in the corporate sector, financial markets or the public sectors. In addition, philanthropy tends to be volatile, demonstrated by a 2.1% decline in US charitable giving in 2023.[10] Additionally, 45% of philanthropic organizations express concerns about their long-term financial sustainability,[11] indicating that reliance on philanthropy alone is not a viable long-term solution. Moreover, philanthropic funding is often focused on short-term projects rather than systemic solutions, leading to fragmented efforts that fail to unlock meaningful, lasting change.

1.4 The need to support social entrepreneurs

Social entrepreneurs have demonstrated immense potential in addressing social issues by harnessing market-based solutions. Balancing social missions with financial sustainability remains a challenge, however. A significant portion of social enterprises struggle to secure initial funding[12] and 65% perceive that their social impact is undervalued in traditional markets.[13] This lack of financial recognition limits their ability to scale impactful solutions effectively. By creating a structured market for social impact, a tradeable impact framework could provide the financial incentives required to drive sustainable growth and systemic change.

CASE STUDY 1

Enabling growth through Social Progress Credits

Over the past decade, South Korea's Social Progress Credit (SPC) programme has demonstrated that monetized social impact can serve as a credible and effective basis for financial rewards. Launched in 2015 by SK Group in collaboration with the Center for Social Value Enhancement Studies (CSES), the SPC programme has engaged more than 400 social enterprises, generating over $360 million in verified social value and disbursing over $52 million in cash incentives.

More than a funding mechanism, the SPC programme has played a transformative role in South Korea's impact ecosystem. By linking financial incentives to measurable outcomes, the programme has enabled participating social enterprises to enhance their economic sustainability, refine their business models and improve their credibility with funders and stakeholders. Empirical evidence from the SPC programme shows that outcome-based incentives lead not only to enhanced impact performance but also to increased access to capital, higher growth rates and greater public trust.

The ultimate vision of SPC reaches beyond incentive provision. From the outset, the programme aimed to establish the conditions needed to facilitate a market of tradeable social outcomes, mirroring the evolution of environmental credit markets. The programme's methodology for quantifying and verifying social performance has provided the essential building blocks – standardization, valuation and accountability – needed to catalyse such a system.

Source: Shin, H., Imm, G., Jeong, M. E., Kim, H. J. & Kim, H. (2024). Korea's experiment with pay-for-success. *Stanford Social Innovation Review*, vol. 22, no. 4. **Image credit:** JUMP

2 The tradeable impact opportunity

Tradeable impact redefines value creation by turning social outcomes into investable assets, but faces complex design challenges.

The concept of tradeable impact represents a fundamental economic shift, redefining how value is perceived and monetized. By transforming previously untradeable social impacts into financial assets, it's possible to cultivate a new market, unlock revenue streams for impactful organizations, create investment opportunities and reshape the role of social value in economic growth.

For decades, companies, governments and philanthropists have attempted to address pressing social challenges through various financial mechanisms. However, these efforts have often been fragmented, constrained by limited funding and disconnected from market-driven incentives. Tradeable impact offers a new approach that integrates social impact into the financial system, making it an investable, tradeable and scalable asset.

Already today, rewards for impact can be embedded directly into investments in the form of impact-linked finance (ILF). This mechanism lowers the cost of capital for the creator of impact in line with the achievement of impact objectives. These investments can be traded on the market today, similar to other financial products.

CASE STUDY 2

Zlto, South Africa

Zlto is a South African digital rewards platform designed to tackle youth unemployment by incentivizing community engagement and skill development. Developed by RLabs, it enables young individuals to earn digital currency (Zlto) by participating in activities such as volunteering, attending training sessions or completing micro-tasks. These earnings can be redeemed for essentials like food, clothing, transport and mobile data at over 3,000 partner retailers, including major chains like Shoprite and PEP Stores.

Each activity completed through the platform contributes to a user's **digital impact CV**, a verifiable record of their work and skills, stored securely using blockchain technology. This system not only provides tangible rewards but also helps build a credible work history, enhancing employability.

Since its inception, Zlto has facilitated over 3 million transactions and engaged more than 500,000 members. The platform has expanded beyond South Africa to countries like the United Kingdom, Tanzania and Nigeria.

2.1 Tradeable impact as a market expansion opportunity

Tradeable impact introduces an entirely new market by assigning monetary value to previously overlooked social and environmental contributions. Much like the carbon credit system (in which financial incentives drive emission reductions), impact credits (ICs) can economically value activities such as education, poverty alleviation and public health improvement.

Already today, the OBF and impact-linked finance markets are linking outcomes to payments or financial incentives. However, the markets are regularly limited either to the available philanthropic capital, fiscal budgets or willingness-to-pay by companies that pay for impact as part of their CSR/sustainability priorities or regulatory requirements. This paper explores an evolution of this concept to a closed-circuit store of value through either financial assets or an actual currency.

↑ **Image credit:** Boomera

For companies and the market at large, this would transform social impact into a revenue-generating asset, driving business models and entirely new market opportunities. Companies that contribute to positive social outcomes – such as funding renewable energy, reducing plastic waste or supporting underserved communities – can earn ICs, which can then be sold in exchange for products, services or fiat currency. Alternatively, they can benefit from lower financing costs in line with their positive impact.

Keeping these assets in circulation for secondary trading (and linking these trades to further impact creation) is one potential pathway. These mechanisms can transform impact-driven business strategies into profitable and scalable opportunities.

Governments and financial institutions can further stabilize this market by integrating tradeable impact into policy incentives and investment frameworks, ensuring corporate participation while maintaining liquidity and price stability. A market for impact could complement the global carbon market, which is now valued at $949 billion (as of 2023).[14]

The macroeconomic effect would be potential ex-ante redistribution, inherent in the value creation process, as it is tied to impact. It might also redirect investment flows towards underserved communities and embed equity into market structures from the outset. It has the potential to shape future welfare institutions and public goods financing by introducing adaptive, performance-based models that attract both public and private investments into social value creation.

2.2 A new asset class for investors

Tradeable impact also introduces a new asset class that can be traded on the financial markets. Impact-linked and impact-backed securities, ICs and other securitized impact assets allow investors to include verified, financially viable positive impact in their portfolios to increase financing to impactful activities. Blended finance structures, in which investments are enhanced through impact rewards provided by public institutions, can make use of private sector investment for impact at scale.

The transition towards sustainable finance is already under way. The value of sustainability-focused portfolios has grown to over $2.5 trillion in assets under management (2022), with studies showing that companies that prioritize social impact tend to outperform in the long run. In 2023, sustainable funds generated a median return of 12.6% (compared to just 8.6% for traditional funds).[15] Integrating social impact into economic considerations as an additional incentive will likely amplify this development.

Moreover, technological advancements such as blockchain and decentralized finance (DeFi) introduce new pathways to making impact assets feasible. By tokenizing social impact, global investors can engage in peer-to-peer (P2P) trading, expanding market accessibility and eliminating bureaucratic inefficiencies. This innovation ensures that impact is no longer constrained by geography, enabling investors to participate in global social change while securing financial gains.

2.3 Competitive advantage for businesses

In a world where sustainability is becoming a market differentiator, businesses can gain competitive benefits beyond direct revenue generation by implementing tradeable impact. Instead of viewing sustainability initiatives as regulatory obligations, companies can harness tradeable impact as a financial and strategic advantage in several ways:

- **Putting economic value to social impact**: Rather than treating sustainability investments as sunk costs, businesses can actively generate revenue from their impact initiatives.
- **Strengthening brand and consumer loyalty**: Consumers increasingly prioritize ethical consumption, and businesses engaged in impact trading can enhance their brand reputation and customer engagement.
- **Enhancing business-to-business (B2B) market positioning**: Corporations that actively trade ICs might gain preferential access to sustainability- and impact-focused procurement contracts and partnerships.
- **Early compliance with future regulations**: As governments move towards impact-based regulation (e.g. where verified impact creation will ultimately be reflected in enterprise value), early adopters of impact trading will be better positioned to navigate policy shifts while capitalizing on financial incentives.

The economic value of sustainability is shifting from compliance to competitive advantage. Companies that embed social impact into their business models now will unlock long-term resilience, stronger stakeholder relationships and improved financial outcomes.

2.4 Design challenges of tradeable impact

> Developing secondary markets for impact assets poses the risk of price volatility and speculative behaviour, which could erode long-term social goals in favour of short-term financial returns.

The implementation of tradeable impact, however, faces significant design and governance challenges that must be carefully addressed to ensure equity, legitimacy and effectiveness. The standardization of impact metrics represents one of the most pressing hurdles. Social outcomes are inherently contextual and often difficult to quantify. This heightens the risk of oversimplifying complex human experiences and reducing them to transactional data. The legitimacy of issuers is closely tied to this – without trusted verification systems and inclusive governance, the credibility of ICs can be undermined.

Developing secondary markets for impact assets also poses the risk of price volatility and speculative behaviour, which could erode long-term social goals in favour of short-term financial returns.

This is further complicated by questions around value storage – e.g. whether ICs can maintain consistent economic value over time, especially as verification costs remain high and regulatory frameworks remain fragmented. Further discussions about infrastructure requirements can be found in Chapter 3.

Critically, if designed without inclusive access, these mechanisms may unintentionally exclude smaller organizations and marginalized communities, replicating the very inequities they aim to solve. Therefore, careful, inclusive market design that democratizes access to market liquidity, is rooted in robust standards, and based on ethical, bottom-up governance and ongoing oversight, is essential to unlocking the full potential of tradeable impact and using it as a tool for systemic social change.

2.5 Step change for impact?

Overall, tradeable impact may prompt economic step change, redefining value creation. By integrating social and environmental impact into mainstream financial systems, it can unlock opportunities for social enterprises, civil society, businesses, investors and policy-makers. Its implementation, however, remains challenging.

An array of potential adverse consequences could emerge if it is not designed carefully, necessitating strong political support. The following chapters outline various scenarios for adopting tradeable impact and the building blocks needed to enable its supporting environment.

3 Scenarios for tradeable impact

The world stands at a crossroads: one path leads to systemic breakdown, the other to a market innovation where impact drives growth.

This chapter outlines global scenarios based on whether the world adopts step-change innovations for social and environmental impact or fails to do so at a systemic scale. These scenarios are mere illustrations of the societal and planetary consequences. They are not exhaustive – other scenarios exist and are even likely to manifest. While some of these scenarios may, at times, seem like far-fetched social fiction, they highlight the need and relevance to continue building the necessary market infrastructure for impact measurement, verification, trading, governance and oversight.

3.1 **Worst-case scenario**: the cost of inaction

The current international decline in aid, de-prioritization of CSR and loss of momentum for climate-related investments set the stage for an unprecedented global challenge. The following section presents a scenario in which humanity fails to adapt, ultimately leading to the disintegration of societies and economies as humanity knows them.

In the near future, economic downturns and geopolitical instability could lead to a steady decline in ODA and other global funding mechanisms aimed at social progress. With increasing pressure to generate profits, corporations would begin scaling back their environmental, social and good governance initiatives, classifying them as "non-core" activities. Governments, focused on short-term economic recovery and political survival, may deprioritize climate action and social development, leading to a global retreat from sustainable policies.

Under this scenario, as climate change-related effects intensify, many regions could become uninhabitable, leading to global food shortages, water scarcity and increased potential for social unrest.[16] Instead of coordinated international intervention, protectionist policies could gain traction, leaving vulnerable populations to fend for themselves.[17] The private sector, once an essential driver of social innovation, could be heavily impacted by climate change effects, which are projected to cost the global economy $38 trillion per year by 2049.[18] This development could further motivate companies to focus exclusively on profitability, accelerating social inequalities worldwide and reinforcing the cycle of emissions and climate change.

Thereafter, the impacts of climate change would become more severe, with natural disasters and resource shortages occurring more frequently in certain regions. As a result, food and water supplies would become increasingly unstable, prompting many people to migrate in search of better conditions, though the response from receiving countries would remain limited. Social unrest and conflicts would intensify, and political and economic instability would worsen in some areas.[19] At a later stage, global cooperation would weaken, and prolonged economic turmoil would lead to a gradual decline in administrative functions in certain nations and regions. Under this scenario, as infrastructure deteriorates, diseases spread and organized violence over limited resources escalates,[20] the survival of humanity would increasingly come under threat.

> Economic downturns and geopolitical instability could lead to a steady decline in ODA and other global funding mechanisms aimed at social progress.

3.2 A future with expanded market mechanisms for negative externalities

As societies recognize the urgent need to mitigate negative externalities, market-based mechanisms – pioneered by carbon trading – could expand to encompass a wider array of environmental and social issues. This shift would fundamentally alter the global economic landscape, creating opportunities and challenges, and strongly affecting efforts to pursue a more sustainable and equitable world.

Phase 1: Expansion of market-based approaches

Governments and international institutions could extend the logic of carbon markets to other pressing issues, such as biodiversity protection, plastic waste reduction and social welfare concerns. Companies could be required to internalize externalities by purchasing biodiversity credits, plastic reduction offsets and social ICs, fundamentally reshaping corporate responsibility and financial planning.

In many cases, social benefits would become co-benefits of climate action and vice versa. Community-driven conservation projects, for example, would not only sequester carbon but also enhance local economies, improve resilience and cultivate social cohesion. Investors and governments would begin to recognize these dual benefits, further driving capital into sustainable projects.

CASE STUDY 3

Livelihoods impact on voluntary carbon markets (VCM)

A growing segment of carbon credit buyers are prioritizing projects with strong livelihood co-benefits – such as job creation, food security and health outcomes. For example, clean cookstove programmes in Sub-Saharan Africa not only reduce emissions but also prompt verified improvements in respiratory health and reduce women's labour burden.

Buyers like Microsoft and Salesforce now apply premium pricing to credits with verified social impact claims. Platforms such as Verra's Sustainable Development Verified Impact Standard (SD VISta) Program and Gold Standard's Sustainable Development Impact Indicators offer standardized methodologies to measure and certify such co-benefits, increasing transparency and trust in the value of these additional outcomes.

These developments demonstrate that livelihood-oriented social outcomes are becoming priced, demanded and increasingly standardized. While this development may lay the groundwork for their future tradeability as standalone impact assets, there are signals that co-benefits also lead to bundling and undervaluing social impact.

Source: International Energy Agency (IEA). (2022). *A Vision for Clean Cooking Access for All*.
Image credit: World Economic Forum, "Putting a Prize on Nature", Annual Meeting 2024.

Phase 2: Economic adjustments and market pressures

Under this scenario, as companies bear increasing costs to account for their externalities, the price of goods and services could rise, leading to a general increase in the cost of living. Consumers, facing higher expenses, would demand governmental interventions. To offset these costs, many governments would introduce redistributive policies, such as subsidies, tax credits and direct financial support for lower-income households.

However, these interventions could result in higher public debt, creating tension between fiscal sustainability and social equity. Some businesses may lobby for exemptions or reduced regulatory burdens, while others may embrace the shift as an opportunity for competitive differentiation and long-term resilience.

Phase 3: Global divergence in economic policies

In response to corporate concerns, some governments may engage in a "race to the bottom", reducing the costs associated with externalities to attract business investments. This could result in regulatory arbitrage. Companies may relocate to jurisdictions with the least stringent externality pricing mechanisms. Some countries would start deploying protective measures, such as the EU's Carbon Border Adjustment Mechanism (CBAM), to shield domestic production from such arbitrage. Consequently, political tensions would grow between regions with differing externality pricing.

Some highly regulated economies would benefit from long-term resilience and environmental stability, cultivating technological innovations that create circular economies and new industries in sustainable production and carbon capture. As high-income countries are more likely to be able to invest in technological advancements, and hence reap ecoonomic benefits from sustainability, the divide between Global North and Global South would deepen, accelerating climate injustice.

Expanding market-based mechanisms for negative externalities would bring substantial benefits, including greater corporate accountability, innovation in sustainability and stronger social-ecological systems. They could, however, also introduce economic pressures that, if mismanaged, could lead to higher costs for consumers, increased inequality, continued undervaluation of social externalities and fiscal strains on governments.

FIGURE 1 **Opportunities and challenges of expanding existing market mechanisms to social impact**

Opportunities

- Rapid scalability through policy mandates
- Internalizes social externalities
- Creates measurable incentives for corporations
- Motivates social enterprises to shift focus from activities to measured and managed performance

Challenges

- Focus on compliance over real impact
- Triggers redistribution issues
- Risk of gaming and shallow interventions
- Unequal access to climate technology benefits

3.3 A future where tradeable impact scales from grassroots to global markets

As the global economy begins to recognize and monetize social value, tradeable impact could emerge from community-led, decentralized innovation. What began as local experimentation with blockchain-based tokens could evolve into a global shift where social impact becomes a core financial asset. This integrated vision would unite grassroots agencies with financial system reform, providing a comprehensive pathway to embedding social value into everyday transactions, policy and investment strategies.

FIGURE 2 | **Exemplified tokenization/securitization of social impact**

Phase 1: Emergence

In the early stages, community-driven platforms and financial innovators could test mechanisms to tokenize and trade social impact. Initiatives like Zlto and the Common Good Marketplace (CGM) could launch locally verified social tokens, rewarding activities such as access to healthcare, improved education and poverty elimination. These tokens would create economic ecosystems that are anchored locally, where social contributions are acknowledged as measurable and exchangeable value.

Simultaneously, under this scenario, financial pioneers introduce tokenized impact credits inspired by carbon markets. Platforms like Toco and early-stage social impact bonds would enable businesses and individuals to translate social contributions into verified, tradeable credits. Governments could begin offering tax incentives and subsidies to support these mechanisms, while standard-setters could work to harmonize valuation and verification frameworks.

CASE STUDY 4

Common Good Marketplace

CGM is a digital platform that converts verified social and environmental outcomes into standardized verified impact assets (VIAs), enabling funders to purchase and support tangible progress towards the SDGs.

In 2024, CGM facilitated the allocation of over $2.1 million in social value transactions, supporting initiatives like Village Enterprise's poverty alleviation programmes in Kenya. These programmes achieved significant outcomes, including a 58% increase in household consumption and a 74% rise in net savings among participating households. Such results are independently verified and recorded on blockchain and/or CGM's public ledger, ensuring transparency and accountability.

Image credit: Village Enterprise

CASE STUDY 5

Toco

Toco is a digital currency that transforms transactions into climate action. Each Toco represents one tonne of CO_2 either removed from or avoided in the atmosphere, backed by verified carbon mitigation assets managed by the Carbon Reserve, a Swiss-based non-profit foundation. This structure ensures that every unit of Toco in circulation corresponds to tangible environmental impact.

Users can buy, spend or retire Tocos through a secure mobile app, which allows users to track their climate impact. Beyond individual use, Toco drives community engagement through its custodian programme, in which volunteers promote the currency and educate others about its environmental benefits. This initiative spreads awareness and rewards participants based on the climate impact they help generate.

Phase 2: Expansion

As local networks scale and financial products mature, ICs would gain traction across sectors. Decentralized autonomous organizations (DAOs) may emerge to govern grassroots value distribution. In parallel, asset managers and sovereign wealth funds would begin integrating ICs into investment portfolios, and corporations would trade ICs as part of their environmental, sustainability and governance objectives.

Demand would intensify, prompted by government recognition of the role of ICs in procurement, tax credits and fiscal spending. Meanwhile, regulatory bodies might begin to introduce policy mechanisms, ranging from quantitative easing to including ICs in central bank reserves, to stabilize IC prices and support market confidence.

Phase 3: Integration

Social impact would become a core feature of both grassroots economies and institutional financial systems. ICs would be incorporated into GDP calculations and national accounting frameworks. An economy, for example, that grows its verified impact by 1 million ICs in any given year, may include this impact growth in its GDP in addition to conventional, economic growth, as ICs are now financially valued and traded.

Similarly, corporations would include impact performance in their valuations next to the financial value they create (e.g. a parallel profit and loss and balance sheet for ICs). Financial institutions would offer IC-backed credit, insurance and loan products, and ICs would become fully tradeable across borders, governed by international standards.

Grassroots initiatives, once niche, would form the backbone of a parallel economic system rewarding social contributions with real financial value. These systems would operate alongside traditional fiat economies and influence global resource flows. Central banks may use ICs as economic stimuli, while sustainability-linked and impact-linked investment vehicles would standardize their inclusion.

FIGURE 3 **Opportunities and challenges of scaling grassroots ICs**

Opportunities

- Empowers local innovation and economic participation/agency
- Mobilizes private capital for public good
- Builds trust through verified, data-driven impact
- Embeds social value in financial decision-making

Challenges

- Risks of over-financialization and speculative volatility creating tensions between investor returns and outcomes' desirability
- Equity concerns/exclusion of non-tech-savvy actors or non-investable impacts
- Governance complexity across local and global systems
- Potential inflationary effects of quantitative easing

CASE STUDY 6

Connectivity credits

The Giga initiative – a partnership between the United Nations Children's Fund (UNICEF) and the International Telecommunication Union (ITU) – focuses on internet connectivity for schools and healthcare centres. It has allocated connectivity credits to schools (and other public facilities) based on how difficult it is to connect them. Internet service providers (ISPs) then earn these credits by supplying reliable service. The more remote or challenging the location, the higher the credit allocation. This creates a tangible reward for delivering connectivity where it is least profitable.

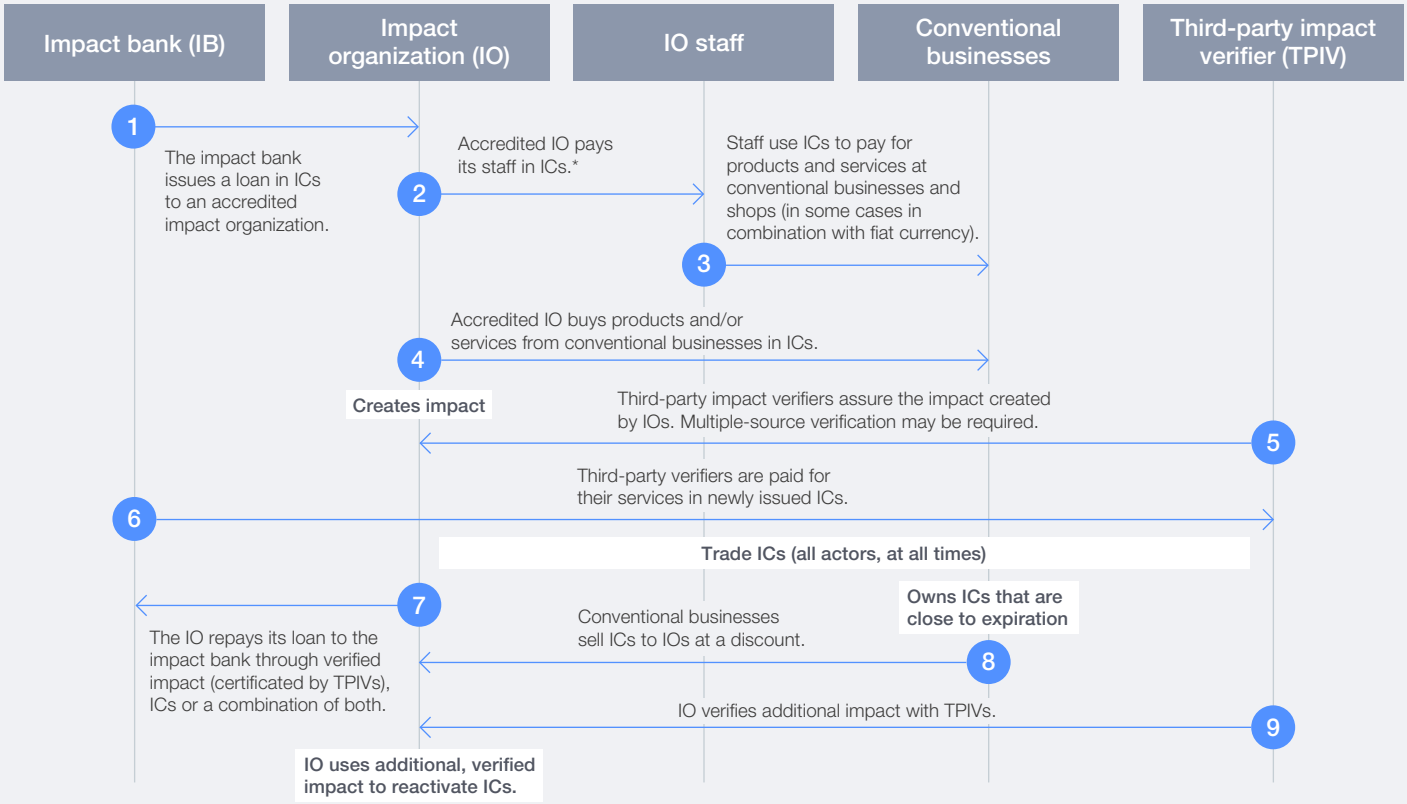
The initiative has mapped over 2.2 million schools globally,[21] many of which remain unconnected, and created a real-time data platform that tracks connectivity, automatically verifying whether or not a link is established and delivering the speed promised. These combined data tools are the core "infrastructure" behind connectivity credits.

3.4 A future where tradeable impact becomes an impact currency

Under this scenario, as the world increasingly recognizes the economic value of social impact, a parallel currency system might emerge alongside fiat money (any kind of money that is made legal tender by a government decree). Governments, businesses and communities would begin integrating ICs as a standalone currency designed to reward social value creation while functioning within defined economic boundaries.

↗ Read the full white paper on ICs as an impact currency here.

FIGURE 4 **Exemplified mechanism of impact currencies**



*This may include social enterprises, non-governmental organizations (NGOs), caregiving organizations, etc.
At a later stage, anyone (including companies) who demonstrably creates positive impact may seek accreditation.

> To maintain financial stability, central banks could introduce monetary control mechanisms, ensuring that the supply of ICs remains limited.

Phase 1: Emergence

The first phase would involve the introduction of ICs as an official currency alongside traditional fiat currencies. Governments and international institutions would then launch pilot programmes where individuals and organizations earn ICs by engaging in socially beneficial activities like environmental restoration, education or healthcare services.

ICs would be issued as loans to accredited impact organizations – non-governmental organizations (NGOs), social enterprises, etc. – who, in turn, would pay for staff, services and products with ICs. Impact loans could be repaid through verified impact ("proof of impact") or through ICs bought on the currency market. ICs would expire after a certain amount of time, unless reactivated through further verified impact.

These initiatives would begin at local and regional levels, where ICs could be used to purchase goods and services from participating businesses that support sustainability and social responsibility. Governments could incentivize adoption by allowing partial tax credits, public service access or benefits in exchange for IC holdings. Corporations could start integrating it into their sustainability strategies, enabling consumers to redeem ICs for products and services.

Phase 2: Expansion

As adoption grows, ICs would gain legitimacy as an alternative economic mechanism, expanding beyond local pilot projects to become a globally recognized complementary currency.

Key global institutions such as the United Nations, the International Monetary Fund (IMF) and the World Bank would endorse IC use, facilitating the standardization of social value measurements and transaction mechanisms. Governments would formalize IC use, enabling ICs to play a role in public infrastructure development, social welfare programmes and international trade agreements.

At this stage, ICs would become widely accepted across industries prioritizing sustainability and social impact – including renewable energy, healthcare, education and circular economy businesses. A secondary market would emerge in which IC can be traded for fiat currency and other assets, allowing value creation beyond its original closed-loop economy.

To maintain financial stability, central banks could introduce monetary control mechanisms, ensuring that the supply of ICs remains limited and, as much as possible, tied to measurable social impact outcomes, preventing inflation and speculative misuse.

Phase 3: Integration

In due course, ICs would be fully integrated into the global financial system, operating alongside traditional fiat currencies as a core economic component.

National economies would begin incorporating ICs in GDP calculations, recognizing that social and environmental contributions are fundamental to economic resilience. Governments and financial institutions would use ICs to collateralize loans, insurance policies and investment funds, further strengthening their role in mainstream financial markets. Central banks would start to act as the buyer-of-last-resort for ICs, effectively establishing a long-term floor price for such credits.

Major international trade agreements might then adopt ICs as a settlement mechanism for sustainable trade policies, carbon offset markets and cross-border social investments. This would allow developing nations to generate economic growth by contributing to global sustainability or development goals rather than relying solely on traditional exports or foreign aid.

With blockchain and AI ensuring full transparency in issuance and transactions, ICs would operate within a decentralized, trust-based framework, allowing local and global stakeholders to participate in decision-making and impact verification via DAOs.

FIGURE 5 **Opportunities and challenges of impact currency**

Opportunities

- Positions social value as monetary value
- Enables systemic resource redistribution
- Creates inclusive economic participation
- Provides a monetary policy tool without impacting fiscal policy

Challenges

- Risk of politicization
- Complexity makes it hard to access for users/citizens
- Risk of inflation or volatility (mitigated through time-bound retirement of ICs)
- Technical and trust barriers to convertibility

4 Building blocks for tradeable impact

To function as a true market, tradeable impact must go beyond measurement – embedding price dynamics, liquidity and trusted exchange.

To accomplish any of the positive scenarios outlined in Chapter 3, a number of infrastructure elements need to be in place before tradeable impact becomes a reality. Considering the design of a tradeable impact market, it is vital to address fundamental questions, such as "what enables social impact to function as a tradeable asset – not just in theory, but in practice?"

Measurability and verification are necessary foundations. They are not, however, sufficient by themselves to create a functioning market. For social impact to become tradeable, it must adhere to the basic principles that underpin any asset class: it must carry value, exhibit price dynamics and offer a structure for exchange.

In other words, social outcomes must not only be valid and valuable – they must also be liquid. Table 1 illustrates the conditions that would need to be in place for social impact to be tradeable.

TABLE 1 **Key preconditions for tradeable impact and impact marketization**

Condition	Why it matters	Without it...
Contextuality: A process that ensures that impact is defined by the communities who stand to benefit from it	Ensures impact relevance and agency of impacted communities	No agency Impact is superficial or even harmful
Price discovery: A mechanism that allows the market to determine the price of the asset	Determines "market value" Enables exchange, investment and differentiation	No incentive to trade or allocate capital
Market demand drivers: Catalysing demand through perceived market value, creation of scarcity and/or regulatory compliance (e.g. limited credit supply, mandatory obligations)	Reflects buyer interest and utility	Impact becomes symbolic, not economic
Additive potential: A mechanism that generates additionality to the outcomes that would not have occurred without it	Allows actors to improve, structure or aggregate value	No second-order trading or innovation as it does not provide additional value
Transferability: The ability of assets to be transferred between actors	Legal and technical ability to exchange ownership	No asset function or market mobility

A system that lacks price variability and tradeable structure is not a market – it is a ledger. If tradeable impact is to move from philanthropic experiment to economic engine, it must be designed not only for verification but also for valuation, exchange and scalable participation.

The following sections outline the technical architecture of such a market, encompassing measurement, valuation, trading infrastructure, verification and governance. These tools will only deliver results if the underlying conditions and infrastructure elements are in place to facilitate a fully functioning market. Ensuring that social impact assets are truly tradeable is the first design challenge of any serious market model.

4.1 Market components

Demand and incentive systems

KEY QUESTION

Who buys impact, and why?

Demand is the engine of the tradeable impact market. Currently, governments, development agencies and philanthropists dominate social outcome funding. For tradeable impact markets to scale, corporate and investor demand must grow. Incentives – regulatory, reputational or economic – are central to this transition.

Regulatory tools may include mandatory social disclosures, e.g. the Corporate Sustainability Reporting Directive (CSRD) or Corporate Sustainability Due Diligence Directive (CSDDD), social offset obligations (analogous to carbon offsetting) or procurement requirements. Market-based incentives may involve tax credits, preferred access to capital or eligibility for sustainability-linked or impact-linked financing. As the report *Beyond Compliance: Embedding Impact through Innovative Finance* highlights, firms can become increasingly significant buyers of impact, using social impact purchases to mitigate supply chain risks or achieve impact-aligned business strategies.

For investors, impact assets can diversify portfolios and appeal to sustainability mandates. If priced transparently, verified and liquid ICs can evolve into a new asset class with risk-return profiles. In a scenario featuring an impact currency, the currency's value is significantly determined by its level of scarcity, which is, in turn, determined by the currency issuer (a central bank-like institution) and the retirement process for ICs (which drives the supply of currency in the market).

Impact assets might also enable the mobilization of blended finance by aligning interests across investor spectrums and enabling long-term financial system reform towards sustainability. ICs may further benefit from central bank support, e.g. through quantitative easing by purchasing ICs to support their floor price and thereby ensuring long-term value storage and invisibility. In addition, the establishment of "impact market makers" may further ensure liquidity in the sector and thereby support private sector demand.

Measurement and standardization

KEY QUESTION

What qualifies as impact, and how should it be measured?

The success of a tradeable impact market begins with a reliable foundation: measurement and standardization. Unlike carbon markets, which operate with a single metric (carbon dioxide equivalent, or CO_2e), social impact spans multiple context-specific dimensions that are often subject to unique measurement methodologies – e.g. education, employment, health and equity. For tradeability, these must be translated into clearly defined, verifiable, fungible units. This necessitates the adoption or refinement of existing frameworks such as Impact Reporting and Investment System (IRIS+), social return on investment (SROI),[22] the SDGs, Impact Genome and others.

To ensure consistency and comparability, a system of standardized units of account is needed. This might take the form of ICs or tokens representing verified outcomes (akin to carbon credits). Verified Impact Assets (VIAs), developed by Common Good Marketplace, for example, equate to a year of improved income adjusted for socioeconomic context. Standardization must strike a balance between comparability and contextual relevance – universal metrics can facilitate liquidity but invite the risk of oversimplification.

Methodologies should evolve from the bottom up and ensure that local communities are involved in defining impact priorities. There is a need to move from fragmented practices towards widely accepted, potentially sector-specific and thematic protocols. These should allow for diverse indicators while remaining anchored in robust causal models. Technological advances, including digital reporting systems and machine learning, can support scalable and consistent measurement.

↑ **Image credit:** myAgro

Valuation and pricing

KEY QUESTION

How is the value of impact determined, and how is it priced?

Valuation translates outcomes into monetary terms, laying the groundwork for pricing and trading. Multiple valuation methods exist, including cost-based approaches (e.g. avoided cost, replacement cost), preference-based techniques (e.g. willingness to pay) and integrated models like SROI and Impact-Weighted Accounts (IWA).[23] These methods offer different advantages, including societal benefit, avoided harm and business value.

Tradeable impact markets require clarity on which kind of value logic is applied and for what purpose. Pricing mechanisms may include fixed-rate purchases, bilateral negotiation or market-based discovery (e.g. auctions). The latter seems best positioned for tradeable impact, given impact needs tend to be dynamic (for example, the urgency of providing access to healthcare will evolve over time). Like commodity markets, transparency in pricing, through benchmarks, indices and price tracking, is critical to building investor confidence and liquidity for tradeable impact.

A dual system of valuation and price discovery will likely be necessary. Impact valuation provides an initial price at the time that the asset is issued. A floor price might be established (e.g. based on intrinsic or societal value), while market activity determines the trading value. Convergence between these ensures both integrity and efficiency.

Market infrastructure

KEY QUESTION

Where and how is impact traded?

For social outcomes to be traded, there is a need for secure, efficient and transparent infrastructure. Key components include:

- Registries to record ownership and prevent double-counting
- Trading platforms with exchange functionality, order books and clearing mechanisms
- Settlement systems to handle financial transactions and asset transfer
- Risk management tools to address counterparty and verification risks

While social stock exchanges have struggled due to low liquidity and misaligned investor profiles,[24] emerging platforms like OutcomesX and CGM offer models that focus on verified outcome credits. Blockchain-based systems can further enhance traceability, auditability and cross-border functionality, especially for P2P or decentralized markets.

Depending on market maturity, the infrastructure may evolve from bilateral contracts to centralized exchanges. Localized or sectoral markets can start with simpler setups, eventually scaling towards more integrated ecosystems.

Verification and integrity

KEY QUESTION

How to validate impact and ensure it is not manipulated?

Trust is the currency of any impact market. Verification systems must ensure that reported outcomes are real, additional, persistent and not double-counted. This demands independent, third-party verification with sector-appropriate protocols.

Verification should align with the monitoring, reporting and verification (MRV) logic used in environmental markets but adapted for social complexity. For example, verifying improved literacy may involve mixed-method evaluation, stakeholder interviews, and pre-post assessments, not just quantitative metrics.

To scale, verification must become more cost-effective. Development impact bonds feature verification costs between $50,000 and $500,000 (although the latter includes experimental and quasi-experimental approaches).[25] Reducing these costs requires standardized methodologies, automation via digital tools, and tiered assurance systems (e.g. high rigour for primary markets, lower cost for secondary trades). Technological innovations – e.g. internet of things (IoT), geotagging and blockchain – can help lower verification costs and increase real-time data availability. As the ecosystem for verification matures, the risk of economic value being drained from the countries and communities that are ultimately creating the impact could increase. A key criticism of carbon credits is that most verifiers are based in high-income countries, while interventions are located and organized in low- and middle-income countries.

Governance

KEY QUESTION

Who oversees and ensures market fairness?

Effective governance ensures legitimacy, protects stakeholders and enables adaptive evolution. A multistakeholder structure may govern tradeable impact markets. This may involve:

- Community-mandated representatives to ensure agency and contextuality
- Standard-setting bodies to define measurement, verification and valuation norms
- Regulators to enforce compliance and transparency
- Advisory groups representing civil society, buyers and impact organizations

Options range from centralized bodies (e.g. an international social impact council) to decentralized models featuring DAOs. Whatever the structure, principles of inclusiveness, transparency and accountability enable long-term acceptance and sustainability.

Governance also needs to manage market risks – such as gaming (prioritizing measurable over meaningful outcomes), equity issues (exclusion of grassroots actors) and systemic imbalances. Ethical oversight rooted in societal legitimacy is particularly important given the human-centred nature of social impact.

↓ **Image credit:** Enuma

4.2 Lessons from the carbon market

The carbon market is often cited as the most developed example of a tradeable impact system. It offers valuable lessons – both in its successes and its shortcomings – that can inform the development of social impact markets.

FIGURE 6 **Success factors and challenges of carbon markets**

Success factors

Clear, measurable unit (CO_2e): The ability to quantify impact in a standardized unit made emissions tradeable across contexts.

Global regulatory frameworks: Instruments like the Kyoto Protocol and the Paris Agreement created institutional legitimacy and international demand.

Verification infrastructure: MRV systems became standard practice, ensuring accountability and buyer trust.

Market-based price discovery: Platforms and exchanges enabled dynamic pricing and liquidity.

Challenges

Price volatility and oversupply: In early phases, over-allocation of credits led to dramatic price crashes and undermined confidence.

Additionality concerns: Some credits did not represent real emissions reductions, eroding market credibility.

Fraud and gaming: Tax fraud (specifically on value-added tax) and methodological loopholes revealed vulnerabilities in oversight.

Key differences between carbon and social impact markets

While the carbon market offers useful design principles, the nature of social value introduces distinct complexities. These differences must be accounted for when designing tradeable impact systems.

Measurement complexity

Social outcomes are inherently multidimensional. The carbon market is often perceived to rely on a single measurable unit (CO_2 emissions), while social impact spans diverse domains such as health, education, employment and equity – each with different indicators. These outcomes are also highly context-dependent, making universal comparability difficult. Attribution presents an added challenge – social change often arises from a diverse system of multiple actors and conditions rather than a single intervention. Furthermore, outcomes frequently evolve over long or uncertain timeframes, complicating real-time or point-in-time measurement.

Lessons learned for social impact markets:

– **Develop modular, multidimensional measurement systems**. Measurement systems should allow for sector-specific and location-specific metrics while feeding into an overarching meta-framework. This enables comparability without flattening meaningful local variation. Dashboards, weighted scoring models and indicator translation layers may be helpful tools.

– **Balance integrity with inclusiveness**. High verification standards must be balanced with accessibility for small or community-based actors. Tiered assurance models, light-touch reporting for micro-providers and pooled verification protocols can maintain rigour without excluding grassroots participation.

Market structure and stakeholder landscape

While carbon markets, due to their maturity, operate on a global scale with standardized protocols, social impact markets are still inherently local. Outcomes vary based on cultural, political and economic conditions, limiting fungibility across regions. The stakeholder landscape is also more fragmented. In addition to buyers and sellers, there are governments, NGOs, local communities and beneficiaries – all with different values, objectives and accountability structures – which are currently not coordinated. This diversity complicates market coordination, governance and trust-building.

> By internalizing these lessons, tradeable impact markets can navigate the pitfalls of early market development (as witnessed by the early carbon markets) while facilitating scalability.

Lessons learned for social impact markets:

- **Design for localized flexibility with pathways to global integration**. Given the context-dependence of social impact, market architecture must be modular. Early-stage markets should prioritize local-level issuance and trading that has the capacity to aggregate or interoperate over time. Designing for interconnectivity, rather than premature standardization, promises a more sustainable growth path.
- **Build trust infrastructure for verification and transparency**. Social impact verification faces a higher trust burden than environmental metrics. Third-party validation, open methodologies and digitized tracking are essential. Harnessing blockchain, participatory data collection and independently governed certification bodies will reinforce credibility and reduce verification costs over time.

Implementation challenges

Operationalizing social impact markets presents structural and practical difficulties. The current absence of universally accepted standards makes it difficult to create interoperable systems. Verification is particularly resource-intensive, often requiring qualitative evaluation, interviews or participatory data. Market liquidity is a concern since social impacts are so localized and heterogeneous that credits may not be easily traded or repurposed. The result is a market that – at least initially – needs to dedicate more effort to overcoming issues of scale and fragmentation compared to its environmental counterpart.

Lessons learned for social impact markets:

- **Link demand to regulation, sustainability strategy and financial incentives**. While voluntary participation may be sufficient to initiate an early market, it is not enough to scale it to the required level. Tradeable impact markets must be integrated into regulatory frameworks, procurement rules and tax incentives to reach their full potential. For example, social credit holdings could influence sustainability ratings, qualify for tax deductions or fulfil public contract eligibility requirements.
- **Accept and design for complexity**. Social change is rarely linear or attributable to a single actor. Tradeable impact markets should incorporate tools to communicate this complexity – combining quantitative indicators with narrative context, qualitative data and time-sensitive models. Accepting complexity and designing for interpretability will enable more honest, resilient markets.

By internalizing these lessons, tradeable impact markets can navigate the pitfalls of early market development (as witnessed by the early carbon markets) while facilitating scalability. The goal is not to replicate the carbon model but to adapt it – to build a human-centred market infrastructure where positive social action is not only morally encouraged but economically rewarded. While carbon markets offer a strong conceptual foundation, social impact markets must be designed with flexibility, contextual intelligence and inclusive stakeholder engagement at their core.

TABLE 2 **Differentiation between carbon, biodiversity and social impact markets**

	Carbon markets	Biodiversity markets	Social impact markets
International framework	– Paris Agreement Article 6 enables cross-border trading	– Early-stage discussions in the Global Biodiversity Framework	– Limited international frameworks
Amount per annum	– Compliance: $850 billion* – Voluntary: $700 million*	– Offsets: $12 billion	– $185 billion OBF in total
Main buyers	– Industrial emitters – Power companies – Airlines – Traders	– Property developers – Infrastructure firms – Mining companies	– Governments – Development agencies – Philanthropists – Potentially the private sector in the future
Market driver	– Regulatory compliance – Emission targets	– Development permits – No-net-loss requirements	– Social outcome goals – Development targets – Enhance sustainability performance
Unit definition	– Clear (CO_2e, tonnes) – Globally fungible	– Complex (habitat/species) – Location-specific	– Varied outcomes – Context-dependent
Market structure	– Global trading – Futures markets – High liquidity	– Local/regional – Limited trading – Low liquidity	– Bilateral contracts – Limited secondary markets
Primary focus	– Harm reduction – Negative externalities	– Harm mitigation – Offset requirements	– Positive outcome creation

***Compliance market:** around $850 billion in 2021, a 164% increase from 2020.
Voluntary market: current voluntary market worth $723 million in 2023, down from $2 billion in 2020 due to increased market scrutiny; projected to reach $1 trillion annually by 2050.

5 From vision to action: a pathway for scaling tradeable impact

Varied pathways with distinct roles and trajectories lead to the adoption of tradeable impact.

The implementation of tradeable impact might be closer than expected. Building on existing building blocks for tradeable impact, several potential pathways for developing social impact markets exist.

5.1 Overall approaches to scaling tradeable impact

Building on existing building blocks for tradeable impact, several potential pathways for developing social impact markets exist.

Regional or thematic credits

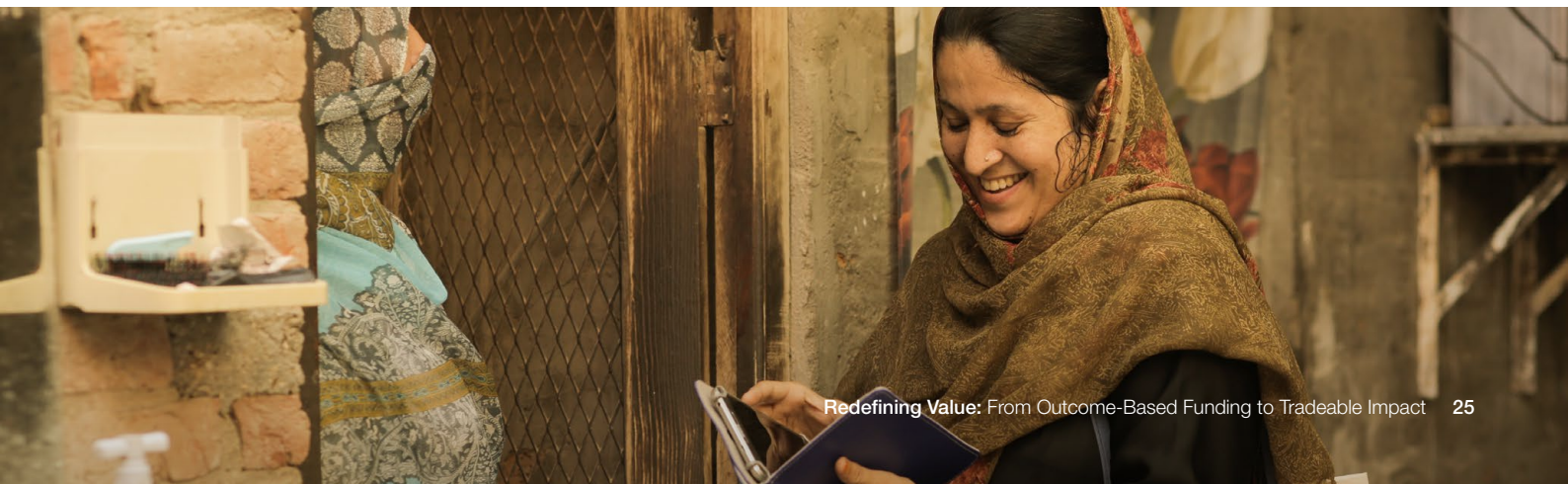
Regional or thematic credits target specific geographies or sectors, building on existing outcome measurement systems, harnessing existing stakeholder relationships and demonstrating proof of concept to establish market viability. For example, Collective X is a digital skills marketplace linking corporate demand with a coordinated supply in South Africa. Local governments, NGOs and community organizations are key stakeholders. The Giga Initiative, a partnership between UNICEF and ITU, issues connectivity credits to almost 100,000 schools.[26] ISPs then claim these credits in return for the high-quality internet access they provide to these schools.

Social impact as co-benefit

Social co-benefits can be integrated within existing carbon markets. Novel policy initiatives such as Global Carbon Rewards already use co-benefits for climate action to ensure the social feasibility of climate projects. In this process, existing carbon markets can add social impact (creating premium pricing mechanisms for "higher-quality" credits) while using established verification systems. For example, Global Surgical Initiatives and Powertrust have developed Empowered Social Impact, linking surgical health outcomes in Uganda to renewable energy certificates. Investors, corporations and policy-makers are crucial, as they facilitate the integration of social impact measures and help create the necessary demand for premium pricing mechanisms.

Standalone social impact credits

Standalone social impact credits require the creation of independent frameworks and new market infrastructure. This pathway focuses on enabling the pure trading of social impacts, and aims to scale across regions and sectors, allowing for a broader, more flexible market for social outcomes based on impact marketplace such as OutcomesX or CGM. Collaboration between a broad coalition of multilateral organizations, standard setters, technology providers and financial institutions is required to create a robust market. Regulatory action and fiscal spending may support demand creation, while monetary policy can enable the long-term viability of impact assets.



↓ **Image credit:** doctHERs

TABLE 3 **Comparative summary of approaches to tradeable impact**

	Regional/thematic credits	Social impact as co-benefit	Standalone social impact credits
Implementation complexity	Low	Lowest	Highest
Time-to-market	Fast	Fastest	Slowest
Scalability potential	Lowest	High	Highest

Standalone social impact credits require a structured transition that guides key stakeholders through early experimentation towards systemic integration. This chapter outlines potential scenarios for scaling the tradeable impact economy, highlighting early entry points, phase-by-phase development and distinct roles for stakeholders.

5.2 **Early entry points**: quick wins to build momentum

The foundation for a tradeable impact market already exists. Several mechanisms – including OBF, social impact bonds (SIBs), sustainability reporting frameworks and voluntary impact platforms – offer fertile ground for early experimentation.

To catalyse early momentum, the following strategies can be implemented:

Policy alignment: Governments can integrate tradeable impact into public procurement, subsidies or tax incentives – building on existing sustainability standards like the EU's CSRD or CSDDD.

- **Immediate benefits**: Enables impact transparency to measure the efficiency of government policies and trickle-down effects of impact throughout supply chains
- **Long-term benefits**: Creates early demand for tradeable impact assets

Corporate pilot programmes: Companies with robust impact strategies or sustainability operations can begin purchasing ICs linked to verified impact activities through platforms like CGM or OutcomesX.

- **Immediate benefits**: Safeguards against green- or impact-washing by providing verified, auditable impact and integrating social impact considerations into key business functions. Allows for a determination of the SROI of individual investments and a comparison of value from different types of interventions.
- **Long-term benefits**: Signals private-sector demand for social impact credits, stimulating supply of verified interventions. Allows for the integration of targeted outcomes in social procurement in programmes such as the SPCs.

Impact investment vehicles: Impact investors can pilot social impact credits – potentially in partnership with development finance institutions – offering supplemental revenues to social entrepreneurs and innovators, e.g. through social impact incentives (SIINCs).

- **Immediate benefits**: Unlocks new sources of capital for social entrepreneurs and innovators and links impact investing more closely to verified impact outcomes
- **Long-term benefits**: Strengthens capabilities among impact investors and social entrepreneurs/innovators to deploy pay-for-results mechanisms

Digital verification tools: Technology start-ups can develop modular platforms for outcome verification using AI, blockchain and mobile-based participatory tracking.

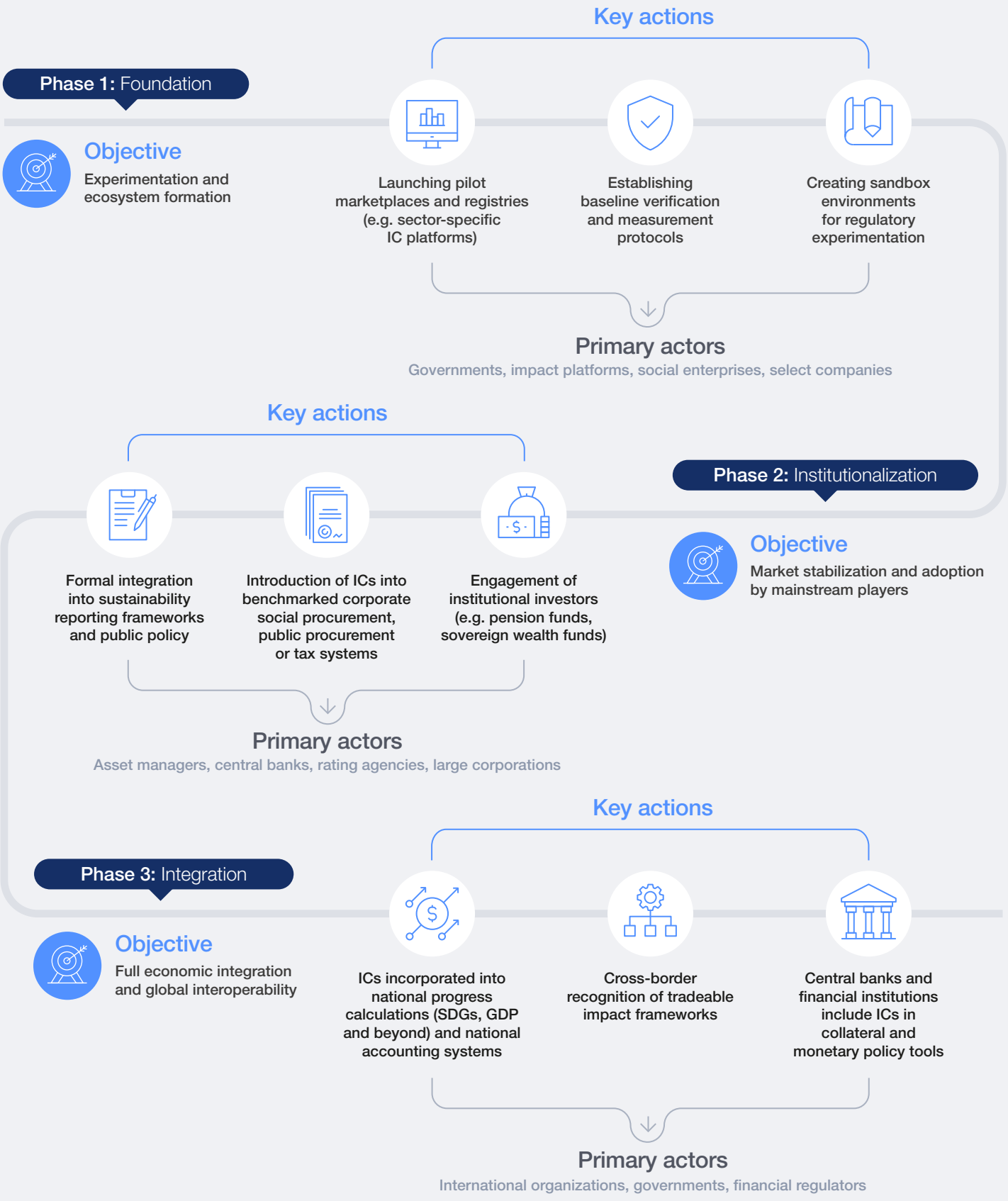
- **Immediate benefits**: Efficiencies in impact measurement and validation unlocked through new technologies
- **Long-term benefits**: Lowers verification costs and stimulates the verification ecosystem

These early building blocks can build legitimacy, develop infrastructure and generate critical feedback for designing a tradeable impact system.

5.3 Pathway to scale: a three-phase transition

FIGURE 7 **Pathway to scaling tradeable impact**

The following phases could apply to transforming tradeable impact from concept to core economic function:



Conclusion

The future is not a distant horizon – it is unfolding in real time, shaped by the actions or inactions of today. As the impacts of climate change intensify, economic pressures grow and inequality deepens, global systems are being tested. In this critical moment, tradeable impact emerges as more than just an innovation in finance – it is a reframing of value, trust and incentive. Tradeable impact challenges humanity to shift from relying solely on goodwill or philanthropy to embracing a system where positive social and environmental actions are recognized and economically rewarded. It represents a fundamental rethinking of how value is assigned to human activity.

The core promise of tradeable impact lies in its potential to realign economic incentives with social progress. By enabling outcome-based transactions, it embeds the precision of financial markets into the realm of social value creation. This approach introduces new efficiencies through mechanisms such as price discovery and evidence-based funding, directing capital to the most effective solutions. It encourages innovation by integrating competitive dynamics into delivery systems for social impact and cultivates long-term performance by creating revenue streams based on verified social impact at scale. With increased standardization and transparency, tradeable impact can unlock accountability and transparency for stakeholders – from governments to investors to communities – promoting informed, data-driven decision-making and bring some of the disciplines of traditional investing into social value creation.

The exact mechanisms that give tradeable impact its strength, however, also demand careful crafting and design. If misaligned, these markets could distort impact priorities, shifting focus to easily measurable outputs at the expense of deeper, systemic change. The temptation to game metrics, cherry-pick beneficiaries or prioritize short-term gains over long-term transformation needs to be addressed. At its worst, tradeable impact risks reducing human lives and complex social realities to mere financial instruments that fail to reflect the agency of the communities they attempt to serve, which would be self-defeating. Without inclusive market access, smaller organizations – often those closest to the communities they serve – may be left behind, further entrenching inequalities the system should be designed to solve.

Additionally, social impact is inherently contextual, often intangible and difficult to attribute to single actions. There is a significant risk of oversimplifying the nuanced realities of change. High verification costs could deter participation from key actors. As with any new market, the early phases of tradeable impact are likely to be marked by fragmentation, low liquidity and regulatory uncertainty, all of which could stifle momentum if not addressed through thoughtful design and governance.

The world faces a challenge of design and institutional innovation – one that requires values-based leadership and cross-sector collaboration, as demonstrated by social entrepreneurs and early actors in this space. The future of tradeable impact depends on whether the world can balance efficiency with equity, measurement with meaning, and innovation with integrity. It's crucial to centre traditionally excluded voices in order to build markets that serve humanity. Achieving this goal requires investments in infrastructure that supports both scale and inclusion, from interoperable data systems to shared verification standards.

Tradeable impact can become a powerful lever for change. It can help build an economy where purpose is profitable, where innovation uplifts and where doing good is not just an act of charity but also a strategic advantage. Governments, companies, the financial sector, social entrepreneurs and innovators, and NGOs have an opportunity to use tradeable impact to ensure that systems serve society. Tradeable impact is not a silver bullet, but it could be a cornerstone – if wielded with care, conviction and collective responsibility.

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Endnotes

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