

Investing in a Liveable Future



15 May 2023

A central illustration of a globe split vertically. The left half is brown and orange, representing land, and the right half is green and blue, representing water. The globe is surrounded by various icons: a factory with smoke, a wind turbine, solar panels, a car, a tree, a house, and a mountain. The text 'Investment, faith and development' is written across the globe in a white, cursive font.

Investment, faith
and development

INVESTMENT, FAITH AND DEVELOPMENT

A conference co-hosted by
FaithInvest & Christian Aid

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Investing in a Liveable Future

How business and NGOs can work together

How should we fund development in an era of growing humanitarian needs and tighter aid budgets? That was the question at the heart of a conference co-hosted by FaithInvest and Christian Aid in London in May 2023.

The international development sector spends well above US\$200 billion each year, and faith-based agencies are some of the biggest NGOs working to deliver transformational change for the world's poorest peoples. But growing humanitarian needs, climate change, environmental crises, wars and conflicts mean the aid sector is under pressure as never before – just as tighter foreign aid budgets and greater fiscal austerity mean less funding is available.

Faith-based NGOs and business networks, which together manage nearly £600 billion worth of funds, came together to discuss this critical subject on May 15, 2023 – and what a lively, engaging and challenge event it was. The conference explored whether there were opportunities for business and development agencies to work more closely together, using investments as an effective tool, alongside philanthropy, to fund a just and sustainable future.

The conference found there was great interest among NGOs in looking at alternative methods of funding development – but there were also some concerns. This report captures the findings of this event, and provides thoughtful reflection together with meaningful action steps to bring this discussion forward.

A small profit reinvested regularly is something that can give huge amounts of leverage. Quite often a grant is given once... whereas with an investment, every pound could be used 20, 30, 40, 50 times'

– Stewart McCulloch, Stewardship

Event in brief

- 01.** Organised by FaithInvest and Christian Aid's Salt Business Network
- 02.** Attended by more than 100 delegates from faith-aligned development agencies, business networks and philanthropies; most were at the CEO or senior leadership team level
- 03.** Included business networks managing more than **£650 billion AUM** (assets under management)
- 04.** Included organisations managing projects supporting more than **£100 million people** a year
- 05.** Shared research commissioned by FaithInvest showing that, of 25 NGOs surveyed, there was very high interest in using alternative
- 06.** Survey respondents are either majorly interested (**61%**) or moderately interested (**39%**) in such financing mechanisms
- 07.** Over three-quarters (**78%**) think it likely/very likely that they will use such financing options in lieu of grant aid within three years
- 08.** A clear majority (**61%**) are using/supporting such instruments already.
- 09.** Of the kinds of alternative financing mechanisms used, pooled impact investing is the most common (used by **82%** of those using these types of instruments)
- 10.** Other forms of non-aid financing instrument used include impact investing, recoverable grants, concessionary loans and development impact bonds.

This conference today is a real learning opportunity. I'm very new to this whole area of impact investing so I'm here to listen, to learn and, hopefully, take away new knowledge. I'm excited to be here.'

– Conference attendee

Non-aid NGO funding

FaithInvest commissioned research into the current state of non-aid NGO funding. Consultant Chris Hegarty interviewed more than 20 NGOs and found that not only is there a strong appetite to explore non-aid funding, but also a solid baseline of organisations already testing it out. The full report will be published in September 2023, but here are some extracts of Chris's presentation to the conference below.



Research

Introduction

- Looks at use of non-aid financing mechanisms, where - in addition to social benefits - some kind of investment return is expected.
 - * eg Impact Investing, Development Impact Bonds.
- Relates to deployment in **programme funding**, ie, as an alternative to grants.
- Based on feedback from c.20 organisations
 - * Mainly (but not all) faith-inspired NGOs
 - * Most focus on work in Global South, some in Global North
 - * Majority based in Europe and North America



Research

Current state of affairs

- **All** respondents have either **major interest** (61%) or **moderate interest** (39%) in these funding mechanisms
- 61% are using or supporting the use of such instruments already
- Over three-quarters (78%) think it likely or very likely that their organisation will use them in lieu of grants within the next 3 years

Research

Perceived advantages

Sustainability

'It's creating sustainability where we don't have it in our regular programming'

'The ability to thrive sustainably without external support';

'It can decrease dependency... make projects more financially sustainable'

'Eventually, we are trying to end aid dependency'

Agency

'Investees [have] agency they would not have as grantees'

'Overwhelming advantage' of being able to 'set your own strategy'... and 'not being dependent on donors' agendas'

'Economic empowerment for vulnerable groups'

"Breaks paternalistic donor/recipient patterns'

Increased impact**Ability to attract new funding:**

'Can appeal to new types of donor (often those with entrepreneurial or business backgrounds)'

'Can unlock access to different kinds of donor funding streams'

'In broad terms, to meet SDGs, private finance is required on a scale that dwarfs aid flows'

By re-using funds repeatedly:

'To have the scale required, a model is needed that's circular and self-perpetuating'

'\$100 becomes \$120-130, we can use the additional \$20-30'

Ability to 'use and re-use funds over time', or how this cycle 'can be repeated and sustained'



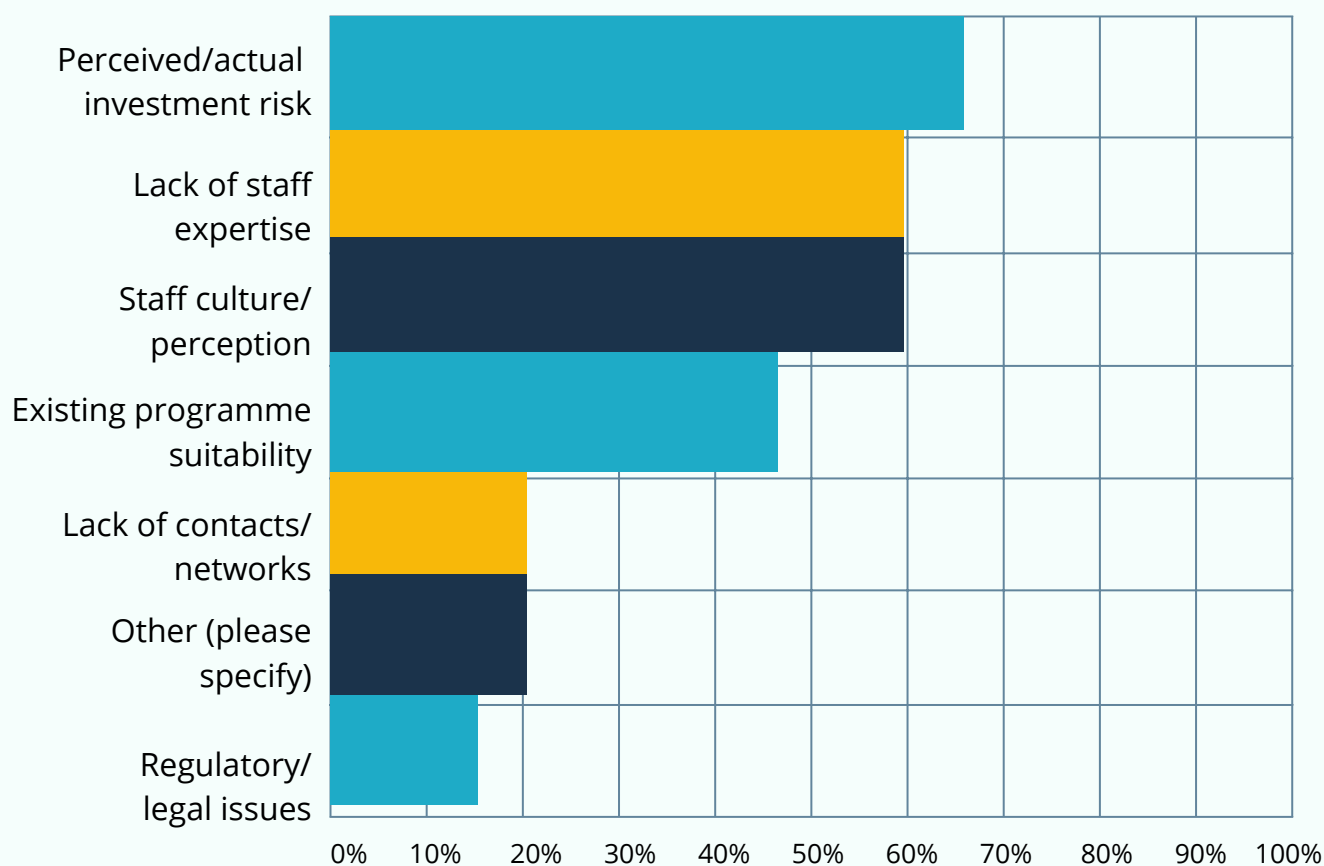
Research

Perceived disadvantages

In interviews with the survey participants, concerns were raised about:

- Potential loss of focus
- Not all situations are suited to a commercial approach
- Culture/reputation
- Staff unfamiliarity
- Legal/regulatory set-up
- Getting the right advice

Blocking factors



The risk is you are jumping into bed with strange bedfellows. They have different characteristics. You don't know whether you can maintain your stand, your values, your ideologies and principles, or whether you will be co-opted.'

– Ojobo Ode Atuluku, Christian Aid

Conclusion

Chris concluded that the potential advantages far outweigh the perceived disadvantages. These include the expectation of greater long-term sustainability for the work funded; increased agency and autonomy for the recipient of the investment; a change in mindset from 'reliance to resilience'; and the ability to re-use funds to create a circular and sustainable model of funding.

While there are notable disadvantages, they are not insurmountable, he said.

Going forward, better fund options were needed, along with:

- Collaborative networks and peer support
- Enthusiasm
- Working closely with partners in advance
- De-risking initial steps



Research

Conclusions

- Interest is high. Wide range of instruments used already, supporting array of projects.
- Perceived advantages - sustainability, agency and increased impact - are significant (fundamental?). Disadvantages and hurdles are notable too - but most respondents already using these instruments - so not insurmountable...
- We're all at different starting points. Appetite to learn from each other, and to share experiences... a great starting point for today's discussion.

Traditional sources of funding are shrinking so organisations do see the need to be looking at other sources. But whether we're ready to engage is a whole other conversation. I'd say we've an awful lot to learn, and that's where we are right now.'

- Angela O'Neill De Guilio, Trocaire

Comments & views



'Where you put your money should reflect your values. We have the capacity to create the change we need, we just have to be willing to take the risk'

– **Martin Palmer**, CEO, FaithInvest

'Poverty is very much more than a lack of income; fundamentally poverty is about broken relationships... We believe that markets, when they work well, deliver for the common good'

– **Patrick Watt**, CEO, Christian Aid

'Financial systems are fragile human creations. That's the risk & the opportunity. We can make a different system. History is full of examples of ordinary people creating new financial institutions, such as ethical banks and building societies'

– **Danyal Sattar**, CEO, Big Issue Invest

'For many NGOs, the gut reaction to profit is, 'What? We're going to make profits on people's backs?' But when you explain we are creating a model that is profitable because otherwise the money is just gone, their mindset changes'

– **Matthais Braenlich**, Lutheran World Federation

'We started a small pilot impact investment fund of €2 million in 2016 and seven years later, it is transforming our organisation. We are growing exponentially in scale and reaching more people. Last year our fund made a profit of €102 million. *Obscene profit!* But what is that for? It is to benefit the community and they will benefit from 90% of that profit. There is such a thing as a win-win situation.'

– John Weakliam, CEO, Vita Impact

Comments & views



'Our problems are caused by the economic model we created. We can change it, we've changed economic models before. We need a new economy designed to serve people and planet, and we need investments to shift the system'

– **Stewart Wallis**, Wellbeing Economy Alliance

'One of the challenges many of you have pointed out is the need for investments skills, if NGOs are going to move from grants to using other models of finance'

– **Mathew Jensen**, FaithInvest

'Sophisticated donors, institutions and philanthropies are looking to invest. They are diligent and rigorous so not easy to attract, but it's worth it'

– **Stewart McCulloch**, CEO, Stewardship

'Grants should be used to develop capacity but we need to move to a more sustainable system using a blended finance approach so that money isn't just going out but is revolving for growth'

– **Ian Thorpe**, CEO, The Africa Trust

'A big challenge is the division of the sectors. You have development agencies who can do great work in the field but don't understand the financial space, and the financial sector knows how to work the finances but not the humanitarian space. So there's a disconnect and a lack of education, but also a lack of connectors, We need more bridge builders who can step from one side to the other'

– **Dr Matthais Braeunlich**, Global Partnerships Advisor

Lutheran World Federation

Roundtable One

QUESTION: Which key skills or resources need to be developed to most enable your organisation to engage in effective social and environmental investment?

Improving knowledge and skills and concerns about risk were common themes.

Understanding of risk and of financial markets

More products to invest in

Improving our organisation's capital base to take on more resources to invest

Employing the right person with the specialist skills

Investing skills

Understanding returns

Education

Understanding the challenges of pricing risk. Incorrect metrics demand high levels of return.

More business skills at an SME level – merging of commercial and philanthropic mindsets

Need a common investment management/CSO language

Understanding grants versus investments benefits

Understanding of cascading risk

Where does the risk lie?

Profit is not a dirty word

How to ensure accountability to citizens if there is no public partner

Mindset, private sector skills

Build bridges so faith-based asset owners can take risk. Many asset owners are culturally averse

Overcoming culture of giving without strings attached

Pooling, risk taking, respect of natural limits, expertise

Ability to define and articulate the value proposition

Roundtable Two

QUESTION: What needs further development to move this discussion forward?

Identifying our comparative advantage – how and where can we have most impact?

Collaboration for value addition

Clusters around a specific issue to resolve

Holistic approach – ethical banks, etc

Collaboration around mutual interests

How to scale to millions – a model to do this

Education at all levels (senior to junior levels) for both asset owners and fund managers

Need to understand the mechanics of returns

Passion, accountability, finance, commercial & philanthropic structures, common goals, more regulations, ability to take risks

Network information on both impact and on technical appetites (eg, risk appetite)

Identify one product that we can work on and report on impact by 2030

It's not just money that brings development

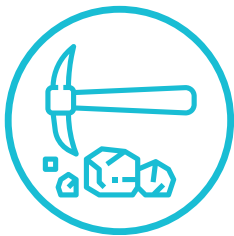
Authentic, intentional goals set with clear timelines

Commitment document or pledge signed by all institutions allocating resources to pilot the model

Set up a governance body that drives the process and holds the organisations accountable to the commitment/pledge

Pledges & commitments

As the event ended, we asked participants if they would like to offer help or suggestions, or make a pledge or commitment to move forward with a blended finance model. The following is a selection of pledges, anonymised, from those present. The primary themes were collaboration and creation.



01. Minerals & Impact

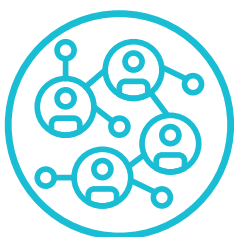
To convene / participate in a forum in the faith investing community on: a) Awareness raising / opportunity finding for minerals mining, and b) The Landscape Approach for impact thinking and the opportunities to collaborate.



02. Collaboration

To work more collaboratively with other FI people and organisations.

To support others in climate tech, clean energy.



03. Network / Ecosystem

Love to be part of an ecosystem that translates theory into action and results for my organisation / willing to share my war stories and failures / willing to consult / willing to open network in my impact investing network.



04. Learn & Participate

Actively participate in learning and working consortia with FaithInvest. In relation to carbon, to share experience and build joint project to scale work and raise investment.

Pledges & commitments



05. Discussion & Feedback

- a) To join a group discussing issues around social investment.
- b) To feedback to my team
- c) To speak to a fund manager about what type of funding proposal they like to see when considering an investment.



06. Explore & Network

Continue to explore the opportunities within my organisation and within the network I work in.

Share pipeline / share investments / share results.



07. Pause and look for God

Seeing faith as the intersection of dignity and charity; to see our challenges as new beginnings and to pause in our heart so we have to look for God.



08. Invest time

Invest more time into collaboration - recognising that shift to 'investment -based' impact and better activating returns.

Engage more with faith-based and charity sector.



09. Changed perspective

I will connect people in charge of financing in my organisation. This has changed my perspective on investment.

Agenda



Investing in a Liveable Future: Investment, Faith and Development

Monday 15 May 2023

Methodist Central Hall, Storey's Gate, London, SW1H 9NH

Programme

Co-Chairs:

- **Dr Lorna Gold**, Director of Movement Building, FaithInvest
- **Samuel Williams**, Private Sector Partnerships Lead, Salt Business Network, Christian Aid

9.00 Arrivals, tea and coffee

9.30 Welcome and Introductions

- **Patrick Watt**, CEO, Christian Aid
- **Martin Palmer**, CEO, FaithInvest

9.45 Theological Reflection on Investment

- **Chine McDonald**, Director, Theos Think Tank

10.00 Keynote: Investing in a Liveable Future

- **Danyal Sattar**, CEO, Big Issue Invest

10.45 Tea & Coffee break

11.10 Investing in a Liveable Future and Roundtable Discussion

- **Chris Hegarty**: Preliminary findings from Investing in a Liveable Future research paper
- **Dr Matthias Braeunlich**, Global Innovative Partnerships Advisor, The Lutheran World Federation: Case Study – Faith Sensitive Development Impact Bond
- Chaired by **Mathew Jensen FCA**, Director of Investment Solutions, FaithInvest
- Roundtable Discussion

Agenda

12.00 Panel: How can blended finance help deliver community development?

- **Theodora Hadjimichael**, Chief Executive, Responsible Finance
- **Stewart McCulloch**, CEO, Stewardship
- **Ian Thorpe**, CEO, The Africa Trust
- Chaired by **Vanessa Morphet**, Head of Social Impact Investment, Church of England

12.45: **Lunch**

13.45: Faith Reflection

- **Waseem Ahmad**, CEO, Islamic Relief Worldwide

13.55 Panel: Climate as a major challenge – and opportunity for transformation

- **Stewart Wallis**, Chair, Wellbeing Economy Alliance
- **Rev Timo Plutschinski**, Director, World Evangelical Alliance Business Coalition
- **John Weakliam**, CEO, Vita Impact
- **Assheton Stewart Carter**, CEO, TDi Sustainability
- Chaired by **Dr Lorna Gold**, Director of Movement Building, FaithInvest

14.45 Roundtable Discussion

15.15 **Tea & Coffee break**

15.40 Plenary Session

16.20 Faith Reflection

- **Sangita Lakhanpal**

16.30 **Departures**

Hosts & Contributors

Investing in a Liveable Future featured inputs from top speakers, researchers and contributors, who unpacked the range of issues involved in blended finance. They are listed in order of appearance.

Co-chairs

01. Dr Lorna Gold, Director of Movement Building, FaithInvest

Lorna has more than two decades' experience of engaging faiths on environmental, climate and economic justice. She is a leading voice on faith-consistent investing within the Catholic Church and Chair of the Laudato Si' Movement.

02. Samuel Williams, Christian Aid

Samuel Williams is the Private Sector Partnerships Lead for Christian Aid's Salt Business Network, focusing on strategic social impact business, pro-poor market development, sustainable and blended finance. He leads on strategic development and delivery of new business and high impact multi-year partnerships in Christian Aid.

Event hosts

03. Patrick Watt, CEO, Christian Aid

Patrick Watt has widespread experience of working in development and humanitarian organisations, including Oxfam, ActionAid and Save the Children, on education, global health, aid policy, and debt and trade. He has engaged extensively with the UN, EU, and African Union, as well as with UK government and parliament.

04. Martin Palmer, CEO, FaithInvest

Martin is an international specialist on all major faiths and religious traditions and cultures. He founded FaithInvest in 2018, following a meeting of representatives of 50 faith traditions, investment houses, foundations and the UN in 2017. Previously, he was Secretary General of the Alliance of Religions and Conservation, founded with HRH Prince Philip in 1995.

Contributors

05. Chine McDonald, Director, Theos Think Tank

Chine was previously Head of Community Fundraising and Public Engagement at Christian Aid. She has 16 years' experience in journalism, media and communications across faith, media and international development organisations.

Contributors

06. Danyal Sattar, CEO, Big Issue Invest

Previously Danyal was the Head of Social Investment at The Joseph Rowntree Foundation. During his tenure there, the organisation allocated GBP15 million to directly invest in charities and social enterprises, in line with their UK poverty-solving mission. He was also one of the six co-conveners of the Social Impact Investors Group.

07. Chris Hegarty, Research Consultant

Chris spent 10 years as an investment manager, running both ethical and mainstream funds, as well as investment trusts and pension funds. He subsequently left the sector to work with SCIAF and Christian Aid Scotland.

08. Dr Matthias Braeunlich, Lutheran World Foundation

Matthias is the Global Innovative Partnerships Advisor at The Lutheran World Foundation. He has been active in the humanitarian-development impact investing space for nearly a decade, including pioneering projects with UNICEF.

09. Mathew Jensen, CFA, FaithInvest

Mathew is Director of Investment Solutions at FaithInvest. He has two decades of engaging institutional investors and consultants worldwide. His expertise includes multi-asset global investing, product development and management, and consulting across global institutional markets.

10. Theodora Hadjimichael, CEO, Responsible Finance

Theodora joined Responsible Finance in November 2013 as Policy and Research Manager and was appointed Chief Executive in 2019. Before joining Responsible Finance, she worked in economic development consulting and community finance in the US.

11. Stewart McCulloch, CEO, Stewardship

Stewart is the CEO of, Stewardship and was appointed in 2018. He is also a director of the holding company of Kingdom Bank in the UK, a trustee of the microfinance charity Opportunity International and a council member of the Evangelical Alliance.

12. Ian Thorpe, CEO, The Africa Trust

Ian has been CEO of The Africa Trust for 12 years, having been CEO of Pump Aid for 10 years. The Africa Trust works to establish sustainable solutions to poverty in Africa. Ian is the only two-time winner of the St Andrews Medal and St Andrews Prize for the Environment for his work on water supply and sanitation in Africa.

Contributors

13. Vanessa Morphet, Church of England

Vanessa is Head of the Church of England's Social Impact Investment Programme, established in 2020 to explore the potential for investment capital to advance the Church's mission and to respond to the growing need for investment-based models to tackle deep rooted social challenges.

14. Waseem Ahmad, CEO, Islamic Relief Worldwide

Waseem is CEO of Islamic World Relief. joined the Islamic Relief family over 20 years ago, where he became Head of Programmes in Pakistan. He then moved to Oxfam and Tearfund before returning to Islamic Relief. He served for nearly six years as Director of International Programmes before becoming CEO.

15. Stewart Wallis, Chair, Wellbeing Economy Alliance

Stewart is Chair of WEA. the leading global collaboration of organisations and alliances working to transform the economic system into one that delivers human and ecological wellbeing. He was previously the Executive Director of the New Economics Foundation and International Director of Oxfam GB.

16. John Weakliam, CEO, Vita Impact

John is CEO of Vita Impact. He set up the Vita programme in Eritrea in 2000 and has been CEO since 2008. He has focused on developing next generation models of development including the Vita Green Impact Fund launched in 2016.

17. Rev Timo Plutschinski, Director, WEA Business Coalition

Rev Timo is an evangelical theologian and director of the World Evangelical Alliance Business Coalition. He is also a Fellow at the Olivet Institute for Global Strategic Studies and Partner of MIC Corporate Finances.

18. Dr Assheton Stewart Carter, TIF

Assheton is Founder & CEO of The Impact Facility and CEO of TDi Sustainability. He also chairs and serves on several boards and expert panels for standard-setting organisations, NGOs and private companies.

19. Sangita Lakhanpal, artist

Sangita is a British-born artist whose work is rooted in the spiritual wisdoms of her Indian heritage. Starting out as a human rights lawyer, Sangita discovered yoga and pioneered taking yoga and meditation into prisons, drug rehabilitation centres and schools. She is now developing her practice of storytelling and mantra singing.