

**Second Vatican Conference on Impact Investing –**  
*Making the Year of Mercy a Year of Impact for the Poor*

# Examples of Capital Providers

**Dr. Roger Huang**, Mendoza College of Business, University of Notre Dame

**Mr. Graham MacMillan**, Ford Foundation

**Ms. Jennifer Pryce**, Calvert Foundation

**Mr. Michael P. Sommer**, BANK IM BISTUM ESSEN eG

# Capital as a Driver of Inequality

## Ford Foundation's Approach to Impact Investing



FORD  
FOUNDATION

June 15, 2016

# An Asset Owner with a Responsibility



- 80+ year history of supporting social justice movements
- *FordForward*
  - Inequality
  - Ourselves
    - Building
    - People
    - Capital

**-Program Goal-**

**Build a More Inclusive Economy**

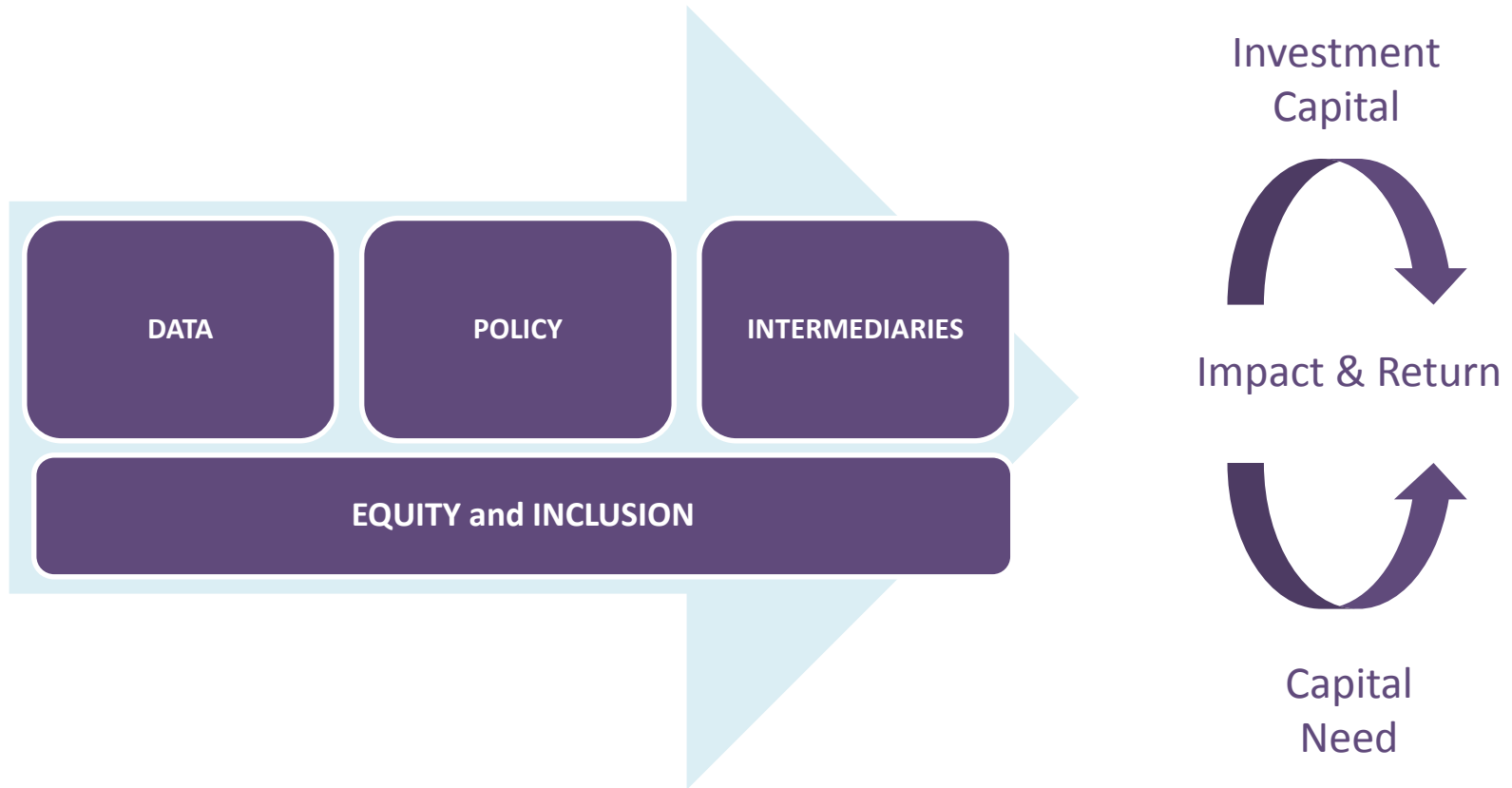


**Financial Capital is Key**

# Financial Capital for Good

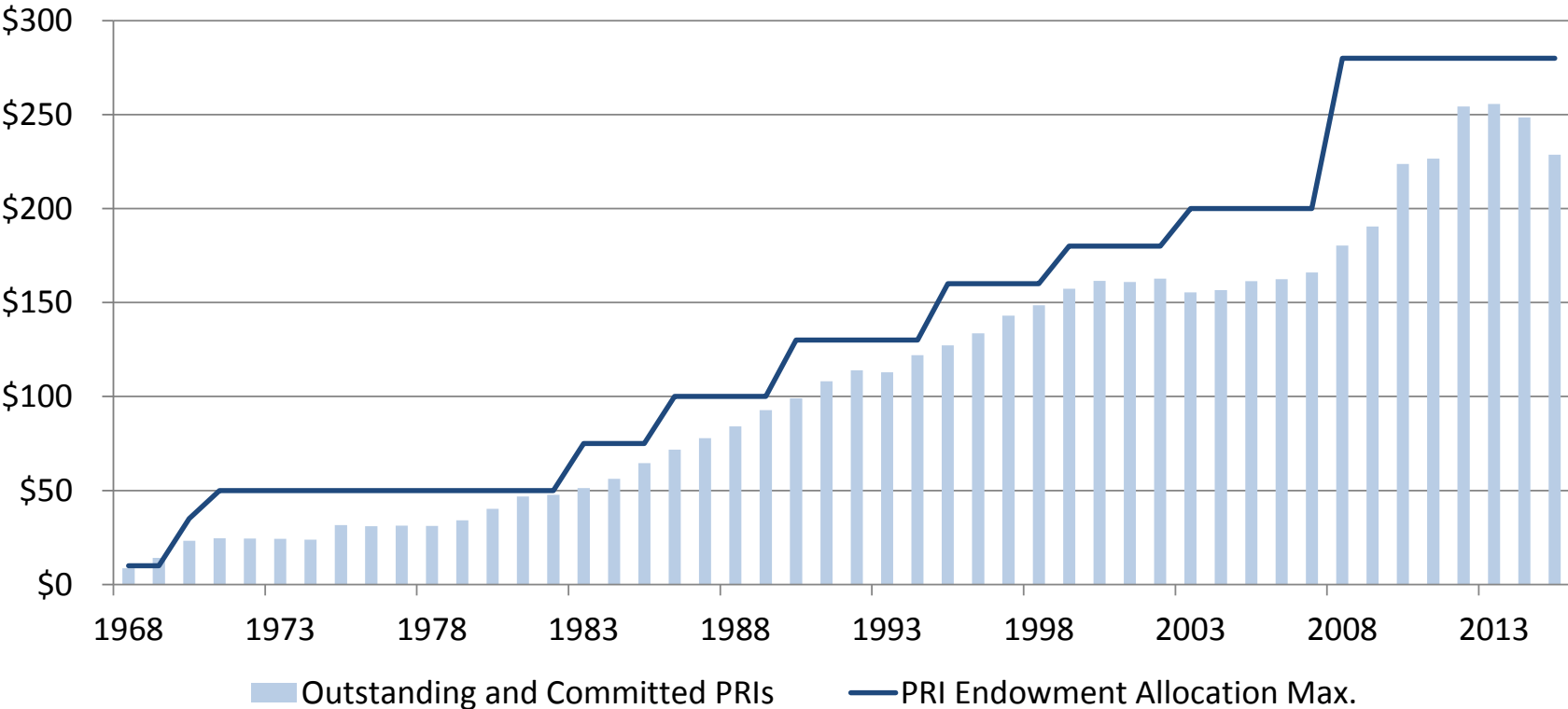
- Grant Investments
  - Build the Field
- Program Related Investments
  - Demonstrate Business Case
  - Take Risk
  - Crowd-in Investors
- Mission Related Investments

# Building the Field: Review of Our Strategy



# Ford PRI Fund

- ▶ PRIs are subject to a Board authorized cap of **\$280 million**
- ▶ **\$655 million** since inception



# Exploring Mission Related Investing

- What is Impact thesis?
- What is Investment thesis?
- Education process





Solar panels in Tanzania installed by Off-Grid Electric/Million Solar Homes, CF investment 2016

# Calvert Foundation The Second Vatican Conference on Impact Investing

June 2016



## **Vision**

To use investments by individuals and organizations to **change the way capital is approached and allocated in our economy.**

This change will reward inclusive and sustainable behavior to **fight against the rising tides of inequality.**

## **Mission**

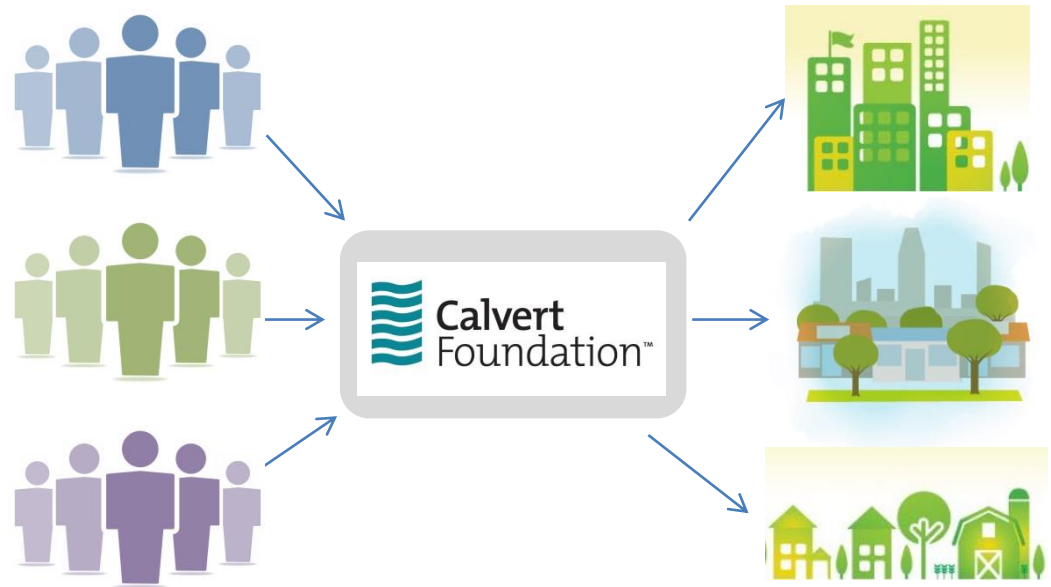
To build the necessary infrastructure, networks, and relationships to **drastically increase how much capital** there is to benefit all communities around the world.





## Calvert Foundation's History

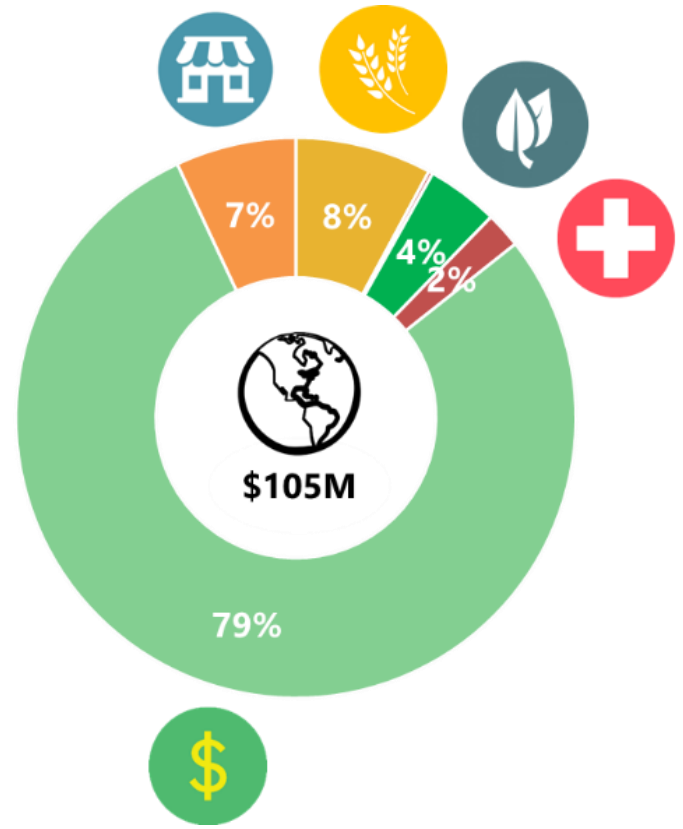
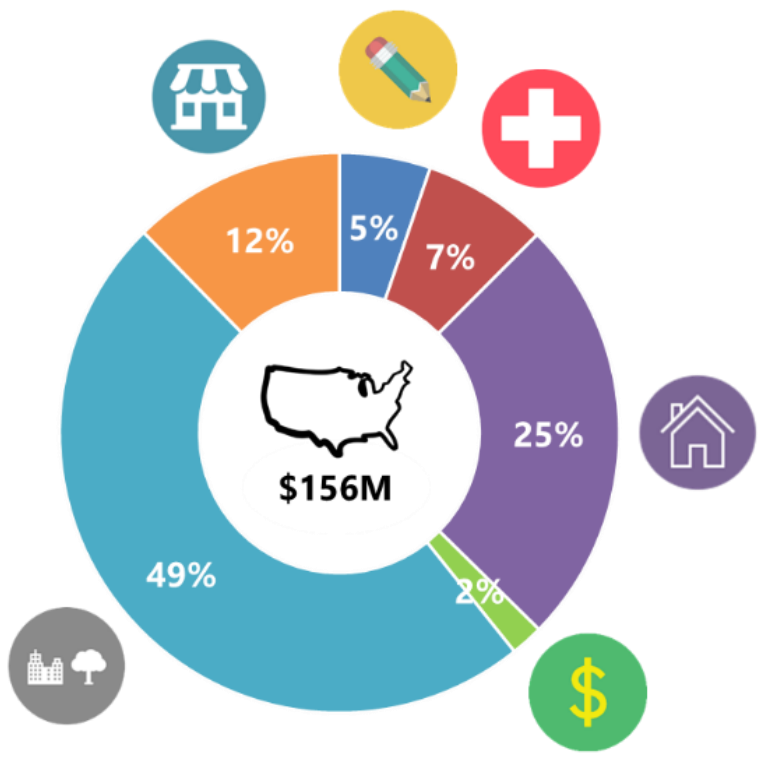
- Calvert Foundation is a 501(c)(3) organization that has been a pioneer in the impact investing space.
- In 1995, Calvert Foundation created the Community Investment Note, a fixed income product through which investors can help provide economic opportunities around the world.
- In 20 years, more than 15,000 investors have collectively invested nearly \$1.5 billion dollars.



**We raise  
investment capital  
from individuals  
and institutions...**

**...which we pool  
and lend into global  
unserved markets  
and sectors**

# Investing capital across different impact sector, geographies and lenses through an evolving theory of change



# Which we do through close partnerships with our borrowers around the globe



Over the years we have had borrowers from across the US and 80 other countries



- Investments support renewable energy projects, sustainable agriculture, and green infrastructure that aim to combat climate change and natural resource depletion, which disproportionately impact poor communities.

### **Real-life Impact:**

In Ulaanbaatar, the world's coldest capital city, the average Mongolian family spends as much as 45% of its winter income on coal, and emissions from inefficient stoves create one of the world's most polluted urban areas. Those who live in gers, traditional Mongolian portable tents, are hit especially hard due to their increased exposure to the elements. The microfinance institution XacBank has distributed efficient stoves and gas insulation blankets, reaching almost 80% of the families in the ger districts. It has been able to reduce an estimated 380,000 tons of carbon dioxide and helped families reduce their heating costs.





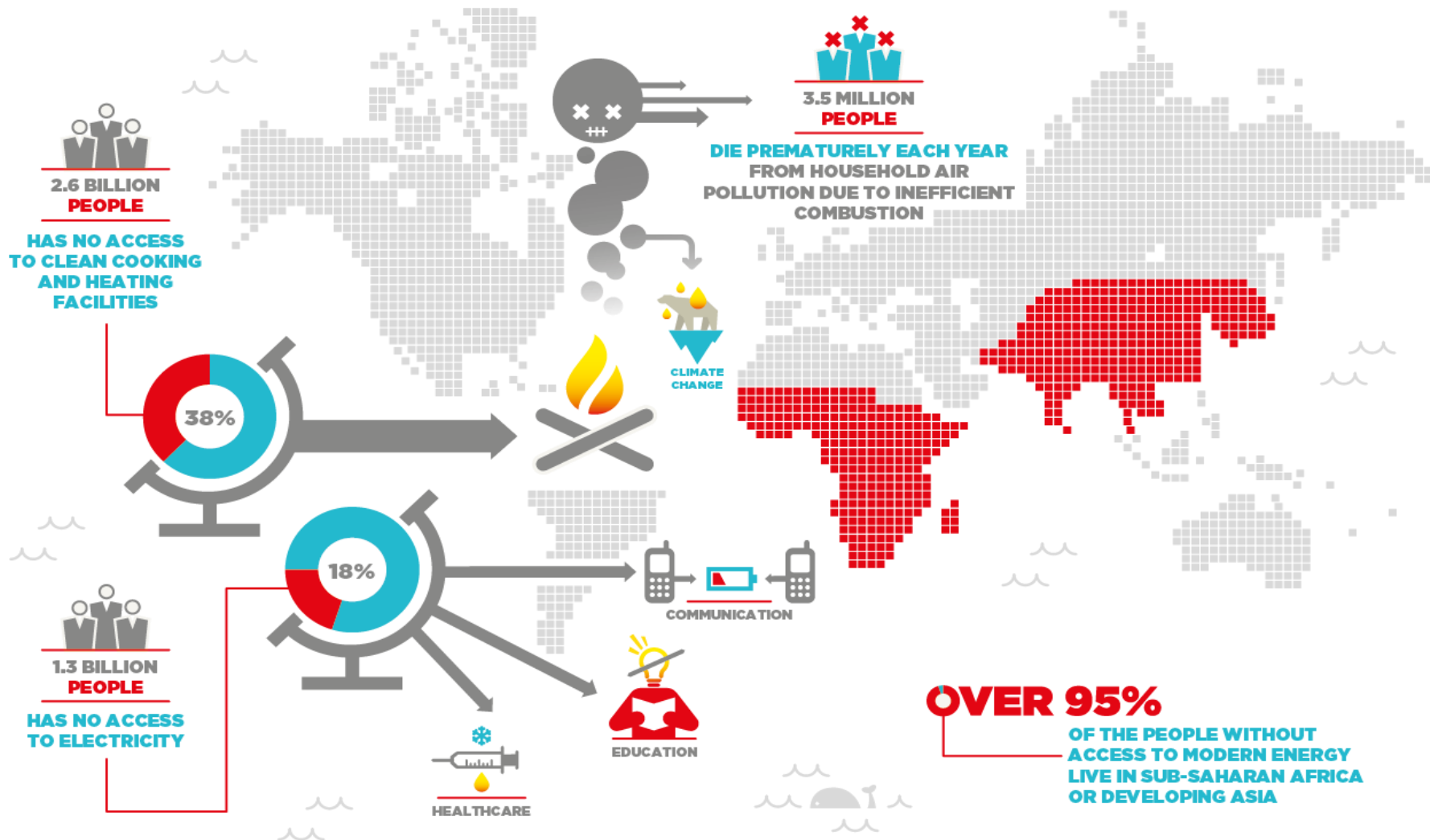
- Women Investing in Women Initiative (WIN-WIN) supports organizations that are developing and distributing clean energy products, which have been shown to have an outsized impact on the health and well-being of women in the developing world.

### **Real-life Impact:**

For Lucy Vyalu in Kenya, preparing meals for her family on a clay stove used to be an arduous and smoke-filled endeavor. A clay stove uses an enormous amount of charcoal, cooks slowly, and produces unhealthy smoke. Thanks to the efforts of our partner, the Paradigm Project, Vyalu now uses an energy-efficient and less toxic "clean" charcoal cookstove that produces less smoke and uses less charcoal, cutting costs for the Kenyan mother. She notes, "The new stoves...have changed our lives. They have made us healthier, and also improved the environment. We don't use as much charcoal. We don't have to cut down as many trees."



# Developing impact sector specific theories of change that aim to achieve poverty alleviation and tangible outcomes over time





# Impact Investing in the Banking Business The Example of Microfinance



Vatican Impact Investing Conference 2016  
Rome, June 26th – 28th

# BANK IM BISTUM ESSEN eG

(BANK IN THE DIOCESE OF ESSEN)

## Who we are:

- Initiated by the first Bishop of the Diocese of Essen, founded in 1966 as a cooperative bank,
- Member of the German Cooperative and Raiffeisen Confederation (DGRV).
- Financial service provider for Church and Caritas.

- Some figures:

- ✓ Balance sheet: 4,63 Billion Euro
- ✓ Clients: 16,000
- ✓ Members: 3,700
- ✓ Employees: 121



## BIB's Microfinance Business

- Building up **own know-how** in the microfinance segment
- We take **risks on our own balance**
- We have initiated and are invested in several microfinance funds of which we are doing **the fund-management of two special funds** (for professional investors only) **and one retail fund** (for private clients)
- The first of its kind in Germany, the **BIB microfinance saving account** is very successful on the market (actually not on sale)
- The business area of microfinance is implemented as a **long-term part of the bank's strategy:**

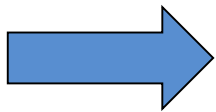
Investment process and fund management are integrated into the bank's standard processes for loan commitments

➤ That is why microfinance requires expert knowledge in the Loan Department, the Departments of Treasury, Business Administration, Internal Audit and the Management Board as well as in the International Department.



## Why we are doing this

*“Helping the poor financially must always be a provisional solution in the face of pressing needs. The broader objective should always be to allow them a dignified life through work.” (LS 128)*

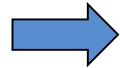


### Catholic Social Teaching:

- Personality
- Subsidiarity
- Solidarity
- Preservation of Creation

# Ethical and sustainable corporate policy

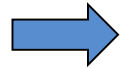
**Basis**



Catholic social teaching  
 Shared Social Initiative of the Protestant Church in Germany and the Bishops' Conference, 2014  
 Social encyclical 'Caritas in veritate',  
 Encyclical 'Laudato Si', 2015



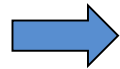
**Core principles**



Peace  
 Justice  
 Preservation of creation



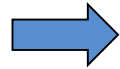
**Key to implementation**



Policy of Sustainability  
 (economically, socially, ecologically)



**Label**

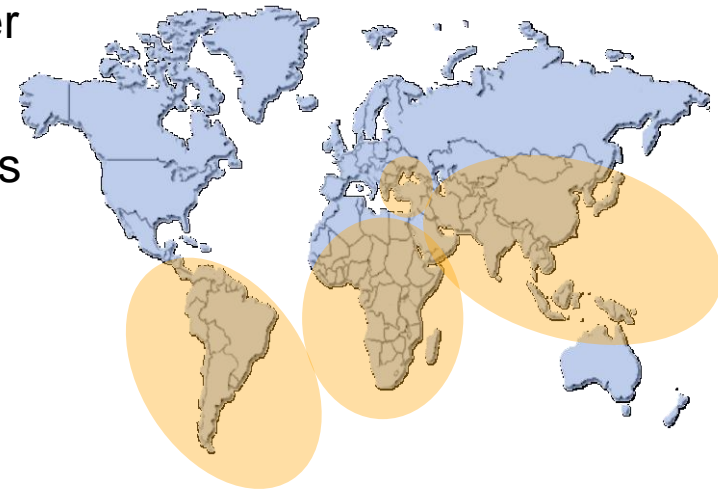




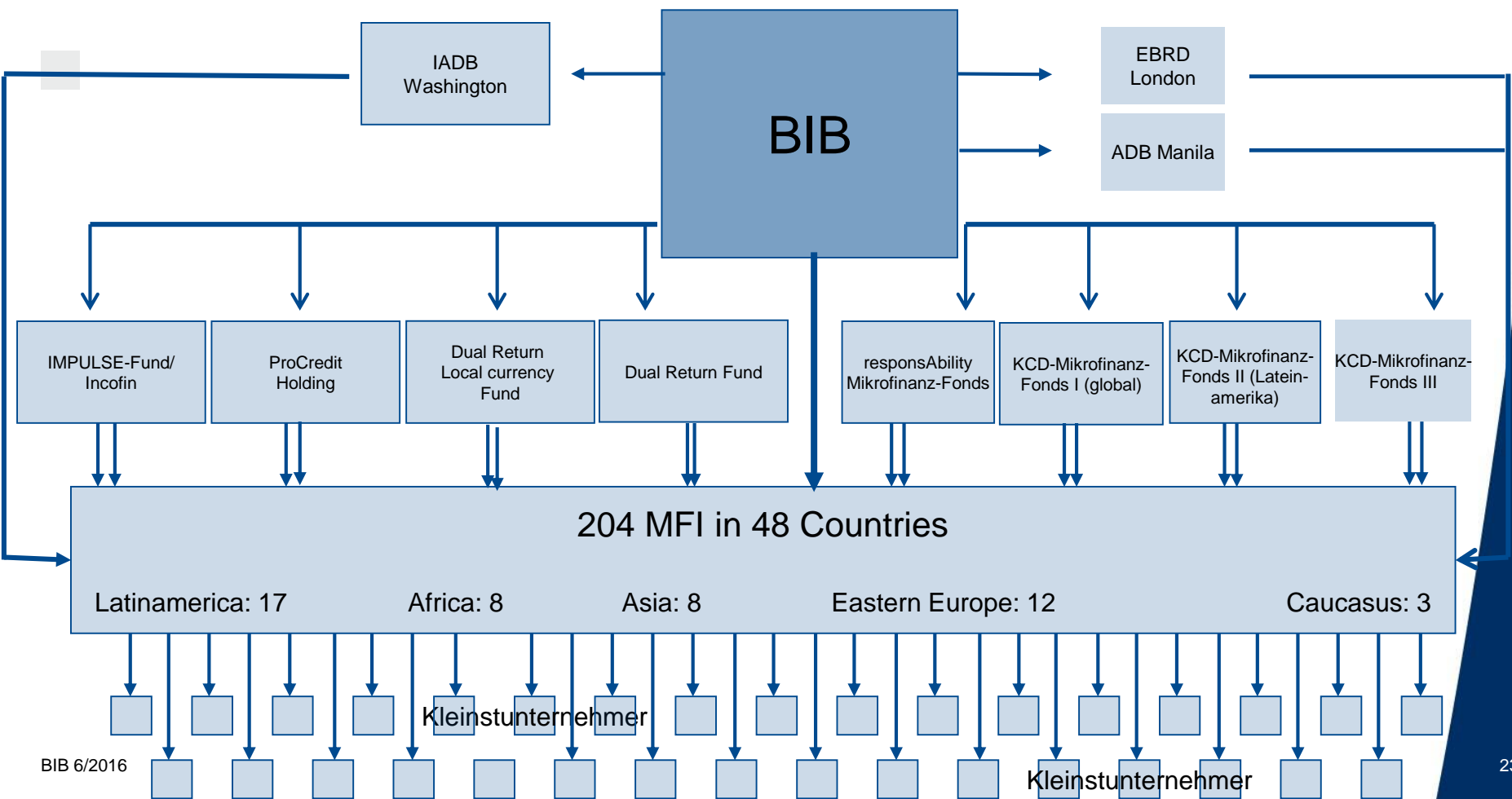
Microfinance – a chance for Microentrepreneurs

## Banking for the «unbanked» – how it works

- Local microfinance institutions (MFI) offer access to financial services like Savings, Loans, Insurances, Money Transfer
- Clients: economically active people in variety of businesses and service activities
- No collaterals  
risks mitigated through appropriate mechanisms
- Generated income helps a lot to alleviate poverty and is an important factor of development = social impact



# Microfinance – Investments of the BANK IM BISTUM ESSEN eG



Since 2007.....



425 Million US-\$ with 220 loans to.....



**78 Microfinance-Institutes**  
**34 countries**



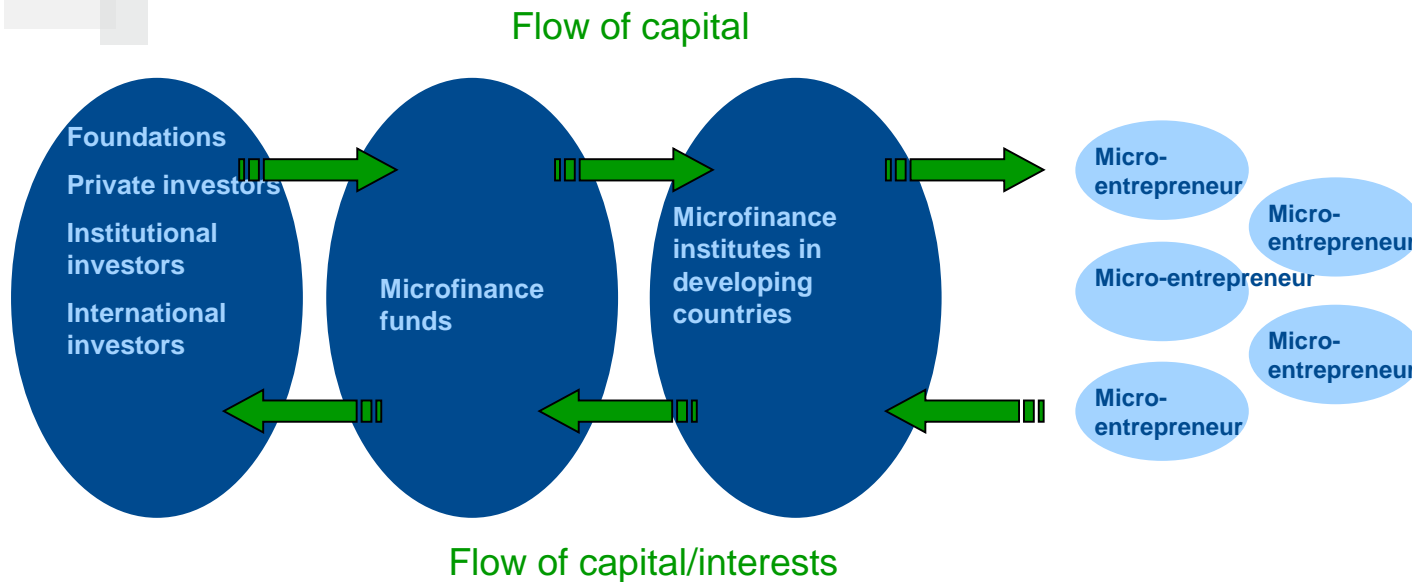


## ■ Criterias for investment (extract):

- Profitability
- Established market presence
- 5-year strategies
- Audit report according to international standards
- Rating reports
- PAR 30 < 5%
- Consumer lending < 10%
- Personal knowledge of client/visits on site
- Social focus
- Integration in national and international networks
- Open, transparent communication
- Regular monitoring
- Business relationship intended for long-term



# A slightly different money cycle



**Conditio sine qua non:  
Everyone in the value-chain takes his  
responsibility**

## Possible Results and Effects:

### Financial:

- Useful diversification to other forms of investments
- Expected return exceeding money market level
- Low volatility
- Special correlation with other asset classes
- Wide risk distribution



### Socially:

- Ethical value as part of the fight against poverty
- Investment in people's independence and dignity
- Enables schooling and provides opportunities for professional education and training
- Improves nutrition, healthcare and living environments for families
- Creates jobs and facilitates regional economic development
- Allows participation in the development of society

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... and a closing quote:

**“Business is a noble vocation, directed to producing wealth and improving our world.”**

(Pope Francis, LS 129.)