



UNIVERSITY OF
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IMPACT INVESTING

Briefing Note — Summer 2014

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“Impact investors are those who are conscious of the existence of serious unjust situations, instances of profound social inequality and unacceptable conditions of poverty affecting communities and entire peoples ... Investments of this sort are meant to have positive social repercussions on local communities, such as the creation of jobs, access to energy, training and increased agricultural productivity.

—Pope Francis, “Investing for the Poor”
Vatican Symposium on Impact Investing (2014)

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I. WHAT IS IMPACT INVESTING?

- A. Impact Investing is a relatively new term¹ that is used broadly to refer to the simple concept that **investments can and should generate positive, measurable social and environmental benefits in addition to financial returns.**
- B. It is **not a new concept for many government agencies, foundations and religious organizations** that have been investing for many years in revenue-generating enterprises for the poor, including hospitals, schools and microfinance companies.
- C. It is also **not a new concept for many ethical entrepreneurs and investors** who consider it “just good business” to seek more than a financial return on investment, mindful of the needs of employees, their families and the local communities in which they operate.
- D. It **actively seeks to generate social and environmental benefits**, and therefore **goes beyond the traditional concept of “socially responsible investing”** that is a negative screen to avoid investments in companies with certain levels of activity related to harmful goods (e.g., tobacco, alcohol, gambling, weapons manufacturing). Endowments of Catholic institutions generally follow this approach and adopt additional screens to eliminate goods and services that contradict Church teachings (e.g., abortion, stem-cell research).
- E. Impact Investing’s risk-adjusted **financial returns can range from below- to above-market levels.**
- F. The **distinctive characteristic** of Impact Investing is the intention to **define and measure social impact** of the investment and to be held accountable for achieving socially beneficial outcomes.
- G. Impact Investing is **NOT a substitute for traditional philanthropy** and grants, but a complement and addition to philanthropy. In essence, it is the recognition that the world is facing such huge social and environmental challenges that government funding and philanthropy alone are insufficient to solve global problems. Therefore, **it is an effort to unlock enormous and growing pools of private sector capital** to build scalable, sustainable businesses that can help alleviate poverty and provide responsible stewardship of the planet. (From here on, “social impact” will refer to both social and environmental benefits.)



Photo by Sam Phelps for CRS

¹ The term “Impact Investing” was formally used at the launch of the Global Impact Investing Network (GIIN) in September 2009.

II. WHY IS IMPACT INVESTING GAINING WORLDWIDE ATTENTION NOW?



Photo courtesy of Servizio fotografico de L'Osservatore Romano

- A. There is growing evidence that many **social enterprises can benefit from a market-based approach** to increase their effectiveness and efficiency, especially in affordable health care, early childhood education, vocational education, clean water, cheap and green energy, youth employment, reduced recidivism and in other areas.
- B. The desire for **sustainable transformative outcomes** that lift people out of poverty and build their self-sufficiency and resilience leads to a **recasting of the act of charity from merely giving to solving problems.**
- C. Current and future needs of the global community, as well as the ability to **achieve scale**, greatly exceed the resources of governments and philanthropy. New financial instruments, such as social impact bonds, or SIBS, **shift the risk to the private sector** and enable governments to “pay only for performance” from some of the savings generated when a particular social issue has been solved. On the other hand, funding from **public sources and foundations can also serve as a catalyst** to attract private investors by helping to mitigate the risks of their investment.
- D. The recognition that **“free” services may not always be the optimal or sustainable solution for the poor** leads to the design, manufacture and distribution of goods and services at radically lower costs with reliable last-mile delivery systems. Seeing people who are poor as potential entrepreneurs, consumers, employees and suppliers affirms their dignity and can also motivate social enterprises to generate jobs and stimulate the economy.

III. HOW DOES IMPACT INVESTING WORK?

A. Who are the actors?

There are four basic categories of actors:

1. **Providers of capital**, including high net worth individuals and family offices, pension funds, private equity firms, corporations, foundations (from both their endowments and program funds), development finance institutions, commercial financial institutions, and government agencies such as the U.S. Agency for International Development, or USAID, and the Department for International Development.
2. **Impact enterprises**, which are created to achieve a certain social purpose with measurable outcomes and financial returns (e.g., Spring Health in India, Bridge Academies in Kenya).
3. **Impact funds**, which are comprised of multiple impact enterprises selected by a general partner (e.g., LeapFrog Capital, FIR Capital).
4. **Governments**, which act as regulators, standard setters, co-investors, risk mitigators, major buyers of goods and services, and sometimes as market makers. In the United States, the federal government exerts significant influence by regulating the use of pension funds, writing tax rules for foundations and others, and creating incentives to direct private capital. Furthermore, “it manages billions in domestic contracts, international development financing and research funds; provides subsidies and credit enhancements; and builds market infrastructure.”²



Photo by Sara A. Fajardo/CRS

B. How is capital deployed to support the impact enterprise?

The capital can be used as **direct loans, loan guarantees, direct investments, fund investments or through hybrid vehicles, such as social impact bonds**. As stated earlier, a mix of different sources of capital (private, public, philanthropic) with different risk and return characteristics can be utilized at different phases of maturity of the impact enterprise or as a blend to reduce risks for particular investors. This is best illustrated by the four examples on the next page, reprinted from “Private Capital, Public Good: How Smart Federal Policy Can Galvanize Impact Investing—and Why It’s Urgent.”

² Private Capital, Public Good: How Smart Federal Policy Can Galvanize Impact Investing—and Why It’s Urgent, U.S. National Advisory Board on Impact Investing, June 2014, p. 16.

REVOLUTION FOODS. *The transformation has reached school cafeterias. Concerned about epidemic childhood obesity and mounting evidence that school lunches share part of the blame, two business school friends (and moms) decided to start a company to provide nutritious lunches to school kids across America. Kristin Richmond and Kirsten Tobey launched Revolution Foods in 2006 with mixed financing from a diverse range of sources, including impact investors and private venture capital firms. Today, Revolution Foods has contracts with school districts in 27 cities across 11 states, and provides 1 million healthy meals each week to school children, 75% of whom are low-income. The firm has been listed by Fast Company and Inc. magazines as one of the nation's fastest-growing and most innovative companies.*

MERA GAO POWER. *U.S.-born entrepreneurs Nikhil Jaisinghani and Brian Shaad struggled with a different problem: More than 400 million people in India lack access to electricity, critical to boosting economic growth, improving health and advancing education. This inspired Jaisinghani and Shaad to found Mera Gao Power, or MGP, to sell microgrids—solar-powered, small-scale electrical systems—whose upfront costs can be shared across a village, enabling households to buy energy at half the cost of kerosene. USAID's Development Innovation Ventures program awarded MGP a \$300,000 grant, allowing the organization to reach 25,000 people in 222 villages across Uttar Pradesh in northern India—and to become profitable. After proving that their business model worked, MGP secured equity financing from Insitor Management, an Impact Investment firm, to fund further expansion.*

COLLABORATIVE FOR HEALTHY COMMUNITIES. *The Collaborative for Healthy Communities a \$130 million initiative to fund community health centers across the U.S.. The collaborative makes use of a variety of financial tools and actors. It includes senior loan capital from Goldman Sachs' Urban Investment Group and three community lenders (Low Income Investment Fund, Primary Care Development Corporation, and The Reinvestment Fund), a subordinate loan from the Rockefeller Foundation and a loan guarantee from the Kresge Foundation, reducing the risk for other investors.*

SOCIAL IMPACT BONDS. *Social impact bonds, or SIBs, are tools to finance government pay-for-success contracts. Investors provide upfront funding for a program of prevention or early intervention services that are currently beyond the reach of limited government funding. If the program hits performance targets and saves the government money, government uses some of the savings to repay investors with interest. If the program fails, government owes the investors nothing. To date, most U.S. social impact bonds have been state-, county- or city-led, with philanthropy playing a critical role to mitigate risks. In 2013, following in the footsteps of the nation's first SIB launched in New York City, the State of New York, Social Finance US and Bank of America Merrill Lynch announced the first SIB globally offered to investors via a mainstream wealth management platform. The \$13.5 million raised from more than 40 individual and institutional investors will be used to expand the work of the Center of Employment Opportunities, a successful provider of employment and reentry services to formerly incarcerated individuals. The Rockefeller Foundation provided a first-loss guarantee of 10%, helping to lower the risk for other investors. If the program is successful at reducing recidivism and increasing employment relative to a control group, as determined by a randomized control trial, investors recoup their principal and can earn up to a 12.5% rate of return. Social Finance, as intermediary, will also provide ongoing performance management and project oversight throughout the life of the 5 1/2-year project.*

IV. WHAT IS THE POTENTIAL OF IMPACT INVESTING?³



Photo by Jennifer Hardy/CRS

- A. From the J.P. Morgan 2014 survey of 125 major impact investors in the Global Impact Investing Network (GIIN), **\$46 billion** in impact investments are currently under management. This represents 20% growth from the prior year. However, this is less than 0.5% of the \$10 trillion in socially responsible investment funds and only 0.02% of the \$210 trillion global financial markets. (Private Capital, Public Good, p. 4)
- B. **Expectations for social benefit** from market activities (consumption, employment and investments) resonate with the millennial generation and the “gray wave.” Income inequality, as exemplified in the 99% movement, has heightened the call for gains that serve everyone.
- C. The **collective purchasing power** of the estimate **3 billion people living on less than \$2 per day** represents a potential new market opportunity of \$5 trillion, based on research by the World Bank. However, this will require radically affordable goods and services, and reliable delivery systems. J.P. Morgan estimates that in five basic sectors—affordable urban housing, clean water in rural areas, maternal health, primary education and microfinance—there could be as much as \$400 billion to \$1 trillion of investment in the next 10 years, with potential profits of \$183 to \$667 billion.
- D. Many prominent private foundations now view Impact Investing as **an important complement to grant making**. From operating funds, foundations are increasing the use of **program related investments**:
- Bill & Melinda Gates Foundation: \$1.5 billion commitment
 - John D. and Catherine T. MacArthur Foundation current total: \$300 million
 - Robert Wood Johnson Foundation: \$100 million commitment
(Private Capital, Public Good, p. 14)
- Foundations also have **endowment funds**, and some have begun to shift asset allocation toward impact funds. Most notable is the F.B. Heron Foundation. It will move from allocating 40% to 100% of its endowment to Impact Investing.
(Private Capital, Public Good, p. 14)

³ Information for this section is primarily sourced from the National Advisory Report June 2014, “Private Capital, Public Good.”



Photo by Laura Elizabeth Pohl for CRS

Large corporations are also making investments in impact projects and enterprises:

- Google invested \$1 billion in energy projects
- Coca-Cola invested \$1 billion in its 5 by 20 Program to develop 5 million women- and minority-owned suppliers by 2020
- Keurig Green Mountain, Inc., a CRS Fair Trade partner, also contributes substantially to Impact Investing
- Financial institutions see Impact Investing as a form of portfolio risk diversification to the extent that the performance of Impact Investments, especially SIBs, is generally not correlated with other asset classes

- E. **Effective social service providers are starved for growth capital.** Many already operate with a revenue model that can be potentially scaled up with the right blend of capital. In a Nonprofit Finance Fund survey, 20% of U.S. nonprofits indicated that they would seek funding other than grants and contracts, and 26% indicated that they would consider earned income ventures as a way to augment resources.

V. HOW DOES IMPACT INVESTING ALIGN WITH CATHOLIC SOCIAL TEACHING (CST) AND HOW IS IT RELEVANT FOR THE CHURCH? ⁴

A. Alignment with Church teaching

1. Impact Investing presents a new and creative way for many “religious and socially responsible Catholic investors to **move beyond the ‘negative screening’ approach** that has served them well in trying to integrate their faith into the investment process,” according to Father Seamus Finn. Furthermore, the **Impact Investing sectors generally “fit appropriately with many other elements of the mission of religious institutions** and with the standards identified in the U.N. Millennium Development Goals (microfinance, bottom of the pyramid, community development, sustainable agriculture, clean technology/energy, environmental management, housing and basic infrastructure and access to health care).”
2. As Father Seamus Finn also notes, Impact Investing **falls “well within the CST tradition of engagement and creativity in responding to the ‘social questions’ of the day.”** And, it is “in harmony with the sentiment Pope Francis expresses, in *Evangelii Gaudium*, when he invites everyone “to be Bold and creative in this task of rethinking the goals, structures, style and methods of evangelization in their respective communities (no. 33).” Following from the Second Vatican Council, it enables “the immense network of faith communities that can be enriched by a new flow of relationships and of capital that Impact Investing is organized to nurture.”
3. Impact Investing is a **“reliable, concrete, relevant”** way to bring **“value, commitment, meaning”** to the service of the poor, according to Sister Helen Alford. It **shifts the model of making money from a “sequential” nature** (whereby an individual first gains wealth with only financial gain as a goal, and then gives away part of this wealth to charity) **to a “parallel” nature** (whereby wealth is made even as social impact is incorporated as a goal).
4. Impact Investing can lead to **greater economic opportunities for the poor** through job and asset creation by impact enterprises and by sometimes engaging them as change agents, producers and owners. For people in need, such enterprises can provide sustainable solutions for education, health, access to financial services, housing, clean water, energy, etc.
5. The focus of Impact Investing is as much on the environment as it is on alleviating poverty. As such, it brings real efforts to the **preservation of God’s creation**, attending to the preservation, conservation and regeneration of natural resources and reduction of pollution and waste.



Photo by Luca Lo Iacono for CRS

4 Rev. Seamus Finn, OMI, “Impact Investing and Catholic Social Teaching,” June 24, 2014.



Photo by Sara A. Fajardo/CRS

6. At its best, Impact Investing is guided by **rigorous metrics of social contribution** resulting in accountability for outcomes and transparency for resources used. For those with wealth, Impact Investing offers an active approach for integrating how wealth is made and used.
7. However, there are also **potential misuses** of Impact Investing, such as the three mentioned by Sister Helen Alford:
 - (i) Overzealous measurement can drive out what may be truly important and significant; in her words, “The things that really count cannot be counted.”
 - (ii) External rewards such as financial returns can drive out the internal and intrinsic motivations of care for the poor as a moral and human expression of solidarity for those who suffer.
 - (iii) Scalability, a very important criterion for impact enterprises, can render the poor as a mass, and diminish the ability for personal interaction and connection.
8. Other **implementation challenges**, in alignment with CST, include **cultural and organizational** factors. For example, it is difficult, but not impossible, to shift the culture and mindset of a nonprofit toward the calculus of a business model and the requisite for repaying loans or rewarding investors. The **reputation** of a Catholic social service agency must be safeguarded to prevent rendering the poor as merely customers paying for commercial goods and services. How the enterprises created by Catholic institutions can achieve **scale** will be an issue, given the geographically decentralized structure of dioceses and parishes. The **diffusion** of Impact Investing knowledge and know-how within the global Catholic Church is no small challenge. The conversation that began at the Vatican must find its way into the bishops’ conferences, religious orders operating in different countries, advisors and trustees of investments held by Catholic individuals and institutions, Caritas agencies at the national and local levels, universities and even seminaries. See more ideas in CRS Next Steps.

B. **Relevance of Impact Investing to the Catholic Church**

Impact Investing is highly relevant to the Catholic Church from both sides—as **supplier and user of capital**.

Pope Francis has spoken frequently of his concerns about the exclusion of the poor and the inequality that the market economy can engender; in welcoming the conference in June, he noted how Impact Investing “offers an important contribution to the search for timely and realistic strategies to ensure greater social equality.”

Religious congregations, Catholic organizations (universities, dioceses, bishops’ conferences, hospitals) and people in the pews own significant assets that are placed in the market. As mentioned above, Impact Investing is a natural progression from “do no harm” negative screens, enabling the Catholic Church to take another step in our tradition of living our faith through creating and doing, building lasting institutions that serve the marginalized and lifting up people by building their capacities. Impact Investing is worthy of the Catholic imagination and an appropriate use of the patrimony left by religious orders that have wound down their active ministries.

In the field, the Catholic Church has built and operated social ministries for millennia, gaining the trust and friendship of the people they serve and respect from local/national leaders. In Africa, Asia and Latin America, Catholic missionaries have put their labor in service of the poor since the mid-1800s. These have formed the backbone of many countries’ infrastructure for health care, education and care for the marginalized. Yet these ministries tend to suffer a chronic lack of capital. Whatever surpluses their ministries have accumulated are reinvested in their local communities to do more. Unfortunately, these self-generated resources, charitable gifts and grants will not be sufficient for their vision, passion and demonstrated excellence. **Impact Investing offers a path for these ministries to access the market with new sources of capital and bring benefits to private-sector investors in search of profitable, scalable and ethical local businesses.**

There are many important precedents for the Catholic Church engaging in business enterprises. For example, the Knights of Columbus and Catholic Family Life are benefit societies that underwrite life insurance policies; many monasteries support themselves through small businesses that produce wine, cheese, fruitcake, caskets, art objects and furniture; some religious organizations have established credit unions and cooperatives, microcredit programs and “fair trade” schemes; and some dioceses own commercial property and run agricultural productions. Furthermore, as Father Seamus Finn reminds us, faith communities have provided space at different times for testing new ideas; in some instances they have been at the forefront of incubating how these innovations could actually operate. Over the years, a number of innovative concepts and mechanisms have been created and implemented to respond to priorities identified in addressing basic human needs and promoting development because they were deemed part of the mission.

Impact Investing is not a panacea, and will not automatically trigger investments for the right purpose by itself. It is an approach that will require the moral energies of Catholics and other people of deep concern to use their assets both for themselves and others, and as Pope Francis often states, for wealth that serves people—not the other way around.

VI. CRS NEXT STEPS

Catholic Relief Services has been diligently working to determine next steps regarding Impact Investing following the June 16-17, 2014, conference. CRS will pursue four major efforts in the coming months and years. We will establish an advisory committee comprised of internal and external members to provide thought leadership, set the agenda for action, oversee the activities of multiple working committees and seek to inculcate Catholic social teaching into Impact Investing. CRS will work with the Pontifical Council for Justice and Peace on this initiative and looks forward to discussing opportunities for collaboration in the coming weeks and months.

In addition to the advisory committee, CRS also intends to:

- A. Establish an **Impact Investing learning institute** targeted at, though not limited to, Catholic Church audiences, which will:
 1. Develop the context and role of Catholic social teaching as a foundation and grounding principle for Impact Investing.
 2. Provide a clearinghouse of resources and information on Impact Investing.
 3. Assemble a list of willing and able instructors.
 4. Identify forums for dissemination.
 5. Identify financial advisors who can assist with investments in impact funds.
 6. Identify training resources for those who wish to formulate impact enterprises.
- B. Establish the **Impact Investing Resource Allocation Committee** to seek board approval for CRS to utilize capital from our own reserves to:
 1. Invest in existing impact funds and impact enterprises.
 2. Drive learning and help CRS identify opportunities for enterprise creation.
- C. Set up a **communication structure** to continue the dialogue and learning, evaluate best approaches for interaction and strengthen relationships for potential collaboration.
- D. Work with Pat Dinneen as she and other institutional investors explore **opportunities for a private equity fund** that aligns with the social mission of the Catholic Church.

CRS is working through successive iterations to define the objectives, scope, timelines and responsibilities for these initiatives. Impact Investing presents an incredible opportunity to bring innovation and scale to programs that lift the poor out of poverty through sustainable agriculture, education, affordable housing, health care, clean energy and access to financial services.



Photo by Sailendra Pattanaik/CRS

APPENDIX 1: THE STATEMENT BY POPE FRANCIS

ADDRESS OF POPE FRANCIS TO THE PARTICIPANTS IN THE CONFERENCE PROMOTED BY THE PONTIFICAL COUNCIL FOR JUSTICE AND PEACE ON “IMPACT INVESTING FOR THE POOR”

Clementine Hall, Monday, June 16, 2014

Dear Brothers and Sisters,

I offer you a warm welcome and I express my gratitude and appreciation for your conference, which offers an important contribution to the search for timely and realistic strategies to ensure greater social equality. I thank Cardinal Turkson for his kind introduction. A sense of solidarity with the poor and with the marginalized has led you to reflect on Impact Investing as one emerging form of responsible investment. Representatives of the Roman Curia have joined you in these days of study aimed at assessing innovative forms of investment which can benefit local communities and the environment, as well as providing a reasonable return.



Photo courtesy of Mazur/
catholicnews.org.uk

Impact investors are those who are conscious of the existence of serious unjust situations, instances of profound social inequality and unacceptable conditions of poverty affecting communities and entire peoples. These investors turn to financial institutes which will use their resources to promote the economic and social development of these groups through investment funds aimed at satisfying basic needs associated with agriculture, access to water, adequate housing and reasonable prices, as well as with primary health care and educational services. Investments of this sort are meant to have positive social repercussions on local communities, such as the creation of jobs, access to energy, training and increased agricultural productivity. The financial return for investors tends to be more moderate than in other types of investment.

The logic underlying these innovative forms of intervention is one which “acknowledges the ultimate connection between profit and solidarity, the virtuous circle existing between profit and gift ... Christians are called to rediscover, experience and proclaim to all this precious and primordial unity between profit and solidarity. How much the contemporary world needs to rediscover this beautiful truth!” (Preface to the book of Cardinal Gerhard Müller, *Povera per i poveri. La missione della Chiesa* [“Poor for the Poor.” The Mission of the Church]). We are truly in need of this! It is important that ethics once again play its due part in the world of finance and that markets serve the interests of peoples and the common good of humanity. It is increasingly intolerable that financial markets are shaping the destiny of peoples rather than serving their needs, or that the few derive immense wealth from financial speculation while the many are deeply burdened by the consequences.

Advances in technology have increased the speed of financial transactions, but in the long run this is significant only to the extent that it better serves the common good. In this regard, speculation on food prices is a scandal which seriously compromises access to food on the part of the poorest members of our human family. It is urgent that governments throughout the world commit themselves to developing an international framework capable of promoting a market of high impact investments, and thus to combating an economy which excludes and discards. On this day when the Church celebrates the memorial of Saints Quiricus and Giulitta, a son and mother who, in the persecution under Diocletian, left all their possessions behind [in] order to accept martyrdom for the name of Christ, I join you in asking the Lord to help us never to forget the transience of earthly goods and to renew our commitment to serve the common good with love and with preference for the most poor and vulnerable of our brothers and sisters. With great affection I bless you and your work. Thank you.

APPENDIX 2: ADDITIONAL RESOURCES

- A. ADDRESS OF POPE FRANCIS TO THE PARTICIPANTS IN THE CONFERENCE PROMOTED BY THE PONTIFICAL COUNCIL FOR JUSTICE AND PEACE ON “IMPACT INVESTING FOR THE POOR”:

<http://www.news.va/en/news/194833>

<http://www.news.va/en/news/to-participants-in-the-conference-promoted-by-the>

- B. Private Capital, Public Good: How Smart Federal Policy Can Galvanize Impact Investing—and Why It’s Urgent, U.S. National Advisory Board on Impact Investing, June 2014

<http://www.nabimpactinvesting.org/>

- C. IMPACT INVESTING & Catholic social teaching, by Rev. Séamus P. Finn, OMI, June 24, 2014:

IMPACT INVESTING and Catholic Social Teaching

The Catholic social teaching (CST) tradition flows from the confluence and interaction of centuries of the experiences of the Catholic community wrestling with the social question du jour in light of the Scriptures, the teaching of the Church and the wisdom of their forebearers. This experience is rich, diverse, controversial and complex when we look at issues of the justification for going to war, for slavery and for usury. The history of how the tradition engaged the topic of borrowing and lending, partnerships, insurance and banking is another such topic that might be appropriately explored when one considers the topic of this conference.

In harmony with the teaching of the Hebrew and Christian Scriptures, the tradition frowned on the practice of lending of any kind that was considered usurious and especially if this was practiced between members of the same family or community. This teaching also frowned on any kind of cheating or deception that was intended to take unfair advantage. In addition, the tradition was clear about the destructive potential that the idolatry of wealth or profit could have on individuals and communities.

On a broader framework, the Fathers of the early Church reminded all about their duty to share their wealth with the poor and the marginalized, and the universal claim that all shared on the riches that God had bestowed on humankind. “Not to share one’s wealth with the poor is to steal from them and to take away their livelihood. It is not our own goods which we hold, but theirs,” St. John Chrysostom said. “This is the rule of most perfect Christianity, its most exact definition, its highest point, namely, the seeking of the Common Good.”

For centuries, the issues of lending, credit extension, insurance and usury were debated, and in the earlier centuries the prevailing theological claims were accepted and practiced. This was followed by a more intense period of analysis and debate during the scholastic period which would result in greater differentiation of the issues involved and some more nuanced teaching on various types of loans, partnerships and insurances.

It is important to remember that these new insights and positions were emerging from a lively debate between Church leaders, philosophers, theologians and businessmen. The emergence of the merchant and seafaring traffic of places like Venice, and the banking houses and families of places like Florence would present some additional questions and challenges to prevailing customs and practice. How were the new circumstances, services and practices to be treated

within the existing framework and teaching, what new adaptations and proposals would be needed to accommodate them?

Beginning with the later scholastics and thereafter, a number of new and different voices and teachers entered these debates. These included the reformers, moral philosophers, bishops and businessmen. In November 1745, Pope Benedict XIV issued an encyclical, *Vix Pervenit*, to the bishops of Italy wherein he reasserted the scholastic prohibition on usury. Usury, he declared, is “profit beyond principal taken by reason of the loan itself.” This declaration was issued in the midst of a number of controversies including one about the issuance of a bond at 4% by the city of Verona. While the encyclical espoused the central scholastic position on usury, it is interesting to note it left a great deal unsaid.

In summary, John T. Noonan, Jr. concludes, in the “Scholastic Analysis of Usury,” that by 1750 “what is left of the usury rule (scholastic), merged as it now is in practice with the demand for a just price, is an objection to immoderate interest. It would be perhaps impossible to think of a transaction involving the extension of credit at a moderate profit which could not have been justified in terms of the revised scholastic analysis.” (p. 362)

In 1835 the doctrine of *Vix Prevenit* was extended to the Universal Church by the Holy Office but in a series of decisions between 1822 and 1836, propelled by the full flowering of the Industrial Revolution in England and on the Continent, the same Holy Office decreed that “the interest decreed by law” may be taken by everyone. That Leo XIII would denounce the practice of “rapacious usury ... under a different guise,” in the encyclical “*Rerum Novarum*,” 1891, is a clear indication that the “possibility of usurious injustice” in modern economic life was still very real and on his mind.

Over the vast sweep of the 20th century, “the interest decreed by law” approach prevailed though there were numerous cautions about the excesses of the great accumulation of wealth and assets that resulted from greed, avarice, cheating, etc. The fact that each of the economic systems that prevailed in different jurisdictions allowed such practices was judged to be in need of correction and reform were themes that CST pointed to on various occasions and in different documents, in addition to pointing out the destructive impact wealth accumulation could have on individuals, communities and cultures.

It is important to note that this was the context under which most religious institutions and congregations managed their temporal affairs as they sought to take advantage of existing practices and tools to prudently administer their goods for the support of their mission. This included, depending on the circumstances and their size, taking advantage of different interest-bearing accounts and investment instruments to protect their assets, and finance their missionary projects and institutions. This has included, down to the present day, making use of modern portfolio diversification theory under the advice of consultants and partners.

On a parallel route, it is important—in the light of our consideration of “Impact Investing”—to keep in mind how faith communities have provided space at different times for testing new ideas. In some instances, they’ve been at the forefront of incubating how these innovations could actually operate. Over the years, a number of innovative concepts and mechanisms have been created and implemented to respond to priorities identified in addressing basic human needs and promoting development as they were deemed part of the mission.

The involvement of religious congregations and institutions in establishing credit unions and cooperatives, and even later, banks, is an example of alternative options in the financial sector.

Concessional credit and financing schemes as demonstrated in the microfinance and microcredit programs would also fall under this umbrella as would various “fair trade” initiatives and the sister communities and parishes movement.

In many ways, the Impact Investing approach dovetails appropriately with the aspiration of many religious and socially responsible investors to move beyond the “negative screening” approach that has served them well in trying to integrate their faith into the investment process. As they search for ways to integrate more constructive and positive criteria into their investment policies, Impact Investing presents a new and creative viable option. The list of sectors that have already been identified for Impact Investing fit appropriately with many other elements of the mission of religious institutions and with standards identified in the U.N. Millennium Development goals (microfinance, bottom of the pyramid, community development, sustainable agriculture, clean technology/energy, environmental management, housing and basic infrastructure, access to health care).

The challenges and opportunities that Impact Investing present fall well within the CST tradition of engagement and creativity in responding to the pressing “social questions” of the day. They are in harmony with the sentiment Pope Francis expresses in “*Evangelii Gaudium*,” when he invites everyone “to be bold and creative in this task of rethinking the goals, structures, style and methods of evangelization in their respective communities.” (no. 33) As part of that evangelizing mission, the social mission of the Church, which was placed at the center of the Church’s mission by the Second Vatican Council, is well resourced to address both the conceptual and practical questions that arise and at the same time take advantage of the immense global network of faith communities that can be enriched by a new flow of relationships and of capital that Impact Investing is organized to nurture.



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