

REGENERATIVE FINANCE

**NOW PARTNERS
FOR THE VATICAN'S DICASTERY OF
INTEGRAL HUMAN DEVELOPMENT**

HOW CAN MONEY IRRIGATE A NEW ECONOMY ?

PROVOCATION

Finance has to irrigate the world.

A farmer opens the lock to allow the plentiful water to reach the areas that need it most.



Right now entire fields are going dry, fields of human beings who are left without water / finance. The terrible consequence of people dying not only from the virus but also from economic devastation, is also the lost potential that each human being offers humanity.

We need to open the lock to finance human beings, seeing them as a living mine of gems of inestimable value, not as “poor” people we need to help. Finance directed to those human beings will water the earth of the abundant human resources available to us.

When Muhammad Yunus gave his first 20 dollars to a woman to buy a cow with which to obtain milk she could sell in her village to sustain her family, he did not only give her \$20, he gave her trust - the belief in her as a woman to succeed.

It is with that spirit we should be giving, generously opening the

irrigation locks to redistribute the “water” not just helping a poor person in need but to act as a noble human being helping another noble human being to fulfil her potential. That kind of investment in the human is what the world needs together with charity.

Since Yunus helped to pioneer the micro-finance revolution 30 years ago, it has become one of the world's most impactful socio-economic development strategies. It is part of a new world of ‘fairer’ finance that has forcefully blossomed. Currently around \$80 Trillion of assets are aligned with the UN-backed Principles for Responsible Investment, of which over \$31 Trillion in ‘sustainable investments’ and \$500 Billion in ‘impact investments’. In total, this amount is roughly a third of the \$90 Trillion in ‘broad money’ invested globally.

Enterprises can also tap into the human potential of their people to innovate and help others: the people living in their communities who are most in need. Each human person should feel the need to fulfil the nobleness with which God has created every human being.

The next paper in this series will focus on Regenerative Business, where the B Movement of Certified B Corps, Benefit Corporations, for-benefit investors and B Economy actors in general have been leading the way in building a regenerative economy.

EXECUTIVE SUMMARY

Behind the \$90 Trillion of investments mentioned in the above 'provocation' are ultimately individual investors, some operating collectively through funds, banks, businesses, etc. and others investing on their own accord. As Daniel Truran suggests, the call of our times is for us all to 'irrigate the world' with our financial resources for the benefit of all human beings and the planet.

The next few pages present and describe some leading organisations, initiatives and models that have been shaping new ways of investing money towards a regenerative economy.

The following evidence emerges from these examples:

1. **A growing number of banks**, exemplified by the Global Alliance for Banking on Values, **is shifting their financial resources towards a more regenerative economy.**

2. A rich tapestry of products, incentives and other innovations (like social investment bonds, often driven by the more ethical fintech businesses) is available for everyone to become a 'social investor'. ***No longer is charity the predominant way to do good with one's money.***

3. The Catholic Church, in its 'Laudato Si' mission, is the most credible institution to inspire, guide and nurture this call ***(Everyone a social investor, a social irrigator).***

4. If governments and institutions such as the World Bank, the IMF and perhaps new 'social finance' institutions can be supported to grasp this huge potential and **create a more favourable enabling environment for massive social investment**, billions and even trillions can be unleashed.

1. BANKS THAT LEAD THE WAY

The **Global Alliance for Banking on Values (GABV)** is making a difference for nearly half a billion people on Earth every day. Their immediate actions in the face of COVID-19 are a testament to the responsiveness and resilience of their movement's banking principles.

We are working on compiling and constantly updating a list of all the COVID-19 related news to the GABV and our members. All the collected information can be found below.

THE GLOBAL ALLIANCE FOR BANKING ON VALUES: GABV.ORG

Best Practices adopted by GABV Members during the Coronavirus: <http://www.gabv.org/wp-content/uploads/GABV-Coronavirus-best-practices-27.03.202750-Copy.pdf>. Here a few of their 62 members:

Centenary Bank, Uganda
Opportunity Savings and Loans, Ghana
Bank Muamalat, Malaysia | Bank of Palestine, Palestine
BRAC Bank, Bangladesh
Dai-ichi Kangyo Credit Cooperative, Japan
Muktinah Bikas Bank Ltd, Nepal
Teachers Mutual Bank, Australia
Banca Popolare Etica, Italy | Folkesparekassen, Denmark
Freie Gemeinschaftsbank, Switzerland
MagNet Bank, Hungary
Merkur Cooperative Bank, Denmark
Crédit Coopératif, France | Opportunity Bank, Serbia
Cooperativa ABACO, Perul Banco de Antigua, Guatemala
Visión Banco, Paraguay | Amalgamated Bank, New York, USA
National Cooperative Bank, Virginia, USA
Southern Bancorp, Arkansas, USA | Vancity Canada

A Viral Response to COVID-19: Mobilizing Values-based Financial Institutions to rapidly distribute financial and health best practices around the world: <http://www.gabv.org/in-the-press/a-viral-response-to-covid-19-mobilizing-values-based-financial-institutions-to-rapidly-distribute-financial-and-health-best-practices-around-the-world>.

Community banks a model for resilient banking

The world's community banks, credit unions and CDFIs have been taking concrete action to help their clients, communities and employees respond to the coronavirus Covid-19 crisis.

Community banks, credit unions and community development financial institutions (CDFIs) – often seen as the most vulnerable during a crisis – have been early movers in their response to the Covid-19 pandemic, showing their key role in banking responsibility and resilience.

Marcos Eguiguren, Director, GABV, that includes 62 banks and credit unions across the world, tells us: “The core business of our members is lending and they have community-based finance at their core. As such, they’re more on top of their clients’ situations because they know their clients personally so can respond quicker to their needs.”

The GABV is gathering the best practices of its members and will put out a white paper in the coming days. “Things are obviously fluid right now and banks are taking action as their central banks and governments react, but we are seeing responses from our members that have been astonishingly quick – sometimes in areas where the virus impact is still early,” says Eguiguren. He points to banks in Paraguay, Nepal, Bangladesh or Peru as examples of early movers. “Some of our members there have already taken measures to give moratoriums to loans or mortgage repayments and some have working on transforming part of their SME loans into longer-term loans”.

Banks are also going beyond their traditional remit to offer additional services such as webinars, he adds. “For example, in Italy we have seen one bank that is offering webinars for SME clients to train them on the way they may financially deal with the crisis,” says Eguiguren. These banks excel at pivoting quickly.

2. IMPACT INVESTORS' RESPONSE

A global crisis requires a global response.

As the coronavirus pandemic unfolds around us, our entire world is changing in unimaginable ways. This crisis points clearly toward the urgent need for the work of the global impact investing community. Many investors are already exploring ways in which they can respond to this crisis and support those in need. <https://thegiin.org/covid19>

Amit Bouri, Co-Founder & CEO, the GIIN, the Global Impact Investing Network, represents the largest global community of impact investors (asset owners and asset managers) and service providers engaged in impact investing. Here're some of the actions taken in the last few weeks, <https://thegiin.org/covid19>: by some of the world's largest investment institutions such as BlackRock, Ford Foundation, IFC, MacArthur Foundation, Bill & Melinda Gates Foundation, Wellcome Trust, Open Road Alliance, The Rockefeller Foundation, Vital Capital Fund, Acumen, USAID, Domini Impact Investments, Big Society Capital, DOEN Foundation, Inter-American Development Bank, Lemelson Foundation, Soros Economic Development Fund, Open Society Foundations

Sir Ronald Cohen, founder of The Global Steering Group for Impact Investing, <https://gsgii.org>, is an independent global steering group catalyzing impact investment and entrepreneurship to benefit people and planet. The GSG was established in August 2015 as the successor to and incorporating the work of the Social Impact Investment Taskforce established under the UK's presidency of the G8. The GSG currently has 23 countries plus the EU as members. Chaired by Sir Ronald Cohen, the GSG brings together leaders from the worlds of finance, business, and philanthropy. <https://gsgii.org/reports/covid-19-impact-policy-response/>, issued on April 4, 2020, illustrates the actions the GSGII

is taking.

Sebastian Welisiejko, Chief Policy Officer, is leading the following priorities:

1. Issue Social Bonds to attract new capital for critical programmes across impact areas, including ‘emergency’ needs, ‘revive & recovery’ initiatives.
2. Bailouts and recover packages to incorporate social impact conditions, as well as environmental, ie for the benefit of people and planet.
3. Protect and empower the social sector, ie social enterprises and other purpose-driven organizations, which will be vital to ensure a fair and effective recovery.

ResponsAbility, the Swiss-based private sector lender for micro-finance and SME investments, which has currently disbursed over \$10 Billions in loans across the developing world, has been an inspiration to other private initiatives. <https://www.responsability.com/en>. Some of this paper’s ideas for action derive from the experience of working with ResponsAbility and the Andromeda Fund, which invested in the venture then and was one of the world’s first impact investing funds.

3. WHAT NEXT ?

PROPOSED ACTIONS

NOW Partners, a global partnership of hundreds of change-makers accelerating the transition of leaders, companies and socio-economic systems to a regenerative economy, have placed the transformation of finance as one of their highest priorities.

In sync with the actions taken by the organisations listed in this document, NOW Partners propose the following:

1. A message from the Catholic Church about 'Irrigating our Interdependent World' **calling on all individuals and institutions to invest in our society**. It's everyone's opportunity and responsibility.
2. Develop an **extended concept of citizenship as stewardship**, inspired by the Papal Encyclicals, where each human being becomes central to resolving the global issues we face. Only by engaging more and more citizens and nudging them to act responsibly and accountably towards fellow citizens and the planet can we build a regenerative world.
3. Encourage leaders of public financial institutions and their governments to apply **regenerative finance conditionality**, ie social, environmental, human developmental criteria to the emergency funds being made available during the Covid-19 crisis.
4. **The Catholic Church leading by example**: creating and implementing a step by step plan to reallocate financial assets to the service of creation - humanity and the planet, and requiring financial firms working for the Catholic Church to do likewise. Concretely, this implies the application of regenerative agriculture to church owned farm land and regenerative management to its real estate. Today this can be done in ways that make sure that the church remains adequately funded.

5. The Catholic Church reaching out to other regions, faiths and value driven institutions to do the same. Putting their money where their mouth is, will hugely increase the credibility of these institutions and will convince their community members and other to do the same. This create a virtuous cycle because it moves market to reward positive impact even more than is already the case.

6. Such action can become the inspirational foundation for other fundamental proposals, such as the voluntary distributions of assets to give partial ownership of companies to their workforce. In Silicon Valley and also in more traditional companies models of shared ownership have proven to be highly successful. Co-ownership tends to increase productivity and distributes to team members a fair share of the value they help to create.

Authors: **Walter Link, Marcello Palazzi, Daniel Truran, NOW Partners.**