

CRITERION INSTITUTE

A BLUEPRINT FOR INTERNATIONAL NON-GOVERNMENTAL ORGANIZATIONS

ON USING FINANCE AS A TOOL
FOR SOCIAL CHANGE

Prepared by Criterion Institute
in collaboration with Oxfam America

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PREFACE

Imagine a set of leaders from international non-governmental organizations (INGOs) around a table developing solutions to eliminate gender-based violence. They lead institutions that have a long-term history creating strategic approaches to addressing the issue. One organization has amazing research about patterns of gender-based violence, one has a small endowment and a significant network of donors engaged in funding efforts to combat modern slavery, and one has decades of experience moving policy forward.

Now imagine that a group of leaders in the financial sector join them. One runs a wealth advisory service, one a small private debt fund, one manages a public equity fund.

The table is set. How can this group mobilize their assets to contribute to a long-term social change strategy?

The research organization brings their data on gender-based violence and works with the public equity group to demonstrate how the prevalence and costs of violence create risks to various geographic markets and industries. The debt fund begins to plan how they would mobilize resources in the form of long-term borrowing options appropriately tailored for women's shelters looking to expand. The wealth management group commits to voting their proxies to influence the practices of corporations that can curb modern slavery in the supply chains of large food and agriculture companies. The ideas keep flowing.

Each of the participants at that table shares their knowledge about gender-based violence and systems of finance and together they create a comprehensive approach which advances the efforts to fight violence based on gender using the power of financial systems. The strategy engages finance as a system of power that holds the key to new tools and trusted partnerships. The strategy incorporates the research voice, the policy voice, the government voice, the investment voice, and the international development voice. The strategy focuses on shifting power in relationships within and around finance in a way that creates access for those that have not been at the table. This leads to the expansion and demonstration of new possibilities to create long-term systems change using finance.

The premise of this blueprint is that table would be an exciting place to be.

Gender-based violence is just one of many issues relevant to INGOs. Throughout this guide, we will be illustrating how finance is relevant to other issue areas, such as access to clean energy and food security. This is a guide for organizations and individuals actively seeking to create transformative social change, whatever their specific issue focus. In particular, this guide enables them to design strategies that use systems of finance and private sector investment as tools to create positive social change. INGOs are independent institutions working in more than one community, non-profit in structure, that address a range of issues that contribute to poverty, injustice and/or inequality. INGOs work on long-term strategies and solutions to seemingly intractable problems.

As INGOs continue to transform relationships of power to expand whose voices are heard, they need to deploy all strategies at their disposal to create the social change they seek. Finance is one strategy, along with media, policy, community activism and corporate engagement. The programmatic work INGOs are carrying out can be supported, for example, by building social considerations into an INGO's decisions about its investment holdings. Using systems of finance does not have to be a new area of work, but

rather can be a new target, building on the networks, power and experience of the INGOs and the communities they work with.

Beyond the transactional, INGO engagement in the flows of capital is important to help drive more inclusive, human economies. For too long, INGOs have remained on the side lines of discussions about social impacts of financial sector operations, allowing financial markets to operate with only a passing consideration of social outcomes. In doing this, INGOs miss out on opportunities to shape the future of financing flows. The financial decisions we make as a society today will determine the economy and the power dynamics of tomorrow. INGOs have an important role in shaping the rules, norms, practices, and priorities of the financial system to encourage a future that is equitable, transparent, and accountable to society.

INGOs have been one of Criterion's key partners as we have worked to shape capital markets over the past 17 years. Through a variety of projects and ventures, we have innovated our approaches and learned how to address power in finance to be able to implement strategies that utilize finance as a tool for social change. This Blueprint is core to our mission to demystify finance and help change-makers such as INGOs see themselves as influencers able to engage with and shift financial systems. We want to share the knowledge we have gained with others who can influence this complex system of power in ways that create the changes we seek.

With the support of Wallace Global Fund, Oxfam America and Criterion Institute came together in 2018 to engage with INGOs in the creation of this Blueprint. We also would like to acknowledge those that offered feedback during the process including Caroline Ashley (Oxfam), Barbara Durr (Oxfam), Jeanne Farr (NADD), Mark Harwood (World Vision Australia), Laté Lawson-Lartego (Oxfam), Kate Wolford (McKnight Foundation), and Bob Zuber (Global Action to Prevent War).

WHY INGOs?

The ecosystem and incentives driving decision making within financial institutions and INGOs are often vastly different, so why would INGOs engage finance as a tool for social change? Social return and financial return seem at odds, the language of finance is complex, and the relationships with those in finance are not always easy to access. So why INGOs? There is a lot of power in finance that could be leveraged to create just and equitable change and INGOs have many tools already at their disposal to compel finance to do so.

The vast majority of INGOs have social change as their core mission and are already effectively financial intermediaries: INGOs both raise funds and make grants, and through networks and collaboration, unite ideas and action to create lasting change in communities around the world. Developing and providing leadership to social change approaches that engage systems of finance requires many of the same skills and knowledge INGOs already possess. Many understand systems of power and work to transform who has access to power and whose voices are valued in decision-making processes. Additionally, they have formal organizational structures with personnel in global and local roles performing activities that are highly symbiotic to socially-minded financial actors, such as issue-area research, performance measurement and evaluation, on-the-ground relationships, advocacy and programmatic capabilities, media relations, grant management, and fundraising. Engaging systems of finance allows INGO leadership access to a different entry point to social change and invites collaboration to form relationships with a new set of people and institutions.

Although INGOs are our key audience, we see the lessons in the Blueprint as highly relevant for a wide array of organizations and individuals, such as community-based and grassroots organizations, the philanthropic community, corporations, and donor agencies.

In addition, investment professionals, while not the primary audience, can make use of this Blueprint to think through how to effectively collaborate with INGOs and other change-making organizations.

WHY A BLUEPRINT?

This blueprint facilitates the imagination and design of a future that is more equitable, representative, and just through the increased participation of INGOs in powerful systems of finance. This Blueprint lays out the strategies that can serve as templates, but intentionally leaves room for contextualization, exploration, and innovation in design.

The Blueprint is a useful tool for those designing and building strategies for social change. In the rest of the document, we answer:

- What opportunities exist for INGOs to engage finance and use it as a tool for social change?
- What are the materials or assets held by INGOs that can be leveraged to influence finance?
- How do those materials or assets come together around a specific strategy in detailed implementation activities?
- How do the strategies fit together to accomplish complex social change agendas? We explore gender-based violence, inequality in food systems, refugees, and migration as illustrative cases.
- What would a broader field of collaborative activity look like, with multiple organizations and sectors working together in a coordinated effort to leverage the power of finance towards collective impact on social issues?
- What power can INGOs realize and leverage to use finance to create the social change they seek?

AN INVITATION

What are our hopes, dreams, and next steps? This Blueprint is the beginning of a conversation with organizations working towards social change that critically examines power dynamics in the financial community and thinks imaginatively about using finance as a tool to achieve social change goals. In addition, it's a conversation that involves listening, learning from each other, and sharing our stories.

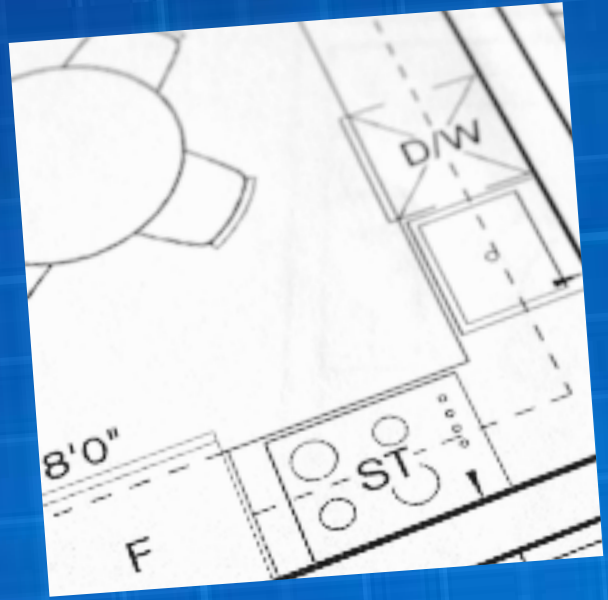
We look forward to a rich and fruitful dialogue over time, and we invite you to join us to explore new possibilities to use finance as a tool in your efforts to change the world.

Joy Anderson and Mara Bolis

September 8, 2018



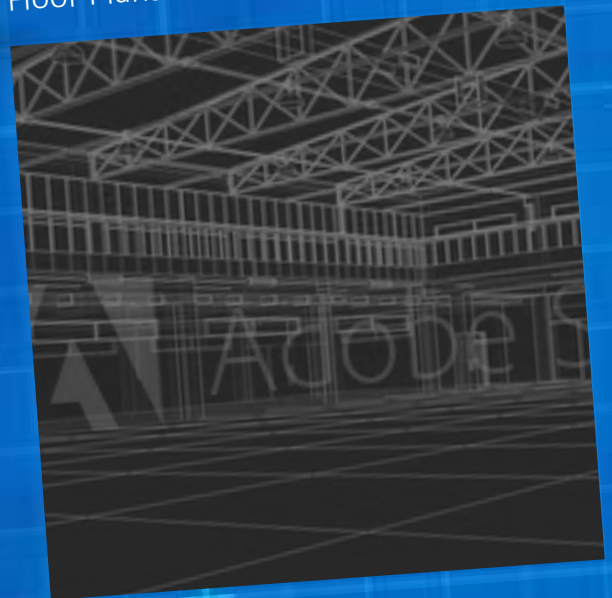
Building Materials



Floor Plans



Dimensions



Buildings



Doors



Neighborhood

FRAMING

The focus of the Blueprint is to show how individuals working within INGOs can use finance as a tool in their work. It does not assume expertise in finance or investment but recognizes that shaping financial systems is not on the agenda of many INGOs. Rather, the Blueprint assumes that the reader has experience engaging, challenging, and shifting systems of power, experience that can be applied to the global financial system.

This is a document about social change, written for change makers. Our hope is it can be used to spur ideas for new programming and new collaborations, and to advocate internally within organizations and with external partners and stakeholders for greater attention for the role of finance in advocating for transformative social change.

We use the term “Blueprint” as a metaphor for the technical process of developing a detailed plan or program of action. The focus is on plans, rather than on case studies. The Blueprint presents a framework that expands the imagination of leaders in a specific context, so they can move from design to implementation.

THE FIELD OF SOCIAL FINANCE

At the cross-section of social considerations and finance lies the field of social finance. While there are many labels and movements within this field and specific areas of focus—impact investing, microfinance, sustainable finance, socially responsible investing, and gender lens investing, to name just a few—all share a common goal: to rethink the purpose of capital to be not solely about profit-making but to transform relationships of power for more just and sustainable outcomes for society.

Yet there are challenges and shortcomings within the field, including but not limited to:

- A limited depth of knowledge of social issues, which can be “unknown unknowns” among finance professionals.
- Impact washing, or when marketing efforts overstate the positive social and environmental impact of an investment.
- Private equity or venture capital practices that are adopted in the impact investing arena without considering the needs of the end-user in various contexts.
- A lack of intermediaries and appropriate support for INGOs to learn about and engage with finance.
- Few translators who can communicate the relevance of social considerations to financial and investment analysts.

Many of the challenges named would be resolved if the financial industry were to invite the expertise of those working on social change. There is an opportunity to deepen and define how social considerations are used to shape the movement of capital and for INGOs to become involved in the field of investing in a way that is core to their mission.

As the field of social finance has evolved, INGOs have voiced many reasonable objections to participating; one of the intentions of the Blueprint is to offer some points of resolve to some of these objections. These questions include but are not limited to the following:

- How does investing sit with INGOs' focus on grant making, delivery of service, or program delivery? There is already so much to be done with limited resources—does focusing on investing defuse existing efforts, cannibalize resources, and create mission creep?
- INGOs' commitment to addressing deep social change requires philanthropy; don't for-profit investments only skirt the surface (or sometimes contribute to the problem)?
- How do we align our internal and external stakeholders—many of whom do not have a finance background and may not appreciate the approach—around strategies that engage systems of finance?
- Leaders in INGOs may not feel equipped to manoeuvre the finance world. They are very adept at navigating governments and media and know how to protect against being manipulated. How can INGOs navigate the field of finance, which can feel like a minefield of risks?

The challenge is that many of the resolutions to the questions and concerns outlined above require a first step, a leap of faith that engaging finance as a tool for social change will contribute to the social change sought. Without that leap, the space between can seem just too far. INGOs have for too long sat on the side-lines, allowing finance to evolve without a sufficient weighting towards the social consequences it creates. This has to do with many of the reasons expressed above, all of which demonstrate that the financial community wields power—in terms of information asymmetries, vast resources, and political influence—that can be impacted by the INGO sector. INGOs have significant assets and resources that can be used to move the systems of finance to work in their favour. We hope that the arguments in this report will help to establish that faith.

1. **Leadership and Voice:** INGOs represent the interests of disenfranchised populations by elevating their voices to levels where people in positions of power must pay attention, highlighting the realities, considerations, and needs of these communities. This confers a uniquely credible voice that can be used to influence how finance operates.
2. **Data and Knowledge:** INGOs have direct access to local knowledge of the populations they serve, and many conduct extensive evidence-based research on the root causes of those issues. They develop and have access to data that reveal patterns of lived experience, whether that be highlighting societal gender biases or sharing the importance of data on community resilience in areas vulnerable to climate change. Additionally, they often seek to maintain independence, allowing them to challenge prevailing assumptions. For financial institutions to be able to enhance positive outcomes and minimize negative impacts, actors in the financial community require this type of contextualized knowledge of patterns in communities and a diverse range of lived experiences.
3. **Networks and Trusted Relationships:** INGOs engage in relationships with grassroots organizations, the philanthropic community, corporations, and donor agencies. Because of this reach, INGOs often serve as a broker between diverse sets of stakeholders that hold different levels of perceived power. INGOs understand power dynamics; they know how to navigate these relationships and build trust. They are linked to global networks and engage with a wide diversity of groups. INGOs can use this experience to navigate similar relationships in systems of finance.
4. **Capital or the Ability to Influence Capital:** INGOs act as financial intermediaries through managing international capital flows for programmatic work, managing endowment funds, and using official development aid and philanthropic funds. So, while not all INGOs may identify with their role as financial intermediaries, most already possess a wealth of experience with influencing systems of finance and understanding financial flows.

These assets give social change organizations the influence to effect social change. The design challenge is to employ them effectively towards financial systems with short- and long-term strategies.

1. Channel Resources to Enterprises and Investment Opportunities that Contribute to Transformative Social Change: Finance centers on transactions. Directly moving capital to enterprises or intermediaries that directly positively influence equitable social change; moving capital away, or divesting, from enterprises and intermediaries that negatively impact social change; aggregating capital flows; or influencing the design of new structures for moving capital can all create important precedents of transactions that produce just and equitable outcomes.
2. Advocate for Shifting What Is Valued in Financial Analysis: Finance is a system that assigns value based on an analysis of potential risks and returns over the period of an investment. Value can be the monetary, material, or assessed worth of an asset, good, or service. Advocating for considerations that shift what is valued, such as by introducing new data about social patterns that may present risks or opportunities; sharing research on a diverse set of lived experiences that may have been overlooked; or exposing bias in current approaches to analysis can shift the outcomes of the system of investments.

Efforts to create more sustainable or high- impact systems of finance do not always address the power structures that obstruct social change. By encouraging a broader set of actors into the neighborhood, we seek to further push the boundaries of the work in impact investing and sustainable finance. INGOs will be able to see the dynamics of the neighbourhood and how power plays into these dynamics and propose new solutions to issues that arise. One of the most critical issues is the need to bridge knowledge of human rights and contextualized lived experience with investment knowledge. To transform relationships of power in finance, those currently working to leverage investment for social change need to make a case for involvement to the long-distance runners working in human rights, display a willingness to learn from each others' expertise and, together, create a new community of practice.

1. There is a need for INGOs to serve as credible translators and build the capacity for translation. The language of finance does not easily mesh with the language of gender, for example, and vice versa. As a result, the field requires individuals and organizations to take on the role of framing and translating information to create new expertise; interpret data, language, and frameworks; and turn knowledge about patterns into meaningful inputs into systems of finance to inform investment designs, demonstrate new possibilities, and imagine how finance can be a tool for social change.
2. Most of the current investment products and strategies do not take an intersectional approach. They fail to incorporate patterns of gender, race, ethnicity, ability, class, and other important factors in their analysis, leading to a reliance on checking boxes rather than valuing lived experience. In order to bridge the work INGOs do with impact investing and sustainable finance, we need to connect to the field of gender lens investing, to expertise in racial equity, and other context-specific considerations.
3. Many times, local communities are left out of conversations of finance, even when the results impact their lives directly. Investments tend to happen to, rather than with, a community due to the inaccessibility of financial language and structures. INGOs can play a significant role in equipping local communities to be able to engage in conversations of finance and participate in defining how investments shape their community.

BUILDING MATERIALS

Assets



BUILDING MATERIALS: Assets

Many assume that one needs to have capital, and quite a lot of it, to be able to exert influence over finance. However, capital markets are systems, and just like any other system, there are multiple points of influence that require a variety of tools to be able to move. Assets that INGOs have at their disposal to use finance as a tool for social change include leadership and voice, data, research capacity, knowledge of local needs and priorities, networks, and relationships. All of these ascribe influence and power in different ways. These, along with capital, organizational structures, and expertise in managing social change strategies, are the building materials with which to exert influence over the financial system and ones which INGOs are uniquely qualified to employ.

This section examines each of these materials, and the resources they bring to the table, in detail. Each section will:

1. **Define** the building material in the context of INGOs
2. **Name** how the resource can engage systems of finance in creating social change
3. **Identify** potential constraints that would inform design
4. **Outline** how each asset engages or exerts power and influence

As we proceed, it's important to note that these resources will all be situated – and need to be understood – in context. That context creates constraints on the resources and how effectively or efficiently they can be employed beyond their current intended purpose.

LEADERSHIP AND VOICE

Many assume that one needs to have capital, and quite a lot of it, to be able to exert influence over finance. However, capital markets are systems, and just like any other system, there are multiple points of influence that require a variety of tools to be able to move. Assets that INGOs have at their disposal to use finance as a tool for social change include leadership and voice, data, research capacity, knowledge of local needs and priorities, networks, and relationships. All of these ascribe influence and power in different ways. These, along with capital, organizational structures, and expertise in managing social change strategies, are the building materials with which to exert influence over the financial system and ones which INGOs are uniquely qualified to employ.

This section examines each of these materials, and the resources they bring to the table, in detail. Each section will:

Most INGOs have as their mission the representation and defense of the interests of marginalized communities. They often serve as a bridge between affected communities and various seats of power, from philanthropic and donor communities to policy platforms and media outlets. INGOs host, lead, and attend workshops, conferences, webinars, and seminars as experts themselves or serve as stage-setters for experts from affected communities. INGOs represent a constituency, i.e., affected community

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members, and this clarity of purpose and proximity to the issues that affect these communities confers trust and legitimacy.

INGOs have long defended the interests of local communities in ensuring that aid and philanthropic dollars are spent effectively by prioritizing local actors and minimizing market distortions. Further, INGOs have played an important watchdog role in foreign investment by advocating for community consent and contract transparency. As the nature of money changes and the lines between philanthropy, donor funding, and investment capital blur, INGOs are in a unique position to guide this transition so that it stays maximally focused on benefitting the people they serve.

INGOs have a voice that people listen to and brands that people trust. Perceptions and visibility matter in finance. What becomes possible if INGOs leverage their leadership and voice to be able to shape what information financial actors trust? For example, what is the media strategy that would effectively raise awareness about disparities in access to energy or clean water within a local community to affect both local policy and the practices of investment managers?

If training is already in the fabric of the organization, the scope can be expanded to include investments and the financial industry. Building from this base of knowledge, if INGOs have relationships with individual wealth holders through their current programming, they could develop training opportunities to expand the role they play in financial conversations that result in an increased focus on social change issues. If the majority of engagement with individual wealth holders occurs within the fundraising teams within INGOs, they could train these teams to open possibilities within their conversations with donors on how their money could be further leveraged towards the change they seek. INGOs that have long engaged in debates on how donor money is most effectively spent can use that knowledge to shape investment flows by suggesting best practices for the impact investing space, for example, even embracing leadership roles in financial systems. INGOs can develop new or expand existing leadership programs within communities to prepare them to engage finance. Additionally, INGOs can cultivate leaders passionate about specific social change issues to use their influence to take seats on corporate boards, impact enterprises, or fund investment committees working on critical issues.

Furthermore, INGOs should support their grantees taking leadership roles in systems of finance, thereby ensuring diverse sets of voices are at the table. For example, grantees working on climate justice could engage a local business school to suggest investment approaches in last-mile solutions for energy access. What is the training required to support grantees in taking a more active role where investment strategies or financial systems touch their communities?

INGOs are adept at using their voice to help bring attention to the voices of those who have been marginalized by the status quo systems of power. Claiming a seat at the table is the key to ensuring that the issues, data, and perspectives of social change philanthropy shape how we redesign financial systems and deconstruct the inequitable power structures therein.

DATA AND KNOWLEDGE

The type of intimate knowledge and data that INGOs possess about the lived experiences of local communities throughout the world can increase the accuracy and effectiveness of decision-making in finance and improve investment outcomes for these communities. INGOs serving marginalized communities can see root causes of the issues they work on, and they have the potential to use that knowledge to influence financial decision-making. They have access to and can connect themes from both academic research and grassroots knowledge to financial activities. INGO leaders have influence in various circles and power structures, enabling them to see and then explain patterns observed in a range of contexts and communities.

Organizations focused on social change publish and disseminate research and analyses to shape the policies and practices of governments, media, or corporations. Until now, the objectives of this research have primarily been to drive change in public or corporate policy, to influence the direction or focus of official aid dollars, and to inform the general public of key issues. This skill is not just about producing a high-quality, accurate report but knowing how to frame and to position the content so that it influences the system. For example, INGOS put out reports, statistics, and research that is highly relevant to the financial community, such as examining the effects of multinational sourcing practices on marginalized women, alternative business models that better include those that are often left out, mechanization and the future of work, corporate lobbying expenditures, land rights and agricultural production, and the effects of corporate tax policy on inequality.

This isn't just about moving investment capital to places not previously reached, it requires changing the terms of the capital and whose knowledge informs decision-making. It's about changing the rules of the game

It's possible to influence investors to use that information to make better decisions from a financial perspective, but also to make decisions that have the potential to produce more equitable outcomes. It's not just about identifying explicitly economic patterns. All kinds of societal patterns matter: international migration, natural disaster and recovery efforts, patterns of violence against women, and rates of disability or mental illness, for example, all impact financial outcomes and economic activity. INGOs are well-positioned to capture and bring attention to these types of insights.

To some limited extent, this work is taking place in the form of the "social considerations" in investment decision-making frameworks that consider environmental, social, and governance criteria when considering whether to invest in a company or other vehicle. As such, the effort to integrate INGO research and data into the investment arena already has a ready entry point. However, to this point, it has been left up to the financial industry to determine which social considerations are relevant to investment analysis. INGOs have the opportunity to take their seat at the table and help shape, inform, and deepen these frameworks. They have the ability to translate the data they have into tools for finance that incorporate deeper analysis, consider a more heterogeneous dataset, and examine regulatory and political risks that are not currently being considered. In the end, what data and what type of interpretation informs systems of finance defines how one of the most powerful systems in the world sets prices for investments, determines where and to whom capital moves, and shapes what is seen as valuable. At a macro level, these decisions aggregate to create financial systems that exacerbate or eradicate inequality and social exclusion.

NETWORKS AND TRUSTED RELATIONSHIPS

Finance, like every system, relies on networks and trusted relationships. Understanding, mobilizing, and investing in these complex sets of relationships is key to influencing finance.

INGOs are intimately connected to grassroots organizations, well-connected to other INGOs and, in certain circumstances, willing to create partnerships with corporate actors. They lead social change efforts and are trusted actors in long-term reform efforts. They build and convene alliances locally and globally. They are often well-connected to political leadership and navigate complex institutional relationships with local, national, and multinational governmental bodies.

INGOs differ in what relationships they hold, but they all hold powerful relationships. While the organization may not have intentionally built relationships with people in finance, most are already connected or just one connection away. These connections are true across the organization, not just in the teams or departments working on sustainability in markets or within an organization's treasury department.

Beyond directly influencing, there is a role here for INGOs to play in connecting financial networks with grassroots organizations that are at the center of social change. INGOs' trusted relationships can facilitate the movement of capital into underserved communities. For example, imagine an impact investor who was interested in moving capital into a community that has not been reached effectively by traditional capital providers. INGOs can raise patient capital, i.e., capital that has no expectation of turning a quick profit, while serving as a bridge between local actors and the holders of capital to even the power imbalance between the holders of capital and those who need it. Concerns raised by grassroots organizations can allow for important knowledge transfer to investment actors interested in good corporate governance from a social standpoint. Investors in public companies will be concerned about information from local communities about bad corporate practices. Furthermore, using financial instruments and linking with investment actors can drive attention to INGO issues. Corporations infringing on the rights of a particular community may dismiss INGOs' claims of community rights infringements, but bringing these concerns directly to corporate leaders at their annual general meeting with shareholders, such as is practiced with using the tool of shareholder advocacy, is difficult for corporations, and those who invest in them, to ignore.

Trust drives systems of finance. The old boys' network is unfortunately very real (and continues to be real in the fields of social finance) and is a constraint here: who you know determines what capital you have access to. However, new pathways of relationships can be created. Those aligned on creating lasting social change can forge their own networks and rewrite the rules of engagement that surround them. There are already some existing networks, such as the INGO Impact Investing Network, that have been working in this space since 2015 and showing that the rules of the game can be changed through on-the-ground efforts that apply financial tools for the purpose of creating positive social change.

This isn't just about moving investment capital to places not previously reached; this is about fundamentally changing the terms of the capital and whose knowledge informs decision-making. It's about changing the rules of the game, which, in turn, provides opportunities to change the system as a whole.

CAPITAL AND THE ABILITY TO INFLUENCE CAPITAL

INGOs often have an endowment, or at least a reserve fund. Many INGOs have shied away from using their invested assets, or their endowment, to create positive social change, as they often face significant real and procedural constraints. Rules, investment policies, and practices that were set up to manage the capital and protect the investments also serve as a constraint. There is a cost (in terms of time and financial resources, but also social capital) to shifting investment approaches.

Engaging with capital in new ways is often challenging, but the emergence of specialist financial intermediaries can considerably ease the way.

There are other ways INGOs can get the most impact from their operations. INGOs can manage their cash not through traditional banks, but instead through community-based financial institutions. They can ensure that any pension funds offered to their employees include options that were screened for environmental, social, and governance issues in line with their values and mission. And where INGOs

hold direct equities, they can act as informed shareholders, with INGO program staff voting their proxies in alignment with organizational priorities.

Access to capital and the ability to influence it drives many real and perceived kinds of power. However, access is not enough. INGOs can dramatically multiply the impact of their invest/divest choices and changes to their endowments by making their choices public and an extension of their social change work. Through this, INGOs can motivate similar choices by others in the field, reinforcing these behaviors as necessary, important, and valuable.

Collective efforts shift power dynamics beyond the actions of an individual organization. Imagine how powerful it would be to have INGOs and those within the financial industry engage collectively in this effort.

ORGANIZATIONAL STRUCTURES AND PROCESSES

INGOs have sophisticated, often complex organizational structures that have been designed to reflect their core values. These structures support programming, operations, advocacy, and engagement. They have sought and obtained 501(c)(3) (or jurisdictionally equivalent) status and put in place some level of infrastructure made up of the policies and processes through which they do their work. This infrastructure is built with an understanding of relationships of power both internally and externally. INGOs manage finances and others trust them with capital, often coming in the form of grants, contracts, and charitable donations, to implement social change. Many INGOs also make grants, which requires an equally sophisticated financial structure.

The intentionality with which INGOs have built organizations—that knowledge and practice of thinking through organizational design and development—provides useful lessons which can and should be applied to systems of finance. Finance is essentially a system of organizational structures that manage relationships.

INGOs, perhaps without realizing it, are financial intermediaries, adept at managing capital allocated to programming, evaluating impact of efforts or investments, and directing capital through grant-making or programmatic allocations. Most of the practices and controls around these functions are transferrable to finance. Financial intermediation drives much of what is possible in finance. It's too costly, too risky, and too cumbersome to have all investments be direct. As a result, layers and layers of intermediation are built within capital markets to facilitate the speed and efficiency of moving capital. These layers become opaque and lose their sense of accountability.

It's not just about having a sophisticated organization, but also having thought through the power dynamics in the roles and processes. INGOs have thought deeply about these dynamics and have visibility in the relationship between philanthropic and donor communities and the local communities in which they invest. They ask questions about organizational policies and processes in the context of broader systems of power. These organizational questions also need to be asked in finance. Even knowing that they're worth asking is important and could provide valuable practices for financial intermediaries.

EXISTING PROGRAMS AND SOCIAL CHANGE STRATEGIES

INGOs analyze power and manage programs to build a more equitable and just world. They have built research agendas around key issues and collective impact strategies spanning geographies across the globe. They've developed expertise on how to measure and monitor progress and how to create systems

that pay attention to unintended consequences. Their expertise in power analysis, research, measuring progress, and identifying risks can be leveraged to inform market-based solutions.

Many INGOs are augmenting their grant funding with other financial instruments that expect partial or full repayment, in some cases with a return on the investment. This may include direct investments in social impact enterprises. Social impact enterprises seek to address social needs in addition to being financially sustainable. Social impact enterprises are hardly monolithic, but the best ones create a positive social benefit, whether through their products or services, how they share ownership with their workers or suppliers, or because of the way in which they create value for the communities they serve. While some social impact enterprises have scaled quickly, most enterprises committed to achieving long-term, lasting change build normal growth businesses that share power and invest in their communities. Many of these enterprises have NGO partners, are NGOs themselves, or start as NGOs and move to a for-profit enterprise structure over time.

A specific point about the connection to policy work:

INGOs have a history of working in the policy environment, contributing to the passage of key legislation, and are recognized as being influential in their fields. The expertise that INGOs already have for policy work is highly applicable to finance.

Finance is like policy work in that it sets the agenda for other players, allowing certain things to be possible because finance supports them. Changing the approach for an investor changes how they work with all of their portfolio companies. Changing what they are looking for in their investments, what patterns and risks they are paying attention to, and what questions they are asking can signal a new set of priorities to a whole industry or market. The challenge, however, is the design of the change process. What compels investors or the investment industry to change their approaches to focus on social change? What does that advocacy process look like?

As noted, considerable research already developed by INGOs for public or corporate communities is equally valuable to investors interested in minimizing their negative impacts and maximizing positive social outcomes.

Furthermore, INGOs could choose to team up with impact investors on policy change efforts. What would it look like if impact investors focusing on smallholder agriculture teamed up with an advocacy-oriented INGO pushing for strengthened land rights in influencing actions directed at a municipality in a geography in which both were operating? The outcome of strengthened land rights for smallholder farmers benefits both parties and the weight of the argument to policymakers is strengthened through the combination of actors making it.

For a long while, the social finance community has pointed to foundations and said that they're only using five percent of their capital (i.e., that which they are legally mandated to distribute in a year in grants or program-related investments) when they should be engaging the other 95% (i.e., their investment capital). The explicit point was that the other 95% could be put to good use. By focusing only on moving capital, the conversation lost focus on the powerful knowledge of how social change happens. In the end, many impact investors are seeking to create social change without a deep knowledge of the issues at

In focusing on how capital moves, the conversation lost focus on the powerful knowledge of how social change happens. Many impact investors are seeking to create social change without a deep knowledge of what is necessary.

play. Whether or not an INGO directly or indirectly moves investment capital, it has the potential to share knowledge of social change and what it takes to transform relationships of power in complex systems.

CONCLUSIONS

The categories in this section can be used to inventory what building materials are available to INGOs. That inventory, combined with an expanded scope of what is relevant and actionable, can serve as the foundation for an intentional strategy of social change, which includes using finance. The next chapter lays out a set of strategies for social change and provides a structure for designing a focused strategy using particular building materials.

The background is a light blue architectural floor plan. It features various geometric shapes representing rooms, corridors, and furniture. A prominent circular shape is on the left, and a rectangular area with a dashed line and the letters 'D/W' is on the right. In the lower portion, there's a rectangular area with a dashed line and the text '8'0"', and another area with the letters 'F'. A kitchen area with a stove labeled 'ST' and several circles representing appliances is also visible. The overall style is clean and technical.

FLOOR PLANS

Strategy

FLOOR PLANS: Strategy

How do these building materials come together in an intentional strategy of social change? A floor plan arranges the rooms on a floor so that it can serve the purpose intended by the design. The floor plan assigns space for each function and represents the intentional design of the use of the space. As a parallel, strategies create the structure in which a set of activities can be orchestrated in service of an outcome. This section describes a core set of strategies to use already-established skills to influence systems of finance as a tool for social change.

Similar to many of the long-term activities INGOs undertake, these strategies may not be satisfying in their ability to create direct and immediate change. Working in a complex system requires a long view and an ability to see both direct and indirect points of influence. INGOs have had their sights on this kind of change for a long time—for example, to challenge women’s economic marginalization in a scalable way, Oxfam, Freedom From Hunger, and other large INGOs work with local partners around the world to catalyze women’s savings circles, which have been shown to build economic resilience, increased autonomy, and self-confidence for those who participate.

The strategies herein are not fully-detailed plans but rather a template or initial outline to spur creative thought and encourage an expanded sense of possibility. They suggest how finance could serve as a tool for equitable social change. They are starting places that would then require creativity and intentionality within a particular setting in service of a particular outcome.

These strategies draw from Criterion Institute’s work over the past decade of developing and implementing approaches to achieving social change through interventions in financial systems and capital markets. Recently, Criterion worked to synthesize lessons learned and from that work and articulated five strategies that could be used to exert influence within systems of finance and investments to create social change. The five strategies are:

- Channel resources to enterprises and investment opportunities that contribute to transformative social change
- Realign power in relationships through structures and terms
- Shift what expertise is trusted and what processes are seen as valid
- Advocate for shifting what is valued in financial analysis
- Change the goal of the investment and the benchmarks against which it’s measured

These strategies used in concert and in broader collaborations, can create gender justice.

CHANNEL RESOURCES TO ENTERPRISES AND INVESTMENT OPPORTUNITIES THAT CONTRIBUTE TO TRANSFORMATIVE SOCIAL CHANGE

This strategy is likely the most commonly understood in the area of engaging investments and systems of finance for social change: redirecting and redistributing financial capital. One example of this strategy would be a campaign to remove capital from companies with poor human rights records into enterprises that advocate for attention to human rights issues. Philanthropic bodies often employ this strategy when undertaking “invest/divest” campaigns, such as the process undertaken by many foundations to divest from carbon industries into clean energy. The capital could take any form, from a direct investment in a company to an investment in a mutual fund made up of investments in publicly traded companies to an investment in a municipal bond structure.



Building Materials

- Capital and Access to Capital
- Organizational Structures and Processes
- Networks and Trusted relationships.

The strategy draws on these building materials above because it requires the ability to influence capital, directly or indirectly, to build new structures to be able to facilitate moving capital and to invite others to join in the efforts to both withdraw and to deploy capital, or to identify potential investment opportunities.

This strategy can be directly about moving capital controlled by the INGO. More likely, and potentially more powerfully, it’s about influencing a broader set of capital flows. Approaches include:

1. Directly moving capital either to an enterprise or to a financial intermediary such as a debt or equity fund.
2. Influencing or aggregating capital flows to enterprises or intermediaries.
3. Designing or influencing the design of a new investment product or vehicle.

Approach 1: Move capital from an endowment or a reserve fund to an existing enterprise or intermediary

There are many existing opportunities where an investment in economic activity (production, distribution, and consumption of good and services) can create the social change you seek.

- Invest in an impact enterprise with an explicit mission around preferential employment for marginalized community members
- Invest in advancing equity through investment vehicles that screen for practices that support workplace equity and inclusion
- Combat the progression of climate change and protect the health of a community by investing in companies that produce and/or distribute clean cook stoves

- Invest in a public equity and debt fund focused on combatting modern slavery whose investment decisions are informed by a benchmark that evaluates companies' forced labor risks within their global supply chains

INGOs can facilitate the movement of capital. What are the opportunities available to identify potential investable projects or companies that are mission-aligned with a vision for a better world? If they have not already identified opportunities, INGOs can engage their trusted relationships and networks to find them.

An INGO may commit to moving a portion or the entirety of its endowment or treasury assets into investment products, such as a mutual fund, that has been screened for certain social criteria, such as gender equality, gender-based violence, environmental protection, or indigenous rights.

It's also possible to make direct investments in enterprises that align with the INGO's values. This can create an experience of more direct impact and personal relationship with enterprises. For example, investing in a women-led menstrual pad company that is working to expand access to products throughout India or East Africa. While direct investments often have a social change advantage of creating immediate, tangible impact in a community, it is worth noting that they are more time-consuming to implement and require both a higher risk tolerance and a longer time for capital to return principal and profits. These enterprises may either directly engage or work with partner organizations to bring attention to the social issues that the enterprise is tackling in an effort to facilitate larger-scale policy change, such as a recycling business that works with waste pickers that also conducts policy advocacy to create a legal designation for this form of work.

If the decision is made to move capital held by the INGO in an endowment or reserve into socially-beneficial investments, it may require, at a tactical level, finding a new financial advisor who can shape the process and challenge the expertise of the existing financial advisor. (See the next chapter for details on the activities required to shift investment advisors.)

To the extent the INGO is managing other people's money, it is important to note the power at play. For example, the INGO's responsibility to its investors may at times run into conflict with the interests of the investees. Understanding the power dynamics and fiduciary responsibility to investors before entering this space will help INGOs anticipate potential risks and set realistic expectations

Approach 2: Influence or aggregate capital flows

Channeling resources within investments requires a range of different intermediaries that facilitate the movement of capital. INGOs could use their networks and broader convening power to bring people together and name new directions in which capital can move.

INGOs have experience using their networks to influence and aggregate philanthropic and government capital. They are used to mobilizing resources for efforts to improve the lives of people in communities throughout the world. Aggregating investment capital can have similar impact.

Building new capital flows (the movement of money for the purpose of investment, trade, or business production) or a new capital market (a financial market in which long-term debt or equity-backed securities are bought and sold) requires engaging multiple parties. It requires both a back-and-forth

process of signaling interest among individual and institutional investors to move capital and an equal response from financial intermediaries or investment managers to create products that can absorb investment capital. This requires simultaneous attention to both supply of capital and the intermediaries or enterprises that are demanding capital. For example, the organization CERES brings together investors and companies interested in approaches that combat risks of climate change. They do not deploy capital, but organize the investor community to show corporations the power of investment actors focusing on progressive climate policy.

Using this approach requires a careful analysis of the existing power dynamics within the movement of capital. It also requires supporting different actors to realize their own power and organizing them towards a common social change goal. As this will take effort, INGOs should consider how to take on this work, either by incorporating opportunities into their current programs and engagement strategies or by generating new funding through philanthropy, membership dues for participation, or other means.

Approach 3: Design or influence the design of a new investment product or vehicle

Shifting how capital moves often requires not only shaping existing structures but also creating new ones.

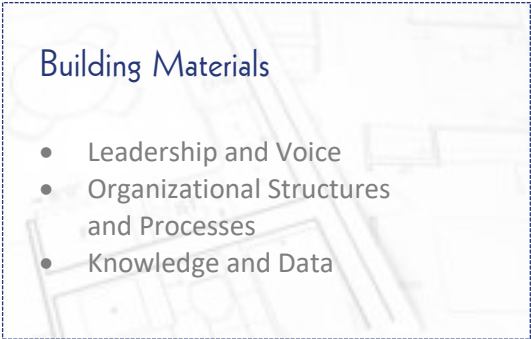
To increase the number of investment products or vehicles focused on social change, it is critical to direct capital to them or raise philanthropic capital to support them.

Taking a role as an early investor in the establishment of a new investment product provides a greater ability to shape the intent and terms of the product. For example, in the early stages of the development of a fund focused on climate change, this would mean taking a position in the fund and then using that influence to ensure that leadership and analysts within the fund incorporate an understanding of the intersectional dimensions of climate change and that this understanding impacts their decision-making. This could involve an INGO or community-based NGO being represented in the fund’s investment community with full voting rights.

Whatever level of control one can exercise over the structure or governance of investments, it’s important to pay attention to the terms of the structure, the diversity of leadership, the practices (particularly how value is being assigned, whose expertise is respected, and what social issues are paid attention to), and the participants in governance. Here, the experience of examining asymmetrical power relationships serves INGOs well.

REALIGN POWER THROUGH STRUCTURES AND TERMS

If the first strategy is about shifting the direction of the resources, this strategy focuses on the power dynamics within those structures. Who sets the terms and controls the flows of capital? Simply moving capital may not disrupt asymmetrical power dynamics. Therefore, what may be required is an analysis of the terms and



Building Materials

- Leadership and Voice
- Organizational Structures and Processes
- Knowledge and Data

determining how to intervene by designing new, impact-specific terms and structures or approaches that have the influence to disrupt existing power relationships.

As previously noted, the past few years have seen a dramatic rise in INGOs using investment and investment-like approaches to support enterprises that seek to address social needs in addition to making profits. Most enterprises that prioritize social outcomes have a slow growth trajectory and may be slower to produce profits for investors. As a result, social-impact-focused enterprises require different terms and conditions to conventional businesses. For an investor, this means shifting the terms so they are more aligned with the likely growth trajectory of a company that has deep commitments to community engagement and building different investment structures that match the real needs of the business. Often, impact enterprises are building the right kinds of businesses but don't identify and attract the right types of capital. Capital needs to fit the purpose of the business and the business needs to have access to capital that fits its needs. INGOs can play an important role in shaping the debate about the type of finance available to such social impact businesses so they can grow in a safe and appropriate manner. This feeds into larger discussions about the future of the financial system as a whole and how to make the outcomes of all finance more reliable and less prone to large disruptions.

Individual investors making private or direct investments—be it into a social impact enterprise or a conventional company—can negotiate and set the terms of the capital with the entrepreneur. This provides a level of flexibility that allows the investor to shape the terms to ensure alignment with their values and to be creative and responsive to the company's needs. Direct investment can also create an environment where the entrepreneur has more power to ask for specifically what they need. However, these private, potentially idiosyncratic structures do not have the same ability to shape the practices of the market at a systemic level. By promoting and sharing this practice to other influencers in the field, the scope and scale of the impact will increase. An example of this is the Impact Terms Project, a library of innovative, real-world impact transactions complete with usage guidelines and sample legal language of emerging practices across the impact arena. By gathering and sharing data about new approaches in the field, the goal is to increase the effectiveness of transactions and increase the cost efficiency that comes with standardization.


As an example, a member of the board of directors of an INGO can shape the investment policy statement (IPS) that dictates how the organization's investment advisor selects investment managers that sit within their portfolio. In this case, one could add a requirement to the policy statement that the advisor review whether managers are doing an analysis of specific social change considerations and representative voices, such as gender inclusion, as part of their investment processes. This may not mean that the advisor will screen them out if they are not, but it sets up a requirement to ask the question. A similar term could be added about reviewing diversity in the leadership of the firm. Asking the question signals to the market what is important to the investor. Adding the requirement to the investment policy statement provides a more durable structure to translate preferences into legitimate practices.

Persistence and activism will likely come in here, as well as questioning status quo power dynamics in the investor-intermediary-investee relationship. Describing terms and structures of finance requires an abundance of technical language. This language often makes the process opaque (and potentially deliberately obscures the realities behind the terms to limit the ability of others to influence them). Finance professionals, including attorneys, have a tendency to say, “that’s just how it works” or “it can’t work that way,” even though these rules and standards for documentation have much more flexibility than they might have you know. Finding that flexibility will create friction. The ability to challenge these norms and stand in the face of expertise and authority is a key tactic to creating financial structures and systems that work for all, and not just for those already in positions of power and privilege.

Collaborations and coalitions are a starting place to experiment realigning structures and terms. Consider ways in which aligning with new institutions or reframing current relationships could shift power dynamics towards equity.

SHIFT TRUST IN PROCESSES OR EXPERTISE

Like all systems of power, finance trades in expressions of expertise and authority. The finance professional who enters in a bespoke suit brandishing their MBA implies a kind of expertise that conveys trust. The performance is a cultural construction and the trust is learned over time. Therefore, it can change over time.



Building Materials

- Leadership and Voice
- Organizational Structures and Processes
- Social Change Strategies

This strategy focuses on shifting the legitimacy of what expertise is trusted and what processes are seen as valid. Unless those underlying cultural norms shift, awareness of power dynamics or even the legitimacy of social considerations within the systems of finance will remain suspect.

Standard processes can and do have dimensions of power. What is considered normative or standard exists within broader systems of privilege and inequality. Those in power tend to benefit from processes that exist and reinforce processes that benefit them through their actions, whether intentionally or unintentionally. Pitch festivals serve as an illustrative example. Pitch festivals are a process in which a set of entrepreneurs “pitch” their company in front of an audience of investors. The ability to project confidence and boldly and succinctly sell the benefits of the company gives an entrepreneur an edge. That is not just confidence, but a particular performance of confidence that certain types of primarily white men are encouraged to demonstrate. When exploring the power dynamics at play related to gender, it has been shown that women are more successful in settings where they have an opportunity to build a relationship. Recently, Village Capital, a global program that accelerates businesses, demonstrated that women entrepreneurs are more successful in a peer selection process where other entrepreneurs who know them choose who gets capital. Women can and do, of course,

succeed in pitch festivals, but the design of the process is gendered male and fraught with cultural, ethnic, and regional biases.

Those that are not typically seen in leadership positions in finance have their authority questioned throughout the industry. Although indigenous leaders and community rights activists may have deep knowledge of how particular populations are impacted by financial or corporate practices, their expertise and experience are written off as irrelevant in a room full of finance executives. Without this leadership in the room, there are missed opportunities to see and understand contextual patterns, risks, and other material information that finance does not currently have access to that could greatly enhance their work. It is important to show the value in diverse backgrounds and perspectives, to translate it into the language of finance, and to engage in and support efforts to radically expand who is seen and heard in conversations of finance. By expanding the range of experiences at the table, we can reap the benefits of how diverse perspectives can challenge homogeneous thinking.

An INGO can sit on an investment committee of a fund to extend the reach of their organizational efforts beyond their grant portfolios to directing the investments of others in aligned impact areas. Investment firms and INGOs can co-publish investor guidance on issue areas of joint interest, such as community consent in corporate lending to infrastructure projects. Such public-facing efforts validate the relevance of INGO resources to the investment community and expand the population of actors engaged on the INGO's issues.

In the end, this strategy rests on three elements:

- Expanding or shifting language and framing
- Changing whose expertise is seen as important
- Changing what roles and processes are trusted

These shifts require understanding how power operates within the system to be able to advocate and create durable change. INGOs have data about trends that impact the communities in which they work. They will also need to be strategic about how to have that expertise valued and the knowledge trusted. And, in many cases, using finance as a tool for social change will require that first, we change the rules of how the game is played.

ADVOCATE FOR SHIFTING WHAT IS VALUED IN FINANCE

This strategy focuses on the systems of analysis in finance. It's about shaping how finance assigns value by introducing new data or eliminating bias in the analysis. It's about introducing new information that challenges the existing assumptions and resulting conclusions made from a set of calculations in finance every day.

This strategy requires both research and the tools of advocacy that ensure the research influences the system of power. In the end, affecting how finance impacts these social outcomes will signal to other systems that social patterns are important.

At its most basic, finance looks back to past data to see patterns and trends, looks out to the future to imagine and predict where things are headed, and uses this analysis to determine the expected value of a transaction. Remarkably, data about societal considerations is relevant in all aspects of that equation. Collecting data about the inclusion or exclusion of certain populations provides a picture of the past, provides insight about where the future is headed, and, most importantly, reveals potential biases evident in that process.

Finance is a system of power. Navigating it requires the same skill set as navigating political systems. Influence matters. The fact that INGOs have figured out how power works in other systems means they can figure out power in this system.

One way to begin to shift what is paid attention to and valued in finance is to ask questions to signal to the system what is important. For example, in a board meeting, asking what the diversity of a fund manager's staff is or their capabilities of integrating specific values-based considerations signals that these are important questions that matter to people in power.

In addition, analysis of social impact is often relegated to the impact measurement processes. However, there is power in advocating for analysis of how social issues affect the value of investments, whether as risks or opportunities. Investors are looking for the slightest advantage to have their investments perform better than their peers (this is called alpha). Moving considerations of social issues from back-end metrics to front-end analytics embeds analysis and consideration of social values into one of the most powerful parts of the finance system. And if it's recognized as a competitive edge within the investment analysis process, the ability to analyze social issues and inequities within a particular context, geography, industry, or sector becomes a legitimate form of expertise.

From the perspective of seeking improvements in gender justice via tools of finance, there is a disproportionate focus on the measurement of diversity in leadership. We need to move to how to value the broader patterns in our society within our investments. For example, comprehending the risk that violence against women is widespread within particular industries and specific geographies. INGOs can present a qualitative story to build correlations between data about societal patterns and the impact on financial risks or performance. And qualitative or even speculative correlations will be useful for individual investors. To affect the core sites of power within finance—analysts sitting in large quantitative shops that create index funds

Building Materials

- Leadership and Voice
- Existing Programs and Social Change Strategies
- Knowledge and Data

and other passive forms of investment that rely on churning through global sets of data across multiple industries—the data need to be comprehensive and predictable.

Issues become more salient when a powerful system such as finance is requesting data. This is where voice becomes important in amplifying the visibility of societal issues and the understanding of their material impact on the world. For example, if the goal is to support local economic growth or influence government attention, systems of finance can be an avenue of influence. This is not just about the budgets of municipalities or corporations, but how value is assigned within the financial structures that they rely on: municipal bonds, corporate bonds, public equities, private debt. Governments rely on the same financial structures.

The challenge in this strategy is getting the research and analysis done. The research needs to go deep and broad in a particular issue to be able to determine approaches. INGOs will not need to do all the research, as they can coordinate and advise investment firms as they begin to incorporate these practices into their own research. With more evidence of correlations, we can leverage investment capital to drive INGO goals.

A point about power and who pays. It would be logical to assume that if finance needs these data and analyses, it should pay for it. As we prove the value, and build those practices, finance should be paying for these data. At this point, we need to demonstrate the connection. Advocate first and then as the system changes, pay attention to whether or not the data are properly compensated. In asking the government to change policy, one would not request that they pay for the study of the advocates. In this sense, this is an advocacy strategy to change what matters in the calculations of value in finance.

INFLUENCE THE GOAL AND MEASURE THE OUTCOME

While using finance as a tool for social change requires, to a significant degree, that one works within existing systems of power, it's also imperative that we challenge the system and hold it accountable for the outcomes it creates, including unintended consequences. This requires monitoring and evaluation.

This strategy focuses on how to change the goals or benchmark against which investments are measured. For example, many foundations and development organizations are funding impact studies and the creation of metrics systems that can integrate attention to social change considerations into the practices of social finance.

Those who control the capital set the requirements or mandates around measurement and accountability. Globally, donor agencies within governments such as USAID or DFAT in Australia



Building Materials

- Leadership and Voice
- Knowledge and Data
- Design of Social Change

and multilateral institutions such as IFC have long since taken environmental, worker rights, and human rights considerations into account when deploying capital. INGOs work to influence and strengthen these frameworks such that these funds flows limit the potential for negative outcomes. These frameworks are extending into private investments as aid agencies engage corporate partners and as impact investment becomes more sophisticated about measurement. The [Impact Management Project](#) is providing essential guidance to broaden the investment community's measurement capabilities beyond financial outcomes to an assessment of both the potential and the realities of social impact outcomes.

Finance is future-focused. This strategy is not just about measuring whether the goal was accomplished, but about redefining the goal or considering how future relationships of power are transformed through the goal. Is an investment in a menstrual health company about women and girls' dignity, girls' education, economic empowerment for women, water and sanitation, or health outcomes? Defining and refining how we measure the type of impact we are trying to achieve influences how investments are made and evaluated for success. It's also critical to consider relationships of power in defining impact goals and analyzing whether they were achieved.

Measurement isn't only useful to understand the impact and unintended consequences of a specific investment. Taken in aggregate, measurement can tell us whether fields of practice, such as social finance, are achieving their impact goals. Often, the financial community will provide its own metrics and measurements, which are generally opaque and may be influenced by the financial entity's profit-driven or public relations objectives. In this field, many INGOs have a track record of measuring performance and outcomes. Their expertise can be utilized working with finance in setting the goals or they can play a watchdog role to ensure that claims of impact are justified or to avoid unintended consequences from not considering a social justice lens. Furthermore, INGOs can look at other financially-related metrics—such as corporations repurchasing their stock to increase share prices instead of investing in their businesses or their workers—to identify important root causes of inequality.

CONCLUSION

Strategies provide a framework and point of entry for INGOs to realize their own power and existing skills to influence the systems of finance. Within that, there is a series of choices about implementation tactics and the day-to-day activities that drive the outcome.

DIMENSIONS

Tactics and Activities

DIMENSIONS: Tactics and Activities

Strategies that use finance as a tool for social change require activities that bridge the known activities of INGOs and the points of leverage within systems of finance. How do the strategies we just discussed translate into concrete tactics and detailed activities? What is necessary to get started? What are the specific steps?

There are several activities and tactics known to INGOs, such as:

- Develop terms to provide financial incentives to reach impact targets.
- Run advocacy campaigns to achieve changes in policy and practice.
- Execute a grants program from design to selection to distribution of funds.
- Design and execute a research project to bring to light important social issues.
- Develop key performance indicators and use evidence to evaluate and measure outcomes of a program.
- Create buy-in internally through advocacy and staff trainings.
- Mobilize funds and aggregate resources to be directed in a particular investment.
- Lobby, engage, and influence people in positions of power.
- Run campaigns to achieve changes in policy and practice.
- Develop partnerships with grassroots NGOs, foundations, corporations, governments, and other key actors.
- Convene, from conferences to brown bags to strategy dinners.

Criterion and Oxfam selected the following three examples to demonstrate how an INGO can leverage its assets and strategies to use finance as a tool for social change.

TRAINING WITH COMMUNITIES ON THE LOGIC AND USEFULNESS OF FINANCE

One useful tactic to drive social change is to increase community awareness on how finance can become a leverage point in achieving its social change goals. Conflicts between indigenous communities and companies over land rights are a regular occurrence. Many go unnoticed, some achieve press attention, but rarely do these conflicts seek to change outcomes using financial markets. Recognizing this gap, First Peoples Worldwide developed a training curriculum called Shareholder Advocacy Leadership Training (SALT). The curriculum covered the basics of socially responsible investing and risks associated with environmental, social, and governance issues and how Indigenous Peoples can and should connect with investors as a strategy to advance their goals. While First Peoples Worldwide closed in 2017, the methodology has been tailored to a number of local contexts and training has been provided to indigenous community members in the U.S., Mexico, and Guatemala. This increased awareness adds new relationships to the power map to put more pressure on finance actors—be they



sympathetic socially responsible investors open and welcoming of this new information or conventional investors fearful of a disruption or project financiers seeking to avoid a public scandal.

STEPS

1. Working through existing networks of formal and informal leaders and influencers, invite community members to a workshop on investment principles and strategies to connect with investors to uphold community rights.
2. Provide training on the basics of corporate structures, filing shareholder resolutions and getting indigenous voices heard in the boardroom.
3. Provide case study examples to allow participants to see how other communities have used investment as a leverage point to draw attention to their causes.
4. Conduct power mapping to identify likely supporters and potential blockers of social change relevant to the objectives of the community members. This can help prioritize outreach and intervention.
5. Directly connect community members to investors to facilitate the interventions being taught in the above steps.

PROVIDING FINANCIAL INCENTIVES FOR REACHING IMPACT TARGETS

Loan term sheets are standard documents that lay out basics of the transaction, such as the borrower, the lender or lenders, the closing date, price, conditions, and rights to information. For routine transactions the terms are standardized. However, standard term sheets do not account for considerations that may be relevant for an INGO entering into a lending transaction that has social objectives. It's critical, therefore, to negotiate changes to the term sheet to ensure that interests remain aligned throughout the course of the project's life.

An example of this is an impact performance incentive or tying a loan's interest rate to the achievement of particular impact objectives. This technique was employed by ING bank in its loan to Philips Corporation in 2016. The purpose of this loan was not only to provide Philips with the capital it needed, but also to incentivize Philips to improve its sustainability performance. In this transaction, the baseline level of sustainability performance was provided by the ratings firm Sustainalytics and any increase or decrease in the company's sustainability rating led to an increase or decrease in the interest rate on the loan. While this example involves two large organizations, the principles can equally be applied to a loan being made by an INGO to an impact enterprise.



STEPS

1. *Identify an impact enterprise that could benefit from a loan and which aligns with the social change you are working towards.*
2. *Obtain a standard set of loan terms.*
3. *Consult the Impact Terms Project to review different features and options that would facilitate the achievement of your impact objectives and facilitate appropriate power relationships around the investment.*
4. *Call a meeting with the impact enterprise to discuss impact-related terms that you think would fit your shared objectives.*
5. *Consult with a lawyer to finalize the language.*

BUILDING AN ADVOCACY CAMPAIGN AROUND A SPECIFIC SOCIAL CHANGE ISSUE

Measurement processes and the data that come from them are often as meaningful to the investor community as they are to the NGOs that produce them. By understanding the incentives of the investor community, INGOs can re-package their research and data to appeal to the interests of the investment community in order to align investor interests with INGOs’ goals.



Corruption is corrosive. It perpetuates underinvestment in public services, infrastructure, and social security systems. The antidote to corruption is transparency. Public reporting of corporate expenditures creates a powerful disincentive for companies to pay bribes (particularly in light of the U.S. Foreign Corrupt Practices Act) and provides cover to companies so they can refuse to pay bribes. This expectation of under-the-table payments to governments has been particularly prevalent in foreign investing in the extractive industries sector.

Corruption limits the ability of communities to protect their land, have their expertise valued, and engage in decision-making processes. For years, Oxfam has advocated on behalf of communities affected by oil, gas, and mining operations to control how their natural resources are used and to defend their right to say if and how projects are carried out.

Oxfam and partners organized a campaign to push for legislation in the U.S. requiring transparency in payments made by extractive industries to foreign governments as a means of combatting corruption. This involved galvanizing the investor community, which joined the campaign arguing that the disclosures provided for under this legislation would enable them to more accurately analyze the strength of their investments given fuller information about company expenditures.

STEPS

1. *In starting a campaign, begin by developing a deep understanding of the issue and the actors involved, starting with the experience of affected community members.*
2. *From this point, construct a power map of these influential actors. Within this map, consider how investors could benefit from the proposed changes and map out approaches to incentivize their support for the proposed changes.*
3. *Reach out to socially responsible investment community members interested in your issue. The Interfaith Center for Corporate Responsibility may be a good starting point.*
4. *Test out the reasoning with a few investor allies to develop a compelling argument as to why investors should support your effort and refine your approach.*
5. *Build a coalition of actors to apply pressure to the right power points to execute your campaign.*

LESSONS LEARNED

The investor voice carries weight in policy circles that the INGOs may not have; understanding these power dynamics can help INGOs to find strategic overlap with asset holders—even in the face of somewhat divergent motivations. By understanding and finding ways to aggregate power, INGOs achieve goals far faster and more effectively than they could working alone. Where the change INGOs seek is related to corporate policy, understanding the power in financial tools and instrumentalizing these tools can offer INGOs access to new venues, such as corporate boards with direct decision-making power, to achieve positive social change. Finally, financial terms and conditions that appear fixed are in reality malleable and term sheets and other legal documents can be effective vehicles transforming power and challenging the status quo to align interests around the social change you seek to foster.

That said, employing strategies that make use of finance is a shift for most INGOs. As INGOs explore and deepen their work in this area, staff and volunteers need time to engage, to get comfortable, and to get up to speed. It is important for the leadership of the INGO to be in agreement and to be realistic about what this will take and look like for their organization, and to prepare for some level of resistance during the change management process.

BUILDINGS

Developing a
Comprehensive Approach

BUILDINGS: Developing a Comprehensive Approach

An integrated and collaborative social change approach begins with defining the purpose or end goal and being explicit about what change is being sought. Next, it involves assessing the context in which that change will take place. An approach targeting gender-based violence is decidedly different if working in a conflict zone or a rural community in the United States. Finally, social change does not work in isolation—it requires a collaborative effort with multiple approaches and partners. While a single organization can lead, collaboration is required to accomplish a deeper and broader level of social change.

How then do you design an integrated approach that incorporates using finance as a tool for equitable social change? The relevant questions here are the same kinds of questions that would be asked in any social change design process:

1. Where can multiple strategies work together across multiple organizations and efforts to create a more comprehensive strategy? What power dynamics exist?
2. Who are the partners or collaborators who can bring complementary assets and help you reach outside of your area of comfort?
3. How is the strategy staged over time and what are the dependencies within that staging?

It's helpful to think in concrete examples. What follows below are three examples centered on a specific issue looking at the creation and application of the strategies and tactics named in the previous sections. Each example will conclude with a set of starting places that would facilitate an integrated approach.

REDUCING GENDER-BASED VIOLENCE

The assumption is often that finance can only be used to make a difference on purely economic issues. Gender-based violence affects one in three women worldwide and is a part of day-to-day life in any country. While the experience is often private, the impact of the violence is widely shared throughout society, affecting the roles and status of women and their ability to participate in the work force, and destabilizing family structures. Any of these patterns present a risk to an industry or a geographic region and therefore a risk to an investment in that industry or region. Given this connection, how can INGOs engage the system of finance to reduce the incidence or the impact of gender-based violence?

Floor Plans:

- **Channel Resources to Enterprises and Investment Opportunities that Contribute to Transformative Social Change:** Move capital to efforts that respond to gender-based violence or to enterprises that address the underlying causes.
- **Advocate for Shifting What Is Valued in Financial Analysis:** Assign value of an investment's potential risk or return, drawn from data on gender-based violence in industries and sectors within a geography.
- **Realign Power Through Structures and Terms:** Employ specific structures to shape incentives and deterrents for businesses to respond to their own practices that may be encouraging or could be preventing gender-based violence.

Channel Resources to Enterprises and Investment Opportunities that Contribute to Transformative Social Change

Investment capital, in particular pools of debt or equity, can be directed to enterprises or organizations that respond to the impact of gender-based violence. These programs are likely not high-growth companies, but they, like many other service organizations, may require cash flow loans or investments to support expansion or experimentation within a particular program.

A few examples:

- Investing in a company that ensures safe, accessible transport for women going to or from work in high-violence areas or investing in a housing development that factors safety for women or vulnerable populations into the design of the space.
- Making investment capital available to for-profit or non-profit organizations that provide social services (potentially funded by the government) to help them scale programs offered to those affected by violence.
- Providing capital to domestic violence crisis centers for the purchase of real estate or the adaption of current space to a more appropriate design. Often these building acquisitions are funded by donations or grants, but debt or guarantees could be an alternative.

Investment dollars can also be directed towards enterprises that shift the root causes of gender-based violence:

- If the focus is financial freedom, making capital available to women or groups of women to start businesses is an important contributor to their ability to have financial independence whether or

not they choose to stay in abusive situations. Investments could be made in funds that provide appropriate capital for women to start or expand their businesses.

- If the focus is attitudes towards masculinity and violence, investments could be made in companies or broader financial vehicles that are proactively working to change cultural norms.
- If the focus is absenteeism and presenteeism—showing up for work but not being able to function due to the effects of abuse—social impact bonds could be utilized to create an investment vehicle that supports violence prevention efforts through a pay-for-success model. As the reduction of violence reduces absenteeism and presenteeism, and therefore saves the company money, companies or governments would be incentivized to invest the resulting costs savings in the social organizations that are most effective in supporting survivors of violence and the social change efforts that reduce gender-based violence.

Advocate for Shifting What Is Valued in Financial Analysis

- In order to advocate for the incorporation of data and patterns of domestic violence into financial analysis, start by identifying the correlations between the impact and the patterns of domestic violence and short and long-term financial risks for various industries and types of companies. For example, consider the following tactics:
- Quantifying the cost of violence to specific businesses in a geographic region. In regions like Latin America and the Caribbean, where between one-fourth and one-half of women report having experienced intimate partner violence, the impact on business may not be isolated to a particular business but affect the overall economic stability or growth of the region. Another tool is to look at municipal bonds—specifically, to isolate the impact of gender-based violence in a local economy.
- Expanding the set of correlations between gender-based violence and risks to investment. Correlations in finance are not necessarily direct. How does a flagrant disregard for laws correlate with disregard of laws within contracts? One of the key risk factors that investors look at is the prevalence of rule of law. This is particularly important in investments in emerging markets, where investors look at questions of corruption and effective government regulation of businesses. Domestic violence, for example, is a signal of the acceptance of violence in a culture. Therefore, investors looking at rule of law in a country might turn to statistics about domestic violence to predict a broader set of behavior.
- Increasing the demand for research on gender-based violence with an eye to increasing issue salience and broader awareness of its impact within the private sector. Spur this demand for research through campaigns and greater media visibility of the issues. Potentially, create a coalition working on this issue to drive research to a variety of asset classes, or categories of investment from public equities to municipal bonds.

Realign Power through Structures and Terms

The power embedded in investment structures and terms can put pressure on actors to respond to gender-based violence or create incentives to design the business to address violence in the home, workplace, or community.

A gender analysis of a company would identify areas in which businesses explicitly contribute to or impede gender-based violence. Within the process of an investor structuring a private investment, terms could be put forward to ensure appropriate practices were introduced into the company. Given the correlation between violence and the productivity of employees, this might be good for both the investor and the company. What would it take to align investment structures and terms which recognized the impact of violence on business and build in incentives and deterrents? An initial list of options could include:

- Milestones tied to shifts in policies and practices at the company aligned to staging of payout of debt.
- Explicit activities around improving practices outlined in uses of capital.
- Tangibly defining how the risks the company experiences could be tied to the value of the company, which could affect later investment terms.

The amplification of impact comes when it's not just an individual investor or investment fund using these tools within a private investment. Broader impact is possible when these terms are public and broadcast to others as viable practices for investors, through networks, shareholder advocacy, or other platforms.

Starting Places:

1. Support organizations with direct experience working on gender-based violence to incorporate finance within broader strategy conversations and focus on which other influencers should be at the table.
2. Provide data and expertise on the impact of gender-based violence to improve financial analyses and deal structures and to inform engagement strategies with governments, development finance institutions, and the private sector.
3. Leverage financial, political, and social influence to coordinate campaigns advocating for financial systems and the private sector to pay attention to gender-based violence.

REFUGEES AND DISPLACED PERSONS

According to Oxfam data, more than 65 million people around the world are now officially displaced from their homes by conflict, violence, and persecution—the highest figure recorded by the United Nations since the Second World War. What previously was seen exclusively as a social issue is increasingly of interest to the investor community, as insecurity for the millions of displaced individuals is linked to various investment risks (e.g., regulatory risk as in the effect of inward migration on the Brexit vote in the U.K. and limitations on access to the global talent pool as more stringent immigration rules come into play). This creates an alignment of interests for NGOs working on safe and secure migration with long term investors looking for reliable returns and a stable investment climate. Given this connection, how can INGOs leverage finance to improve conditions, support, and outcomes for refugee communities?

Floor Plans:

- **Channel Resources to Enterprises and Investment Opportunities that Contribute to Transformative Social Change:** Directly move capital to enterprises or intermediaries, influence or aggregate capital flows, or influence design of new structures for supporting positive outcomes for affected communities.
- **Shift What Expertise is Trusted and What Processes Are Seen as Valid:** Expand the view of risks within investments to incorporate a nuanced view of how migration trends impact financial expectations.
- **Influence the Goal and Measure the Outcome:** Systems of accountability and measurement ensure that the claims of the system can hold up to scrutiny. This strategy becomes particularly important to prevent unintended consequences that come from a lack of focus on outcomes.
- **Influence the Goal and Measure the Outcome:** Reframe the goals of climate change so that it reflects an understanding of the structural inequities built into both the impact of and the response to global warming.

Channel Resources to Enterprises and Investment Opportunities that Contribute to Transformative Social Change:

Alongside the migration crisis in Europe and long-standing unresolved immigration issues in the U.S., policy responses from countries around the world have varied from inclusive to restrictive. In the U.S., the 2016 presidential elections heralded a new age of protectionism. In the face of a proposed 2016 travel ban that would restrict the entry of refugees from seven predominantly Muslim countries, many Silicon Valley giants in particular reacted swiftly to denounce the move, yet the majority of other major U.S. corporations stayed silent.

For an INGO with investment holdings in corporations, this is actionable information. An INGO can research the public statements of its investee corporations to see what statements and actions companies they own are staking out on the issue. They can switch out of holdings in companies that are making statements that don't align with their values. They can make their change in holdings known, through press releases and other public notifications, as a way to put pressure on the companies in question.

With or without investment holdings, INGOs can participate as trusted advisors to coalitions of investors pushing for progressive corporate policy, such as the Interfaith Center on Corporate Responsibility's (ICCR) Investor Alliance for Human Rights. The Investor Alliance for Human Rights was established to provide a collective action platform to facilitate investor advocacy on a full spectrum of human rights and labor rights issues. The Investor Alliance for Human Rights is eager to engage INGOs to ease access to the latest and most in-depth research and to spread the reach of their message.

Other approaches include using repayable grants or other financing instruments to support on-the-ground work fostering stability in areas experiencing famine and conflict; i.e., the root causes of migration. For example, Oxfam has supported livelihood programs in Akobo, South Sudan. While most activities—such as distributing fishing kits and supporting bread-making groups—were grant funded, Oxfam also supported setting up businesses, such as a hair salon run by widows that could benefit from working capital for the purchase of small equipment.

Shift What Expertise is Trusted and What Processes Are Seen as Valid:

There is a real opportunity for INGOs studying migration to embed expertise about the global trends they are tracking into financial and investment products. The investment community is increasingly concerned about rising instability and political disruption brought about by rampant economic inequality. Migrants are both victims of this economic inequality as well as scapegoats, as communities in economic decline look for easy targets to blame for the lack of opportunities. Building trust is key for activists to see how finance could be a space where they engage and for financial players to learn to value data about migration patterns. In part, this is about the availability of data, and about translating the research that immigration advocates already produce into a form that is navigable for an investing audience.

There is one significant challenge. Often, even when the data exist, they're not trusted and may be dismissed as not having a material impact on the performance. Whether the data are perceived as material to the success of the investment strategy is not just a matter of proving the correlation but requires overcoming biases about gender, race, and class in how the data are valued and contextualized.

One strategy is to create partnerships based on complementary knowledge and expertise. Engaging with investment houses already looking at inequality and providing them the materials to create products geared towards an investor audience extends the INGOs' reach and audience without requiring the esoteric knowledge base that it would take to do this effectively on their own. This could allow for both the validation of the data and the preparation of data in context in which financial players will understand.

Influence the Goal and Measure the Outcome

As migrant workers land in countries with poorly enforced labor laws, they become vulnerable to abusive recruitment practices. Companies large and small across global value chains in sectors such as apparel, food, beverage, information, communication, and technology have a role to play in eradicating abusive labor recruitment practices. A company that cuts costs through purchasing from unethical suppliers is introducing unnecessary risk into its supply chain, and analyzing for the presence of this risk is good for both the investor and the company.

Becoming an active player in the company through shareholder advocacy can add to an INGO's arsenal of tools to move the issue forward. This can take several forms:

- File a shareholder resolution asking companies the INGO owns to disclose their ethical recruitment guidelines.
- Track progress and shifts over time, bringing along other socially responsible investors along the way.

- Join multi-stakeholder coalitions such as Know The Chain (<https://knowthechain.org/>), which helps companies and INGOs track progress towards meeting the goal of an end to forced labor.

Starting Places:

1. Aggregate current research about the connections between migration and investment outcomes.
2. Create partnerships with investment community actors who have shown interest in informing the investing public on the effects of inequality on investment outcomes.
3. Look for opportunities where investors are the primary audience, such as investor-facing webinars or publications, to share research with the investment community.

INEQUALITY IN FOOD SYSTEMS

The broken global food system is contributing to rampant inequality worldwide. The way that food is grown, processed, and sold systematically privileges the wealthy and powerful at the expense of smallholder producers and women—who often go hungry and suffer human rights abuses while producing our food. Climate change and a growing population further threaten these suppliers and their livelihoods. INGOs across the world have been fighting for more equitable and sustainable food systems for decades by advocating for strong public policy and campaigning against corporate supply chain abuses.

How can an intentional strategy to engage capital markets play a role in driving change in the global food system?

Floor Plans:

- **Influence the Goal and Measure the Outcome:** Understand more clearly the connection between investment practices and inequality in food systems.
- **Channel Resources to Enterprises and Investment Capital that Contributes to Transformative Social Change:** Move capital away from companies that are not actively promoting equitable food systems and to companies that are developing fair and sustainable solutions to feed our planet.
- **Shift Power through Terms and Structures:** Use the ability to vote proxies and requirements for transparency to shape corporate practices.

Influence the Goal and Measure the Outcome:

Many push and pull factors abound that are encouraging companies to adopt more transparency and sustainability around their impact on global food systems. Consumer preferences are calling for healthy and organic food, while headline risks around forced labor and land grabs are forcing companies to think more deliberately about their impact on food value chains. Socially-minded investors are demanding better business practices on issues such as food waste, access to nutrition, and workers' health and safety where food is grown, harvested, and manufactured.

In order to effectively track corporate practices, it's important to create clear and commonly shared measurement systems, and a number of accessible tools exist to help INGOs understand and evaluate these issues. Oxfam created a scorecard alongside the 2013 Behind the Brands campaign that assesses agricultural sourcing policies of the world's ten largest food and beverage companies; ICCR has issued guidelines for responsible investing in food commodities; and Roots of Change developed a system dynamics map that identifies critical points of leverage within the food system.

Channel Resources to Enterprises and Investment Opportunities that Contribute to Transformative Social Change:

There are investment products available that screen for supply chain transparency, water use, and other issues that indicate a company's footprint on the global food system. These products are readily accessible and aim to influence the behavior of large-cap, publicly-traded corporations. However, many INGOs like Oxfam argue that greater impact can often be had on the food system by strengthening local value chains and increasing resilience and opportunities in communities for small-scale farmers and producers.

Many private investment funds exist to increase financial access for smallholder farmers and producers, allowing them to scale their operations and build resiliency. Root Capital, for example, provides credit to rural agricultural businesses in Africa and Latin America with the aim of lifting smallholder producers out of poverty. INGOs do not necessarily need to set up these types of funds to have an impact—indeed, they generally do not have the back-office structures necessary to do so. Instead, INGOs can use these funds to channel capital towards impactful businesses in several ways:

- By investing as a limited partner in these funds
- By providing philanthropic subsidies to these funds to reduce the burden of administrative costs
- By directly co-investing alongside these funds on a project-by-project basis (for example, an INGO with deep connections in the Senegal peanut sector can provide strategic capital to finance a working capital line of credit to a Senegalese peanut cooperative)

INGOs can also use their advocacy expertise to promote these different vehicles in policy circles. In addition, INGOs can bank with institutions that support these types of businesses. In Massachusetts, Eastern Bank partnered with the worker-owned cooperative Equal Exchange to develop a three-year certificate of deposit (CD—a savings certificate) that pools capital from bank customers to create a low-interest line of credit to the cooperative. INGOs can choose to bank with institutions that offer these sorts of products and purchase them as an alternative to cash holdings.

Shift Power Through Terms and Structures:

As a first step, INGOs can review their investment policies to ensure alignment with principles of an equitable and sustainable food system. Moving from implicit to explicit terms gives investment advisors and managers the mandate to be able to raise questions within the portfolio.

In the U.S., shareholders in publicly traded companies who meet certain criteria can vote proxies on motions at corporate board meetings to require transparency in a food and beverage company's water use policies in specific communities, for example. Owning shares conveys power to raise awareness of corporate actors, but this requires coordinated campaigns. It requires the kind of endurance that INGOs have demonstrated in seeking to shape issues of gender equity.

Starting Places:

1. Move capital to investment opportunities that incorporate the selected issue in their approach to investments.
2. Encourage investment managers to vote proxies and contribute voice and power to the campaigns to shape the transparency and the practices of corporate actors.

CONCLUSION

What is laid out in this section are complex social change processes that would require the effort of many organizations working across boundaries, building new skills sets, translating knowledge, paying attention to power in the implementation of strategies, shifting whose expertise is seen as valid, and pulling on a range of levers to facilitate change. There is the continued importance of design time to be able to shape these strategies and imagine how they can become more effective. It is important to have a place to start so that the learning can begin as the long-term approach is developed, and transforming relationships of power is being considered in all aspects of the work.

DOORS

Starting Places



DOORS: Starting Places

Everyone has a different sense of what is easy. For some, travel is an adventure; for others, it's a daunting prospect that requires many maps and plans. One person's definition of the easy way to get started will differ from another's. Therefore, there will always be a variety of ways to start venturing a new path and this will ring true for any INGO that is beginning to explore using finance as a tool for social change.

INGOs are not constitutionally wired to make radical internal changes. They are often slow to adopt new approaches, particularly ones that might worry their board of directors, their donors, or their partners on the ground. INGOs may prefer to remain in their comfort zone where they've achieved success, but this can lead to inertia. Some INGOs and the NGOs that they support are also providing direct delivery of critical programs on the ground. It is hard to imagine putting those programs at risk for experimental approaches.

This fear is quite well placed. Finance has created a lot of negative outcomes in the world. Rather than dismiss the fear, we can use it for good. We can sit with that fear, recognizing a beauty in the anxiety we experience around a financial transaction. There is elegant logic in the fear of finance. What do we have to learn from our fear? In addition, how can we use fear as data points? What is it telling us about an individual transaction and our engagement generally? Emotions can be effective guidance systems.

One barrier to engagement is the tendency of those in humanitarian or social service roles to claim a lack of finance knowledge. The training that Criterion offers on finance as a tool for social change includes a pledge card that says simply, "I will never again say 'I don't know finance.'" It is not suggesting that one should declare knowledge on the inner workings of finance if that is not accurate. The Pledge Card recognizes that many people outside the finance industry are quick to offer a commentary on their lack of knowledge of finance, in part as a move to distance themselves from a conversation.



Bolstered with a faith in the possibilities, a variety of possible places to start could serve as ways to open the door and test if some or any of the objections are still present.

- **Start by listening.** Lean into conversations when the topics shift to finance, rather than leaning back.
- **Start by reading.** Read the finance section of the newspaper. Have Investopedia as a bookmark on your browser, click through, and play with the words. Read a couple of articles on social finance in the *Stanford Social Innovation Review*. Keep reading and learning to create a feeling of comfort and increasing expertise.
- **Start with a conversation, or two or three.** Have a lunch out with someone in finance. Find an old school friend who ended up in finance and ask if they will have lunch a few times.
- **Start by asking simple questions.** Ask, "What does that word mean?" Glazing over language because it's technical is one of the easiest ways to stay alienated. Ask a question next time someone says a technical word.

- **Start by asking tough questions.** Increase the challenge, push in ways that feel increasingly risky. See what people say. Talk to your fund manager. Or, if that's too close for a first step, ask a question of your investment managers if you sit on a board. Where does gender analysis factor into how you approach investments? Or, perhaps a warm up is easier: do you have any women in senior leadership positions in your firm?
- **Start by collecting collaborators.** Pay attention to who in your community seems to be leaning into finance. Find out who you could work with and begin to scope out the opportunities.
- **Start a committee.** Several funds have created a gender lens investing committee within their board or staff who can explore the potential more intentionally. This has created an opportunity, to bring in outside experts, build the connections that strengthen the conversation
- **Start with a short, focused project.** For example, survey or interview grantees for their appetite for investment capital beyond grant capital.
- **Start by inviting.** So many people are waiting to be invited. Rather than waiting to be invited to the finance table, set the invitation.

Starting can be daunting. Simple and elegant next steps—everything from three lunches a year with finance colleagues to a slow but steady increase in knowledge about finance—is the best strategy. Keep it simple and focus on the starting places that work best for you in your own context. Give credit to the fact that these preliminary conversations and other steps mean that analysis and testing have started. This is the beginning of imagining what might be possible.

When those doors open, there will be people behind them. When those doors open, begin to see how power is showing up in the financial systems, the people behind them, and the power INGOs bring to the conversations. The next steps will take place in concert with others: with social change organizations, with finance people, and beyond. This requires an imagination to see how the intention and efforts of many colleagues working collaboratively for change can be utilized to transform relationships of power within finance. Imagine what is possible within the field of finance and seeing where INGOs fit into building that field of individuals, organizations, ideas, attitudes, and activities.

An aerial photograph of a city grid, showing a dense pattern of buildings and streets. The image is overlaid with a semi-transparent blue filter. The text is positioned in the upper left quadrant.

NEIGHBORHOOD

The Field of
Social Finance

NEIGHBORHOOD: The Field of Social Finance

The field of social finance is the neighborhood in which change can happen. This is the space where there are opportunities to rethink the purpose of capital to be not solely about profit-making but to transform relationships of power for more just and sustainable outcomes for society. There are two opportunities INGOs have to engage with social finance: they can choose to participate in the field and they can take a role in helping to build the field. The path will be different for each organization, whether it focuses on one or both of these opportunities, and both options are equally valuable.

Participating in the field could include: attending conferences, participating in networks, engaging with and making use of the written resources, and broadcasting stories and successes as they are discovered. The simple act of acknowledging the field reinforces its legitimacy. Of course, the key form of participation is to design and develop strategies that use finance as a tool for social change.

- Become a hub for collaboration within your community. Share lessons learned with each other. This is an opportunity to do the work of collaboration but also to use the INGO voice to signal the importance of a community to practice with.
- Build a base of insights and proven correlations between social patterns and finance. Most of the data focus on patterns within a company, such as sourcing or workplace equity practices. Social issues are present in finance much more broadly than in the workplace alone, and those patterns are material to investments.
- Influence existing impact investing and sustainable finance collaborations to ensure they are attending to questions of power and inequities. There are already significant efforts to use finance as a tool for social change, and bringing the knowledge of INGOs to those efforts is critically important:
 - o Network organizations such as the Social Venture Network (SVN), Global Impact Investing Network (GIIN), Asian Venture Philanthropy Network (AVPN), European Venture Philanthropy Association (EVPA), Interfaith Center on Corporate Responsibility (ICCR), The Forum for Sustainable and Responsible Investment (US SIF), and Aspen Network of Development Entrepreneurs (ANDE)
 - o G8 efforts to create a global policy around impact investing which are housed in National Advisory Boards
 - o Angel networks such as TONIIC and Investor's Circle
 - o Local investment professionals (you might find them through some of the networks above or at places like the local Impact Hub.)

INGOs wishing to help build the field can play a role in expanding collaborations and inviting new actors to see themselves as part of the conversation.

- Develop and support 'translators'. To fuel collaboration, organizations and individuals who can command diverse types of capital and finance language as well as be cognizant of the depth and breadth of socially driven data, and adept at connecting one to the other, have a critical role to play.

- Invite newcomers so that new voices with knowledge and insight on social issues are incorporated into the field. This includes other INGOs as well as affected community members, grassroots organizations, and academics.
- Frame and reframe messages, paying careful attention to language and messaging that is reflective of how various audiences 'hear' finance. This helps make the field visible to a more diverse audience and in implementing more intentional field-level communication strategies.
- Convene across boundaries using in-person methods to build trust and create places to practice together which are risk-free as both sides step out of their traditional roles and working contexts.
- Strengthen networks focused on social issues around engaging in finance, such as InterAction, Humentum, or global organizations such as UN Women. The role of these networks is increasingly critical, and the potential for them to be able to leverage their existing constituencies' power through finance becomes a compelling option.
- Create space for collaborative design and experimentation to build strategies for using finance as a tool for social change, and share the results and lessons learned from early implementation.
- Curate divergent information and knowledge by linking data in finance and social issues in accessible ways so that the next round of researchers can draw on the data to make new connections.

In summary, one of the most critical issues now is the need for a bridge between individuals and organizations with deep knowledge of social issues and those with investment knowledge. The field needs to make a case for involvement here to the long-distance runners who have been working on various social causes and together create a new community or neighborhood which will have renewed energy, approaches, and strategies for creating the world we want. INGOs have the opportunity to join in building the neighborhood and in the process collaborate with a whole host of players to keep the attention on questions of equity and justice to ensure we are not simply pointing capital at new companies, but rather transforming relationships of power.

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