



TEN YEARS' TIME

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COMMUNITY OF PRACTICE

**Masterclass supplementary:**

# **Investments**

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# Investments

To situate philanthropic capital appropriately, the natural starting point is to look at our global systems of economy and governance.

The dominant economy is rooted in extraction. We extract natural resources unsustainably, often by force and through militarism. For example, Democratic Republic of the Congo, has the world's largest reserves of cobalt. As we increase our dependence on electric cars and mobile phones, corporations are extracting cobalt and other minerals, perpetuating militarism, gender-based violence, land theft, and human rights abuses in the region.

In addition to extraction of natural resources, human labour is often obtained through exploitative means. We see this reflected through corporate profit-making practices, which involve mass layoffs, wage suppression, and precarious employment conditions. These common practices facilitate astronomical executive compensation and shareholder profits, contributing to increasing inequality (e.g. in March 2024, Unilever cut 7,500 jobs globally and its share price rose as much as 5% in one day). The creation of this system was ultimately contingent on transatlantic enslavement, colonisation, genocide, and ecocide. This formed the foundations for Western economies, shaped the financial system (many of the financial instruments we have today were built around the plantation economy and enslavement), and built the wealth of nations. It created the architecture for an oppressive system which:

- Continues to extract in order to concentrate wealth within certain geographies and demographics.
  - Entrenches colonial legacies by perpetuating debt owed by countries in the Global South.
  - Systematically prevents working class and low-income communities (especially those from diasporic and racially minoritised backgrounds), Indigenous peoples, and countries in the Global South from being able to build and maintain wealth.
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Philanthropic foundations are, by definition, complicit with the extractive economy, given that the bulk of capital entrusted to their stewardship is invested in traditional financial markets which reinforce oppression and injustice.


By way of illustration, it is helpful to refer to Bridges Fund Management's Spectrum of Capital. It seeks to map out the broad range of risk and return strategies that exist within sustainable and impact investing. While it makes provision for below market returns, in practice many foundations resist the idea of so-called "concessionary returns" and adopt investment strategies which seek to maximise financial returns and prioritise long term growth. Furthermore, having the bulk of assets in traditional financial markets means that organisations, which ostensibly exist for the public benefit, may be investing in ways that contradict their intended purposes and cause harm to the communities they serve.

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The Just Transition Framework is applied by Justice Funders in their publication Resonance 2nd Edition, A Just Transition Guide for Philanthropic Transformation offers a set of processes and practices for philanthropy to turn extracted resources into resources for the regenerative economy.

Two key strategies which emerge from Just Transition principles in Resonance 2.0 are that, in order to move towards a more restorative model of philanthropy, the following underlying assumptions and approaches must apply:

- The role of capital is to support the collective capacity of communities harmed by economic inequality, to produce for themselves, give to and invest directly in what their communities need, and retain the returns generated from these investments.
  - The role of philanthropy is to actively build new economic systems that transfer the management and control of financial resources away from institutions and towards communities who have been impacted by wealth accumulation and the extractive economy." (Resonance 2.0, Justice Funders p55)
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What does this mean for philanthropic funders? Looking at the Spectrum of Capital ask yourself, in the words of Lynne Hoey of the Kataly Foundation: “What would it look like to prioritize our values, capital preservation, liquidity, and then returns?” This is an excellent question which can anchor you in the beginnings of anti-oppressive practice.


Embodying anti-oppressive practice is rooted in the enactment of solidarity with communities. The boldest mandate for funders is to start shifting as much capital as possible away from traditional extractive investments, which ultimately prioritise maximum returns to funders, and move capital towards regenerative, community led and governed formations which are focused on:


- Empowering economic activity at a local level.
- Ensuring communities have sovereignty and self-determination such that they are empowered to make decisions about things that affect them directly.
- Bringing financial resources and assets (such as housing, land, energy) under community control, especially those communities which have been disproportionately harmed by extractivism.
- Enabling communities to build financial and cultural wealth and power.

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Social investment often seeks to do good while also benefiting investors with market level financial returns. It’s very difficult to reconcile these two positions because these investments use social problems as an opportunity for profit to be further extracted from communities developing their own responses to the multiple crises we are facing. Therefore, even social investment can be positioned as extractive and reinforcing oppressive systems.

The strategic use of integrated capital can offer a means of resourcing communities. Integrated capital is the coordinated use of different forms of financial capital and non-financial resources to support initiatives that are working to solve complex systemic social, economic, and environmental problems.







Integrated capital can be used as a tool for community wealth building, supporting social justice movements, social businesses, resourcing initiatives established by those facing marginalisation in the economy, and enable communities to make place-based investments using their own decision-making power.

The instruments used tend to be a combination of non-extractive loans and operating grants. In essence, non-extractive finance means any returns to the lender should never exceed the wealth created by the borrower using the capital. Ultimately, to the extent there are any returns, these should benefit the communities and ensure that the borrower is never worse off. Examples of regenerative investments and integrated capital practices can be found in the accompanying resources list.

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Walking in anti-oppressive practice as philanthropic investors requires the following:

- Moving from charity to enacting solidarity by committing to understanding systems of oppression and changing your praxis so that you are working in partnership with others towards a society and economy that supports the aims of social, economic, and environmental justice movements and community organisers.
  - Learning about emergent practices in the regenerative resourcing ecosystem, the use of integrated capital, and the broader vision to transfer assets into community governance to build community wealth.
  - Building the collective capacity for regenerative resourcing in frontline communities.
  - Experimenting with pools of more regenerative investments where capital is resourcing communities as an ecosystem.
  - Advocating for capital assets to be transferred into community governance and investing in creating the conditions for this to happen, such as the legal and regulatory hurdles that need to be overcome.
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- Having an honest conversation with your board, and your lawyers to see what it is going to take to be able to invest in a way that means the foundation does not maximise financial return.
  - Beginning and ending the work in community, and organising collectively with other funders around the needs and priorities of grantee communities.

## Calls to action

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- The trustees of your foundation are the legal owners of the assets held by the foundation. Ultimately, they have control over how those assets are invested and distributed. Approach them, and their investment committee, with a clear request for information about what assets your foundation holds, the current value and the financial returns to the foundation over the last 5 years.
  - Continue to educate yourself about emergent non-extractive investment practices, and fund work that will strengthen and encourage experimentation. Seek legal advice with an explicit mandate for your lawyers to advise on what needs to happen to permit and non-extractive investment. Organise with other funders to advocate for more regenerative stewardship and experiments with capital.
  - Understand your grantee community's resourcing needs. Ask them: what would it look like for frontline communities to not have to fundraise for their core operations for 10 years because they have resources? What would they require? And what do they require from you to make that happen?
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# Resources List

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## Podcast and Video

Podcast – How to Build a Stock Exchange

Episode 1: Finance Matters (22 mins)

Episode 17: White markets, black markets (40 mins)

- <https://philiproscoe.net/podcast-archive/>

Video: How We Live: A Journey Towards a Just Transition (7 mins):

- <https://youtu.be/mGaThDVTkn4>

## Reading

Spectrum of Capital, Bridges Fund Management

- <https://bridgesfundmanagement.b-cdn.net/wp-content/uploads/2017/08/Bridges-Spectrum-of-Capital-print.pdf>

Just Transition: A Primer, Grassroots Global Justice Alliance

- <https://ggjalliance.org/resources/jtprimer/>

Lynne Hoey, Chief Investment Officer at Kataly Foundation: Investment Series on Impact Alpha

- <https://impactalpha.com/kataly-foundation-divesting-from-wall-street/>
- <https://impactalpha.com/a-spend-out-foundation-asks-what-is-enough/>
- <https://impactalpha.com/wrestling-with-the-greedy-predatory-wealth-hoarding-history-of-the-financial-system/>
- <https://impactalpha.com/unpacking-the-experiments-barriers-and-pivots-exploring-community-banking-with-kataly-foundation/>

Resonance 2nd Edition, Justice Funders (including Just Transition for Philanthropy Spectrum)

- <https://justicefunders.org/resonance-framework/>
- [https://drive.google.com/file/d/125pSIL\\_v4hWUyEh2ljhD1U\\_e0Uc0Q0Is/view](https://drive.google.com/file/d/125pSIL_v4hWUyEh2ljhD1U_e0Uc0Q0Is/view)

Social Movement Investing Paper

- <https://www.economicdemocracy.us/mvpt>

Colonial Roots of Global South Debt

- <https://debtjustice.org.uk/wp-content/uploads/2023/09/The-colonial-roots-of-global-south-debt.pdf>

Just Transition Investment Framework

- <https://justicefunders.org/jti-framework/>

Just Transition Integrated Capital Fund

- <https://justicefunders.org/jtic-fund/>

Integrated Capital to Shift Power to the Front Lines

- [https://ssir.org/articles/entry/how\\_to\\_use\\_integrated\\_capital\\_to\\_shift\\_power\\_to\\_the\\_front\\_lines](https://ssir.org/articles/entry/how_to_use_integrated_capital_to_shift_power_to_the_front_lines)

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