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# THE POTENTIAL FOR SOCIAL INVESTMENT TO FINANCE THE ENVIRONMENTAL NGO SECTOR IN NORTHERN IRELAND

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# ACKNOWLEDGEMENTS

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**In partnership with the Northern Ireland Environment Link**



# SOCIAL INVESTMENT AND NI'S ENGO SECTOR NPC



## Aims and approach

This research aims to support **Building Change Trust (BCT)** and **Northern Ireland Environment Link (NIEL)** explore and understand the potential for social investment to finance the activity of the environmental NGO (eNGO) sector in Northern Ireland (NI).

The research gathered views from across the eNGO sector in NI, UK social investors, representatives from Northern Ireland Executive departments, and third sector infrastructure organisations.

The research involved:

**A review of key documents** on the environment sector and social investment market in the UK and NI, as well as other initiatives aimed at capacity building in the Voluntary, Community and Social Enterprise (VCSE) sector.

**A survey of Northern Ireland's eNGO sector** to gauge the current pressures in funding, the levels of interest in social investment, and the potential barriers that exist for those interested in exploring social investment. It also sought to understand what support could be made available to grow social investment within the NI's eNGO sector. The research draws on responses from 78 eNGOs and other stakeholders based in Northern Ireland that completed an online survey.

**Consultation sessions** involving 19 organisations from the eNGO sector and other stakeholders. These sessions explored the survey findings further, gathering opinions on the needs and issues in the sector, as well as the potential areas to support access to social investment, ensuring eNGOs are 'investment ready' (see page 69).

**Exploratory interviews** involving organisations (see page 105 for those involved). The outputs from these interviews were triangulated with the survey results. They also targeted areas that required additional inquiry, such as next steps required to stimulate demand for social investment. Organisations involved were a mix of social investors, eNGOs, and public sector representatives.

# SOCIAL INVESTMENT AND NI'S ENGO SECTOR NPC



## Structure of the report

This report covers:

**Section 1: Overview of the environment sector in Northern Ireland.** This section details the key characteristics of the eNGO sector in Northern Ireland, and the UK more widely. This includes the funding and political contexts in which eNGOs operate, and income data gathered through the survey.

**Section 2: Social investment in the environment sector.** This section provides an overview of where social investment has already financed environment activities in the UK, from established areas of investment in green technology, to emerging investment areas such as biodiversity conservation.

**Section 3: The potential for social investment in Northern Ireland's eNGO sector.** This section reports on eNGOs' current appetite for, and levels of interest in, social investment. It explores a range of products from debt finance to alternative non-grant finance, such as community shares, crowdfunding, and payments for eco-system services. The section also presents some of the barriers that exist for eNGOs, and how they impact on access to social investment.

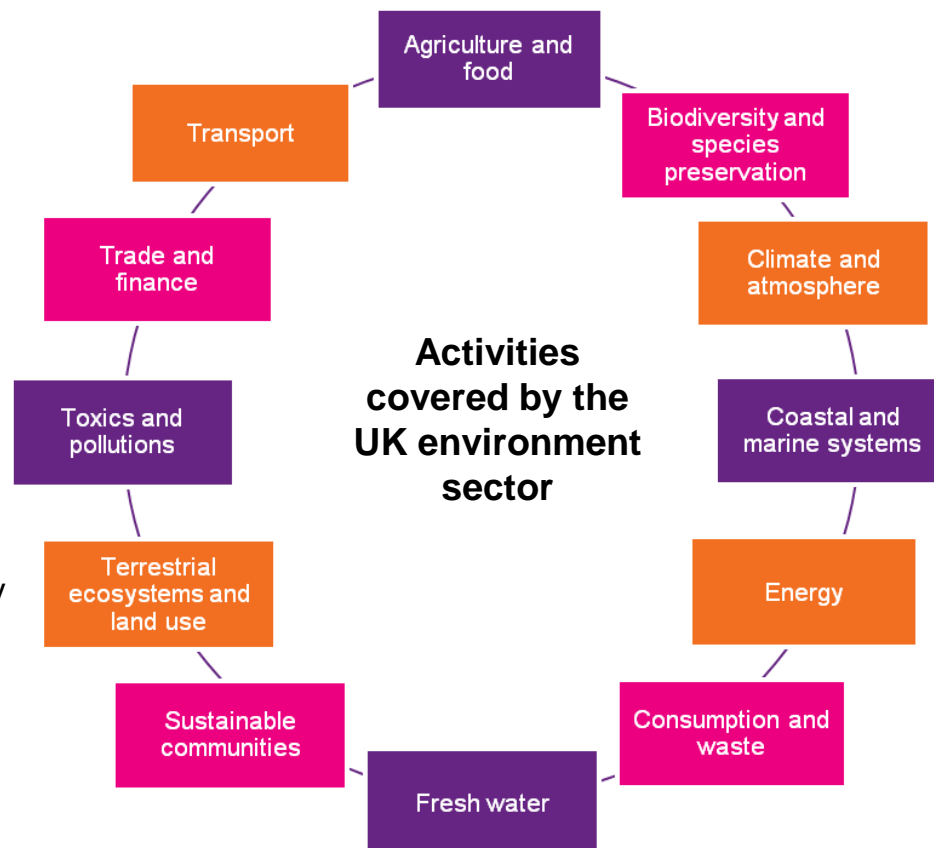
**Section 4: Preparing Northern Ireland's eNGO sector for investment.** This section includes the views from eNGOs on how organisations such as NIEL or BCT could support them. These areas include training and development, creating networks, and investment and contract readiness support.

**Section 5: Recommendations and next steps.** This section proposes an approach to address the barriers that exist in the sector, and suggests the key partners and stakeholders that could be involved. The approach aims to grow a pipeline of investment ready eNGOs that are able to take on social investment opportunities available in Northern Ireland in future. The reports puts forward a structure for a dedicated social investment fund—the Northern Ireland Impact Fund—modelled on initiatives such as the Liverpool City Region Local Impact Fund and other social investment growth initiatives.

# SUMMARY FINDINGS

## Key findings: Northern Ireland's environment sector

- The composition of the environmental sector is diverse, spanning from food and agriculture through to sustainable communities.
- The survey<sup>1</sup> found that:
  - The activities of the NI environmental sector are more focused on sustainable communities, compared to the UK environmental sector as a whole.
  - Community development is the largest activity within sustainable communities for NI's eNGO sector.
  - 90% of survey respondents turn over £1m or less, which reflects NI's voluntary sector as a whole.
  - 44% of respondents have 1–5 paid staff members, compared to 54% across the VCSE sector in Northern Ireland.



[1] The survey was distributed by NIEL. 119 organisations started to complete the survey. After removing incomplete, a total of 78 responses from eNGOs and other stakeholders based in Northern Ireland were analysed as part of the research.

# SUMMARY FINDINGS

## Key findings: Funding context

- UK (including NI) eNGOs are funded by grants from central government and the EU, trusts and foundations, and Lottery. The UK eNGO sector also has healthy levels of donations and earned income.
- Recent funding cuts to government budgets have impacted upon key funders in the sector.
- 58% of survey respondents stated that government grants were their largest, second largest or third largest source of income.
- 44% of survey respondents stated that earned income was their largest, second largest or third largest source of income.
- Despite a challenging funding climate, 75% of respondents felt their income has increased overall or stayed roughly the same.
- 45% of respondents report that levels of earned income have increased. Income from government contracts has also increased for 42% of respondents. This suggests that for some eNGOs, these income streams are helping to alleviate a reduction in government grants.
- For those organisations who earn income, there is the potential to engage with social investment to finance their activities.

# SUMMARY FINDINGS

## Key findings: Social investment in the environment

- Green technology and renewable energy are the most established areas for social investment in the environment sector. Social investment is already being used to support well tested environmental activities with clear revenue generating strategies, such as renewable energy and energy efficiency programmes; and to a lesser extent, in areas where the business models require more research and development, such as biodiversity and the application of payment for ecosystem services.
- In NI, renewable energy and sustainable communities have attracted the largest share of social investment so far.
- There are a number of funders willing to support social investment in the environment. UK investors include Big Society Capital, social banks, and foundations. The main social investors supporting NI's eNGO sector are Ulster Community Investment Trust (UCIT) and Charity Bank.
- The growth in social investment for eNGOs has its opportunities and its challenges. One challenge is ensuring policy makers and investors recognise and are willing to pay for achieving outcomes to address complex environmental issues, such as air pollution or carbon dioxide emissions.
- Opportunities also exist in the sector's ability to mobilise communities, such as through community share offers and crowdfunding of local projects.

# SUMMARY FINDINGS

## Key findings: The potential of social investment to finance eNGO activities

The survey found that:

### **There is limited evidence of eNGOs taking up social investment.**

- Although 24 out of 78 survey respondents stated they had accessed one or more forms of non-grant finance (from crowdfunding to loans), the degree to which they did this varied considerably across this sample.

### **There is appetite for social finance, although many in the sector are apprehensive.**

- 64% of survey respondents felt that social investment would become ‘very important’ or ‘fairly important’ to their organisation in the next three years.
  - 14% (11) of eNGOs stated they intended to make an application for social investment in the next 12 months.
  - 51% of organisations feel that social investment will help to ‘diversify income streams’ in future.
- 77% of survey respondents stated they were interested in one or more forms of debt finance (ie, bonds, loan from social investors, secured loans, unsecured loans or mixed funding eg, grants and loans).
- There is least interest in unsecured loans. 53% of respondents stated they were not interested in this form of debt finance, a further 19% had ‘no opinion.’

### **Alternative forms of finance, eg, crowdfunding also interest the sector.**

- 55% of survey respondents were interested in using crowdfunding.
-



# SUMMARY FINDINGS

## Key findings: The potential of social investment to finance eNGO activities

The survey and consultation sessions explored the reasons behind levels of interest in social investment and found:

### **eNGOs face significant barriers in accessing social investment.**

- 58% of survey respondents said they had ‘poor’ or ‘very poor’ knowledge of social investment.
- The survey and further consultation sessions found that organisations:
  - were not aware of the opportunities;
  - lacked the skills and confidence to manage these types of funds; and
  - did not have appropriate business models for appropriate for social finance.

**These barriers need to be addressed in order to realise the potential for social investment to finance activity in Northern Ireland’s environmental sector.**

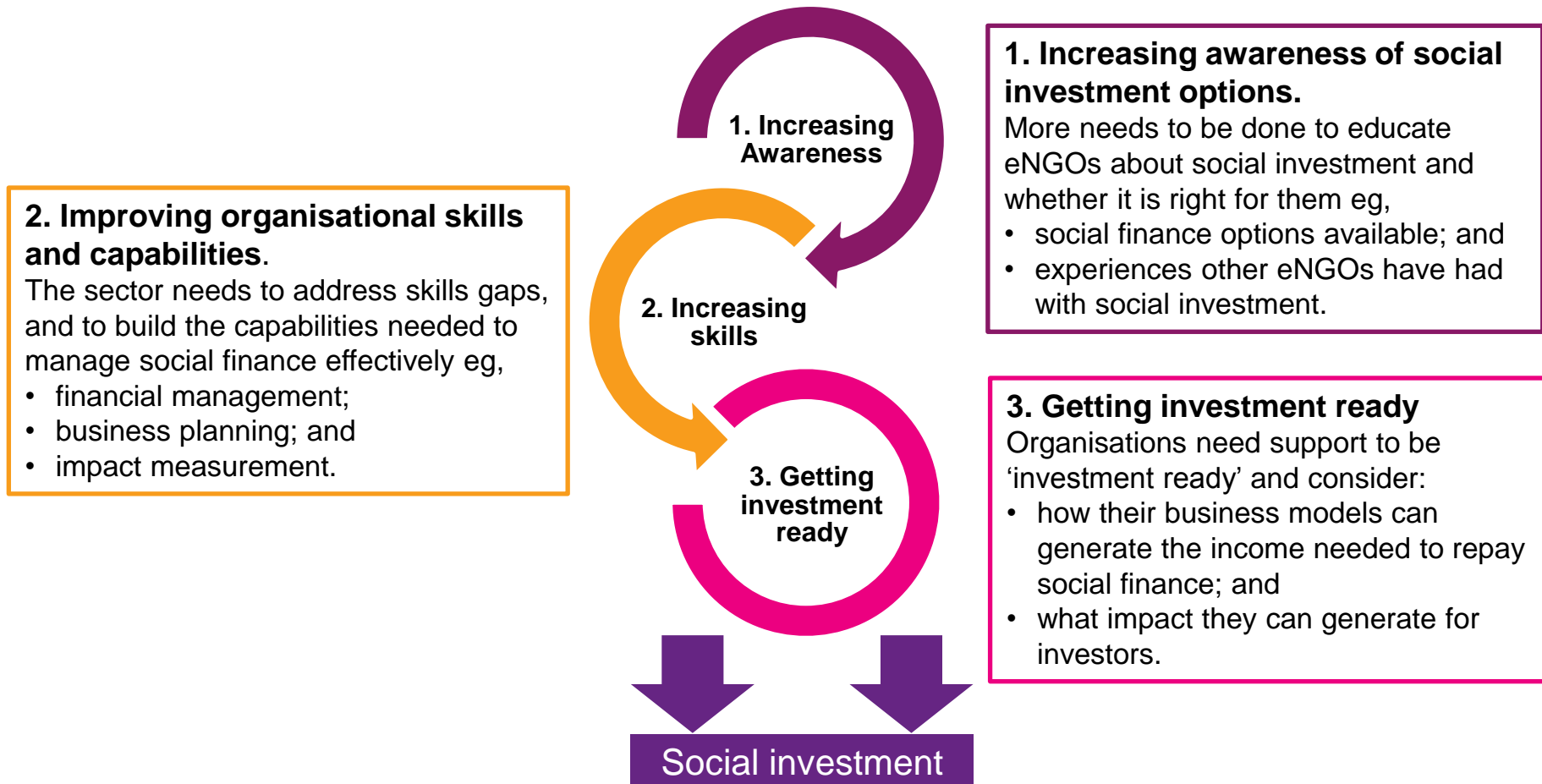
*‘It feels difficult to take a leap of faith in this area without more knowledge of what exists.’*

**Environmental NGO**

# SUMMARY FINDINGS

## Preparing the sector for investment

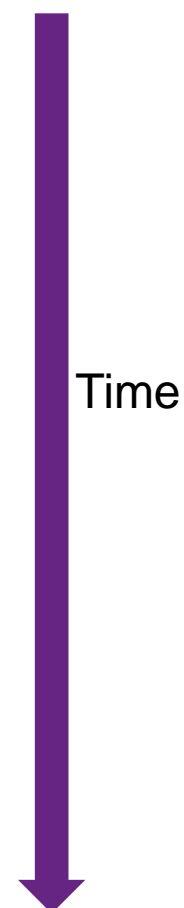
Addressing three key barriers—awareness, skills, and business models—can begin to unlock the potential for social investment in the environmental NGO sector.



# SUMMARY FINDINGS

## Recommendations to address barriers

Phase 1	Phase 2	Phase 3
Increasing awareness	Increasing skills	Getting investment ready
<p>1. Northern Ireland's VCSE sector develops a leader and champion for social investment, similar to <a href="#">Big Society Capital</a>.</p> <p>2. Existing tools and resources that support the VCSE sector to access social investment are mapped.</p> <p>3. An awareness campaign, delivered in partnership with VCSE partners/stakeholders, continues to raise the profile of social investment and links to resources.</p>	<p>5. eNGOs are directed to tools and resources that help them to identify their skills development needs, like <a href="#">Inspiring Impact NI</a>, <a href="#">Path to Impact</a>, <a href="#">CENI</a>.</p> <p>6. eNGOs are directed to skills workshops that cover core business areas like business planning, financial management and modelling, impact measurement, such as <a href="#">Social Enterprise NI</a>.</p>	<p>8. eNGOs form networks to generate innovative ideas around earning income and developing projects, such as with NIEL membership events. These enable new partnerships between eNGOs.</p> <p>9. Links are made between social investors and potential projects/ eNGOs, as with the <a href="#">Global Social Impact Investment Steering Group</a>.</p>
<p>4. The campaign promotes the potential for, and the experiences of, social investment in eNGO sector</p>	<p>7. Leaders in eNGOs access coaching and mentoring programmes to develop key skills and increase confidence. Sector-relevant support is offered where appropriate.</p>	<p>10. One-to-one support is provided to eNGOs to test and improve their investment readiness, and prepare robust investment plans, like <a href="#">Big Potential</a> provide.</p>



# SUMMARY FINDINGS

## Future opportunities: A Northern Ireland Impact Fund

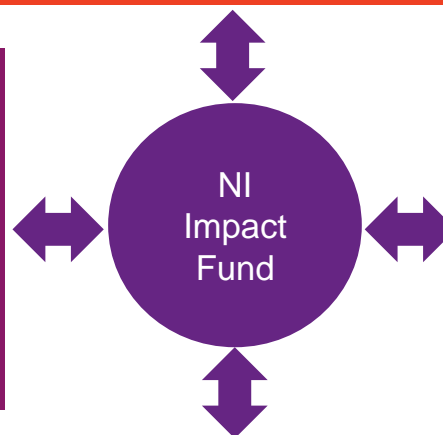
Over time, an increased number of eNGOs will be investment ready and able to take on new social investment opportunities available for NI's voluntary sector. A Northern Ireland Impact Fund could have four components, similar to the Liverpool City Region Local Impact Fund<sup>1</sup> and other social investment growth initiatives.

### 1. Start-up fund

Offer small grants to start up organisations or community projects to help them grow and develop income streams.

### 2. Blended finance

Provide finance for high risk projects using grants and unsecured loans.<sup>2</sup> Similar programmes include Access Foundation Growth Fund<sup>3</sup> and Power to Change Blended Finance pilot funding<sup>4</sup>.



### 3. Investment and contract readiness support

Give grants that aim to increase the impact of eNGOs and their capacity to take on investment and win public sector contracts.

### 4. Links to existing infrastructure

Links ensure the fund's sustainability. Key stakeholders include social investors, NI Executive departments and other voluntary sector organisations, brought together in a steering group.

[1] Liverpool City Region Local Impact Fund: [www.sibgroup.org.uk/liverpool-lif/](http://www.sibgroup.org.uk/liverpool-lif/) [2] Here, it is important to target organisations with limited experience of managing debt. [3] Access Foundation Growth Fund: <http://access-socialinvestment.org.uk/growth-fund/> [4] Power to Change: [www.thepowertochange.org.uk/blended-funding-pilots/](http://www.thepowertochange.org.uk/blended-funding-pilots/)

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# **1. AN OVERVIEW OF THE ENVIRONMENT SECTOR IN NORTHERN IRELAND**

Characteristics and funding

# CHARACTERISTICS OF NORTHERN IRELAND'S ENVIRONMENT SECTOR



## Key findings

- The composition of the UK (including NI) environmental sector is diverse, spanning from food and agriculture through to sustainable communities.
- The survey<sup>1</sup> found that:
  - The activities of the NI environmental sector are more focused on sustainable communities, compared to the UK environmental sector as a whole.
  - Community development is the largest activity within sustainable communities for NI's eNGO sector.
  - 90% of survey respondents turn over £1m or less, which reflects NI's voluntary sector as a whole.
  - 44% of respondents have 1–5 paid staff members, compared to 54% across the VCSE sector in Northern Ireland.

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[1] The survey was distributed by NIEL. 119 organisations started to complete the survey. After removing incomplete, a total of 78 responses from eNGOs and other stakeholders based in Northern Ireland were analysed as part of the research.

# WHAT IS THE ENVIRONMENT SECTOR?

The sector is diverse

Organic and other forms of sustainable farming.

**Agriculture and food**

**Biodiversity and species preservation**

Protection of species, botanic gardens, arboretums, protection of birds and their habitats.

Public transport systems, planning, policy.

**Transport**

International trade policy, reforming public financial institutions.

**Trade and finance**

**Climate and atmosphere**

Climate change, air pollution, air quality.

Hazardous waste, heavy metals, pesticides, household chemicals, other industrial pollutants.

**Toxics and pollutions**

**Activities covered by the UK environment sector<sup>1</sup>**

**Coastal and marine systems**

Fisheries, aquaculture, coastal lands and estuaries, marine protected areas, marine pollution.

Land purchases and stewardship, national or regional parks, forestry.

**Terrestrial ecosystems and land use**

**Energy**

Reducing consumption levels, sustainable design and production, recycling.

Urban green spaces and parks, community gardens, and built heritage/environment projects.

**Sustainable communities**

**Consumption and waste**

Alternative and renewable energy sources, energy efficiency and conservation.

**Fresh water**

Lakes, rivers, canal and other inland water systems, water conservation.

[1] Adapted from Cracknell, Miller and Williams (2013) *Passionate Collaboration: Taking the pulse of the UK environmental sector*, Environmental Funders Network.



# SURVEY: THE ENVIRONMENT SECTOR IN NI



The NI environment sector is more focused on sustainable communities

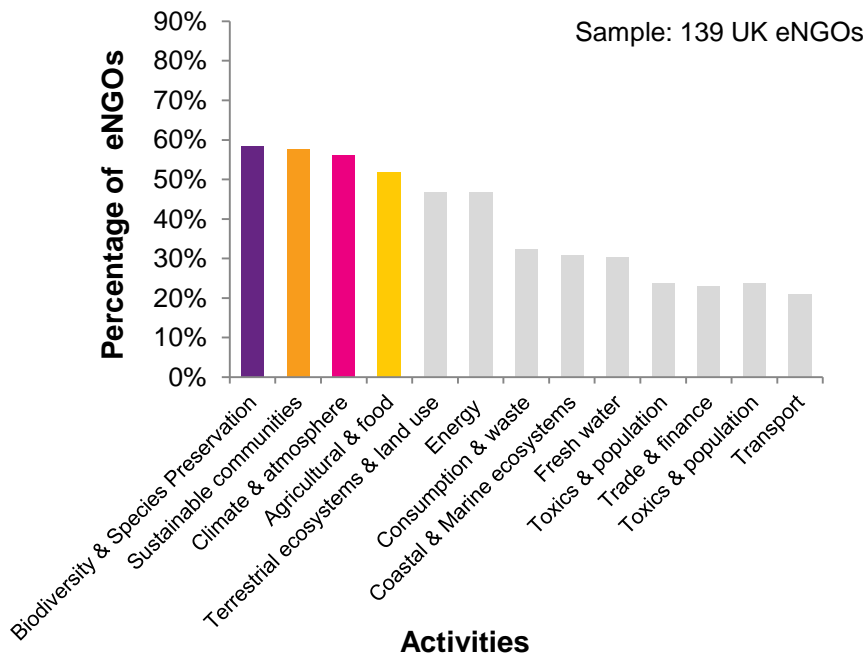
In the UK, the most popular activities in the environment sector include:

1. Biodiversity and species preservation (58%)
2. Sustainable communities (58%)
3. Climate and atmosphere (56%)
4. Agricultural and food (52%)

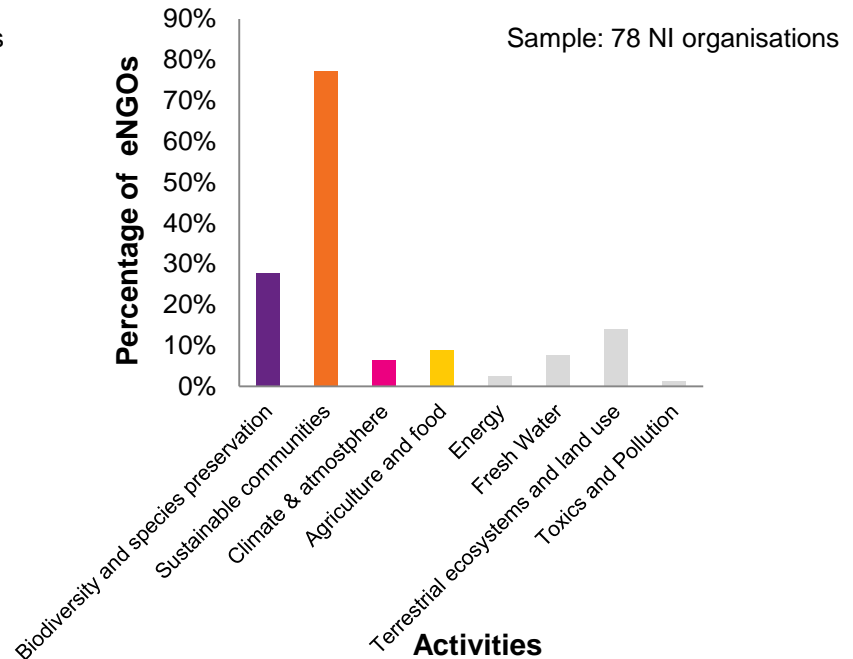
In NI, the most popular activities are:

1. Sustainable communities (77%)
2. Biodiversity and species preservation (28%)
3. Terrestrial ecosystems and land use (14%)
4. Climate Atmosphere (6%)

**Breakdown of UK environment sector activities<sup>1</sup>**



**Breakdown of NI environment sector activities**

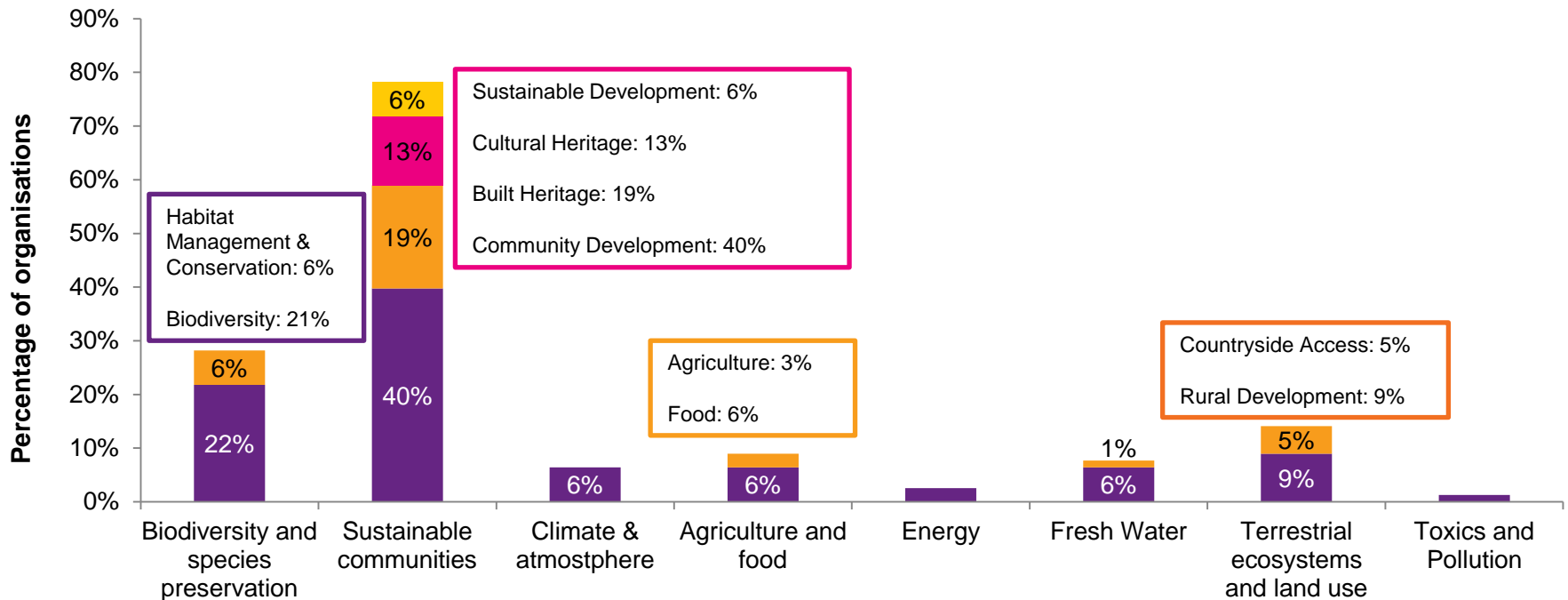


[1] Cracknell, J., Godwin, H., Perks, N. and Williams, H. (2012) [Where the Green Grants Went 5: Patterns of UK Funding for Environmental and Conservation Work](#), The Environmental Funders Network.

# SURVEY: THE ENVIRONMENT SECTOR IN NI

Community development is the largest activity within sustainable communities

**Q. What are the main activities of your organisation? (Respondents could select up to three options)**



**Breakdown of sector activities in Northern Ireland**

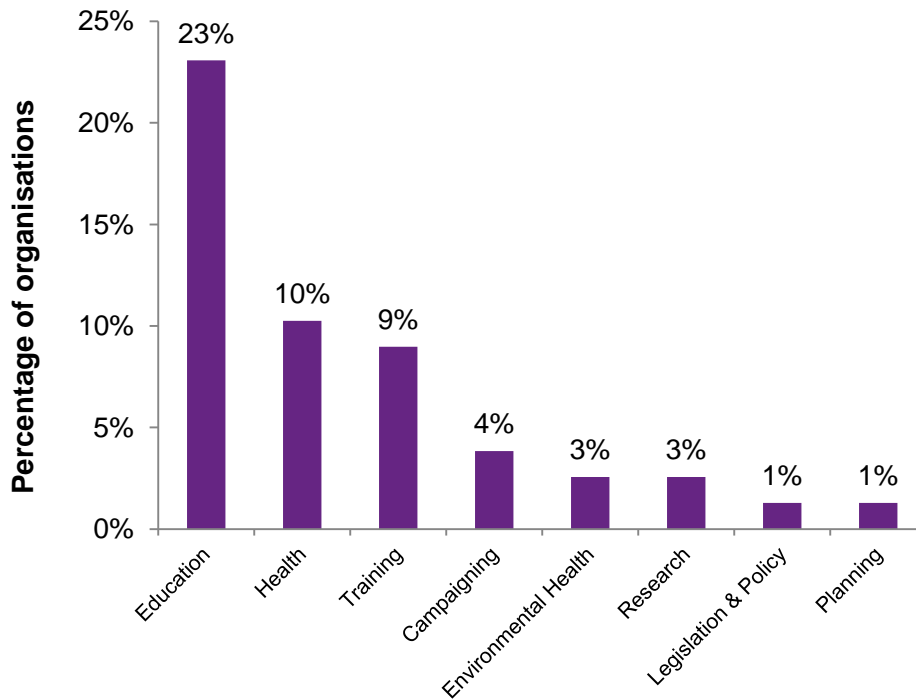
Sample: 78 organisations

# SURVEY: THE ENVIRONMENT SECTOR IN NI



23% report that education is one of three main activities for NI's environment charities

**Q. What are the main activities of your organisation? (Respondents could select up to three options)**



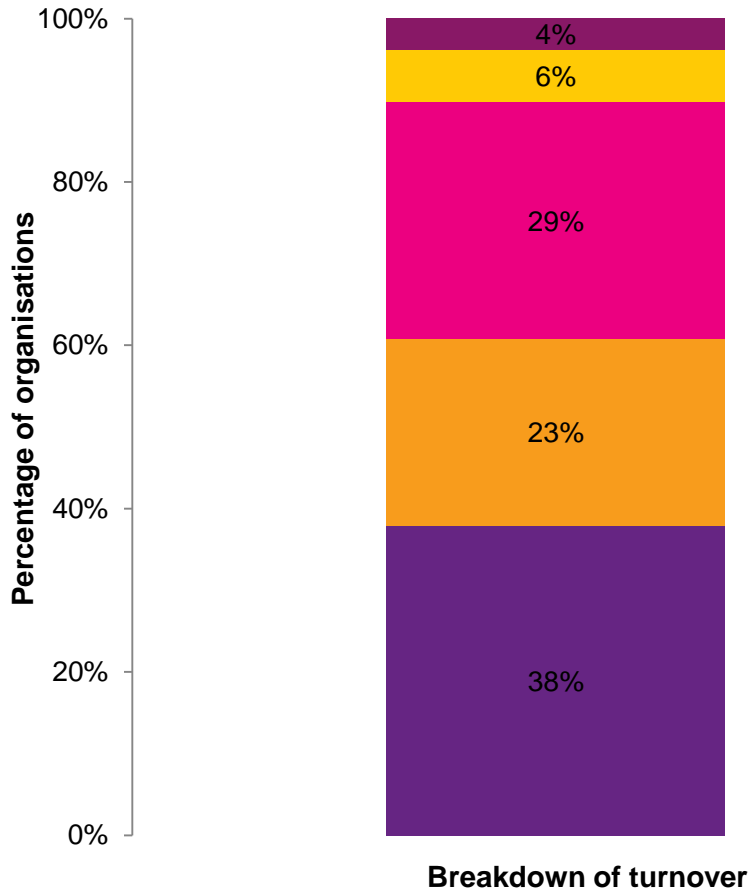
**Breakdown of environment sector activities in Northern Ireland**

- The survey also asked about the beneficiaries of respondents. 28% of respondents selected 'general population' as the main beneficiary for their work.
- 26% stated they worked with 'children' and 'young people', and 11% with 'families'.

Sample: 78 organisations

# SURVEY: THE ENVIRONMENT SECTOR IN NI

Organisations with a turnover of £1m or less dominate, reflecting NI's voluntary sector as a whole



- 90% of survey respondents turn over less than £1m. This figure is 94% for NI's voluntary sector as a whole.<sup>1</sup>
- 61% of survey respondents were small or micro with an annual income of less than £100,000.
- Only 10% of survey respondents were large or major organisations with an income over £1m.

- Major (£10m and over)
- Large (£1m–£10m)
- Medium (£100,000–£1m)
- Small (£10,000–£100,000)
- Micro (Under £10,000)

Sample: 78 organisations

[1] NICVA (2012) *State of the Sector VI*.

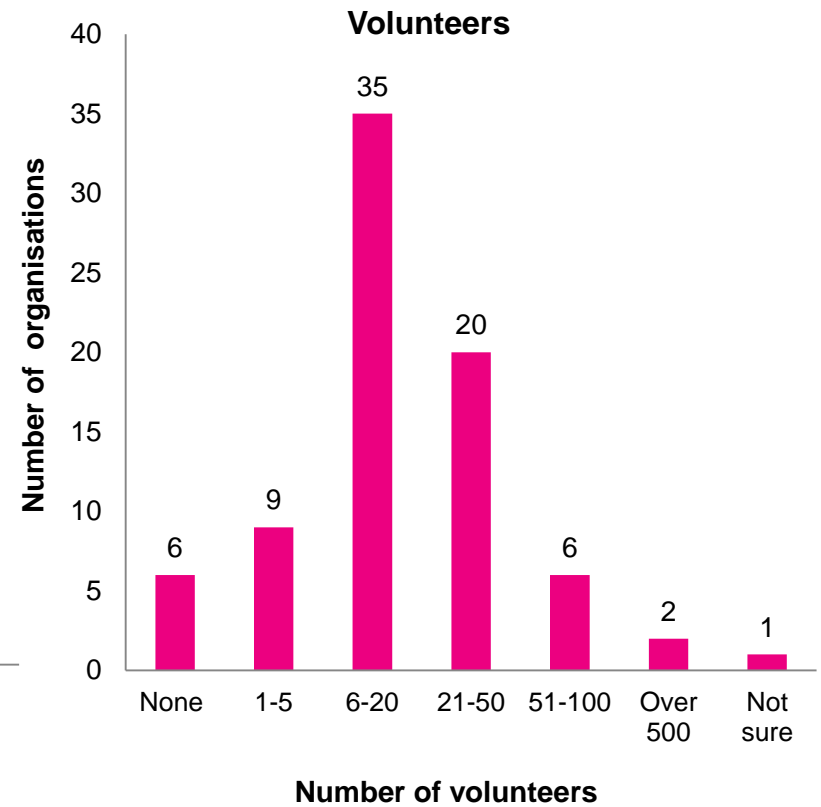
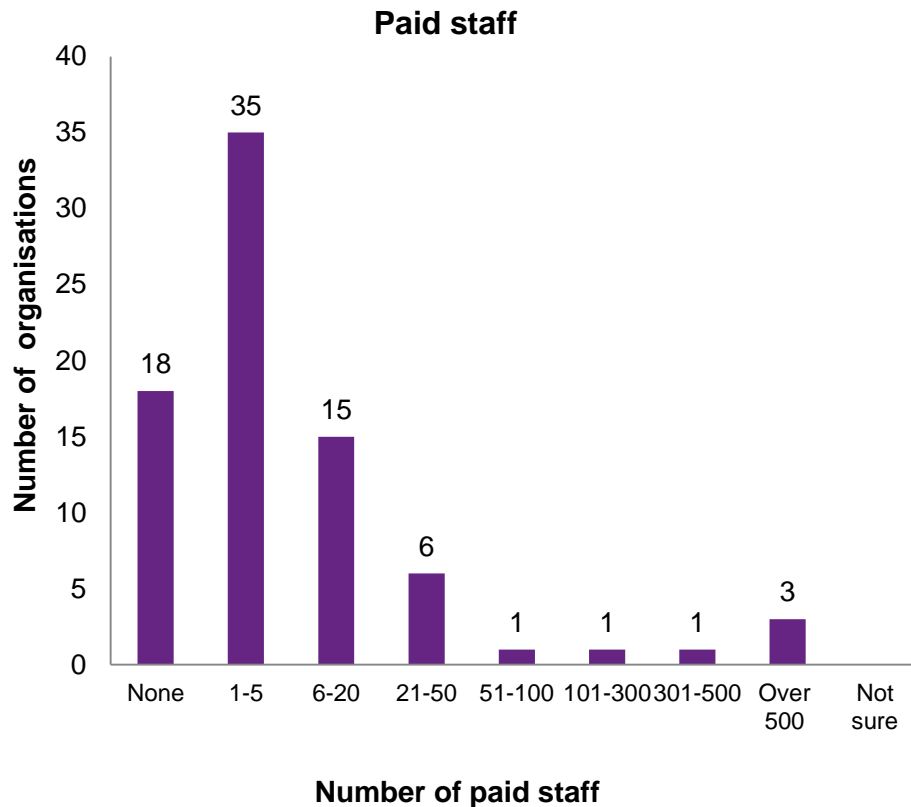
# SURVEY: THE ENVIRONMENT SECTOR IN NI



44% have 1–5 paid members of staff

- There are more volunteers in comparison to paid staff, and 44% survey respondents (35) have 6–20 volunteers.

## Number of paid staff compared with volunteers



Sample: 78 organisations

# FUNDING CONTEXT OF NI'S ENGO SECTOR



## Key findings

- UK (including NI) eNGOs are funded by grants from central government and EU grants, trusts and foundations and Lottery. The sector also has healthy levels of donations and earned income.
- Recent funding cuts to the NI Executive budget have impacted upon key public funders in the sector. The 2016/2017 budget settlement for the new Department of Agriculture, Environment and Rural Affairs represents a significant challenge. The department's budget represents a reduction of £11.9m in 2016–2017 on top of the reductions experienced by the three former departments in recent years.<sup>1</sup>
- The survey found:
  - 58% of survey respondents stated that government grants were their largest, second largest, or third largest source of income.
  - 44% of survey respondents stated that earned income was their largest, second largest or third largest source of income.
  - Despite a challenging funding climate, 75% of survey respondents felt their income has increased overall or stayed roughly the same.
  - 45% of survey respondents report that levels of earned income have increased. Income from government contracts has also increased for 42% of survey respondents. This suggests that for some eNGOs, these income streams are helping to alleviate a reduction in government grants.
  - For those organisations who earn income, there is the potential to engage with social investment to finance their activities.

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[1] Northern Ireland Executive (2016) [Budget 2016/2017](#)

# FUNDING CONTEXT OF NI'S ENGO SECTOR



There has been a reduction in government funding to support the sector

- **In 2015/2016, the Department of Environment's (DOE) budget reduced by 10.7%.<sup>1</sup>**
- The 2016/2017 budget settlement for the new Department of Agriculture, Environment and Rural Affairs also represents a significant challenge, particularly '*given the ambitious programme of work ahead in areas such as RDP [Rural Development Programme], relocation and Going for Growth*'. The budget was further reduced by £11.9m in 2016–2017 on top of the reductions experienced by the three former departments in recent years, meaning '*that difficult decisions have had to be made to balance the budget*'.<sup>2</sup>
- **The Northern Ireland Environment Agency experienced a reduction in funding** in 2015 that impacted upon eNGO's in Northern Ireland. The introduction of the Natural Environment Fund (£1.2m) went some way in reversing the severity of these cuts.<sup>3</sup> These funding changes have the potential to affect match funding requirements of some funders such as Heritage Lottery Fund and Big Lottery Fund.<sup>4</sup>
- **New funding streams have become available.** In 2014/2015, the proceeds of the Carrier Bag Levy were invested in community environmental projects including £1.3m to fund 150 environmental projects, £1.2m to support the Natural Environment Fund, £0.4m to support the Sustainability Innovation Fund, £0.3m to the Local Clean-up Support Programme, £0.4m to the Listed Building Grant Programme, £0.2m to the Community Waste Fund, and £0.4m to Keep NI Beautiful Grants.<sup>5</sup>

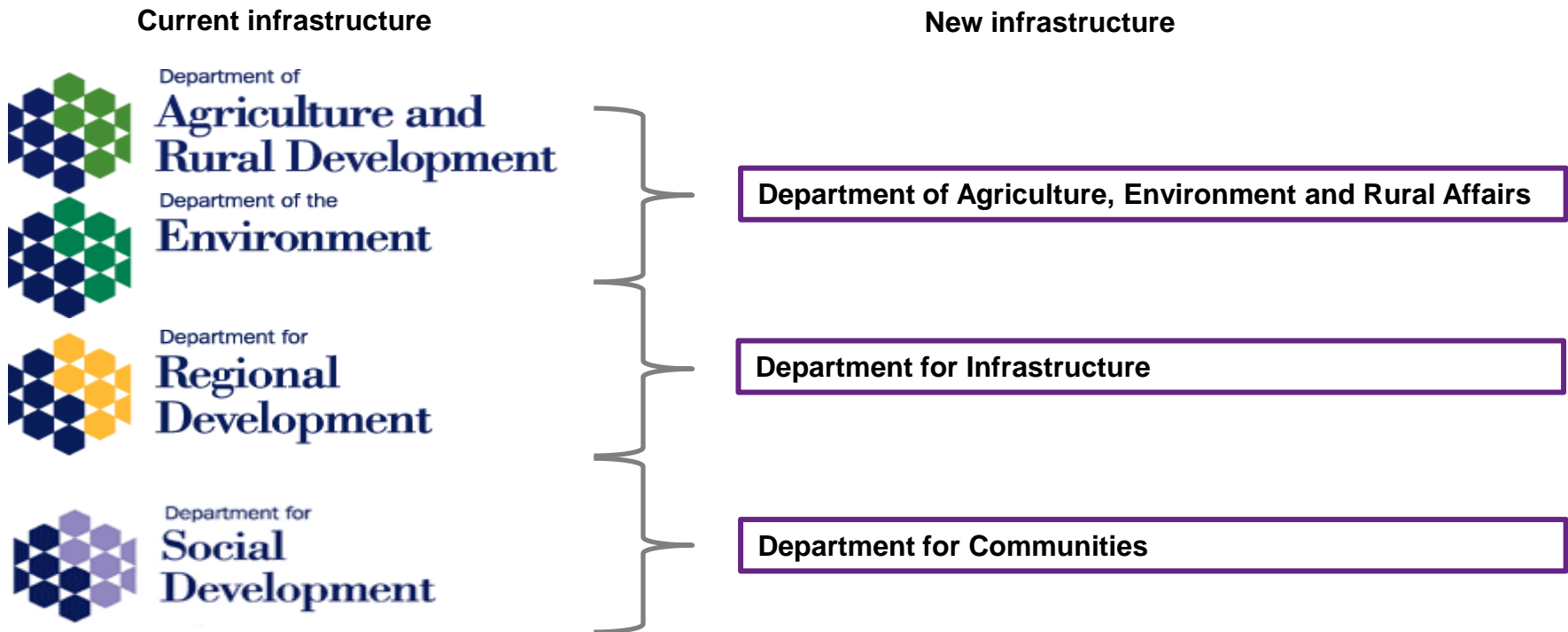
[1] Northern Ireland Executive (2015) [Budget 2015/2016](#), [2] Northern Ireland Executive (2016) [Budget 2016/2017](#). [3] Interview with Carol Forster, NIEL [5] Department of Environment (2015) [Carrier bag levy annual statistics 2014/15](#). [4] Quoted in BBC News '[Environmental groups face huge cuts to budgets](#)', 26 March 2015, accessed November 2015

# FUNDING CONTEXT OF NI'S ENGOS

Responsibility for the environment in NI is changing

Currently, the key departments that support the environment sector include Department of the Environment (DOE), Department of Agriculture and Rural Development (DARD), and Department for Regional Development (DRD).

Going forward, responsibilities for the environment will be across three departments.

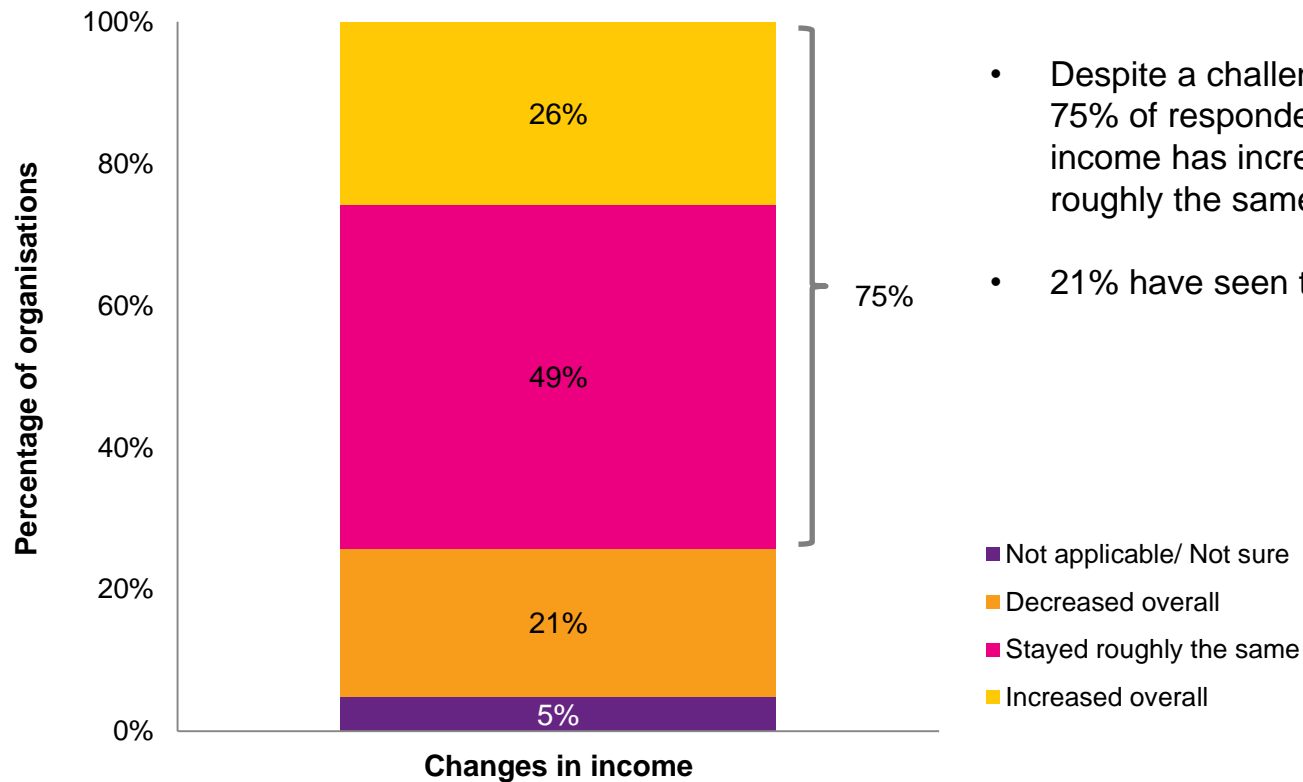




# SURVEY: INCOME SOURCES

Large parts of NI's environment sector are coping in the current funding climate

**Q. Overall, how has your total income in Northern Ireland changed over the last three years?**



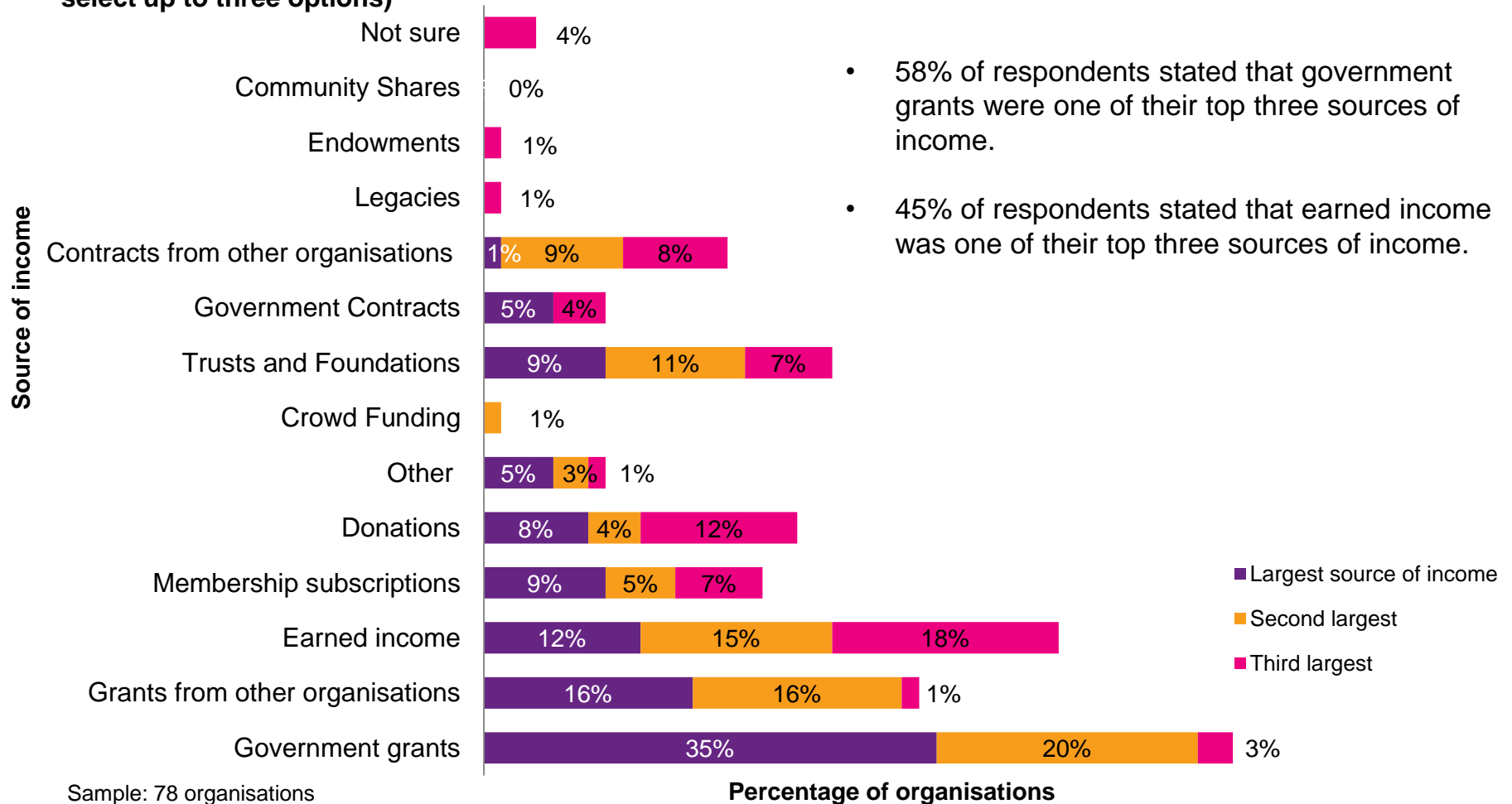
- Despite a challenging funding climate, 75% of respondents state that their income has increased overall or stayed roughly the same.
- 21% have seen their income decline.

- Not applicable/ Not sure
- Decreased overall
- Stayed roughly the same
- Increased overall

# SURVEY: INCOME SOURCES

Government grants represent the largest income stream for NI eNGOs

**Q. What were your largest sources of income in the financial year 2014/2015? (Respondents could select up to three options)**

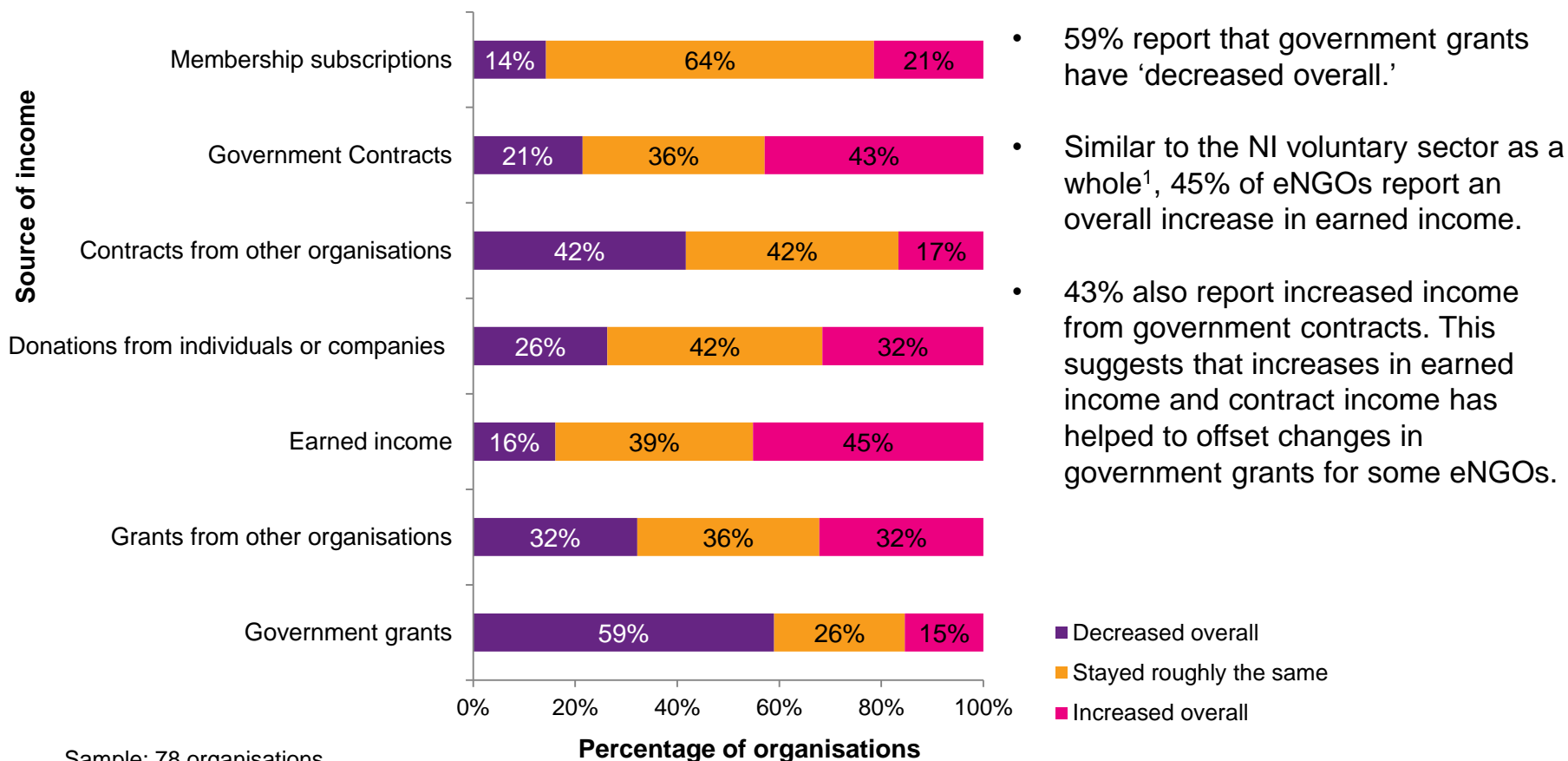


- 58% of respondents stated that government grants were one of their top three sources of income.
- 45% of respondents stated that earned income was one of their top three sources of income.

# SURVEY: INCOME SOURCES

For eNGOs, the greatest reduction in income has been seen in government grants

**Q. Looking at your largest, second largest or third largest source of income, please tell us how they have changed over the last three years?**



Sample: 78 organisations

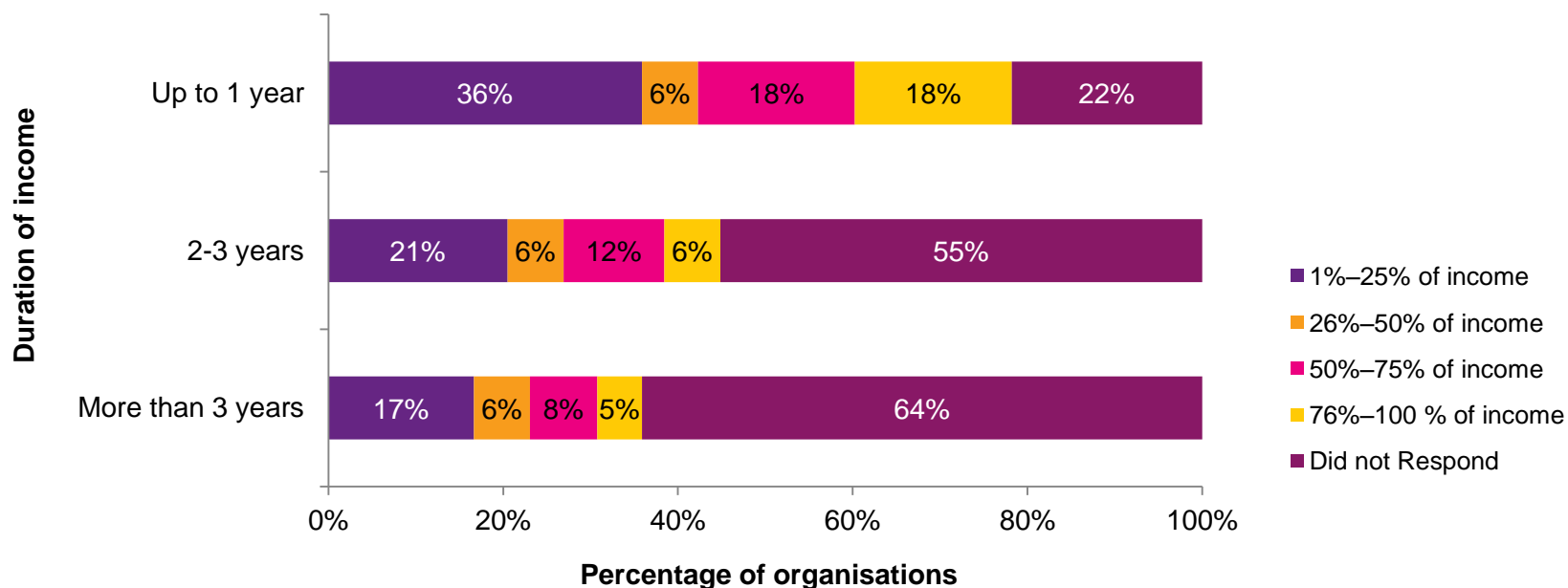
[1] NICVA (2012) [State of the Sector VI](#).

# SURVEY: INCOME SOURCES

Respondents suggest that one-year funding is more common

- 18% of survey respondents indicated that 75%–100% of their income was one-year funding, although there was a low response rate to this question\*.
- Some eNGOs who attended consultation sessions reported that income was mainly for one-year projects. One eNGO that attended the consultation sessions faced a complete cut in funding after April 2016.

**Q. How much of your income comes from contracts, agreements or grants that last...**



Sample: 78 organisations

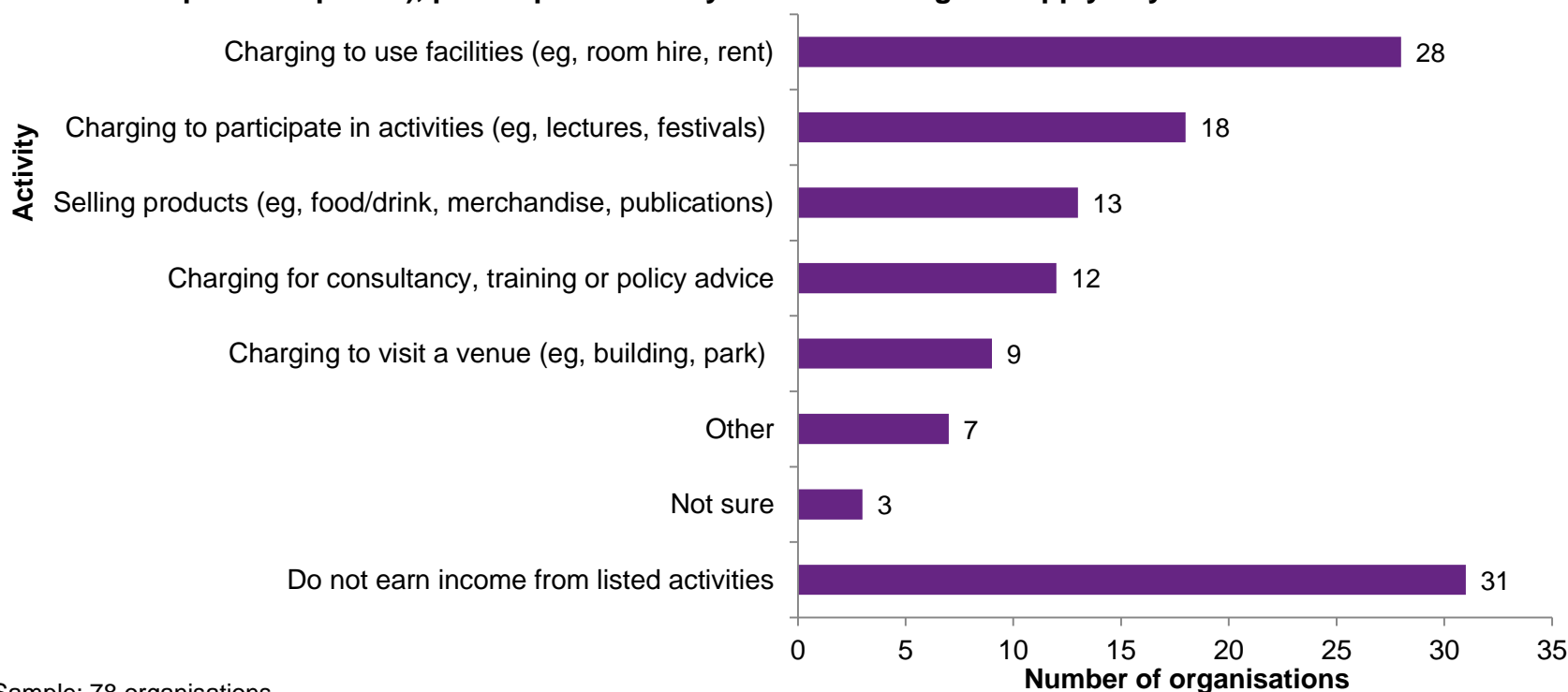
\*This question received a drop off in respondents and therefore the survey results are not conclusive about the pressures on multi-year funding.

# SURVEY: INCOME SOURCES

60% of eNGOs earn income from a range of activities

- 40% (31) of respondents stated that they do not earn income from any of the options provided in the survey\*.
- The remaining 47 respondents predominantly earn income from charging to use facilities (eg, room hire, rent), charging to participate in activities (eg, lecture, festival) and selling products (eg, merchandise).

**Q. If you have stated that earned income is a source of finance for your organisation (excluding membership subscriptions), please pick as many of the following that apply to you.**



Sample: 78 organisations

\*The survey wanted to explore earned income beyond membership subscriptions. Membership subscriptions was not offered as an option in the survey.

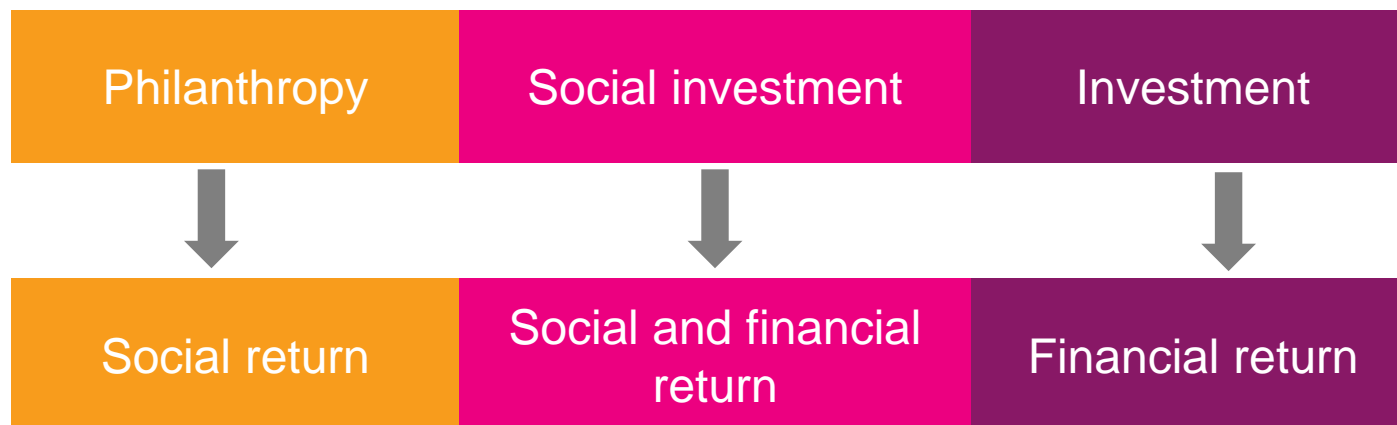
## **2. SOCIAL INVESTMENT IN THE ENVIRONMENT SECTOR**

Activity in the UK and Northern Ireland

# SOCIAL INVESTMENT

## What is social investment?

**Social investment is the use of repayable finance to achieve a social as well as a financial return.** While not a substitute for income, social investment can support the growth of income generating activities or fund capital development projects, which may in turn provide new or expanded revenue streams.



The voluntary, community and social enterprise (VCSE) sector is becoming increasingly interested in accessing social investment in the context of a traditional funding landscape that is looking increasingly uncertain.

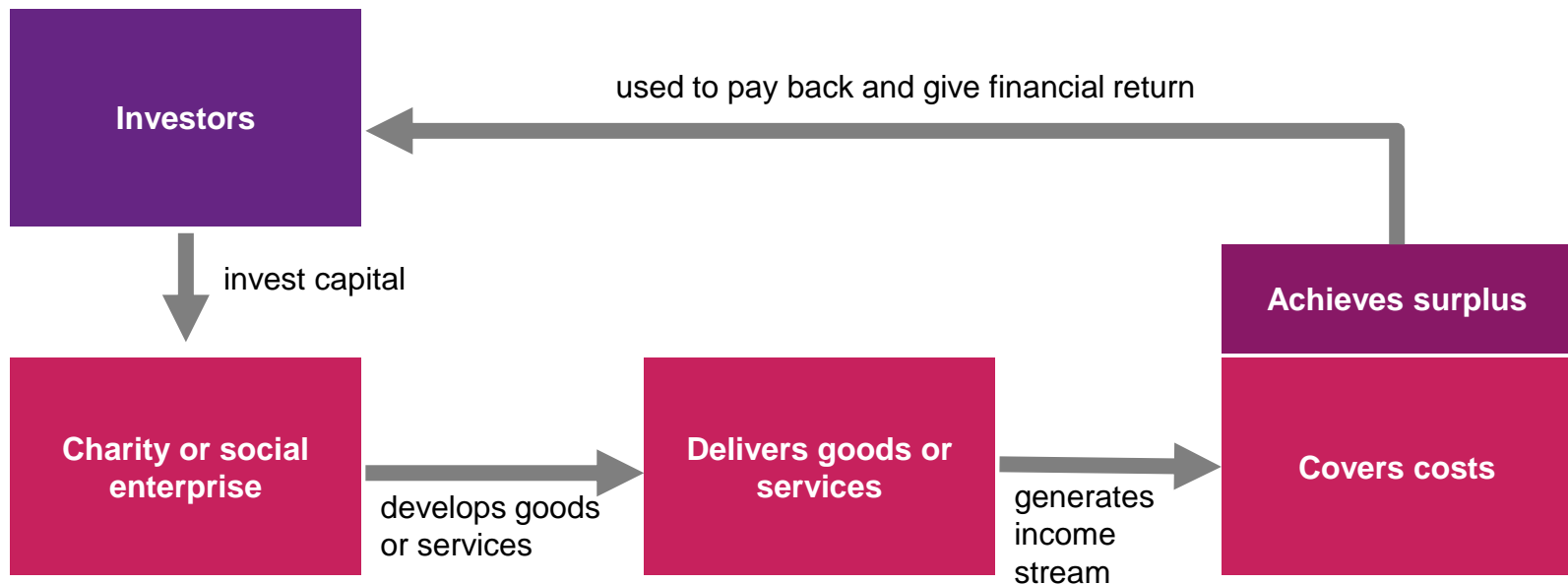
During the past decade, the range and accessibility of social investment products has steadily increased. At the most basic level, social investment can be divided between either **debt** or **equity** investment, but these categories can in turn be broken down further (see appendix 1). Also, there are other **alternative forms of non-grant finance** that are growing in the sector, which were also included in the research, such as crowdfunding and payments for ecosystem services (PES).

# SOCIAL INVESTMENT

How does it work?

Social investment is not a grant. Social investors require repayment of the finance, plus a financial and a social return on their investment. Social investment is only suitable for VCSEs with business models that can repay investors. Organisations need to cover the cost of delivering services and achieve a surplus.

## Social investment repayment model





# SOCIAL INVESTMENT IN THE ENVIRONMENT SECTOR



## Key findings

- Green technology and renewable energy are the most established areas for social investment in the environment sector. Social investment is already being used to support well tested environmental activities with clear revenue generating strategies, such as renewable energy and energy efficiency programmes; and to a lesser extent, in areas where the business models require more research and development, such as biodiversity and the application of payment for ecosystem services.
- In NI, renewable energy and sustainable communities have attracted the largest share of social investment so far.
- There are a number of funders willing to support social investment in the environment. UK investors include Big Society Capital, social banks, and foundations. The main social investors supporting NI's eNGO sector are Ulster Community Investment Trust (UCIT) and Charity Bank. There has also been notable activity in community shares, lead by Community Shares: Get Ready!
- The growth in social investment for eNGOs has its opportunities and its challenges. One challenge is ensuring policy makers and investors recognise and are willing to pay for achieving outcomes to address complex environmental issues, such as air pollution or carbon dioxide emissions.
- Opportunities also exist in the sector's ability to mobilise communities, such as through community share offers and crowdfunding of local projects.

# SOCIAL INVESTMENT IN THE ENVIRONMENT SECTOR



*‘The majority of activities in the environmental sector are not focused on financial sustainability, let alone generating profits or returns. While this is partly due to a lack of demand and markets, it is also partly due to the history of culture and norms within the environmental sector.’*

**Conservation Finance Alliance<sup>1</sup>**

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[1] Conservation Finance Alliance (2014) [\*Supporting biodiversity conservation ventures: Assessing the Impact Investing sector for an investment strategy to support environmental entrepreneurship.\*](#)

# SOCIAL INVESTMENT IN THE ENVIRONMENT SECTOR



The UK environment sector has attracted social investment in several areas

**Green technology** aims to introduce technological solutions to reverse or mitigate the effects of human activity on the environment. The hope is that, with sufficient investment, the solutions provided by environmentally focused technology will generate a '*green industrial revolution*.'<sup>1</sup> Green technology works in a number of areas including; resource efficiency, cleaner energy, water, health and well-being, and sustainable transport.

**Example: FP WHEB Sustainability Fund**<sup>2</sup> invests in private companies developing green technology in the areas listed above. Two of its current investments are Fresenius, a provider of dialysis products to hospitals and home care, and Acuity Brands, a leading LED manufacturer. The performance of the investments are evaluated by: their standards of governance; and the extent to which the products are able to 'rupture' existing systems to deliver better economic value and a positive environmental impact.

**Energy efficiency** investments involve supporting communities, households and businesses to save energy and become more carbon efficient. Social Investment has mainly supported improvement to infrastructure and housing. Whilst this part of the environment sector has a long history in the UK, in the form of the **Ecology Building Society** (see below), more recently, it has also gained traction through the **European Bank for Reconstruction and Development** (EBRD), which has recently secured the support of 70 major financial institutions.<sup>3</sup>

**Example:** The **Ecology Building Society** (EBS) has been providing sustainable mortgages and loans for properties and projects that respect the environment for over 30 years. In 2014, it lent £23.1m to 176 different sustainable properties and projects.<sup>4</sup>

[1] Clark, W. & Cooke, G. (2014) *The Green Industrial Revolution: Energy, Engineering and Economics*, Reed [2] Wheb Group [www.whebgroup.com/about-us/overview/](http://www.whebgroup.com/about-us/overview/) [3] Rosca, O. 'Investing in energy efficiency makes economic sense' in *European Bank for Reconstruction and Development news*, 16 September 2015, accessed February 2016 [4] Ecology Building Society (2015) *Annual Report 2014*, accessed November 2015

# SOCIAL INVESTMENT IN THE ENVIRONMENT SECTOR



The UK environment sector has attracted social investment in several areas

**Renewable energy** represented 72% of the EU's energy investment in 2013 and in the same year \$214bn was invested globally in renewables.<sup>1</sup> This investment in the sector aims to upscale clean, green electricity sourced from hydro, solar and wind power. In the UK, **Triodos** manages a **Renewables Fund**<sup>2</sup> dedicated to wind and hydro-electric sources, with over 5,800 share holders. The investment produced enough energy to power 40,000 homes. **Community Shares** have supported community energy projects. In 2014/2015, 49 share offers raised over £25m for renewable energy.<sup>3</sup> (see page 52 for community shares activity in Northern Ireland). Social investors involved in the research stated that investment opportunities in renewables are more attractive if supported by community investment, such as community shares.

**Example: National Trust's Renewable Energy Investment Programme** saw an initial £3.5m invested in five pilot projects, including hydro, biomass and heat pumps. After the launch of the pilots, the National Trust expects to spend 10 times that sum in a programme that would see the organisation generate 50 per cent of their energy from renewable sources and halve their fossil fuel consumption by 2020. This programme will enable the National Trust to reduce their energy costs by more than £4m per annum, releasing more money for their conservation work.<sup>4</sup>

**Charity Bank** has invested over £2.7m in UK hydro schemes between 2009 and 2014. Schemes ranged from 44kw Archimedes Screw to 400kW Run of River projects, including Kaplan Turbine projects (see page 37).

**UCIT** has also supported renewable energy projects in Northern Ireland including **Drumlin Wind Energy Cooperative** (see page 38) and **Grassroots Renewables**.<sup>5</sup>

[1] Sattar, Motran and Parke (2015) *Social Investment Insights Series: Conservation of the natural environment and social investment* Big Society Capital. [2] Triodos Renewables [www.triodosrenewables.co.uk/en/home/](http://www.triodosrenewables.co.uk/en/home/) [3] Ethex (2015) *The Ethex Positive Investing Report 2015* [4] National Trust [£3.5 million investment in clean energy](#) [5] Interviews with social investors and eNGOs

# SOCIAL INVESTMENT IN THE ENVIRONMENT SECTOR

## Renewable energy example: Charity Bank's hydro schemes

- Charity Bank has supported 11 hydro schemes across the UK between 2009 and 2014.
- Schemes ranged from 44kW Archimedes Screw to 400kW Run of River projects, including Kaplan Turbine projects.
- Hydro schemes have successfully raised finance from a combination of sources, including public sector grants, community shares, and other community based investments.

**Chart detailing Charity Bank investment alongside other income sources for 11 UK hydro schemes<sup>1</sup>**

	Charity Bank loan	Public sector loan	Community member loans	Public sector grant	Carbon fund grant	Feasibility/Dev. Phase Grant	Community donations	Community share issue	Total
Hydro Scheme 1	£70,000					£123,000		£30,700	£223,700
Hydro Scheme 2	£125,000			£136,000				£157,000	£418,000
Hydro Scheme 3	£150,000					£50,000		£245,000	£445,000
Hydro Scheme 4	£200,000				£100,000			£250,000	£550,000
Hydro Scheme 5	£178,000			£389,000					£567,000
Hydro Scheme 6	£250,000				£65,000		£320,000		£635,000
Hydro Scheme 7	£400,000							£394,000	£794,000
Hydro Scheme 8	£300,000	£150,000						£350,000	£800,000
Hydro Scheme 9	£560,000		£90,000		£252,000	£44,000			£946,000
Hydro Scheme 10	£50,000			£400,000			£46,000	£504,000	£1,000,000
Hydro Scheme 11	£500,000	£320,000					£445,150		£1,265,150

[1] Adapted from Charity Bank Presentation given at research consultations

# SOCIAL INVESTMENT IN THE ENVIRONMENT SECTOR

## Renewable energy example: Drumlin Wind Energy Co-operative

**Project overview:** Drumlin owns and operates six 250kW turbines after accessing funds through two successful share offers and other loans from social investor UCIT.

**Organisation size:** 1 FTE from partners/contractors. An annual turnover of £600,000 in 2014/2015.

**Type of organisation:** Industrial and Provident Society, run by a Board of Directors. Drumlin Wind Energy Co-operative is managed in partnership by EnergyForAll and NRG Solutions

### Sources of finance:

In 2012 the first four turbines raised £2.7m through shares, plus a £340,000 UCIT loan. In 2014, another two turbines raised £1.2m through shares, plus a £275,000 UCIT loan. (Projected return on shares: 7.2% over 20 years life, excluding tax relief of an additional 3%)

### Lessons and advice

- There are upfront costs involved in planning a community share offer. Key tasks include advertising the share offer, administration costs in managing the offer, and maintaining contact with 1,000 individuals.
- Learning from existing eNGO experience is crucial. People are starting to become more familiar with the social investment successes in the past.



*'It was difficult to access traditional finance with banks. However, we were interested in ethical finance and spreading the ownership and sharing the impact amongst the community.'*<sup>1</sup>

[1] Interview with Andrew McMurray, Trustee/Director, Drumlin Wind Energy Co-operative Limited

# SOCIAL INVESTMENT IN THE ENVIRONMENT SECTOR



**Sustainable communities** encompasses diverse projects and is a growth area for social investment. Sustainable projects attract a range of investment, from social investor loans, community shares to crowdfunding.

Similar to renewable energy, communities can be large financial stakeholders, which reflects their desire to get involved with developing and managing their local area. Investment supports the development of community infrastructure, including urban parks and green spaces; community gardens; and built heritage projects—often with business models that involve visitor attractions, cafes and shops.

Areas of potential growth include support for **Community Land Trusts (CLTs)**<sup>1</sup>. These are local organisations set up and run by communities to develop and manage affordable housing, as well as other assets important to their local area, such as community enterprises, food production or workspaces. Another area of potential growth includes **Community Asset Transfers (CATs)**. Organisations such as **Development Trusts Northern Ireland (DTNI)**<sup>2</sup> and **Locality**<sup>3</sup> in England are working with a range of enterprises to explore sustainable finance options for communities to take on and manage community assets, such as disused schools, woodland areas.

**Examples:** The **Plunkett Foundation**<sup>4</sup> supports community co-ops to set up in rural areas. It promotes access to community shares and connects rural co-operatives to training and events to support them to finance their projects.

The **Community Land Trust Social Investment Fund** supports sustainable community housing building projects. Repayable finance is available for pre-development (from £20,000 to £60,000) and development stage (up to £350,000) of the CLT. Loans are only available in England and Wales<sup>5</sup>.

Other examples of organisations that have accessed social investment to develop built heritage within their community include **River Valley Community Association** and **Hearth Housing Association** in NI, and **Hastings Pier** in the UK.

[1] [www.communitylandtrusts.org.uk/](http://www.communitylandtrusts.org.uk/) [2] [www.dtni.org.uk/](http://www.dtni.org.uk/) [3] <http://locality.org.uk/> [4] [www.plunkett.co.uk](http://www.plunkett.co.uk) [5] Charities Aid Foundation [www.cafonline.org](http://www.cafonline.org)

# SOCIAL INVESTMENT IN THE ENVIRONMENT SECTOR

Sustainable communities example: Ligoniel community enterprises

**Project overview:** In the 1990s, a community in North East Belfast saw their area declining due to a lack of inward investment. In response they set up Ligoniel Community Enterprises to rent out and use to support small local businesses. Upon receiving a loan they managed to develop Wolfhill Centre—a building containing office and retail space, as well as provision for incubating other small businesses.

**Organisation size:** 3 FTE staff, £100k turnover at time of investment (1999)

**Type of organisation:** Company limited by guarantee.

**Sources of finance:** £120,000 loan from UCIT, repaid with income made from renting out space. Received a series of smaller grants from private individuals and local statutory bodies.

## Lessons and advice

- Think about the financing of your organisation beyond completing a new development. Some organisations fail to think beyond developing a new facility and then realise they are not able to fulfil their plans due to a failure to account for the costs of furnishing the building or continuing to maintain it.
- Employing a business manager to continue to manage the process can also be important in ensuring the project has lasting impact.



*'Essentially your business plan is key. Make sure that you have the right people on your board to drive this forward. These people need to have financial understanding as well as business acumen.'*<sup>1</sup>

[1] Interview with Maria Morgan, CEO, Ligoniel Community Enterprises



# SOCIAL INVESTMENT IN THE ENVIRONMENT SECTOR

Example: River Valley Community Association

**Project overview:** RVCA leases and manages heritage properties offered as holiday accommodation. They also deliver a range of other projects in the community including environmental conservation.

**Organisation size:** Nine voluntary trustees and five members of staff, with a c. £60k turnover in 2013/2014

**Type of organisation:** Charitable Company Limited by Guarantee

**Sources of finance:** RVCA has accessed a range of social finance ranging from community shares and UCIT loans. These have been secured on assets such as property leases. Income from the property is used to repay social investors

## Lessons and advice

- Financial skills and expertise within the organisation is important: Greater awareness of social investment options can mean that organisations are able to diversify their income streams.
- Where organisations show financial skills, they are able to explain plans with more credibility. This is particularly important where high-risk investments are made.



*‘By creating a small local economy focused on the local, unique, natural and built heritage, we were also increasing the availability of sustainable local employment.’<sup>1</sup>*

# SOCIAL INVESTMENT IN THE ENVIRONMENT SECTOR

## Example: Hearth Housing Association

**Project overview:** Hearth Housing Association restores historic properties in Northern Ireland which are derelict or under threat of demolition and then rents the buildings as social housing. The returns received via rent repay the loans used to purchase or restore buildings.

**Organisation size:** 2.5 FTE from partners/contractors, Annual Turnover: £400,000

### Type of organisation

A company limited by guarantee but with charitable registration.

**Sources of finance:** Hearth has been running for 40 years and uses a range of finance to support its activities.

Typically this comprises 60% grant finance and 40% unsecured loans from high street banks.

### Lessons and advice

- **Banks can be very helpful in providing finance to social organisations:** Organisations do not always consider approaching banks as they are perceived to have much higher interest rates.
- **Importance of experience:** With increased experience it becomes much easier for organisations to manage the challenges of alternative finance.



*‘Restoration of historic buildings provides houses, offices, tourism and employment, and creates economic activity far beyond its initial investment.’<sup>1</sup>*

[1] Interview with Marcus Patton, Director, Hearth Housing Association

# SOCIAL INVESTMENT IN THE ENVIRONMENT SECTOR

**Biodiversity and conservation** involves supporting the protection of species and their habitats, as well as preservation of plants and animals. Social Investment in biodiversity has had its challenges:

*‘In great contrast to the social sector, support for entrepreneurship and innovation is glaringly absent in the biodiversity conservation sector. This may be changing, however, with the advent of market-driven approaches. Thus, investment vehicles that support entrepreneurship and innovation for conservation could be particularly timely.’<sup>[1]</sup>*

Social investment in this area might involve loans from social investors, community shares or crowd-funding campaigns, which help preserve environments or restore old ones. Another developing area is the application of payments for eco-system services. This research identified eNGOs that were interested in this area of alternative finance.

*‘We are looking at eco-system services at the moment. We have studies currently being carried out which will put a value on delivering these eco-system services.’*

eNGO

**Example: Buglife** has run a successful crowd funding campaign and raised £10,000 to survey the environment and preserve sites inhabited by the endangered horrid ground weaver spider.

**Beartooth Capital** in western United States focuses on land protection and habitat improvement of ranch land, restoring streams and improving agricultural practices. It makes a profit for investors through reselling the land, and through land trusts (or ‘conservations easements’).<sup>[2]</sup>

[1] Conservation Finance Alliance (2014) [Supporting biodiversity conservation ventures: Assessing the Impact Investing sector for an investment strategy to support environmental entrepreneurship/](#) [2] <http://beartoothcap.com/>

# SOCIAL INVESTMENT IN THE ENVIRONMENT SECTOR



Conservation and biodiversity example: Buglife

**Project overview:** Buglife, an insect conservation charity, raised £10k through crowdfunding to cover the costs of surveying the sites of one of the world's rarest spiders—the horrid ground weaver.

**Organisation size:** 24 FTE staff, £1.2m turnover in 2014

**Type of organisation:** Charity and company limited by guarantee

## Sources of finance

- Used crowdfunder.co.uk to host the campaign and spread their message through social media.
- Rewards were exchanged for specific sums of money eg, one year Buglife membership, invitations to surveying sites, and twitter thanks.

## Lessons and advice

- It is essential to kick off with impetus so people believe your appeal is going somewhere—ideally 10% within the first 48 hours. They lined up a £500 donation to get the campaign going.
- A lot of time is consumed by social media promotion and in future, they will make better use of planning tools such as tweetdeck.

*'It is important to have an urgent and time bound need, think hard about rewards—the twitter thanks were a mistake as the volume of responses was so great that it filled our feed.'*<sup>1</sup>

# SOCIAL INVESTMENT IN THE ENVIRONMENT SECTOR

**Access to the natural environment.** Numerous studies point to the direct benefits of green space to both physical and mental health and well-being. A 2009 study, for example, examined the difference between green space being three kilometres or one kilometre from one's home, and found that having green spaces within one kilometre reduced disease prevalence.<sup>1</sup> Access to the natural environment is increasingly becoming a focus for social investment, particularly where beneficiaries are able to build skills alongside enjoying access to the environment.<sup>2</sup>

**Example: Bristol Council** with support from **NESTA, Heritage Lottery Fund** and **Big Lottery Fund** invested in eight week training programmes for people with limited skills or employment experience in its parks and green spaces. The tasks were specifically aimed to increase employability and improve standards in the parks. The programme resulted in 17 (40%) participants accessing training or employment, as well as £27k of park improvements.

**Land purchase arrangements** are collaborations between investors and environmental organisations. The agreement involves an investor purchasing a piece of environmentally significant land on behalf of an organisation with an interest in its environmental preservation. Organisations are then given time to fundraise for the money to buy the land back from the investor. This arrangement enables smaller organisations lacking immediate access to funds to preserve species or protect biodiversity on land vulnerable to development.

**Example: The Esmée Fairbairn Land Purchase Facility** has supported a number of large environmental organisations. These organisations have a two year window in which to fundraise and buy the land back. In 2013 the foundation purchased Fingle Woods. The land has high conservation value and The Woodland Trust raised the money to repurchase the land and is restoring the 214 hectares of formerly ancient woodland by clearing planted conifers and replacing them with native tree species. In 2014, Esmée made eleven offers on land totalling over £8m, with six fully paid back and secured for conservation so far.<sup>3</sup>

[1] Maas J, Verheij RA, de Vries S, Spreeuwenberg P, Schellevis FG and Groenewegen PP (2009) 'Morbidity is related to a green living environment'. *Journal of Epidemiology and Community Health*, 63: p. 967–97. [3] ParkWork, Bristol Parks Forum, [www.nesta.org.uk/parkwork-bristol-parks-forum](http://www.nesta.org.uk/parkwork-bristol-parks-forum), accessed March 2016 [3] <http://esmeefairbairn.org.uk>

# SOCIAL INVESTMENT IN THE ENVIRONMENT SECTOR

## Example: The Woodland Trust

**Project overview:** The Woodland Trust has plans to acquire a new site where they can pilot various methods of payment for ecosystem services<sup>1</sup>. The Woodland Trust has recently purchased a site on which to pilot these services, which required raising an additional £3m, a sum they have managed to raise by drawing on a range of sources.

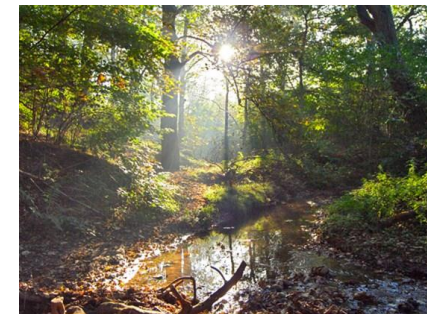
**Organisation size:** 300 employees and 2000 volunteers, £38m turnover in 2015

**Type of organisation:** Company limited by guarantee with charitable status. They also have trading arm.

**Sources of finance:** Have been awarded £25k from Defra to conduct a feasibility study. Options include using woodland/ peatland as a resource (natural capital/carbon schemes), as well as hydroelectric power.

### Lessons and advice

- It is important that payments for ecosystems services are based on careful analysis of the assets in the landscape. Without this, it is impossible to know the social and ecosystem returns that can be generated from an area of land.
- PES requires significant support and investment on the outset to ensure that enterprises established on site succeed.



*'There's a lot of talk about PES, and studies and papers. But doing things on site, trying to work out the market value of these products...you have to take one step at a time.'*

# SOCIAL INVESTMENT IN THE ENVIRONMENT SECTOR

## Overview of social investors in UK's environment sector

Who are they? What do they do?	
<b>Big Society Capital</b>	Big Society Capital (BSC) is a social investment institution endowed with £600m by the Cabinet Office in 2012 to tackle social issues. One of its ten focus areas for investment is 'Conservation of the Natural Environment'. In 2015, they mapped social investment activity in the environment to establish potential growth areas and their challenges. An insights report was published in April 2015, and summarised some of the main social investors in the market, set out below <sup>1</sup> <a href="http://www.bigsocietycapital.com">www.bigsocietycapital.com</a>
<b>Green Investment Bank</b>	Green Investment Bank was supported with public funds from the UK Government in 2012 and provided with an initial £3.8bn in funds. It aims to mobilise green investment in commercial terms and encourage private sector capital into the green economy. To date Green Investment Bank have committed £2.3bn to 64 different environmentally focused projects. The focus areas of the funds are offshore wind, energy and efficiency, waste and bioenergy and onshore renewables. <a href="http://www.greeninvestmentbank.com">www.greeninvestmentbank.com</a>
<b>Triodos</b>	Triodos Bank was founded in 1980 and is now one of the leading social banks. It currently funds three areas; environmental outcomes, social outcomes and cultural outcomes. Its environment work tends to focus on energy and climate, and organic food and agriculture. Around one third of Triodos's UK portfolio of €1.2bn is spent on environmental enterprises; these tend to be large projects focused on renewable energy and ecologically sustainable farming. <a href="http://www.triodos.co.uk">www.triodos.co.uk</a>
<b>Ecology Building Society</b>	Ecology Building Society is a building society which provides people with sustainable mortgages and loans for properties and projects that respect the environment. EBS has been running since 1981 and has since supported over 2,000 projects. In 2014, it loaned £23.6m to 176 different sustainable properties and projects. Its strongest area for lending is Scotland, which receives over 12% of the total amount. Northern Ireland is Ecology Building Society's weakest area—receiving less than 3% of total funds leant. <a href="http://www.ecology.co.uk">www.ecology.co.uk</a>
<b>Green Tech</b>	Green Tech is the world's largest investment bank focused on environmental solutions. Throughout its lifetime it has raised \$2 trillion in support of sustainable infrastructure. Its funds are spread across the environment sector including air and environment, energy efficiency, transport, food, renewable energy and water. It tends to fund large programmes with an average investment size of \$89m dollars spread globally. <a href="http://greentechcapital.com">http://greentechcapital.com</a>

[1] Chart adapted from Sattar, Motran and Parke (2015) [Social Investment Insights Series: Conservation of the natural environment and social investment](#). Big Society Capital, accessed October 2015

# SOCIAL INVESTMENT IN THE UK ENVIRONMENT SECTOR

## Developing the UK market: Challenges

- **Gauging activity in the sector is difficult** because the sector is so diverse. eNGOs deliver projects that achieve a range of outcomes beyond environment eg, health or social. Therefore, eNGOs may well be active in social investment, but delivering initiatives where the primary focus is on social or health outcomes rather than environmental.<sup>1</sup>
- **Ideas to develop new social investment initiatives are needed for the environment.** More social investors could engage in conversations with environment sector stakeholders to explore new, innovative ways to address the environment's 'invisible' outcomes eg, reducing pollution or toxic waste levels. Financial intermediaries can bring investors and a range of stakeholders—from local authorities, corporates and national government—to co-develop solutions that can monetise some of the savings made from improving the environment and living spaces.<sup>1, 2</sup>
- **Policy risk in the environment sector is high**, in particular because it is managed at local, national and international levels. Whilst agreements occasionally are reached, it can often prove difficult to ensure long term thinking about the social and economic benefits of environmental impact, over short term profit making. The recent policy changes<sup>3</sup> which exclude community energy projects from social investment tax relief is one prominent example of how policy changes can undermine environmental investment.

[1] Sattar, Motran and Parke (2015) [Social Investment Insights Series: Conservation of the natural environment and social investment](#). Big Society Capital [2] Interview with social investor [3] Timperley, J, '[Government axes tax relief for community energy projects](#)', in *Business Green*, 29 October 2015



# SOCIAL INVESTMENT IN THE UK ENVIRONMENT SECTOR

## Developing the UK market: Opportunities

- **Considerable economic and social benefit of environmental programmes.** Projects focused on improving the natural environment often have a corresponding impact on social or economic outcomes, such as improving personal well-being and mental health, or saving money through carbon sequestration and improving water quality.
- **Potential for increased visitor revenue.** Ecologically diverse and well preserved habitats have greater value for visitors or tourists than environmentally depleted sites. At present, £3bn recreational visits to the countryside generate a social value in excess of £10bn per year<sup>1</sup>.
- **Community participation.** Currently there are a range of activities that aim to help develop and support community organisations and co-operatives, especially around the transfer of local assets such as disused buildings and community centres. Communities are taking an active interest in their surroundings. In some cases, they are willing to make a financial stake, thus generating new income sources like community shares.<sup>2, 3</sup>

# SOCIAL INVESTMENT IN THE ENVIRONMENT SECTOR

## Social investment available for eNGOs in Northern Ireland

Type	Who are they?	Extent of activity in environment sector
Social Investors	UCIT	<ul style="list-style-type: none"> <li>In Jan 2016, UCIT held 123 live NI loan accounts. The portfolio value was £12m.</li> <li>UCIT has supported 360 projects since it formed in 2001. 18 of these have focused on housing and the environment.</li> <li>£700,000 has been invested in nine environment projects between 2001 and 2014.<sup>1</sup></li> <li>UCIT has invested £5.1m in community projects.</li> <li>Funding decisions are based on project aims and objectives, what the funding is for, the people involved in the organisation and the project, financial analysis (past, current and future), source of repayment, and managing risk.<sup>2</sup></li> </ul> <p><a href="http://www.ucitltd.org">www.ucitltd.org</a></p>
Social banks	Charity Bank	<ul style="list-style-type: none"> <li>In NI, borrowers have drawn down £1.3m in loans from Charity Bank, and it is keen to do more lending.</li> <li>Interest from the sector has been concentrated to certain parts. <i>'The areas we hear the most from are renewables and buildings preservation trusts, but this is a small part of the sector.'</i><sup>3</sup></li> <li>Principles that underpin their lending include the five 'Cs': organisational <b>capacity</b> to deliver against the terms of loan; <b>capital</b>, both financial and human; <b>character</b> of the organisation eg, skills of SMT, board; ability to <b>collaborate</b> with investors; and that the market <b>conditions</b> exist for the subject of the lending to be successful.</li> </ul> <p><a href="http://www.charitybank.com">www.charitybank.com</a></p>

# SOCIAL INVESTMENT IN THE ENVIRONMENT SECTOR



Other finance available for small or start up social or community enterprises in NI

Who are they?	What do they do?
<b>Invest NI</b>	<ul style="list-style-type: none"><li>• Invest NI offers a number of finance options for social enterprises. As part of its Access to Finance Strategy, Invest NI has appointed Ulster Community Investment (UCI)—a subsidiary of UCIT—to manage and deliver the NI Small Business Loan Fund.</li><li>• The NI Small Business Loan Fund is primarily aimed at small businesses but also aims to engage social enterprises.</li><li>• UCI offers a maximum loan amount of £15k to start up enterprises, with potential for follow on lending up to a maximum of £50k.</li><li>• Mentoring support is offered to social enterprises where loans offered are less than £15k.</li></ul> <p><a href="http://www.nisblf.com/">www.nisblf.com/</a></p>

# SOCIAL INVESTMENT IN THE ENVIRONMENT SECTOR



Capacity building support for voluntary sector organisations in NI

Who are they?	What do they do?
<b>Social Enterprise Northern Ireland</b>	<p>In October 2012, the Department of Enterprise, Trade and Investment awarded the contract to Social Enterprise NI to deliver a work programme for social enterprises in Northern Ireland.</p> <p>The work programme aims to:</p> <ul style="list-style-type: none"> <li>• Promote and raise awareness of the social economy sector across NI.</li> <li>• Represent the collective interests of the social economy sector.</li> <li>• Promote best practice both within the sector and about the sector.</li> <li>• Communicate and promote the full breadth of existing support programmes/initiatives.</li> <li>• Develop new products to support the sustainable development of the social economy sector and pilot products or service delivery to develop the social economy sector.</li> </ul> <p><a href="http://www.socialenterpriseni.org/">www.socialenterpriseni.org/</a></p>
<b>Community Shares Get Ready!</b>	<ul style="list-style-type: none"> <li>• Cooperative Alternatives was commissioned by the Building Change Trust to manage the Community Shares: Get Ready! programme in Northern Ireland since 2013.</li> <li>• Northern Ireland community share offers have recruited 2,089 members—25% more than the UK average.</li> <li>• Cooperatives Alternatives has supported six community share offers for five societies. Environment projects supported include Drumlin phase 1 and 2, Down to Earth, and Northern Ireland Community Energy.</li> <li>• Cooperative Alternatives have faced a number of difficulties in bringing forward environmentally focused community share offers; particularly the high price of land in Northern Ireland, levels of investment readiness, and the high start up costs attached to issuing community share offers. <sup>[1]</sup></li> </ul> <p><a href="http://www.coopalternatives.coop/">www.coopalternatives.coop/</a></p>

[1] Bird, J (2015) *Growing Community Shares: Infrastructure support in Northern Ireland and UK, 2009-2015*, Cooperatives alternatives, 52 accessed January 2016

# SOCIAL INVESTMENT IN THE ENVIRONMENT SECTOR



## Capacity building support for voluntary sector organisations in NI

Who are they?	What do they do?
<b>Development Trusts NI</b>	<p>Development Trusts NI is a member-led body and part of a UK network of bodies that includes Locality, DTA Scotland and DTA Wales.</p> <p>Development Trusts NI aims to:</p> <ul style="list-style-type: none"> <li>• encourage the growth of new development trusts;</li> <li>• support and strengthen established development trusts <sup>1</sup>; and</li> <li>• promote and represent the interests of development trusts.</li> </ul> <p>The Building Change Trust awarded funding to the Development Trusts NI in order to: raise awareness of Asset Transfer, <i>'encourage the debate'</i>, <i>'influence current policy and practice within a Northern Ireland context'</i>, and <i>'highlight the benefits and risks'</i>.</p> <p><a href="http://www.dtni.org.uk">www.dtni.org.uk</a></p>
<b>Housing Executive NI</b>	<p>The Northern Ireland Housing Executive goal is for everyone to have access to decent, affordable housing. They work with communities and other organisations to meet the housing needs of existing and future generations.</p> <p>Their key strategic objectives are:</p> <ul style="list-style-type: none"> <li>• Delivering better homes</li> <li>• Supporting independent living</li> <li>• Building stronger communities</li> <li>• Delivering quality services</li> </ul> <p>They launched their strategy, <i>Social Investments in Social Housing Communities: A Strategy for the landlord services provision</i> in September 2015. <sup>2</sup></p> <p><a href="http://www.nihe.gov.uk/">www.nihe.gov.uk/</a></p>

[1] Development Trusts are organisations operating in the United Kingdom that are community based, owned and led who are engaged in the economic, environmental and social regeneration of a defined area or community. They are independent but often seek to work in partnership with other private, voluntary, and public sector organisations. [2] NIHE (2015) [Social Investments in Social Housing Communities: A Strategy for the landlord services provision](#)

# **3. THE POTENTIAL FOR SOCIAL INVESTMENT TO FINANCE THE ACTIVITY OF ENGOS IN NORTHERN IRELAND**

Addressing the barriers to developing  
access to social investment

# THE POTENTIAL FOR SOCIAL INVESTMENT



## Key findings

The survey found that:

### **There is limited evidence of eNGOs taking up social investment.**

- Although 24 out of 78 survey respondents stated they had accessed one or more forms of non-grant finance (from crowdfunding to loans), the degree to which they did this varied considerably across this sample.

### **There is appetite for social finance, although many in the sector are apprehensive.**

- 64% of survey respondents felt that social investment would become 'very important' or 'fairly important' to their organisation in the next three years.
  - 14% (11) of survey respondents stated they intended to make an application for social investment in the next 12 months.
  - 51% of survey respondents feel that social investment will help to 'diversify income streams' in future.
- 77% of survey respondents stated they were interested in one or more forms of debt finance (ie, bonds, loan from social investors, secured loans, unsecured loans or mixed funding eg, grants and loans).
- There is least interest in unsecured loans. 53% of respondents stated they were not interested in this form of debt finance, a further 19% had 'no opinion.'

### **Alternative forms of finance, eg, crowdfunding also interest the sector.**

- 55% of survey respondents were interested in using crowdfunding.
-

# THE POTENTIAL FOR SOCIAL INVESTMENT



## Key findings

The survey and consultation sessions explored the reasons behind levels of interest in social investment and found:

### **eNGOs face significant barriers in accessing social investment.**

- 58% of survey respondents said they had ‘poor’ or ‘very poor’ knowledge of social investment.
- The survey and further consultation sessions found that organisations:
  - were not aware of the opportunities;
  - lacked the skills and confidence to manage these types of funds; and
  - did not have appropriate business models for appropriate for social finance.

**These barriers need to be addressed in order to realise the potential for social investment to finance activity in the environmental sector.**

*‘It feels difficult to take a leap of faith in this area without more knowledge of what exists.’*

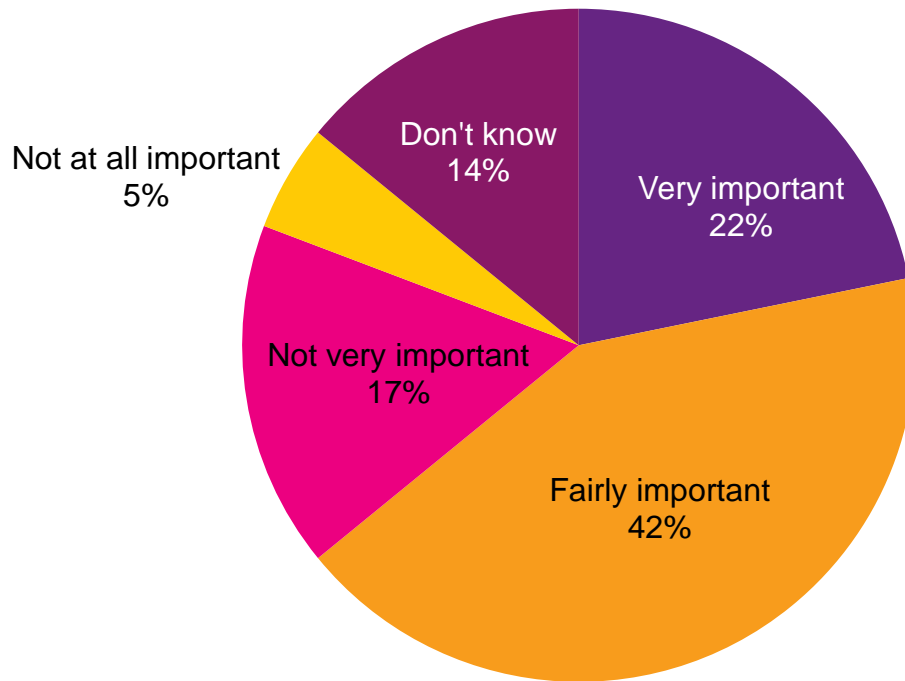
**Environmental NGO**



# APPETITE FOR SOCIAL INVESTMENT

eNGOs see the importance of social finance

Q. How important do you think access to social investment will be in the next three years?



- Amongst respondents, 64% felt that social investment would become very or fairly important to their organisation in the coming years.
- 11 respondents stated that they intended to make an application for social investment in the next 12 months.

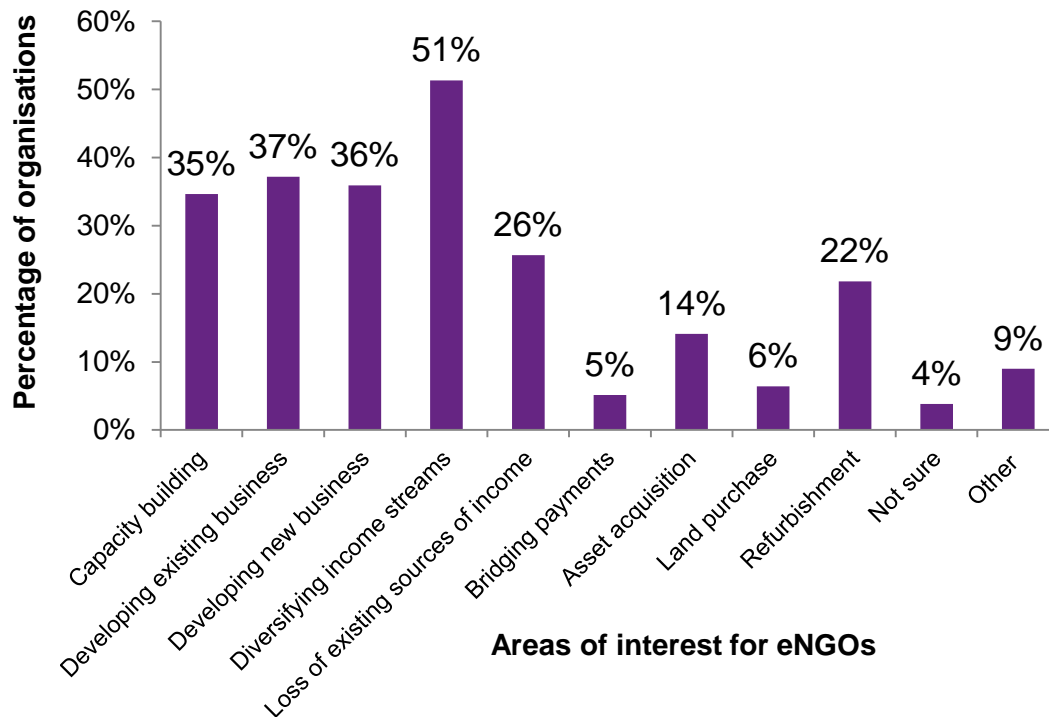
*'There are so many uncertainties around funding. We are always interested to explore new income opportunities.'*

eNGO

# APPETITE FOR SOCIAL INVESTMENT

eNGOs recognise the need to diversify income streams

**Q. If you have stated that you are interested in non-grant finance, please tell us why it interests you (pick all that apply)**



**Respondents show interest in the potential for social investment.**

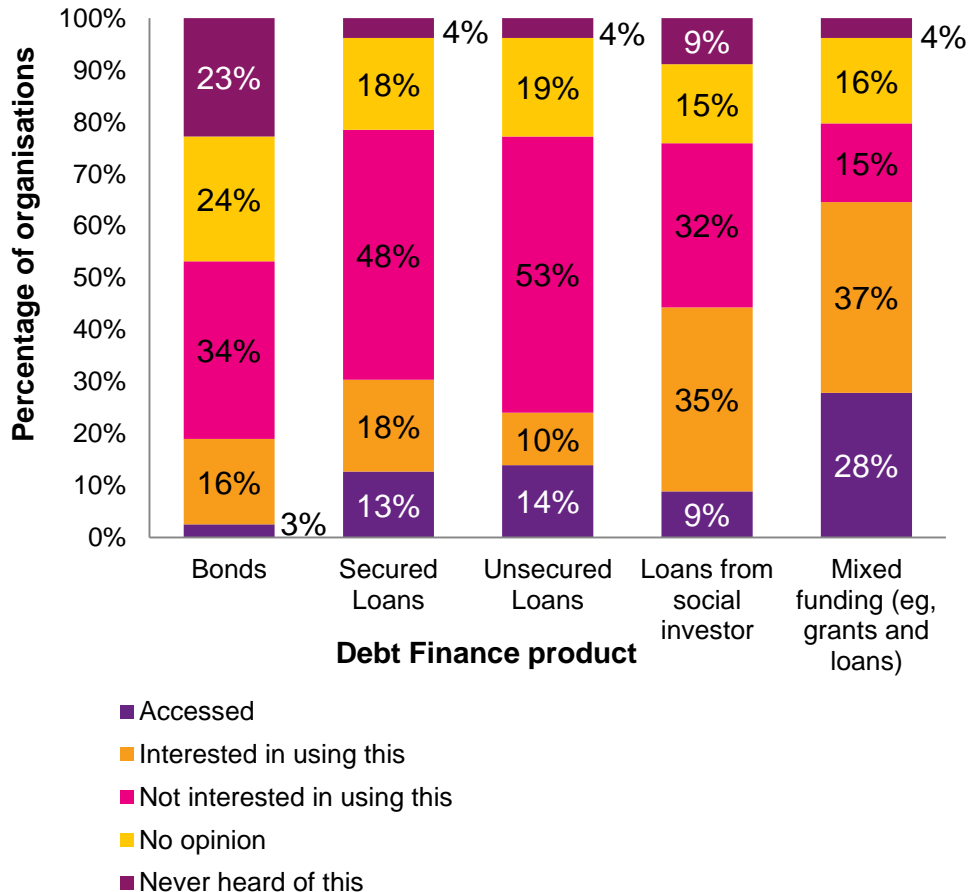
- They recognise the need to diversify their income streams (51%); and that social investment offers opportunities for them to develop existing (37%) and new (36%), business, and build capacity within their organisation (35%).
- Overall, there was less interest in using social investment to support asset acquisition (14%) and land purchase (6%). This suggests that organisations are more interested in revenue funding than capital.

*‘Organisations need to think “business”—earned income might not be the core of what the charity might do at the moment, but it could be.’*

# APPETITE FOR SOCIAL INVESTMENT

Most eNGOs are interested in one of more forms of debt finance

Q. Please give us your views on the following types of finance



## DEBT FINANCE\*

- Overall, 77% of survey respondents stated that they were interested in one or more of the forms of social finance mentioned in the survey.
- Mixed funding (eg, grants and loans) was the only type of finance where the majority of respondents stated they were interested in using it/had accessed it (65%\*\*).
- Loans from social investors was the second most popular form of debt finance selected, although there was less evidence of take up compared to other loans.
- For all other forms of debt finance, the majority of respondents were either 'not interested', had 'no opinion' or had 'never heard' of the type of debt finance.

Sample: 78 organisations. Respondents were only allowed to select one answer for each form of social finance.

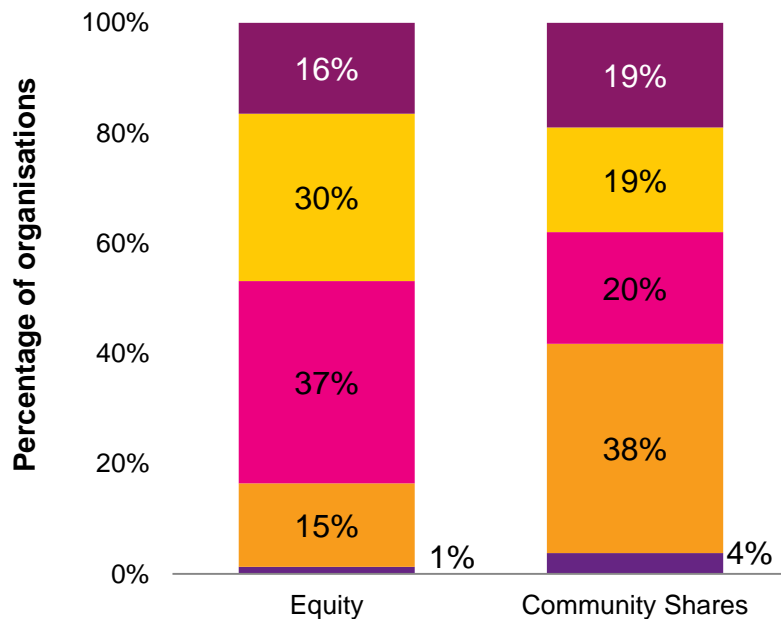
\*The survey provided a link to a glossary of terms for survey respondents to use to answer the survey questions.

\*\*The inclusion of a grant component may have contributed to organisations being more interested in this form. It might also have confused respondents who stated they had accessed it as currently, there are very few mixed funding schemes in Northern Ireland

# APPETITE FOR SOCIAL FINANCE

There was also some interest in equity and alternative finance

Q. Please give us your views on the following types of finance



Equity Finance product

- Accessed
- Interested in using this
- Not interested
- No opinion
- Never heard of it

## EQUITY FINANCE

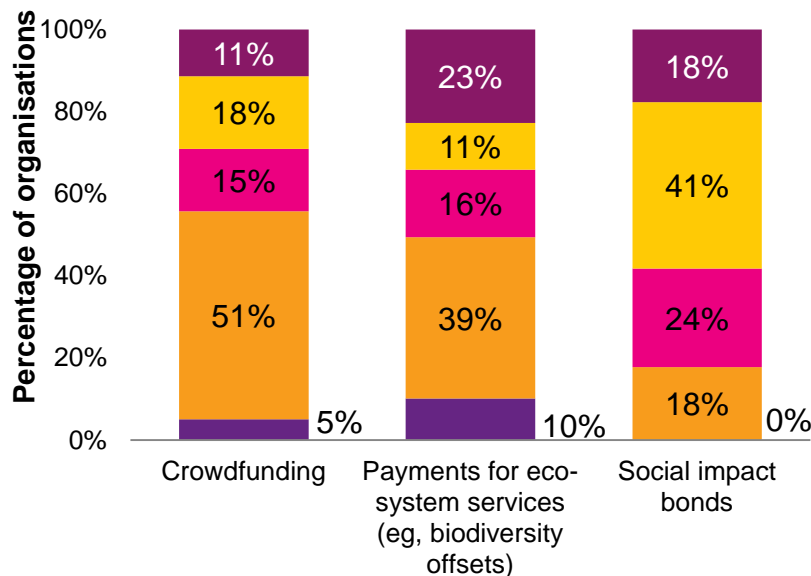
- **42% were interested in community shares.** 4% of those interested had already accessed it. There has been some promotional activity led by Cooperative Alternatives on community shares, which, according to some stakeholders, has contributed to increased awareness.
- **Only 15% were interested in using equity finance.** However, this form of finance is not available to most VCSEs.

Sample: 78 organisations. Respondents were only allowed to select one answer for each form of social finance.

# APPETITE FOR SOCIAL FINANCE

There was also some interest in equity and alternative finance

Q. Please give us your views on the following types of finance



Alternative Finance product

- No Opinion
- Never heard of this
- Not interested in using this
- Interested in using this
- Accessed

## ALTERNATIVE FINANCE

- **There is most interest in crowdfunding.** 5% had already used crowdfunding and 51% of respondents expressed interest in using this form of finance. Similar research for the heritage sector also found most interest in crowdfunding.<sup>1</sup>
- **There is interest in payments for ecosystem services (PES).** Although 10% stated they had used PES, further exploration revealed that organisations are keen to explore it and research into it.
- **Knowledge of social impact bonds is low.** 41% of respondents had never heard of these. There are no social impact bonds currently available in Northern Ireland and so this is to be expected.

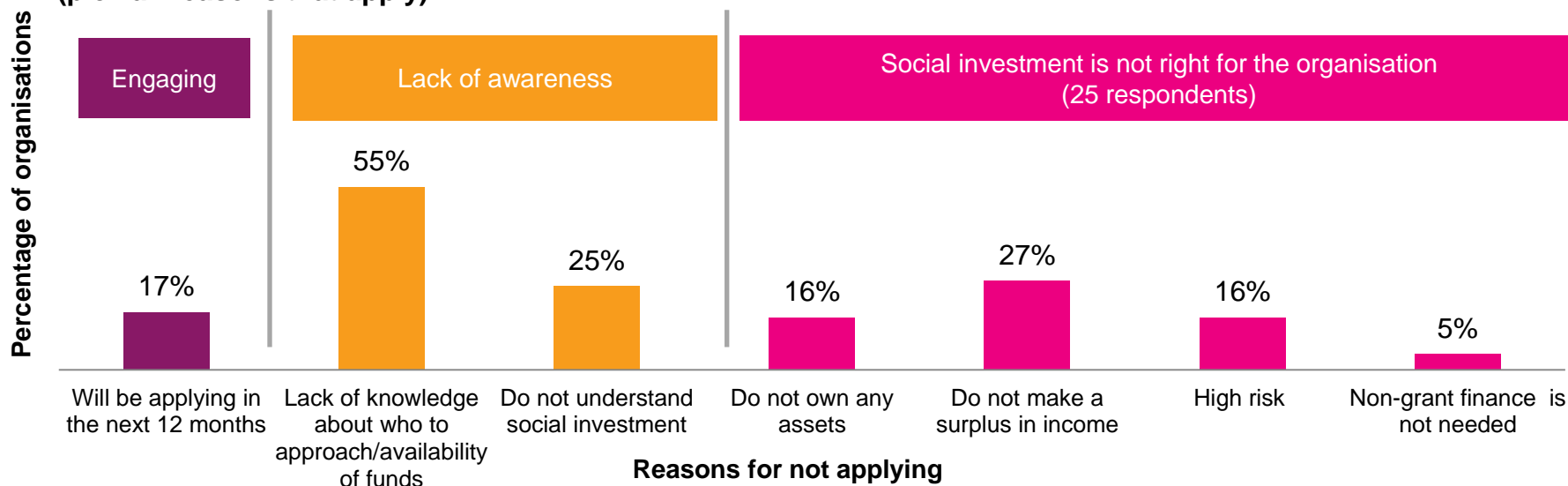
Sample: 78 organisations. Respondents were only allowed to select one answer for each form of social finance.

[1] Rotheroe, Abercrombie, Hodgson, Glew (2014) *Non-grant finance in the heritage sector: Research findings for the Heritage Lottery Fund*, NPC

# BARRIERS: LACK OF AWARENESS

Lack of awareness is the most common reason for not applying for those who **are interested** in social finance

**Q. If you are interested in these sources of finance, but have not accessed it, what is stopping you from applying? (pick all reasons that apply)**



- Many **lack awareness** about social investment: 55% lack the knowledge about who to approach and what is available, while 25% stated they do not understand social investment.
- Although interested in social finance, 25 of the respondents selected at least one or more reason that indicated that **social investment is not right for them** at the moment, eg, they do not make surplus income.
- 17% (11) of interested respondents are **‘engaging’** with social investment and stated they aim to make an application in the next 12 months.
- **A lack of awareness about social finance** is still a reason for no interest in particular forms of social investment. Where organisations gave a reason for no interest in one or more forms of social finance, 13 eNGOs stated that they do not know who to approach or what is available.

# BARRIERS: LACK OF AWARENESS

## Consultation feedback: Why is there a lack of awareness?

### **Reliance on public funds**

The low levels of awareness of social investment is indicative of the sector's reliance on public funds;

*'We haven't needed to consider alternatives.'*

*'The work that we do in conservation is mainly a service to government.'*

### **There is apprehension about being in 'debt'**

Concerns were raised about how supporters and funders might view debt finance eg, would it impact on funding decisions or donations? Taking on debt is an organisational decision, and for many will represent a 'culture change'.

*'Charities might be convinced, but would supporters, donors, grant makers be convinced? Would they support a charity that has debt?'*

*'The 'fear factor' is real—borrowing feels like it counteracts what charities do.'*

### **Grant funders are not talking about social investment**

Organisations suggested that existing grant funders could share more information about how social investment is being used in the sector. One respondent stated that the message needs to be clear that *'social investment should not replace existing government support—it needs to complement it.'*

### **Organisations are unaware of existing support available**

For example, support already available through organisations, eg, Social Enterprise NI or NIEL's HLF Catalyst Programme had not been accessed by research participants.

# BARRIERS: SKILLS & CAPACITY

eNGOs have least confidence in social investment knowledge and social impact measurement

<b>Q. Organisations who undertake social investment need to have the right skills in place to manage funds, earn income and achieve impact. Please rate your level of skill.</b>	<b>Avg. survey rating /5</b>
<b>Social Investment knowledge:</b> Organisations need to understand the social finance options, how they might use them and the associated risks.	2.5 (Poor)
<b>Social impact measurement skills:</b> These skills are important to evidence the social and environmental outcomes that social investors require.	2.6 (Poor)
<b>Financial measurement skills:</b> Repayable finance requires timely and complete financial information. The ability to repay finance needs to be managed on an ongoing basis.	3.8 (Fair)
<b>Marketing skills:</b> When organisations seek to generate trading revenues marketing skills are important.	3.1 (Fair)
<b>Strategy development skills:</b> Setting a clear strategic direction is the responsibility of the board working with senior management.	3.4 (Fair)
<b>Governance knowledge and skills:</b> Trustees and senior management need to understand their respective roles in managing the organisation and have the required skills.	3.6 (Fair)

Sample 78 organisations: Organisations were asked to rate their skills 1–5 (very poor to very good).

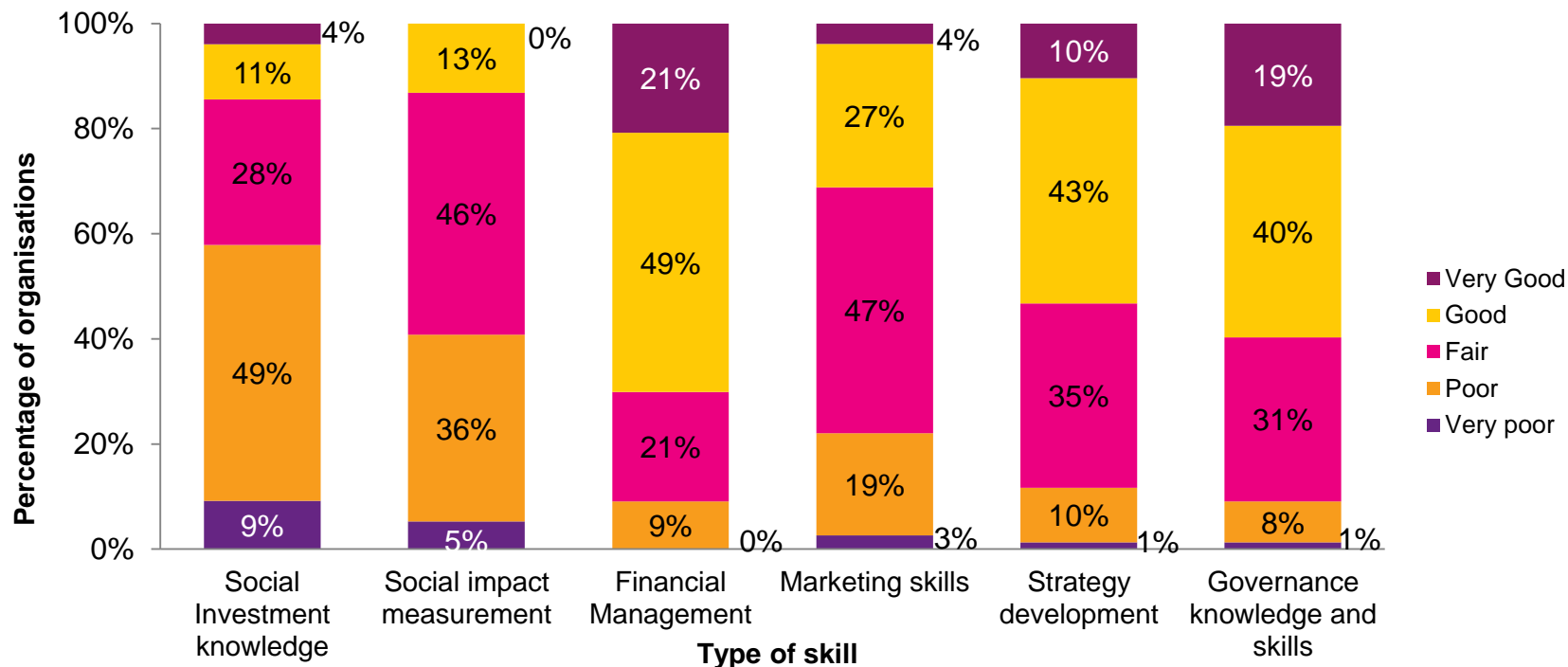


# BARRIERS: SKILLS & CAPACITY

eNGOs have least confidence in social investment knowledge and social impact measurement

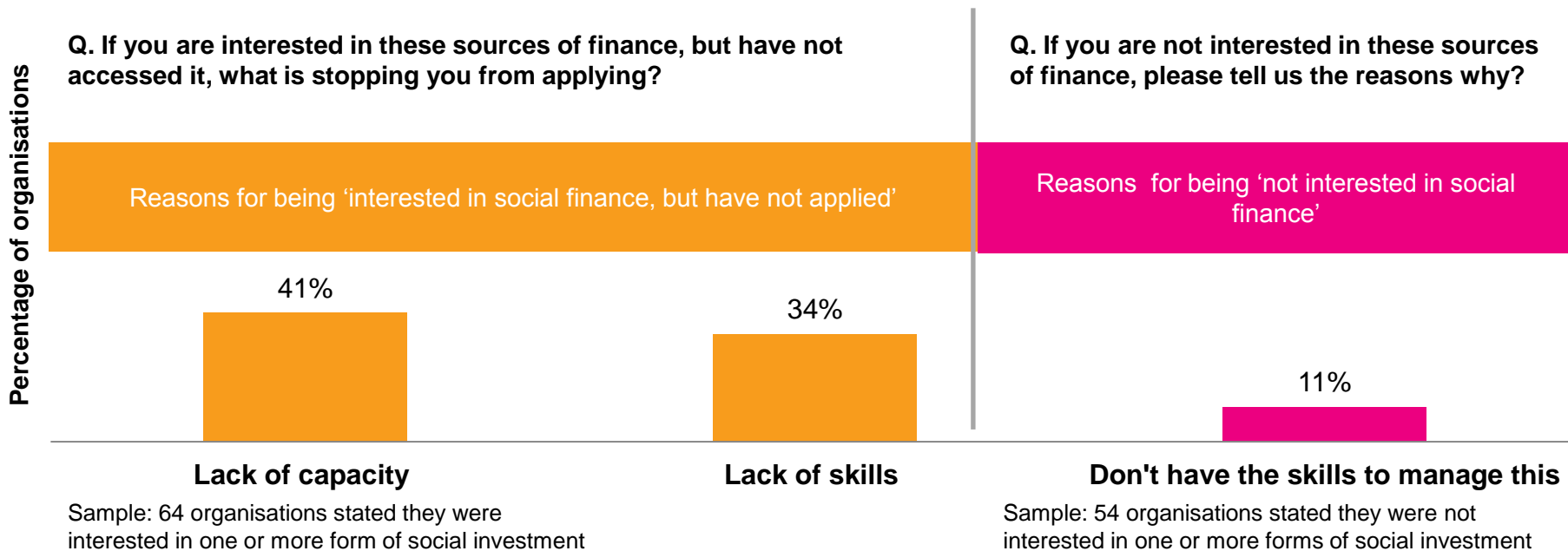
- Many have ‘poor’ or ‘very poor’ social investment knowledge (58%) and social impact measurement skills (41%).
- Organisations were most confident in their financial management skills (70% rated skills as ‘good’ or ‘very good’), followed by governance knowledge (59%) and strategy development (53%).

**Q. Organisations who undertake social investment need to have the right skills in place to manage funds, earn income and achieve impact. Please rate your level of skill.**



# BARRIERS: SKILLS & CAPACITY

41% lack the capacity and skills to access social finance

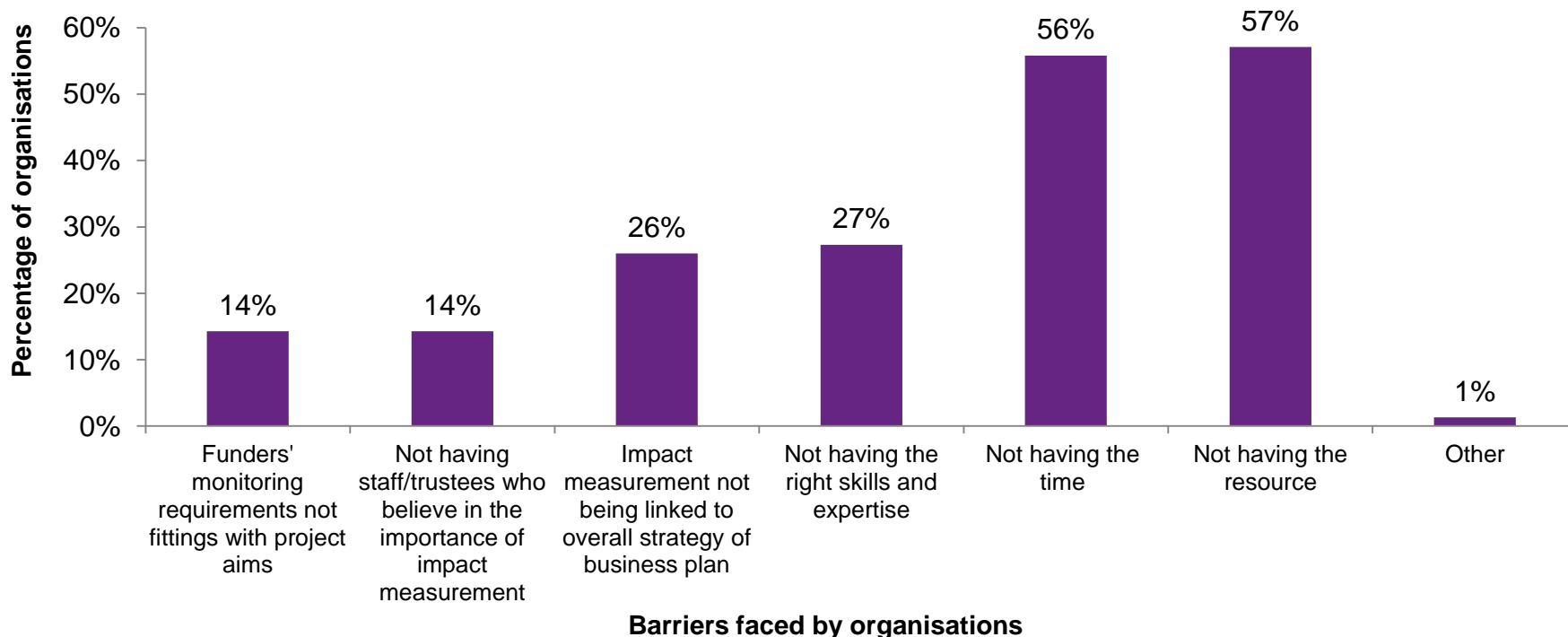


- 41% of those **interested in one or more forms of social finance**, indicated a lack of capacity as a reason for not applying for social investment. 34% indicated a lack of skills.
- 11% of respondents **who were not interested in one of more forms of social finance**, also stated their lack of interest in social finance was due to skill levels.

# BARRIERS: SKILLS & CAPACITY

Insufficient time and resources are the most common barriers to measuring impact

**Q. What are the main barriers to measuring your impact? (maximum of three options)**



- 'Not having the resource' (57%), 'not having the time' (56%) and 'not having the right skills and expertise' (27%) were seen as the three main barriers to measure impact.

Sample: 78 organisations

# BARRIERS: SKILLS

## Consultation feedback

### **Time and resource is needed for skills development**

Smaller eNGOs find it difficult to make time to access existing skills development support. In some eNGOs, one person might oversee multiple business functions eg, fundraising and finance. This can make it difficult to know what skills areas to prioritise to achieve most impact on their business.

*‘The level of commitment from organisations is important—can charities invest in this resource from the outset?’*

### **Leadership confidence must be built**

Some leadership teams within eNGOs lack knowledge and skills around social investment. In particular, there was a need to educate and ‘update’ trustees on the variety of investment options available and how to monitor these investment opportunities.

*‘Trustees are usually risk averse; they need to expand their thinking and champion investment; be enterprising.’*

### **Many are unsure about how to measure Impact**

eNGOs find measuring their impact a challenge. Government funders and other grant makers request more quantitative data eg, number of visits, number of beneficiaries rather than outcome data.

*‘Monitoring information won’t be the same and won’t have the same role [in social investment].’*

# BARRIERS: BUSINESS MODELS AND INVESTMENT READINESS

## What do social investors look for when deciding to invest?

Social investment often requires organisations to build up new expertise and business models. These may not have been present in the organisation up to now.

Very few voluntary organisations considering social investment start out investment ready, especially smaller ones. **eNGOs are likely to need support in a number of different business areas that can make them investment ready.** The criteria for investment readiness varies on the basis of who the social investor or intermediary is. One set of criteria is summarised below.

### Investment readiness in the social investment market<sup>1</sup>

Business aspect	Criteria
Business plan and financials	An investment ready business plan must give detailed information on the product, market, team, sector and potential growth. It is likely to include growth forecasts and cash-flow projections. An investment ready social enterprise will likely have two year's trading history (does not have to be for-profit) and diverse income settings.
The social entrepreneur	Open and honest relationship with the investing social entrepreneur.
Governance	Good governance, board structure, and a diverse set of skills amongst the board. An appropriate legal structure enables organisations to take on and repay social investment.
Social impact	Social impact reporting is seen as important, but: <ul style="list-style-type: none"> <li>• Investors have no preferred generalised or specific measures of social impact.</li> <li>• Prior experience of measuring social impact or detailed social accounting practices is not required.</li> </ul>
Partnerships	Partnerships with other funds/investors or institutions were positive: <ul style="list-style-type: none"> <li>• Match-funding or investment from a third-party strengthened investment-readiness.</li> <li>• Institutional partnerships (ie, with universities) were also positive.</li> </ul>

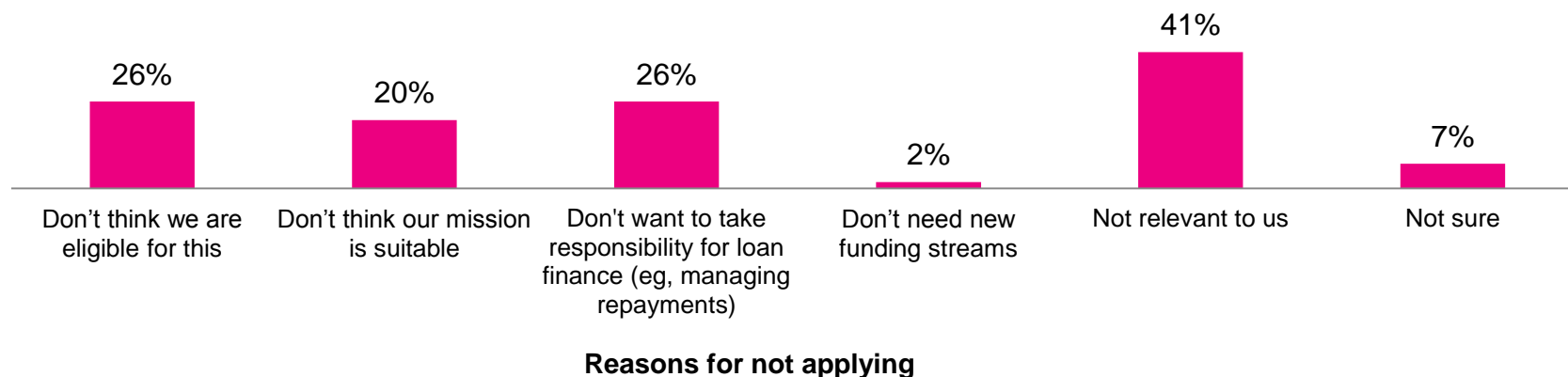
[1] Hazenberg, 'Investment Readiness—What's that?' in [Pioneers Post](#), published 23<sup>rd</sup> February 2013, accessed February 2016

# BARRIERS: BUSINESS MODELS AND INVESTMENT READINESS

For organisations **not interested**, they indicated reasons that suggest social investment is not relevant to them

Percentage of organisations

Q. If you are not interested in these sources of finance, please tell us the reasons why?



For those that stated they **were not interested in one or more forms of social finance (54 eNGOs)**, reasons given indicated that **social investment was not right for them.**

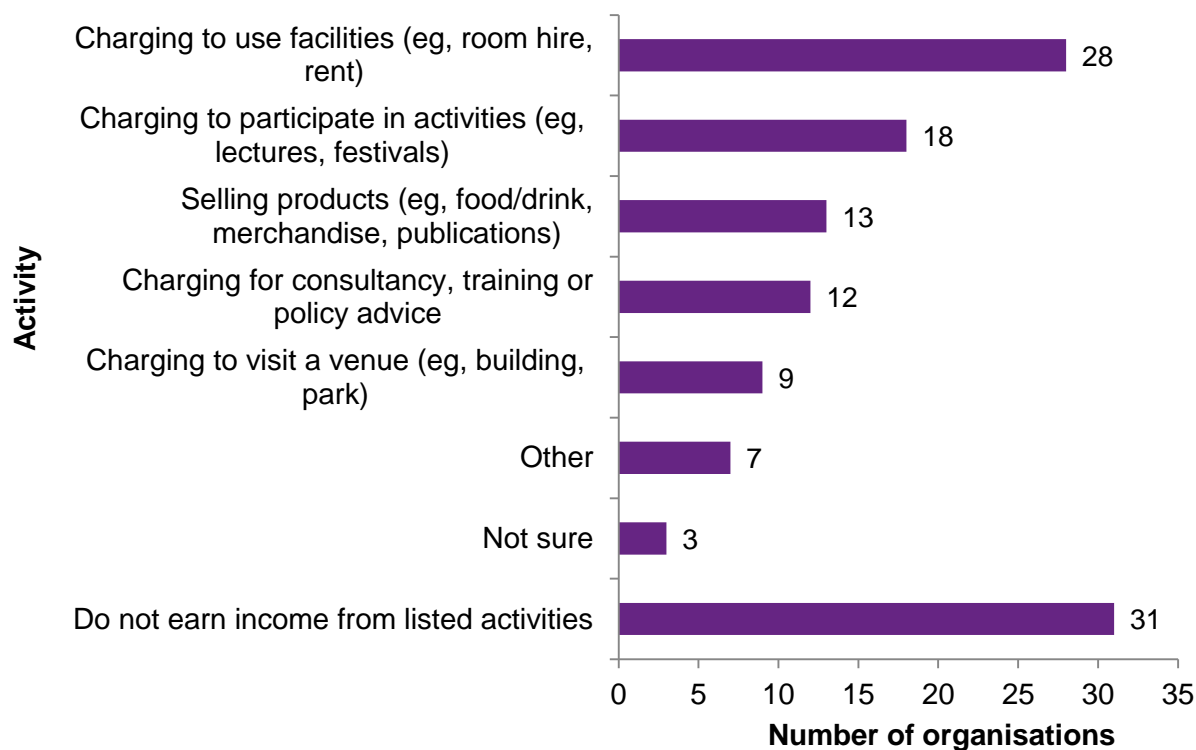
- 41% selected that it was 'not relevant' to their organisation.
- 26% did not want to take on responsibility for loan finance.
- 20% did not think they were eligible.

# BARRIERS: BUSINESS MODELS AND INVESTMENT READINESS

## Suitable business models: Earned income

There is potential for social investment to support eNGOs if they are able to cover costs and earn a surplus in income.

**Q. If you have stated that earned income is a source of finance for your organisation (excluding membership subscriptions), please pick as many of the following that apply to you.**

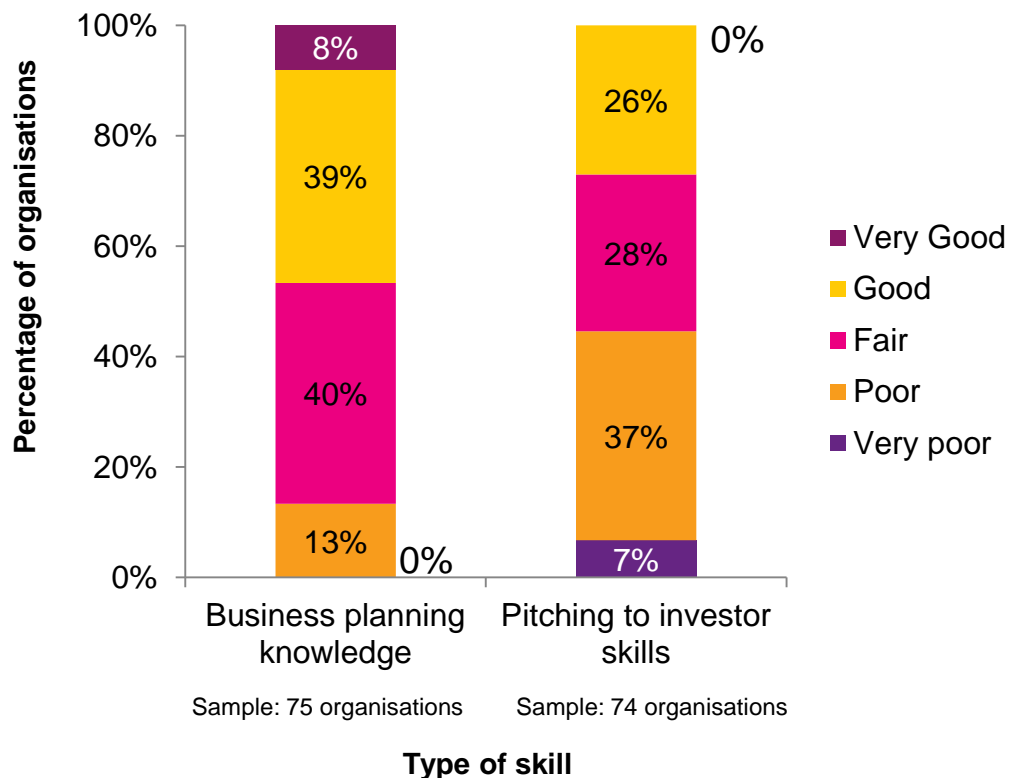


- 60% of respondents (47) stated they earned income from a range of activities listed in the survey.
- Given the right support, these organisations may have the potential to take on and repay social investment.
- 40% (31) of respondents stated that they did not earn any income from the sources specified in the survey. Social investment is unlikely to be appropriate for them.

# BARRIERS: BUSINESS MODELS AND INVESTMENT READINESS

## Indicators for investment readiness: Business planning

**Q. Organisations who undertake social investment need to have the right skills in place to manage funds, earn income and achieve impact. Please rate your level of skill.**



Social investors want to see robust plans and clear outcomes in proposals.

- On average, **organisations are fairly confident in their business planning skills** (average rating was 3.4). No respondents rated their skills levels as 'very poor.'
- **Organisations feel less confident in their skills to pitch to investors.** The average rating was 'poor' (2.75).

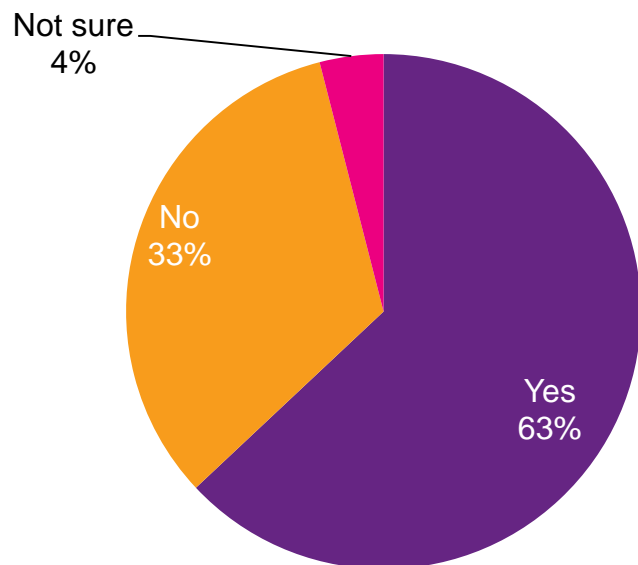


# BARRIERS: BUSINESS MODELS AND INVESTMENT READINESS

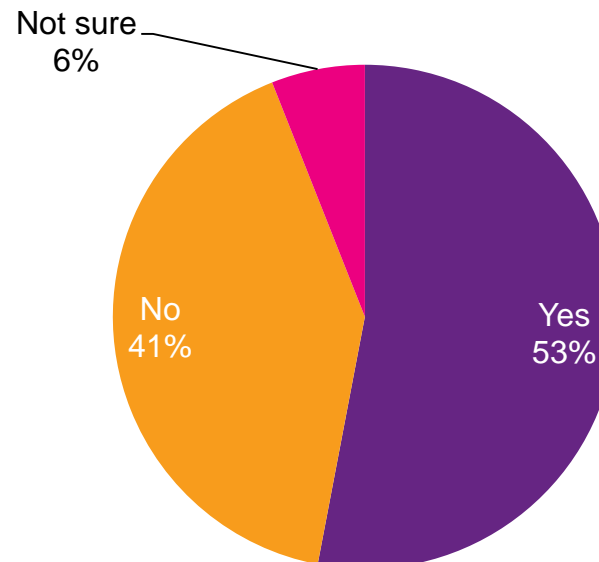
## Indicators for investment readiness: Business planning

Solid business and fundraising plans are an important component of investment readiness. The survey found that 63% of the organisations surveyed had a business plan, and 53% had a fundraising strategy.

**Percentage of eNGOs with a business plan**



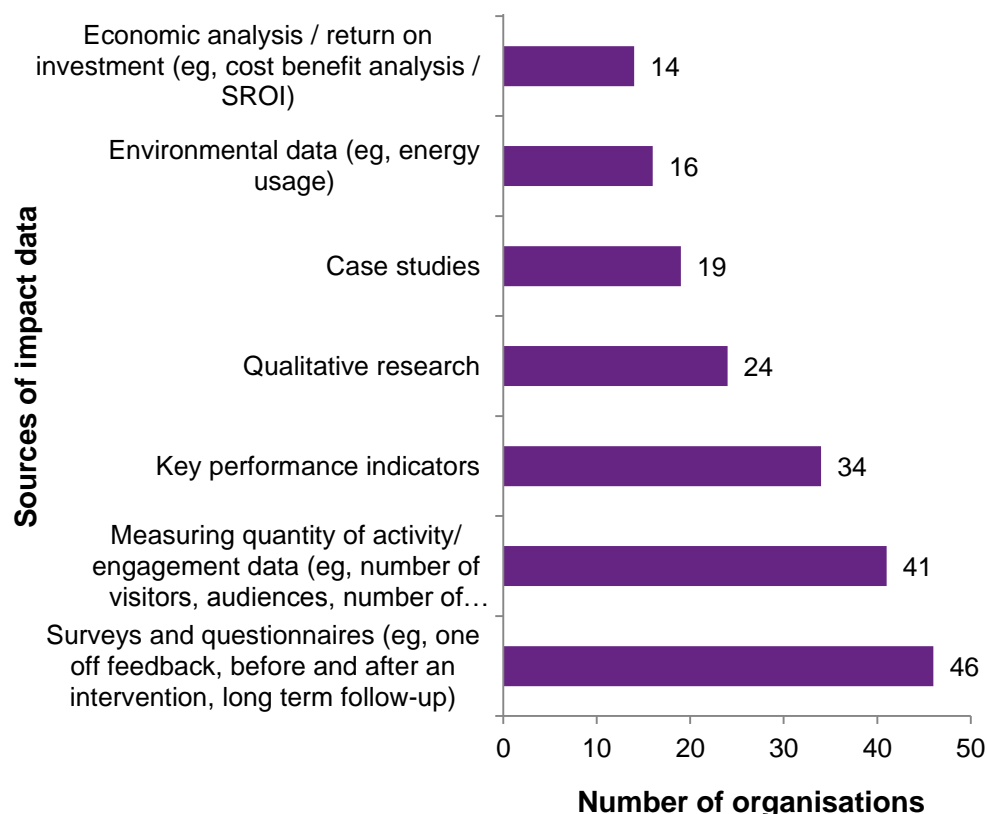
**Percentage of eNGOs with a fundraising strategy**



# BARRIERS: BUSINESS MODELS AND INVESTMENT READINESS

## Indicators for investment readiness: Impact data

**Q. How do you measure the impact of what you do? (Pick all that apply)**



Presenting a mix of data to show outcomes helps eNGOs present robust proposals for social investors.

- Most respondents use a range of methods to measure outcomes. Only three organisations stated they ‘did not measure their impact.’
- ‘Surveys and questionnaires’ was the most common mechanism by which organisations collected outcome data.
- Measuring quantity and activity/engagement data was also high.

These methods can be effective ways to show social investors about impact achieved.

Sample: 78 organisations

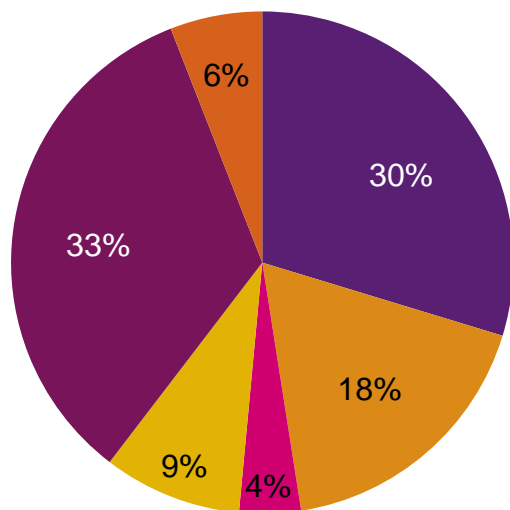
# BARRIERS: BUSINESS MODELS AND INVESTMENT READINESS

## Suitable business models: Ownership of assets

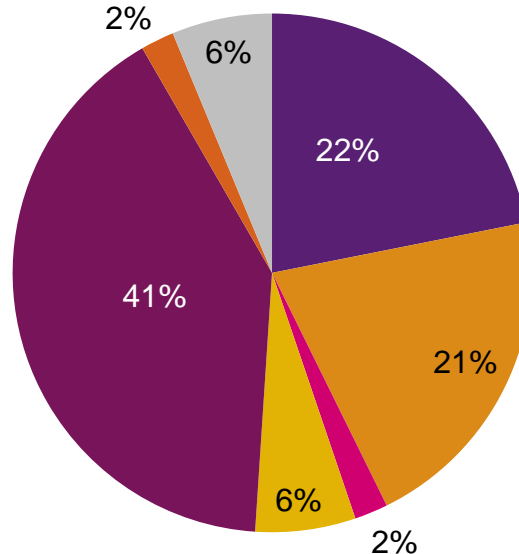
Some owned assets may be used as security for debt finance. Out of the survey respondents:

- 67% of organisations own some form of asset. 30% own a 'building.'
- 57% of organisations manage some form of asset. 22% manage a 'building', 21% manage land.
- 33% of organisations **do not** own an asset and 41% **do not** manage an asset.

Percentage of eNGOs who own an asset(s)



Percentage of eNGOs who manage an asset(s)



- Building (eg, museum, library, industrial site)
- Land (eg, nature reserve, park)
- Industrial, maritime or transport assets (eg, railway rolling stock, ship)
- Collections of art, objects, books or documents.
- None
- Not sure
- Other

Sample: 78 organisations

# BARRIERS: BUSINESS MODELS AND INVESTMENT READINESS

## Consultation feedback

### **Earned income covers costs but does not achieve surplus**

Increasing levels of earned income is a priority for many eNGOs. Many eNGOs who attended the consultation sessions already earned income to cover costs. Some raised concerns about their ability to achieve the surplus required to repay social finance.

### **Developing new business models**

eNGOs need to relearn how to do 'business' and feel comfortable with generating income. eNGOs raised concerns about charging for products and services where once they were offered for free, for example access to parks and recreational spaces, events, etc.

*'Will people invest and provide the "surplus" required?'*

*'The challenge is getting people to spend money where they have not had to before.'*

### **Networking with other eNGOs is valuable**

The consultation sessions were an opportunity to share ideas about new and innovative ways to earn income. These discussions forged new connections between organisations and unlocked new business ideas and opportunities. Organisations found these discussions useful, and were keen to find similar forums to discuss ideas in future.

### **Investment readiness support needs to be broader than social investment**

eNGOs are also interested in commissioning such as local authority contracts, or general fundraising support like setting up membership schemes.

*'There is huge potential in our organisation and our community. Social investment could be an option in future, given the right support.'*



## **4. PREPARING NORTHERN IRELAND'S ENGO SECTOR FOR INVESTMENT**

# PREPARING THE SECTOR FOR INVESTMENT

## Key messages

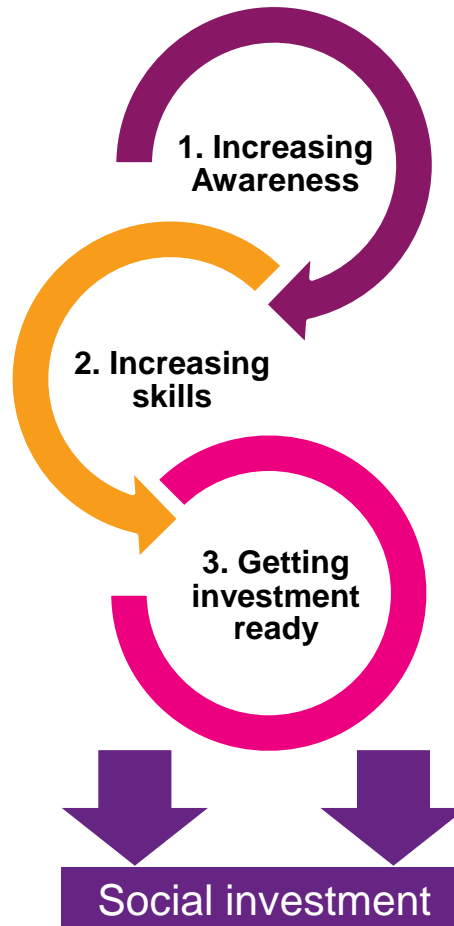
Addressing three key barriers—awareness, skills, and business models—can begin to unlock the potential for social finance in the environmental NGO sector.

### 2. Improving organisational skills and capabilities.

The sector needs to address skills gaps, and to build the capabilities needed to manage social investment effectively

eg,

- financial management;
- business planning; and
- impact measurement.



### 1. Increasing awareness of social investment options.

More needs to be done to educate eNGOs about social investment and whether it is right for them eg,

- social finance options available; and
- experiences other eNGOs have had with social investment.

### 3. Getting investment ready

Organisations need support to be 'investment ready' and consider:

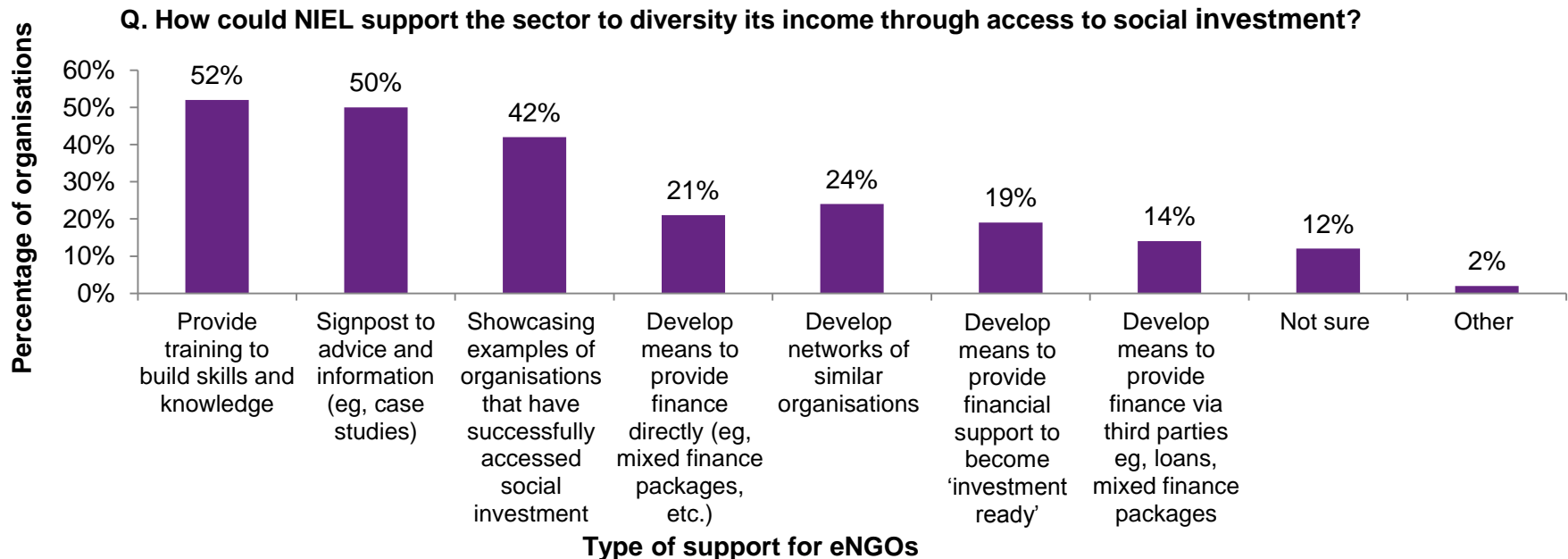
- how their business models can generate the income needed to repay social finance; and
- what impact they can generate for investors.

Social investment

# SURVEY: PREPARING THE SECTOR FOR INVESTMENT

eNGOs want training, advice, and examples of where social investment has worked in the environment sector

- The majority of respondents (**52%**) stated they wanted ‘training to build skills and knowledge.’ Other popular areas of support were ‘advice and information’ (50%) and ‘showcasing examples’ (42%).
- Currently, there is least interest in providing financial support to become investment ready (19%) or providing finance via third parties eg, ‘mixed finance’ packages (14%).
- 29% are interested in ‘finance directly’ from NIEL eg, environmental funds for loans.



Sample: 78 organisations . Organisations could select three options.

# PREPARING THE SECTOR FOR INVESTMENT



## Consultation feedback: What would help prepare eNGOs?

### **Training to build skills and knowledge**

Training and events should target all levels within eNGOs, such as chief executives, finance, and fundraising roles. In particular, eNGOs were keen for trustees to engage as they make key financial decisions for their organisations.

eNGOs discussed a range of business areas to include in a training programme, including:

- Marketing
- Developing a business plan
- Business modelling
- Service and product development
- Impact and contract readiness
- Impact measurement

### **Leadership development**

Organisations might need to undergo cultural change when accessing social finance. Strong leadership will guide eNGOs through changes ahead. Mentoring and coaching programmes can deliver bespoke support in line with the needs of the organisation's leadership. Mentors and coaches could be social investors or leaders in eNGOs that have already accessed social finance. One respondent suggested that *'mentors would need to understand the environmental context.'*



# PREPARING THE SECTOR FOR INVESTMENT



## Consultation feedback: What would help prepare eNGOs?

### **Published case studies**

Knowledge and attitudes will transform in the sector once more eNGOs' experiences of social finance are shared. eNGOs are keen to see examples from similar organisations to them ie, similar income levels, environmental activities, etc. This will help eNGOs understand whether social investment is for them and worth considering. Case studies should also cover a range of different products such as loans, crowdfunding, and community shares, and provide insight into what the eNGO learned from their experience.

### **Signposting to advice and guidance**

Availability of time and resource is a significant challenge for eNGOs. There is a need for an organisation to take on a role that provides specialist support for eNGOs, such as signposting them to useful resources and financing options, providing regular communications on social finance, and coordinating supporting activity such as training events. It would be a conduit between social investors, public funders and eNGOs. It would *'help educate funders and donors about the challenges specific to the sector'*. It could also support eNGOs review their legal structure to open up new potential funding streams, such as community shares.

### **Link to existing initiatives**

Many research participants highlighted existing programmes that support the development of these key skills. Some eNGOs are eligible to access support from providers such as Social Enterprise NI or NICVA, for example. Smaller organisations in the sector need more support to know what is available for them and how they could access it.

# PREPARING THE SECTOR FOR INVESTMENT



## Consultation feedback: What would help prepare eNGOs?

### Pilot fund

The consultation session explored the potential of a dedicated fund with the aim to grow social investment in Northern Ireland's eNGO sector. There was interest in a fund to support the following:

1. **Investment readiness support** like that offered by Big Potential.
2. **Contract readiness support**—like that offered by Investment and Contract Readiness Fund (ICRF)—helping eNGOs achieve outcomes beyond the environment that could unlock income from local authority contracts.
3. **Seed funding innovation**—sector specific funding can help grow new business ventures and initiatives in the environment.
4. **Mixed funding model to promote access**—a mixed fund (grants and loans) for small and medium sized eNGOs will help them to test out the market eg, Access Foundation Growth Fund.
5. **Fund for community shares**—the consultation showed appetite for community shares. Developing support to access these forms of alternative finance interested attendees.

For some eNGOs, social investment was not right for them in the short term, and, *'investing resource to get investment ready is a long term decision'* that they were unable to make. Many of the eNGOs involved in the research feel their business model is not in line with what a social investor is looking for, eg, no income generation arm or involving *'intensive work with vulnerable groups'*.

Currently, eNGOs are more interested in awareness raising and capacity building. Once these initiatives have developed, and more eNGOs engage, the demand for investment readiness support and social investment could increase.

# PREPARING FOR INVESTMENT

## Developing social investment in Northern Ireland's eNGO sector

*'The sector still remains some distance away from [generating revenues that could be used to attract and repay investment] ... with some [voluntary organisations] possibly open to the idea of using social finance but not necessarily in a position to take it on.'*<sup>1</sup>

- Many organisations in the voluntary sector lack awareness and knowledge about the potential of social finance to fund their activities. **The voluntary sector, as a whole, needs more support to understand and potentially access social finance.**
- Models to incentivise change in Northern Ireland's social investment market have been explored. Recommendations highlight the need for approaches to support the voluntary sector access social investment and link to existing initiatives, such as support from a programme like Inspiring Impact and Social Enterprise NI.<sup>2</sup>
- eNGOs can not be left behind developments. **eNGOs have limited experience of social investment** and the levels of awareness are, according to social investors, lower compared to other sub-sectors like arts and culture.
- More needs to be done to grow social investment for eNGOs and generate a pipeline of investment ready eNGOs. **eNGOs need to be encouraged to access support where appropriate.**
- In the short term, **eNGOs need to engage with existing resources that can increase their awareness.** In the medium term, activities to improve capacity and skills development can be developed. Over time, tailored one-to-one support for organisations with the right business models can support them to access: social investment opportunities already available in Northern Ireland; or new environmentally specific funds, aimed at those organisation with little or no current experience in social finance.

[1] DSD NI (2014) [Review Of Regional Infrastructure Support Arrangements For The Voluntary And Community Sector \(VCS\)/ Third Sector](#), accessed February 2016 [2] Bulmer, Thomson & Donaldson (2014) [The Social Investment Hub: The model to incentivise change in social investment in Northern Ireland](#), Charity Bank Ltd and Building Change Trust, accessed January 2016

# **5. RECOMMENDATIONS AND NEXT STEPS**

Planning for social investment in  
Northern Ireland's environment sector

# RECOMMENDATIONS

## Phases of support

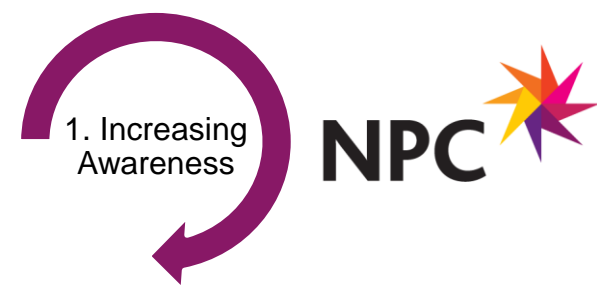
Phase 1	Phase 2	Phase 3
Increasing awareness	Increasing skills	Getting investment ready
<p>1. Northern Ireland VCSE develops a leader and champion for social investment, similar to Big Society Capital.</p> <p>2. Existing tools and resources that support the VCSE sector to access social investment are mapped.</p> <p>3. An awareness campaign, delivered in partnership with VCSE partners/stakeholders, continues to raise the profile of social investment and links to resources.</p>	<p>5. eNGOs are directed to tools and resources that help them to identify their skills development needs eg, Inspiring Impact NI, Path to Impact, CENI.</p> <p>6. eNGOs are directed to skills workshops that cover core business areas eg, business planning, financial management and modelling, impact measurement, etc, eg, Social Enterprise NI.</p>	<p>8. eNGOs form networks to generate innovative ideas around earning income and developing projects. These enable new partnerships between eNGOs, eg, NIEL membership events.</p> <p>9. Links are made between social investors and potential projects/ eNGOs, eg, Social Impact Investment Group</p>
<p>4. The campaign promotes the potential for, and the experiences of, social investment in eNGO sector</p>	<p>7. Leaders in eNGOs access coaching and mentoring programmes to develop key skills and increase confidence. Sector-relevant support is offered where appropriate.</p>	<p>10. One-to-one support is provided to eNGOs to test investment readiness and prepare robust investment plans, eg, Big Potential.</p>





Time



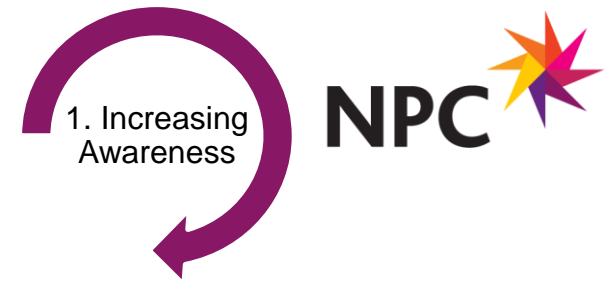
# NEXT STEPS

## Phase 1: Increasing awareness



Aim	Rationale	Potential partners
<p>1. Northern Ireland VCSE sector has a leader and champion for social investment, similar to Big Society Capital.</p> 	<ul style="list-style-type: none"> <li>• A championing role, similar to Big Society Capital, creates a voice for the sector. It brings together key stakeholders to develop opportunities and address challenges.</li> <li>• Currently, there are many NI bodies that see the importance of social finance, such as the new Department for Communities and BCT, but there is no clear leadership. Once leadership is established, sub-sector bodies and social investors have a central organisation through which they can access strategic support and guidance.</li> </ul>	<p>BCT, Dept of Communities, other voluntary sector bodies</p>
<p>2. Existing tools and resources that support the VCSE sector to access social investment are mapped.</p> 	<ul style="list-style-type: none"> <li>• There are existing online tools and resources that support organisations to improve practice. Sub-sectors bodies in the environment sector like NIEL can connect eNGOs with a central online resource of relevant support available.</li> <li>• Existing resources include CENI research and publications, NICVA events, Inspiring Impact, Good Finance, and Path to Impact (launched January 2016).</li> </ul>	<p>BCT, SENI, CO3, NICVA,</p>
<p>3. An awareness campaign, delivered in partnership with VCSE partners/stakeholders, continues to raise the profile of social investment and links to resources.</p> 	<ul style="list-style-type: none"> <li>• A centrally coordinated campaign helps to streamline information about social investment in Northern Ireland.</li> <li>• Sub-sector bodies can link into activity and promote existing support available.</li> </ul>	<p>BCT, voluntary Sector bodies and stakeholders</p>
<p>4. The experiences of eNGOs are shared more widely across the sector.</p> 	<ul style="list-style-type: none"> <li>• eNGOs need to see how social investment works in the context of the environment. As the campaign develops, more eNGOs will engage with social finance over time. As a result, a body of case studies and sector-specific resources will be developed and shared to continue to grow interest.</li> <li>• The survey identified 11 organisations interested in applying for social investment in the next 12 months, which could provide future case studies.</li> </ul>	<p>NIEL, Other environment sector bodies</p>

# PHASE 1: INCREASING AWARENESS



Example: Leadership in social investment

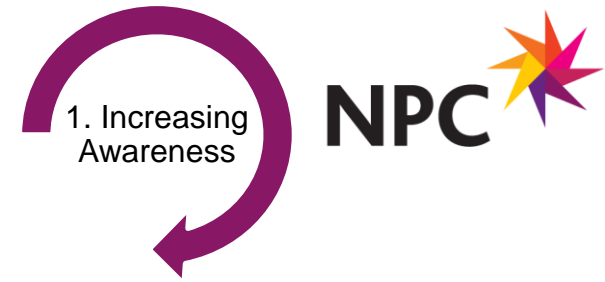
**Big Society Capital (BSC)** aims to address the barriers that exist for charities and social enterprises to access social investment. In particular, it aims to tackle:

- apprehension of management and/or trustees in charities about repayable finance;
- lack of confidence in abilities to generate income to repay finance;
- uncertainty over what repayable finance options would suit the charity; and
- uncertainty over whether they have access to support or advice concerning repayable finance.<sup>1</sup>

Through its dual role of ‘champion’ and ‘investor’ it aims to grow the market by promoting investment in four areas:

- **Small and medium sized charities**—increasing access to finance for small and medium sized charities.
- **Innovation**—providing capital that allows the most innovative approaches to tackling social problems to quickly grow and replicate.
- **Participation**—building mass participation in social investment.
- **Scale**—allowing the market to achieve far greater financial scale in order to finance social issues.<sup>2</sup>

# PHASE 1: INCREASING AWARENESS



Example: Leadership in social investment

**Social Investment Scotland** aims to be a *‘thought leader in the social investment marketplace, making a real difference to people's lives and society in Scotland.’*

- Social Investment Scotland is a charity and social enterprise that provides loans to other charities, social enterprises, and community groups across Scotland.
- Business loan finance is available from £10k upwards and is aimed at charities, community organisations and social enterprises that might find access to finance from mainstream providers difficult.
- They are an established lender. Since 2001, they have invested over £49m in over 200 organisations across Scotland.
- For SIS’s 2015 Social Impact Report, it introduced Big Society Capital’s Outcomes Matrix, which covers the range of different social impacts that their investees have, both on individuals and on communities.<sup>1</sup>
- In addition to loans, Social Investment Scotland offers guidance and workshops to support enterprises become investment ready (see <http://socinvestscot.strikingly.com/>).

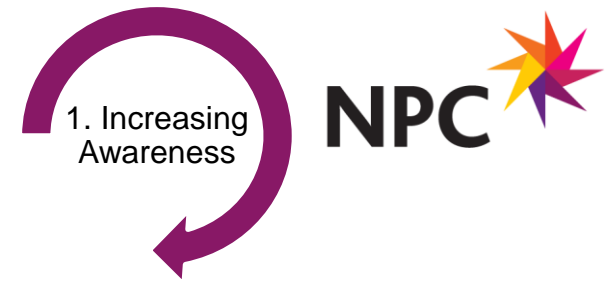
[www.socialinvestmentscotland.com](http://www.socialinvestmentscotland.com)

[1] Social Investment Scotland (2016) [Social Impact Report 2015](#).



# PHASE 1: INCREASING AWARENESS

Examples: Existing tools and resources available



**Good finance** is a new, UK-wide, digital project that aims to educate charities and social enterprises about social investment. The online resource houses information, advice and guidance to support charities and social enterprises navigate the social investment market. This central online resource aims to address some of the barriers that charities and social enterprise face in accessing social investment.<sup>1,2</sup> The project steering group are Access—The Foundation for Social Investment, Big Society Capital, and Cabinet Office.

[www.goodfinance.org.uk](http://www.goodfinance.org.uk)

**Inspiring Impact Northern Ireland** is part of a UK-wide collaborative programme, working with the charity sector to help organisations know what to measure and how to measure in terms of impact. Tools available to use include:

1. **Measuring up!** A a step-by-step self-assessment tool that allows organisations to review and improve their organisation's impact practice.
2. **Impact Hub.** This pulls together the widest possible range of resources relevant to improving impact practice, and enables users to search and filter results according to their needs.

[www.inspiringimpactni.org](http://www.inspiringimpactni.org)

**Path to Impact** is a new programme launched in January 2016. 50 NI organisations will have access to the Core Capacity Assessment Tool (CCAT) to help them better understand their strengths and areas for development. Data from the tool will be collated. It will allow support providers and funders to deliver more targeted support, and will, for the first time, provide a comparative dataset on the capacity of NI's third sector.

[www.co3.bz](http://www.co3.bz)




[1] The Good Finance website was set up to address needs identified through Social Enterprise UK's findings in the State of Social Enterprise 2015 Report, Alternative Commission for Social Investment and Cabinet Office research.

[2] Similar recommendations were made in Bulmer, Thomson & Donaldson (2014) *The Social Investment Hub: The model to incentivise change in social investment in Northern Ireland*, Charity Bank Ltd

# NEXT STEPS

## Phase 2: Increasing skills



Aim	Rationale	Potential partners
<p>1. eNGOs are directed to tools and resources that help them to identify their skills development needs eg, Inspiring Impact, Path to Impact, CENI.</p> 	<ul style="list-style-type: none"> <li>As awareness of social investment grows, eNGOs will be more interested in accessing support from a dedicated resource. Such a resource will allow eNGOs to access relevant information and guidance on assessing skills needs for social investment.</li> <li>This resource will need to be regularly reviewed as awareness of social investment increases.</li> </ul>	<p>NIEL, Referral organisations</p>
<p>2. eNGOs have access to skills workshops that cover core business areas eg, business planning, financial management and modelling, impact measurement, etc, eg Social Enterprise NI.</p> 	<ul style="list-style-type: none"> <li>The consultation sessions indicated a high level of interest in capacity building programmes such as Social Enterprise NI and HLF Catalyst.</li> <li>Competition for places on such programmes can be high. Therefore, dedicated support specifically for eNGOs can be developed as appropriate.</li> <li>Established training on social investment eg, School for Social Entrepreneurs (SSE), Ulster University, could also develop dedicated programmes of support for eNGOs, delivered in partnership with environment sector bodies.</li> </ul>	<p>NIEL, SENI, HLF Catalyst, Ulster University, SSE</p>
<p>3. Leaders in eNGOs access coaching and mentoring programmes to develop key skills and increase confidence. Sector relevant support is offered where appropriate.</p> 	<ul style="list-style-type: none"> <li>Senior leadership teams and trustees are important to guide organisations through change.</li> <li>Support can focus on developing skills that might be important for investment readiness in future, eg, business planning and financial modelling.</li> </ul>	<p>NIEL, Mentors eg, social investors, eNGOs, business coaches</p>

# PHASE 2: INCREASING SKILLS

Examples of training and development programmes



## **HLF Catalyst Fund**

This programme delivered accredited training, vocational training and offered peer and mentoring support for fundraisers in the environment and heritage sector. The programme has been extended until early 2018 and has the potential to develop services that support charities to access social investment.

[www.nienvironmentlink.org/projects/hlfcatalystproject.php](http://www.nienvironmentlink.org/projects/hlfcatalystproject.php)

## **School for Social Entrepreneurs**

The school offers courses, aimed at charities and social enterprises, which seek to:

- increase understanding of social investment;
- support organisations to assess whether social investment is appropriate for their circumstances;
- inform organisations about the products available and what might be most suitable for their situation; and
- help organisations consider investment readiness and the sort of financial acumen and management that is required.

[www.the-sse.org/about-school-for-social-entrepreneurs/schools/](http://www.the-sse.org/about-school-for-social-entrepreneurs/schools/)

## **Third Sector Leaders Programme—Ulster University**




This programme is a practically orientated management and leadership development course for the third sector. Participants gain knowledge and understanding of how their organisations can become more sustainable through enhanced knowledge and capability. Topics include those relevant to social finance including leadership, strategy and business planning, sourcing finance, and financial and social impact measurement. Participants also have *'access to a network of like-minded third sector managers and leaders.'*

[www.ulster.ac.uk](http://www.ulster.ac.uk)

# NEXT STEPS

## Phase 3: Getting investment ready



Aim	Rationale	Potential partners
<p>1. eNGO networks are formed to generate innovative ideas around earning income and developing projects. These enable new partnerships between eNGOs eg, NIEL membership events.</p> 	<ul style="list-style-type: none"> <li>eNGO networks help generate ideas for environment projects and initiatives that earn income. This helps eNGOs seeking to become investment ready explore potential investment models.</li> <li>These ideas can be developed in partnership with other eNGOs or social investors who access these social investment network.</li> </ul>	<p>NIEL, Environmental stakeholders</p>
<p>2. Links are made between social investors, commissioners and potential projects/eNGOs, in a model similar to a Social Impact Investment Group.</p> 	<ul style="list-style-type: none"> <li>These networks facilitate introductions between eNGOs and social investors, as well as other organisations that provide investment readiness support and potentially seed-funding in the long term.</li> </ul>	<p>NIEL, Social investors, NIEL members, capacity building organisations</p>
<p>3. One-to-one support is provided to eNGOs, as part of a wider voluntary sector initiative, to test investment readiness and prepare robust investment plans, eg, Big Potential.</p> 	<ul style="list-style-type: none"> <li>Grants can be made to organisations who are suitable for investment readiness, but are in need of one-to-one support—in areas like financial modelling business planning, impact measurement—to help test assumptions and prepare proposals.</li> <li>Learning from existing investment readiness programmes—such as Big Potential or the Investment and Contract Readiness Fund—can be applied to funds that aim to grow social investment in NI’s voluntary sector.</li> </ul>	<p>NIEL, BCT, social investors</p>

# PHASE 3: GETTING INVESTMENT READY

3. Getting investment ready



## Example: Networks

eNGO networks can generate ideas to earn income, which can develop into investment opportunities. **Consultation sessions delivered as part of this research provided a forum for discussions like these.** Ideas for earned income opportunities included:

### Addressing environmental issues

- Enterprises around carbon-off setting—linked to the concept of ecosystem services—eg, *‘a cooperative of landowners who sell carbon capture and storage through trees.’*
- *‘Environmental NGOs could carry out some environmental functions more cheaply than government agencies and also have specialist skills and knowledge such as survey work, consultancy, research that could be contracted out. Commercial acumen is needed to capitalise on this.’*
- *‘Construction of wetlands for water purification under contract to water companies.’*

### Using assets

- *‘The opportunities in built heritage include generating income from café, visitor centres, shops. Robust planning is required.’*
- *‘Using land to provide car parking arrangements in areas with existing or future tourism demand.’*

### Developing services

- One example included a fishing boat owner encouraged to *‘develop geology tours’* to open up new market opportunities.

# PHASE 3: GETTING INVESTMENT READY

3. Getting investment ready



## Examples: Building investment readiness

There are already programmes delivered in the UK which focus on providing grants or loans to enable organisations to become investment ready.

Fund	Aims	Support offered	Open?
Big Assist	To offer support to infrastructure organisations in the voluntary sector, helping them to adapt and change to meet a challenging environment. <a href="http://www.bigassist.org.uk/">www.bigassist.org.uk/</a>	Grants of up to £10k to voluntary organisations for support in England and Wales.	Yes. Closing April 2016.
Big Potential Breakthrough	To raise awareness of the social investment market and support small VCSEs who want to prepare themselves for social investment or winning contracts. <a href="http://www.bigpotential.org.uk/">www.bigpotential.org.uk/</a>	Grants of up to £75k available for preliminary and investment plans.	Yes. Closing 2017.
Big Potential Advanced	To raise awareness of the social investment market and support larger VCSEs who want to prepare themselves for social investment or winning contracts. <a href="http://www.bigpotential.org.uk/">www.bigpotential.org.uk/</a>	Grants of up to £150k available for preliminary and investment plans.	Yes. Closing 2017.
Impact Readiness Fund 1 and 2	To support social ventures to understand and improve their social impact and demonstrate improvements to investors and commissioners. <a href="http://www.sibgroup.org.uk/impact-readiness-fund/">www.sibgroup.org.uk/impact-readiness-fund/</a>	Grants of between £25k to £100k for specialist providers of social impact measurement services.	Closed Jan. 2016.
Community Investment Fund	To improve the quality of life of vulnerable and disadvantaged people by empowering communities to develop locally-determined solutions to challenges. <a href="http://socialandsustainable.com/community-investment-fund/">http://socialandsustainable.com/community-investment-fund/</a>	Invests between £250k and £1m in community based, locally led social enterprises and charities.	Yes. No closing date confirmed.

# PHASE 3: GETTING INVESTMENT READY

3. Getting investment ready



## Example: Investment and contract readiness support

Developing an investment and contract readiness programme can unlock the potential for eNGOs to diversify their income. While planning and designing such a programme, activities delivered in phase 1 and 2 will create a pipeline of eNGOs keen to access support in the long-term. Examples of such programmes include:

### **Investment and Contract Readiness Fund (ICRF) Now closed<sup>1</sup>**

*‘Every £1 invested in an organisation unlocked £18 in contracts and investments.’*

Key messages for future funds include:

- Ventures should be able to choose their own providers to support them through the process.
- Flexibility in how funds can be used allows ventures and support providers to respond to changing needs.
- Social investors should be involved in the decision making process.
- Consider how the fund can support other areas like winning contracts, as well as applying for investment.
- Ventures could contribute towards the cost of the support to help buy-in to the process. However, given the average size of organisations, it would be important not to exclude small to medium sized organisations.

### **Big Potential Breakthrough<sup>2</sup>**

The VCSEs engaging in the BPB are:

- local organisations (over two-thirds operate at community, local and regional levels);
- small in scale (average turnover of £298,405) and limited in profitability (average £17,648); and
- have good asset bases (£193,455) and debt levels (£34,549) (relative to turnover).

Key messages for future funds included

- The programme offers grants and support and is a valuable resource for VCSEs that are eligible and non-eligible.
- Tools and resources are informative and developmental and not part of the selection process.

[1] Ronicle & Fox (2015) [In pursuit of readiness, Evaluation of the Investment and Contract Readiness Fund](#), SIB Group [2] Hazenberg, R (2015) [Big Potential Breakthrough Evaluation Report: Year 1](#), Big Potential

# FUTURE OPPORTUNITIES

## A Northern Ireland Impact Fund

- A pipeline of eNGOs interested in applying for finance will grow as delivery of the three phases of activities are embedded (awareness raising, skills development, and investment readiness support).
- eNGOs can continue to apply to **existing social investors**, such as UCIT and Charity Bank NI. There is currently sufficient capital for projects that fit their investment criteria for secured and unsecured lending.
- However there are gaps in capital provision, which could be addressed by a **specialist fund for the voluntary sector**.

### Northern Ireland Impact Fund

A new fund would support eNGOs and other organisations in the voluntary sector keen to increase their impact at a number of points in their development. In particular, it will support those with least opportunities to access existing social investment options.

It could include:

1. **A start up fund** to promote innovation within the sector.
2. **Blended finance** a mix of grants and loans to enable eNGOs to access affordable loans for the first time.
3. **Investment and contract readiness support** to enable organisations to develop skills to take on investments or contracts, and scale this way.
4. **Links to existing structures** eg, social investors, infrastructural support, NI executive departments.

The fund could be modelled on the Local Impact Fund set up in Liverpool (see page 99).



# FUTURE OPPORTUNITIES

## A Northern Ireland Impact Fund

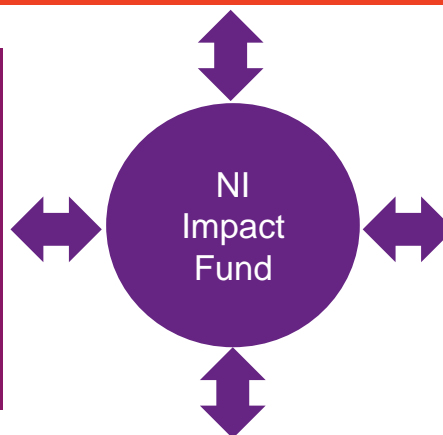
Over time, an increased number of eNGOs will be investment ready and able to take on new social investment opportunities available for NI's voluntary sector. A Northern Ireland Impact Fund could have four components, similar to the Liverpool City Region Local Impact Fund<sup>1</sup> and other social investment growth initiatives.

### 1. Start-up fund

Small grants offered to start up organisations or community projects to help them grow and develop income streams.

### 2. Blended finance

Finance for high risk projects using grants and unsecured loans. Important to target organisations with limited experience of managing debt. Similar programmes include Access Foundation Growth Fund<sup>2</sup> and Power to Change Blended Finance pilot funding<sup>3</sup>.



### 3. Investment and contract readiness support

Grants aim to increase the impact of eNGOs and their capacity to take on investment and win public sector contracts.

### 4. Links to existing infrastructure

Links ensure the funds sustainability. Key stakeholders include social investors, NI Executive departments and other voluntary sector organisations, brought together in a steering group.

# FUTURE OPPORTUNITIES

What is the Northern Ireland Impact Fund based on?

## Local Impact Funds (LIFs)

*'A local social investment fund product that provides appropriate and tailored support to charities and social enterprises in a local community. It can provide a locally-led solution to direct the existing supply of finance to where it is most needed.'*<sup>1</sup>

LIFs combine wrap around business support with growth investment; connect national and local supply with local demand for finance; and support local economic and public service strategies.

Specifically, LIFs provide:

- **High risk, small, unsecured lending** of under £250,000 blended finance (investment and grants) to charities and social enterprises seeking to grow their operations and impact within an area.
- **Start-up funding** by way of small grants to social entrepreneurs to help them start-up and grow.
- **An 'ecosystem of support'**, that will help these charities and social enterprises become investment ready, develop their capacity, deliver multiple positive social benefits to the area, and create a pipeline from start-up to investment ready social projects and ventures.

**They join up and build on (not duplicating or displacing) existing structures of support and financing** to enable the funds long-term sustainability.

There is demand from the sector for LIFs to offer a broader range of investment products e.g. grants for development/feasibility work, grant/loan products, unsecured loans without ERDF restrictions, patient capital and equity finance.

[1] *Local Impact Funds* Social Investment Business, <http://www.sibgroup.org.uk/lif/> [accessed February 2016]

# FUTURE OPPORTUNITIES

## Example: Liverpool City Region Local Impact Fund

The Liverpool City Region Local Impact Fund Year 1 evaluation reported that the fund had successfully delivered against its overarching aims and objectives of using European Regional Development Fund (ERDF) investment to provide a new financing option for the social economy. The evaluation even stated that processes put in place could be used as a model of good practice for future LIFs.

Key components of the fund include:

- An experienced Fund Manager with a strong track record in social finance.
- An experienced Investment Committee to ensure robust decision making.
- Fit for purpose investment readiness support to develop a regular flow of investable propositions.
- The involvement of a local delivery partners to: raise awareness and promote the fund locally; develop a pipeline of investment opportunities and secure local stakeholder buy-in; and support via a Local Steering Group.
- Flexible terms such as interest rates and repayment holidays, which are important to support take-up.

*'Loans of 5–6% are more in line with charity and social enterprise expectations and affordability.'*

# FUTURE OPPORTUNITIES

## Components

### 1. Start up fund

*‘Social incubation...is helping to reduce the risks for later-stage investors by helping ventures improve their teams, products and business models as well as signposting opportunities for funding and customers.’ [1]*

Many start up funds (or incubation funds) are less than five years old and it is still an emerging areas of practice. There is still growth in the number of incubator funds, with some notable models developing eg, The Young Foundation Accelerator and UnLtd Big Venture Challenge. Similar existing models in Northern Ireland include start up support for social enterprises, available through Invest NI Small Loan fund (see [www.nisblf.com/](http://www.nisblf.com/))

### 2. Blended finance

Progression from incubator funds to blended finance options is important. In the UK, NESTA reported a gap in the market between incubation programmes and later-stage social investment stimulated by the creation of Big Society Capital. *‘This is typically for investment of £50,000–£150,000, which still has a very high tolerance of risk and doesn’t require a long track record or security.’* <sup>1</sup>

Start-up ventures need to progress on to finance products that can continue to support their development in the medium term.

### 3. Investment and contract readiness support (see ICRF on page 95)

### 4. Links to other stakeholders

Key environmental stakeholders, including social investors, can support the fund’s development including its funding criteria and future strategic direction.

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[1] Miller & Stacey (2014) [Good Incubation: The craft of supporting early-stage social ventures](#), NESTA, accessed February 2016

# FUTURE OPPORTUNITIES

## Examples of other models

### **Northern Ireland Community Finance Fund<sup>1</sup>**

On 24 February 2016, the NI executive announced the Northern Ireland Community Finance Fund. The Fund, which is part of the UK wide Dormant Accounts Scheme, will utilise funds from dormant bank and building society accounts to support social investment in Northern Ireland.

The fund aims to improve access to finance for a range of organisations across the third sector, such as social enterprises, church and smaller community based groups. Although the fund will be delivered by Big Lottery Fund, in collaboration with a third party, it is a non lottery funded programme. £7.1m has been made available to the NI Fund. Future funding will vary, but is currently estimated at around £0.8m per annum

### **Leapfrog—Community Energy Fund**

The Community Energy Fund offers low interest loans to help communities, primarily in deprived areas, purchase their own renewable energy assets. The fund draws on a credit facility from Big Society Capital, whilst funders and sponsors contribute to it through donations.

To date the fund has provided 22 loans to projects totalling £1,174,028. These projects have helped communities to address issues of fuel poverty, take ownership of community assets, and deliver community led initiatives. Support offered includes: access to professional advisers available from project inception to project completion; a flexible approach, which takes into account community projects and their demands; and access to proven models and successful projects.

[www.pureleapfrog.org/index.jsp](http://www.pureleapfrog.org/index.jsp)

[1] NI Executive, '[£7.1 Million From Dormant Bank Accounts Will Support Local Communities](#)' in *NI Executive News*, 24 February 2016, accessed February 2016

# CONCLUSION

The potential for social investment to finance the activity of the eNGO sector in NI

- Social investment—the use of repayable finance to achieve a social as well as a financial return—has the potential to develop and enhance the activities of eNGOs in NI.
- In order to realise this potential, this research has found that Northern Ireland’s environmental NGO sector needs more support to understand and potentially access social investment.
- Our recommendations detail a programme of activity delivered over three phases, which would engage eNGOs by:
  - increasing their awareness of social investment and how it can be accessed;
  - increasing skills needed to apply for and obtain social investment; and
  - helping them ensure their organisations are investment ready.
- Organisations that aim to support the environment sector in Northern Ireland, such as NIEL, are vital to help link eNGOs to existing capacity building programmes and social investment opportunities made available to the voluntary sector.

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# ABOUT NPC



NPC (New Philanthropy Capital) occupies a unique position at the nexus between charities and funders, helping them achieve the greatest impact. We are driven by the values and mission of the charity sector, to which we bring the rigour, clarity and analysis needed to better achieve the outcomes we all seek. We also share the motivations and passion of funders, to which we bring our expertise, experience and track record of success.

**Increasing the impact of charities:** NPC exists to make charities and social enterprises more successful in achieving their missions. Through rigorous analysis, practical advice and innovative thinking, we make charities' money and energy go further, and help them to achieve the greatest impact.

**Increasing the impact of funders:** We share the passion funders have for helping charities and changing people's lives. We understand their motivations and their objectives, and we know that giving is more rewarding if it achieves the greatest impact it can.

**Strengthening the partnership between charities and funders:** Our mission is also to bring the two sides of the funding equation together, improving understanding and enhancing their combined impact.

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**Dr Arthur Mitchell MBE**, Chair, River Valley Development Association

**Patrick Minne**, Northern Ireland Manager, Charity Bank

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We would also like to thank the organisations that participated in consultation sessions held in January 2016.

# APPENDIX 1

More information about social investment

# WHAT IS SOCIAL INVESTMENT?

## Types of products available

	Product type	Description	Example of UK providers/advisors
<b>Debt Finance</b>	Secured loan	A loan given against security of an asset, which can be repossessed with failure to repay loan.	CAF Bank Loan, Charity Bank, Triodos, Unity Trust, SASC (Third Sector Loan Fund), Esmee Fairbairn Land Purchase Facility, Ulster Community Investment Trust (UCIT)
	Unsecured loan	A loan that does not take security over an organisation's assets. Because the risk for the lender is greater, interest rates are usually higher than for secured loans.	Big Issue Invest, CAF Venturesome, FSE Group (Social Impact Accelerator Fund), SASC, UCIT
	Charity bond	Bonds issued as a form of long-term debt to expand business operations.	Allia, Investing For Good, Triodos
<b>Equity Finance</b>	Equity/ Quasi equity	An investor owns a stake of the investee organisation, usually in the form of shares. Quasi-equity investment is for organisations that are not able to issue shares.	Bridges Ventures, Impact Ventures UK, CAF Venturesome
	Community Shares	A mechanism for community-based social businesses to raise money through issuing shares to local people.	Ethex, Resonance (Community Share Underwriting Fund), Cooperative Alternatives (NI)
<b>Alternative forms of non-grant finance</b>	Crowd-funding	The practice of funding a project or venture by raising many small amounts of money from a large number of people, typically via the internet.	Crowdfunder UK, Indiegogo, Crowd Cube, Kickstarter
	Payments for ecosystems services	Incentives offered to farmers or landowners in exchange for managing their land to provide some sort of ecological service.	EKO Green Carbon run by Encourage Capital (US Scheme) Countryside Stewardship (DEFRA)Upstream Thinking (SW England scheme)
	Social impact bond	A pay-for-performance contract where private investors in social sector interventions receive returns linked to the social outcomes generated.	Bridges Ventures (SIB Fund), Numbers4Good; Social Finance, Triodos

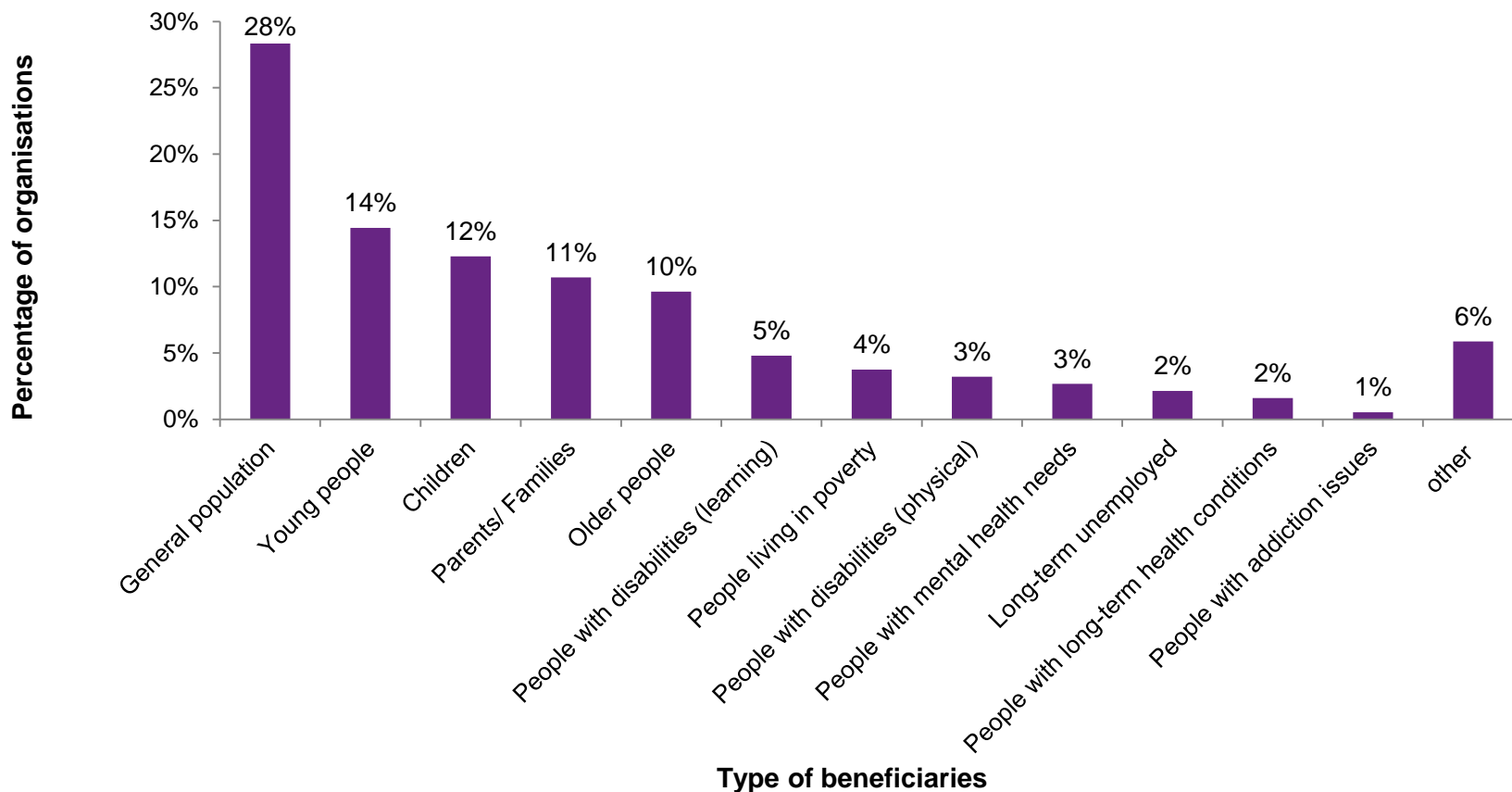
# APPENDIX 2

Additional results from the survey

# SURVEY: BENEFICIARIES

## Environmental activities support communities

**Q. Who are your beneficiaries? (please select up to four options)**

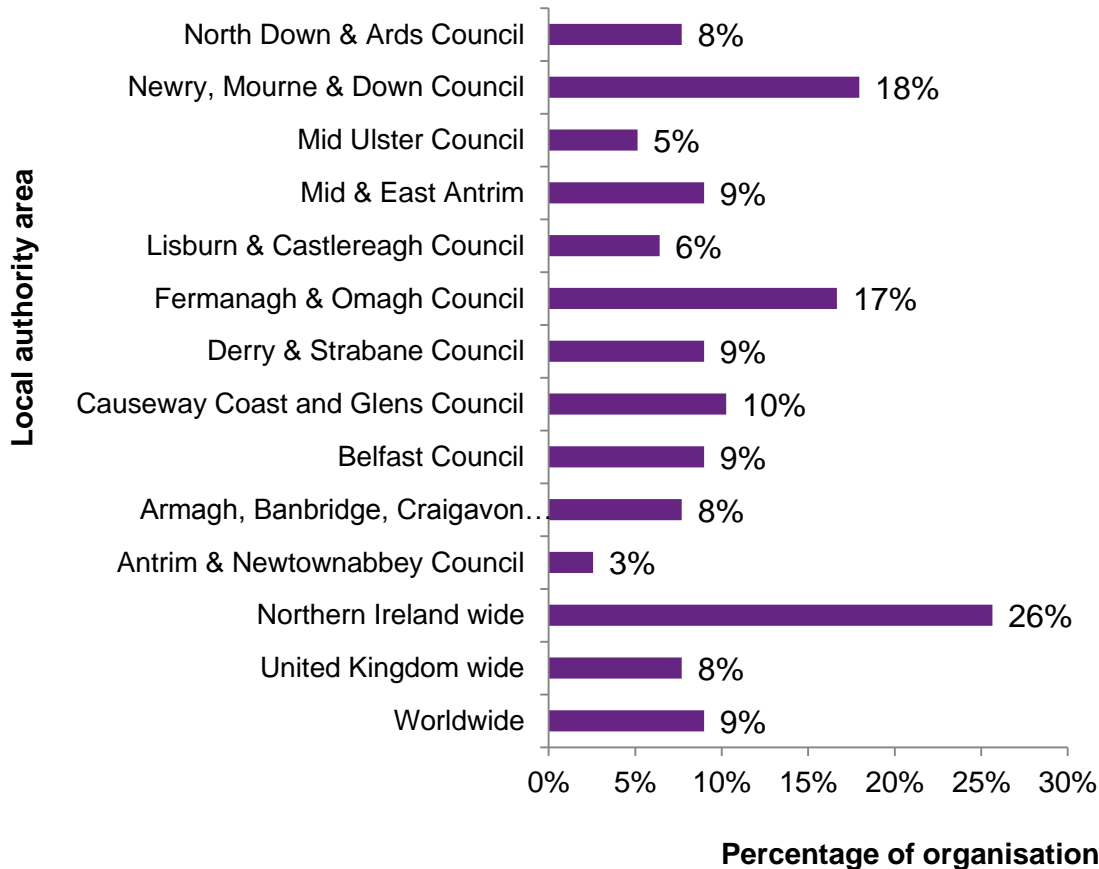


Sample: 78 NI organisations

# SURVEY: THE ENVIRONMENT SECTOR IN NI

## Environmental NGOs deliver local and national activities

Q. In which areas of the UK does your organisation work? (pick all that apply)



- 26% of the organisations surveyed deliver activities across Northern Ireland.
- 40% of respondents stated they only delivered activities in one council area. This could indicate that activities are focused on managing buildings or land based in defined geographic areas.
- There is a concentration of activity delivered in Newry, Mourne & Down Council and Fermanagh & Omagh council.
- Northern Ireland environmental sector also includes the regional office of major charities that deliver activities worldwide eg, Friends of the Earth .

# SURVEY: THE ENVIRONMENT SECTOR IN NI

## Voluntary and Community Sector organisations dominate

The majority of the sector describe themselves as a Voluntary and Community Sector Organisations. They are also, in the vast majority, companies limited by guarantee.

### Q. What type of organisation are you?



### Q. Are any of the following your organisation's legal form?



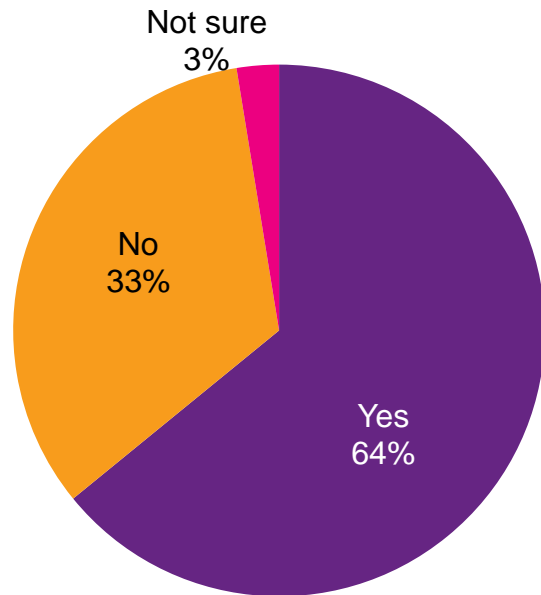
Sample: 78 NI organisations

# SURVEY: THE ENVIRONMENT SECTOR IN NI

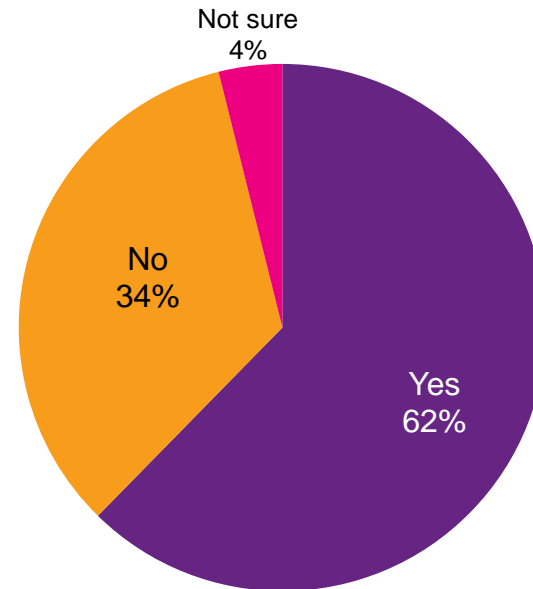
## Registered charities and company with registration number

The majority of organisations were registered charities. The survey also found that the majority of organisations were a company with a registration number. 49% of respondents were both a registered charity and a company with a registration number.

**Q. Are you a registered charity?**



**Q. Are you a company with a registration number**



Sample: 78 NI organisations



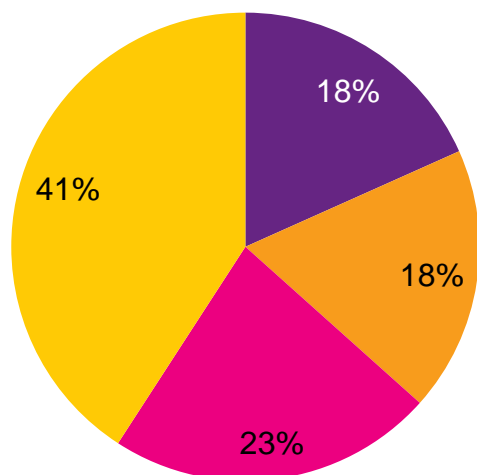
# SURVEY: INCOME SOURCES

Majority of income in the sector is restricted

The majority of organisations (64%) have restricted income. Only 38% of organisations derived the majority of their income from unrestricted funds.

## Q. How much of your income is restricted and how much is unrestricted?

### Restricted income

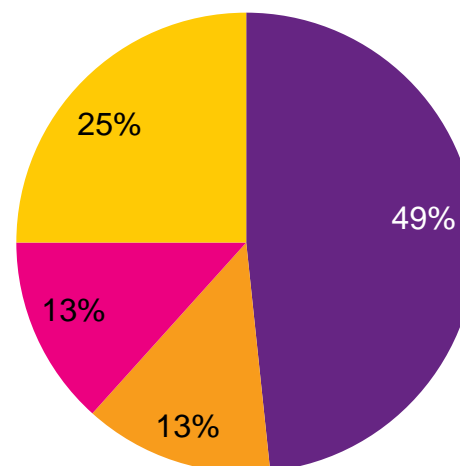


Sample: 71 NI organisations

**Key: Proportion of funding that is restricted**

- 1% to 25%
- 26% - 50%
- 51% - 75%
- 76% - 100%

### Unrestricted income



Sample: 60 NI organisations

**Key: Proportion of funding that is unrestricted**

- 1% to 25%
- 26% - 50%
- 51% - 75%
- 76% - 100%

Some organisations reported that their funding was for specific projects rather than core funding. Some also report difficulties in sourcing core funding.

*‘All our income is for projects, with no core funding. It is all restricted.’*

Environmental NGO survey respondent

# **THANK YOU**

New Philanthropy Capital—Transforming the Charity Sector

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London April 2016