

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



Executive summary

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NPC was commissioned to support **Building Change Trust (BCT)** and **Northern Ireland Environment Link (NIEL)** in exploring and understanding the potential for social investment—the use of repayable finance to achieve a social as well as a financial return—to finance the activity of the environmental NGO (eNGO) sector in Northern Ireland (NI).

The research gathered views from the eNGO sector in NI, UK social investors, representatives from Northern Ireland Executive departments, and third sector infrastructure organisations. This report summarises the findings and makes recommendations for what can be done to enable and develop social investment in this sector.

Our approach

By working closely with Northern Ireland Environment Link (NIEL), the research approach sought to engage and involve the eNGO sector in NI. It involved:

- **A review of key documents on the environment sector and social investment market in the UK and NI** and other initiatives aimed at capacity building in the Voluntary, Community and Social Enterprise (VCSE) sector.
- **A survey of eNGOs and other stakeholders based in Northern Ireland** to gauge the current pressures in funding, levels of interest in social investment, and the potential barriers and opportunities that exist for those interested in exploring social investment.
- **Consultation sessions involving organisations from the eNGO sector and other stakeholders**, which explored the survey's findings in depth.
- **Exploratory interviews with organisations, including social investors, eNGOs, and public sector representatives**, which explored the survey's findings and possible next steps for stimulating demand for, and uptake of, social investment.

Context

Characteristics of Northern Ireland's eNGOs

The composition of the environment sector in the UK as a whole is diverse—including food and agriculture, climate and atmosphere, sustainable communities through to species preservation. **Within NI, there is a greater focus on sustainable communities compared to the UK as a whole.** Within sustainable communities, the largest sector is community development, followed by built and cultural heritage.

The sector has a similar size profile to that of the NI voluntary sector as a whole—90% of survey respondents turn over £1m or less—and is well supported by volunteers.

Funding Northern Ireland's eNGOs

Recent cuts to government budgets have impacted key funders in NI's environment sector. Yet despite a challenging funding climate, 75% of respondents reported their income has increased overall or stayed roughly the same.

44% of survey respondents stated that earned income was one of their top three sources of income. Since earned income is necessary to pay back repayable finance, there **could be potential for those organisations to engage with social investment.**

Social investment in the environment sector

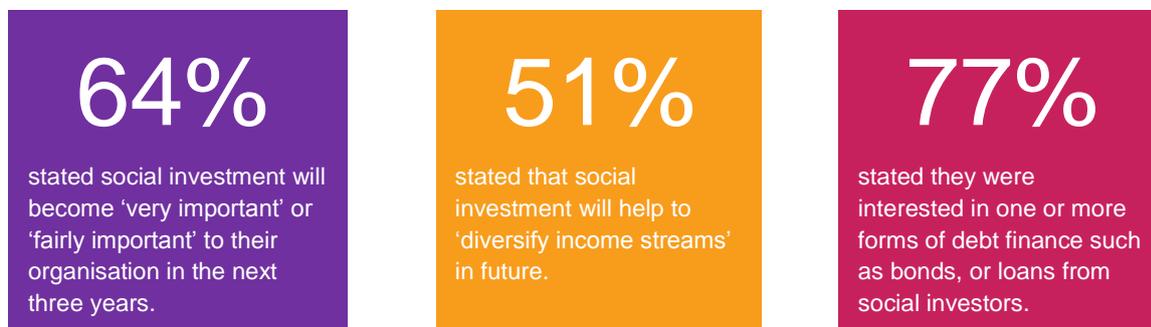
Across the UK, social investment is already being used to support some well tested environmental activities with clear revenue generating strategies, the largest of which is renewable energy. **In NI, renewable energy and sustainable communities have attracted the largest share of social investment so far.**

There are a number of social investors who fund the environment sector in the UK, including Esmée Fairbairn, Triodos and Ecology Building Society. 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, supported by the Community Shares Ready! project.

Key findings and recommendations

The potential of social investment to finance eNGO activities

There is a clear appetite for social investment among Northern Ireland's eNGOs. Of the survey respondents:



Sample: 78 organisations

However, only **14% stated they intend to make an application for social investment in the next 12 months.** This gap between appetite and uptake suggests that barriers exist for eNGOs in obtaining social investment for their organisations.

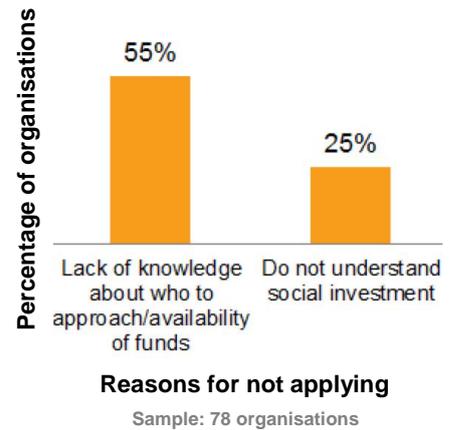
Barriers to creating more social investment in the sector

Our research found three main barriers that must be addressed.

Awareness

Of the 64 respondents who stated they were interested in social investment, **55% said they lack knowledge** about the availability of funding and who to approach, while **25% said they do not understand social investment**.

Limited knowledge also means eNGOs are unable to evaluate if social investment might be an option for their organisation. Consultation sessions with individual eNGOs revealed concerns about the perception of being in debt, while others feel their governance models are risk averse.



‘Charities might be convinced, but would supporters, donors, grant makers be convinced? Would they support a charity that has “debt”?’

Consultation interviewee

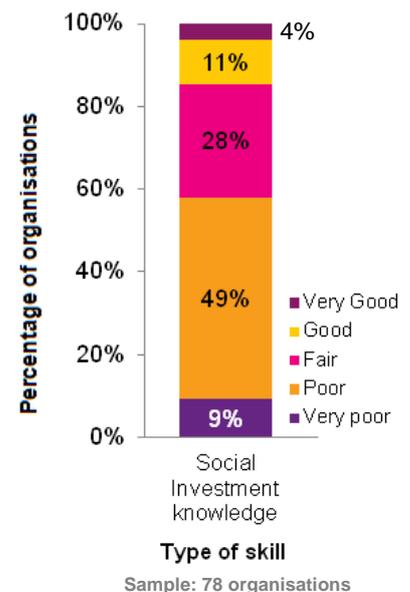
Skills and capacity

58% of survey respondents said they had ‘poor’ or ‘very poor’ knowledge of social investment.

Smaller eNGOs in particular report that they find it difficult to make time to access existing skills development support, while some leadership teams within eNGOs lack knowledge and skills around social investment.

Many of the eNGO survey respondents stated they would find measuring their social impact (to report back to investors) a challenge. Most common challenges reported include organisations not having the time or resources to measure impact effectively.

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



Environmental NGO

Business models and impact readiness

Social investment requires organisations to develop expertise and appropriate business models. 40% stated that they did not earn income from activities, and therefore social investment might not be appropriate for them.

Where eNGOs do earn income and might consider social investment, very few will start out ‘investment ready’ and will require additional support. In particular, **organisations lack confidence in their ability to pitch to investors—the average rating was ‘poor’**.

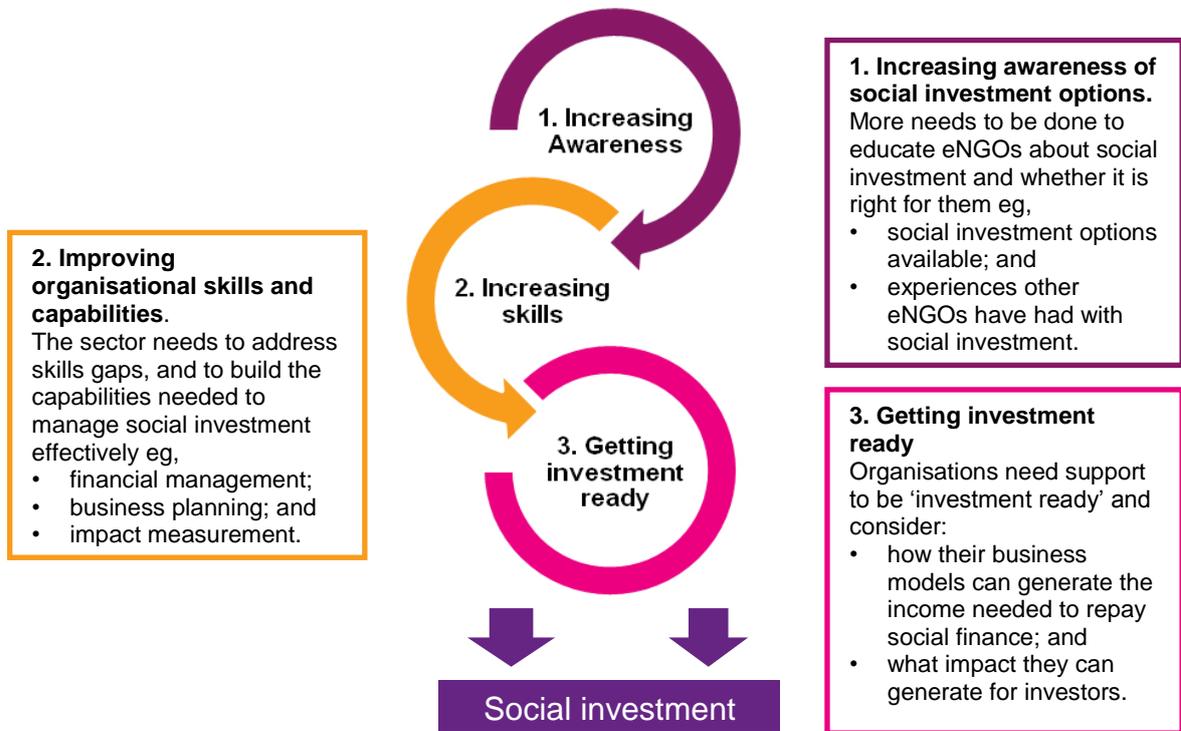
‘There is huge potential in our organisation and our community. Social investment could be an option in future, given the right support.’

Consultation interviewee

Recommendations

Addressing the barriers to social investment in NI’s environment sector

To unlock the potential for social investment in the environmental NGO sector, it is necessary to tackle these three key barriers mentioned above—awareness, skills, and business models. The first step is to increase awareness, then improve related skills and follow through to investment readiness preparation (illustrated below):



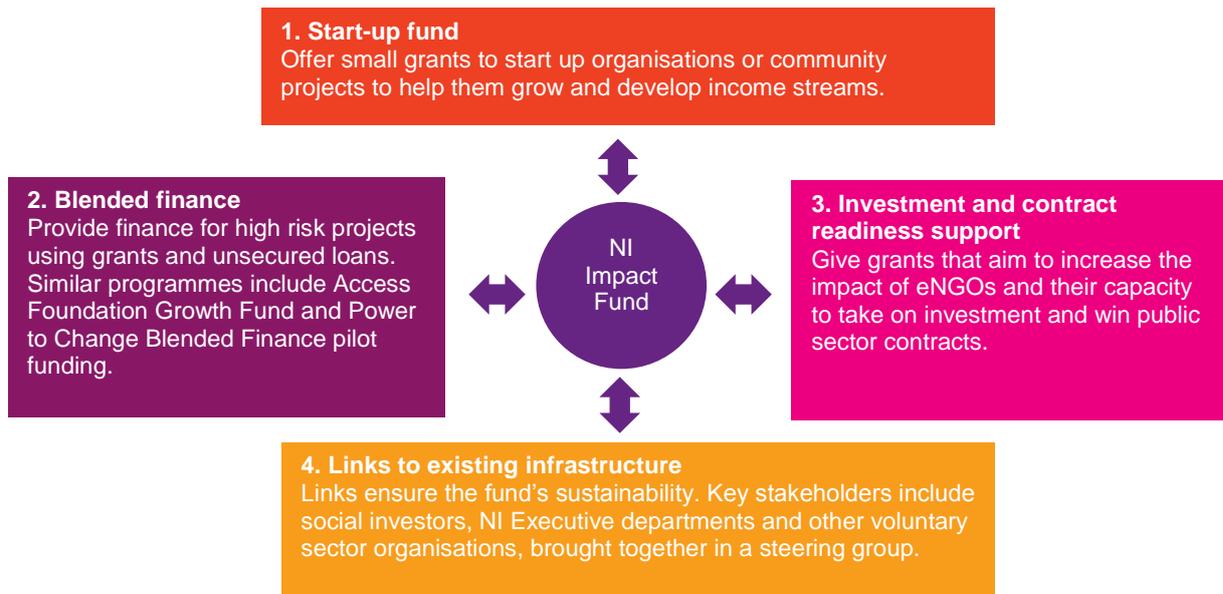
The report proposes ten actions delivered over three phases to achieve this, detailed in the table below. Some actions are relevant to the wider voluntary sector; others are tailored towards the environmental sector and individual eNGOs.

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

Future opportunities

A Northern Ireland Impact Fund

These activities will contribute to the development of a pipeline of eNGOs, which could apply to a Northern Ireland Impact Fund. The fund could have four components (see diagram below). Such a fund would, in a number of ways, **support eNGOs and other organisations in the voluntary sector keen to access existing social investment options.**



Conclusion

Social investment 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 NGOs need more support to understand and potentially access social finance. To fulfil the potential of social investment to finance the activity of the eNGO sector in Northern Ireland, more needs to be done to generate a pipeline of investment ready eNGOs.

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.

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 eNGOs ensure their organisations are investment ready.

These actions include those that could be part of a wider programme of activity that not only supports eNGOs, but other organisations in the voluntary sector keen to access existing social investment options.

For information about social investment in Northern Ireland's environment sector, please contact **Carol Forster, Operations Manager, Northern Ireland Environment Link** on carol@nienvironmentlink.org or **Nigel McKinney, Director of Operations, Building Change Trust** on nmckinney@communityfoundationni.org.

For information about NPC's approach to this research, or any queries about our work on social investment, please contact Abigail.Rotheroe@thinkNPC.org.

Useful links

For general information on social investment see Big Society Capital www.bigsocietycapital.com or Good Finance www.goodfinance.org.uk. The links below provide more information about the types of social investment products available for guidance only.

	Product type	Description	Useful Links
Debt Finance	Secured loan	A loan given against security of an asset, which can be repossessed with failure to repay loan.	<ul style="list-style-type: none"> Charities Aid Foundation www.cafonline.org/ Charity Bank https://charitybank.org/ Esmée Fairbairn Land Purchase Facility http://esmefairbairn.org.uk/what-we-fund/social-investment/ Social and Sustainable Capital (SASC) (Third Sector Loan Fund) http://socialandsustainable.com/seeking-investment/third-sector-loan-fund/ Triodos www.triodos.co.uk Ulster Community Investment Trust (UCIT) www.ucitltd.com/ Unity Trust www.unity.co.uk/
	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.	<ul style="list-style-type: none"> Big Issue Invest http://bigissueinvest.com/ CAF Venturesome www.cafonline.org FSE Group (Social Impact Accelerator Fund) www.thefsegroup.com/social-impact-funding SASC http://socialandsustainable.com UCIT www.unity.co.uk/
	Charity bond	Bonds issued as a form of long-term debt to expand business operations.	<ul style="list-style-type: none"> Allia http://allia.org.uk/ Investing For Good www.investingforgood.co.uk/ Triodos www.triodos.co.uk
Equity Finance	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.	<ul style="list-style-type: none"> Bridges Ventures http://bridgesventures.com/ CAF Venturesome www.cafonline.org Impact Ventures UK www.impactventuresuk.com/
	Community Shares	A mechanism for community-based social businesses to raise money through issuing shares to local people.	<ul style="list-style-type: none"> Ethex www.ethex.org.uk Resonance (Community Share Underwriting Fund) www.resonance.ltd.uk/ Cooperative Alternatives (NI) www.coopalternatives.coop/
Alternative forms of non-grant finance	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.	<ul style="list-style-type: none"> Crowdfunder UK www.crowdfunder.co.uk/ Indiegogo www.indiegogo.com Crowd Cube www.crowdcube.com

Product type	Description	Useful Links
		<ul style="list-style-type: none"> Kickstarter www.kickstarter.com
Payments for ecosystems services	Incentives offered to farmers or landowners in exchange for managing their land to provide some sort of ecological service.	<ul style="list-style-type: none"> EKO Green Carbon run by Encourage Capital (US Scheme) http://encouragecapital.com/ DEFRA schemes http://ecosystemsknowledge.net/resources/programmes/pes-pilots
Social impact bond	A pay-for-performance contract where private investors in social sector interventions receive returns linked to the social outcomes generated.	<ul style="list-style-type: none"> Bridges Ventures (SIB Fund) http://bridgesventures.com/ Numbers4Good http://numbersforgood.com/ Social Finance www.socialfinance.org.uk/ Triodos www.triodos.co.uk

Capacity building support available in Northern Ireland

- Chief Officers Third Sector (CO3) www.co3.bz/
- Community Shares Ready! www.coopalternatives.coop/
- Development Trusts NI www.dtni.org.uk
- Good Finance www.goodfinance.org.uk/
- Housing Executive NI www.nihe.gov.uk/
- HLF Catalyst www.nienvironmentlink.org/projects/hlfcatalystproject.php
- Inspiring Impact Northern Ireland <http://inspiringimpactni.org/>
- NICVA www.nicva.org/
- School for Social Entrepreneurs www.the-sse.org/about-school-for-social-entrepreneurs/schools/
- Social Enterprise Northern Ireland www.socialenterpriseni.org/
- Third Sector Leaders Programme—Ulster University www.ulster.ac.uk

TRANSFORMING THE CHARITY SECTOR

NPC is a charity think tank and consultancy which 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: NPC's role is to make funders more successful too. 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: NPC's mission is also to bring the two sides of the funding equation together, improving understanding and enhancing their combined impact. We can help funders and those they fund to connect and transform the way they work together to achieve their vision.

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