A SILVER BULLET TO BUILDING PEACE?
CRITICAL REFLECTIONS ON THE INNOVATION FORUM “IMPACT INVESTING - CATALYZING WEALTH FOR PEACE?”
by Joschka Philipps & Nadina Diday

OVERVIEW
This innovation forum discussed the potential of impact investing to foster stability, social cohesion and peace. Three core ideas emerged from the discussion. The first was to extend peacebuilding principles to the field of impact investing, for example by developing impact investing products explicitly aiming at preventing conflict and strengthening social cohesion. The second core idea is to foster public-investor partnerships to raise capital for peacebuilding activities. The third idea is to make impact investing in peace the new norm by incentivizing companies through e.g. specialized standards and public pressure.

RECITALS
The innovation forum “Impact Investing: Catalyzing Wealth for Peace” featured four expert speakers: Pascal Gantenbein, Professor of Financial Management at the University of Basel, Catriona Gourlay, Executive Director of the PeaceNexus Foundation, Dominique Habegger, Engagement Funds Manager at de Pury Pictet Turrettini & Cie SA and Rochus Mommartz, CEO of responsAbility Investments AG.

The introductory presentations revolved around how impact investing could promote peace. Mr. Gantenbein provided an overview on socially responsible investments as well as on the relevance of venture capital financing for speeding up innovation. Regarding the link between peace and impact investing Mr. Gantenbein stated that “The link is certainly not direct” and calls for further research and more concrete evidence. Mr. Mommartz highlighted the investment approach of responsAbility Investments AG, a specialized asset manager investing in local businesses in non-listed markets in 90 countries to create social and environmental impact along financial return. They have developed an impact framework that is linked explicitly to nearly all UN Sustainable Development Goals.

1 “Impact investing” refers to institutional, public and individual investments that are made into companies, organizations, and funds with the core mission to generate social and / or environmental impact alongside financial return. Impact investing should not be confused with “socially responsible investments”, which refers to investments made in companies that behave environmentally and socially responsible.
CORE IDEA 1: ADDING PEACEBUILDING COMPONENTS TO IMPACT INVESTING

The first idea relates to the recognition in all speeches that peacebuilding considerations seem to be lacking in the field of impact investing. The first proposal, therefore, is to extend peacebuilding principles to the field of impact investing. Participants of the innovation forum discussed concrete ideas in this connection. Three of them deserve mentioning:

• One idea is to collect more evidence on the impact of impact investing on peace and conflict in terms of mitigating conflict issues as well as fostering social cohesion and strengthening resilience of communities. Therefore, a peace impact measurement framework would have to be developed and tested on concrete cases and contexts.

• A second idea is to integrate conflict sensitivity into impact investing decision-making, procedures and products.

• A third idea is to develop impact investing products with the explicit aim to contribute to conflict prevention and social cohesion while at the same time offering investors attractive and stable long-term returns.
CORE IDEA 2: BRIDGING PRIVATE AND PUBLIC INVESTMENT LOGICS

The second idea relates to the need of fostering public-private partnerships in order to raise capital for peacebuilding activities. The idea of inclusive growth as a precondition for peace can be a guiding concept for partnerships between private and public actors in this regard. It is necessary to identify specific actors in both the public and private realm with compatible goals. Furthermore, investment strategies and implementations would need to be informed by both investment and peacebuilding expertise. This necessitates a sustained dialogue between the two.

CORE IDEA 3: MAKING IMPACT INVESTING IN PEACE THE NEW NORM

The third core idea concerned the quest of incentivizing companies to take impact on peace and conflict more seriously—not necessarily as their moral obligation but as a means of attracting investors. Investors may indeed have moral expectations as to what their money achieves (e.g. in pension funds and insurance companies). Voicing these expectations vis-à-vis the respective companies and in the public sphere is one way of contributing to making impact investing in peace a new norm. Another set of possibilities, as mentioned above, can be found in working with monitoring and certification schemes that transparently show how companies work in fragile and conflict-affected settings. A “peace label” could be attached to products and/or companies that have verifiably been contributing to social cohesion; insurance or re-insurance companies could give a discount on premiums for companies that invest back in the community to reduce the risk of future conflict; financial investment products could combine shares by companies that consistently adhere to peacebuilding and Do No Harm principles.

REFLECTIONS & POTENTIAL FOR DEVELOPMENT

Integrating peacebuilding principles into the field of impact investing and fostering public-private partnerships necessitates continuous dialogue. Such a dialogue, notably between impact investors, peacebuilders, and academics, could be further developed throughout the year for its outcomes to be presented at the Basel Peace Forum 2020.

Reflecting critically on the prospects for such a dialogue, four aspects come to mind. First, it is a useful challenge for peacebuilders to reconsider the question of how to invest resources into peacebuilding and what kind of impact or financial return to expect from them. Second, investing into peacebuilding is indeed helpful to better channel resources to existing elements of peace within a society. Third, there is an important role for peacebuilding institutions to emphasize the significance of conflict sensitivity in impact investing. Since impact investing channels resources into a given context, it may have unintended negative impacts on social cohesion and stability that investors are hardly aware of. The purpose would be to minimise the negative impacts (“Do-No-Harm”) and to maximise positive impacts. This is also important when it comes to the idea of certification schemes, where peacebuilding professionals on the ground could advise and monitor companies concerning their adherence to the respective criteria of peace-conducive investments. Finally, working towards a combination of economic and social dividends will require a better understanding
of how economic opportunities and social needs are intertwined in a given context. In identifying and supporting innovative initiatives that respond to both, impact investing provides an important avenue for working towards more equitable and sustainable economies and societies.

ABOUT THE AUTHORS

Dr. Joschka Philipps is a Senior Researcher at the Analysis & Impact Team of swisspeace. Concentrating on impact measurement, he seeks to conceive ways through which peacebuilding initiatives and their impacts on local dynamics can be assessed more accurately and democratically by local institutions and experts.

joschka.philipps@swisspeace.ch
www.basel-peace.org

Nadina Diday is the senior business lead of the Business & Peace Unit at swisspeace and the focal point for business actors at the Basel Peace Forum. She supports companies operating in high-risk and conflict-affected areas in managing conflict-related risks and advises them in crisis situations.

nadina.diday@swisspeace.ch
www.basel-peace.org

* Barbara Dubach, founder and managing director of engageability, facilitated the innovation forum.