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Faith, hope and impact

The Catholic church becomes an impact investor

Some worry it might sully its charitable aims

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"YOU cannot serve both God and money," admonishes the Bible. But the church has always tried. In the Middle Ages monasteries were what would now be termed social enterprises. They would produce bread, books or other goods. A Franciscan monk is credited with codifying double-entry book-keeping.

These days the Catholic church and related institutions control many billions of dollars. Some is invested to earn income; some is given away for good works. The two activities have been seen as separate. But, in the pontificate of Pope Francis, that divide is blurring. "Impact" investing—intended to make money and do good at the same time—is growing in importance. It is also creating some controversy.

In 2014 the pope, speaking to a conference in the Vatican on impact investing, called on Christians to rediscover "this precious and primordial unity between profit and solidarity". His church has responded. Some Catholic institutions with assets to invest—including the Jesuits, the Franciscan Sisters of Mary and Ascension Investment Management—have earmarked a part of their investments for impact funds.

Meanwhile, new Catholic impact funds have been formed, such as ones under the Oblate International Pastoral Investment Trust, which is entrusted with the financial resources of more than 200 Catholic organisations from over 50 countries. Others have joined co-operative efforts to align their investment strategies. The Catholic Impact Investing Collaborative, for example, groups 30 American Catholic institutions, with $50bn in assets under management (of which a small fraction is devoted to impact investing). To encourage public involvement, new "retail" impact funds have been set up, allowing donors to buy a share for a small outlay—say $30.

For now, the Catholic capital dedicated to impact investments totals around only $1bn. Yet such are the church's assets that it has the potential to transform the size of the impact-investment market. It might also, however, transform the church's financing model: from a "sequential" one, where the church first acquires wealth and then gives it away; to a "parallel" one.

This causes anxiety in Catholic circles. Some worry that making money from philanthropy cannot be squared with the basic moral imperative to care for the needy. Others fear a loss of contact with the beneficiaries of Catholic generosity. The shift in strategy probably also requires a personnel shake-up. In the church itself, few have the financial expertise required, though congregations could be a valuable source.

The impact-investing drive was inspired by the pope, but, a Vatican source suggests, it is being led by organisations such as the Catholic Relief Services, a humanitarian agency, other Catholic bodies and by a new "dicastery" (division of the Holy See's administration), established this year for "Promoting Integral Human Development". None is aiming at a total reform of the church's philanthropy. Impact investing is seen as a promising strategy, but no more than a complementary one. Impact is still no substitute for charity.

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