



## Buen Vivir Fund: Participatory Impact Investing

**Highlights** The Buen Vivir Fund is a participatory impact investment fund operating internationally. It was founded in 2018 by Thousand Currents, a nongovernmental organisation, following a co-design process to conceptualise the Fund, initiated in 2016. The Buen Vivir Fund started small in terms of volume of capital, having raised US\$1m in loan capital for its initial investment cycle of 2018–20. This US\$1m, plus US\$300,000 raised in grant capital, is being deployed with the guidance of the Fund's Members Assembly. Over the first five years, the Buen Vivir Fund is poised to expand its membership to between 30 and 50 and increase its investments to US\$5m. By the end of 2018, the Buen Vivir Fund was fully operational and had completed its first round of loan disbursement, linking US\$427,700 in loan capital to US\$113,000 of grant capital across nine projects led by grass-roots community organisations in Latin America, North America, Southern Africa, and South Asia.

### Introduction

The Buen Vivir Fund, LLC is a subsidiary of Thousand Currents, an international non-governmental organisation based in Oakland, California. Thousand Currents emphasises long-term funding relationships with effective grassroots organisations and social movements led by or serving women, youth, and indigenous peoples that work on the interdependent issues of food sovereignty, alternative economies and climate justice. The Buen Vivir Fund is based on the concept of *buen vivir*, or 'right living', which originates from indigenous peoples in Latin America. The term denotes a way of living that is in balance with the natural world, community, and generations past, present, and future.

In 2015, Thousand Currents approached the former Buen Vivir Fund Director Joanna Levitt Cea about establishing an in-house impact investment fund. At the time of the initial



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conversations, a 2014 G8 report projected impact investments to surpass government overseas aid, estimating that more than US\$400bn would be invested by 2020. Levitt Cea brought her experience of championing policies to ensure citizen participation and human rights safeguards at global financial institutions to Thousand Currents' unique approach to grass-roots grant-making.

Between October 2015 and January 2016, Levitt Cea conducted a landscape review of impact investing and baseline research, which included interviews with more than 40 actors in diverse realms of the impact investment space as well as Thousand Currents staff, board, and grantees. Thousand Currents determined that there were two major gaps in the field of impact investment in which their organisation was uniquely positioned to add value: the systemic lack of participation of the 'beneficiaries' of impact investment; and that, despite the rapidly growing diversity of entities seeking and receiving impact investment, the terms of this investment tend to remain strikingly unvaried. Thus, Thousand Currents decided to create an investment vehicle that would centre on the full participation of grass-roots organisations receiving investment capital and in doing so innovate investment terms and practices.

In May 2016, a draft proposal for the founding of the Buen Vivir Fund was circulated to select Thousand Currents donors, established grassroots partners, and advisers. In total, ten grassroots organisations were invited: nine established Thousand Currents partners and one new addition. These are: AFEDES: Women's Association for the Development of Sacatepéquez (Guatemala); ISMUGUA: Institute for Overcoming Urban Poverty (Guatemala); GRAVIS: Center of People's Science for Rural Development (India); CIELO: Federación Indígena Empresarial y Comunidades Locales de México (Mexico); DESMI: Social and Economic Development for Indigenous Mexicans (Mexico); EduPaz (Mexico); Ñepi Behña (Mexico); Women's Awareness Center Nepal (Nepal); Ubunye Foundation (South Africa); and Whole World Women Association (South Africa).

In October 2016, 20 representatives from the ten participating grass-roots organisations joined eight investors, five advisers, and six Thousand Currents staff in Mexico City for the Buen Vivir Fund's inaugural learning event. This event was structured as a five-day workshop to collaboratively spark the design of the Fund's terms of investment, financial practices, and governance structure. After the Mexico City learning event, members of the Founding Circle opted into six sub-groups to develop the Buen Vivir Fund's Guiding Framework.

The Guiding Framework describes the Buen Vivir Fund's strategic and operational goals and highlights those which deviate from conventional investment practices in five key areas: governance, risk, interest rates, returns, and impact. In July 2017, the Guiding Framework was submitted for approval by the Founding Circle, from this point referred to as the Members Assembly, and enthusiastically approved by all members.

## Timeline

1985	2015	Oct 2015 – Jan 2016	May 2016	Oct 2016	July 2017	2018
Thousand Currents founded under the name IDEX	Thousand Currents approaches Levitt Cea about establishing an impact investment fund	Landscape review of impact investing and baseline research	Draft proposal for Buen Vivir Fund is circulated to donors, grassroots partners, and advisers	20 representatives join in Mexico City for Buen Vivir Fund's inaugural learning event	Guiding Framework is submitted for approval by the Members Assembly	Fund is legally established and begins operations

## How It Works

The Buen Vivir Fund's Members Assembly is the governing authority of the Fund, making decisions on Fund investments and direction. The Members' Assembly is made up of one

representative from each grass-roots and investor organisation. This governing body is supported by the Buen Vivir Fund Management Team, staffed by Thousand Currents, which implements the decisions of the Members Assembly and operates the Fund. The due diligence process of the Buen Vivir Fund includes peer evaluation by Fund members. When a project is approved by the Members Assembly for investment by the Fund, this investment can include grant support, investment capital (to date, all investments have been in the form of debt), and 'beyond-financial investment', such as specific advising support that the project may be seeking. In the lending model of the Buen Vivir Fund, projects borrow and return 100 per cent of the principal received. Additionally, a solidarity contribution, referred to as an *aporte* payment, is made, over and above return of principal. Different from fixed interest payments, the amounts of these *aporte* payments are self-determined by organisations and made during or upon completion of successful projects.

The Buen Vivir Fund's day-to-day operations are overseen by the Fund Management Team, which supports the Members' Assembly and is comprised of two Thousand Currents staff, and two Buen Vivir Finance Fellows who provide support on operations and are supervised by the Fund's Director. This team is responsible for managing the implementation of decisions made around the Fund such as deploying the capital for a loan awarded with terms specified by a Members Assembly vote. In addition, when the Members Assembly is preparing to make a decision, the Fund Management Team is responsible for bringing information, recommendations, and questions to the Members Assembly. This includes compiling information on Fund activity, progress, and learnings through biannual updates and annual reports.

### Enabling Participation

The Buen Vivir Fund draws from governance approaches used primarily by indigenous organisations in Latin America. Founding members from Mexico and Guatemala contributed significantly to envisioning and shaping the Fund's governance model. The Members Assembly is comprised of one representative from each of the ten grassroots organisations, eight financial investor organisations, and one Thousand Currents representative. It follows a protocol for decision-making and collective reflection and requires a majority vote for all investment-related decisions within the Fund. Each member has equal voting rights in this decision-making process, which steers all decisions related to investment, strategy, membership, and conflict resolution. Examples of decisions made by the Members' Assembly include the approval of new members (financial or grass-roots organisations) and the approval of terms under which capital is lent. Efforts are made for the Members' Assembly to reach consensus, but membership is structured so the majority's aggregate position is held by borrowing organisations. This is a structural manifestation of the commitment to participation. Issues are brought to the attention of the Members' Assembly during two virtual meetings held per year and an in-person Learning Exchange held annually. In total, it is estimated that representatives commit ten hours per year to the Members' Assembly, not including attending the annual four-day Learning Exchange in person.

The Buen Vivir Fund loan agreements are unique in that, while complying with regulations of the various countries in which the Fund operates, the agreements are not designed to be enforced in courts but specify that any disputes are to be resolved by the Members' Assembly. For instance, if a borrower is unable to make an agreed-upon principal repayment, resolution takes place within the Members' Assembly. First, the borrower is asked to describe in writing the reasons for an inability to repay. If the Members' Assembly determines the borrower is acting in good faith according to the Fund's guiding principles but, for example, due to conditions outside the borrower's control repayment is not possible, two options are available. Either the borrower can create an updated, viable plan to complete principal repayment,

which will be amended to the loan agreement; or the Members' Assembly will forgo the loan in its entirety. If the Members' Assembly decides the borrower is acting in bad faith to the Fund's guiding principles, the Members' Assembly collectively determines what penalty will be applied. To date, no conflicts that require such remedial action have arisen.

## Outcomes

At the end of 2018, the Buen Vivir Fund had made four loans with two in the immediate pipeline worth a total of US\$465,000 to grass-roots partners in Latin America, Southern Africa, and South Asia. With US\$1m committed, the Buen Vivir Fund expected to release the second tranche of capital in mid-2019. Examples of projects which are benefiting from these loans are varied and encompass a wide range of approaches that include:

- Strengthening and expanding markets for fair-trade cooperative suppliers in Mexico;
- Building a medical clinic and training centre to promote and preserve Mayan traditional medicine practices in Guatemala; and
- Building affordable housing for migrant women and children in South Africa.

In addition to loan disbursement, this pilot of a completely new practice of impact investment built collaboratively with grass-roots partners is an outcome in itself. The holistic and thorough nature of this endeavour cannot be overstated. From an application process which is peer-reviewed, to an inclusive, democratic governing body, to a definition of returns that encompasses community wellbeing, the Buen Vivir Fund has brought transformative participation, in which people partake in decision-making, into impact investment.

## References

Higdon, G.L. (2019) *Linking Participation and Economic Advancement: Buen Vivir Fund Case Study*, Brighton: IDS. Available at: <https://opendocs.ids.ac.uk/opendocs/handle/20.500.12413/14534>

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**Image:** Members of AFEDES (Women's Association for the Development of Sacatepéquez) participate in a maize ceremony in Guatemala.

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