INVESTMENT, ENTERPRISE AND DEVELOPMENT COMMISSION
7th Session

Palais des Nations, Geneva
20 April 2015

Agenda Item 4

Mobilizing investment for development

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Blue Orchard

The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.
Mobilizing investment for development

Dr. Patrick Scheurle, Chief Operating Officer
UNCTAD, Geneva, 20 April 2015
The microfinance value chain: Connecting capital markets to Microfinance

**Investors**
- Public Investors: E.g. sovereign wealth funds or development banks
- Private Investors: E.g. PFs, foundations, banks, insurance companies

**Microfinance Fund**
- Funds as efficient vehicles to pool investments
- Country and MFI selection and allocation

**MFI**
- Microfinance institutions
- Supervision by local regulator/central bank
- Credit bureaus to protect clients

**Micro-entrepreneurs**
- Individuals
- Solidarity Groups
- Micro- and Small enterprises

**Credit Bureaus** mitigate overindebtedness risk

**Investor protection regulations**

**Investment fund regulations**

**Supervision by local regulator/central bank**
Impact investments provide a growing pool of funding to tap into for SDG

- **Impact Investing**, fastest growing asset class, has more than doubled in size over the past two years
- Expected growth rate 2015: 15-20%
- **South and East Asia** and **Sub-Saharan Africa** are strongest growing investment regions

BlueOrchard develops and manages innovative private and public-private investments with impact

2001
BlueOrchard Microfinance Fund (former Dexia Micro-Credit Fund)
Senior debt, fully hedged

2004
BlueOrchard Microfinance Securities 1 (BOMSI)
Senior debt, 6 years

2005
Saint-Honoré Microfinance Fund
Senior debt, hard currency (merged with BOMF/DMCF 2011)

2006
BBVA Codespa Microfinanzas
Senior debt, Latam, some LCY (closed in 2011)

2006
BlueOrchard Loans for Development 2006 (BOLD 2006)
CDO Senior debt, 5 years

2007
BlueOrchard Loans for Development 2007 (BOLD 2007)
CDO Senior debt, 5 years, FT award

2009
Microfinance Enhancement Facility (MEF) Sr. Debt “liquidity fund”,
co-managed

2010
Microfinance Growth Fund (MiGroF) The “Obama”
Fund for Latam

2013
Microfinance Initiative for Asia (MIFA) – Debt Fund
Fund for Asia

2014
Regional Education Finance Fund for Africa (REFFA)
Fund for Africa

2015
Climate Insurance Fund (CIF)
Climate fund

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Example: Microfinance Initiative for Asia – structure, outcomes, and lessons learned

**Goals**

- MIFA is the first microfinance initiative of its size to exclusively target the poor in Asia
- Two main objectives:
  - to create and enhance institutional capacity for sustainable microfinance delivery
  - to strengthen linkages with domestic and international capital markets

**Target investment structure (in USD m)**

<table>
<thead>
<tr>
<th>Private investors</th>
<th>USD 150m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior (A)</td>
<td>63</td>
</tr>
<tr>
<td>Mezzanine (B)</td>
<td>50</td>
</tr>
<tr>
<td>Junior (C)</td>
<td>37</td>
</tr>
</tbody>
</table>

**Social Performance**

<table>
<thead>
<tr>
<th>Metric</th>
<th>1,927,411</th>
<th>60 %</th>
<th>66 %</th>
<th>82 %</th>
<th>USD 1,825</th>
<th>USD 892</th>
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<tbody>
<tr>
<td>Total # of clients reached by MFIs in the portfolio</td>
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<td>% of rural clients</td>
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<tr>
<td>% of female clients</td>
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<td></td>
<td></td>
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<tr>
<td>% of individual lending</td>
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<tr>
<td>Average loan size to clients across MFIs</td>
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</tr>
<tr>
<td>Median loan size to clients across MFIs</td>
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<td></td>
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</tbody>
</table>

**Lessons learned**

- know-how and tools for financing development are in place, but coordination among actors is needed
- highly effective public-private partnerships
  - funding
  - technical assistance
  - investment managers and DFIs

Create attractive environment for investors by forming partnerships

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1) data based on the latest available data from MFIs in the portfolio.

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The creation of an attractive environment for investments is key

**Recommended action**

**Mobilization**
- Engage in partnerships with private sector and act as catalysts
e.g. as fund or technical assistance sponsor

**Channeling**
- Establish attractive environment for investors and investments
e.g. remove barriers for foreign investment

**Impact**
- Empower people to find their own solution
e.g. foster entrepreneurship

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