24th Midi de la microfinance

Background documentation

Microfinance as impact investing: but what impact ?

An event organised by ADA and BRS on 14th March 2013 in Luxembourg and 7th March 2013 in Brussels

With Prof. Dr Harry Hummels,
European Liaison of the Global Impact Investing Network (GIIN)

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Introduction

Impact investing is the new kid on the investment block. The term is brand new, but the practice it refers to already exists for quite some time. Microfinance, for that matter, can be seen as an established form of impact investing avant la lettre. It is assumed to make a positive contribution to societal change. Impact investing differentiates from previous attempts to combine investments and social, environmental, cultural or other non-financial outcomes in two ways: it also attracts investments aimed at market-rate returns, and it attempts to measure impact in a systematic way.

This above stated subject was the focus of two events with keynote speaker Prof. Dr Harry Hummels, in Luxembourg and Brussels, which were organised by ADA and BRS respectively: the 24th Midi de la microfinance and the 8th Microfinance Lunch Break.

The background documentation in this package contains selected articles by ADA and BRS in the framework of both events.

▲ The impact investing industry has the potential to steer significant sums of money to market-based solutions to the world's most pressing challenges.

Impact investing involves "investors seeking to generate both financial return and social and/or environmental value - while at a minimum returning capital, and, in many cases, offering market rate returns or better."

Context & Definition

According to the Global Impact Investing Network (GIIN), impact investment has the potential to unlock significant sums of private investment capital to complement public resources and philanthropy in addressing pressing global challenges.
Impact Investing is intended to attain positive impact beyond financial return by seeking to proactively create positive social or environmental benefit.

The Global Impact Investing Network *(the GIIN) was conceived in October 2007 in the US. The initiatives launched by the GIIN include the creation of a global network of leading impact investors, the development of a standardized framework for assessing social and environmental impact, and a development of a working group of investors focused on sustainable agriculture in sub-Saharan Africa. Today the GIIN operates as an independent organization under the sponsorship of Rockefeller Philanthropy Advisors.*

Investors include :

- development finance institutions,
- private wealth managers and their clients
- commercial banks,
- pension funds and investment funds,
- private companies

They operate across multiple business sectors such as

- agriculture and timber
- housing and community investing
- education
- health
- renewable energy
- climate change and CO^2
- financial services

Their **impact objectives** can range from mitigating climate change to increasing incomes and assets for poor and vulnerable people. Impact Investing can take the form of private equity or debt instruments but can also include guarantees and deposits.

Impact investing vs SRI
Impact Investing needs to be distinguished from socially responsible investments ("SRI"). Both have in common the motivation to take note of the social components of business activities. But where SRI focuses on avoiding harm (essentially through screening processes), impact investing is to do with intentionally, proactively and measurably achieving a significant positive social or environmental return while still operating on a financially self-sustainable basis.

As several surveys demonstrate, **this market segment has gained strong momentum** over the last years, not least because of the fall-out of the global financial crisis that has clearly demonstrated the limits of traditional ways of value creation with exclusively short-term investment horizons.[1] The GIIN estimates impact investments to be worth USD 50 bn, with a projection growth USD 500 bn by 2014.[2]

[1] Source : « White paper Action proposals » - European Impact Financing Luxembourg – November 2010
[2] Source: "Impact Finance Survey 2010 » - AlphaMundi group for European Impact Financing Luxembourg

1. Luxembourg as a European hub for impact investing

Luxembourg's position as a leading private banking centre with a potential to attract HNW clients and foundations to innovative asset classes and a world hub for fund domiciliation and distribution, combined with its private equity expertise and its engagement in development aid matters underlines its ability to play a mediating role in impact investing. Luxembourg is well-positioned to achieve in impact investing what it has already succeeded in microfinance, namely the hosting of 45% of the world's microfinance funds.

More specifically Luxembourg can build on its place as:

a. a pre-eminent jurisdiction for structuring private equity and impact investment funds and projects

- Luxembourg **SOPARFI** - financial participation company - are used for private equity acquisitions and financings alike.

- With the introduction of the **SICAR** (investment company in risk capital - société d'investissement en capital à risque) a dedicated private equity and venture capital investment vehicle in 2004 and the **SIF (specialized investment fund)** in 2007, a significant number of international private equity houses started to shift their fund platforms from certain off-shore centres to Luxembourg, thereby opting for product regulation often to the benefit of their fund raising efforts. In the context of increased prudential supervision of financial activities worldwide, this trend is set to amplify in the years to come. The Luxembourg Private Equity Association (LPEA) is in important player defending the interest of both investors and service providers of the private equity industry.
  SIF and SICAR as well as Securitization Vehicles and Structured Products, along with Undertaking for Collective Investment (UCI) Part II funds are used for **structuring for Microfinance Investment Vehicles** (MIV).

- The proposed Directive regulating alternative investment fund managers (AIFM-D) enables the Luxembourg financial centre to position itself as the **Pan-European hub for alternative investments funds** (AIF) or non-UCITS as the main provisions of the AIFM-D are already in place in Luxembourg, such as the need for a custodian bank, the independent evaluator, the required accounting standards etc.

- The EU framework on Social Investment Funds proposed in December 2011 opens another perspective for Luxembourg to actively participate in this debate, create a new framework for social business and adapt existing frameworks to the needs of impact investing.

b. an engaged player in development aid matters.

- Luxembourg provided Official Development Assistance (ODA) worth more than USD 399 millions in 2010 (or 1.09% of its GNI), which was **the second highest ODA/GNI ratio** after Norway[1].

- The primary objective of the Luxembourg Development Cooperation is the **eradication of poverty, particularly in the least developed countries.** Its actions and projects are conceived in the spirit of sustainable development, which is reflected in its social, economic and environmental aspects.

- At the same time the Luxembourg Cooperation is actively participating in the discussion on, and the defining of, new standards for the **transparency and increased quality of Microfinance institutions through the Rating initiative launched in 2008**.

- The Luxembourg government is the promoter of the **Luxembourg Microfinance and Development fund**, set up in October 2009 as a part II UCI. This innovative fund structure gathers public, institutional and retail investors and seeks to promote microfinance investments in Tier 2 and 3 MFIs located in less developed countries.

- Moreover the presence of supranational actors in Luxembourg, such as the **European Investment Fund**, which is increasingly investing in impact finance, is an additional indication for the extent of network and the quality of actors present in Luxembourg

c. a leading service provider fir Microfinance Investment Vehicles

- In 1998, Luxembourg was the chosen domicile of **the first registered Microfinance fund.**

- With **28 out of 65 European based Microfinance investment funds** currently registered in Luxembourg gathering around 45% of worldwide MIVs' assets under management (or nearly USD 3 billion), the Grand-Duchy is the leading centre for the domiciliation of MIVs. Six of the largest 10 MIVs are based in Luxembourg.

- Since 2006, the **LuxFLAG** label is granted for MIVs which invest 50%+ of their assets in microfinance. As of February 2013, LuxFlag numbered 24 MIVs with total assets of EUR 2.7 bn[2].
  Since end of 2011, LuxFlag has added an environment label to its service range. As of February 2013, 6 funds have been labeled [3].

- Appropriate initiatives in the field of microfinance are encouraged and supported, both on the conceptual and on the operational level. The Luxembourg authorities as well as private players are pioneering in the field of MIV rating (**the Rating Initiative**) and the launch of the **Luminis initiative** by which the Luxembourg Ministry of Cooperation, together with LuxFlag and MicroRate, aims at greater transparency and objective analysis of microfinance investment vehicles. A web-based platform has been launched in December 2011 enabling professional investors and researchers to identify, assess and monitor MIVs with regards to their fund profile, performance, risk, social impact and ESG criteria.

[1] *Source : http://www.oecd.org/dac/stats/developmentaidreachesanhistorichighin2010.htm*
[2] *Source: http://www.luxflag.org/MIV_labelledMIVs.htm*
[3] *Source : http://www.luxflag.org/EIV_labelledEIVs.htm*

European Impact Investing
LUXEMBOURG

2. Promoting impact investing

a. the European Impact Investing Luxembourg initiative (EIIL)

- **EIIL was launched in 2010**, regrouping a number of major actor of the Luxembourg financial place.

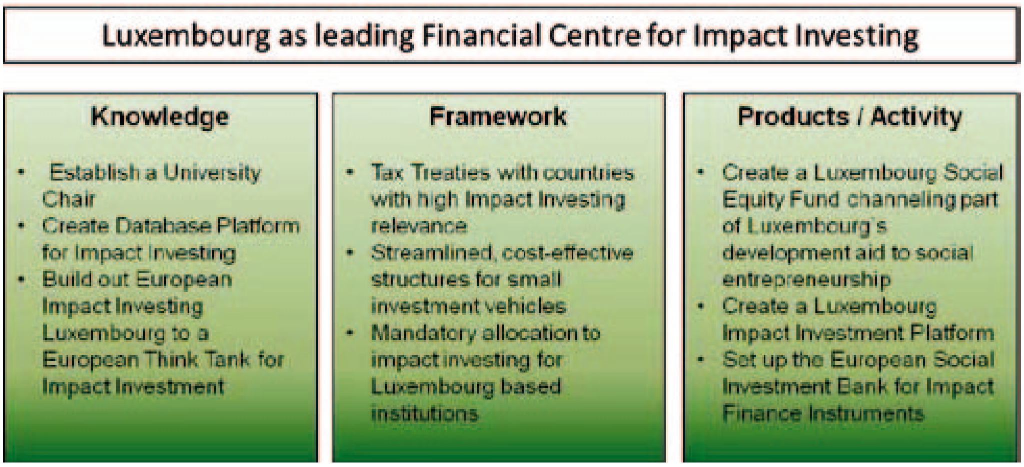
- Its aim is **promote the development of impact investing** as well as **Luxembourg's position as a pole of competence in this field.**

- **Amongst its first initiatives range**
  - the organization of conferences introducing the impact investing concept as well as key aspects, such as the impact measurement
  - the sponsorship of the European Venture Philanthropy Association 2010 Conference
  - the commissioning of an international Impact financing survey amongst fund managers and investors (the AlphaMundi survey)
  - a white paper with action proposals for the Luxembourg Financial Center

- **Liaison with prime actors in the domain**
  EIIL is actively involved in discussions around impact investing with ALFI, LuxFlag, the Ministry of Cooperation, the Ministry of Finance, the Ministère de l'Economie Solidaire, as well as different international advisors and actors, such as the European Venture Philanthropy Association (EVPA), the GIIN etc.
  Regular input is given to the "Haut Comité de la Place Financière".

b. EIIL initiatives:

In order to meet the challenge of establishing a center of excellence for impact investing in Luxembourg, EIIL has proposed a coherent approach working on three dimensions: **knowledge, framework and products/activities**.



European Impact Investing LUXEMBOURG

EIIL and other Luxembourg players took action on following points:

- **Elaborate a legal structure suitable for the hosting of social impact projects**

At the level of the target companies, the traditional "for profit" companies need to be adapted in order to host social impact projects generating both a financial and a social return.
Reflections around an "impact company – société d'impact" which would allow "impact first" and "financial first" investors to invest together in the same vehicle are currently undertaken, using the existing legal framework regarding commercial companies while adding a social and environmental impact "label".

At the level of the investment vehicle investing into target companies, these vehicles are mostly tailor-made and start at a relatively low volume (< € 50 mn). Thus the costs involved in the set-up of these type of vehicles are very high and their inception could significantly be eased by the use of a streamlined vehicle, including the major characteristics which are required. Additional, more complex, features can be added at a later stage once the vehicle will have reached sufficient assets under management.
EIIL closely follows the work currently undertaken by ALFI regarding the "Société en commandite simple" (SCS) in this context.

- **Build a Luxembourg impact investing platform (LIIP)**

In order to help fund managers and promoters start their project out of Luxembourg, a platform benefiting from the expertise of fund specialists, social impact advisors and managers, as well as development specialists is envisaged. This platform could be set up as a public private partnership and provide services in the following areas:

- Facilitation, coordination, networking and advice for projects to be set up in Luxembourg
- Project identification and project readiness together with public and private development actors and deal sources such as NGOs and Foundations
- Advisory regarding choice of project and implementation
- Advisory regarding legal, tax and financial aspects
- Marketing & communication
- Impact measurement and reporting to investors
- Project evaluation and audit

- **Create a University Chair in impact investing**
  - ***Field of Activity of the Chair:***
    - focus on applied research rather that purely theoretical fundamental research.
    - considering the emerging nature of impact investing, there is a need for academic background with regards to the definition, development and implementation of new frameworks related to
      - the regulatory environment
      - the funding structures and instruments available to and offered by asset managers in the financial markets
      - the product offering of the financial services industry supporting main actors in asset management and investment activities

European Impact Investing LUXEMBOURG

- ***Focus of the Chair:***
  - definition, characteristics and criteria of this advancing investment field
  - aspects of segmentation of impact finance and the origin and motivation for capital streams in its market segments
  - the integration of impact measures in the investment selection, investment execution and reporting to investors
  - the nature of value added sought by investors in the Impact Finance space and how asset managers can respond to these new customer needs and what characteristics products and services ought to have for such service offering by asset managers.

- **Analyze and complete the double tax treaty framework relevant for impact investments**

Impact investing target projects are often located in less developed regions and countries. In order to optimize the flows of repayments from the different projects to the investment vehicles, the losses due to tax regulations have to be minimized through the application of double tax treaties. The Luxembourg Ministry of Finance is constantly extending the network of double tax treaties and the needs of the impact finance sector are currently being integrated in the analysis, according to specific business cases per target country.
A first analysis will focus on Cambodia, Kenya and Peru.

European Impact Investing
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MONITOR

PRODUCED BY MONITOR GROUP IN COLLABORATION WITH ACUMEN FUND
CREATED WITH FUNDING FROM THE BILL & MELINDA GATES FOUNDATION

FROM Blueprint TO Scale

THE CASE FOR PHILANTHROPY IN IMPACT INVESTING

by Harvey Koh, Ashish Karamchandani and Robert Katz

April 2012

1 The Reality of Inclusive Business

Potential profit for impact investors could range from between $183 billion and $667 billion over the next ten years.

There is tremendous excitement today about 'impact investing' in inclusive businesses that benefit the poor by engaging them as customers and suppliers.

Impact investment is being hailed as an emerging asset class with the exciting prospect of achieving market-rate returns and social good at the same time. In November 2010, a new report[1] by J.P. Morgan, Rockefeller Foundation and the Global Impact Investing Network (GIIN) made waves simultaneously in the worlds of social change and investment. The report estimated that potential profit for impact investors across just five sub-sectors[2] of inclusive business could range from between $183 billion and $667 billion over the next ten years, with invested capital ranging from between $400 billion and $1 trillion.

Attracted by this potential for profit and impact, capital is flowing into this space. The Aspen Network of Development Entrepreneurs (ANDE) recently counted no fewer than 199 impact investing funds.[3] A survey by J.P. Morgan and the GIIN in late 2011 found that the 52 impact investors surveyed intended to deploy $3.8 billion of capital collectively in the next 12 months.[4]

In 2011, the Overseas Private Investment Corporation (OPIC) — the US Government's development finance institution — attracted more than 80 applicants when they issued a call for impact investment proposals.

1 O'Donohoe, N., Leijonhufvud, C., Saltuk, Y., Bugg-Levine, A. and Brandenburg, M. (2010) *Impact Investments, An Emerging Asset Class,* J. P. Morgan Global Research, Rockefeller Foundation and GIIN.

2 The sub-sectors studied were: affordable urban housing; primary education; maternal healthcare; clean water for rural communities; and microfinance.

3 *Impact Report*, (2010) Aspen Network of Development Entrepreneurs.

4 Saltuk, Y., Bouri, A. and Leung, G. (2011) *Insight into the Impact Investment Market*, J. P. Morgan and GIIN.

OPIC committed $285 million to the first six equity funds, with the aim of mobilizing up to $875 million for investment. In November 2011, the Indian Government announced a $1 billion India Inclusive Innovation Fund; more than 80 percent of the capital for this is expected to be raised from the private sector. And in December 2011, the Group of 20 (G20) and International Finance Corporation (IFC) launched the Challenge for Inclusive Business to find innovative, scalable and commercially viable inclusive businesses to be showcased at the G20 summit of world leaders in Mexico City in June 2012.

We believe there are good reasons for this excitement. Inclusive businesses promise effective models for generating social benefits that can become sustainable without relying on donations, and are scalable through the investment of return-seeking capital.

- For **private philanthropists and aid donors**,[5] this offers the hope of drawing vast sums of private capital into their efforts to solve entrenched social problems, and of achieving lasting solutions that do not rely on charitable donations.
- For **investors**, this offers the prospect of targeting a level of social impact alongside private financial return, and of doing this much more actively than the negative screen approach that is already well established for ethical (or socially responsible) investing.
- Meanwhile, **governments** recognize this as an additional way of addressing pressing problems like poverty and inequality in their own countries that harnesses the power of the private sector at a time when economic uncertainty and fiscal pressure are constraining the public sector's scope of action.

Inclusive businesses promise effective models for producing social benefits that are sustainable and scalable.

Last but not least, these models hold the promise of involving **beneficiaries** as willing suppliers and customers, and of recognizing their innate drive and capacity to improve their lives in significant ways, instead of seeing them as mere recipients of charity.

REALITY CHECK

While we believe that this potential is real, we also believe that we are a long way from realizing it fully. The rosy picture of abundant opportunities to make high returns that many have drawn from the hype may be obscuring the challenges faced by investors seeking to deploy capital into inclusive businesses.

In *Investing for Social and Environmental Impact*,[6] Monitor Institute colleagues argued that the newly identified impact investing industry was entering a phase

5 Where we have drawn out implications and recommendations for philanthropy, we intend those to apply to both private philanthropy and aid, unless otherwise stated.
6 Freireich, J. and Fulton, K. (2009) *Investing for Social & Environment Impact*, Monitor Institute.

Of 439 promising inclusive firms studied by Monitor in Africa, only a third were commercially viable and only 13% were actually at scale.

of 'marketplace building' that would likely take five to ten years. They identified three key challenges. The first was the lack of efficient intermediation, with high search and transaction costs caused by fragmented demand and supply, small and complex deals, and a lack of understanding of risk. The second was the lack of enabling infrastructure to help people identify and function as part of an industry since the market was structured around a history of bifurcation between philanthropy and investment.

The third, and most relevant for this report, is the lack of sufficient absorptive capacity for capital. This means there is an imminent lack of impact investing opportunities into which large amounts of capital could be placed at investors' required rates of return. Monitor's conversations with numerous impact investors have confirmed that this remains a major challenge for the industry. This has also been corroborated by a recent survey[7] of more than 50 impact investors conducted by J.P. Morgan. When asked about the most critical challenges to growth of the impact investment industry, respondents ranked "shortage of quality investment opportunities" second, right after "lack of track record of successful investments."

This shortage of opportunities is particularly acute when it comes to inclusive businesses whose activities are clearly socially beneficial to Base of the Pyramid (BoP) households, and whose work is therefore credibly part of a market-based approach to solving some of the problems of poverty.

Acumen Fund's investing experience reflects this reality: it has considered more than 5,000 companies in the past ten years and has invested in just 65 of those. Recent Monitor studies of inclusive businesses on the ground paint a similarly challenging picture. In 2009-10, a team led by Mike Kubzansky conducted an ambitious 16-month study of inclusive businesses across nine countries in sub-Saharan Africa. Their aim was to gain a better understanding of when, where and how market-based approaches in Africa succeed.[8] The team looked at 439 promising inclusive businesses and found that only 32 percent were commercially viable and had potential to achieve significant scale. Only 13 percent were actually operating at scale.

Many of the companies in Monitor's Africa study faced not only all the challenges of small businesses in Africa — such as difficulty in accessing finance, attracting and retaining human capital, achieving economies of scale, creating trusted brands — but also involved further challenges. They would sell to a hard-to-reach customer base with severely limited resources. They would engage suppliers with limited capabilities, high volatility in production and low loyalty due to cash flow needs. The goods and services offered by these companies were often in 'push'

7 Saltuk, Y., Bouri, A. and Leung, G. (2011) *Insight into the Impact Investment Market*, J. P. Morgan and GIIN.
8 Kubzansky, M., Cooper, A. and Barbary V. (2011) *Promise and Progress, Market Based Solutions to Poverty in Africa*, Monitor Group.

categories like preventative healthcare, which required high levels of awareness building and education, unlike 'pull' categories like mobile phones that consumers already desired and demanded. And these challenges would come on top of the pervasive issues of poor infrastructure, and unfriendly and inefficient regulation.

In response to these myriad challenges, many of these businesses cannot simply follow business models that have been established to serve more developed, non-BoP populations. Instead, they are required to innovate on multiple dimensions simultaneously, often pioneering new business models that are tailored to the particular needs and constraints of the BoP marketplace.

THE PROBLEM AND THE OPPORTUNITY

Modest margins, long times to scale and high risk add up to a tough proposition for investors.

Innovation is risky. Innovation across multiple dimensions in order to pioneer new business models serving the BoP is especially risky. In the emerging field of inclusive business, there are still many more unproven models than there are proven ones, so the vast majority of investment opportunities are at the early stage. And building and scaling new business models takes time: Monitor's research in India suggests that new inclusive firms take more than a decade to achieve a reasonable level of scale.

Meanwhile, the extreme challenges of the BoP environment mean that operating margins are typically low and volatile. Monitor's recent analysis of 50 inclusive businesses in Africa indicated that net operating margins were, at best, between 10 and 15 percent. As an impact-focused investor, Acumen Fund reports that its portfolio companies have an average profit after tax of minus 20 percent. Its eight most profitable investees record an average profit after tax of just six percent. Despite a highly selective approach, and heavy investment in post-transaction support to enhance value and manage risk, Acumen Fund only expects a return of just over 1x invested capital from its current portfolio. This is in line with its stated aims, but is far off the expectations of mainstream financial-first investors.

Returns from microfinance — by far the most established and mainstream of inclusive business sectors — are higher but still modest. Unitus Capital, for example, reports that net internal rates of return for debt-based microfinance investment vehicles (MIVs) averaged 4.9 percent through 2008, while riskier equity-based MIVs achieved 12.5 percent.[9]

But most models of inclusive business are at a much earlier stage of development than microfinance. Their modest margins and long times to scale combine to generate low internal rates of return. When this is set against the high risk of these

9 *MIV Overview*, (2009), Unitus Capital.

situations, it paints a decidedly unattractive proposition for investors, because small gains on a few successes could be far outweighed by heavy losses on many failures; this is particularly true where businesses are pioneering new business models for which commercial viability is unknown. For this reason, the assumption that investor capital will naturally flow to these opportunities and catalyze the full potential of inclusive business is unduly optimistic.

Investor capital may also be unable to support the heavy up-front expenditure that is required to stimulate awareness of (and therefore demand for) new push product categories among customers, or to improve supplier skills to meet the requirements of the business model. This is because of both the quantum of expenditure required and the difficulty for the firm (and its investors) of capturing its exclusive benefit. Unless there are significant barriers to entry (e.g., well-protected technological advantage, exclusive trading rights), a product's commercial success will likely spawn copycat competitors that free-ride on the firm's category marketing investment, thereby diluting the value captured by the firm and returned to investors.

From a philanthropic funder's perspective, however, things look very different. In a world with vast and seemingly intractable problems, and limited philanthropic resources, there is tremendous appetite for innovations to improve effectiveness and sustainability, including those that seek to direct the power of private markets (see sidebar). There is also a growing realization that lofty aspirations for social impact will not be achieved by placing only the safe bets. Moreover, the process of developing and trying out good impact ideas typically produces *some* social good — directly for the beneficiary and sometimes indirectly in the

DONORS AND THE PRIVATE SECTOR

Some funders will already be familiar with the rationale for engaging with the private sector to achieve their program goals, but many will not be. Louis Boorstin, a deputy director at the Bill & Melinda Gates Foundation who has also been an investment manager at the IFC and an investment banker at Lehman Brothers, explains: "Donors can use the power of the private sector to deliver improved health, sanitation and other benefits for the poor. These interventions with the private sector catalyze changes in the way companies, financial institutions and consumers operate rather than simply procuring specific goods or services for beneficiaries. However, funding must always serve as a complement, not a substitute, for market forces."

Louis describes five potential sources of social value from private-sector interventions by funders:[1]

- **SUSTAINABILITY** — Once an activity is shown to be commercially viable, the private sector is likely to sustain it without requiring subsidies.
- **REPLICATION** — A success in the private sector naturally leads to imitation by others who also want to earn a profit, producing replication with diminishing levels of further public support.
- **LEVERAGE** — Private capital can be catalyzed to support social objectives, thereby minimizing the use of scarce donor funds.
- **INNOVATION** — Engagement with the private sector provides direct access to new technologies and business models that can meet social objectives more effectively.
- **EFFICIENCY** — Working directly with the private sector offers access to the latest management techniques and systems, while also benefiting from the focus on efficient operations demanded by the market.

Louis adds a note of caution that engaging with the private sector carries a different set of risks from working with the public or NGO sectors: "You have less control over how a project is implemented, and you need to be aware that market forces can move in unexpected ways."

1 From a discussion draft prepared by Louis Boorstin for the Workshop on Private Investment for Social Goals held in Geneva, Switzerland, in September 2004.

form of learning effects for the field — that is valued by the philanthropist, even when it does not result in a viable business. In contrast, an investor faces the prospect of an unmitigated loss of value if a business idea turns out not to be viable.

Funders are also used to committing sizeable resources to such initiatives as 'social marketing' to change behaviors in BoP communities, or training BoP workers and suppliers in new skills. The existence of a business model that can leverage those initiatives to drive sustainable improvement for BoP households makes spending on those programs all the more worthwhile. And funders have little issue with creating valuable public goods — such as business models, labor skills, infrastructure and customer awareness that can be used by more than one firm — so long as they produce the desired social impact. From this perspective, copycat replication that ends up reaching more of the BoP population while improving value, reducing cost and improving choice, is a ***good*** thing because it multiplies impact.

The MFI sector received $ 20 billion in subsidies from philanthropists and aid donors to refine its model over two decades.

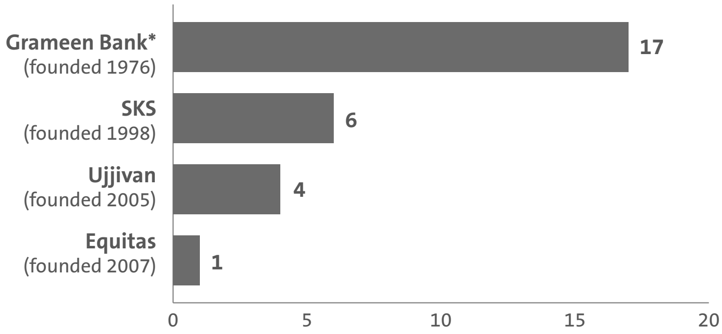
It is precisely in these situations that philanthropic support can play a catalytic role in ways that investor capital cannot. Nowhere can this be seen more clearly than in the development of the microfinance sector. As is now well known, microfinance (or, rather, microcredit) is based on a radically different business model from mainstream bank lending: namely, joint-liability group lending, mobile agents, very small loan sizes. As microfinance is now seen as a commercially attractive sector with billions of dollars of invested capital, it is easy to forget that the microfinance business model was promising but unprofitable for many years, long before it burst into the public consciousness. In those unprofitable years, subsidies in the form of grants, soft loans and guarantees from philanthropists and aid donors allowed the early pioneers to refine the model through "thousands of cycles of trial and error"[10] until it established its commercial viability and became attractive to investors. It is estimated that the microfinance sector received $20 billion in such subsidies in its first two decades of development.[11]

The pioneers who received these subsidies not only became successful in their own right, they also paved the way for other players to replicate their model much more quickly and easily. For instance, Grameen Bank, the pioneer of the microcredit model in South Asia, took 17 years to break even after launching in 1976. However, subsequent replicators achieved the same success over a much shorter time: SKS in India, launched in 1996, broke even six years later. The pace continued to accelerate, with Ujjivan (founded in 2005) achieving break-even after four years of operation, and Equitas (founded in 2007) after just one year (see Figure 2). The early subsidies for a pioneer firm such as Grameen did more than just build its own business operations; it also helped to establish the business model for all players in the sector.

10 As the journey of refining the Grameen Bank model was described in Counts, A., (2008), *Small Loans, Big Dreams: How Nobel Prize Winner Muhammed Yunus and Microfinance are Changing the World.*

11 As referenced in Mapping of Funding Flows, (2005), CGAP, from the working paper by Hudon, M., *On the Efficiency Effects of Subsidies in Microfinance: An Empirical Enquiry.*

FIGURE 2: Time from Start of Operations to Operating Break-even Microfinance Lenders



Note: *Grameen was started in 1976 by Prof. Yunus using the money he received from a Fulbright scholarship as a project, the bank was formed in 1983.
Source: Mix Market data; *Small Loans, Big Dreams* by Alex Counts

Buoyed by the commercial success of the microfinance model, we risk overlooking the role of philanthropic support in developing the inclusive business models that are emerging today.

Today, with interest growing in the potential to profit from impact investing, buoyed by the commercial success of the microfinance model, we risk overlooking the role of philanthropic support in developing the inclusive business models that are emerging today. Without this, 'the next microfinance model' is unlikely to get very far, and the capital that is seeking to invest in such a model will remain on the sidelines.

If we believe that impact-oriented funders can play a crucial role here, this poses some important questions. What is an appropriate role for such funding to play in a situation where firms are seeking to make profits, albeit modest ones? Where and when in the journey of a pioneer firm could such grants be deployed for the greatest benefit? What specific needs should be met by these grants, and what should a funder be seeking to achieve as a result? We address these questions in the next section.

WHAT ABOUT ON-GOING SUBSIDIES?

In the context of commercially viable business, philanthropic funding is a subsidy. The specific focus of this report is on those subsidies that catalyze the development of firms pioneering inclusive business models that are intended to be commercially viable and to grow to scale by tapping into the expanding pool of return-seeking impact capital.

This is not the only role of subsidies in the broader field of market-based solutions to poverty. Notably, on-going subsidies from private or public sources could sustain models that are not fully commercially viable. Examples of this approach are described in Monitor's previously published studies of market-based solutions in India and Africa (see the recommended reading list at the end of this report). These include grant funding for capital expenditure in rural power generation where regulatory price caps prevent such expenditure from being recouped fully from user charges, and the practice of 'buying down' the price of commercially supplied products to enable access by the poorest customers.

The intuitive logic of this approach has been developed into a robust theoretical argument by economists Andreas Nilsson and David T. Robinson. In a forthcoming paper,[1] they explain how on-going subsidies of this kind, essentially hybridizing charitable and profitable investment, can produce optimal solutions that would be excluded by a strict bifurcation of the world into purely charitable and purely profitable models.

1 Nilsson, A. and Robinson, D. T. (2012) *What is the Business of Business?* (unpublished).

Accelerating Impact

Achievements, Challenges and What's Next in Building the Impact Investing Industry

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2 IMPACT INVESTING: WHAT IT IS AND WHY IT MATTERS

Impact investing is, at its essence, a way to unlock capital and place it in businesses and projects that generate real social and environmental benefits for the people who need those benefits the most—more and better jobs and income, affordable housing, clean water, greater access to education, and other individual, household and community gains—while also generating a financial return to the investor. The concept of intentionally deploying capital to produce both financial and non-financial returns is not new. In fact, some would argue that the earliest human economic exchanges sought, in the interest of the common good, to do both, and that doing both was seen as natural. However, over the centuries, with the rise of industrial economies, and the ultimate ascendance of capitalism as the dominant mode of organizing markets, investing came to be seen as a means of creating individual wealth first, with any improvement in the common good as a collateral outcome. At the same time, most societies have nonetheless maintained alternative economic organizations and systems—for example, the Mondragon network of industrial cooperatives in Spain's Basque region, or the well-developed microfinance institutions of Bangladesh and Peru—that have explicitly pursued a blend of social and economic objectives.

2.1 ORIGINS AND DRIVERS OF IMPACT INVESTING

Prior to 2008, there had certainly been considerable innovation in the practice of investing for a mix of financial and social or environmental returns. The International Finance Corporation (IFC), for example, played a leadership role in some developing countries through lending to small businesses as a strategy to achieve broader development outcomes on the ground. For its part, the Grameen Bank became a world leader in scaling up microfinance programs for the poor in Bangladesh, and its approach was adapted and applied in dozens of other countries. In 2006, Grameen founder Muhammad Yunus won a Nobel Peace Prize for his efforts. In another line of action, the nonprofit Acumen Fund was established in 2001 to mobilize capital for investment in social enterprises in Asia and Africa. These and many other examples constituted the platform on which recent efforts to construct the impact investing industry have been based.

A convergence of factors has pushed impact investing forward in recent years.

The past four years, however, have seen a convergence of a number of factors that have pushed the concept and practice of impact investing forward. Four such drivers that have generated new interest and activity in impact investing are as follows:

- The financial crisis has exposed the limitations of traditional models of investment decision-making and risk assessment and has provided the impetus to integrate a broader consideration of risk (considering environmental, social and governance (ESG) factors, for example) into investment decisions.
- As the scale of social and environmental challenges continues to grow, there is increasing recognition that the existing set of resources allocated toward addressing these issues is insufficient. Consequently, there is a stronger desire to supplement both philanthropy and public dollars in addressing these challenges.

- An emerging set of activities and investments is demonstrating the sustainable and scalable returns of business models deliberately generating "blended value."[8] Some investors who are already investing responsibly are keen to be even more proactive in managing their assets.
- Significant wealth has been transferred to new generations that are eager to embed their values into their investing activities and to play leadership roles in impact investing. There is a new set of young professionals starting off their careers seeking both money and meaning.[9]

The cumulative effect of these factors has given a significant boost to the organization and growth of the impact investing industry.

2.2 FRAGMENTED LANDSCAPE

In conducting our scan of the evolution of the impact investing industry, we found evidence of impressive gains, sometimes through innovative coalescing of important actors. At the same time, however, we also found evidence of obstacles and fragmentation constraining the further growth of the field. The co-existence of such different findings is, of course, not surprising for a field that, in its present form, is less than half a decade old.

We found evidence of impressive gains and of obstacles to growth.

As we proceeded with our own work, we came to appreciate the value of six dimensions, or lenses, through which the impact investing industry can be examined. They are the following:

- Unlocking capital: This refers to the process of a variety of asset owners and managers mobilizing new pools of capital, in the form of both debt and equity (beyond grants), to create positive social and environmental impacts that are scalable, and also to form a productive bridge to mainstream finance.
- Placing and managing capital: Intermediation between the supply of and the demand for impact capital must reduce the costs of due diligence, transactions and monitoring and also respond to the full range of investor expectations regarding risks and returns—all in ways that match the need for capital on the ground.
- Demand for capital: Another important task for the industry is to build a pipeline full of investment-ready projects that match the available capital, and in the process strengthen the demand-side capacity of entrepreneurs and other actors that are investees of impact investors.
- Assessing impact: Finding cost-effective ways and means of defining, measuring and understanding impact indicators is another important element of field-building, both at the centralized level (for common standards and ratings) and at the institutional level (to meet institutional mandates and operating procedures).
- The enabling environment: What governments do in the sphere of policy—through regulations, laws, fiscal measures, direct program spending—can create either an enabling or disabling environment for the growth of impact investing in any country, rich or poor.
- Leadership and coordination: Visible leadership and industry-wide coordination and integration are also prerequisites for building the industry to a scalable and sustainable level.

For all of these dimensions, the important gains made to date in building the impact investing field should not only be protected and sustained; they should be expanded and deepened. At the same time, the specific obstacles and fragmentation constraining progress in each of these dimensions must be addressed directly by leaders of the field. Moreover, the leadership of the industry must ensure—through networking, standards, learning and mutual support—that efforts across the six dimensions are coordinated and integrated.

2.3 CONSTRUCTING AN AGENDA FOR MARKET BUILDING

At the height of the financial crisis, there was a cluster of activity that indicated a substantial interest in finding new ways for capital to generate more than a financial return. These activities were not simply about mitigating risk, but instead were premised on a fundamental belief that capital could be harnessed to generate positive social and environmental outcomes in a responsible and prudent manner. A set of institutions and investors began to explore the possibility of strengthening the various pockets of interest and activity in this area. Since that time, three key actions have planted the seeds for the impact investing industry as we know it today: the Bellagio convenings; the creation and funding of the Rockefeller Foundation's Impact Investing Initiative; and the Monitor Institute's report, *Investing for Social and Environmental Impact*.

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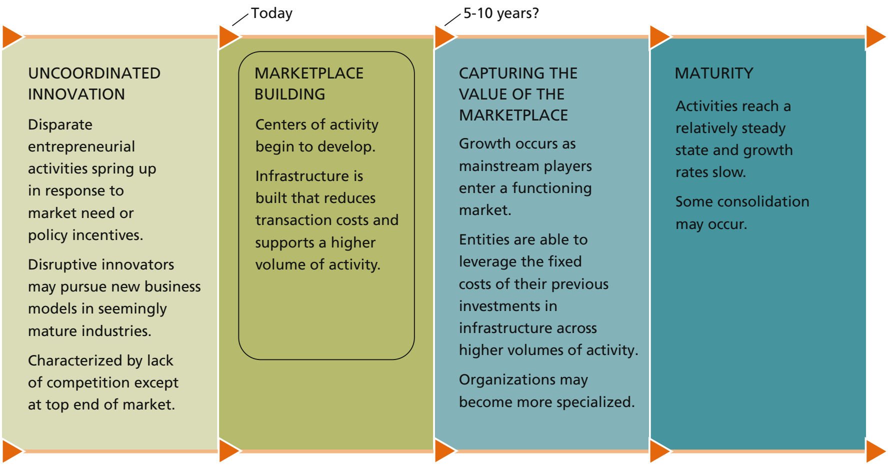
The Rockefeller Foundation's Impact Investing Initiative—established for the period of 2008–2012 and later extended to 2013—has focused on four priority areas: catalyzing leadership platforms that enable investors to work together more effectively; developing industry infrastructure; supporting the scaling of intermediaries; and contributing to fundamental research and advocacy.

Drawing on a collective effort in 2008 by industry leaders, the 2009 Monitor Report provided a blueprint for how the marketplace for impact investment could evolve, based on extensive interviews across multiple sectors. The final report contained a list of 15 recommendations, including five priority recommendations, as well as potential initiatives to activate these recommendations. The process of generating the report, as well as the final product itself, has proven to be influential in articulating and prioritizing industry-building efforts.

At the time, the Monitor Report noted that, "this emerging industry has reached a transitional moment in its evolution. It is poised to exit its initial phase of uncoordinated innovation and build the marketplace required for broad impact."[10] As the evidence set out in the present report shows, the industry is currently firmly entrenched in the "marketplace-building" phase. In this phase, clusters of activity are still emerging in a semi-coordinated fashion, and infrastructure is being built to support the growth of the industry globally. It is clear, however, that there are now important markers of achievement that enable us to trace the evolution of the industry, and to examine how it could further evolve to the next phase—that of capturing the value of the marketplace, in which mainstream players have entered and are driving substantial growth (see Figure 1).

Figure 1: Phases of Industry Evolution



Source: Freireich and Fulton, *Investing for Social and Environmental Impact*, 2009

It is useful to refer to the Monitor blueprint in order to assess not only where the impact investing field was four years ago, but also where it can and should go in order to substantially advance, and complete, its market-building work. To this end, Appendix A reproduces the original Monitor coordination/capitalization matrix that recommended market-building priorities as of 2008.

For its part, Appendix B then presents a 2012 version of the coordination/capitalization matrix, derived from the findings of our scan of the industry. This matrix highlights the particular mix of priorities that we believe is needed for further industry-building efforts over the next five to ten years—key tasks necessary to move the industry to the next stage of its development. In our view, this new round of activity should continue the focus on standards, policy, catalytic finance structures and financial products. However, in addition, industry leaders should place new emphasis on investor collaboration and syndication, and support to the building of demand-side ecosystem and management capacity among investee enterprises, among other lines of action. In Part II of the present report, we summarize our assessment of the achievements and challenges in the industry-building process over the past four years. That assessment provides the analytic basis for the matrix in Appendix B.

Going forward, industry leaders should place new emphasis on investor collaboration and demand-side capacity building.

2.4 DEFINING IMPACT INVESTING

The definition of impact investing remains a work in progress, and the term itself is still used interchangeably (and sometimes incorrectly) with related terms.[11] At the first Bellagio meeting in 2007, leading thinkers discussed an appropriate definition of the term "impact investing," describing it as "using profit-seeking investment to generate social and environmental good."[12] While the boundaries of the term remain subject to debate, subsequent attempts have sought to bring more rigor to this definition. A key report co-published by J.P. Morgan, the Global Impact Investing Network (GIIN), and the Rockefeller Foundation released in 2010 proposes perhaps the most pointed definition to date—"investments intended to create positive impact beyond financial returns"—not only noting the blend of financial and social returns, but also clearly articulating the intent of investment to generate both.[13] It is important to point out that, in general, the intent and spirit of the impact investing field is to focus impact investments on enterprises and projects that can result in improvements in the lives of poor, marginalized and distressed populations, as well as in meaningful improvements to the environment.

There is a widely held perception that impact investing primarily focuses on direct investments in social businesses/enterprises in developing and emerging markets by western investors. Another position is that impact investment is an asset class in its own right.[14] It is our view, however, that both of these interpretations serve to limit the scope of the term. We argue that impact investment can occur across a range of regions, across asset classes, and across sectors. Our research indicates that as the scope and scale of activity have increased in sophistication, there is now a broader universe of ways in which impact investing can occur.[15]

Also evident is a broader range of opinions relating to how impact investing should be defined. Figure 2 provides a sample of terms used by leading organizations around the world to describe impact investing. While there is some consensus being formed in industrial countries—in particular, the United States, the United Kingdom, Australia, Canada and the Netherlands—as to what really constitutes impact investing, it is also the case that leaders in other parts of the world may see impact investing through a different lens. In consultations with leaders in Africa, Asia and the Americas, we note a voluble strain of opinion that equates *any* investment in poor areas with impact investment. In our view, though, such a definition (sometimes held by actors in Base of Pyramid (BoP) programs) is unacceptably imprecise.

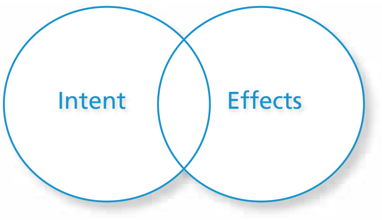
Figure 2: Describing Impact Investing Around the World

As impact investing grows, the imperative is to raise the definitional bar, not lower it.

Our assessment is that as the impact investing industry grows and becomes more truly global, working more extensively with platforms and leaders in the Global South, and in particular with institutional investors in the BRIC (Brazil, Russia, India, China) countries, the imperative is to raise the definitional bar, not lower it. To this end, we propose that the actual definition of whether an investment can be considered an authentic impact investment should be tested on two essential grounds. First, consistent with other definitions, there must be intent to create meaningful social and environmental impact. Second, also as with other, more rigorous definitions, there must be evidence of tangible social and environmental impacts, or effects, for the ultimate target populations or areas. Figure 3 highlights these two core definitional elements. In addition, we would suggest that an impact investment should also provide evidence of a specific theory of change that sets out how the investor envisions their capital flowing and how it will actually generate downstream results on key performance indicators.[16]

In any case, the definition and practice of impact investing, as one leader told us, now both need to be even more clearly located within the context of inequality and hardship at the community, sub-national and national levels. Furthermore, those who are themselves fighting through the barriers of inequality and hardship should be consulted on their views and experience of impact investing. What impact indicators matter most to them? How do they judge success? What types of capital, enterprise and benefits make the most difference to their well-being and to that of their households? Industry leaders should recognize that citizens on the margins of the economy are uniquely positioned to help shape and test the definition of impact investing and how it can deliver meaningful social and environmental results. These citizens should be invited into the process as full participants.

Figure 3: Core Definitional Elements of Impact Investing



"Investments intended to create positive impact beyond financial returns"

2.5 THE SPECTRUM OF IMPACT INVESTORS

Just as in the traditional investment universe, impact investors vary in the nature of their motivations, assets, risk and return expectations, and social impact objectives. Impact investors are heterogeneous in the sense that they vary widely across these and other dimensions.[17] It is more useful, though, to locate the range of impact investors within a broader schema of all actors in the impact investing industry. Figure 4 presents such a schema. In this graphic, a distinction is made between actors that own the assets that are invested for impact, and the actors that manage those assets. While the lines sometimes blur somewhat across these two categories of actors (e.g., most corporations do some of their own asset management), this depiction provides a long list of large and small organizations that actually make impact investments. Small investors, relatively speaking, include family offices, foundations, some venture funds, and impact investing funds that serve as intermediaries[18] for other, often larger investors.

Industry actors include asset owners, asset managers, demand-side actors and service providers.

Figure 4: Actors in the Impact Investing Industry

ASSET OWNERS	ASSET MANAGERS	DEMAND-SIDE ACTORS	SERVICE PROVIDERS
• High net worth individuals/families • Corporations • Governments • Employees • Retail investors • Foundations	• Investment advisors • Fund managers • Family offices • Foundations • Banks • Corporations • Venture funds • Impact investment funds/intermediaries • Pension funds • Sovereign wealth funds • Development finance institutions • Government investment programs	• Corporations • Small and growing businesses • Social enterprises • Cooperatives • Microfinance institutions • Community development finance institutions	• Networks • Standards-setting bodies • Consulting firms • Non-governmental organizations • Universities • Capacity development providers • Government programs

Impact investors can be classified according to their intentions regarding risk, return and impact.

The market-building phase of the past four years has also seen the classification of impact investors according to their intentions.[19] Impact-first investors are defined as those that have a specific social or environmental return expectation and also have some flexibility related to their expected financial returns. Some foundations and family offices, as well as impact investing funds themselves, are examples of impact-first investors. In contrast, financial-first investors have a financial return floor, and use impact outcomes as a secondary premise for investment decisions. Banks, pension funds, sovereign wealth funds and development finance institutions are financial-first investors. Of course, trade-offs among risk, return and impact are not straightforward. Nevertheless, the intention of investors to prioritize one set of returns over another has, at least to date, provided an important signpost for understanding the risk/reward expectations of particular investor organizations, as well as for understanding the evolution of the impact investing industry as a whole.

Box 1 presents a sample of impact investors that are a mix of impact-first (e.g., RSF Social Finance, Omidyar Network, Sterling) and financial-first (e.g., J.P. Morgan, TIAA-CREF, FMO) investors. These investing organizations are also based in a range of countries, including Brazil, Hong Kong, India, the Netherlands, Nigeria and the United States.

Box 1: Examples of Impact Investors

Arm of Major Bank – J.P. Morgan Social Finance
J.P. Morgan Social Finance was launched in 2007 and provides thought leadership to the market through reports, such as its market surveys in 2010 and 2011. It commits J.P. Morgan capital to impact investments as is seen, for example, in its recent investment in the African Agricultural Capital Fund. It also provides investment services to its clients.

Impact-First Investor – RSF Social Finance
RSF Social Finance is a US-based nonprofit financial services organization that has made over $230 million in loans and over $100 million in grants since 1984 to nonprofit and for-profit social enterprises in the US addressing key issues in the areas of food and agriculture, education and the arts, and ecological stewardship.

Institutional Investor – TIAA-CREF
TIAA-CREF is a leading financial services organization with over $440 billion in combined assets under management. This American pension fund has maintained a long history of combining several strategies that incorporate impact considerations, such as social screening, shareholder advocacy and community investing.

Venture Firm and Family Foundation – Omidyar Network
The Omidyar Network operates as a philanthropic investment firm—with both a grantmaking foundation and a for-profit limited liability company—to deploy a range of capital toward impact investments across several sectors in nonprofit and for-profit ventures in Asia, Africa, the Americas, Europe and the United States.

Venture Capital Firm – IGNIA
IGNIA is an impact investing venture capital firm based in Monterrey, Mexico. The IGNIA Fund LP 1 was Latin America's first and largest impact investing fund focused on businesses at the base of the pyramid. To date, IGNIA has made 10 investments, totaling $48 million.

Venture Capital Fund – Vox Capital
Vox Capital is a Brazilian venture capital fund that invests in high-potential businesses that serve low-income clients and whose activities contribute to reducing poverty, with a preference for the field of education, health and housing. By the end of 2012 Vox Capital expects to raise a capital commitment of US$20 million.

Box 1: Examples of Impact Investors

Family Foundation – The Tony Elumelu Foundation
The Tony Elumelu Foundation, headquartered in Lagos, Nigeria was founded in 2010 by Nigerian businessman, Tony O. Elumelu. The Foundation is committed to the economic transformation of Africa by enhancing the competitiveness and growth of the African private sector. The Foundation supports small and mid-sized enterprises through start-up funding and business development services.

SME Investment Fund – GroFin
GroFin is a leading provider of SME finance and business development focusing on developing sustainable enterprises in Africa and the Middle East. GroFin is present in 13 countries, with an investment portfolio of 300 transactions and US$300 million across seven funds.

Venture Fund – LeapFrog Investments
LeapFrog's $135 million fund invests in businesses that extend and enhance security to the poor and financially excluded, partnering with local and international players to support down-market growth and expansion of insurance products and inclusive financial services.

Venture Fund – Aavishkaar
Aavishkaar includes four funds with over US$100 million in committed capital focused on catalyzing development in rural and underserved India through the provision of risk capital to ventures operating in the micro equity and microfinance space.

Venture Fund – SONG Fund
The SONG Investment Company is funded and owned by Google, the Omidyar Network, and the Soros Economic Development Fund. Its mission is to provide early- and growth-stage capital and operational support to SMEs in sectors that can contribute significantly to economic development, as well as create sustainable social impact, in India.

Family Office – Sterling Enterprises Limited
Sterling Enterprises is a single family office for the Hong Kong-based Chen family that manages over $100 million in funds. The family has a "wealth with a purpose" investment philosophy. Through their affiliates, Sterling Enterprises Limited also provides impact investing advisory services to other high net worth individuals.

Development Finance Institution – FMO
FMO, the Dutch development bank, supports private sector growth in developing and emerging markets. The bank focuses on sectors that they deem to have high long-term impact including financial institutions, energy, housing and agribusiness, food and water. Founded in 1970, FMO is a public-private partnership with €5 billion in assets.

2.6 MAPPING THE IMPACT INVESTMENT INDUSTRY

Over the past four years, the number and diversity of actors in the impact investing industry have grown impressively. Among asset owners, high net worth individuals and families have played prominent roles in this effort, as have private foundations and impact investing funds that function as intermediaries for the field, together with a few large financial institutions, particularly banks, pension funds and development finance institutions. In addition to these and other asset owners and asset managers, the industry also encompasses demand-side actors that receive and utilize impact investments; these include companies, small and growing businesses, social enterprises and cooperatives. The final group of actors in the industry involves service providers, particularly networks and standards-setting bodies.

Over the past four years, the number and diversity of actors in the impact investing industry have grown impressively.

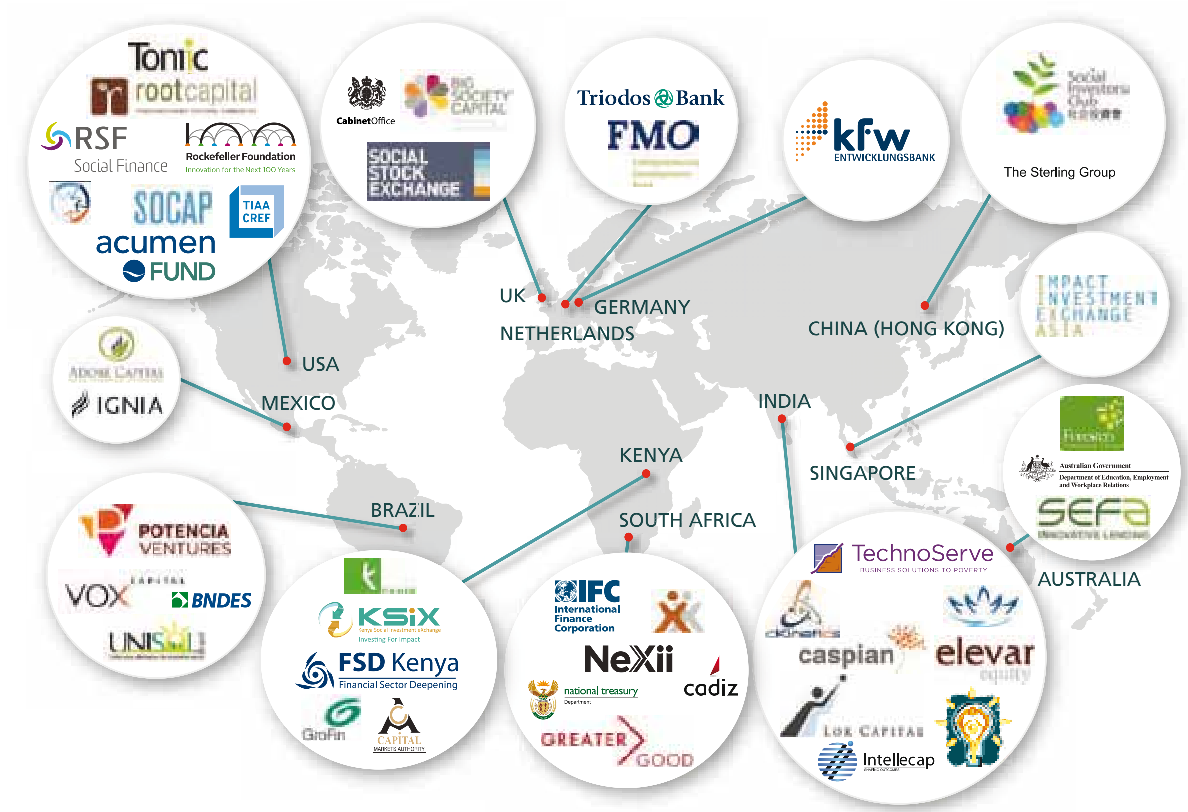
In a global sense, however, one limitation of the experience of the past four years has been that most of the asset owners and managers have been based in the Global North, especially the United States. Yet most of the demand-side actors have been based in the Global South. This geographic concentration in the field's start-up period has not been entirely problematic. Indeed, since the impact investing industry is most fully developed in the United States, that country has been an ideal site from which to build the early structures and systems for the industry. However, to become

Much more must be done to engage asset owners and asset managers in the Global South.

a truly global industry, much more must be done to engage asset owners and asset managers, in particular, in the Global South, especially in light of the ongoing shift in global economic power to the BRIC countries and in global governance from Group of Seven (G-7) countries, or NATO model, to Group of Twenty (G-20) countries model.

Still, it is also true that impact investing has, in fact, begun to take hold across the world. Figure 5 highlights some of the more prominent organizations working to build the field in 11 different countries. These include funds, foundations, forums, networks, exchanges, banks, non-governmental organizations, and policy initiatives in countries as large as India and Brazil, and as small as Singapore. As the industry evolves in the years ahead, it will be important for leaders to build, share, deepen and continuously update a comprehensive, global map of all the actors in the field—and to use this map to facilitate collaboration and lever innovation to maximize and accelerate the field's aggregate impact.

Figure 5: Mapping the Impact Investing Industry



2.7 WHY DOES IMPACT INVESTING MATTER?

Impact investing matters for many reasons. Chief among these is the fact that more than one billion people in the developing world live at poverty levels that are unacceptable.[20] Other complex global problems—from climate change to HIV/AIDS to lack of clean water—not only persist, but are deepening for some regions around the world.[21] What is even more troubling is that the resources traditionally available to address these challenges are finite, and, in some cases, growing scarcer. Certainly, 2011 saw the beginning of sharp cuts to foreign aid from Western nations. Philanthropic giving was uneven and declining in some areas for both domestic and international projects. For their part, the BRIC countries and other new economic powers are only beginning to play major roles in targeted poverty reduction, other than through trade and investment, and their performances on human development and the environment range from promising to abysmal. Yet there is capital in these new powers that can and should be unlocked for impact investing. Engaging with the new powers and the Global South more generally, therefore, is doubly important: that is where most of the poverty in the world is located, and in some cases, where wealth is growing the fastest. Impact investing leaders must accelerate their collaborative efforts to support new platforms for collective action on impact investing in the BRIC countries and also in poor economies more generally.[22]

Going forward, innovations in development finance will be crucial and potentially transformative. For the past decade the United Nations and prominent finance specialists, such as George Soros, have been working hard to create a set of new financial mechanisms to address such pressing global issues as HIV/AIDS and climate change. Efforts have been made to ensure that these new vehicles and tools adhere to four key principles: scaling up, additionality, complementarity and sustainability. Impact investing is an industry and a movement that brings to this broader search for innovative finance its own distinct and increasing capacity on both the supply and demand sides, as well as in intermediation. In this sense, impact investing's success really does matter to the world.[23]

> "Product building is a five-year task. Movement building, on the other hand, is a generation-long challenge."

For now, efforts to build the impact investing marketplace continue. What is also required, however, is a commitment to the long-term cooperation by the champions of the field around the world. Dr. Judith Rodin, President of the Rockefeller Foundation, reminds us that

> Product building is a five-year task. Movement building, on the other hand, is a generation-long challenge that requires much bolder vision, patience, and ambition. What this moment of inflection demands is exactly such a movement—a movement that creates a fundamental mindset shift in how society mobilizes resources to address our social and environmental challenges.[24]

Our review indicates that impact investing leaders are, in fact, taking actions that confirm their long-term commitments to build a movement as they develop new ways of proceeding forward together.

Special Report

IMPACT INVESTING

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Special Report: Impact investing

THE DIFFICULT TASK OF MEASURING IMPACT

Effective methods for measuring impact are being developed, but a standardised system remains elusive

BY ANNE STUBERT

Antony Bugg-Levine, managing director of the Rockefeller Foundation, recognises that "the power of metrics is that it enables us to deploy our marginal dollar to the best problem-solver, not just the best storyteller". While this attitude is driving impact investment forward as an industry, the road to better evaluation and measurement is littered with potential pitfalls.

Can all of the benefits of an investment really fit into any simple metric? How does one rate intangibles such as a stronger feeling of security among the women of Sudan as a result of a peace building programme? How can one effectively compare the performance of, say, a healthcare programme in Brazil with a water and sanitation programme in Malawi? The challenges can at times seem insurmountable.

Over the past years, financial sector perspectives, particularly from the private equity and venture capital industries, have

Self-empowerment schemes for women in Nairobi, Kenya

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gained traction in the impact investment field. As with the financial sector, there is a need for impact investors to forecast social value, track and evaluate performance over time and assess past investments.

This influx of financial rigour has led to an impressive knowledge base and to the development of more sophisticated systems with which to measure impact. These efforts cover a variety of cost-effectiveness and cost-benefit analysis.

While the development finance institutions, such as the IFC, have paved the way in recent decades, many new systems have emerged in the last few years. The social venture fund Acumen has developed the BACO Ratio, which quantifies investments' social value and then compares it to other opportunities in the same sector. Meanwhile, the American philanthropic fund REDF has created the tool SROI, which calculates social return on investments.

In spite of these developments a common global standard for measuring social impact remains elusive. There is still a lack of transparency and consistency in how investors define, track, compare and report on social value. While one organisation might define outputs like job creation as any employment opportunity, including seasonal jobs, other organisations might only include full-time jobs. Problems like these make it very difficult for investors to compare the social value performance of different funds.

To address these concerns, a group of leading investors, headed up by the Rockefeller Foundation, developed IRIS, a common framework for defining and reporting on social impact. The initiative provides specific metrics for a number of different sectors, including health, energy and education. It will also gather social impact data from its partners and publish benchmarking reports allowing investors to compare investment opportunities.

If impact investing is to attract the big pension funds and other institutional investors, then it must become easier to compare investment opportunities. That is why the Global Impact Investing Rating System was founded. GIIRS is an independent third-party impact rating agency. As Beth Richardson, its director, says: "If IRIS is a financial standard, GIIRS can be thought of as a rating system like S&P or Moody's." So far, GIIRS has selected 25 fund managers, representing $1.2bn in assets under management, with investments in about 200 companies in emerging markets. In January 2011 these pioneer funds will be the first ones to receive a GIIRS rating.

If impact investing is to attract the big pension funds and other institutional investors, then it must become easier to compare investment opportunities

PHOTOS: AFP/GETTY IMAGES

As impact investing becomes more defined as an industry and a common language for measuring and rating impact emerges, some big questions will have to be confronted.

The selection and definition of indicators is, inevitably, the result of a value judgment. For example, how does one rate results in healthcare: should treating a patient suffering from HIV/Aids receive a better rating than treating one suffering from malaria?

Standardised measurements will also undoubtedly generate "winners and losers". Short-term outputs, such as the number of microfinance loans granted in a village, are much easier to measure than long-term outcomes, such as the effect that those loans have had on poverty, economic growth and quality of life in that village. Investments in sectors in which the results are easier to measure, and programmes which generate impressive short-term results, will probably end up attracting more capital than others.

Quantitative results are easier to capture than qualitative results. Some argue metrics like these "reduce people to numbers" and fail to capture immeasurable benefits. What about more intangible outcomes like the empowerment of women? Is there also a risk that more emphasis on metrics would encourage grantees to work toward short-term results, such as building water pumps, without addressing the fundamental goal – sustainable water management?

Marie Rosencrantz, monitoring and evaluation expert, emphasises the challenge of actually gathering data. Many promising organisations and programmes lack the infrastructure and the resources to collect sufficiently robust data to meet reporting standards. It is therefore crucial that investors and investees agree on a limited number of metrics, in order to avoid placing an unnecessary burden on grantees. As the CEO of Acumen Fund Jacqueline Novogratz puts it: "The art of measurement is in knowing which measures to select, when to look at them, and what decisions to make based on the data and our experience."

Despite these difficulties, the benefits of a global system for measuring impact are significant. Allowing investors to measure and compare the social impact of different organisations would attract more capital to the impact investment sector and open up the sector to institutional investors like pension funds and hedge funds. This clarity would also increase the credibility of the sector and strengthen the relationship between the investor and the investee, allowing more consistent discussion around performance.

Possibly the greatest benefit of a standardised system of measuring impact would be a better understanding of how to increase the social value of investments in developing countries. In order for the impact investment sector to thrive and address some of the major development challenges in the world, a robust system and infrastructure to absorb and share assessment will be key.

This is Africa **6**

Lessons Impact Investing Can Learn From Microfinance

Posted: 01/29/2013 3:03 pm

While the underlying approaches are older, the term impact investing has recently created new buzz and attracted a growing followership. I'm very excited about this. It seems to indicate that more people have come to a conclusion that I share after 20+ years of privileged insights into motives and decision making across public, private, and social sector entities: Combining a higher-order purpose with the discipline of private sector financial sustainability has the best shot at solving many of today's pressing societal challenges.

As I'm following the reporting and publications on this space, there are two related issues that I'm struggling with and that I fear, if not thoughtfully addressed, might ultimately harm the positive brand emerging for impact investing. The field can benefit from some of the hard-learned lessons from the three decade-old experience of investments in microfinance institutions, which in 2012 constituted still by far the largest share of impact investing -- estimated to be one third of total new commitments and two thirds of outstanding total in developing countries.

My first issue has to do with return measurement. I get the financial return part. Any entity that operates under market principles must create a valuable offering to, and get paid by, its customers in the consumer market; it pays its suppliers in the product market and its employees including management in the labor market; the excess of revenues over expenses is profit, which the enterprise can choose to reinvest or dividend out. Whatever you think ideologically -- and of course there are also market imperfections and information asymmetries -- financial returns on debt or equity investments (or total shareholder returns in the case of publicly-quoted companies) are measures conceptually consistent with a broader market economy paradigm and a summary indication that value has been created.

Social and environmental impact returns are qualitatively different and essentially in the eye of the beholder. In the early years, investors in microfinance institutions thought that simply reaching disadvantaged segments such as women and poor people was a sufficient indicator of impact. Only later did they start realizing that financial access did not automatically mean improving people's lives, and that at the minimum client protection principles, if not social performance objectives , needed to be in place. More recently, rigorous impact assessments have helped the field understand what type of financial access is beneficial to what type of customer segment and why, which in turn is leading to better product design and offerings.

The efforts that the impact investment community is pushing with respect to impact indicators in other areas such as education need to learn from this evolution. To use an analogy, for example, it's not enough to just count heads of kids in social and private sector elementary schools in developing countries; investors through their governance influence need to also ensure that the education the kids get is truly a good investment for the typically poor families who make real long-term sacrifices to pay school fees.

The second issue is on return expectations. In a recent JPM/GIIN survey, 65 percent of impact investors said that they seek market return for their financial investment. This investor segment I find less inspiring. Wouldn't anyone want to have market returns and social returns on top for good measure? Or, from market development perspective, if market returns were available, wouldn't plentiful commercial capital flow in anyhow?

The microfinance investment community demonstrated that philanthropic capital was necessary to prove a concept and attract new sources of capital and talent to an area where no market existed before. Microfinance investors also learned that you can't conceptualize away potential tradeoffs between social impact and financial returns pointing to the long-term. They have come around to ask themselves questions such as: how do we find the right entrepreneurs with whom we durably share impact and financial objectives at the outset? Once invested and on boards, how do we set and don't set growth targets? How do we incentivize for a profitability sweet spot -- not too little to jeopardize financial viability, but not too high to tempt management to take short cuts? How do we responsibly exit and to whom so that the impact objective remains preserved?

The microfinance community learned some important answers the hard way and is still learning. The broader, emerging impact investment community can only benefit from these lessons.

Follow Tilman Ehrbeck on Twitter: www.twitter.com/@TilmanEhrbeck

http://www.huffingtonpost.com

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Biography

Prof. Dr Harry Hummels

Prof. Dr Harry Hummels is European Liaison of the Global Impact Investing Network (GIIN) and Managing Director of SNS Impact Investing, the development investment arm of Dutch bank-insurer SNS REAAL. He is also a Professor of Ethics, Organisations, and Society at Maastricht University, with decades of experience in socially and environmentally-minded finance and business academics.

Partners in Luxembourg

Établie en 1920, la Banque de Luxembourg offre aux investisseurs privés et institutionnels son expertise en gestion de patrimoine en Europe et au Luxembourg. Le conseil en philanthropie prolonge l'engagement de la banque aux côtés de ses clients pour mener à bien leurs projets à toutes les étapes de leur vie. Son savoir-faire et sa philosophie en gestion d'actifs sont particulièrement adaptés aux besoins des fondations qui recherchent une performance régulière sur le long terme, doublée d'une protection de leur capital et de leurs niveaux de dotation.

La banque offre également une gamme complète de véhicules d'investissement spécialisés en impact financing, qui reflètent la compétence de la Place financière luxembourgeoise en matière de fonds d'investissement. La Banque de Luxembourg s'est de tout temps comportée en acteur responsable et engagé au sein de la communauté luxembourgeoise. Elle a tout particulièrement souhaité contribuer au développement au Luxembourg de la philanthropie, de l'entrepreneuriat social et de l'impact financing. Le soutien qu'elle apporte à ADA dans le cadre des Midi de la Microfinance s'inscrit dans ce contexte.

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GRAND-DUCHÉ DE LUXEMBOURG
Ministère des Affaires étrangères

Direction de la coopération au développement

La Coopération luxembourgeoise au développement se place résolument au service de l'éradication de la pauvreté, notamment dans les pays les moins avancés. Ses actions s'inscrivent prioritairement dans la mise en oeuvre - d'ici 2015 - des objectifs du millénaire pour le développement. Ainsi les principaux secteurs d'intervention de la coopération relèvent du domaine social : la santé, l'éducation, y compris la formation et l'insertion professionnelle et le développement local intégré. Les initiatives pertinentes dans le domaine de la microfinance sont encouragées et appuyées, que ce soit au niveau conceptuel ou au niveau opérationnel. La Coopération luxembourgeoise offre notamment son appui financier pour l'organisation des Midis de la microfinance au Luxembourg.

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ELVINGER, HOSS & PRUSSEN

LUXEMBOURG LAW FIRM

Since it was founded in 1964, Elvinger, Hoss & Prussen, together with the Luxembourg financial centre, has grown in stature and size and now enjoys the reputation of being one of the most prestigious and highly respected law firms in Luxembourg.

The firm claims its success on the following three mantras:

EXCELLENCE - in the provision of legal advice to clients
INDEPENDENCE - another way to be international
EFFICIENCY – through multi-specialism

The firm believes it is fundamental to the integrity of the profession to be ethically responsible. To this end, and in parallel with its Corporate legal activities, the firm regularly undertakes a range of pro bono work through its Corporate Social Responsibility Programme, providing free legal services to non-profit organisations and individuals in need.

In the rapidly emerging Microfinance sector and related activities, where Luxembourg is developing into a premier actor, the firm is engaged on a regular basis in providing legal services, often on preferential terms.

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ERNST & YOUNG

Quality In Everything We Do

Ernst & Young is a global leader in assurance, tax, transaction and advisory services. Worldwide, our people are united by our shared values and an unwavering commitment to quality. Corporate Sustainability is integral to Ernst & Young’s business strategy. Our four pillars include community engagement, education, entrepreneurship, environmental sustainability.

It’s our role in creating a sustainable context - in other words, a thriving community able to protect its environment, educate its children and become prosperous by fostering innovation and generating new businesses.

In Luxembourg, Ernst & Young provides audit and advisory services to many microfinance and impact investment structures. Our local office has been a founding member of European Impact Investing Luxembourg (EIIL) and is keen to contribute to the development of impact investing as an asset class in Luxembourg and abroad.

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European Impact Investing Luxembourg is an initiative regrouping major actors of the Luxembourg financial place such as ADA-Microfinance, Arendt&Medernach,Banque de Luxembourg, Deloitte, Elvinger, Hoss & Prussen, Ernst&Young,European Fund Administration, European Investment Fund, Innpact, KPMG,Luxembourg Microfinance & Development Fund and PWC.

European Impact Investing Luxembourg's goal is to:

- Contribute to the development of the impact investing sector
- Facilitate initiatives in this area within Luxembourg
- Promote the Luxembourg's financial centre's capacity to support a coordinate practice of impact finance

First steps taken by this group:

- Organisation of the 6th EVPA Annual Conference in Luxembourg
- Commissioning of a survey on the impact investing market and the challenges faced. This will result in a white paper on initiatives to be taken in Luxembourg to support the growth of this industry
- Series of conferences to enhance awareness of impact investing
- European Impact Investing Luxembourg was started by a group of impact investing enthusiasts who are also sponsoring the EVPA Annual Conference in Luxembourg. In the future, the group plans to welcome stakeholders and parties interested in promoting impact investing in Luxembourg.

www.impactfinancing.lu

Luxembourg Fund Labelling Agency (**LuxFLAG**) :

The Luxembourg Fund Labelling Agency is an independent, not-for-profit association created in Luxembourg in July 2006 by seven founding partners who are the Charter Members. The Agency aims to promote the raising of capital for responsible investing sectors by awarding a recognizable label to eligible investment vehicles. As of January 2013, the agency has awarded 25 Microfinance Labels and 6 Environment Labels to investment funds representing approximately USD 4 billion assets under management.

LuxFLAG asbl

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The Association of the Luxembourg Fund Industry (ALFI), the representative body for the Luxembourg investment fund community, was founded in 1988. Today it represents over a thousand Luxembourg-domiciled investment funds,

asset management companies and a wide variety of service providers including depositary banks, fund administrators, transfer agents, distributors, law firms, consultants, tax advisers, auditors and accountants, specialist IT providers and communications agencies. Luxembourg is the largest fund domicile in Europe and its investment fund industry is a worldwide leader in cross-border fund distribution.

Luxembourg-domiciled investment structures are distributed in more than 50 countries around the globe, with a particular focus on Europe, Asia, Latin America and the Middle East.

ALFI defines its mission as to “Lead industry efforts to make Luxembourg the most attractive international centre”. Its main objectives are to:

- Help members capitalise on industry trends
- Shape regulation
- Foster dedication to professional standards, integrity and quality
- Promote the Luxembourg investment fund industry

For more information, visit our website at www.alfi.lu

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Partners in Brussels

Febelfin, i.e. the Belgian Financial Sector Federation, wants to take up the challenge of playing an important role as a go-between for its members on the one hand and several parties at the national and European level on the other hand, such as policy-makers, supervisory authorities, trade associations and pressure groups.

Febelfin closely follows trends and developments and helps its members in taking up the right position. The Federation provides its members with information and guidance in fields such as product technology, law, taxation, prudential supervision and social law.

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KBC is an integrated bancassurance group, catering mainly for retail customers, small and medium-sized enterprises and private banking clientele. It occupies leading positions on its home markets of Belgium andCentral and Eastern Europe, where it specialises in retail bancassurance and asset management activities, as well as in the provision of services to businesses. The group is also active in a selection of other countries in Europe in private banking and services to businesses. Elsewhere around the globe, the group has established a presence in selected countries and regions.

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Cera is not a bank anymore. Cera is a co-operative with around half a million members. We invest in community projects at regional, national and international level that reflect the values of our co-operative, viz. collaboration, solidarity and respect for the individual. The targeted areas of investment are: poverty and social exclusion, Cera Competence Centre for Businesses, Art and culture, Agriculture, horticulture and the countryside, Medical and social, local education initiatives and Solidarity-based banking and insurance in developing countries through BRS.

Cera has a shareholding of over 30% in KBC Group.

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Assuralia is the industry association of insurance and reinsurance companies operating on the Belgian market. It was established in 1920 and its membership represents nearly all direct business on the domestic market. It includes co-operative, mutual and joint-stock companies of both local and foreign origin. Some of its members focus on specific lines of business (like workmen's compensation insurance) while others offer a diversified range of general and life insurance (insurance companies are the most important providers of occupational retirement schemes in Belgium). Its purpose is to represent the interests of its members at national and international level and to promote insurance as a solution for societal needs as well as for those of businesses and retail consumers. Along with vocational training, joint studies and lobbying, Assuralia is in charge of dialogue with all stakeholders, representatives of civil society and public authorities involved in insurance issues. It has no commercial activities, but has been instrumental in developing common service platforms meeting its members' needs.

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Working together on microfinance and microinsurance

BRS supports microfinance and microinsurance projects in the South to help sustainably improve the quality of life of the poorer population in the South. Not merely with cash, but more specifically with advice and in a dialogue with the stakeholders.

Last year, BRS supported 14 projects in 11 developing countries, with more than 600 000 euros worth of financial aid, 300 days of advice, training days, bank guarantees and a hundred computers. And this was not a one-time success: for 20 years, BRS has been active in developing countries, supporting local initiatives for saving, credit and insurance based on cooperative principles. A conscious choice.

'Micro' what?

Three billion people on this planet still do not have access to financial services. Microfinance and micro-insurance organisations in developing countries offer a solution, by developing services for 'non-creditworthy' and 'uninsurable' people. These are not miniature-sized financial institutions, but rather organisations with a specific business model. Credit activities are often preceded by training. After all, it's impossible to imagine setting up a medical insurance business without investing in health prevention. Other organisations offer bank insurance model *avant la lettre (see insert)*.

BRS: launched with 100 years of experience

The basic conditions in the developing countries in which these organisations are set up are, on the whole, similar to the situation during the early years of what used to be the cooperative CERA Bank, in the late 19th century. In 1992, on the occasion of the bank's 100th anniversary, Belgische Raiffeisenstichting (or BRS) was formed. A hundred years of experience with cooperative banking and – later – insurance would be made available to microfinance institutions (MFIs) and microinsurance institutions working according to principles of solidarity.

Unique position: offering both finance and advice

BRS's experience of organising savings and credit groups and setting up cooperative structures is a real help when supervising projects. Its close link with the KBC group allows BRS to tap into a valuable source of banking and insurance know-how. A group of KBC managers and executives volunteer their expertise and experience to BRS as consultants. They assist BRS in researching new projects and evaluating existing projects. They not only study the files, but also visit the actual projects. While the projects are under development, they assist and advise their fellow bankers in the southern hemisphere at strategic moments.

Training and awareness

With its up-to-date knowledge of banking and insurance combined with its years of experience of cooperative projects, BRS has the perfect know-how in-house to create specific training material and to offer courses on micro-financing, both in the southern and northern hemispheres.
The topics addressed include the cooperative concept, saving, credit, insurance and financial analysis. This makes BRS more than simply a financier of projects, but rather a true partner, that counsels and assists start-up organisations during the growing pains and other problems, with a group of interested and active supporters in Belgium.

Bankassurance: the African way

Through Belgian non-governmental organisation (NGO) Louvain Coopération, BRS is supporting the launch of a health mutual in the West-African country of Benin. Thanks to that mutual, the members only pay a quarter of the price for visits to a doctor and prescription medicines! The medical insurance that covers all other expenses costs three euros per year. Since this financial threshold was lowered, the members of the mutual health insurance go sooner to the doctor when they are ill.

Local microfinance institution CMEC (Caisse Mutuelle d'Epargne et de Crédit) concluded an agreement with the mutuals: clients are only eligible for a line of credit of 45 euros or more if they place one third of the sum in a savings account and if they take out the medical insurance. In this way, CMEC encourages everyone to join the mutual. Such agreements are also very interesting for savings and credit cooperatives. The medical insurance means that borrowers are less likely to encounter unforeseen payment difficulties, as their costs in the event of illness are limited. This results in a much greater likelihood that the credit will be repaid to CMEC.

(See the movie 'A day in Honhoué (Benin)' on www.brs.coop)

Leverage
BRS also calls on the expertise of Belgian NGOs in the selection and monitoring of microfinance and microinsurance projects. Organisations such as Trias, SOS Faim and Louvain Coopération have their own staff on the field to take care of the daily supervision of the projects. Moreover, thanks to this cooperation, BRS can avail itself of a great deal of financial leverage. The Belgian and European authorities contribute several times the amounts contributed by BRS. Half a million euros of aid becomes over two million euros by the time it reaches the ultimate beneficiaries: a fantastic return!

Guarantee fund
BRS believes it important that microfinance institutions have connections with established local financial institutions, and vice versa. BRS's guarantee fund helps to realise this objective: it covers lines of credit extended to microfinance institutions by local banks or financial institutions. This cover is subject to the condition, however, that those local banks also bear part of the risk. Experience shows that this is not an easy condition, but that it is possible. In Ethiopia, after almost 18 months of negotiations, BRS succeeded in reaching an agreement with Awash Bank to bear 45% of the risk for a line of credit granted to the MFI Wasasa. Thanks to a 90 000 euro guarantee, Wasasa has a line of credit in the amount of 200 000 euros, which it uses to meet the credit demands of over 2 000 clients.

Prosperity and wellbeing
BRS is convinced that savings and credit facilities should not be goals in and of themselves, but instead should serve as a tool not only for increasing prosperity but also for focusing on people's wellbeing. That focus on development as human beings, which is now part of programmes such as Grameenbank, has always been an important factor for cooperatives. The savings and credit activities must, however, be founded in healthy business principles, and the sector must be aware that it cannot solve all forms of money shortages with credit. Credit approvals have to be based on prudent credit applications, not just on formal or informal guarantees.

Long-term commitment
Sadly, the financial resources that are set aside for microfinance by various development programmes and investors also mean that young, promising organisations are forced to grow too quickly. Structures such as cooperatives, which involve their members in their policy decisions, threaten to fall behind because of their decision-making and control processes.
In addition, the influence on the policies of external financiers is often greater than that of the organisation's own members. Under those conditions, such organisations are given little opportunity to develop their own dynamics. That is why BRS consciously opts for direct cooperation and a longer-term commitment.

History as a source of inspiration
A lot of water has passed under the bridge, but F.W. Raiffeisen's principles still apply to this day. BRS does not look back for the sake of nostalgia, but considers history to be a source of inspiration in the support it provides.
BRS still uses its knowledge and insight in offering the necessary support to start-up savings, credit and insurance institutions in the southern hemisphere. In this way, the past gives these organisations a future to believe in.

* *

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ADA en bref

Inclusive Finance. Increasing Autonomy. Improving Lives.

L'approche ADA

Depuis plus de dix-huit ans, l'Organisation non gouvernementale (ONG) ADA joue un rôle de premier plan dans le secteur de la finance inclusive au Luxembourg et au-delà des frontières.

ADA est un partenaire de choix pour l'appui au développement autonome des populations exclues des services financiers traditionnels.

Les services d'ADA pour le renforcement des capacités des IMF profitent à près de 150 institutions de microfinance. Toutes ces actions visent un seul et même but : lutter contre la pauvreté.

Notre mandat avec la Coopération luxembourgeoise

Le renouvellement du mandat de la Coopération au développement du Luxembourg pour la période 2012-2016 constitue une étape importante ouvrant de nouvelles perspectives. Outre les trois thématiques historiques de l'association que sont l'innovation de services financiers inclusifs, le renforcement des capacités et l'investissement en finance inclusive, ADA entend renforcer son rôle en matière de recherche et développement d'une part ; et en matière de gestion des connaissances d'autre part.

Historique : une ong pionnière

Créée en 1994, ADA compte parmi les ONG pionnières de la microfinance au Luxembourg. Les fondateurs d'ADA étaient des particuliers qui souhaitaient mettre leur expertise financière au service de la lutte contre la pauvreté. Soucieux de respecter l'autonomie des populations, ils privilégièrent l'appui aux institutions de microfinance dans les pays en développement plutôt que l'assistance.

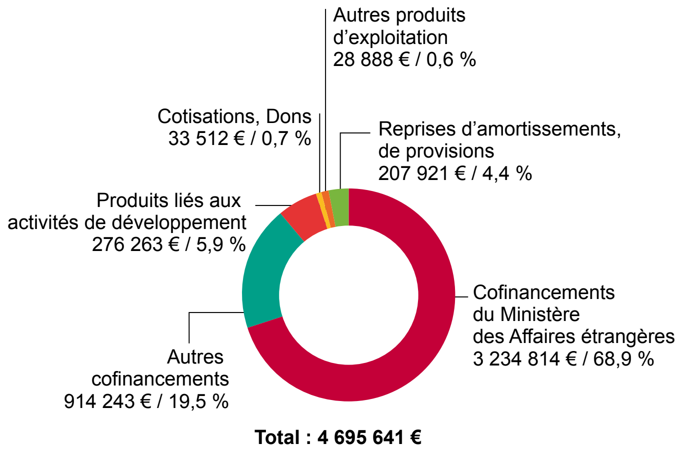
Sous le haut patronage de son Altesse Royale la Grande-Duchesse

ADA bénéficie depuis 2007 du Haut Patronage de S.A.R. la Grande-Duchesse Maria Teresa de Luxembourg. La Grande-Duchesse s'engage activement dans la lutte contre la pauvreté extrême, notamment par la promotion d'initiatives dans les domaines du social business et de la microfinance.

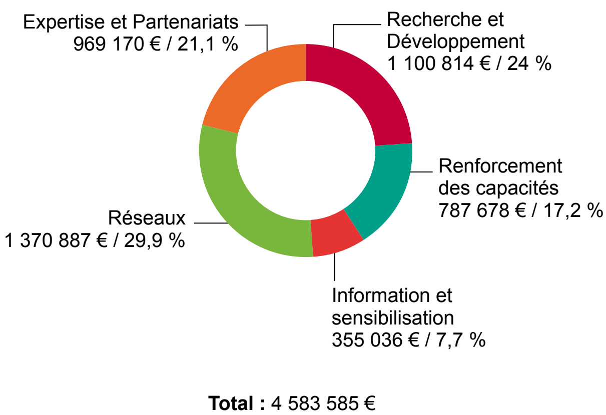
Comment soutenir ADA ?

Le rapport d'activités, les comptes annuels et la charte de gouvernance d'ADA sont disponibles sur notre site Internet : www.microfinance.lu

Pour toute information, envoyez un courriel à : adainfo@microfinance.lu



▲ **Produits d'exploitation 2011**



▲ **Affectation des ressources par programme en 2011**

Composition des organes institutionnels au 30 juin 2012

Conseil d'administration

Président : Robert Wagener

Vice-Présidents : Dieter Hartwich, Max Meyer, Philippe-Fitzpatrick Onimus

Secrétaire : Corinne Molitor

Administrateurs : Mark Cunningham, Karin Faber, Elmar Follmann, Rémy Jacob, Michel Maquil, Henri Marx, Jacques Prost et Bram Schim van der Loeff

Conseillers auprès du Conseil d'administration

Patrick Losch, Bruno Obegi

Comité exécutif

Directeur Exécutif : Axel de Ville

Directeur Stratégique : Luc Vandeweerd

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