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Oxfam turns investor with Mongolian loan

By Sophia Grene

British anti-poverty charity Oxfam has made its first venture into corporate finance with a £1m loan to a Mongolian machinery and equipment leasing company.

The loan is being made by the Small Enterprise Impact Investing Fund – a joint initiative between Oxfam, the City of London Corporation and Symbiotics, a Swiss microfinance specialist. The fund aims to support social projects and provide financial returns for its investors.

The idea of charities engaging with the commercial sector is gaining ground. The development of microfinance was an important driver, with the Grameen Bank in Bangladesh raising most of its original funding from donor agencies.

Charities such as WorldVision have followed suit, raising and using money for microfinance investments, but Oxfam said it was the first UK charity to establish and advise a fund aimed at impact investing on this scale.

Oxfam said that lending to Xac Leasing, part of Mongolia's Tenger Financial Group, fits the fund's mandate of investing in financial intermediaries supporting small and medium-sized enterprises in Africa and Asia. Based in Ulan Bator, Xac Leasing lends to some 260 SMEs, and in line with SEIIF's requirements, it includes social and environmental considerations into its lease appraisal process.

"In particular, SEIIF has been designed to meet the needs of the 'missing middle'," said Barbara Stocking, chief executive of Oxfam. "These are the countless small businesses in developing countries which have the potential to thrive but are completely stifled by limited access to credit."

The fund is also intended to have a symbolic role for the rest of the asset management industry, she added.

"We are determined to prove to the investment industry that its scale and influence means it could play a significant role in eradicating poverty," said Ms Stocking. "Our aim is to make

impact investing a mainstream investment product which the sector recognises as a serious tool for both financial return and social impact."

Impact investing has grown significantly since the term was first coined in 2007 by the Rockefeller Foundation, with estimates of its size globally now ranging from $7bn to $24bn, depending on whether invested or committed capital is counted.

It is particularly popular among wealthy individuals who wish to make a difference with their wealth rather than simply targeting the highest possible financial return.

Opinion varies as to whether impact investing necessarily involves forgoing some financial return. In the case of SEIIF, the aim is to focus on capital preservation while targeting a 5 per cent return.

"This fund is an innovative model which enables private sector investors to make a measurable social impact at a comparatively low risk to their financial returns," said Mark Boleat, policy chairman of the City of London Corporation. "The City of London is committed to driving forward an approach to investment which puts the concept of 'service' back at the heart of financial services – and SEIIF is a key part of this strategy."

SEIIF aims to raise $100m in its first three years, which will be invested in both debt and equity. The investments will be targeted at financial intermediaries supporting small businesses with a strong focus on food production and sustainability, as well as engaging women in the economic cycle in the world's poorest regions.

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