

ALLEN & OVERY



Social Finance and Impact Investment Group

2017

Our Social Finance and Impact Investment practice

At Allen & Overy, we believe that we influence the wider communities in which we live and work and must ensure that our influence is a positive one. Our Social Finance and Impact Investment Group encompasses more than 300 lawyers located in over 30 offices across the Americas, Europe, Asia Pacific, Middle East and Africa, and includes many of the leading practitioners in our key practice groups including banking, capital markets, corporate and dispute resolution.

We have been at the forefront of the growth of the social and impact investment sector, providing advice on the establishment of social investment funds and other related products.

We were involved in the establishment of the first social impact bond (**SIB**), where we advised Social Finance Limited in 2010. This involved the creation of a unique investment product, structured as a fund, that directed private-sector money to fund public sector projects.

The first SIB was used to provide funding for prisoner rehabilitation programmes, creating a financial return to the investors that was linked to the levels of recidivism in the prisoner group. Allen & Overy provided over 1,500 hours of legal advice on a pro bono basis to help with the structuring and implementation of the SIB. Since 2010 there have been over 60 subsequent SIBs in over 15 countries, all raising funding to address social problems, and this has been an important product for the wider growth of the sector.

The team has a long track record of supporting the microfinance sector, assisting on transactions that help people who often lack access to formal banking and credit services. Our clients here include microfinance institutions (**MFIs**), banks, private investors and other institutional investors.

300

Number of lawyers involved in social finance and investment issues

GBP1.2m

Value of our pro bono legal advice on social finance and social investment matters in the last three years

37,000 hours

Pro bono legal advice in FY17

Our multi-disciplinary team

The depth and breadth of our global team means we are uniquely placed to advise on any aspect of impact investment and microfinance deals. In particular, we are capable of providing innovative solutions in the following areas:

Banking

Our banking practice has applied its cross-border finance expertise to assist a range of clients including governmental agencies, charities, social enterprises, MFIs and non-governmental organisations in local regulatory matters. We have advised on a range of matters including an investment fund for sustainable social investment in the UK and fundraising transactions for the purpose of on-lending to micro-entrepreneurs around the globe.

Capital Markets & Structured Finance

In addition to being a market leader in advising on establishing and structuring SIBs, we have led the way in opening the capital markets to social impact investments. By enabling the microfinance sector to tap into the international capital markets on a brand new scale, and by advancing a new asset class for investors, these deals offer a way out of the poverty trap for thousands of people by helping them to help themselves.

Corporate

Corporate needs of charities, social enterprises and NGOs are multi-dimensional. We have extensive experience assisting these organisations on all aspects of corporate matters, from risk management to structuring equity investments and SIBs.

Derivatives

We have a world leading derivatives practice uniquely placed to develop innovative solutions to bridge the gap between currencies in which funding is raised and local currencies of MFIs.

Employment & Incentives

We have provided training and employment advice to social enterprises in relation to hiring policies in various jurisdictions and have represented MFIs in employment-related matters. We have also advised on incentive arrangements for employees, for example, in relation to the structure of employee stock ownership plans for the employees of a joint stock company.

Tax

Our global tax practice has advised on tax structuring for social investment and microfinance funds in order to allow for an efficient flow of funds (for example regarding the mitigation of withholding taxes) and has also been involved in industry discussions regarding the tax status of microfinance activities in some jurisdictions.

Examples of our experience

ACCION

We advised the ACCION Gateway Fund on the incorporation of its MFI, ACCION Microcredit Company in Inner Mongolia, China, as a Wholly Foreign-Owned Enterprise. *(China)*

ARCUBUS

We advised Arcubus in relation to a bond used to fund microfinance initiatives in remote areas in Africa. *(Mozambique, Tanzania and Kenya)*

BIG SOCIETY CAPITAL

We advised Big Society Capital on its GBP600m investment fund for sustainable social investment in the UK.

The fund was set up by the UK government in partnership with four leading UK high street banks.

The aim is to play a key role in growing a sustainable social investment market in the UK by investing in social investment finance intermediaries, developing their capacity to provide social sector organisations with access to new, appropriate and affordable sources of finance to increase their social impact.

BLUEORCHARD FINANCE

We advised BlueOrchard in relation to two microfinance funds, aimed at the empowerment of women in south-east Asia and a regional education fund in Africa. *(Luxembourg)*

BLUEORCHARD

We advised BlueOrchard in relation to a series of bonds which facilitate the funding of microfinance institutions to achieve its aim of bridging the gap between microfinance and the capital markets. *(Switzerland)*

BOLD (2006-1 AND 2007-1)

We advised Bold in relation to securitisations to provide finance to MFIs in the following countries: Albania, Azerbaijan, Bolivia, Bosnia and Herzegovina, Cambodia, Colombia, Ecuador, Georgia, Kenya, Mexico, Mongolia, Montenegro, Nicaragua, Peru, Russia and Serbia. BOLD 2007-1 was the first rated securitisation of loans to microfinance institutions and received numerous awards.

BRAC

We advised Brac in conducting a survey of 16 jurisdictions in Canada, the Middle East, Europe and Japan, to assist BRAC with their fundraising strategy in these jurisdictions. *(Canada, Europe, Japan and the UAE)*

CHARITY BANK LIMITED

We advised Charity Bank Limited on the structuring and execution of a debt funded finance vehicle which is intended to provide finance to UK based Community Development Financial Institutions (CDFIs). The proceeds of the repayment of these loans will be used to service the debt funding raised by the finance vehicle.

CHF INTERNATIONAL

We advised CHF International on the review of proposed memorandum of association and articles of association of a new holding company. CHF International is a US-based non-governmental organisation that owns 100% of the shares of the Middle East Microcredit Company, LLC, (MEMCC) a non-profit company registered in Jordan. MEMCC makes loans to low and moderate income families in Jordan. *(Jordan)*

CHF INTERNATIONAL

We assisted CHF International with the review of organisational documents for a microfinance company in Bosnia, in which CHF would be a minority investor with the Lider Microcredit Foundation, a MFI founded by CHF. We prepared the legal review to ensure CHF's position as a minority investor is adequately protected. *(Bosnia and Herzegovina)*

CHILDREN IN CARE

We are providing pro bono corporate assistance to Social Finance in relation to an SIB aimed at reducing the number of days in care for vulnerable young people.

THE CO-OPERATIVE GROUP

We played a key role in advising The Co-operative Group pro bono on its international initiative, jointly with the International Co-operative Alliance, to provide co-operatives in developing countries with access to low-cost loans for capital and infrastructure projects. The Global Development Co-operative (GDC) is a not-for-profit entity designed to attract funding from co-operatives and other bodies from around the world on a non-profit basis. The project involved input from a number of A&O offices and was announced at the launch of the United Nations' 'International Year of Co-operatives' in New York.

FMO

We advised FMO, the Dutch development agency, on a USD5.7m equivalent local currency facility to FIE Gran Poder S.A., an Argentine micro-lending institution and an affiliate of Centro de Fomento a Inicativas Económicas of Bolivia. *(Argentina)*

HOMELESS INTERNATIONAL

We assisted Homeless International with the development of its infrastructure for its latest facility, the Homeless International Africa Bond – a finance facility for housing and related infrastructure loans. Allen & Overy is preparing the loan documents for the pilot project between Homeless International and a local partner in Africa. *(South Africa, Tanzania and Malawi)*

LAW CENTRES

We are assisting a network of free legal advice centres with an explanation of the type of Social Investment products that could help law centres deal with ongoing legal aid cuts.

MERCY CORPS

We advised Mercy Corps on its form of investment in a microfinance institution in Bosnia and Herzegovina and the transformation of the microfinance institution from a foundation into a joint stock company. *(Bosnia and Herzegovina)*

MERCY CORPS

We advised Mercy Corps in establishing a regional bank holding company in Central Asia. *(Central Asia)*

MFX SOLUTIONS

We advised MFX Solutions, an industry-conceived initiative providing specialist currency hedging solutions and training for MFIs worldwide, with the negotiation of its trading documentation governing foreign exchange transactions.

MICROLOAN FOUNDATION

We advised Microloan Foundation on two projects (i) the entry into a shareholders deed to regulate the affairs of its Zambian entity, Microcredit Loan Foundation; and (ii) the constitution of its Malawi trust entity, Microloan Foundation Trust and the incorporation of a separate Microloan Foundation-controlled Malawi shareholding company. *(Zambia and Malawi)*

MUSONI

We advised Musoni on the preparation of a template loan agreement to use between Musoni and the private lenders who have agreed to lend it funds and also providing tax advice on intercompany payments. *(Kenya)*

OXUS DEVELOPMENT NETWORK

We advised OXUS Development Network on the Luxembourg aspects of the restructuring of the OXUS group and its Luxembourg holding company, OXUS Holding SA. As a result of the restructuring, three microfinance institutions (based in Tajikistan, Kyrgystan and Afghanistan) will be held directly by OXUS Holding SA. *(Tajikistan, Kyrgystan and Afghanistan)*

SOCIAL FINANCE LIMITED

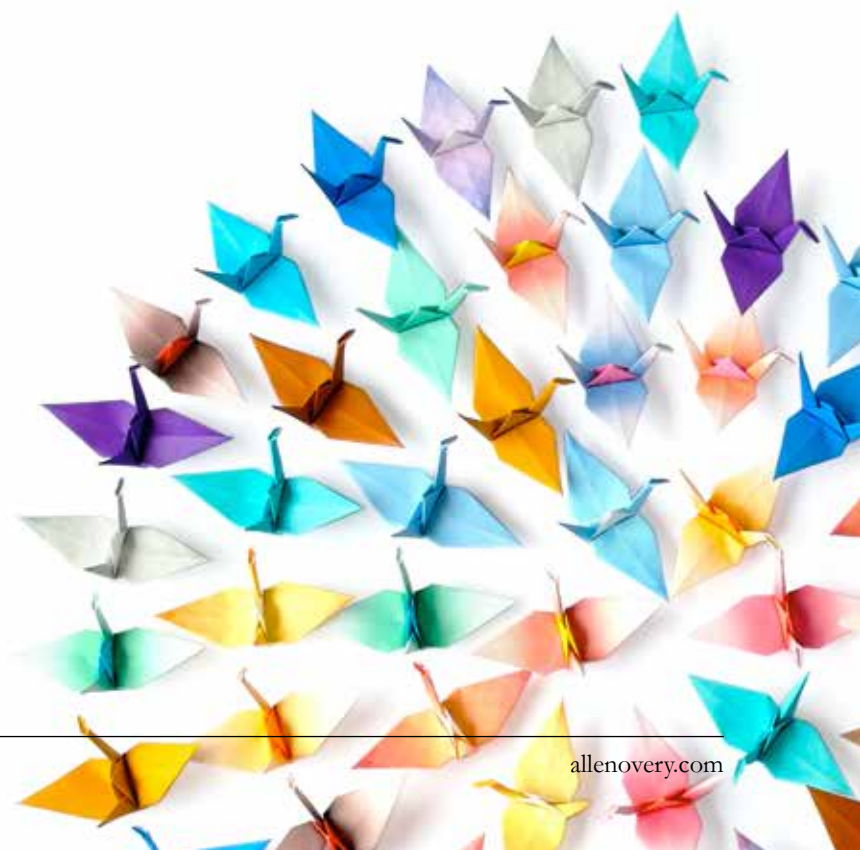
The investment provides funding for prisoner rehabilitation programmes which involved A&O providing over 1,500 hours of legal advice on a pro bono basis. We assisted Social Finance with the creation and negotiation of the social impact bond (SIB), an investment product enthusiastically accepted by investors, the Ministry of Justice and HM Treasury.

SOCIAL VENTURES AUSTRALIA

We advised Social Ventures Australia on an AUD7m social benefit bond issuance for the funding of the Uniting Care Burnside Newpin Program which works with Australian children living in foster care returning them safely to their families.

WIDER PRO BONO CLIENT REQUESTS

A number of the pro bono clients we work with including the Young Foundation, Toynbee Hall, Law Centre networks and some charitable trusts, are interested in the idea of developing SIBs in a variety of areas. We offer them our experience and help them to generate ideas in this respect. We advise them on how to establish a SIB, how they work and who else has done them.



Working with Afrikids – microfinance in Ghana

For two years, Allen & Overy had a global partnership with AfriKids, a child rights organisation that works in a remote area of Northern Ghana. A key aim of our partnership was to help AfriKids scale-up its existing microfinance operations into a formal, registered microfinance institution that will benefit over 10,000 people in Northern Ghana, where poverty rates are over 70%. Microfinance is an important area of AfriKids’ work as it provides women with the means to earn and control their own money, and is therefore one of the most effective ways of breaking the cycle of poverty and dependence for communities.

Crucially, it means families can afford to educate their children and access healthcare. AfriKids’ microfinance work is also a key element of the charity’s aim to create profit-generating enterprises in the region that will eventually provide enough funding to make its charitable work in Ghana entirely self-sufficient and independent of overseas aid. As well as fundraising and helping with the business plan to launch AfriKids’ microfinance institution, we have visited Ghana and provided training to some of the microfinance beneficiaries, most of whom are women, on topics such as how to manage profit and loss accounts, the benefits of using a bank account, time management, and even basic training on Word and Excel.



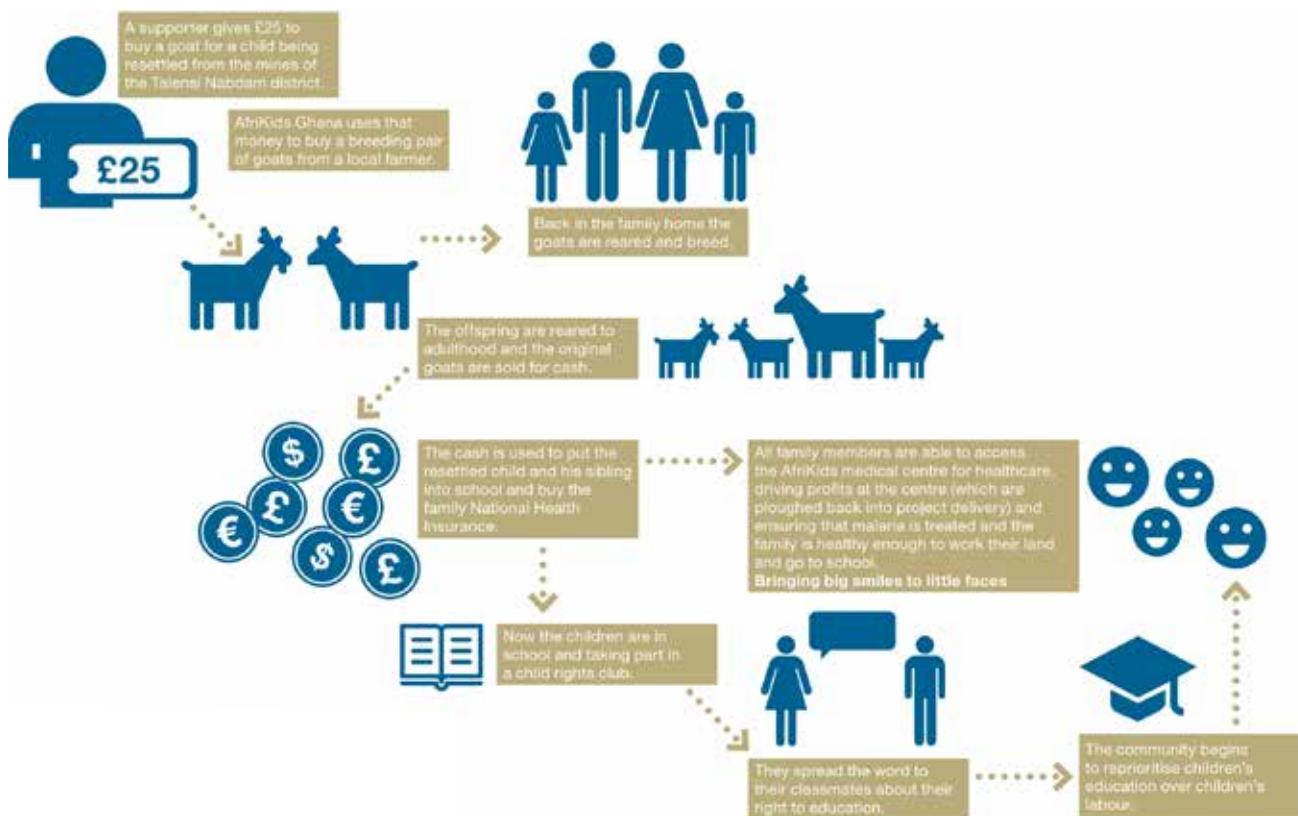
Almost 50 A&O people from 21 offices travelled to Ghana to witness first-hand the work AfriKids does in one of the poorest parts of the world

“It was amazing to see how loans of 200 Ghana cedis (about GBP60) can change a community. For example one loan enabled a woman to buy goods in bulk at a discounted rate, which significantly increased her profit margins. As a result, she can now send her children to school.”

MaameYaa Boakye, Associate

AfriKids business model

Providing individuals – particularly women – with the means to earn and control their own money is one of the most effective ways of breaking the cycle of poverty and dependence. AfriKids has created the business model below – called ‘Not just a goat’ which gives a fantastic insight to how they work.



“The A&O microfinance team has been invaluable in helping us develop a business plan for a self-sustaining microfinance institution under AfriKids Ghana. Their expertise, research skills, extensive network and legal support have allowed us to develop our knowledge of best practice in microfinance in a way that would have been very costly or time-consuming for us to do ourselves. This project will have a huge impact on our ability to deliver microfinance and sustain ourselves as we approach our 2018 sustainability goal.”

Georgie Fienberg, International Director, AfriKids.

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