About BlueOrchard Finance Ltd

BlueOrchard is a leading global impact investment manager and member of the Schroders Group. As a pioneering impact investor, the firm is dedicated to generating lasting positive impact for communities and the environment, while aiming at providing attractive returns to investors. BlueOrchard was founded in 2001, by initiative of the UN, as the first commercial manager of microfinance debt investments worldwide. Today, the firm offers impact investment solutions across asset classes, connecting millions of entrepreneurs in emerging and frontier markets with investors with the aim to make impact investment solutions accessible to all and to advance the conscious use of capital. Being a professional investment manager and expert in innovative blended finance mandates, BlueOrchard has a sophisticated international investor base and is a trusted partner of leading global development finance institutions. To date, BlueOrchard has invested over USD 10 billion across more than 105 countries. Over 255 million poor and vulnerable people in emerging and frontier markets received access to financial and related services with the support of BlueOrchard as of June/November 2022. For additional information, please visit: www.blueorchard.com.
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The BlueOrchard Impact Summit

Since BlueOrchard’s inception, over 20 years ago, it has been our vision and mission to reduce poverty and inequality globally. We firmly believe that the private sector has both the responsibility and the strength to make a considerable positive impact in this world. We are convinced that the best way to tackle the global challenges of our time is through enhanced cooperation among the various stakeholders.

We therefore initiated the BlueOrchard Impact Summit in 2018, a platform where global leaders, key decision-makers from the private and public sectors, entrepreneurs, academics, and the younger generation can come together to find ways to unlock the resources needed to make sustainable prosperity a reality for all.

The high participation of prominent leaders also at this year’s summit has remarkably demonstrated that there is a collective willingness to contribute to addressing the great challenges of our time, and that good intentions, partnerships, and friendships can help make this world a better place.

This white paper summarises key discussions during the 2022/23 summit and has the ambition to serve as food for thought for all of us.

A big thank you to all contributors and participants for your valuable support, and everlasting commitment.

Peter Harrison, Group CEO Schroders

You have a room full of really engaged people who are experts in their subjects coming together trying to solve the most pressing global problems.
The BlueOrchard Impact Summit 2022/23 was held under the guiding theme “There is no planet B”. The conference is by invitation only and facilitates a dialogue between close to 150 participants representing more than 60 organisations. Participants include representatives from the public and private sectors, international organisations, start-ups, academia, and the media. The audience is invited to participate in the discussions and share their opinions and expectations via a digital survey tool. In addition, participants are able to interact with start-ups from the Swiss Federal Institute of Technology Lausanne (EPFL) who present their innovative projects.

Speakers 2022/23 summit

Momina Aijazuddin  
Senior Industry Manager, Financial Institutions Group, MCT International Finance Corporation

David Allemann  
Co-Founder and Executive Co-Chairman On AG

René Benko  
Investor and Founder SIGNA Group

Catherine Cax  
Acting Chief Executive Officer and Director of Investments Soros Economic Development Fund

Enzo Enea  
Chief Executive Officer Enea GmbH

Peter Harrison  
Group Chief Executive Schroders

Felix Keller  
Lecturer ETH Department of Environmental Systems Science

Selina Leem  
Youth Climate Activist and Spoken Word Performer

Tadashi Maeda  
Chairman of the Board of Directors, Japan Bank for International Cooperation Special Adviser to the Cabinet The Government of Japan

Dominik Schuler  
Co-Founder and Owner Mister Loo

Tomas Sedlacek  
Author and Economist

Gelong Thubten  
Buddhist Monk, Meditation Teacher and Author

Georg Wunderlin  
Global Head of Private Assets Schroders
“Too little, too late” is never an option

by Peter Fanconi, Chairman BlueOrchard

The greatest threat to humanity is neither overpopulation nor climate change, nor the flare-up of warfare. It is growing inequality in all its facets: income, wealth, access to education and health, life expectancy, intergenerational inequality, vulnerability to climate change, to pandemics, to unexpected shocks, and many others. We are not only reaching the ecological limits of our planet, but also the social limits of peaceful and fruitful coexistence.

To name some figures: The infant mortality rate in Iceland is 0.21%. In Somalia, it is 12.7%. The average life expectancy in Japan is 84.1 years, in Sierra Leone only 52 years. In Australia, a person attends educational institutions for an average of 22.9 years. In South Sudan, it is only 4.9 years. (1) In 2021, the richest 0.001% (51,700 adults) owned 6.4% of the world’s wealth. The poorest half of the population (2.6 billion adults) owned only 2% of it. (2) The list is endless, and the gaps are still widening.

Looking at population growth, the threat of global overpopulation is no longer that eminent, as the latest data show. Rather, after reaching a peak around 2090, the global world population will begin to gradually decline again. (3) The focus should therefore not be on the absolute growth of the world’s population, but on regional impacts. By 2050, Sub-Saharan Africa will be home to nearly two billion people, about half of whom will be under the age of 25. (4) If they all consumed the way people in Europe or North America do today, we would need several planets to survive.

The world’s population is growing in regions already affected by famine, water shortages, and poverty. Population growth in such regions brings with it a whole range of demographic stressors that can exacerbate existing conflicts and trigger new ones. This vividly shows that the real challenge is the increase in inequality.
Inequality will be the main cause of societal breakdown and climate collapse. Wealth in unequal societies and countries must be increased to avoid social tensions. Unless truly extraordinary measures are taken to redistribute wealth, the situation will worsen considerably. To this end, the Club of Rome,(5) in its latest study published for COP27, imposes the following claims:

- **Overcoming poverty** by reforming the international financial system
- **Empowering women** to achieve full gender equality by 2050
- **Transforming the food system** to ensure healthy diets for people and the planet
- **Shifting to clean energy** to achieve net zero emissions by 2050

To successfully implement these actions, we need greater awareness of these challenges and interconnections. And we need global and local partnerships that address these issues with a multidimensional approach.

The BlueOrchard Impact Summit aims to contribute to this by bringing together decision makers and providing a platform for discussion and exchange that will lead to concrete action.

We need to find solutions for planet A. “Too little, too late” is never an option.
Anyone who has spent time in growth markets is familiar with this picture: on the one hand, pulsating metropolises, young, fast-growing populations, and economic growth. And on the other side, an infrastructure that cannot yet satisfy the resulting demand: lack or irregular supply of electricity, broadband connectivity, clean and running water, paved roads, or functioning sanitation.

However, a functioning infrastructure is an important prerequisite for sustainable development and economic growth. In growth markets, we now have a unique opportunity to make critical infrastructure sustainable from the start.

“Sustainable infrastructure” encompasses most infrastructure, from electromobility and connectivity to renewable energy and data networks. It is designed, developed, built, operated, and decommissioned in a way that is sustainable throughout the lifecycle of the asset, considering economic, financial, social, and environmental impacts. Sustainable infrastructure is also increasingly economically rewarding.

If we look at renewable energy generation, for example, we see that the global market has grown strongly in recent years. Compared to conventional power generation, renewables have further strengthened their competitiveness. In almost all countries across the globe, renewable energies are among the economically most favourable types of power generation. Investment conditions for renewables are excellent in many countries, as achieving climate goals and energy independence has become a much higher priority. Further decreasing prices for proven technologies will continue to significantly increase the competitiveness and potential, contributing to a continued dynamic market development.

“Everybody knows what we should do, but we are not motivated enough.”
Felix Keller, Lecturer ETH Department of Environmental Systems Science

A once in a generation opportunity

by Philipp Mueller, CEO BlueOrchard
In addition to the increasing demand and economic arguments, a sustainable infrastructure is at the same time also vital for adaptation to climate change and measures to mitigate it. Why is this so important, especially for growth markets?

Climate change is already a reality in growth markets. This has been demonstrated not only by the recent floods in Pakistan at the end of 2022, which affected 33 million people. Emerging markets suffer eight times as much from accelerating extreme weather events as industrialised countries. Emerging economies are also five times more affected than developed countries in terms of direct losses relative to GDP. Unfortunately, these regions are not only exposed to greater risks from climate change, but also have fewer resources and are hence less able to adapt.

Yet, there is still too little investment in climate change mitigation and adaptation in emerging economies.

The discrepancy between necessary and actual investments is particularly striking when looking at the adaptation sector. This is critical because climate change affects the poorest parts of the population the hardest. They have the fewest resources to adapt to and cope with the impacts of climate change: They live and work in climate-sensitive areas, they have little or no reserves or access to insurance, and they lack the means to secure alternative livelihoods.

As a result, vulnerable people are at higher risk of resorting to desperate coping strategies, such as taking their children out of school, reducing food consumption, or even emigrating. This poses a serious risk to current efforts to alleviate poverty and promote sustainable growth in developing countries.

We all therefore have a responsibility to build resilience, and we must support the most vulnerable. We will take action together and channel funds to adaptation and mitigation strategies in markets which need them most.
Putting people and the just transition at the very centre of what we do.

Catherine Cax, Acting Chief Executive Officer and Director of Investments, Soros Economic Development Fund

The centrality of a just transition

by Maria Teresa Zappia, Chief Impact & Blended Finance Officer, Deputy CEO BlueOrchard

Putting people at the centre – that is the essence, the appeal, and the promise of a just transition. But what does that actually mean, and what does it require of all of us?

For a long time, climate change has been discussed in an elitist manner, and for a long time, we have been unaware of the human rights implications and the negative externalities that mitigation actions have on people.

Climate change affects the fundamental human rights principles of equality and non-discrimination by affecting people disproportionately. Actions to address climate change and transition to net zero also have huge socioeconomic impacts and imply high costs that cannot be borne by the poorer groups in our societies.

Both aspects are particularly unfair because both climate change and the measures to combat it hit hard those communities in our societies that are not only least able to protect themselves, but also have contributed least to the whole predicament.

Ignoring these connections is not only morally wrong, but could also jeopardise all efforts if we fail to achieve broad, global buy-in for climate action.
A just transition therefore aims to ensure that the burdens are shared equitably, that the significant benefits of the transition to a green economy are spread broadly, and that vulnerable groups – whether countries, sectors, or communities – are protected.

These include equitably sharing the costs of transition, facilitating employment opportunities in new sectors, creating new jobs in the green economy, and building resilience to the impacts of climate change to ensure that those most affected by it are able to protect themselves – to name just a few.

Although this year’s COP27 fell short of expectations, it has delivered in terms of just transition with the announcement of creating a specific fund for loss and damage.(11) The fund is a symbol and proof that the issue of a just transition is supported by global decision makers. And that is good news for humanity and for the successful fight against climate change.
Because we don’t quantify the benefits of nature, we overlook them altogether. There’s a well-known saying in management that “what gets measured gets managed”: a cliché, perhaps – but frighteningly accurate in the case of nature.

The world is waking up to the fact that our global economy must become not just net zero, but also nature-positive. Heatwaves and other extreme weather events are reminding us of the fragility of our natural environment. That means knowing what nature is worth. It took us 15–20 years to get the language of carbon – and the disclosures of carbon – to become an intelligible feature of company reports. Today, it is virtually impossible to get good data around nature. But, we haven’t got 15–20 years.

More than half of our global GDP is dependent on the natural world. Protecting and preserving nature can make a powerful contribution to efforts to mitigate climate change.

And there is a social imperative too: Unless natural climate solutions create positive social impacts for local citizens and communities living on the land, they won’t be sustainable. Investors must partner broadly and deeply. Asset managers, in particular, have to fundamentally change the way they operate. The transition to a nature-positive world is imperative, urgent, and we have to make it investible. That’s why, as we look ahead, the financial sector must join the chorus of actors stepping up to take action on nature.

“Putting nature-based solutions, indigenous knowledge, and humanity as a whole at the forefront.

Selina Leem, Youth Climate Activist and Spoken Word Performer
Three priorities for the way forward

Through a combination of keynotes, presentations, and panel discussions, participants shared ideas and engaged in in-depth dialogue. Participants agreed that reducing inequalities requires a multidimensional approach and can only be achieved if interrelated factors are addressed. In particular, the three following areas were highlighted as being of particular importance: innovation, entrepreneurship, and partnerships.

“Restructuring our economy is the very essence of capitalism.”

Tomas Sedlacek, Author and Economist

Major sustainable change can only be achieved through innovation. This was one of the dominant themes running through all panels and discussions.

We are facing immense challenges and transformation processes, whether it is adapting to climate change, moving toward a sustainable economy, or combating inequality, which can only be overcome through innovation and a willingness to think outside the box. Innovations do not only include new insights, ideas, or technologies; equally important is the ability to successfully translate them into new products and services.

Innovations are one of the most important pillars for sustainable development and therefore particularly relevant for growth markets.

We are already seeing how numerous innovations in these markets lead to leapfrogging effects, helping them to jump over traditional development stages and straight into the latest technologies. This is particularly evident in the area of digitalisation, for example. These innovations need to be further promoted, e.g., through a solid infrastructure and appropriate technological standards.
Another major theme of the summit was the power of entrepreneurship, large and small. Impactful entrepreneurs strengthen the economy by creating jobs, introducing innovations, and increasing productivity. But what role do entrepreneurs play in developing an inclusive, sustainable economy and creating solutions to the grand challenges of our time?

These questions were discussed in several panel discussions, and attendees had the opportunity to hear from both major entrepreneurs as well as start-ups from a variety of sectors about how they are implementing impact, sustainability, and a circular economy in their businesses. One such entrepreneur who inspired attendees was Dominik Schuler, co-founder and owner of Mister Loo.

Mister Loo, the “Starbucks of toilets,” strives to digitise the public toilet sector and become the leading service provider in Asia. By harnessing the power of smart data, the firm has been able to offer innovative “pay-as-you-use” toilets in Indonesia, Thailand, and Vietnam, helping to improve health and sanitation in these countries. The firm’s smart toilets are equipped with digitized processes to track performance and ensure operational efficiency. Mister Loo is making a positive contribution to several of the United Nations’ Sustainable Development Goals. Examples like this show how entrepreneurs can make a big, tangible impact with smart, technology-driven solutions.
We need to coordinate all together on this climate change agenda and also on economic growth.

Tadashi Maeda, Chairman of the Board of Directors Japan Bank for International Cooperation

One of the repeated calls during the summit was to act together, engage across sectors, break down silos, and build relationships to leverage the expertise and resources of diverse stakeholders. There was agreement that goals and ambitions cannot be translated into action without collaboration between different stakeholders, be they entrepreneurs, consumers, policymakers, scientists, artists, or other parts of our society.

We need to agree on a common understanding of the challenges and potential solutions in order to take action.

Through cross-sector collaboration we can foster broader visions for change and create synergies that have greater potential to provide solutions to the great challenges we face. Collaboration between the private and public sectors has been consistently highlighted as one of the most important factors. In the area of impact investing in particular, this collaboration has proven to be especially successful, as the various speakers pointed out, whether it is in the empowerment of women or in the creation of jobs. We need more such partnerships and must continue to raise awareness and shape mindsets.
Impressions

Watch the after movie here or click on here.
Endnotes

(1) Data from UN publications, OECD, and Our World in Data, Visual Capitalist, 2019.
(2) World Inequality Report, Chapter 4, 2022.
(3) Statista, 2022; United Nations, July 2022.
(4) United Nations, Department of Economic and Social Affairs, Population Division, 2018.
(5) Earth for All, 2022.
(7) Fraunhofer ISE, 2021.
(11) UNFCCC, 2022.

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