

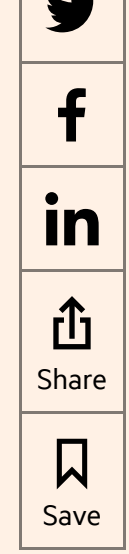


Latest on Argentina



Macri's Argentina wants to muscle in on impact investing

Buenos Aires is laying the foundations for private investment to help solve social problems



Since Mauricio Macri was elected in 2015 strategies such as impact investing are taking root

Benedict Mander OCTOBER 30 2017

It was not so long ago that investing in Argentina was so hazardous that most foreigners simply stayed away. Many locals preferred to stash their money abroad or in safety deposit boxes.

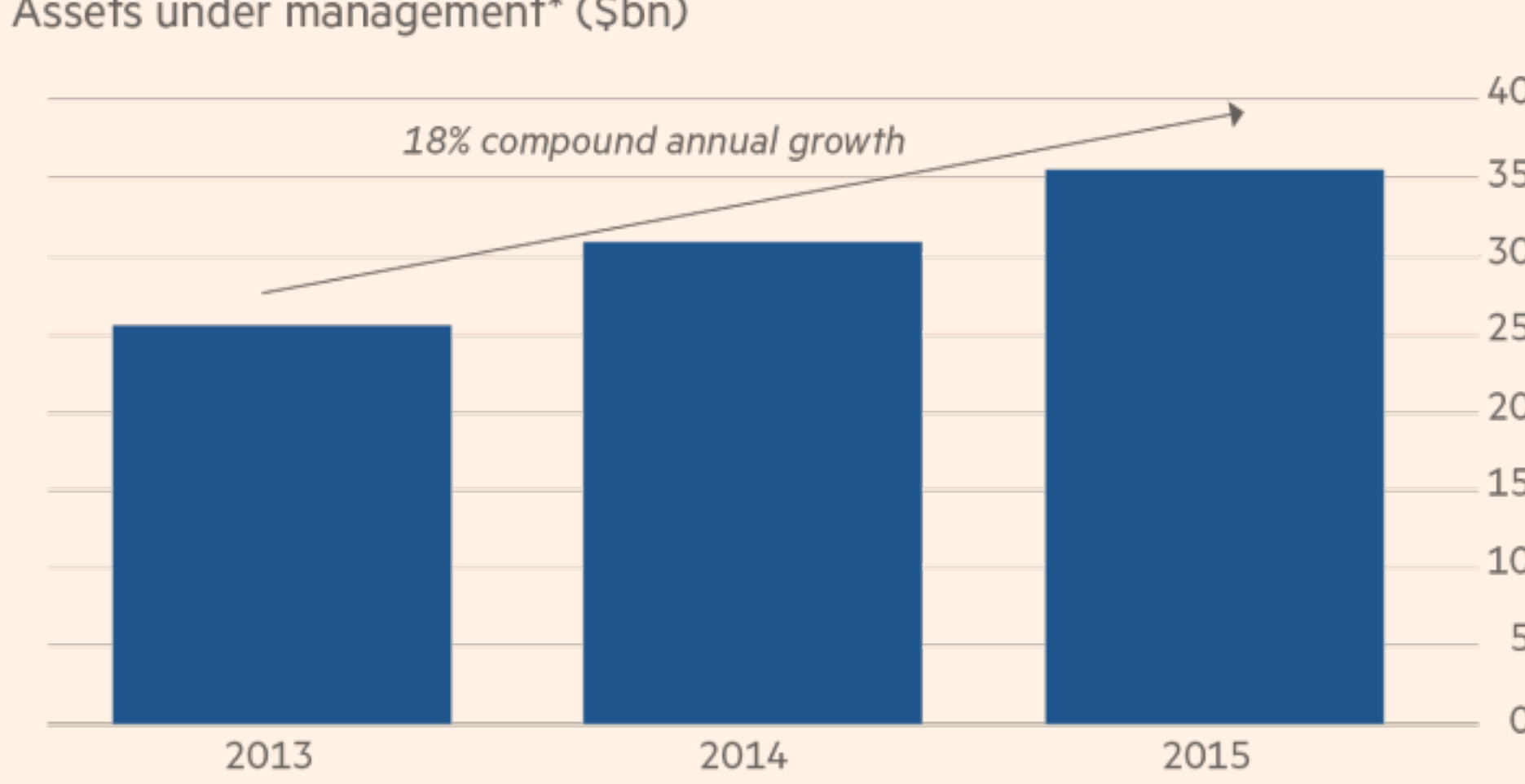
So it is a sign of how much has changed since the [investor-friendly President Mauricio Macri](#) was elected in 2015 that strategies such as impact investing are taking root, despite being virtually impossible only two years ago.

“Many tried, but the conditions were extremely adverse,” says María Laura Tinelli, director and founder of AcruX Partners, which operates in South America advising so-called “impact investors” that seek to generate a social or environmental benefit alongside a financial return.

There are early indications of growth in the nascent sector. As overall market conditions improve with Argentine sovereign risk spreads falling to 10-year lows, steps are being taken to create the conditions for impact [investment](#) that was opposed by the previous government of Cristina Fernández de Kirchner.

Global growth of impact investing

Assets under management* (\$bn)



* Data collected from 62 investors that completed the Global Impact Investing Network's annual impact investor survey in each of the years 2014-16, covering 2013-15
Source: Bloomberg © FT

A new capital markets law is expected to be sent to congress soon while other legislation will provide further incentives such as allowing B Corps, for-profit companies that are certified as pursuing social and environmental goals, or social enterprises, in the country.

“Now there are a lot of people in government that understand finance and business, including key individuals [in impact investment] that have been at it here for years,” says Ms Tinelli.

This has added momentum to the growth of impact investment far more quickly than she expected.

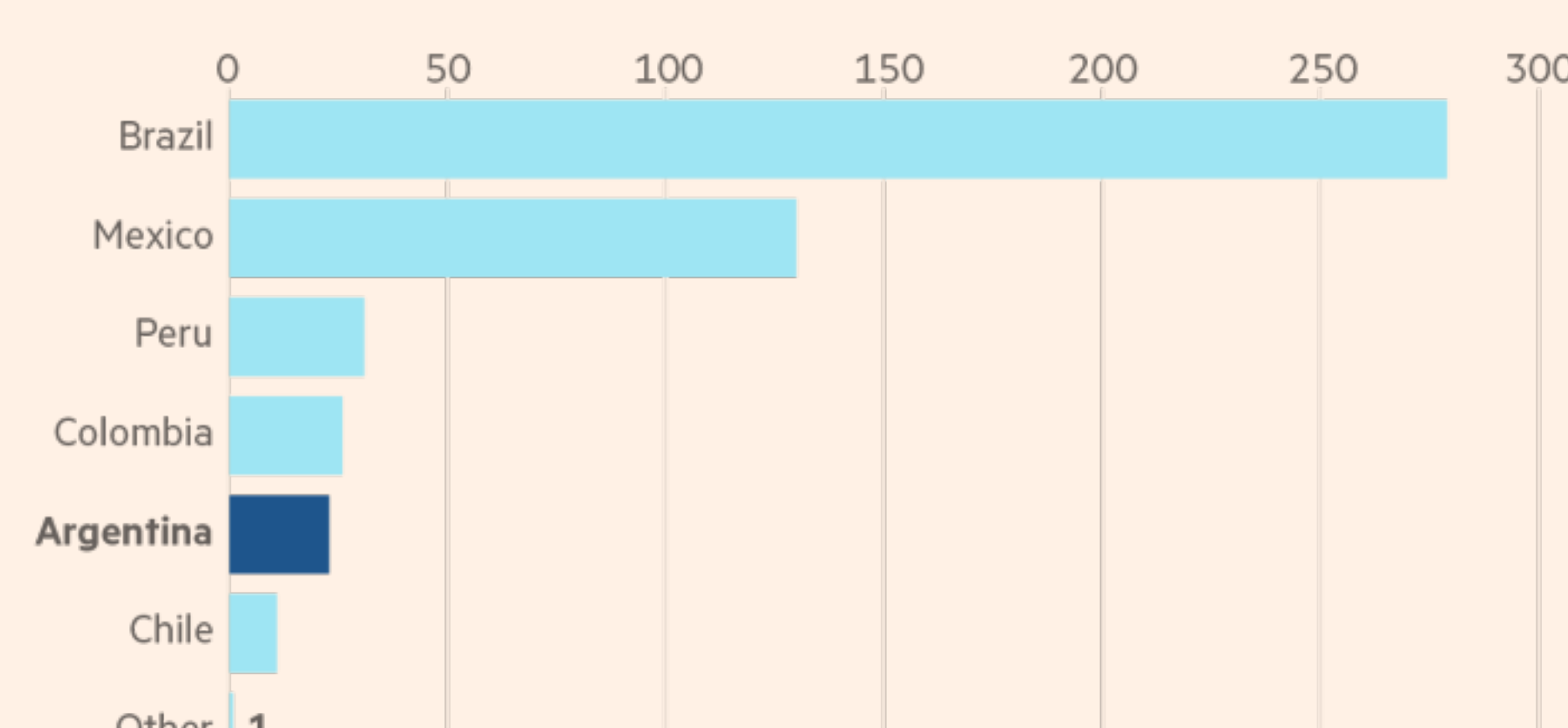
The Inter-American Development Bank's Multilateral Investment Fund will this week sign an agreement to back a \$120m impact investment fund being raised by NXTP Labs, an early-stage venture capital group focused on technology companies in Latin America.

It is one of the first steps in a previously almost non-existent sector that in 2016 accounted for about \$114bn assets under management and projected investments around the world, according to the Global Impact Investing Network.

Latin America has attracted about \$7.2bn of those funds. The bulk of it has gone to Brazil, Mexico and Colombia, as countries with more pro-investment governments have created the necessary regulatory and fiscal conditions for venture capital and private equity markets, without which it is impossible for impact investment to flourish.

Venture capital investments in Latin America

By value, 2016 (\$m)



Source: LAVCA © FT

As well as NXTP Labs, there are two other funds being raised, one of which is being run by Grupo Pegasus, a private equity group founded by Mario Quintana, who left the company to become one of the most powerful members of Mr Macri's cabinet.

The presence of the likes of Mr Quintana in the government contrasts strongly with the previous administration that was ideologically opposed to impact investment.

“It acknowledges that the government's social agenda is so big that it can't cope alone, nor can philanthropy — so you need something else,” said one government insider. “The very idea that private capital can play a role in solving social problems was a big no-no.”

As well as the investment funds backed by the IDB, the government of the city of Buenos Aires is pioneering a social impact bond for \$2m expected to be launched next year. It will be one of just a handful of such bonds being experimented with in the region.

“Argentina is at a unique moment when there is a government that is truly committed,” says Susana Garcia-Robles, head of loans and equity operations at the IDB's Multilateral Investment Fund. “But it still lacks investors in the private sector.”

A dearth of venture capital and private equity groups in Argentina presents challenges, she says, not least because of a convergence in Latin America between venture capital and impact investment, unlike more developed markets where the difference is more clear-cut.

Latin America still has deep problems in basic areas such as health, education, housing and finance that impact investing could help to solve, says Marta Cruz, the founding partner of NXTP Labs.

“Some dreamers feel that we can replicate Silicon Valley or Israel, but every region or country has to find its own model,” says Ms Garcia-Robles. “The real impact investment that we're interested in is in the mainstream — those that believe that you can marry technology and innovation with improving the lives of people,” she adds.

The growth of impact investment in Argentina will take some time, says Sebastián Welisiejko, former executive director for the Global Steering Group for Impact Investment. “But we don't have to reinvent the wheel,” he adds, arguing that Argentina can learn from international experience, and leapfrog where possible.

In any case, Mr Welisiejko, who is Argentine, argues that sooner or later all investments will end up optimising not just risk and return but impact too. “It will be a new order and it's already revolutionising the way we think about capitalism.”

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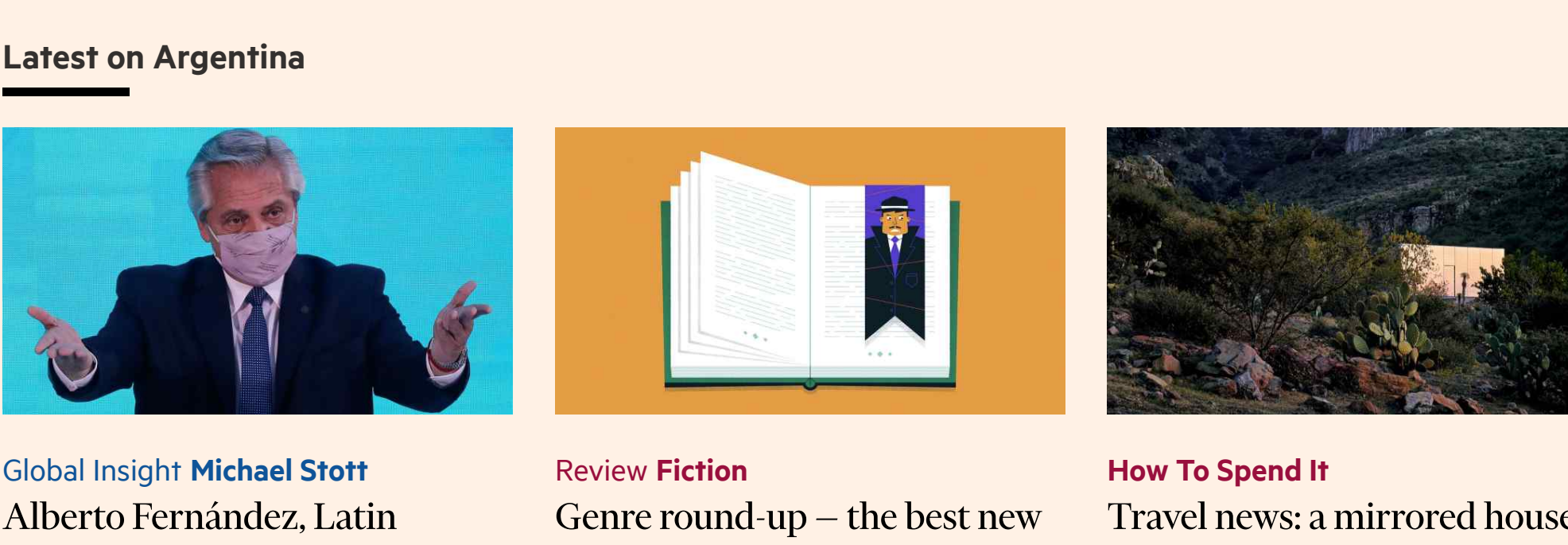
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