



Incofin Impact Newsletter

Dear reader,

COVID-19 is making its way into history books as one of the fastest spreading, global pandemics that humankind has experienced, impacting a vast majority of human lives all around the globe.

The IMF and the World Bank have concluded that COVID-19 is taking a heavy, ongoing toll on global poverty. They estimated that the crisis is pushing between 40 to 60 million people into extreme poverty in 2020 alone. In particular, the lives of people at the bottom of the pyramid worldwide are being disrupted.

Lockdowns led to significant loss of primary income in developing countries, being the informal sector: the economic activities that are not regulated or protected by the state. A large part of the economy has come to a near standstill so rapidly and significantly affecting the micro, small and medium enterprises. That is why Incofin intensified the interaction with investors and investees. We are following up with each investment in our portfolio and providing adequate support to our clients to maintain, and even expand, our impact on the most vulnerable people in emerging countries.

As we have progressively gained intelligence, we and our investees adapted our responses. We will continue to work closely with our partners to protect our investors' interests while ensuring that our investees' positive impact in their communities continue. Standing side by side with our partners, we are finding flexible and creative solutions, giving continuing support and pushing forward well-considered new initiatives to expand our impact in a time when it is most needed.

Happy reading!



Dina Pons, Impact Manager Incofin IM

IMPACT MEANS ... NAVIGATING TOGETHER THROUGH UNCERTAIN TIMES

Together with eight other microfinance and impact fund managers, Incofin IM signed in April a Memorandum of Understanding (MoU) to support the microfinance sector as the effects of COVID-19 are unfolding.

The challenges posed by the Coronavirus crisis call for enhanced cooperation among key players in the financial inclusion sector. This is exactly what the Memorandum aims for: to coordinate efforts to provide ongoing refinancing in a responsible manner, thereby enabling these institutions to adequately respond to temporary changes in business conditions.

Strong alignment among market protagonists is the best possible way to safeguard the

interests of impact investing, and to ultimately protect the social impact and benefits that the sector offers to low income households in small businesses. The Memorandum - although not legally binding - offers a strong framework for coordination of actions to limit the financial risk that financial service providers face due to COVID-19.

Soon after the nine original signatories, five additional signatories followed, including Invest In Visions.

[Download the Memorandum](#)

Original signatories



Additional signatories



IMPACT MEANS ... STANDING SIDE BY SIDE

The period between April and June is the peak of the growing season for farmers in Georgia, which means heydays for a large part of Georgia's population. This year, however, the lockdown threw a wrench in the works. Restrictions on transport and market closures impacted local agriculture. Since the agrosession cannot wait for the end of the lockdown, the continued support from our side was vital to sustain the income of the engaged population and to enable food security going forward. Georgia is rich in agrarian tradition which is an integral part of its history and cultural heritage. In 2019, agriculture contributed to 7.2% of total Gross Domestic Product (GDP), while around 38% of the country's labor force was employed in the sector, most of them being self-employed.

Incofin IM provided USD 10 million funding support to Georgian Credo Bank via Microfinance Enhancement Facility (MEF). The transaction was made as an immediate response to COVID-19 pandemic impact and related liquidity needs. The Incofin IM team managed to mobilize resources in a very short period of time, enabling Credo Bank to stand alongside hundreds of thousand agriculture entrepreneurs, which is vital considering the current peak farming season.

"SINCE ALREADY TWO MONTHS OPERATING UNDER UNPRECEDENTED CHALLENGES INFLICTED BY THE PANDEMIC, I AM PROUD TO SAY THAT CREDO BANK HAS BEEN PROVIDING FINANCE TO AGRICULTURE BORROWERS UNINTERRUPTEDLY THROUGH THE FARMING SEASON. I WOULD LIKE TO THANK MEF AND INCOFIN FOR YEARS OF FRUITFUL PARTNERSHIP, SWIFT AND DECISIVE WORK ON THIS PARTICULAR TRANSACTION DEDICATED TO SUPPORTING MICRO FARMERS IN GEORGIA THROUGH STABLE FUNDING, EVEN IN UNCERTAIN TIMES." - Zaza Pirtskhelava, Chief Executive Officer of Credo Bank.



Credo Bank is the leading microfinance provider in Georgia. It operates through 72 service centers and supports more than 300,000 customers across Georgia. The bank's mission is to provide sustainable financial services to micro, small and medium businesses, with a focus on rural activities and businesses that create income and employment opportunities.

"INCOFIN MADE ITS FIRST LOAN INVESTMENT TO CREDO BANK IN 2008 WHEN CREDO WAS ENTERING ITS FIRST EXPANSION STAGE, HAVING JUST COMPLETED ITS TRANSFORMATION INTO A NON-BANKING FINANCIAL INSTITUTION THE YEAR BEFORE. SINCE THEN, OUR PARTNERSHIP HAS BEEN UNINTERRUPTED AND WE NOTE WITH GREAT SATISFACTION THAT CREDO OPERATES TODAY UNDER A BANK LICENSE WHILE CONTINUING TO SERVE THE SAME MARKET SEGMENT WITH AN EVER INCREASING SOPHISTICATION IN PRODUCTS AND CHANNELS. VIA THIS NEW FINANCING, IT IS OUR DESIRE TO PROPEL FURTHER FINANCIAL INCLUSION IN THE REPUBLIC OF GEORGIA." - Geert Peetermans, Senior Managing Partner and Chief Investment Officer of Incofin IM.

IMPACT MEANS ... STANDING SIDE BY SIDE



Emergency fund for our perseverant agro-producers

Our agro-clients in Africa and South America have seen their operational financing greatly reduced as lenders took cautionary measures and reduced their working capital offerings across many of their portfolios. A lot of farmers have faced difficulties in exports due to reduced personnel, social-distancing requirements, road blockages, labor shortages, etc. Despite these challenges, most of the clients have largely kept their operations running: many even at normal rates, ensuring that people around the world can still purchase among other products coffee, nuts, chocolate, honey, quinoa, avocados and sesame.

To address these material gaps between existing operational financing needs and reduced funding opportunities, Incofin developed a dedicated liquidity facility, an emergency fund.

The liquidity facility provides bridge financing due to disbursement lags, addresses gaps in financing due to working capital line reductions, and generally provides complementary short term financing for what could become significant reductions in operating capital facilities over the next 18 to 24 months. Incofin's emergency fund will enable agricultural producers and processors to continue feeding the world.

IMPACT MEANS ... BEING FLEXIBLE

Huge challenges often force us to think differently. Many of our partners demonstrated that a flexible mindset is key to getting through this crisis unscathed and to safeguard positive impact. Optima, a microfinance institution in El Salvador, is an excellent example that inspired us all with their swift and creative solutions.

On March 10th, the Incofin cvso Investment Committee approved a Technical Assistance (TA) project to support Optima to strengthen its operation risk management. The contracts were signed and the consultant recruitment process was ready to be launched. Then, the COVID-19 crisis hit.

Typically, once a TA project is approved, we follow a standard process - starting with developing the Terms of Reference, evaluating proposals from various consultants, and eventually sending the selected consultant team into the field to work together with the MFI. However, given the atypical circumstances, Incofin, Optima and the consultants needed to adapt quickly to the new reality of travel restrictions and disruptions to the way that MFIs conduct their business. To ensure the MFI receives the technical support it needs to successfully weather the crisis, Incofin and Optima immediately adjusted the Terms of Reference to focus more on business continuity and digital transformation, which Optima sees as the key to success in the post-COVID era. The consultants are not letting travel restrictions prevent them from launching the activities - they are conducting interviews with Optima management via Zoom as part of a “virtual diagnostic” in preparation for their first field visit once travel is possible.

While the original project goal was to create a Business Continuity Plan for some theoretical future crisis, Optima will now, with support from Incofin and expert consultants, refine its Business Continuity Plan in an actual crisis context. The TA project will help them

mitigate short-term operational risks stemming from branch closures and other effects of the crisis, while working towards Optima’s longer-term strategic goal of becoming a regulated financial institution that offers the regions’ entrepreneurs high-quality, reliable services to help them grow their businesses.



“COVID-19 HAS ACCELERATED OUR DIGITAL TRANSFORMATION BUT ALSO HAS EXCELLED OUR IMAGINATION, TEAMWORK AND EFFORT. WE ARE BEYOND THRILLED ABOUT THIS PROJECT AND DURING THIS DIFFICULT TIME, IT HAS GAINED EVEN MORE IMPORTANCE THAN WHEN WE STARTED DREAMING ABOUT THIS COLLABORATION.” - Victoria Figueroa, Project Manager Optima.

ADAPTING TO THE CUSTOMER

Since the crisis hit with wide-ranging impact, Optima showed their resilience by offering new credit products to sectors that had an increase in demand during the pandemic: supermarkets, pharmacies, small local food stores, etc.

When El Salvador went in lockdown , many of Optima’s clients had to keep themselves in quarantine. Optima addressed this challenge with a creative solution: they incorporated motorized delivery services to complete disbursements and to collect, in specific cases signatures, for loan contracts.

IMPACT MEANS ... GOING FORWARD WITH NEW INITIATIVES

Clean water plays a crucial role in the fight against COVID-19

The development and spread of the Coronavirus underlines the fact that water is an essential amenity. One of the key preventive measures implemented across the world to curb the disease is to wash our hands with clean water and soap. Proper sanitation, hygiene and frequent access to clean water is crucial to prevent and contain diseases.



However, many people cannot obtain clean water, and 3 out of 10 people do not have access to safe drinking water. The World Bank estimates that in the African continent alone, around USD 10-15 billion will be needed in order to supply the entire population with safe drinking water and provide basic sanitation service.

Access to clean water is often hindered by poor infrastructure or a lack of financial viability for water utilities to ensure a consistent supply of high-quality water. Piped water is the most common method to transport water to consumers, but where piped networks are unavailable, people rely on wells or community water supply systems. In some cases, people have to travel for miles to reach the nearest water source. This harsh reality, further underlined by COVID-19, emphasizes

the relevance of Incofin's initiative with Danone to invest in safe water enterprises, water technology companies and piped infrastructure businesses.

Ensuring access to clean water for all communities has always been a critical matter of public health and human rights. The current crisis makes action even more urgent, especially for businesses and private sector solution providers.

"WE SEE A VAST AMOUNT OF YOUNG EMERGING WATER COMPANIES IN AFRICA AND ASIA. AMBITIOUS, INNOVATIVE ENTREPRENEURS ARE LEADING THEM, DRIVEN BY THE DESIRE TO MAKE A TANGIBLE IMPACT FOR THE LOCAL POPULATION. BUT THE CAPITAL AND KNOW-HOW NEEDS OF THESE COMPANIES ARE RELATIVELY HIGH. CLIENTS AWARENESS ON THE IMPORTANCE OF SAFE DRINKING WATER IS MEANWHILE LOW. THE WATER SECTOR IS IN A SITUATION COMPARABLE WITH THE FINANCIAL INCLUSION SECTOR INSTITUTIONS TWENTY YEARS AGO. JUST AS WE DID BACK THEN, WE WANT TO PLAY A CATALYST ROLE AND HELP THE PIONEERING WATER SECTOR ACHIEVE A LARGE SCALE IMPACT AND A REASONABLE RETURN THAT WILL ATTRACT OTHER INVESTORS IN THE FUTURE." - Loïc De Cannière, Founder and Managing Partner Incofin IM.

By investing in these companies and offering technical assistance, Danone and Incofin are pioneering an investment approach in the water sector and will build on Danone Communities' experience investing in safe water enterprises since 2007. This will catalyze further growth for the entire water sector.

IMPACT MEANS ... GOING FORWARD WITH NEW INITIATIVES

New deal for rural entrepreneurs in Senegal

Throughout the past decade, Senegal's economy has been one of the strongest performing ones in the region, however, one third of the population still lives below the poverty line. Many Senegalese households, particularly the most vulnerable ones, have now taken a hit from the COVID-19 induced restrictions that were imposed on society.

It is in that context that Incofin, on behalf of its agRIF fund, decided to inaugurate a new impactful partnership with UM-PAMECAS (Union des Mutuelles du Partenariat pour la Mobilisation de l'Épargne et du Crédit du Sénégal).

"THE ENTRY OF INCOFIN INTO THE POOL OF PAMECAS FUNDERS WITH THIS EUR 3 MILLION SENIOR LOAN IS A SIGN OF TRUST IN A CHALLENGING CONTEXT. INCOFIN AND PAMECAS SEALED THEIR COMMON AMBITION TO DELIVER IMPACT TO OUR COMMUNITY MEMBERS BY DEPLOYING MORE FUNDING TO WOMEN, FARMERS AND MICROENTREPRENEURS." - Malick Diop, CEO UM-PAMECAS

UM-PAMECAS is a local financial institution that provides financial services to rural and peri-urban households across almost all Senegalese regions (13 out of 14). It is the second largest microfinance institution in the country and serves more than 700,000 members.

"IN ITS 20 YEARS OF EXISTENCE, PAMECAS, A COOPERATIVE WITH DEEP RURAL ROOTS, HAS

GROWN TO BECOME A MAJOR FINANCIAL INCLUSION PROMOTER WITH NATION-WIDE IMPACT. IN A RAPIDLY CHANGING ENVIRONMENT, INCOFIN IS SUPPORTING PAMECAS IN BRINGING RELEVANT AND QUALITATIVE FINANCIAL SOLUTIONS EVEN TO THE MOST REMOTE SENEGALESE COMMUNITIES." - Myrtho Vlastou, Investment Manager Africa, Incofin IM.



In May 2020 Incofin provided a EUR 3 million senior loan coupled with a "technical assistance" project to strengthen their capacity to continue serving its community.

"INCOFIN CONSOLIDATES ITS COMMITMENT TOWARDS FOSTERING FINANCIAL INCLUSION AND SUPPORTING THE AGRICULTURAL SECTOR IN AFRICA WHICH IS DEEMED CRITICAL IN THESE TROUBLED TIMES. THIS NEW PARTNERSHIP WITH PAMECAS, WHICH ENCOMPASSES FUNDING ALONGSIDE TECHNICAL ASSISTANCE, IS EXPECTED TO SUPPORT RURAL ENTREPRENEURS WITH MICRO-LOANS AMID THE COVID CRISIS." - Noémie Renier, Incofin's Head of Debt for Financial Institutions

ABOUT INCOFIN

Incofin Investment Management manages impact investment funds and is a global leader in rural and agricultural finance, driven by a desire to promote inclusive progress. As such, Incofin IM strives to provide the support entrepreneurs need in order to build sustainable businesses and to improve the lives of the more vulnerable or less privileged people. Incofin IM is an AIFM licensed fund manager and has over EUR 1 billion in assets under management. Incofin IM also provides tailored Technical Assistance which aims to improve capacities of its investees to maximize financial, social and environmental returns for the benefit of the end client. Incofin IM has a team of more than 60 professionals spread over the headquarters in Belgium and local investment teams in Cambodia, Colombia, India and Kenya.

INCOFIN MANAGES THE FOLLOWING FUNDS:

- **RURAL IMPULSE FUND II** (closed-end fund) that invests in microfinance institutions that offer financial services in disadvantaged rural areas through debt and equity investments. RIF II focuses on investments in Africa, Asia and Latin America.
- **AGRIF** is a third generation (closed-end) fund, uses leveraged private equity structures to support investments in financial inclusion for the rural sector. agRIF takes this model one step further by specifically targeting the agricultural sector and smallholder farmers, as well as rural micro entrepreneurs. In addition to the equity investments targeted by the fund, agRIF provides debt investments in agricultural SMEs and agricultural focused financial intermediaries.
- **THE FAIRTRADE ACCESS FUND** (evergreen fund) which contributes to the development of a fair and sustainable agriculture sector. It addresses the financial and technical assistance needs of smallholder farmers by bridging the gap in working capital and providing long term financing.
- **INCOFIN CVSO** (evergreen co-operative) specializes in debt and equity investments in sectors generally accepted to belong to the impact investments universe. CVSO focuses in particular on Financial Inclusion and can make (direct and indirect) investments in companies (including SME's) that pursue relevant impact objectives at the base of the pyramid in the areas of Food & Agriculture, Energy, Housing, Healthcare or Education. It is a cooperative fund and open to retail investors.

Do you have any questions, or are you interested in one of our funds? Please contact Incofin via:

investorrelations@incofin.com

+32 3 829 25 36

www.incofin.com