



# Dutch Good Growth Fund

## Notice proposed transaction 20160217 Gazelle Fund

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Taking into account the provisions for governing bodies that apply under the 'Freedom of Information Act' ('Wet openbaarheid van bestuur') and the 'Data Protection Act' ('Wet bescherming persoonsgegevens'), the Fund Manager of the DGGF part 'Financing local SMEs' will publish its anticipated transactions.

### Views

Parties can express their views on the proposed transaction to the Fund Manager by contacting [dggf@nl.pwc.com](mailto:dggf@nl.pwc.com) within 30 days after the publication date of the notice. After the transaction has been closed, or after it has become clear that the transaction will not take place, the Fund Manager will respond as soon as possible to these Parties concluding on the expressed views by these Parties.

### Description (English)

#### Part of DGGF

Financing Local SMEs

#### Name Intermediary Fund (IF):

Gazelle Finance Fund LP ("Gazelle Fund")

#### Domicile IF:

Gazelle Fund will be domiciled in Canada.

#### Name of manager of the IF

Gazelle Finance is a US-based first-time fund manager with local offices in Georgia and Armenia. The manager plans to open offices in Moldova and Kyrgyzstan as well upon becoming operational in these countries.

#### Nature of the activities of the IF

Gazelle Fund will provide financing to high growth SMEs ("gazelles") in the Eurasia region in the form of long-term income participation loan backed by minimal collateral and in the form of self-liquidating equity financing. The fund will be one of the very few providers of such financing products in its target countries—Georgia, Armenia, Moldova, and Kyrgyzstan. Despite SME lending by banks in these countries, absence of risk capital prevents promising entrepreneurs from reaching their full growth potential. Gazelle Fund will



provide loans between USD 100 thousand and 1 million in a variety of sectors such as agribusiness, manufacturing, health, education, and tourism. Gazelle Finance will focus on partnership with the entrepreneurs and where needed will provide technical assistance in the form of support in financial planning, accounting, strategy, marketing and other business related fields. Gazelle Finance is a fund manager seeded and sponsored by Eurasia Foundation, an American non-profit organization that supports civil society and small business development in the Eastern Europe and Central Asia region.

### **Size of proposed investment**

Approximately USD 7 million / EUR 6.25 million<sup>1</sup>

With this investment DGGF is contributing to a total expected fund size of USD 27.5 million at first close.

### **Intended transaction date**

The Fund Manager aims to close the agreement with Gazelle Finance in the second quarter of 2016.

### **Expected financial results**

A positive net financial return on the investment is expected.

### **Expected impact**

Gazelle Fund seeks to achieve development impact through the fast growth of portfolio companies, which is anticipated to lead to increased productivity and employment, increased payments to local suppliers, import substitution, and increased local tax contributions, as well as new or improved products for customers. More than 3000 jobs are expected to be newly created. DGGF was the first investor to confirm its commitment and as an anchor investor is expected to catalyse further capital into the fund.

### **ESG compliance**

As a first time fund manager, at the time of the due diligence, Gazelle still had to develop its ESG policy and design its ESMS. However, since the due diligence, Gazelle has developed its ESG Policy, designed in accordance with the DGGF guidelines. DGGF will continue to work with Gazelle to ensure that the policy and ESMS are properly implemented. This includes ensuring that all staff have sufficient knowledge of ESG, relevant to their role.

### **Tax compliance**

The Fund Manager has assessed the risks of tax avoidance by the IF and will monitor this annually. The country of domicile of the IF (Canada) meets the

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<sup>1</sup> Based on the exchange rate on the date of publication.



OECD transparency requirements. The fund is investing into its countries of operation through a cooperative which will be established in the Netherlands. The fund manager will ensure that such structure will have a substantial operational and financial presence in the Netherlands and will not artificially lower tax in the developing countries. Furthermore, both the IF and the Dutch cooperative will comply with local tax legislation. The IF requires SMEs that request financing to comply with local laws and regulations, among others those in respect of tax, and is willing to monitor whether these SMEs meet their tax obligations.

### **Business Development**

Through its SCBD programme, DGGF aims to support Gazelle with partially revolving grants to strengthening its IT function (USD 175 thousand) and its Business Development Services facility (USD 500 thousand).