



Dutch Good Growth Fund

Notice proposed transaction 20180122 Microinvest **Date of Publication: 22 January 2018**

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 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 of Financial Institution (FI)

LLC Microinvest ("Microinvest") is a limited liability company specialised in lending to microenterprises and SMEs in Moldova.

Domicile FI

Microinvest is domiciled in Moldova, headquartered in Chisinau, with 12 branches across the country.

Nature of the activities of the FI

Microinvest is a Limited Liability company established in 2003 as the spin-off of the Moldova Microfinance Alliance, an NGO that was founded in 1997. The institution operates through 12 branches of which 9 are located in the rural areas of the country. Microinvest serves over 18,000 clients and has a total loan portfolio of EUR 27 million, of which 75% is allocated to businesses in the agriculture sector. The institution is focused on further growing its SME portfolio. Through its presence in the rural areas of Moldova, Microinvest is well-positioned to serve the needs of underserved SMEs in the country.



Size of proposed investment

DGGF will provide a loan to Microinvest in local currency, equivalent to EUR 7 million.

Intended transaction date

The Fund Manager aims to close the agreement with Microinvest in the first quarter of 2018.

Expected financial results

A positive financial return on the investment is expected.

Expected impact

SMEs in Moldova face a temporary funding gap; in the wake of the country's recent financial crisis Moldovan banks have significantly slowed down lending to SMEs. Microinvest is one of the few players with a sizable SME portfolio, which it is looking to expand, particularly with loans to entrepreneurs in the agricultural sector. The long tenor of the DGGF loan enables Microinvest to provide asset financing, including loans for the purchase of agribusiness equipment. By providing a local currency loan, DGGF allows the institution to viably grow its SME portfolio without transferring the FX risk to the end-client. The loan is expected to finance approximately 350 SMEs and Microinvest will pay special attention to reaching out to women-owned SMEs.

ESG compliance

Microinvest applies an exclusion list and conducts a preliminary ESG assessment when screening clients. The institution has committed to adopt the DGGF exclusion list, to further strengthen its ESG policy and processes and to train all loan officers on ESG standards and requirements. DGGF will support Microinvest in developing an ESG policy and process compliant to the DGGF ICSR Policy.

Tax compliance

Microinvest is a limited liability company, domiciled in Moldova and subject to the statutory tax rates. The institution will lend to SMEs located in the country where it is domiciled. Microinvest is not making use of artificial constructions to lower its taxation or the taxation of the SMEs which it finances and DGGF's investment conditions focus on ascertaining this. The institution requires SMEs that it finances to comply with local laws and regulations, among others those in respect of tax. DGGF will actively monitor whether Microinvest meets its ongoing tax obligations and act in accordance with the DGGF tax criteria.