

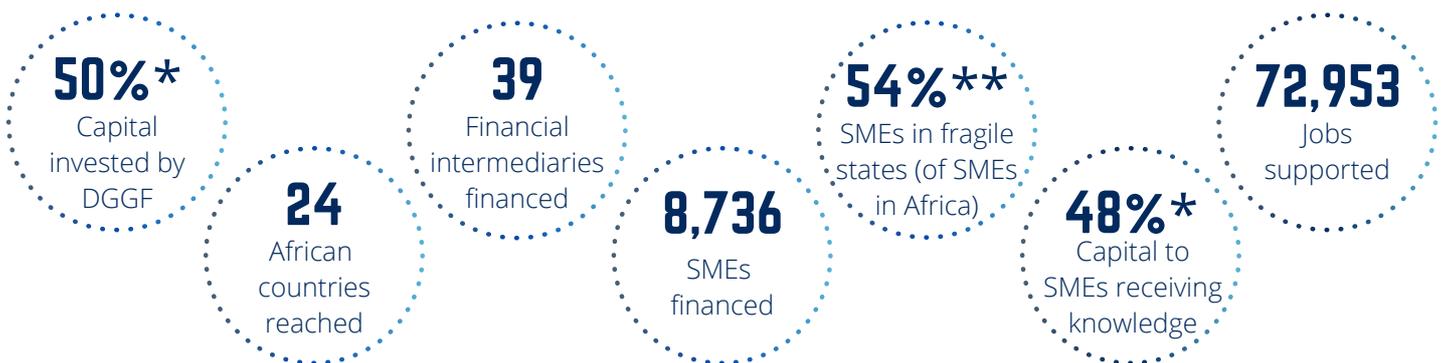
DUTCH GOOD GROWTH FUND IMPACT NEWSLETTER

TRACK 2 - FINANCING LOCAL SMES



Photo credits: Balloon Ventures

IMPACT SNAPSHOT: AFRICA



This second newsletter of the year is focused on a DGGF key focus geographic area: Africa. The Fund is addressing the socioeconomic challenges affecting this continent, especially in light of renewed global obstacles, namely the continuing effects of the COVID-19 pandemic and the ongoing war in Ukraine, as well as an imminent need to mitigate the vulnerability to climate change. From crucial developmental sectors such as access to water & sanitation and agriculture to ensure food security, to inno-

-vative industries such as the so-called blue economy, DGGF is actively making an impact in Africa. The above impact data confirms the breadth of our interventions, reaching multiple levels of impact from financial intermediaries to SMEs and their employees. Finally, DGGF pays particular attention to investing in fragile states, where businesses deal with added challenges, and to transferring knowledge and expertise to SMEs to help them improve their resilience.

EoY 2021 final data limited to the African continent

*Data from the Investment Portfolio only (excl. SC&BD)

** Fragile states are defined according to the 2021 classification by the World Bank

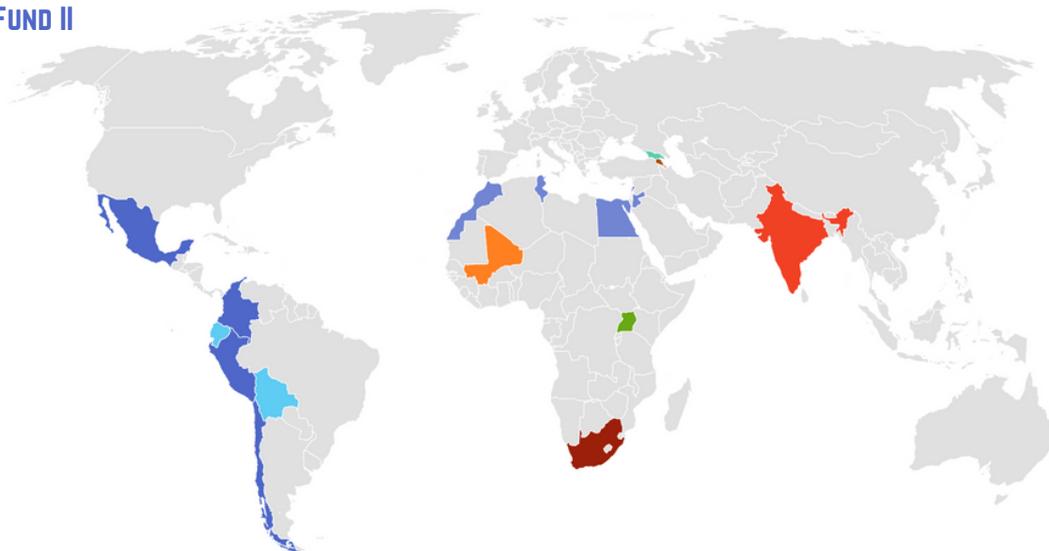
DEAL PROGRESSION

Closing in progress:

ACUMEN LATIN AMERICA GROWTH FUND II
 OMNIVORE PARTNERS FUND III
 VILCAP MENA
 COFINA MALI
 FATEN

Closed:

SALKANTAY EXPONENTIAL FUND
 GAZELLE FINANCE
 BAOBAB MALI
 BALLOON VENTURES,
 IUNGO CAPITAL
 CAJA PIURA
 JSC CREDO
 OCEANHUB AFRICA



PORTFOLIO HIGHLIGHTS

ADDRESSING TANZANIA'S FOOD AND JOB SECURITY IN TIMES OF CONFLICT

75% of jobs in Tanzania are related to the agricultural sector (**USAID**). This underscores the socioeconomic importance of agriculture for the country and presents a challenge in light of increasing pressures on global food chains -**posing food security threats for Tanzania**- while it also strengthens the case for agri-financing.

Starting in 2003, Equity for Tanzania (**EFTA**) leases agricultural machinery and equipment to farmers, playing a key role in supporting food and job security.

Today, EFTA is Tanzania's largest stand-alone leasing company, with more than 800 active leases and 65 FTE working across 12 offices. Over the years it has gone from startup to mature organization and now sits at the table together with the Tanzanian government to discuss matters of Agri and SME financing.

Purchasing agri-equipment is generally too expensive for Tanzanian farmers, making leasing a viable alternative. EFTA offers a solution to stringent credit history requirements by leasing long-term and with smaller loans. According to their estimates, at least 10K jobs have been created in the agri-space and beyond. Many of these employment opportunities support the smallholder economy. EFTA's team is convinced that by enabling smallholders to improve productivity, they will prove to be the best custodians of land in the face of climate change.

EFTA is a local partner of DGGF since 2017, **with a USD 4M loan agreement**. Thanks to this loan EFTA was able to increase its lease book and expand operations and, as a result, contribute to solving the financing gap for agri-SMEs in Tanzania.

INCREASING ACCESS TO SANITATION IN SENEGAL

The story of how Senegal managed to improve water supply and sanitation services through public-private partnerships is **widely considered a success**. 81% of the population now have basic access to water services thanks to efforts by the Senegalese government, since the late 90s, to **lease water system contracts to private partners**. **Delta S.A.**, a family-owned sanitation and public works services company founded in 2002, has been part of this success story.

Delta is the brainchild of Lena Tall Faye, the only woman to run a large company in this sector with 20 years of experience. Their core business is focused on the maintenance of wastewater and stormwater networks, collection and transport of sewage sludge for households and businesses, as well as mobile toilet rental. Since 2013 they are also involved in the construction sector, extending sewage networks in several parts of Dakar. The company's work provides important contributions to the broader community, such as helping decrease chronic diseases, flood prevention, and the reduction of household waste.

Delta's impact is mainly in line with **SDG 6**. In 2021 alone, 28 new contracts were signed to expand public



Photo credits: Delta S.A.

services and networks, resulting in 75,773 m³ of processed waste materials. Moreover, the company prides itself on an inclusive workforce where 30% of top management consists of women leaders.

Delta S.A. is a company from the **Investisseurs & Partenaires II (I&P II)** portfolio since 2021. I&P II, an impact-first growth equity fund with a Pan-African lens, supports small companies to reach scale and is a **local partner of DGGF since 2019**.

OCEAN-MINDED INNOVATIONS TO NURTURE A SUSTAINABLE BLUE ECONOMY

OceanHub Africa (OHA) is the first and only ocean-focused, pan-African entrepreneur support organization (ESO). Entrepreneurs operating in the **"blue economy"**—many of them young and/or women—face issues such as limited access to finance, scarce hu-



Photo credits: OHA

-man capital, or little early-stage support and access to markets. In this complex space, there is a need for targeted early-stage acceleration with embedded technical/sector expertise which considers the specificities of the blue economy. OHA's network activities strive for system change and a significant contribution toward **SDG 14**. They not only focus on enterprise, human, and economic capital growth but also generate exceptional impact via their climate change and biodiversity focus. Solutions championed by accelerated businesses are to be the most impactful in rural areas by improving food security, improving coastal livelihoods by diversifying economic activity, helping lower biodiversity damage, and reducing CO₂ emissions.

The support provided by the SC&BD facility will enable OHA to get on a growth path and reach scale to become Africa's foremost enabler of ocean-minded innovations to nurture a sustainable blue economy.

COST-EFFECTIVELY BANKING THE RURAL MISSING MIDDLE WHILE CREATING GOOD JOBS

Retta is not the typical entrepreneur: she does not have a formal education, she did not have financial statements, nor does she have any land ownership, and is located in a rural setting in Uganda. The perfect storm to remain under funders' radars – her business provided sustenance but had few growth avenues as she was locked out of the financial ecosystem. Thanks to Balloon Ventures, Retta now manages a successful venture, employs more than 15 people, and is regarded as a local business leader.

Together with flexible capital (gradual collateralization, tailored repayments to cashflow generation, step-down interest rates after milestone completion) Balloon leverages data usage to create a cost-effective approach toward loan underwriting and portfolio management. This allows for tailored support and increased efficiency. A hands-on partnership with entrepreneurs helps Balloon introduce systems, technology, and behaviors that build good management practices and good jobs – safe, secure, and fairly paid work.



Photo credits: Balloon Ventures.

Like Retta, there are thousands of small and medium entrepreneurs in rural and peri-urban areas who are stuck in the missing middle. Balloon is on a mission to challenge conventional investor logic and make previous unviable investments, viable.

DGGF's SC&BD facility will support Balloon Ventures in expanding its operations, which will help local entrepreneurs formalize their businesses and in turn create more good jobs in rural Uganda.

BUILDING ROBUST COMPANIES: INVESTING IN TIMES OF FRAGILITY

Through its USD 10M investment into **Spear's** Fund II, DGGF has supported growing businesses in Zimbabwe, a country heavily affected recent crisis. Spear has supported Zimbabwean companies involved in the manufacturing, agri-processing, and transport sectors.

The recent crises of the Covid-19 pandemic and the Russia-Ukraine war have exacerbated Zimbabwe's longstanding structural issues. The country which has in previous years suffered rising inflation, continuous depreciation of the Zimbabwean dollar, back-to-back droughts, cash shortages, and a huge debt overhang is experiencing an economic crisis that has, in turn, led to a severe humanitarian crisis solidifying Zimbabwe's status as a fragile state.

These issues are also translating to the SME sector causing the growth of businesses to be curtailed. SMEs are struggling to keep their businesses afloat and preserve value as they navigate foreign exchange vola-

-tility, disrupted global supply chains, and working capital constraints in an increasingly sensitive environment. To facilitate economic recovery, even more attention will need to be directed to providing support to these businesses and bolstering their ability to contribute significantly to job creation and innovation.

A key part of DGGF's mandate is to support entrepreneurs in fragile states where the risks are disproportionately higher and returns are expected to be below market standards. We believe that the relevance of working with local fund managers like Spear Capital serves to demonstrate the potential of these economies before they achieve economic performance and conditions attractive to mainstream investors. Moreover, we look for opportunities where our capital would be additional, contributing to existing but underserved financial systems by helping the co-financing and business development of SMEs.

DGGF IN ACTION

DGGF "FINANCING LOCAL SMEs" APPROACH TO CLIMATE ACTION

As evidenced by the latest **AR6 IPCC Reports**, the effects of climate change will come sooner and more severely than previously anticipated and will likely be felt hardest by the most vulnerable communities on our planet. Governments, companies, and individuals have a responsibility to reduce their carbon footprint and ensure resilience to those climate effects which cannot be avoided.

The Dutch government has committed to both the **Paris Agreement in 2015** and **Glasgow Climate Pact** in 2021, with the goal of forming a global coalition to limit global warming to 1,5°C above pre-industrial levels. Moreover, all UN Member States adopted the **Sustainable Development Goals** in 2015 and with that committed to **SDG 13**: to take urgent action to combat climate change and its impacts.

DGGF will continue to monitor, develop, and adapt the highest climate-related standards in development finance to further shape our commitments during this crisis, within the context of our mandate.

DGGF is committed to support our partners mitigate their climate impact and adapt to the consequences of climate change. This goes hand in hand with our goal to promote entrepreneurship in frontier markets.

Would you like to know more about DGGF in the countries in which you operate? **Visit our website** or contact us at **dggf@pwc.com**



13 CLIMATE ACTION



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Cooperation is key to successful climate action

As a first step, we will avoid investing in the most harmful activities. DGGF will adopt the Harmonised EDFI Fossil Fuel exclusion list in line with other European Development Finance Institutions. It contains activities such as coal and oil exploration, standalone gas production, crude oil pipelines and oil refineries. We have asked our partners to update their exclusion lists accordingly.

In addition, we are engaging with our partners to identify potential needs for technical assistance around climate mitigation and adaptation. This enables us to tailor our offering to the needs of our investees, thereby maximizing our value added. Such technical assistance may include developing a climate strategy, understanding the investee's impact or vulnerabilities, or adopting specific mitigation and/or adaptation measures in the investee's portfolio.

The original version of this piece is published [here](#).