



FINETHIC MICROFINANCE FUND

Annual Impact Report

2019



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INTRODUCTION

Today, over 65 million micro, small and medium enterprises (MSMEs) in developing countries have unmet financing needs, preventing them from growing and creating jobs.¹ Beyond that, 37% of adults in developing countries remain unbanked,² lacking access to basic financial services to help them manage their household finances. Expanding access to finance among these underserved populations allows them to improve their financial resilience, capture business opportunities that would otherwise remain out of reach, and create new jobs.

Since 2006, the Finethic Microfinance Fund has been supporting low- and middle-income households and MSMEs in emerging markets with responsible financial services to help them address their business and household needs. Through its partnerships with mission-driven financial institutions, Finethic has benefited hundreds of thousands of households and businesses, promoted job creation and generated attractive returns for its investors.

ABOUT THE FINETHIC FUND

Fundo SA launched the Finethic Microfinance Fund in 2006 with the aim of creating a positive social and economic impact in emerging markets through the provision of microfinance. Fundo is an independent asset manager based in Lausanne, Switzerland, primarily catering to Swiss institutional investors and pension funds. Finethic, which draws its name from the contraction of „finance“ and „ethics“, aims to make socially responsible investments while following a financially sound investment strategy, particularly in terms of risk management.

Since its inception, Finethic Microfinance has granted 731 loans, totaling more than USD643 million, to 264 investees in 57 developing countries. The fund invests primarily in microfinance and small and medium enterprise (SME) finance, in addition to digital financial services and renewable energy.

By investing in MSMEs located in low- and middle-income countries, the fund fosters economic development, increases income and consumption, builds financial resilience and ultimately improves end-borrowers' quality of life.

ABOUT SYMBIOTICS

Fundo entrusted Symbiotics with the investment advisory for the Finethic Microfinance Fund upon the fund's launch in 2006.

Symbiotics, headquartered in Geneva, Switzerland, is the leading market access platform for impact investing in emerging and frontier markets, offering market research, investment advisory and asset management services to professional investors. Symbiotics currently employs over 150 people and has its headquarters in Geneva and offices in Zurich, London, Amsterdam, Mexico City, Singapore and Cape Town. Since 2004, Symbiotics has structured nearly 5,000 investment transactions in over 450 financial institutions across 85 emerging and frontier markets.

THIS REPORT

This report is the third annual Finethic Microfinance Fund impact report assessing how the fund contributes to financial inclusion in emerging and frontier markets. The report also includes profiles of the fund's investees and end-borrowers to demonstrate how investors contribute to building inclusive financial markets.

Symbiotics prepared this report in its role as investment advisor for Finethic Microfinance. Symbiotics follows a threefold impact management approach along the following dimensions:

I. SUSTAINABLE FINANCE

We assess each investee on its practices and ESG norms, using our proprietary rating methodology.

II. IMPACT INVESTING

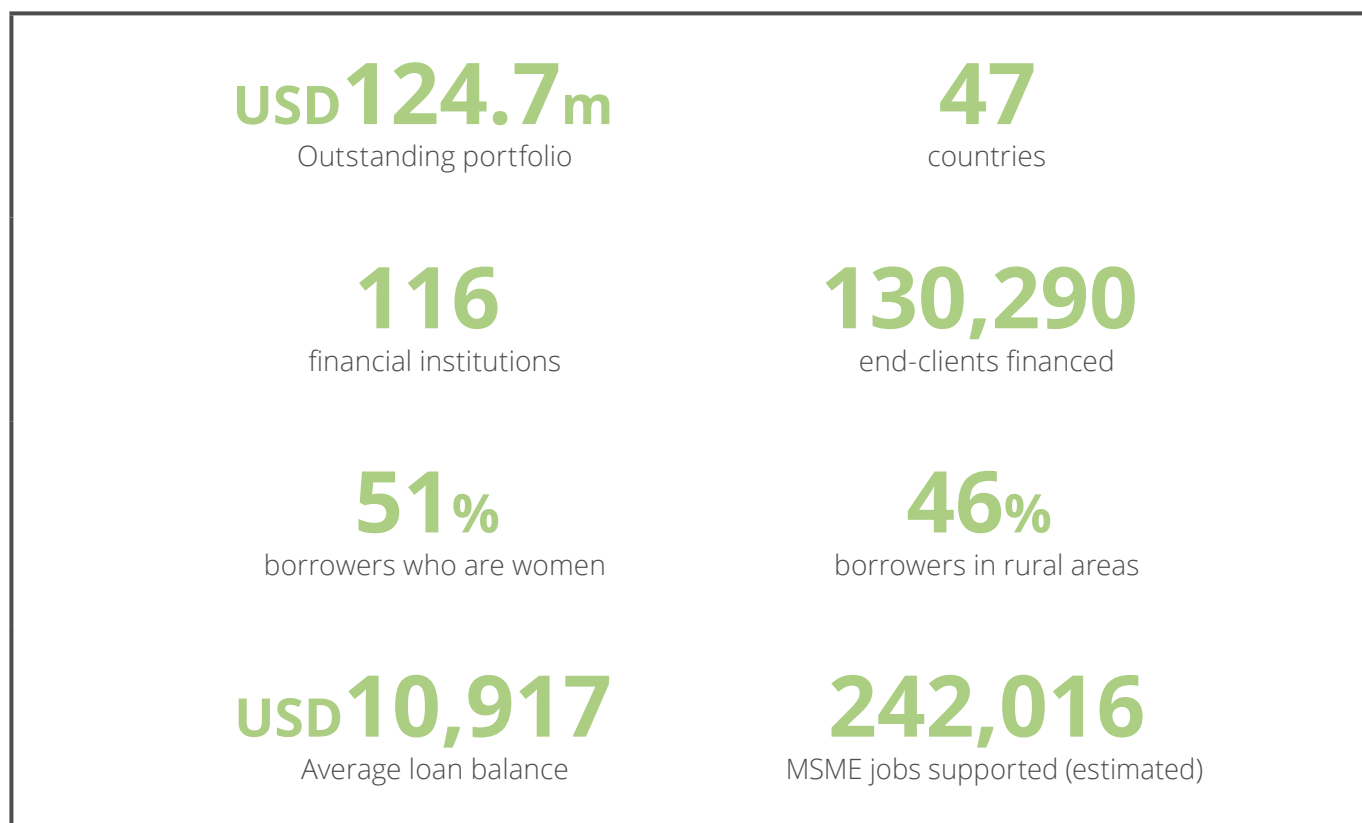
We identify how each investment intends to contribute to the SDGs.

III. INCLUSIVE FINANCE

We measure the outreach of investments to the financially excluded at country and end-client levels.

This report demonstrates the impact of the fund along these three key dimensions. All values presented in this report are as of December 2019.

Table 1: Key figures as of December 2019



INVESTMENT OUTPUT

Since its incorporation in 2006, the Finethic Microfinance Fund has:

- Originated USD643 million through 731 transactions;
- Financed 264 investees in 57 emerging and frontier markets.

As of December 2019, the outstanding portfolio volume was USD124.7 million, invested in 116 financial institutions in 47 countries. South & East Asia (36% of the outstanding portfolio) had the largest investment volumes, followed by Latin America & the Caribbean (31%), Eastern Europe, Central Asia & the Middle East and North Africa (MENA) (28%) and finally Sub-Saharan Africa (5%).³ The portfolio has progressively diversified its geographic exposure over its lifetime, reaching more emerging and frontier markets worldwide (Figure 1).

Figure 1: Portfolio outstanding
(by investees & countries)

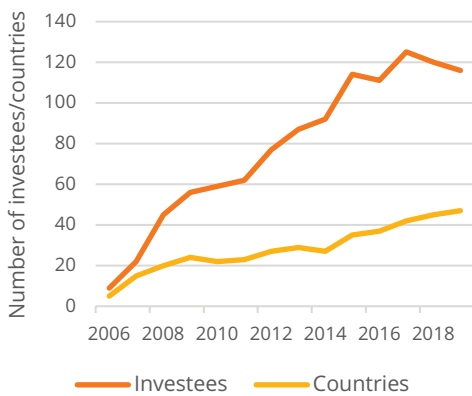


Figure 2: Portfolio outstanding
(by deals & volumes)

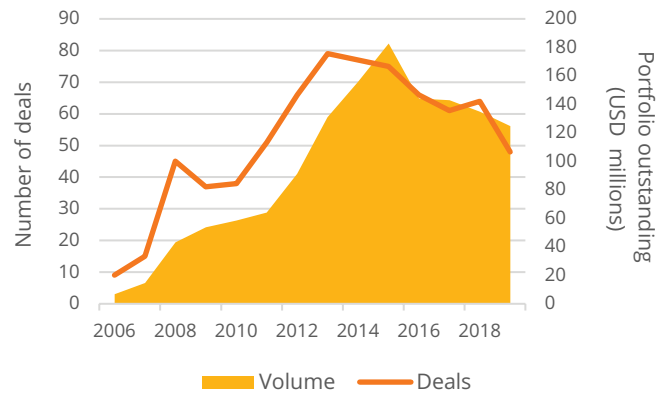


Figure 3: Investee countries

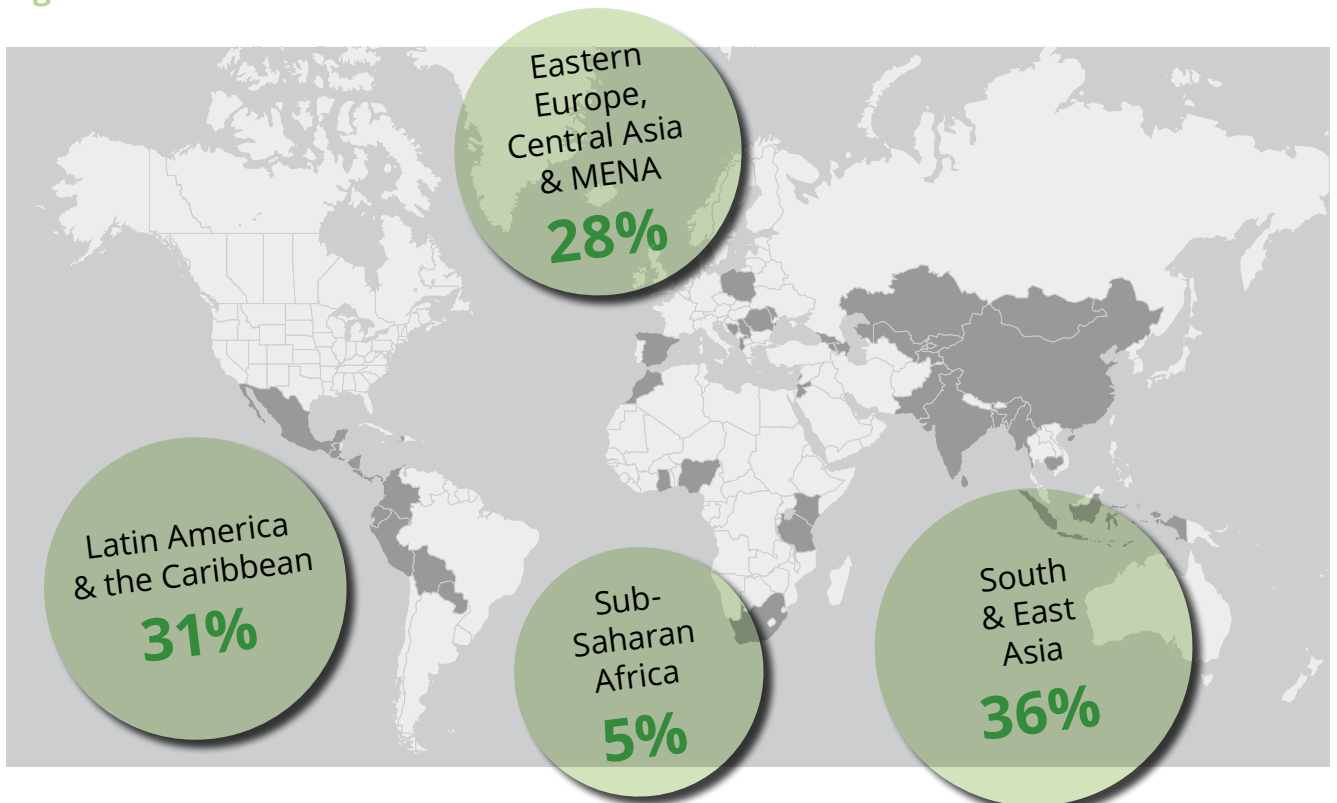
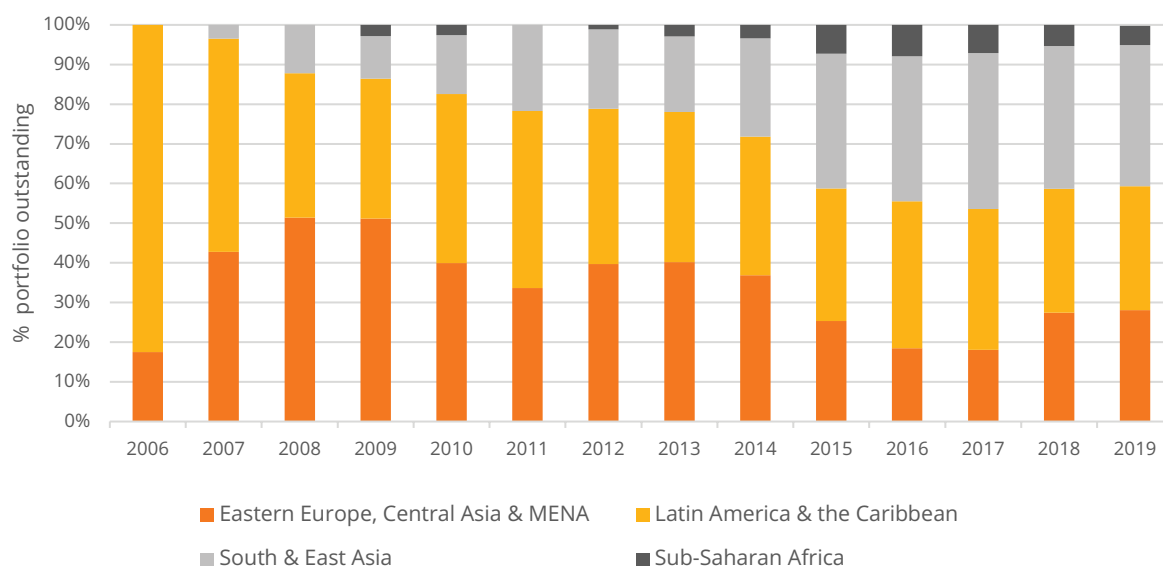


Figure 4: Regional breakdown (% portfolio by year)



An example of the fund’s investees in Central Asia is Khan Bank in Mongolia. The institution offers a diverse range of financial services countrywide. It is also a pioneer in promoting corporate social responsibility (Box 1).

Box 1: Institution profile – Khan Bank, Mongolia

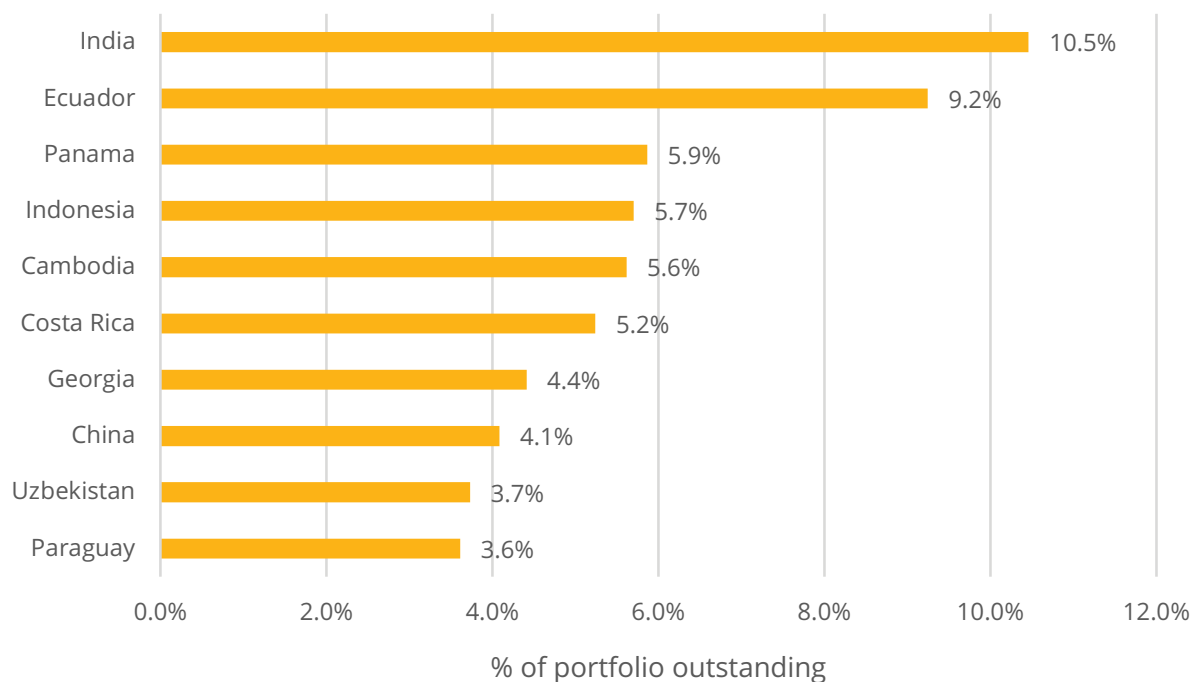
INSTITUTION: Khan Bank



Khan Bank is the largest retail bank in Mongolia in terms of asset value and branch network (more than 500 branches). As of 2019, it held more than 30% of the banking sector’s total deposits and about 27% of total loans. The bank is a pioneer in delivering digital financial services, with wide use of mobile banking platforms. Khan Bank is highly engaged in philanthropic efforts through its foundation, which it established in 2007. It contributes to projects across various sectors, including healthcare, environmental conservation, arts and education. Donations finance these special projects and the bank’s employees often volunteer their time to support their implementation. Since 2017, Khan Bank has sponsored free health screenings for the public, benefiting over 120,000 people, and has ensured the training of more than 2,500 employees as healthcare volunteers. In addition to receiving recognition as the most trusted financial institution in the country, Khan Bank has a good reputation as an employer and staff turnover remains very low. Moreover, women account for two-thirds of its workforce, with 42% at the senior management level.

The top three countries of investment at the end of 2019 were India, Ecuador and Panama, together representing 26% of the total outstanding portfolio. Figure 5 shows the top 10 countries by volume invested.

Figure 5: Top 10 countries of investment



China is one of the top countries where the Finethic Microfinance Fund invests. Grassland Finance is among the financial institutions into which the fund invests in China. Grassland excels at providing financial products and services tailored for Chinese MSMEs (Box 2).

Box 2: Institution profile – Grassland Finance, China

INSTITUTION: Grassland GL Conso



There are over 50 million micro, small and medium enterprises (MSMEs) in China. They account for approximately 90% of all enterprises and 80% of total employment in China’s urban areas. Yet, many remain underserved by China’s financial services sector, including new internet-based financial institutions. Grassland’s focus is to fund or invest in financial services institutions in China that provide loans, credit and other financial services to the country’s vast number of MSMEs. Grassland Finance currently operates three microcredit companies in China and is expanding quickly to other high-growth regions. Its core business has traditionally been in MSMEs (100% of their loan portfolio). In 2016, Grassland rolled out a revamped and better designed SME loan product that allows for quick disbursement. Despite a slowdown in the Chinese economy, the company has managed to perform well and has met the expectations of its management and shareholders. Grassland has recently secured an internet license, which will allow it to originate loans online from clients across the country.

The first step in the threefold Symbiotics impact management approach is to assess investees' environmental, social and governance (ESG) practices through our proprietary rating methodology (Box 3) and prevent them from investing in harmful sectors through the application of an exclusion list.

ESG RATINGS

Box 3: Symbiotics social responsibility rating

We developed an ESG rating to assess the likelihood that a financial institution will contribute positively to sustainable development and social impact. We have applied it systematically to all investment decisions since 2010. We conduct the rating pre-investment during the due diligence process for a financial institution and on an annual basis afterwards. The rating methodology includes seven dimensions and consists of 98 qualitative and quantitative indicators. We compile all indicators into a weighted aggregated score that grades the institutions from zero stars (lowest) to five stars (highest). The seven dimensions of the rating are:

1. **Social governance:** looking at the social orientation of shareholders and the financial institution's stated and effective commitment to its social mission, its target market and development objectives/ stakeholders' needs.
2. **Labour climate:** assessing policies regarding social responsibility to staff, looking at human resources policies, systems to monitor employee satisfaction and staff turnover rates as a measure of staff satisfaction.
3. **Financial inclusion:** measuring whether the financial institution has an efficient and proactive strategy and good results in terms of financial inclusion, as well as its ability to serve low-income and excluded clients, especially those located in areas that lack other financial services.
4. **Client protection:** looking at whether the financial institution treats clients in a fair and transparent way and if it avoids the negative impacts that affect them (notably over-indebtedness) as much as possible. These indicators are linked to the Client Protection Standards.
5. **Product quality:** looking at the financial institution's marketing strategy and activities, as well as the diversity and quality of its financial and non-financial products and services.
6. **Community engagement:** assessing the steps that the financial institution takes in implementing policies and actions aimed at supporting community development at-large and the social impacts of such steps on the community.
7. **Environmental policy:** looking at whether the financial institution has any policies and initiatives in place to mitigate environmental impacts for its internal activities and, above all, for the enterprises it finances.

As of December 2019, the portfolio-weighted average ESG rating at the level of the Finethic Microfinance Fund is 3.7 stars. Below are the average scores by dimension. Overall, the institutions perform well on most dimensions. The highest scoring dimension is client protection (76%), demonstrating the fund's commitment to responsible lending practices.

Environmental policy is the lowest scoring dimension, with a score of 33%. This dimension primarily measures whether an investee has an environmental policy in place, be it for its own operations or for its lending activities. Finethic Microfinance mostly invests in financial services providers, which seldom have advanced environmental policies. However, since 2017, the score has been increasing as institutions in the portfolio continue to take steps to improve their environmental performance.

For example, Crystal, a Finethic investee in Georgia, introduced green products that allow its customers to finance the purchase of more efficient home appliances, hybrid cars and home improvements. The institution is planning to expand its green product offering and continue to develop its operations in this direction.

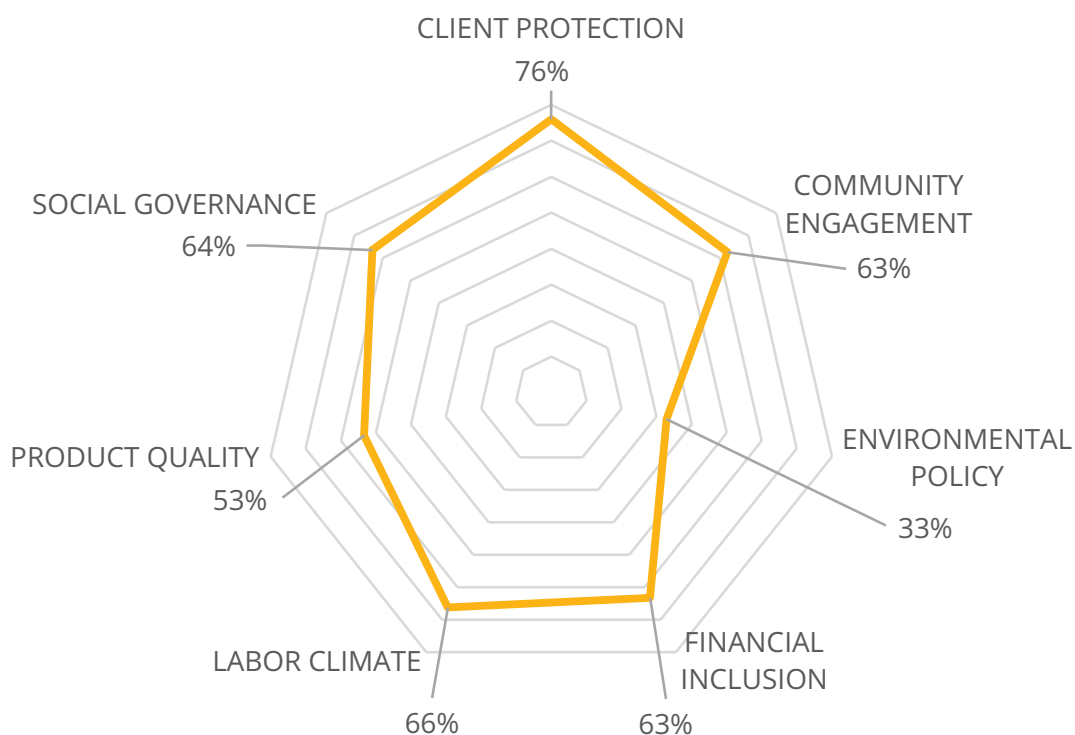
In India, since 2019, Samunnati increased its green portfolio and now offers products for modular greenhouses and financing of technology for water efficiency in sugarcane cultivation.

In Bolivia, Banco Ganadero has implemented an environmental and social management system to assess the potential social and environmental risks of its portfolio. To further its efforts in this area, the bank has now installed solar panels in its offices.

Figure 6: Portfolio-weighted average social responsibility rating



Figure 7: Social responsibility ratings (average scores by dimension)



EXCLUSION LISTS

We applied a social exclusion list in all the fund's transactions, preventing financial institutions from investing in the following:

- Alcohol, drugs, tobacco
- Asbestos fiber, cement
- Drift net fishing
- Forced and child labor
- Gambling, casinos
- Hazardous chemicals
- Land grab and infringement on indigenous people's rights
- Radioactive material
- Weapons, munition
- Wildlife protocols

Among the institutions with a high ESG rating score is EKI Microcredit Company, an institution in Bosnia and Herzegovina with an ESG score of four out of five. Since 1996, it has been providing various financial and non-financial services to benefit clients' businesses and enhance opportunities to improve livelihoods (Box 4).

Box 4: Institution profile – EKI Microcredit Company, Bosnia and Herzegovina

INSTITUTION: EKI Microcredit Company

Established through the World Vision International (WVI) Microcredit Program in 1996, EKI Microcredit Foundation (EKI MCF) is today a leading microcredit institution in Bosnia and Herzegovina.

EKI determined that clients usually do not have issues with production, but rather with selling their products. As such,

the company decided to introduce a new service for its existing clients: the EKI Business Club.

The club aims to create links among EKI clients and help them place their products. EKI publishes client information in the EKI Newsletter, which is available to members and in all EKI offices. This allows tens of thousands of beneficiaries to see the information, increasing exposure and sales prospects.

Members of the EKI Business Club can also receive information on any changes taking place at EKI (e.g., introduction of a new loan, ongoing campaigns for certain products, important notices related to EKI clients, etc.). This way, the members have the opportunity to receive advice from experts in agriculture and small business management, and become familiar with the basics of business finance.

In 2013, EKI MCF purchased the microcredit enterprise Adria to create EKI Microcredit Company (EKI MCC). As a consolidated entity, EKI MCC is now able to offer a broader range of loan products, including loans for housing, small businesses, and agriculture. EKI's principal clients are rural microentrepreneurs who wish to start or expand their business. Most clients work in the agricultural sector and women represent more than half of borrowers. In addition to its core business, EKI has donated a significant portion of its funds to projects targeting youth, with a particular focus on sports and culture.



IMPACT INVESTING

The second step in the threefold Symbiotics impact management approach is to positively address a range of global challenges, as currently illustrated by the Sustainable Development Goals (SDGs). For each transaction, we identify key SDG contributions based on the main areas of investment (Table 2).

The main SDGs addressed by the fund are SDG 1 (No poverty), SDG 8 (Decent work and economic growth) and SDG 5 (Gender equality).⁴

The fund also targets investees that focus on specific themes, such as agriculture, education and housing, thereby contributing to SDGs 2 (Zero hunger), 4 (Quality education) and 11 (Sustainable cities and communities), respectively. For example:

- Housing Finance Company Limited (HFC) is a Kenyan institution that aims to provide affordable housing for Kenyans. Through its financial products, HFC strives to enhance the quality of life of its customers by improving their homes and living conditions.
- Netafim Agricultural Financing Agency (NAFA) in India provides financial products and services to smallholder farmers looking to install smart micro-irrigation systems. These services contribute to increasing agricultural productivity and improving farmer incomes.
- Varthana is an Indian institution that specializes in providing financial products and advisory services to private school owners and in providing student loans. It aims to strengthen the physical infrastructure of schools and the teaching approach, and to support students as they continue their education.

An example of how the Finethic Microfinance Fund supports women-owned businesses is the story of Minerva Juana Silva Méndez. Through the funding obtained from MasKapital, Minerva has been able to expand and diversify her business (Box 5).

Box 5: Client story – Minerva Juana Silva Méndez, MasKapital, Mexico

Group lending supporting women entrepreneurs in Oaxaca








INSTITUTION: MasKapital

Minerva Juana Silva Méndez is 62 years old and is currently raising her 2-year-old grandchild. Minerva sells seasonal fruits (wholesale and retail) at the Mercado de la Central de Abastos in Oaxaca de Juarez, in the State of Oaxaca, Mexico. Competition is strong, but she has the key advantage of having her own truck, reducing her investment costs. She pays a driver to buy and bring back mangoes from Tonalá, Chiapas (six hours away) for a total cost of USD7,200. Rent in the market place costs USD650 and she has five employees.

Minerva has been a client of MasKapital for more than a year. Her income has progressed thanks to the microloans she has received under their group-lending product. She belongs to La Bodeguita, a group composed of 11 women and 1 man who all run small trading businesses. Minerva first asked for MasKapital's maximum authorized amount of USD1,860 and later obtained a renewal for the same amount. In the future, she would like to get a larger individual loan, rather than continuing with the group lending model. Moreover, women account for two-thirds of its workforce, with 42% at the senior management level.



Table 2: Finethic contributions to the SDGs

THEME		How does Finethic contribute?	% total portfolio outstanding
MICROFINANCE		<ul style="list-style-type: none"> Ensuring that low-income individuals have access to financial services, including microfinance and savings products. 	44%
SMALL BUSINESS FINANCE		<ul style="list-style-type: none"> Strengthening the capacity of domestic financial institutions to expand access to banking and financial services for all. Encouraging SME growth. 	27%
MICROFINANCE		<ul style="list-style-type: none"> Providing women with equal access to economic resources and opportunities. 	24%
HOUSING AND INFRASTRUCTURE		<ul style="list-style-type: none"> Ensuring access to adequate, safe and affordable housing and basic services. 	2%
HEALTHCARE AND EDUCATION		<ul style="list-style-type: none"> Ensuring equal access for all women and men to affordable and quality education. 	2%
FOOD AND AGRICULTURE		<ul style="list-style-type: none"> Providing small-scale food producers with access to productive resources through financial services and products. 	1%

INCLUSIVE FINANCE

The third and final step in the Symbiotics impact management approach is to assess how our investments contribute to inclusive growth for the benefit of low- and middle-income households and MSMEs. To do so, we measure the social outreach of the fund at the level of the markets, investees and end-borrowers. We also highlight Finethic's contribution to the SDGs through the investees' financial services.

MARKET OUTREACH

Finethic invests largely in low- and middle-income countries,⁵ with 42% of the portfolio invested in low- and lower-middle income countries and 50% in upper-middle income countries. Overall, the gross national income (GNI) per capita in these countries (USD5,355) is considerably lower than the world average (USD11,570) and similar to the average in low- and middle-income economies (USD5,102).

Furthermore, the United Nations classifies 6 out of the 47 investee countries as least developed countries (LDCs).⁶ This categorization considers a country's per capita income, „human assets“ and economic vulnerability.⁷ Investments in LDCs account for 13% of the total outstanding portfolio as of December 2019.

Figure 8: GNI per capita (current USD)

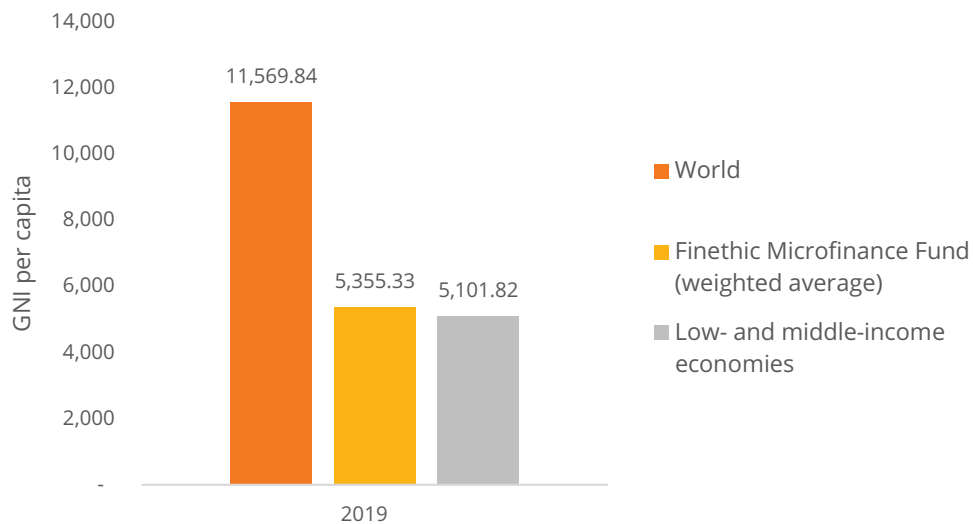
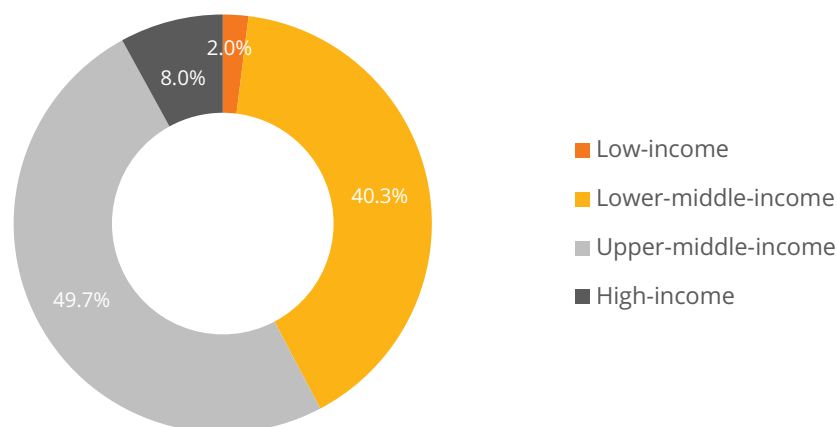


Figure 9: Income levels (% of Finethic portfolio)⁸



The story of José Luis Garcia Vazquez illustrates how the fund supports small businesses in lower-middle-income countries. José Luis is from Honduras and he is a client of Banco Popular. Thanks to the loans granted by the institution, he has been able to grow his taxi service business (Box 6).

Box 6: Client story – José Luis Garcia Vazquez, Banco Popular, Honduras

From self-taught auto repair to successful entrepreneur

INSTITUTION: Banco Popular



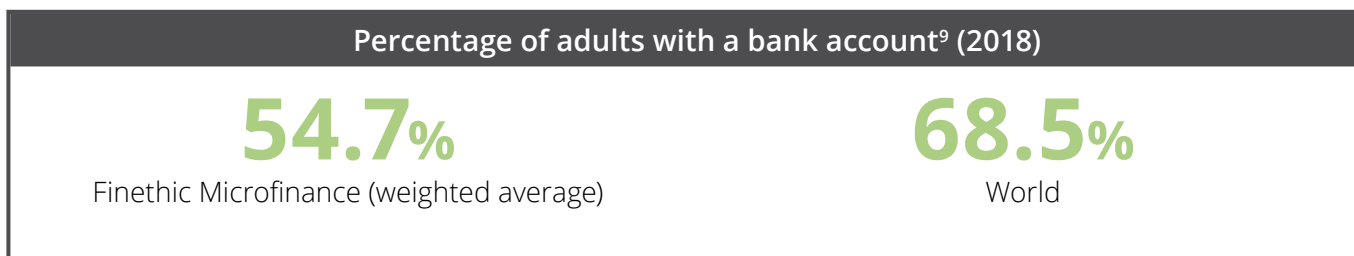
José Luis Garcia Vazquez is a microentrepreneur living in the San Ignacio neighborhood in the south of Tegucigalpa, Honduras. Married with two children, José Luis started a taxi repair and maintenance workshop in 2010. He started his career as a self-employed taxi driver but has always tried to learn more about car mechanics. As he developed his skills, José Luis started providing repair services to fellow taxi drivers and developing his network in this community.

José Luis contracted his first loan of 80,000 lempiras (USD3,260), which he invested in his repair service business. As his network grew, he was able to buy new taxis and employ taxi drivers. Currently, he owns four cars and provides repair and maintenance services for around 100 taxis.

In 2018, his excellent repayment record enabled him to secure a new five-year tenor loan of 400,000 lempiras (USD16,300) with Banco Popular. He used the loan to buy a new car and hire another employee. He hopes to grow his business by buying more cars and expanding the services of his repair shop, portion of its funds to projects targeting youth, with a particular focus on sports and culture.

In terms of financial inclusion, Finethic Microfinance invests in countries where 54.7% of the adult population have a bank account at a financial institution, which is lower than the world average of 68.5%. This indicates that the fund is facilitating the provision of financial services in countries where access to these services is less common than it is worldwide.

Table 3: Banking penetration



In El Salvador, an estimated 31% of the population owns a bank account. Through its investment in Optima Servicios Financieros, Finethic Microfinance Fund contributes to facilitating financial access to an otherwise excluded population (Box 7).

Box 7: Institution profile – Optima Servicios Financieros, El Salvador

INSTITUTION: Optima Servicios Financieros



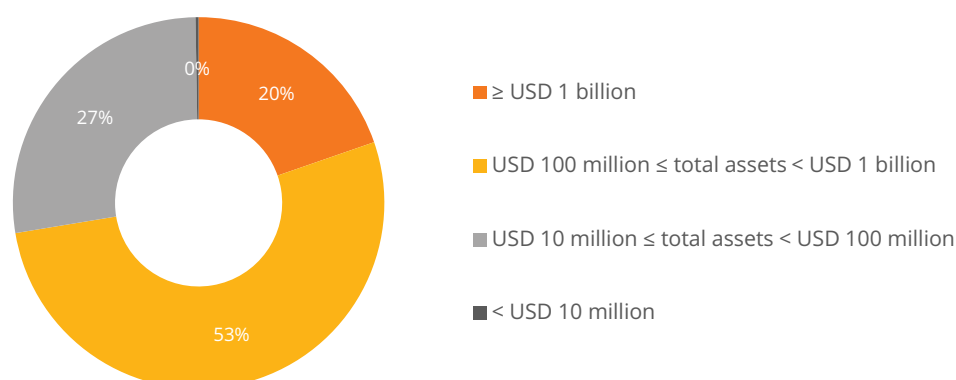
Established in 2009, Optima Servicios Financieros (Optima) is a private, commercially oriented funding alternative for micro and small entrepreneurs. In June 2016, Optima acquired Finca El Salvador and its network of 12 branches, absorbing seven existing branches in the same region and expanding its geographical coverage by five new service points. Its strategy now focuses on the underserved SME upper market while still serving the micro segment and low-income populations. It has officially endorsed the Smart Campaign, proving that it continues to be vigilant of client protection standards. Moreover, Optima is strengthening its brand by investing in various marketing initiatives (e.g., client surveys, media advertisements). The microfinance institution's vision is based on targeting a single client with several products, much in line with a bank's value proposition. At the same time, Optima is looking to convert into a savings and loan company. If it successfully completes this transformation, Optima will then become the second regulated institution in the country to focus on both the micro and SME markets. This would be the first step towards its vision of becoming a bank that operates throughout Central America. Optima does not face currency risk since the US dollar has been legal tender in the Salvadorian economy since 2001.

INVESTEES OUTREACH

The Finethic Microfinance Fund invests in a diverse range of financial institutions, reaching different segments of the financially excluded population in emerging and frontier markets.

In terms of investee size, the largest proportion of the portfolio both by number (52 institutions) and volume (53%) is in medium-sized institutions with total assets between USD100 million and USD1 billion. This is partially because many of Finethic Microfinance's long-standing investees have grown in size over the life of the fund, in terms of both asset size and institutional capacity. Of the institutions in the portfolio in 2019, 28% have experienced an increase in their asset size since receiving their first investment. Out of those, 52 institutions now have assets over USD100 million.

Figure 10: Size of financial institutions (% of Finethic Microfinance portfolio)



END-CLIENT OUTREACH

Table 4: Breadth and depth of end-client outreach

Breadth	Depth
<h1>233,352</h1> <p>active borrowers per MFI (Finethic Microfinance portfolio-weighted average)</p>	<h1>10,917</h1> <p>average loan balance (USD) (Finethic Microfinance portfolio-weighted average)</p>

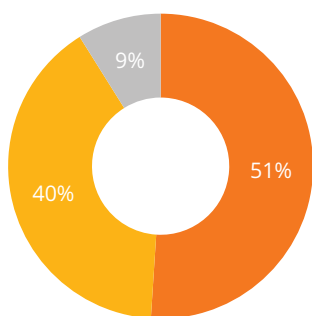
Estimates show that in 2019, the portfolio financed a total of 130,290 end-clients.

The Finethic Microfinance Fund primarily served end-clients through individual loans (79%) in urban areas (54%). The fund financed slightly more women (51%) than men (40%) as clients.

According to the 2017 Global Findex database, 67% of men but only 59% of women in developing countries have an account at a financial institution, indicating a gender gap of 8 percentage points.¹⁰ Given this gap, the World Bank has clearly stated that any efforts to increase account ownership in a given country must prioritize financial inclusion for women.¹¹ By financing intermediaries with a strong focus on lending to women clients and enabling women through training and other non-financial services, the Finethic Microfinance Fund is contributing to bridging the gender divide in financial inclusion.

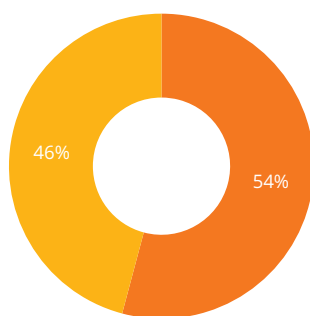
The rural-urban gap in financial inclusion is also well-documented in emerging markets, with urban residents being more likely to have an account at a financial institution.¹² Even though the size of the gap globally is difficult to estimate, Finethic Microfinance has clearly contributed to providing equal access to financial services for rural and urban clients alike, with almost half of end-clients being based in rural areas.

Figure 11: Client location
(% of headcount)



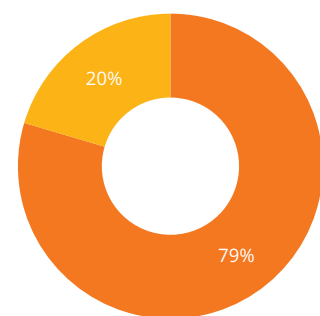
■ Women ■ Men ■ Legal entities

Figure 12: Client gender
(% of headcount)



■ Urban ■ Rural

Figure 13: Credit methodology
(% of headcount)



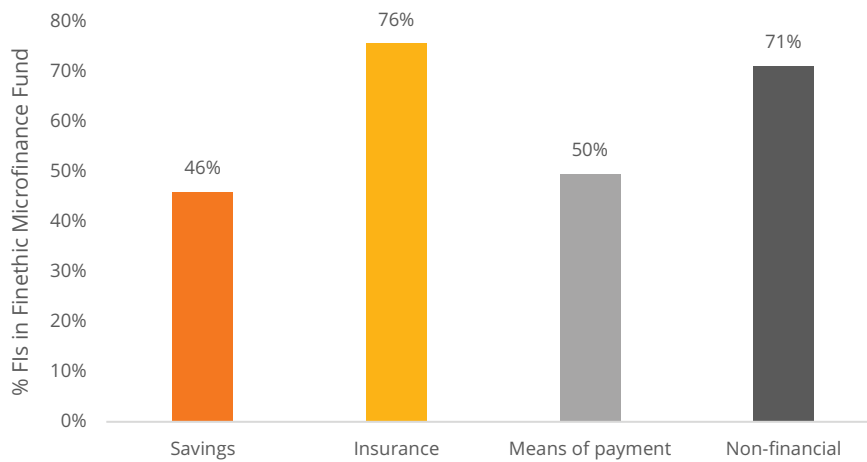
■ Individual loans ■ Group loans

Financial security

The availability of non-credit products such as savings, insurance, payment and non-financial products (education and training, for example) helps clients better manage their cash-flows and deal with external shocks. As such, information on the investees' non-credit product offer demonstrates how the fund contributes to financial security for its target clientele.

Of the investees in the Finethic Microfinance Fund portfolio, 46% offer savings services, 76% offer insurance products, 50% offer payment services, and 71% offer other non-financial services. Overall, 63% of investees offer one of more of these non-credit products to their clients.

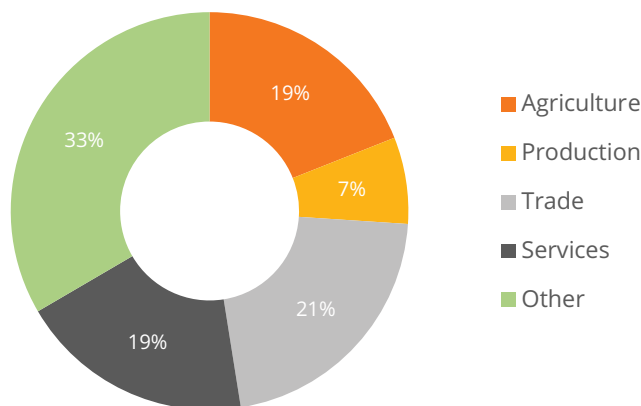
Figure 14: Financial security – non-credit product offering (% of financial institutions in Finethic Microfinance Fund)



Sectors of activity

Of the loans provided through the Finethic Microfinance Fund, 21% target borrowers actively involved in small trading activities, 19% in agriculture, 19% in services, 7% in production and 33% in other types of activities, including transportation, construction, housing, renewable energy, and consumption.

Figure 15: Client activity (% of headcount)



By offering loans to end-borrowers engaged in trade, agriculture, services and production, the Finethic Microfinance Fund contributes to SDGs 1, 2, 5 and 8.



An investee in the Finethic Microfinance portfolio that offers a wide range of products for clients in the agricultural sector is Norandino, a Peruvian microfinance institution (Box 8).

Box 8: Institution profile – Cooperativa Agraria Norandino, Peru

INSTITUTION: Cooperativa Agraria Norandino

Cooperativa Agraria Norandino Ltda (Norandino) is a cooperative regrouping more than 3,000 farmers in northern Peru and specializing in the processing, commercialization and export of organic coffee, cacao and cane sugar. Norandino helps its members obtain fair trade and organic certifications, which enable them to benefit from the cooperative's extensive international network of buyers. It provides its members with technical assistance to mitigate the effects of climate change, such as plant diseases and floods. It has also developed green loans for energy-efficient cookstoves in partnership with a local NGO.

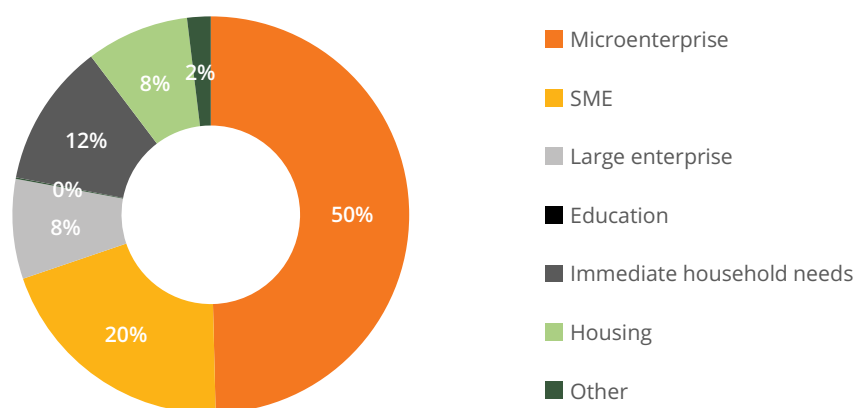
Moreover, as an illustration of the cooperative's willingness to be an enhancer of community development, Norandino has developed a responsible tourism project where farmers act as guides and the income generated goes to reforestation.



Product offering

While MSME finance makes up the largest proportion of the product offering (70%), a significant share also goes towards household consumption in the form of loans for immediate household needs (12%) and housing (8%). These products collectively contribute to raising end-clients' living standards. It is also the case that small loans to microentrepreneurs often contribute to increasing household consumption indirectly when they are able to maintain a successful business.

Figure 16: Product offering (% of Finethic Microfinance portfolio weighted)



Through its investees in emerging markets, the Finethic Microfinance Fund facilitates financial access to address the needs of MSMEs and to provide products and services with a special focus on improving living conditions and education. The fund contributes to SDGs 1, 4, 5, 8 and 11.



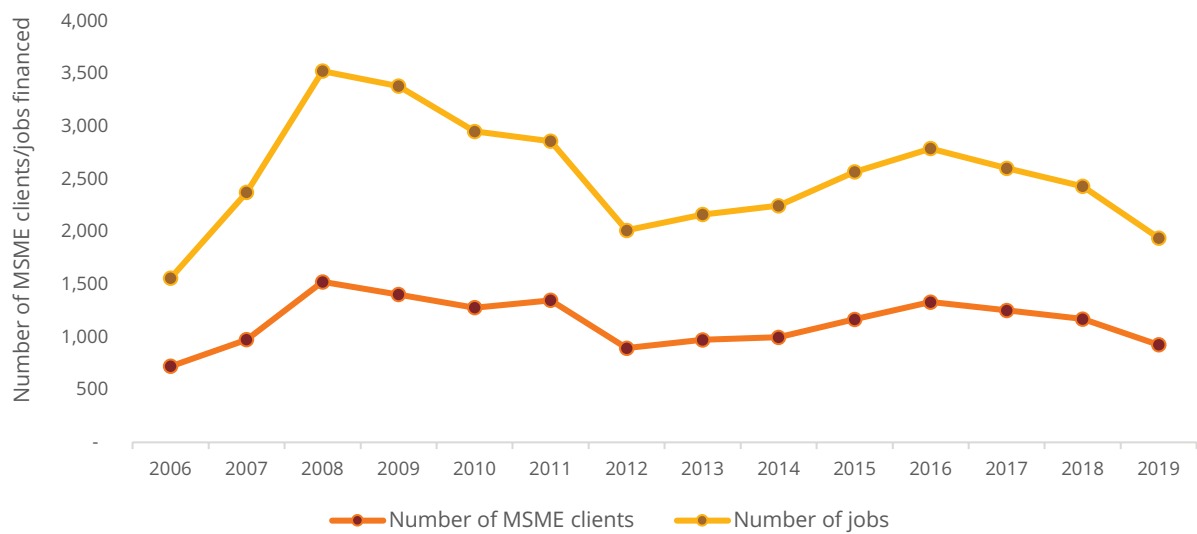
Employment and entrepreneurship

MSME finance, offered through the Finethic Microfinance Fund, contributes to bridging the large financing gap that MSMEs face in emerging and frontier markets. By doing so, the fund contributes to job creation and economic growth in these markets.

Assuming that each microenterprise employs 2 workers and that each SME employs 9 workers, we estimate that the Finethic Microfinance Fund is supporting 242,016 jobs through 115,515 MSMEs as of December 2019.

As the volumes invested increase, the numbers of MSMEs financed and jobs supported also increase. To demonstrate these key indicators relative to the size of the portfolio, Figure 10 presents the average number of MSME clients and jobs supported per USD1 million of portfolio outstanding since the launch of the Finethic Microfinance Fund. These indicators fluctuate depending on the average loan size to end-borrowers and the proportion of the portfolio financing micro- versus SME clients. As the average loan size decreases, the number of clients financed increases. On the other hand, as the proportion of SME lending increases, the estimated number of jobs supported increases as we assume SMEs employ more workers.

Figure 17: Number of MSME clients and jobs financed (per USD1 million of portfolio outstanding)



The story of Ruslan and Victoria exemplifies employment creation when small businesses receive the right financial support (Box 9).

By largely financing MSMEs, the Finethic Microfinance Fund promotes job creation and economic growth, contributing to SDG 8.



Box 9: Client story – Ruslan & Victoria, Microinvest, Moldova

An SME participating in the construction of a new country

INSTITUTION: Microinvest

Like many Moldovans of their generation, Ruslan and Victoria faced the dilemma of leaving their home country to go and find work elsewhere – Romania, Ukraine or Russia – due to the harsh economic situation in Moldova. Nevertheless, they decided to stay and capitalize on their respective professional experiences by literally contributing to the construction of their country. Ruslan had worked for many years in construction and Victoria had more than 10 years of experience as an accountant for a construction firm. Thanks to an initial credit of EUR45,000 from Microinvest, the couple launched Ruviconstruct SRL, specializing in excavation and earthmoving services. The SME rents specialized vehicles to local construction companies. They now have a warehouse situated in Laloveni and an administrative office in the capital city of Chisinau. They employ 13 people full time and aspire to buy new machinery to expand their business.



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- ² Demirgüç-Kunt, A., Kalpper, L., Singer, D., Ansar, S., & Hess, J. (2018). *The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution*. Washington, DC: The World Bank.
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- ³ Finethic Microfinance indirectly invests 1.2% of total exposure in emerging and frontier economies through institutions located in the Netherlands and France.
- ⁴ Institutions that have 70% or more women as borrowers.
- ⁵ The World Bank defines countries' income levels according to gross national income (GNI) per capita as follows:
- Low-income: USD1,035 or less;
 - Lower-middle-income: USD1,036 to USD4,045;
 - Upper-middle-income: USD4,046 to USD12,535;
 - High-income: USD12,536 or more.
- For more information, see:
<https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups>
- ⁶ These countries are: Bangladesh, Cambodia, East Timor, Haiti, Myanmar and Tanzania.
- ⁷ The United Nations Conference on Trade and Development (UNCTAD) uses the following criteria to determine whether a country is an LDC:
- Per capita income: below USD1,230;
 - Human Assets Index, based on indicators of nutrition, health, school enrolment and literacy;
 - Economic Vulnerability Index, based on indicators of natural shocks, trade-related shocks, physical and economic exposure to shocks, population size, and remoteness.
- For more information, see: https://unctad.org/system/files/official-document/ldcr2018_en.pdf
- ⁸ Investments in high-income countries include: 1) Panama (5.86% of outstanding volume), which the World Bank upgraded in 2017 to a high-income rather than an upper-middle-income country; 2) Poland (despite having higher per capita income, the IMF World Economic Outlook classifies both Panama and Poland as „emerging and developing economies“); 3) Mauritius and Romania, which the World Bank moved to the high-income category in 2019 (both previously classified as upper-middle income). For more information, see:
<https://www.imf.org/external/pubs/ft/weo/2018/02/weodata/groups.html>
- ⁹ Demirgüç-Kunt, A., Kalpper, L., Singer, D., Ansar, S., & Hess, J. (2018). *The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution*. Washington, DC: The World Bank.
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- ¹⁰ Account ownership is commonly used as a proxy for financial inclusion.
Source: Demirgüç-Kunt, A., Kalpper, L., Singer, D., Ansar, S., & Hess, J. (2018). *The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution*. Washington, DC: The World Bank.
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