

A man in a white shirt and cap is using a machete to harvest a cacao pod from a tree in a lush green forest. The man is looking up at the pod, and the background is filled with dense foliage and moss-covered branches.

Catalysing green, inclusive growth

How Hivos-Triodos Fund made a difference in 2018

Triodos  Investment Management

Catalysing green, inclusive growth

Established in 1994, Hivos-Triodos Fund is a joint initiative of Triodos Bank and Hivos Foundation and one of the first global movers in financial inclusion investments. The combination of public and private funding from Hivos and Triodos Bank respectively remains a great example of an effective and successful blended finance fund. Today, the fund invests in scalable enterprises in emerging markets to catalyse a sustainable, inclusive and green economy.

At the end of 2018, the fund had a portfolio of EUR 67 million in debt and equity to 28 companies in 19 developing countries and emerging economies worldwide, with 56% exposure in Africa. Since 2010, the fund has expanded its portfolio beyond financial inclusion into sustainable food and agriculture and (off-grid) renewable energy solutions. Hivos-Triodos Fund aims to further leverage Triodos' in-depth knowledge and expertise and grow its portfolio in these sectors significantly in the coming years.

Our goals

- 1 Make a values-driven contribution to the development of a sustainable financial sector in emerging markets.
- 2 Contribute to the development of inclusive, sustainable food value chains to ensure that small-scale farmers also benefit.
- 3 Enable access to clean, affordable and reliable energy for low-income households and small and medium-sized enterprises (SMEs).

This publication highlights the broad scope of the Hivos-Triodos Fund in a context of stories and numbers. By zooming in on our investees in Latin America, Africa and Asia, we want to give you a flavour of how Hivos-Triodos Fund catalyses green, inclusive growth, and how they touch upon the United Nations Sustainable Development Goals¹.



^ The seventeen Sustainable Development Goals (SDGs), launched as the 'strategy of the world', in 2015, by the UN.

¹ The SDGs highlighted with each investee are not necessarily the only SDG that a particular investment contributes to. Instead, we chose to highlight one SDG per investee which we deem most relevant for the specific investment. We include a short description of a challenge related to the SDG we aim to tackle or contribute to with the specific investment.

Goal 1:

Make a values-driven contribution to the development of a sustainable financial sector in emerging markets.

A sustainable financial sector

Why do we invest in financial inclusion?

There are 1.7 billion people worldwide who have no or only limited access to basic financial products and services, such as loans, savings accounts and payment services. Most of these people live in developing and emerging economies.

We strongly believe that access to finance enables them to better manage their daily life, cope with unexpected difficulties, develop their entrepreneurial skills, and plan for the future. Furthermore, 65 million or 40% of the micro, small and medium-sized enterprises in developing countries, which are one of the strongest drivers of economic development, innovation and employment, have unmet financing needs. There is a strong correlation between the health of the small business community, economic growth, and poverty alleviation.

Clear link to agriculture and renewable energy

The financial institutions in our portfolio have a specific focus on reaching out to those traditionally excluded from access to affordable, effective and transparent financial products and services. These institutions fulfil a strong and instrumental role in society and their values-driven approach is crucial in developing an accessible, well-functioning and inclusive financial sector that fuels social and economic development. Hivos-Triodos Fund especially focuses on financial institutions that have a clear link to the agricultural and renewable energy sectors. Moreover, the fund increasingly focuses on financial institutions that offer financial services through technology to improve access and affordability exponentially. The financial institutions in our portfolio reach:

Key indicators as per end of 2018

1 million	1.6 million	765	48%	53%	5,601
Number of borrowers	Number of savings clients	Average loan amount (EUR)	Percentage of female borrowers	Percentage of rural clients	People employed by financial institutions

Hivos-Triodos Fund financed 10 financial institutions in 2018. We highlight the following:

Tienda Pago in Peru

Tienda Pago provides unique inventory financing for one or two weeks to small neighbourhood



stores in Peru. The company developed a close loop payment mechanism using mobile phones to reduce inefficiencies and cost. As well as improving income, Tienda Pago helps store owners to develop a formal credit history and promotes a cashless eco-system. Hivos-Triodos Fund provides Tienda Pago with a hybrid loan instrument including a warrant.



2 IN 3 ADULTS HAVE ACCESS TO MOBILE MONEY AND SUCH, INCLUDING THE EXCLUDED IN THE FORMAL ECONOMY

Samunnati in India

Samunnati focuses on smallholder farmers in India. By offering them customised financial services, the institution smooths the farmers' cash flow, helping them avert distressing situations. Samunnati now reaches 15,000 farmers and is exploring partnerships to promote organic practices in specific value-chains and areas. Hivos-Triodos Fund has provided a loan to Samunnati to expand its outreach.

Optima in El Salvador

Optima is a young microfinance institution in El Salvador with an original focus on microfinance and factoring in urban areas. This was broadened in 2016 to include group lending and microloans in rural areas. Together with Hivos-Triodos Fund, Optima launched a 'green credit line' in 2016, for which 25% of the loan was earmarked for 'green lending'. Currently, the institution lends over USD 500,000 to various 'green' companies including those with activities in biomass and drip-irrigation.



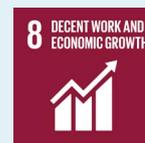
AGRICULTURAL GROWTH IS AN IMPORTANT INSTRUMENT FOR POVERTY REDUCTION



BY 2030 ALL COUNTRIES WILL HAVE STRENGTHENED RESILIENCE TO CLIMATE RELATED HAZARDS AND NATURAL DISASTERS

Cacmu in Ecuador

Cooperativa de Ahorro y Crédito Mujeres Unidas (CACMU) is a cooperative based in Ibarra, Ecuador. Representing its 25,000 members, CACMU has a strong focus on rural areas, serving female entrepreneurs and their families, and a high awareness of social and environmental issues. Evidence of their commitment to the development of their region and their innovative approach to financial inclusion can be seen in the 'Casa Verde' project. This will be a centre to promote social entrepreneurship, financial inclusion, green lending and provide non-financial services to their clients. Hivos-Triodos Fund finances the Casa Verde project.



280 MILLION JOBS NEEDED BY 2050

Goal 2:

Contribute to the development of inclusive, sustainable food value chains to ensure that small-scale farmers also benefit.

Inclusive, sustainable food value chains

Why do we invest in small and medium-sized enterprises?

The International Finance Corporation (IFC) found that there are 36–44 million small and medium-sized enterprises (SMEs) in the world of which 65–70% are located in developing countries. Of these 25–30 million SMEs, 55–68% (14–20 million SMEs) are unserved or underserved. Small businesses are the engine of employment, contributing up to 85% of new full-time jobs in developing countries.

Hivos-Triodos Fund already reaches SMEs indirectly through local financial institutions, but there is a clear gap between what local financial institutions can provide and what SMEs need. This is especially true for the larger financing needs of innovative SMEs active in sustainable food and agriculture, and renewable energy. This is due to a general lack of knowledge awareness and suitable financial instruments amongst local financiers which hampers a focus on these high impact segments. Hivos-Triodos Fund believes it can play a role in bridging the gap for innovative SMEs that lack access to the right financial services. It can catalyse their growth by investing directly and indirectly (via dedicated local funds) in SMEs, by means of equity, mezzanine debt and debt.

The case for sustainable food and agriculture

Agriculture provides a livelihood for 2.5 billion people worldwide; many of them in developing countries. Over the next 35 years, agriculture will face an unprecedented confluence of pressures, including a 30% increase in the global population, intensifying competition for increasingly scarce land, water and energy resources, and the existential threat of climate change.

To be sustainable, food and agriculture chains must meet the needs of present and future generations for its products and services, while ensuring

profitability, environmental health and social and economic equity. Therefore, Hivos-Triodos Fund looks to finance scalable business opportunities that contribute to this view. We see a case for small-scale farmers and sustainable agricultural methods in developing countries. Likewise, for scalable business models within the value chain to increase their efficiency from ‘farm to fork’: farming inputs and farming, sourcing and transport, processing, marketing and branding, retailing, and consumption.

Trade finance

In 2018, Hivos-Triodos Fund started to offer trade financing loans to sustainable agriculture companies. Hivos-Triodos Fund had the following aggregated impact from the trade financing loans we provide to our portfolio companies:

Key indicators as per end of 2018

17,698

Number of farmers reached

51,479

Hectares of sustainably cultivated land

23,925

Hectares of organically certified cultivated land

22,180

Millions of tonnes of sustainably grown products exported

Given the diversity of the sector, aggregated impact reporting does not always accurately reflect the impact of the individual companies. Besides the aggregated approach for its trade finance clients, Hivos-Triodos Fund adopts a case-by-case approach for other portfolio companies, which does not allow for aggregated reporting.

Hivos-Triodos Fund financed 11 food and agriculture companies in 2018. We highlight the following:

Twiga Foods in Kenya

Twiga Foods is a mobile-based supply platform for Africa's market stalls. It buys fresh fruit and vegetables directly from farmers and delivers these products directly to Nairobi street vendors, offering better conditions and prices for both. Farmers get paid fairly and directly; street vendors get quality products delivered with transparent prices instead of going to local unorganized markets. In doing so, Twiga Foods drastically reduces food waste in the value chain, which can be as high as 40%. Hivos-Triodos Fund was one of Twiga Foods' first institutional lenders, providing loans for energy-efficient storage and working capital.



40% OF FOOD LOSS IN KENYA OCCURS BEFORE FOOD EVEN REACHES THE MARKET

Norandino in Peru

Norandino is a credit and savings cooperative working with (organic) coffee farmers in the highlands of north-east Peru. The dry season, which usually kills off coffee rust, was extremely wet in 2011–2012, so the fungus spread and killed many coffee plants in the region. Hivos-Triodos Fund provided an innovative long-term loan for the renovation of coffee plants, increasing their resilience and ensuring future income for smallholder farmers. The loan product was so successful that it has been expanded and applied to other crops such as cocoa, sugar cane, mangos and bananas, keeping a strong focus on sustainable agricultural practices.



BY 2030 ALL COUNTRIES WILL HAVE STRENGTHENED RESILIENCE TO CLIMATE RELATED HAZARDS AND NATURAL DISASTERS

Origo in India

Origo is an agri-business company in India, active in professional warehousing, collateral management, finance and distribution of agricultural commodities. The company manages over 400 warehouses throughout India. It has recently set up a financing company to focus on farmer and broader agri-financing. Through its activities, the company contributes to reducing food waste, access to affordable financing and access to markets. Hivos-Triodos Fund invested in Origo together with its local Indian partner Caspian in October 2018.



OVERALL FOOD WASTE IN INDIA IS 15% OF GRAIN AND PULSES; MORE THAN AUSTRALIA PRODUCES EACH YEAR

GraceBio in Thailand

GraceBio is a private company established by Belle Natrada, a third-generation rice entrepreneur in Thailand. The company has exported organic and fair-trade rice to Europe since 2011 and established its own farmer community enterprise that currently has 276 farmers. GraceBio is the first women-owned agribusiness that Hivos-Triodos Fund finances and 50% of the farmer base consists of female farmers. Hivos-Triodos Fund has provided a trade financing facility to GraceBio as its first international lender to catalyse export to international buyers.



WOMEN WORK 70% OF THE WORLD'S WORKING HOURS, YET EARN ONLY 10% OF THE WORLD'S INCOME

ECO Enterprises Fund II in Latin America

Eco Enterprises Fund II (Eco E II) is a follow-on fund from Eco Enterprises Fund with an objective to provide long-term risk capital to sustainable small and medium-sized enterprises (SMEs) that support livelihoods, mitigate climate change and protect environmental services. Targeted sectors are sustainable agriculture, sustainable forestry, non-timber forest products and ecotourism. The fund finances companies in Central America, Mexico, the northern Andes and the Amazon basin in Latin America and is considered a frontrunner in successfully catalysing high impact enterprises. Hivos-Triodos Fund invested in ECO E II and will invest in ECO E III.



LAND DEGRADATION, DECLINING SOIL FERTILITY AND UNSUSTAINABLE WATER USE ARE ALL LESSENING THE ABILITY OF THE NATURAL RESOURCE BASE TO SUPPLY FOOD

Goal 3:

Enable access
to clean,
affordable and
reliable energy
for low-income
households
and SMEs.

Clean, affordable and reliable energy

The case for renewable energy

Over 1 billion people in the world live without electricity, and 2.7 billion rely on wood, charcoal, and biomass for their home energy requirements. This lack of access to modern energy technology limits income generation, blunts efforts to escape poverty, affects the health of women and children, and contributes to global deforestation and climate change.

Renewable energy can be particularly suitable for developing countries. According to the International Energy Agency (IEA), over half of new electricity provision required for universal energy access in developing countries in next few decades is likely to come through off-grid or mini-grid development, mostly related to lower distribution costs. This is the natural domain of SMEs which use and sometimes produce distributed, renewable technologies. Examples include pay-as-you-go solar companies, biogas companies, products with increased energy efficiency such as insulation, cookstoves and solar irrigation.

Hivos-Triodos Fund financed two renewable energy companies in 2018:

SistemaBioBolsa, global

SistemaBioBolsa produces and sells biodigesters, converting organic waste (animal manure) into biogas that can be used for cooking, heating, or electricity generation, and an organic fertiliser to support local agriculture ('creating value from waste'). The product produces clean energy and reduces CO₂ emissions and the use of chemical fertilisers. Furthermore, it generates savings for the farmers by reducing fuel costs and increasing harvest yields. The company installed over 4,000 systems in Latin America and is expanding to Kenya, for which Hivos-Triodos Fund provided a loan.



BIOGAS LOWERS HOUSEHOLD ENERGY EXPENDITURE AND MAKES THEM INDEPENDENT OF UNRELIABLE POWER GRIDS

M-KOPA Solar in East Africa

M-KOPA Solar is the global leader of pay-as-you-go energy for off-grid customers. The company sells solar home systems to low-income households in East Africa based on a leasing scheme serviced through mobile phones. To date, M-KOPA Solar has connected over 600,000 homes in East Africa to affordable, safe and clean energy. Its customers now enjoy over 62.5 million hours of kerosene-free lighting per month and they will save over 600,000 tonnes of CO₂ over four years. Hivos-Triodos Fund became one of M-KOPA Solar's first institutional lenders in 2015 and catalysed loans from other Triodos funds.



1.4 BILLION PEOPLE GLOBALLY LACK ACCESS TO BASIC ENERGY SERVICES

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Triodos  Bank

This year marks 25 years since the creation of Hivos-Triodos Fund. In 1994, the joint initiative of Hivos and Triodos Bank started as one of the first movers worldwide in financial inclusion investments. From its early beginnings, Hivos-Triodos Fund, managed by Triodos Investment Management, invested in microfinance institutions, making small loans available to entrepreneurs in disadvantaged markets in developing countries. Now, 25 years later, the fund still plays a frontrunner's role through its support for renewable energy and sustainable agriculture initiatives, which enable tens of thousands of businesses to thrive. Full article [here](#).



Hivos-Triodos Fund is a joint initiative of Hivos and Triodos Bank, managed by Triodos Investment Management.

About Triodos Investment Management

With over 25 years of experience as a globally active impact investor, and as a wholly-owned subsidiary of Triodos Bank, Triodos Investment Management has developed deep sector-specific insights across Energy & Climate, Financial Inclusion, Sustainable Food & Agriculture, and Socially Responsible Investing in listed equities and bonds. Assets under management as per 31 December 2018 amounted to EUR 4.2 billion.

Investing in positive change

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