REGMIFA
10 YEARS OF IMPACT

regmifA


PAPE

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EXECUTIVE SUMMARY

About REGMIFA

The Regional MSME Investment Fund for Sub-Saharan Africa (REGMIFA) is designed to be a major source of innovative funding to MSMEs and support to financial institutions in the region. Since it was launched in 2010 and until December 2019, it has invested USD 422 million through 91 partner lending institutions (PLIs) in 24 countries. 68% of invested countries are classified as having a low level of human development[1] and an average banking penetration of 47%,[2] reaching out to populations that are largely financially excluded. The Fund has financed a diverse range of institutions, supporting them to grow in terms of total assets and expand their outreach to more end-borrowers.

Over the past 10 years, REGMIFA facilitated financial services for over 150,000 end-borrowers per year, supporting more than 320,000 jobs in Sub-Saharan Africa each year. The country with the highest number of borrowers is Nigeria (24% of end-borrowers). The Fund has mainly financed women (56%) and the majority of MSMSEs financed run small trading activities (66%). In terms of location, 74% of borrowers are based in urban areas.

Technical Assistance Facility

REGMIFA has a specialized Technical Assistance (TA) Facility, which has supported 76% of the Fund's PLIs (69 institutions) in 23 countries, with the majority of TA projects in Kenya and Nigeria. Customized TA projects have enabled PLIs to build their internal capacity in terms of product development, risk management and human resources, ultimately enhancing the PLIs' development impact.

Contributing to the SDGs

Through its investment activities, REGMIFA expands access to financial services for low-income individuals, provides women with equal access to economic resources, and encourages the growth of MSMEs, thereby contributing to several of the United Nations Sustainable Development goals. Namely, the Fund works towards SDG 1 (no poverty), SDG 5 (gender equality) and SDG 8 (decent work and economic growth).

Impact Study: Key Findings

In 2019, REGMIFA commissioned a study to assess the extent to which the financial services provided through the Fund are affecting MSMEs in terms of financial inclusion, changes in income, quality of life, and employment generation. For the purposes of this study, we interviewed 657 end-borrowers from three of the Fund's PLIs in Côte d'Ivoire, Kenya and Nigeria tracking both qualitative and quantitative indicators.

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1 United Nations Development Programme. (n.d.). Human Development Reports. Retrieved from http://hdr.undp.org/en/content/human-development-index-hdi

2 Demirgüç-Kunt, A., Klapper, L., Singer, D., Ansar, S., & Hess, J. (2018). The Global Findex Database 2017. Washington, DC: World Bank Group. Retrieved from https://globalfindex.worldbank.org/

We find that REGMIFA's PLIs serve low- and middle-income borrowers, with 36% of the participants interviewed living below the international poverty line (USD 3.20 per day). Moreover, 63% of end-borrowers did not have access to similar loans in the past, nor could they find a good alternative to the services provided, demonstrating that the Fund significantly expands access to financial services. Nearly half of the sample is engaged in trading activities, in line with what is observed for all of REGMIFA's end-borrowers. The loans are mainly used for business-related needs (92%), to acquire assets and inventory, or to expand the business. Borrowers also use loans, to a lesser extent, to address household needs, such as paying for their children's school fees (4%) or renovating their homes (3%), among other uses (1%).

The majority of end-borrowers in the sample run microenterprises with less than five employees (92%). In this context, we find that access to loans generates a limited number of new jobs, with only 26% of respondents reporting that they hired new employees as a result of the loan they took. On the other hand, the loans led to increases in both income and quality of life for almost 90% of end-borrowers. Quality of life improvements were largely driven by end-borrowers' ability to invest and grow their businesses (61%), increase their income (18%) and reduce their financial stress (17%). Overall, these findings show that the loans provided through REGMIFA's PLIs have significant positive impacts on end-borrowers' lives.

Finally, 77% of end-borrowers indicate that loan repayments do not represent a burden at all and more than half of respondents have never had to make unacceptable sacrifices to make their repayments, demonstrating that REGMIFA focuses on collaborating with financial institutions that have a strong social mission, ensuring that end-borrowers are protected from the risk of over-indebtedness.

REGMIFA Key Figures – 10 Years

USD 422 MILLION
INVESTED

24 COUNTRIES
IN SUB-SAHARAN AFRICA

91
PARTNER LENDING INSTITUTIONS

69
PARTNER LENDING INSTITUTIONS SUPPORTED THROUGH TECNICAL ASSISTANCE

56%
FEMALE BORROWERS

74%
BORROWERS IN URBAN AREAS

153,000
END-BORROWERS FINANCED PER YEAR

323,000
MSME JOBS SUPPORTED PER YEAR (ESTIMATED)[3]

3 This figure takes into account REGMIFA's exposure, as well as the proportion of micro- and SME lending by each PLI. We estimated that micro-enterprises employ, on average, 2 workers while SMEs employ 9 workers.

1
INTRODUCTION

1.1 REGMIFA'S SOCIAL MISSION AND OBJECTIVES

The Regional MSME Investment Fund for Sub-Saharan Africa (REGMIFA) was launched in May 2010 with a mission to foster economic development in Sub-Saharan Africa by supporting financial institutions that serve micro-, small and medium enterprises (MSMEs). To this end, the Fund provides medium- to long-term financing and technical assistance (TA) to Partner Lending Institutions (PLIs) that serve MSMEs. REGMIFA works to build unique public-private partnerships with public institutions, private investors and African stakeholders to achieve its mission.

Symbiotics SA, a specialized impact investment management company based in Geneva, Switzerland, was entrusted by the Fund with the dual mandates of Investment Manager and Technical Assistance Facility Manager.

The key development objectives of the Fund are to:

- Invest in a large number of poor and difficult-to-access countries with commercial investments, through innovative financial solutions and techniques;
- Develop inclusive financial systems by leveraging public funds as a risk cushion to attract significant private sector capital to Sub-Saharan Africa;
- Invest in diversified financial service providers that lack access to capital, in order to allow them to grow and consolidate themselves, reduce their overall risk-profile, integrate them into the mainstream local and international capital markets and, indirectly, increase competition in the countries' microfinance sector;
- Collaborate with socially responsible PLIs that protect their clients and adopt best practices in the field of social performance management; and
- Deliver high-quality financial services and technical assistance to PLIs that are tailored to the market, the PLIs' needs and those of their client base

With a special focus on the African market, the Fund is designed to be a major source of innovative funding to MSMEs. It envisions MSMEs as engines of income generation and growth and recognizes the many challenges MSMEs face when working to reach their full potential. Insufficient access to finance, shortage of adequate financial products, and lack of innovative credit methodologies are some of the obstacles hindering the growth of MSMEs. The fund aims to address those obstacles to unlock the potential of the local capital markets for the benefit of MSMEs.

1.2 IMPACT STUDY: OBJECTIVES AND SCOPE

REGMIFA commits to its social mission and objectives through the active management of its social performance, in line with its Environmental and Social Responsibility (ESR) Strategy and risk management system. The Fund makes responsible investment decisions and communicates transparently on its social performance through an annual ESR report, aggregating key impact indicators at the level of the markets the Fund is invested in, the PLIs in its portfolio and the end-borrowers (MSMEs) supported by the Fund.

This impact report summarizes REGMIFA's social performance and outreach since its inception 10 years ago, demonstrating how the Fund and its PLIs have evolved over this period and how REGMIFA's investments in MSME finance contribute to achieving the United Nations Sustainable Development Goals[4] (SDGs; Section 2).

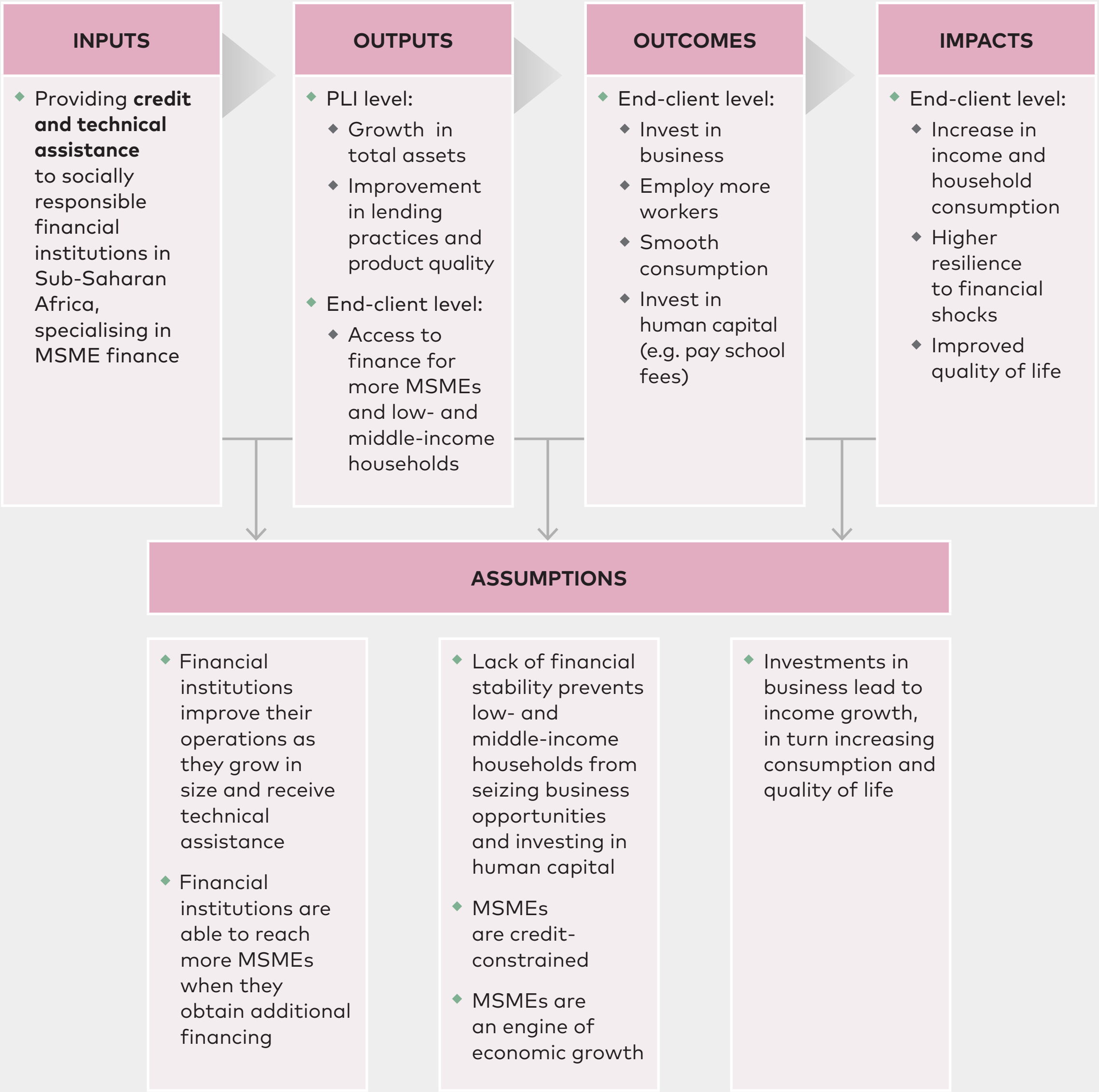
At the level of the end-borrowers, the ESR performance of the Fund, to date, has been based on data collected by the PLIs about the borrowers' gender, location, sectors of activity and loan type. While this data provides a comprehensive overview of the Fund's outreach, it seldom allows for deeper insights into the end-borrowers' experiences and outcomes. Ten years after the launch of REGMIFA, this report goes beyond the standard indicators, assessing the impact of the Fund on end-borrowers through direct surveys.

The objective of this impact study is to assess the extent to which the financial services provided through the Fund are affecting end-borrowers in terms of financial inclusion, changes in income and quality of life, and employment generation. We conducted this study in three countries in Sub-Saharan Africa, which have historically accounted for a significant proportion of REGMIFA's portfolio: Côte d'Ivoire, Kenya and Nigeria. We collaborated with three PLIs to directly interview a sample of 657 of their end-borrowers between October and December 2019, tracking both qualitative and quantitative indicators. The data we collected through these interviews demonstrates the extent to which the Fund reaches out to low-income households with otherwise limited access to financial services, and how this has impacted their lives (Section 3), in line with REGMIFA's theory of change.

4 The SDGs are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030. These 17 goals include areas such as economic inequality, climate change, innovation, sustainable consumption, peace and justice, among others.
For more information, please see: https://sustainabledevelopment.un.org/

1.3. REGMIFA'S THEORY OF CHANGE

Figure 1



REGMIFA aims, through investments made in low and middle-income countries in Sub-Saharan Africa, to foster economic development, increase income and consumption, build financial resilience and ultimately improve end-borrowers' quality of life. The Fund collaborates with socially responsible financial institutions, specialized in MSME finance, to achieve this aim, operating on the basis of the theory of change summarized in Figure 1 above.

The Fund offers its PLIs access to financing and customized TA interventions. As a result of these inputs, we can expect several outputs at the level of both the PLIs and the end-borrowers. First of all, PLIs will grow in terms of total assets when they receive additional financing. In addition, TA projects, tailored to the needs of the PLIs, will help them provide better quality services, and improve their governance and lending practices. This can potentially translate into a decrease in costs due to the increase in transaction volume, as well as the development of demand-driven products that are well-suited to their customers. These factors will enable PLIs to, in turn, serve more clients (MSMEs and low- and middle-income households).

Since 2010, REGMIFA has invested USD 422 million in 24 countries in Sub-Saharan Africa through 91 PLIs, supporting an average of 153,000 end-borrowers per year. In parallel, the Fund has supported 69 of these PLIs with tailored TA interventions. As demonstrated in Section 2.4, the majority of PLIs grew in terms of total assets and increased their outreach to end-borrowers, as well as improving their ESR rating score, which suggests that PLIs are taking further steps towards enhancing their social impact on the communities in which they operate.

As end-borrowers expand their access to financial services, they are able to better address their business and household needs and seize more opportunities.[5] The expected outcomes for MSMEs include the ability to start a new business or invest in an existing business. For example, they may purchase inventory, equipment,[6] or have the ability to employ more workers. Microfinance borrowers in particular often benefit from financial services, not only for business purposes, but also to manage household finances. As such, microfinance borrowers may be able to smooth household consumption of basic goods and benefit from the ability to invest in human capital, for example by paying for children's school fees.[7],[8] In Section 3, we demonstrate the extent to which REGMIFA's end-borrowers have benefitted from these outcomes.

Finally, these outcomes lead to positive long-term impacts for end-borrowers. Namely, we expect end-borrowers to experience an increase in income and higher consumption levels. As such, they build their financial resilience, equipped with the ability to better manage their income flows and pay their bills. Together, these changes lead to an overall improvement in quality of life, as perceived by the end-borrowers. Through this impact study, we find that 89% of the end-borrowers interviewed experience an increase in income after receiving a loan, and 90% reported that their quality of life had improved.

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5 Mdasha, Z., Irungu, D., & Wachira, M. (2018). Effect of Financial Inclusion Strategy on Performance of Small and Medium Enterprises: A Case of Selected SMEs in Dar es Salam, Tanzania. Journal of Strategic Management, 2(1), 51-70.

6 Crépon, B., Devoto, F., Duflo, E., & Parienté, W. (2015). Estimating the Impact of Microcredit on Those Who Take it up: Evidence from a Randomized Experiment in Morocco. American Economic Journal: Applied Economics, 7(1), 123-50

7 Moore, D., Niazi, Z., Rouse, R., & Kramer, B. (2019). Building Resilience through Financial Inclusion: A Review of Existing Evidence and Knowledge Gaps. Financial Inclusion Program, Innovations for Poverty Action

8 El-Zoghbi, M., Holle, N., & Soursourian, M. (2019). Emerging Evidence on Financial Inclusion: Moving from Black and White to Color. Washington, DC: CGAP. https://www. cgap. org/research/publication/emerging-evidence-financial-inclusion.

"My life has improved so much. I use to own a kiosk and do my business. Thanks to Musoni, I have a shop and my income has increased because, now, I have more stock to sell."

Mary, female borrower in Kenya

2
FUND OUTREACH – 10 YEARS

2.1 WORKING TOWARDS THE SDGS

Through its investments in MSME finance, REGMIFA actively contributes to the SDGs 1, 5 and 8.

Among the targets of SDG 1 (no poverty) is to ensure that the poor and vulnerable have access to economic resources and financial services, including microfinance. This is primarily because these services are believed to support efforts to alleviate poverty. REGMIFA focuses on supporting institutions that provide microfinance services to low- and middle-income households. As such, we find that 98% of all investments (89 PLIs) contribute to SDG 1 (no poverty).

Some PLIs focus primarily on serving women in an effort to bridge the gender financing gap. We consider that a microfinance investment in a PLI with more than 50% female borrowers is addressing SDG 5 (gender equality) by expanding women's economic opportunities.

Finally, by partnering with financial institutions that support SMEs, REGMIFA contributes to SDG 8 (decent work and economic growth) by promoting entrepreneurship and encouraging the growth of SMEs. More specifically, 66 of the PLIs in the portfolio provide finance to SMEs.

SUSTAINABLE DEVELOPMENT GOALS	How does REGMIFA contribute?	% total origination since inception
1 NO POVERTY	• Ensuring that low-income individuals have access to financial services, including microfinance and savings products	98%
5 GENDER EQUALITY	• Providing women with equal access to economic resources and opportunities	50%
8 DECENT WORK AND ECONOMIC GROWTH	• Strengthening the capacity of domestic financial institutions to expand access to banking and financial services for all • Encouraging the growth of SMEs	83%

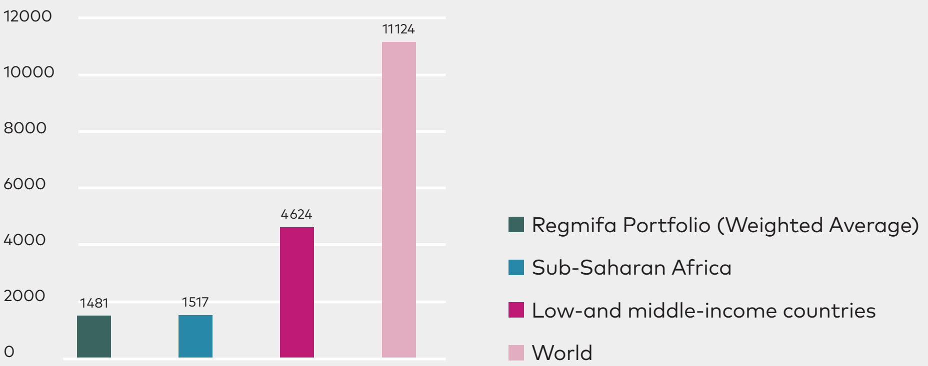
2.2 MARKET OUTREACH

The Fund invested a total of USD 422 million in 24 countries in Sub-Saharan Africa since its launch in 2010, partnering with 91 financial institutions. REGMIFA's top five countries of investment are (in descending order) Nigeria, Senegal, Kenya, Ghana and Côte d'Ivoire, together accounting for 50% of total origination over the past 10 years.

68% of the Fund was invested in countries with low human development, 29% in countries with medium human development (Angola, Cameroon, Ghana, Kenya, Zambia and Zimbabwe) and 3% in South Africa, the only country classified with a high human development level.[9]

The portfolio-weighted average GNI per capita is USD 1,481, which is far below the world average (USD 11,124) and the average in low- and middle-income countries (USD 4,624). It is in line with the average for Sub-Saharan 2Africa (USD 1,517).

Figure 2: GNI per capita (current USD)



In terms of banking penetration, the portfolio-weighted average proportion of adults with a bank account is 47% among REGMIFA's investee countries, which is slightly higher than the average in Sub-Saharan Africa (36.9%) but lower both than the world average (64.8%) and the average for low-and middle-income countries (58.6%)[10]. REGMIFA's investments in countries where less than half of adults have an account with a financial service provider demonstrates that the Fund is reaching out to populations that are largely financially excluded.

9 The Human Development Index (HDI), developed by the United Nations Development Programme (UNDP), is a summary measure of the average achievement of each country in three key dimensions of human development: health (life expectancy at birth), education (number of years of schooling) and income level. (GNI per capita). In 2018, South Africa's HDI score was 0.705. According the UNDP classification, countries with an HDI value from 0.700 to 0.799 are classified as having high human development. From 1990 to 2018, South Africa's HDI score increased from 0.0625 to 0.705 due to improvement across all three dimensions. Source: http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/ZAF.pdf

10 Demirgüç-Kunt, A., Klapper, L., Singer, D., Ansar, S., & Hess, J. (2018). The Global Findex Database 2017. Washington, DC: World Bank Group. Retrieved from https://globalfindex.worldbank.org/

Table 1: Banking Penetration levels, % of Adult Population

% OF ADULTS POPULATION	
World	64.8%
Low- and middle-income countries	58.6%
Sub-Saharan Africa	36.9%

Table 2: Country-Level Development Indicators

Countries	% of total origination	GNI per capita (2018)	Life Expectancy at Birth (2017)	Banking Penetration Rate	HDI Rank 2018	Human Development Level
Angola	0.9%	3,370	60.4	29.3	149	Medium
Benin	2.6%	870	61.2	38.5	163	Low
Burkina Faso	2.7%	670	60.8	43.2	182	Low
Cameroon	3.6%	1,440	58.5	34.6	150	Medium
Chad	0.1%	670	53.7	21.8	187	Low
Côte d'Ivoire	7.2%	1,600	57.0	41.3	165	Low
DRC	6.2%	490	60.0	25.8	179	Low
Ghana	8.3%	2,130	63.5	57.7	142	Medium
Kenya	9.6%	1,620	65.9	81.6	147	Medium
Madagascar	3.3%	510	66.3	17.9	162	Low
Malawi	0.6%	360	63.3	33.7	172	Low
Mali	2.9%	840	58.5	35.4	184	Low
Mozambique	0.7%	460	59.3	41.7	180	Low
Niger	0.3%	390	61.6	15.5	189	Low
Nigeria	14.1%	1,960	54.0	39.7	158	Low
Rwanda	1.7%	780	68.3	50.0	157	Low
Senegal	11.0%	1,410	67.4	42.3	166	Low
Sierra Leone	0.6%	490	53.9	19.8	181	Low
South Africa	2.9%	5,750	63.5	69.2	113	High
Tanzania	6.7%	1,020	64.5	46.8	159	Low
Togo	0.5%	660	60.5	45.3	167	Low
Uganda	6.5%	620	62.5	59.2	159	Low
Zambia	6.5%	1,430	63.0	45.9	143	Medium
Zimbabwe	0.5%	1,790	60.8	55.3	150	Medium
Portfolio-Weighted Average		**1,481**	**61.6**	**46.8**	**158**	

2.3 PLI OUTREACH

GREGMIFA has invested in 91 institutions in Sub-Saharan Africa, consistently maintaining a balance between small, medium and large PLIs. Small (Tier 3) PLIs have total assets below USD 10 million, medium (Tier 2) PLIs have total assets between USD 10 and 30 million, and large (Tier 1) PLIs have total assets exceeding USD 30 million.

Compared to the time when they received their first loan from REGMIFA, the majority of PLIs have grown, expanding their gross loan portfolios and reaching out to more MSMEs. The average asset value at first disbursement is USD 28.45 million, while the most recent average asset value is USD 50.17 million. Over the past 10 years, the majority of PLIs (77 out of 91) grew in terms of total assets. Of these, 39 PLIs moved up to a higher tier level. On the other hand, 14 PLIs shrank in terms of total assets, but only 3 PLIs experienced a significant decrease that led to a lower tier classification.

Moreover, there is a strong positive correlation between the percentage change in a financial institution's total assets and the percentage change in the number of clients it finances, i.e. financial institutions that grew in total assets are likely to have simultaneously grown in total number of borrowers, and vice versa. Therefore, the majority of REGMIFA's PLIs that grew in total assets (55 out of 77) also grew their client base, reaching out to more end-borrowers.

Overall, these results demonstrate that REGMIFA has succeeded in its goal to support a diverse range of financial service providers and help them to grow and consolidate themselves. It also validates one of the assumptions underlying REGMIFA's theory of change, that financial institutions are able to reach more MSMEs when they obtain additional financing.

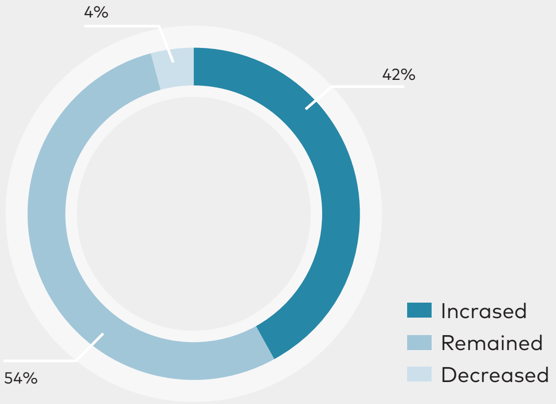
Table 3: Proportion of PLIs by Tier (number of PLIs)

Top Countries % of Borrowers	Tier 1	Tier 2	Tier 3
Tier at first disbursement	29%	36%	35%
Tier (most recent values)	51%	37%	12%

"I joined AB [Microfinance Bank] five years ago and this is my sixth loan, I have never regretted it. I have been able to open another business shop and also acquired land with their support."

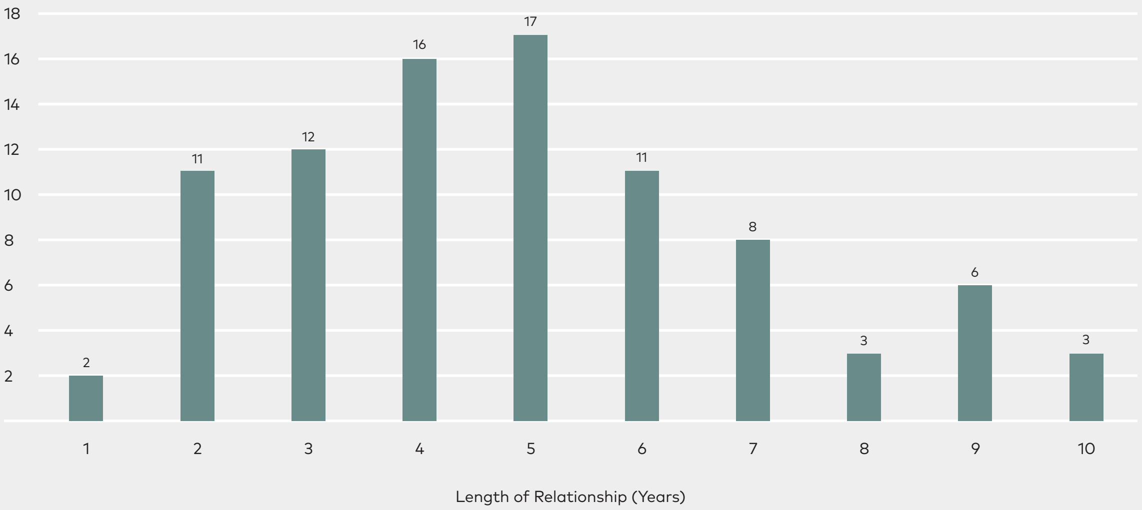
Ronke, female borrower in Nigeria

Figure 3: Changes in Tier (% of PLIs)



REGMIFA typically builds strong relationships with its PLIs, providing medium- to long-term financing and often renewing loans with PLIs, if needed. The average number of years an institution has been an investee of the fund is 4.4 years. Most of the financial institutions have been in REGMIFA's portfolio for 4 to 5 years. The three PLIs with the longest standing relationship with the Fund are Baobab Senegal, Kenya Women Microfinance Bank (KWFT) and Sinapi, Ghana, which have been in the Fund's portfolio from 2010 until December 2019 and have grown significantly during this time.

Figure 4: Length of Relationship with PLIs



The loan helped me build my own farm and buy my first batch of chickens (6,000 of them). Now, I'm a well-respected farm owner.”

Mamadou, female borrower Côte d'Ivoire

SOCIAL RESPONSIBILITY RATINGS

REGMIFA actively seeks to work with socially-oriented PLIs and monitors social responsibility through its ESR ratings which are calculated prior to any disbursement and then updated annually. Through the ESR rating, potential investees are assessed on their likelihood to contribute to sustainable development, considering social and environmental aspects. The rating is on a scale of zero to five, with five being an extremely strong likelihood of contributing to sustainable development. The rating methodology comprises seven different dimensions encompassing approximately 100 quantitative and qualitative indicators. The rating is conducted during the due diligence process for a financial institution before an investment is made, and on an annual basis afterwards

Taking into account the latest ESR rating grade from all 91 institutions that have been part of the Fund, the highest score is on the Client Protection dimension (68%), followed by Labor Climate (66%) and Social Governance (64%). Environmental Policy has the lowest score (31%) as the financial institutions in the REGMIFA portfolio do not focus on green lending activities (Figure 5).

During the time that each financial institution has been in REGMIFA's portfolio, its ESR rating grade has changed. We observe this change between the ESR rating grade at the time of first disbursement, relative to the most recent grade. 37% of the PLIs in the fund increased their grade (34 PLIs), 57% remained with the same grade (52 PLIs) and only 5% (5 PLIs) saw a decrease in the grade (Figure 6).

Efforts to improve client protection, enhance the environmental performance of the institution, increase outreach to excluded populations, provide trainings to customers as well as provide health and legal services are some of the measures PLIs with an improved ESR grade are implementing. On the other hand, among the reasons why some institutions have seen a decrease in their ESR grade, the following stand out: weak corporate communication strategy to convey their social mission, high levels of profitability linked to high interest rates, increasing staff turnover and minimal staff benefits.

Box 1: PLI's Initiatives to Improve Environmental Performance

Financial institutions are taking steps to improve their environmental performance by implementing environmental policies in their activities, as well as offering green products that have a positive impact on the environment. For example, SA Taxi is an institution in South Africa that finances minibuses and taxis. In an effort to reduce the carbon emissions produced by these vehicles, they finance the replacement and refurbishement of old taxis. In their offices, SA Taxi have installed energy-efficient lightbulbs, as well as partnering with local companies to put in place a waste management system.

Grooming Centre in Nigeria is another example of an institution promoting the use of clean energy, in line with international standards. In collaboartion with the IFC-World Bank Lighting Africa Program, Grooming Centre launched a solar loan product in 2017, enabling clients' access to affordable solar lighting products. The institution also provides loans to clients for the purchase of gas cook stoves, reducing the greenhouse gas emissions produced from cooking using wood or coal. Similarly, KWFT, a financial institution in Kenya, offers customers access to clean and renewable energy through loans to finance clean energy cooking stoves, solar home systems and biogas for farmers.

Figure 5: ESR Ratings (Simple Average)

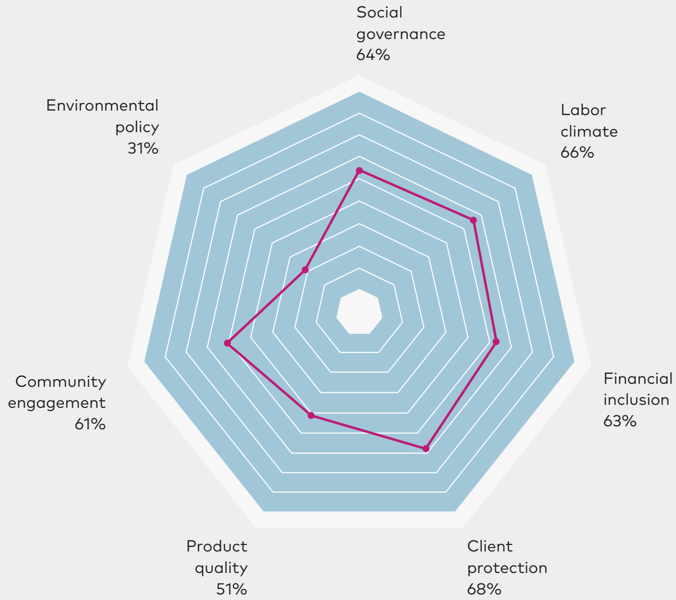
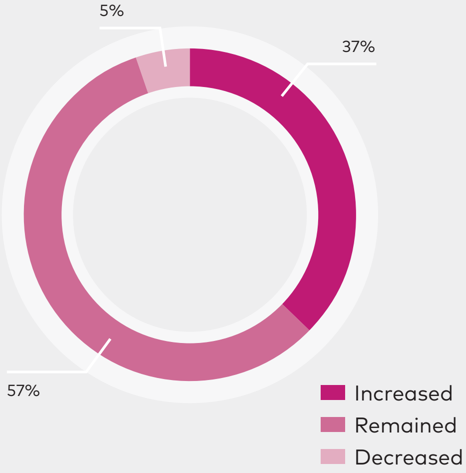


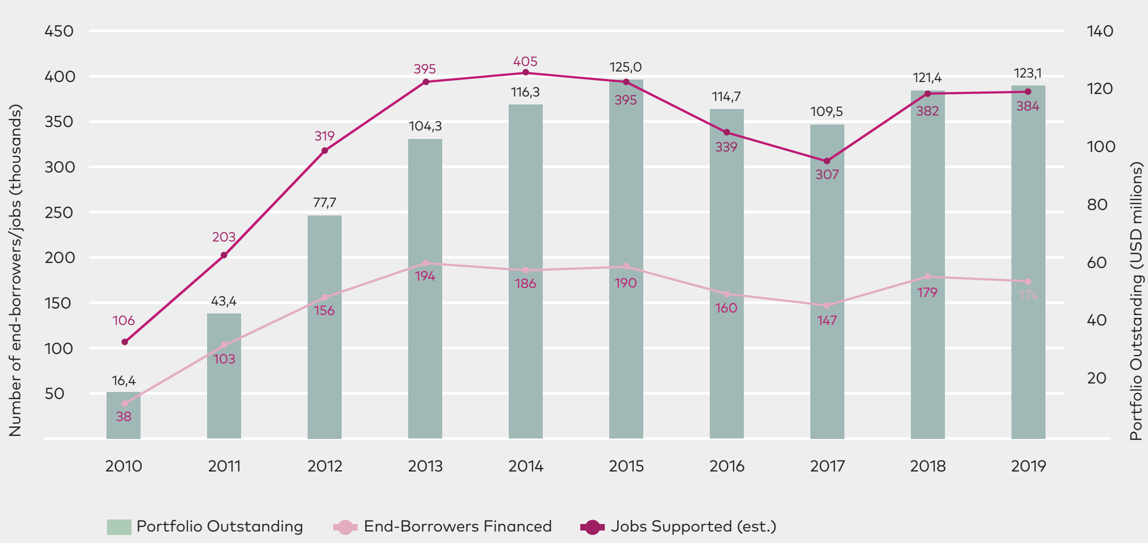
Figure 6: Changes in ESR Rating (% of PLIs)



2.4 END-BORROWER OUTREACH

REGMIFA financed an average of 153,000 end-borrowers per year since its inception, supporting an estimated 323,000 jobs per year.[11] The number of end-borrowers financed is linked to the investment volume and the average loan balance for each PLI. Therefore, the number of end-borrowers typically increases as REGMIFA's portfolio outstanding increases (Figure 7).

Figure 7: Number of End-Borrowers and Jobs Supported



The average loan balance increased from USD 432 in 2010 to USD 709 in 2019 (Table 4), notably as a result of the fact that REGMIFA increased its outreach to SMEs, which generally require larger loans than do microenterprises. Between 2010 and 2019, the portion of REGMIFA's portfolio financing SMEs increased from 17% to 35%. This increase is driven by two factors: (i) new PLIs added to REGMIFA's portfolio in recent years have a relatively larger proportion of SME lending, and (ii) many PLIs have increased the size of their SME portfolio throughout the period of their partnership with REGMIFA.

11 To calculate this estimate, we assume that each microenterprise employs 2 workers, and that each SME employs 9 workers.

Table 4: Numbers of End-Borrowers Reached and Average Loan Balance

Outreach	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
End-borrowers	37,906	102,852	155,538	194,327	186,348	189,564	163,788	147,435	179,031	173,650
Average Loan Balance	432	422	500	537	624	659	700	742	678	709

The highest number of borrowers reached by the Fund over the past 10 years was in Nigeria, where 24% of REGMIFA's end-borrowers are located, followed by Ghana (16%) and Kenya (11%; Table 5).

Table 5: Top Countries by Number of Borrowers

Ranking	Countries	Average number of borrowers per year since inception
1	Nigeria	47,691
2	Ghana	26,289
3	Kenya	17,333
4	Tanzania	15,357
5	Uganda	12,186
6	Senegal	9,587

In terms of gender distribution, REGMIFA financed a majority of women, representing an average of 56% over the past 10 years, while 39% of end-borrowers are men. The proportion of female end-borrowers has gradually decreased over time from 72% in 2010 to 52% in 2019. This is consistent with the evolution of the financial inclusion industry and the growth of REGMIFA's portfolio. In the past, the industry focused primarily on providing group loans to women in rural areas. As the fund grew to serve more PLIs, and as institutions became more competitive, outreach to several segments increased, including urban borrowers receiving individual loans and, concurrently, male borrowers.

The most common sector of activity for the MSMEs financed by REGMIFA was trade (66%), followed by services (13%) and agriculture (8%). The remaining MSMEs are in production or other types of activities. This trend has remained relatively stable. The only notable change is that, recently, there has been a slightly higher proportion of end-borrowers running service-based businesses relative to trading activities. This is an interesting shift as it suggests that more end-borrowers are transitioning to the services market, which has been growing rapidly in Sub-Saharan Africa in recent years.

Regarding the location of the borrowers, 74% of the borrowers are located in urban areas while 26% are in rural areas. The distribution of borrowers between rural and urban areas has not changed significantly since 2010.

Figure 8: Distribution by Activity (10-year weighted average)

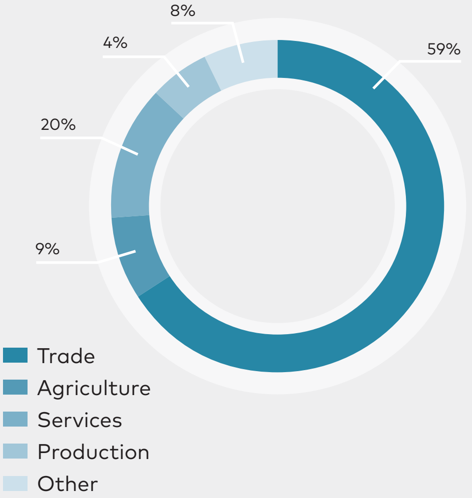


Figure 9: Distribution by Gender (10-year weighted average)

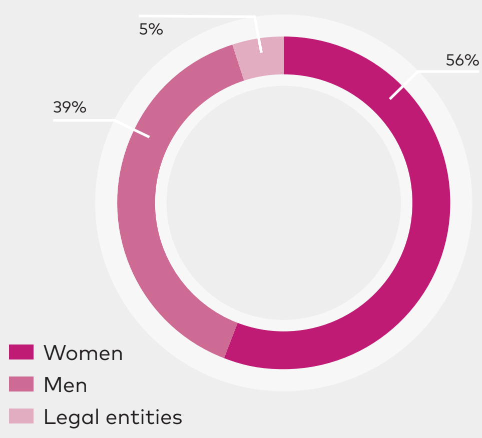
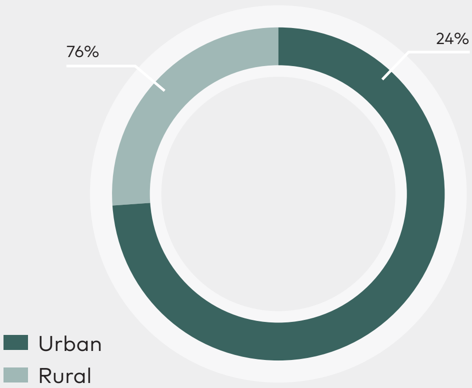


Figure 10: Distribution by Location (10-year weighted average)



"I boosted my butchery stock, tiled and upgraded it and this greatly helped me get new clients and retain old ones."

Authur, male borrower in Kenya

2.5 TECHNICAL ASSISTANCE

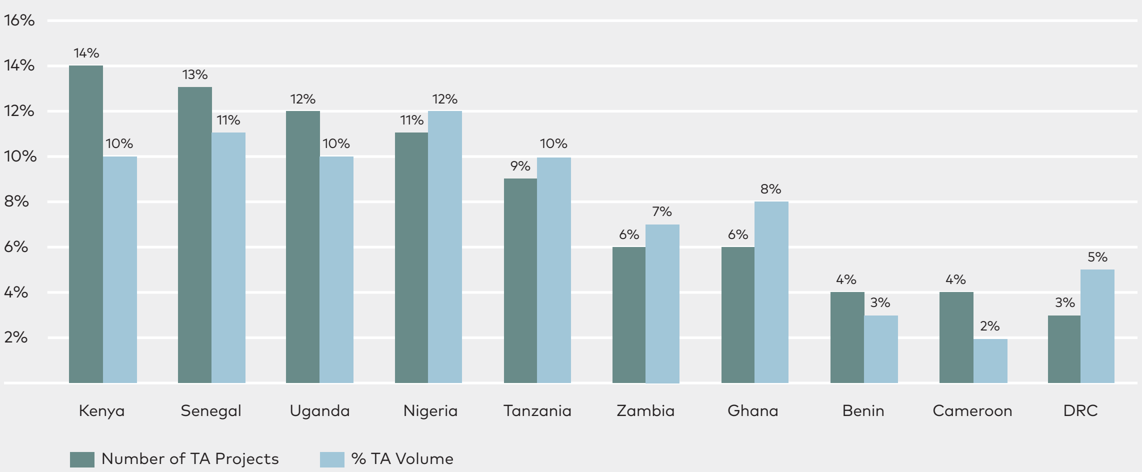
After the launch of the Fund, the REGMIFA Technical Assistance (TA) Facility was structured in 2011 to complement the financial services delivered to the investees of the Fund. The REGMIFA TA Facility is a key part of the Fund's value proposition, enabling it to provide technical support to MSME financial institutions in Sub-Saharan Africa and increase their developmental impact. The Facility's activities are specifically targeted at supporting the Fund's investment portfolio and are complementary to other industry initiatives in the region. The approach of the implementation and management of the Facility is based on the following principles:

- Delivery of high-quality consultancy services
- Fair and transparent processes and procedures
- Provision of services based on PLIs' needs

Since its launch, the TA Facility supported 69 institutions located in 23 countries in Sub-Saharan Africa. A total of EUR 6.8 million was allocated to provide technical assistance to PLIs, with an average of approximately EUR 55,000 per project. The largest number of TA projects have been completed in Kenya (14%), whereas the largest volumes were allocated in Nigeria (12%). Senegal and Uganda follow, accounting for a significant proportion of both number of projects and TA volumes disbursed (Figure 11).

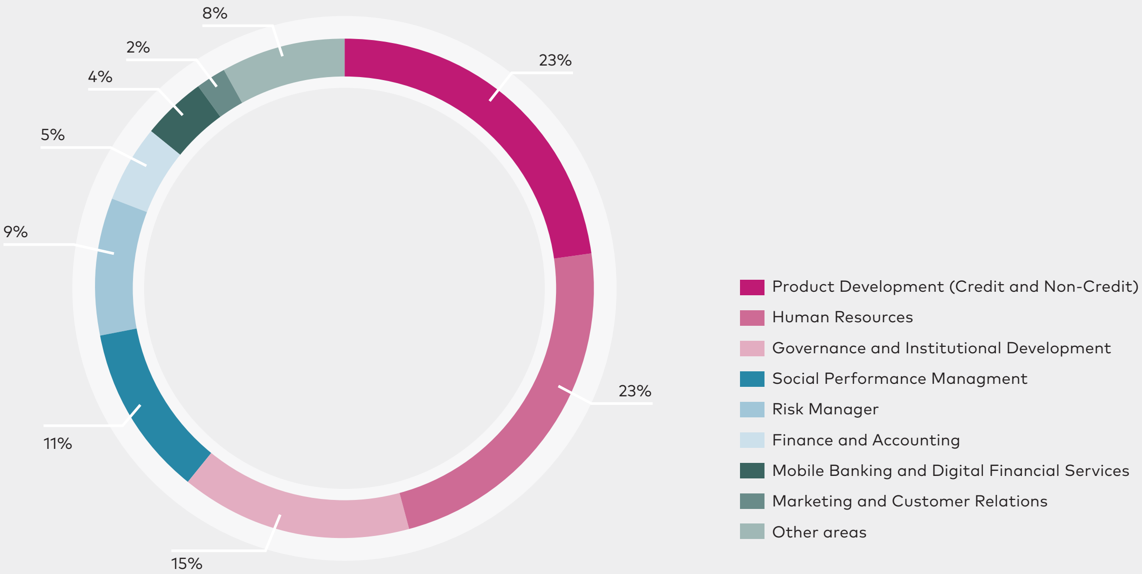
PLIs that received TA were more likely to improve their ESR rating. Out of the 34 PLIs that improved their ESR rating during the Fund's period of investment (see Figure 6), 30 PLIs received TA.

Figure 11: Top 10 Countries Receiving TA



The TA Facility supported PLIs in a wide range of areas, including product development for credit and non-credit products, governance, risk management, human resource development and social performance management. The largest proportion of TA funds have been allocated to projects focused on product development and human resource development (Figure 12). Product development projects have often supported PLIs with new SME lending products, savings schemes and improving their individual lending methodology.

Figure 12: Areas of TA (% TA Volume)



One of the most common types of TA projects in human resource development has been scholarships and training grants offered by the TA facility to PLIs' staff to attend renowned training programs, such as the Boulder Microfinance Training Programme, the School of African Microfinance and the Micro & SME Banking Summer Academy. Training grants have accounted for over EUR 250,000 of the TA funds and benefited 89 of the PLIs' staff members. These types of grants have been awarded to REFMIFA PLIs since 2012. In 2019, in light of the increasing digitalization of financial services, the TA Facility granted six scholarships to PLIs to participate in the newly launched program on Digital Transformation of Microfinance Institutions. Other TA interventions on human resource development notably included strengthening middle management skills.

"When I needed them, they were there. I don't need to go to friends to borrow. It has been long since I borrowed from anyone, it has saved me embarrassment."

Adeshina, male borrower in Nigeria

3
IMPACT STUDY RESULTS

3.1 METHODOLOGY AND SAMPLE DESCRIPTION

REGMIFA collaborated with three PLIs in Côte d'Ivoire, Kenya and Nigeria to measure the Fund's impact on end-borrowers in terms of financial inclusion, income, employment and overall quality of life. These three countries are among REGMIFA's top five countries of investment, accounting for 31% of total origination since inception (see Table 2). The sampled PLIs are long-term partners of REGMIFA, receiving funding since 2012, or earlier, in addition to receiving support through the TA Facility.

In collaboration with each PLI, we contacted a random sample of end-borrowers for phone interviews to better understand how they were affected by the loans they received. We interviewed a total of 657 end-borrowers for this study. The objective of the interviews was not only to measure REGMIFA's impact on end-borrowers, but also to provide actionable insights to the PLIs on how they can improve their services in the future. To that end, REGMIFA relied on the Lean Data^{SM} impact measurement methodology, in partnership with 60 Decibels.[12] Using this methodology also allows us to compare the performance of REGMIFA's PLIs to 60 Decibels' global benchmarks on several key indicators, including client income level and impact on quality of life.[13]

Table 6: Impact Study Sample

Country	Financial Institution	First disbursement date	Number of end-borrowers interviewed
Côte d'Ivoire	Baobab CI	2012	200
Kenya	Musoni	2012	238
Nigeria	AB Microfinance Bank Nigeria	2010	219
Total			657

12 60 Decibels is an independent impact measurement company. Lean DataSM is a customer-centric methodology that allows companies to collect comparable and actionable impact data.
Please see https://www.60decibels.com/approach for more details.
13 60 Decibels' global benchmark is based on data from over 43,000 clients worldwide, of which about 21,000 are based in Sub-Saharan Africa.

3.2 END-BORROWER PROFILE

I Gender and Household Size

The sampled end-borrowers are 52% male and 47% female, with some differences across the three countries (Figure 12).

The average end-borrower in the sample lives in a household with five people. Overall, very few end-borrowers live alone (4%) and the most common household size is 4-5 members (44%). End-borrowers in Côte d'Ivoire have the largest household size (Figure 13).

Figure 13: Gender

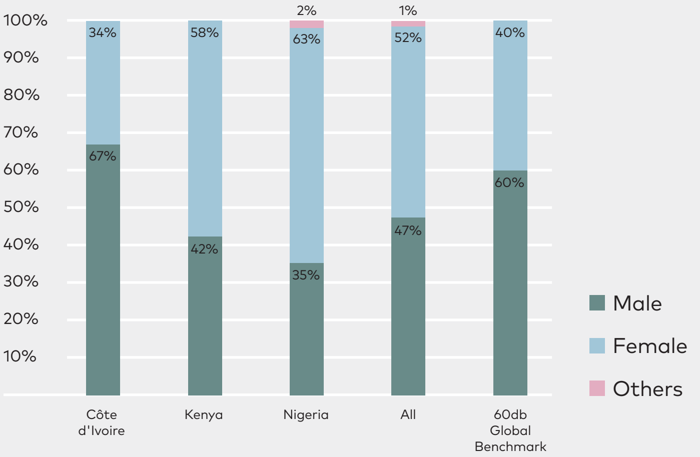
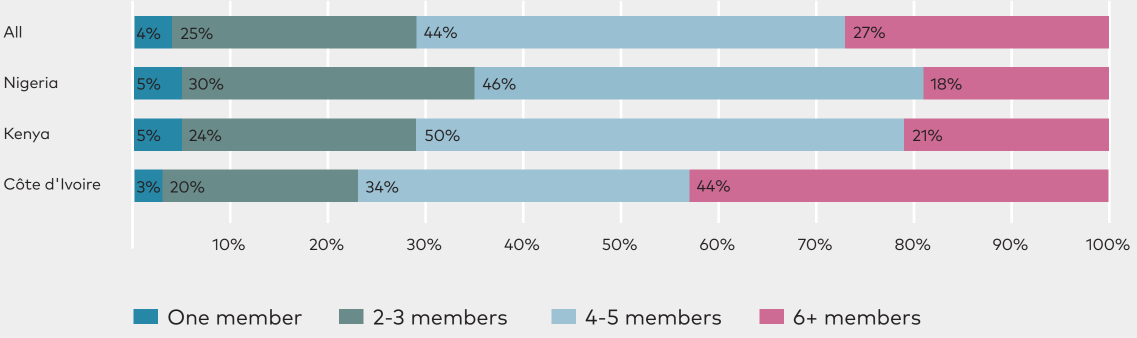


Figure 14: Household Size



II Income Level

We used the Poverty Probability Index (PPI®) to measure end-borrowers' income level compared to the average income in their respective country.[14] This comparison is done to understand the PLIs' outreach to different income segments.

The overall percentage of end-borrowers in the sample living below the World Bank's relative poverty line of USD 3.20 per day is approximately 36%, while 8% live below the extreme poverty line of USD 1.90 per day. Comparing the income levels of the sampled end-borrowers to the national income distributions in Côte d'Ivoire, Kenya and Nigeria, we can see that the PLIs serve customers that are slightly wealthier than the average person in each country (Figures 16, 17 and 18).

This is further demonstrated through each PLI's inclusivity ratio, which we calculate as the percentage of sampled end-borrowers living below the USD 3.20 per day poverty line divided by the national average. A score below one demonstrates that the PLI is underpenetrating low-income segments, whereas a score above one would imply overpenetration.[15] Despite serving a significant proportion of low-income clients, all three PLIs underpenetrate this segment in their markets.

Figure 15: Inclusivity Ratio

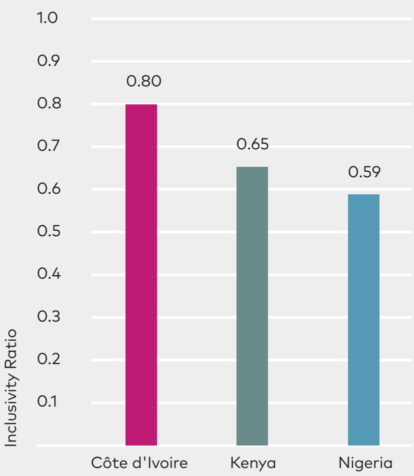
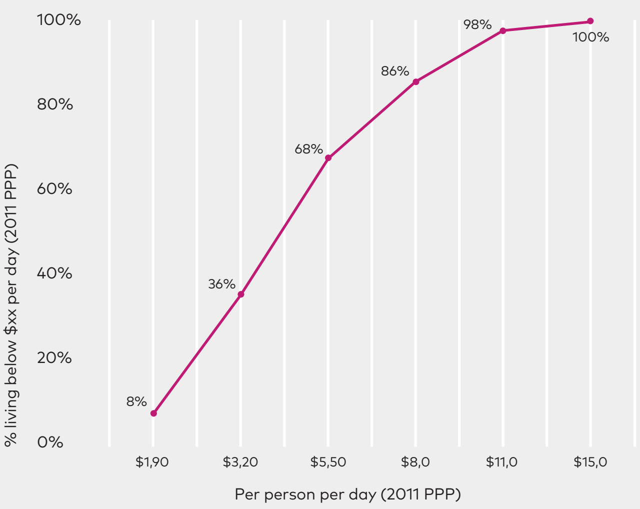


Figure 16: Overall Income Distribution



14 The Poverty Probability Index (PPI®) is a statistically-sound poverty measurement tool, managed by Innovations for Poverty Action, which uses questions about a household's characteristics and asset ownership. The questions are tailored to the country context, and the answers are scored to compute the likelihood that a household is living below the poverty line. For more details, please refer to https://www.povertyindex.org/

15 Poverty lines are based on income levels in USD in purchasing power parity (PPP), whereby an international dollar has the same purchasing power in a country as one US dollar has in the United States.

“My business is moving forward. Before, I had one photocopy machine. Now, I have three machines”

Daramola, female borrower in Nigeria

Figure 17: Income Distribution of Sample Relative to National Average - Côte d'Ivoire

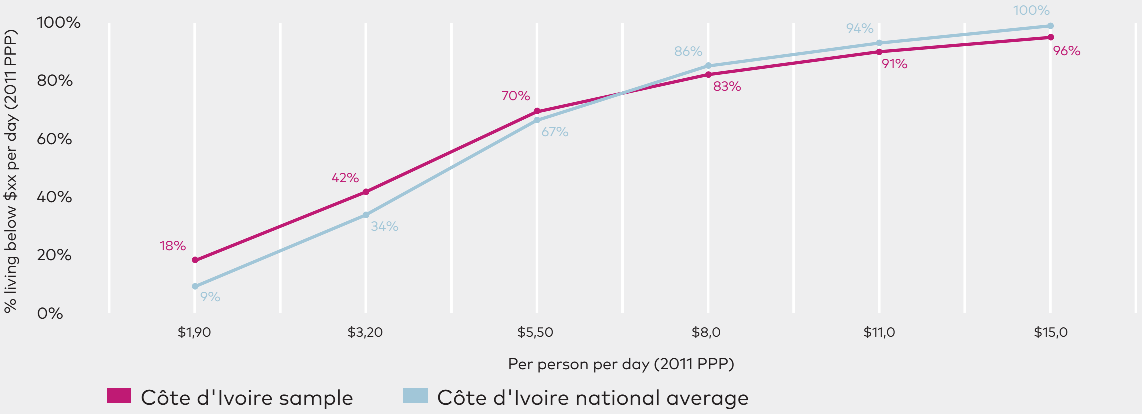


Figure 18: Income Distribution of Sample Relative to National Average - Kenya

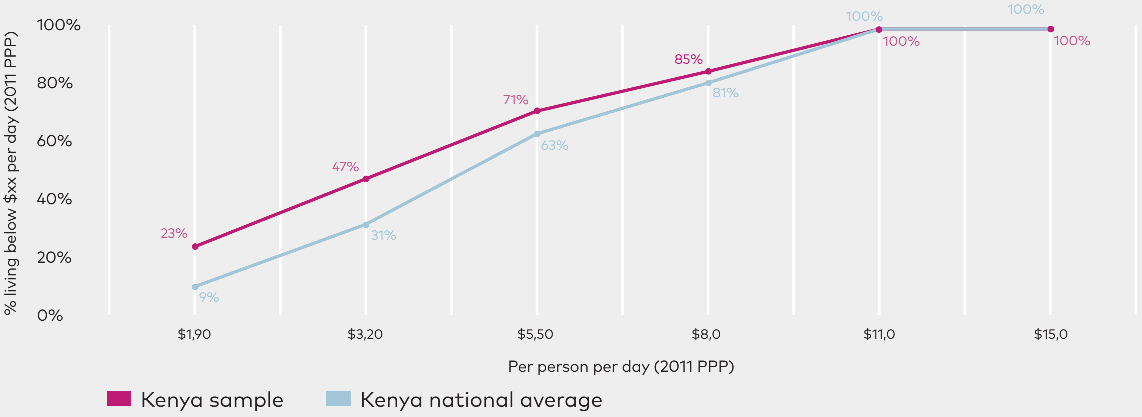
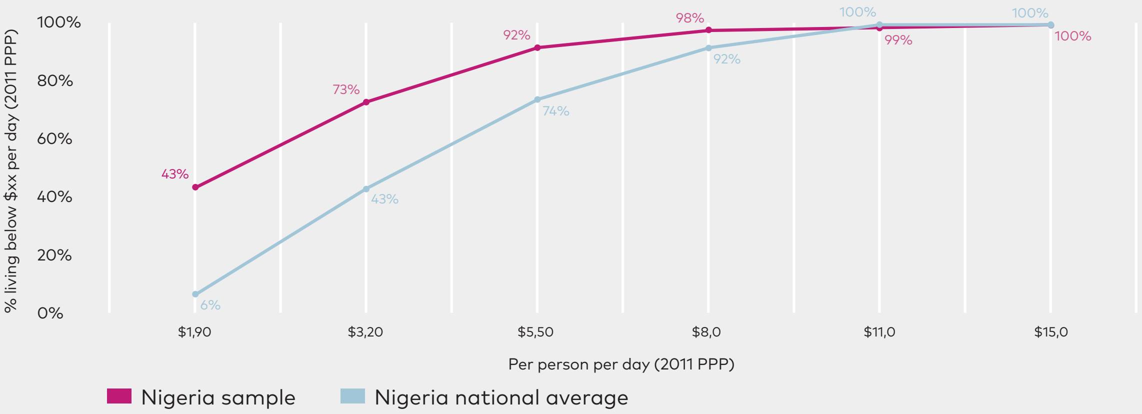


Figure 19: Income Distribution of Sample Relative to National Average - Nigeria



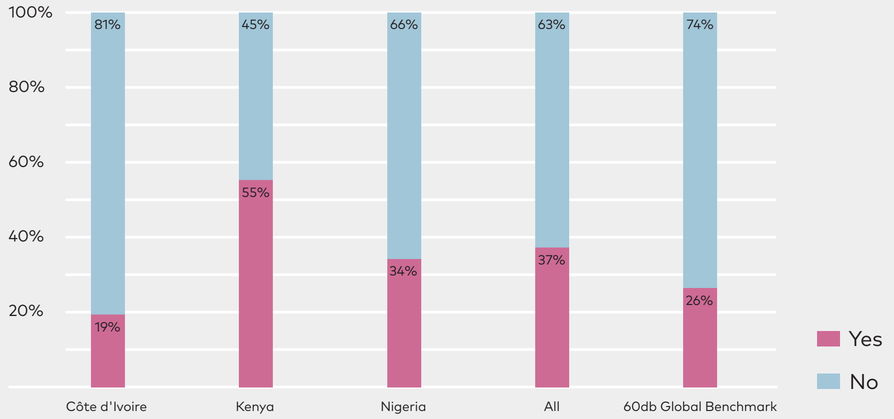
3.3 FINANCIAL INCLUSION

Financial inclusion is among the key outputs REGMIFA expects to achieve through its investments (Figure 1). That is, the fund expects to expand access to financial services to individuals who are otherwise excluded. In an effort to assess the extent to which this output is achieved, we asked end-borrowers if, prior to their relationship with the respective PLI, they had access to a similar loan.[16]

Overall, 63% of the end-borrowers responded they did not have access to similar loans to the one offered by the PLI in the past. Baobab Côte d'Ivoire's customers had the largest proportion of first-time users, with 81% saying that they did not have access to a similar loan before. On the other hand, the majority of Musoni's customers in Kenya (55%) mentioned that they had access to similar loans through other institutions (Figure 24). Interestingly, male borrowers were slightly more likely to report having not accessed a similar business loan (68%) compared to female borrowers (58%).

Figure 20: First Time Access to Similar Financial Services

Q: Before you started interacting with '[PLI'], did you have access to a business loan like the one that '[PLI'] provides?

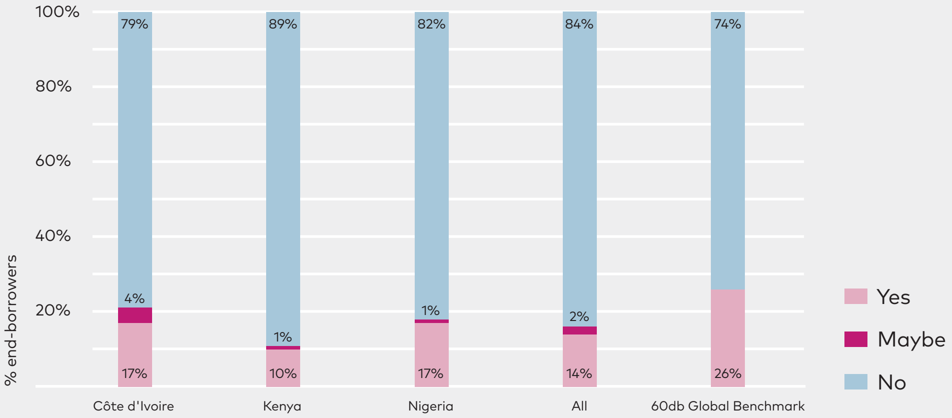


16 Question: Before you started interacting with '[PLI'], did you have access to a business loan like the one that '[PLI'] provides?

Further investigating the availability of alternative services for end-borrowers in each country, we asked end-borrowers about the ease of finding good alternatives to the services they currently receive from the PLI.[17] This provides insight into the competition faced by the financial institutions countrywide, as well as to the extent to which each PLI provides essential products and services to their customers.

84% of end-borrowers said they could not easily find a good alternative to their respective PLI, suggesting that the PLIs are providing a service that is critical to end-borrowers. This is especially true for Musoni's customers in Kenya, where 89% said they could not find a good alternative (Figure 25).

Figure 21: Access to Good Alternatives

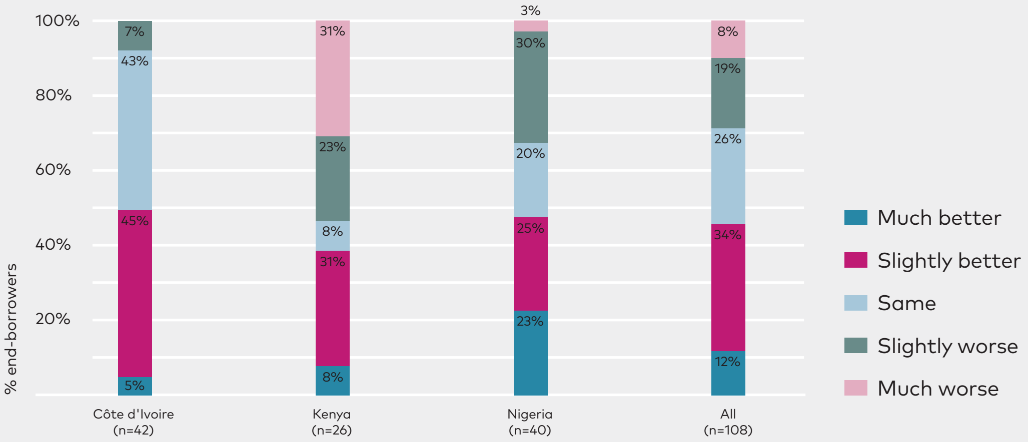


Furthermore, end-borrowers who said they could easily find a good alternative (108 end-borrowers) were asked to compare it to their PLI.[18] We see heterogeneity in the answers when comparing the alternatives. While a large proportion of end-borrowers (46%) report that the alternative is either much better or slightly better, 26% believe the alternative is similar to the one they currently have and 27% consider the alternative to be slightly or much worse (Figure 26).

18 Question: How would you compare this alternative to '[PLI']?


Mackerel
IN TOMATO SAUCE

Figure 22: Comparison to Alternatives

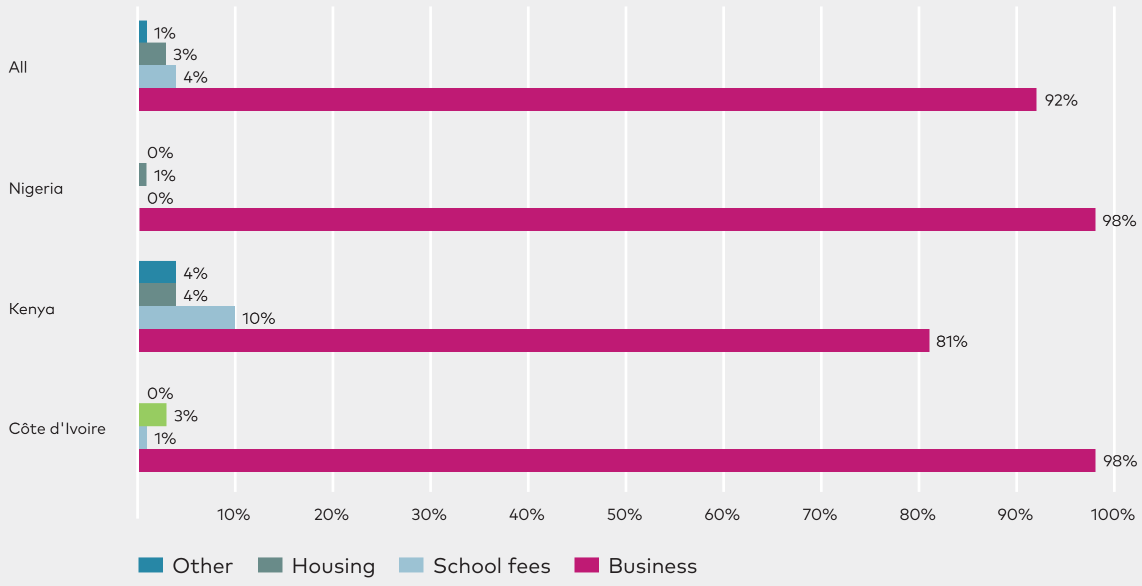


Overall, these results demonstrate that REGMIFA performs particularly well on financial inclusion by supporting PLIs that offer scarce and critical services to end-borrowers, filling a market gap and expanding access to finance.

3.4 LOAN USES AND SECTORS OF ACTIVITY

Since the PLIs mainly serve MSMEs, the majority of end-borrowers primarily use their loans for business purposes (92%). However, some borrowers also rely on microloans to address other household needs, such as paying for their children's school fees (4%), refurbishing their homes or buying a new house (3%) or other uses (1%; Figure 22).

Figure 23: Loan Uses



Focusing on the main segment of end-borrowers who use their loans for business purposes, we further investigate how the loans are utilized, and the sectors that they operate in. 34% of borrowers use the loan to acquire business assets, raw materials or inventory, 28% use the loan to improve or expand their business, 5% use the loans to start a new business and 34% did not specify or used it for another business-related purpose (Figure 24). These findings are consistent with the Fund's theory of change, demonstrating that end-borrowers are able to invest in their businesses using the loans they receive.

End-borrowers also provided information about the sector of their activities. The sector breakdown in the sample is, overall, similar to that observed for all of REGMIFA's end-borrowers historically (Figure 8), with almost half of the sample engaged in trading activities and 14% in services (Figure 25).

"The loan allowed me to open several businesses, so the revenue is better. More money means, of course, a better life. This year I could get all my kids into school. I can easily pay my rent now."

Moses, male borrower in Côte d'Ivoire


Organic & Fresh

Figure 24: Business-Specific Loan Uses

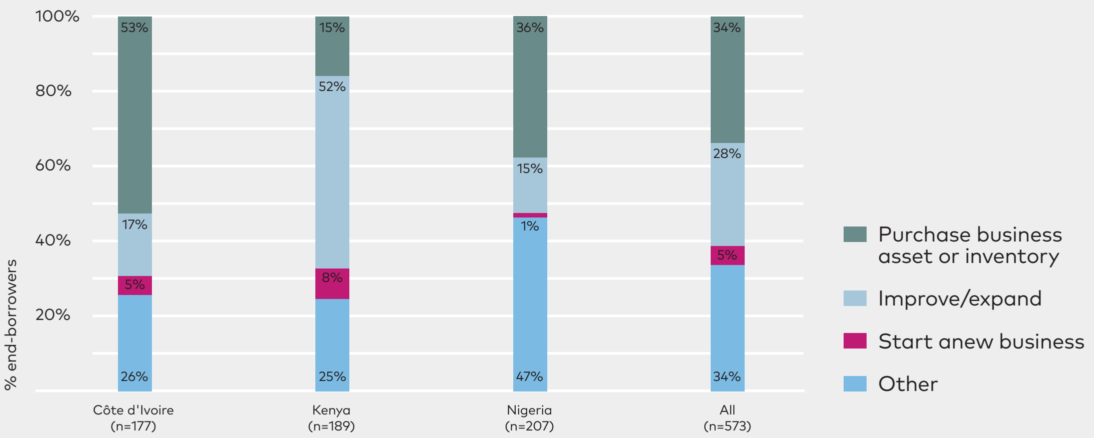
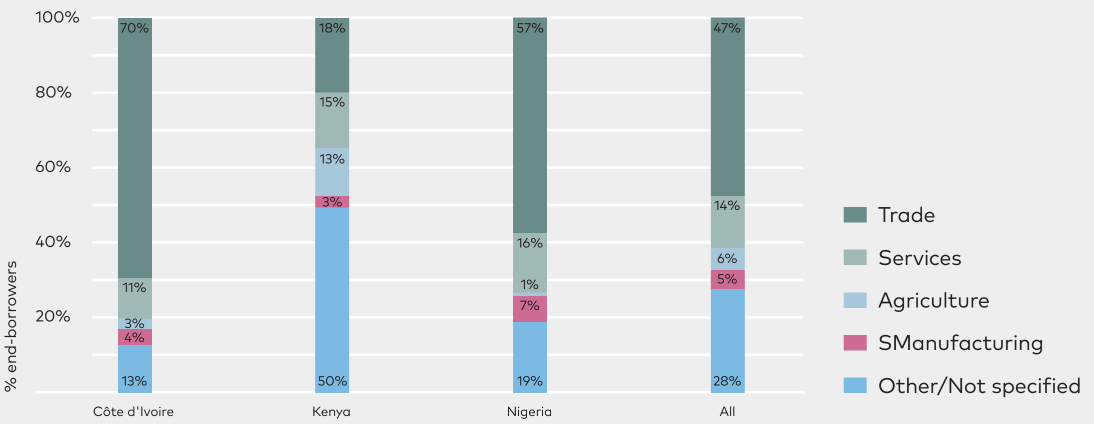


Figure 25: Sectors of Activity



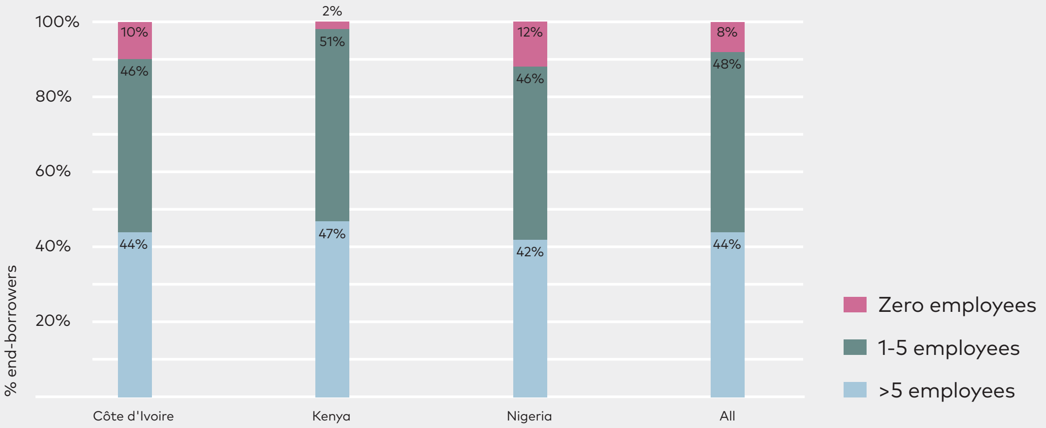
3.5 DEPTH OF IMPACT

Since the PLIs mainly serve MSMEs, the majority of end-borrowers primarily use their loans for business purposes (92%). However, some borrowers also rely on microloans to address other household needs, such as paying for their children's school fees (4%), refurbishing their homes or buying a new house (3%) or other uses (1%; Figure 22).

I Employment

Overall, 48% of the end-borrowers in the sample provide employment to one to five workers in their businesses, 44% have no workers and 8% employ five or more workers. This excludes any unpaid family members. End-borrowers in Kenya have the smallest businesses, with only 2% employing five or more workers (Figure 26). The average number of employees in the sample is 2, with no significant differences among the three countries.

Figure 26: Number of Workers Employed per End-Borrower



To assess the effect of the loans on employment, we asked end-borrowers if their number of employees has changed since they took a loan from their respective PLI.[19] 26% of respondents said the number of employees increased while 73% said there was no change, and only 1% (7 end-borrowers) reported that their number of employees decreased (Figure 27). Of the 26% of respondents who said they increased their employees, the average number of new employees hired is 2. End-borrowers in Nigeria hired, on average, the highest number of workers (approximately 3; Figure 28).

19 Question: Has the number of people you employ changed because of the loans you took from [PLI]?

Given that REGMIFA focuses primarily on financing microenterprises, employing very few (if any) workers, as demonstrated through this data, it is not surprising that access to loans seldom leads to the generation of new job opportunities. In fact, there is no empirical evidence linking microfinance to job creation. Microfinance is more likely to have an effect on households' labor allocation (e.g. less hours allocated by household members to wage labor outside the microenterprise) or to allow households to diversify their sources of income.

Figure 27: Effect on Employment

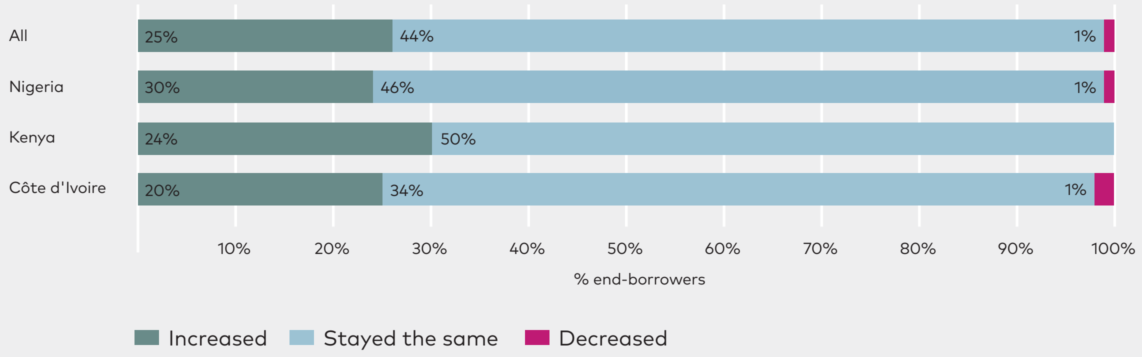
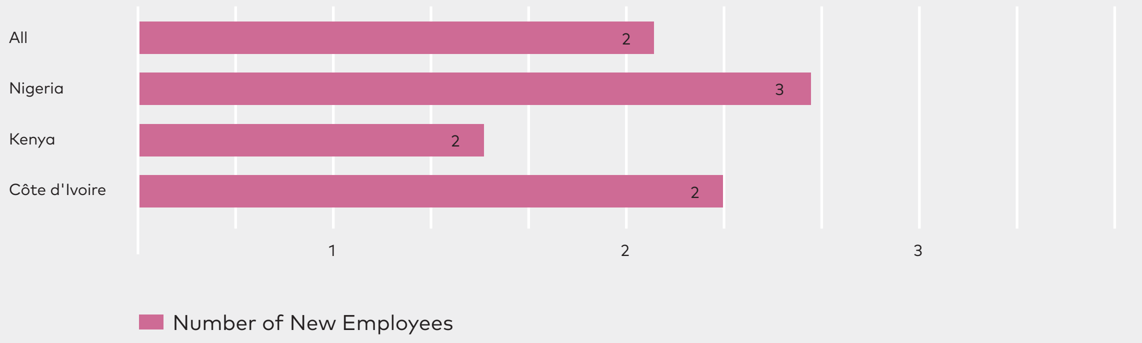


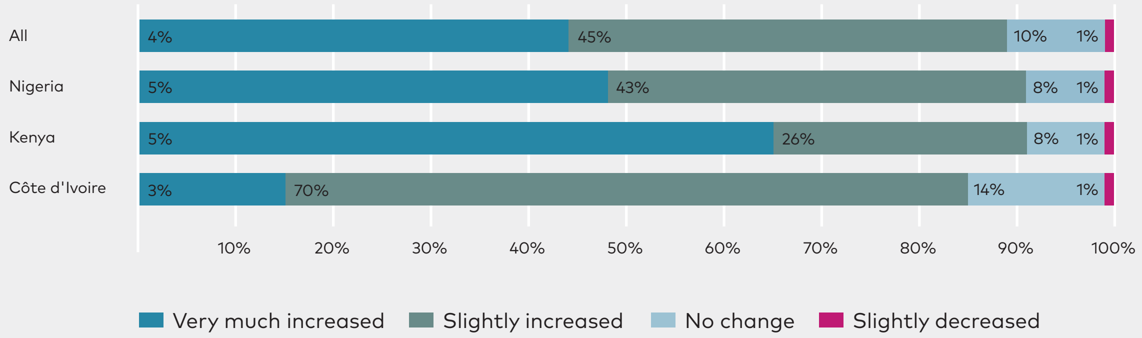
Figure 28: Average Number of New Employees Hired



II Income

On the other hand, we find that the overwhelming majority of end-borrowers (89%) experience an increase in their income because of the loans they took (Figure 29).[20] In Nigeria, female borrowers were slightly more likely to report an increase in their income compared to male borrowers, whereas the opposite was true in Côte d'Ivoire. End-borrowers in Kenya in particular benefited the most, with close to two thirds reporting that their income increased very much because of their relationship with Musoni, and no significant differences between male and female borrowers.

Figure 29: Effect on Income

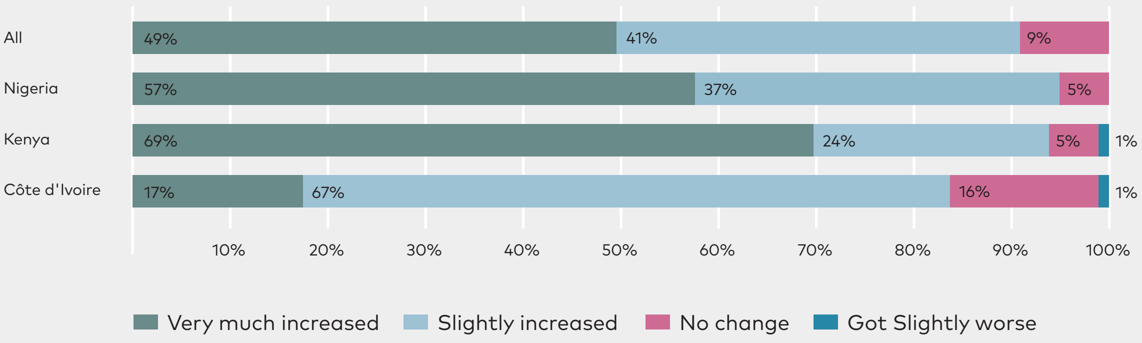


III Quality of Life

Similar to the findings on income, 90% of end-borrowers experienced an increase in overall quality of life, whereas only 1% reported that their quality of life got worse because of their relationship with the PLIs (Figure 30). Positive impacts on quality of life among REGMIFA's PLIs are significantly higher than the 60 Decibels global average, where 76% of customers improved their quality of life, demonstrating that the Fund is performing exceptionally well on this dimension.

20 Question: Has the money you earn (income) changed because of [PLI']?

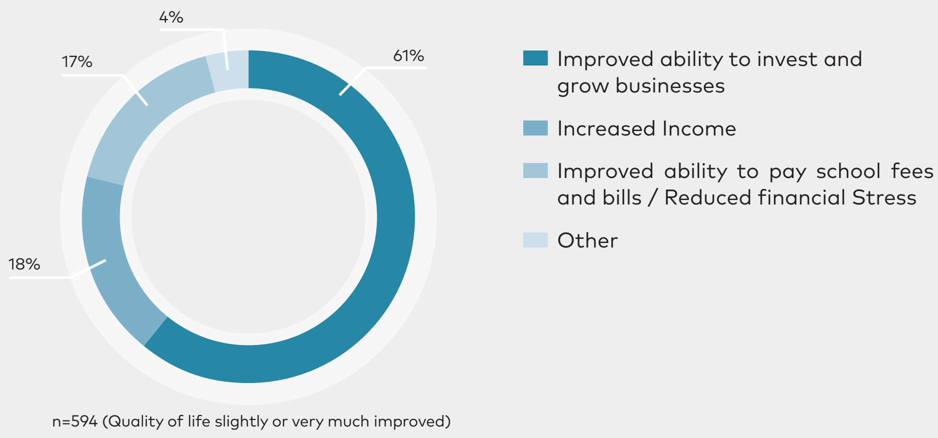
Figure 30: Changes to Quality of Life



We find that improvements in quality of life and increases in income generally go hand in hand; nearly all customers (97%) that experienced an increase in income also reported an increase in quality of life. On the other hand, among those that did not increase their income, about one third said their quality of life had improved.

We also asked end-borrowers to describe how their quality of life has changed because of the PLIs. The main changes experienced by all end-borrowers across the three PLIs were an improved ability to invest and grow their businesses (61%), an increase in income (18%) and an improved ability to pay bills and school fees for their children, reducing financial stress (17%).

Figure 31. Top Changes Experienced by End-Borrowers



These findings are very promising, and demonstrate significant positive impacts on end-borrowers' financial well-being and quality of life, in line with REGMIFA's theory of change.

“My life has improved so much, I can pay my kids school fees on time, rent, and help my family out. I am happy now”

Hannah, female borrower in Kenya

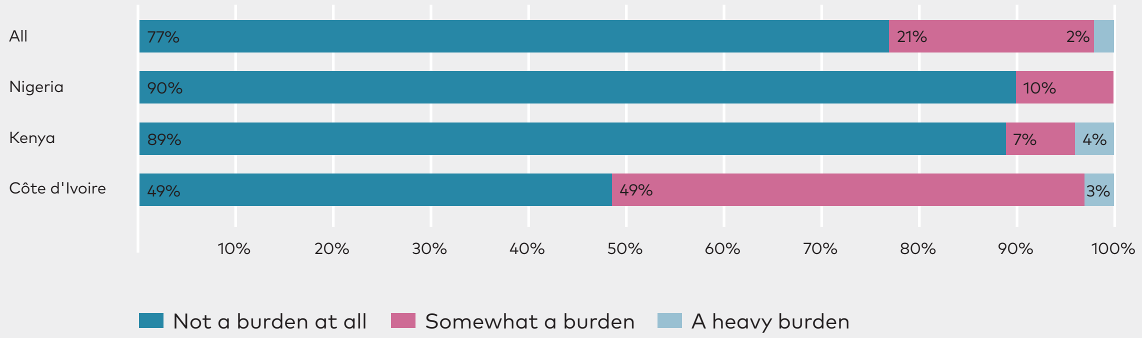
IV Repayment Capacity

Finally, we try to understand how end-borrowers feel about repayments and how that influences the other outcomes they experience. Overall, results are positive as 77% of all respondents indicate payments do not represent a burden at all, 21% say payments are somewhat a burden and only 2% indicate that payments are a heavy burden (Figure 32). Moreover, to assess the potential negative impact of loans on end-borrowers and whether they are at risk of over-indebtedness, we asked whether they had ever made unacceptable sacrifices to make payments.[22] Over two thirds of end-borrowers never had to make unacceptable sacrifices, while the remainder did have to make sacrifices to make their repayments, but not very often (Figure 33).

Difficulty with repayments has a negative impact on other outcomes experienced by the end-borrowers. For example, those who found repayments to be burden were less likely to experience improvements in their quality of life or increases in their income compared to those who said they are not a burden at all.

Baobab Côte d'Ivoire is an outlier on this dimension, with about half of borrowers experiencing difficulties with repayment and having to make sacrifices to repay their loans. In addition, female borrowers in Côte d'Ivoire were more likely than male borrowers to feel like repayments are a burden (64% vs. 45%). Looking back at the customer profile, we can see that Baobab is also the most inclusive PLI in terms of reaching low-income borrowers in Côte d'Ivoire (Figures 15 and 17). Perhaps Baobab's loans are not affordable to some of their customers, or perhaps they need to improve in terms of managing customers' expectations. In either case, having credit products that are better suited to customers' repayment capacity is clearly important, and affects the extent to which they benefit from loans.

Figure 32: Burden of Repayments

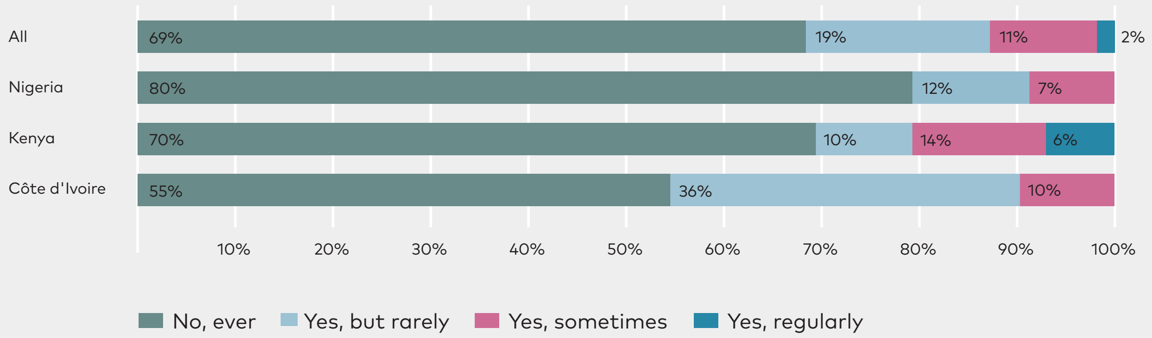


22 Question: Do you ever have to make unacceptable sacrifices to make payments?

"I am financially stable. I think it's one of life's more important things. Once you're financially stable, everything else falls into place, you feel better. "

Amadou, male borrower in Marahoue, Côte d'Ivoire

Figure 33: Sacrificing to Make Repayments



4
MAIN TAKEAWAYS

This study allows us to better understand REGMIFA's impact over the past 10 years, and particularly, to gain insights on how end-borrowers are impacted by the loans they take.

Through its investments, REGMIFA has succeeded in reaching out to a diverse range of PLIs across Sub-Saharan Africa, in countries where access to financial services is limited. Over time, REGMIFA's partners have grown their portfolios and expanded their outreach, serving more end-borrowers. REGMIFA has also supported the majority of its PLIs through the TA Facility, providing demand-driven TA interventions. These interventions have allowed PLIs to train their staff and to develop a wider variety of credit and non-credit products for their customers. This track record shows that the Fund has been working to achieve its key development objectives.

PLIs serve low- and middle-income borrowers, but they generally underpenetrate the low-income segment compared to the national average in their respective markets, as observed by measuring end-borrowers' income level. However, they offer critical services that their customers did not have access to in the past, or could not easily find a good alternative to, demonstrating that the Fund performs well in terms of financial inclusion.

The majority of end-borrowers use their loans for business purposes, often to purchase assets or stock, to expand their businesses or even to start a new business. Some borrowers also rely on loans to address other household needs, like paying for their children's school fees or for housing renovations. The businesses financed are mostly microenterprises with few or no employees. We find that, within this context, access to loans seldom generates new jobs.

On the other hand, access to loans has significant positive impacts on end-borrowers' income and quality of life. The two dimensions are very closely linked with nearly all borrowers that report an increase an income likewise reporting an increase in quality of life, and vice versa. Quality of life improvements were also driven by end-borrowers' ability to invest in their businesses and reduce their financial stress. These findings show the extent to which loans provided to low- and middle-income households through socially responsible financial institutions can have transformative effects on their lives.

Finally, we find that most clients do not have trouble repaying their loans, demonstrating that PLIs offer services that are well-suited to customers' needs and repayment capacity. This is important because difficulties with repayment make it less likely that end-borrowers will experience positive impacts like increases in income or improvements to quality of life. This suggests that REGMIFA must continue to collaborate with institutions that prioritize client protection.

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