



TRANSFORMING LIVES  
IMPACT REPORT 2021

# TABLE OF CONTENTS

---

1. FOREWORD .....	3
2. AT A GLANCE.....	5
3. OUR IMPACT FOOTPRINT .....	7
4. OUR WORK DURING 2021 .....	8
5. IMPACT OBJECTIVES .....	9
6. IMPACT TOOLS.....	19
7. PARTNERS .....	26



# FOREWORD

---

Not the desire to found an asset management company but our obsession for improving the life of the most vulnerable segments of society has been driving us since the inception of GAWA Capital in 2009. Our key aspirational mantra has been “No EGO” and we tried to keep it at the center of every important decision we have made so far – although we have to admit it has not been easy and we failed to apply it at times.

When we built our team we believed that skills were important, but sharing values was the key. We were convinced that building a team that shares the values and the obsession to change lives will make the whole team the key to expanding the impact, even if at some point any of us will be absent.

Since we started our operations there have been three pillars related with our social impact objectives that have guided our work.





**Luca Torre**  
GAWA Co-CEO

**Agustín Vitórica**  
GAWA Co-CEO

## ENGAGING WITH EVIDENCE IN IMPACT MEASUREMENT

GIIN's CASE STUDY

## OUR THREE PILLARS

**The first pillar** has been related with gaining a thorough understanding of the evolving needs of our client base. We had initially focused on resolving the financial exclusion market failure, working towards getting everybody a loan or a savings account. We channelled our investments toward tier 2 microfinance and SME-financing institutions, mainly in rural areas, as we believed that was where our funds will have greatest impact helping them to grow, attract new funders and cover more and more clients.

In 2016 we realized that the objective of providing access to financial services was for the most part achieved, especially in urban areas. So we decided to start working to support MFIs in developing products which were tailored-made to the need of vulnerable rural communities. Seeking transformation of our investees has since then become the main objective of our strategy to deliver long lasting and sustainable impact: we support the transformation of businesses so that they can offer tailor-made products or services for the specific target groups

we serve. To achieve this, we launched our Transformation Department which complements our investments by delivering technical assistance to adapt our investee's business models to the distinct needs and to improve their social performance management system.

**The second pillar** has been to go from measurement to management of impact. In our view, truly impact investors are those that put impact at the same level as economic profit. Therefore, impact management is as necessary as financial management so that both can be maximized through the life of our investments. We measure outcomes at three different levels: at the investee level (transformation outcomes), at the beneficiaries' level (outreach outcomes) and at the business and household level (final outcomes). Additionally, we believe that all the impact metrics we collect should be easy to understand by investors. This is why we created our impact score that summarizes our metrics in an easy-to-understand score over 10 that is calculated for each of our investees.

**The third pillar** has been to align our impact score to our financial incentives – we have pioneered social carried interest since 2014 and we now have a very robust and proven methodology. As we exit each investment, its impact score is audited by an independent third-party social auditor that is chosen by our investors. Once all the impact scores have been audited, the fund's impact score is what determines half of our performance fees. This unique methodology was recognized in a case study published by the GIIN<sup>1</sup> with the support of the Rockefeller Foundation and the W.K. Kellogg Foundation .

While we had reported our social impact in the quarterly report to our investors since September 2010, as we now manage different funds, we have decided to prepare a consolidated impact report which can outline the social results by different impact strategies. We hope that it can give you a vision of the most important achievements we have reached in fulfilling the mission that inspired us to start GAWA Capital.

<sup>1</sup> Engaging with Evidence in Impact Measurement | GAWA Capital Case Study  
<https://thegiin.org/research/publication/engaging-with-evidence-in-impact-measurement-gawa-capital-case-study>

# AT A GLANCE



## “HOLDING HANDS FOR LIFE CHANGING INVESTMENTS.”

Founded in 2009, GAWA Capital is the leading impact investor in Spain. We seek to improve the lives of low-income communities by promoting investment in social enterprises, whilst also providing a financial return to investors. We address specific underserved social and environmental challenges with transformation of our investees so that impact remains for the long run.

GAWA Capital has directly reached over 423,000 low-income households through its investments, fostering their access to financial services and enabling families and businesses to thrive.

## IN CONSTANT MOVEMENT

VIDEO



13 years since foundation

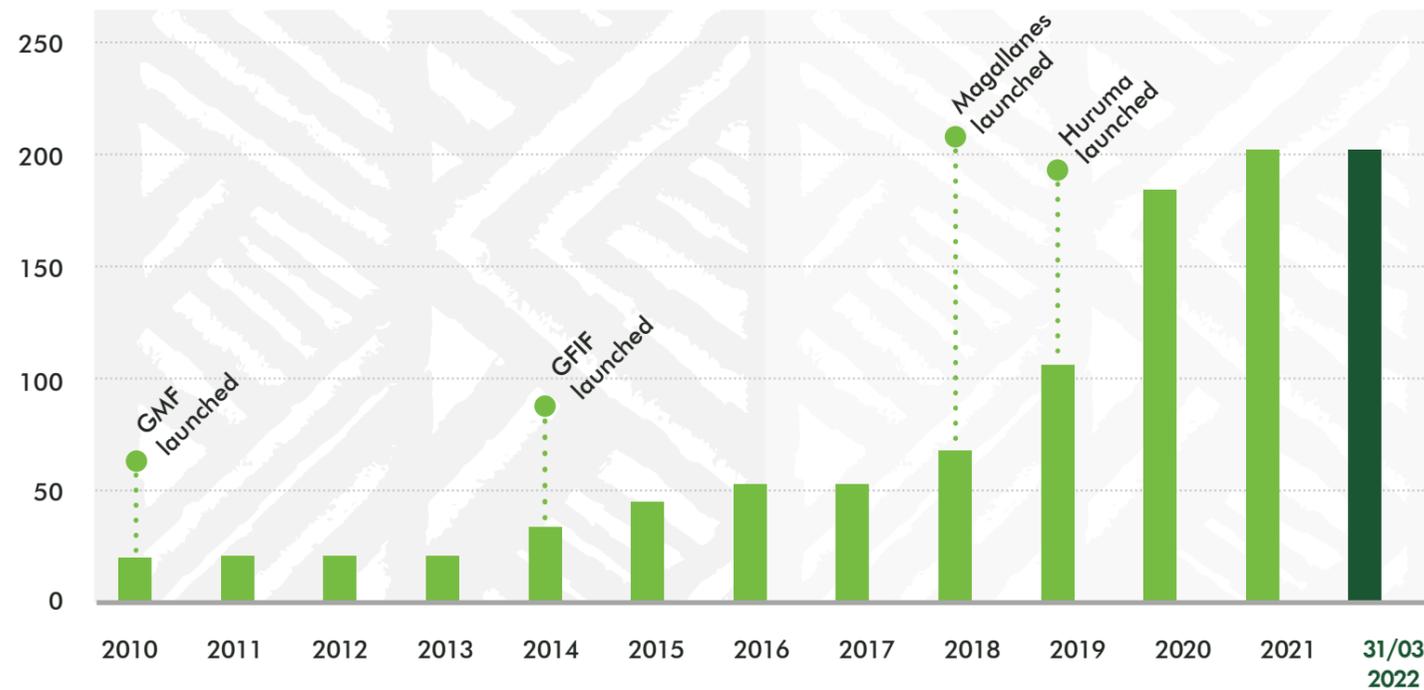
204 million euros managed and advised

52 impact investments, supporting 32 entities

9.5 million total end-beneficiaries

83% of which are female clients and 50% are rural clients



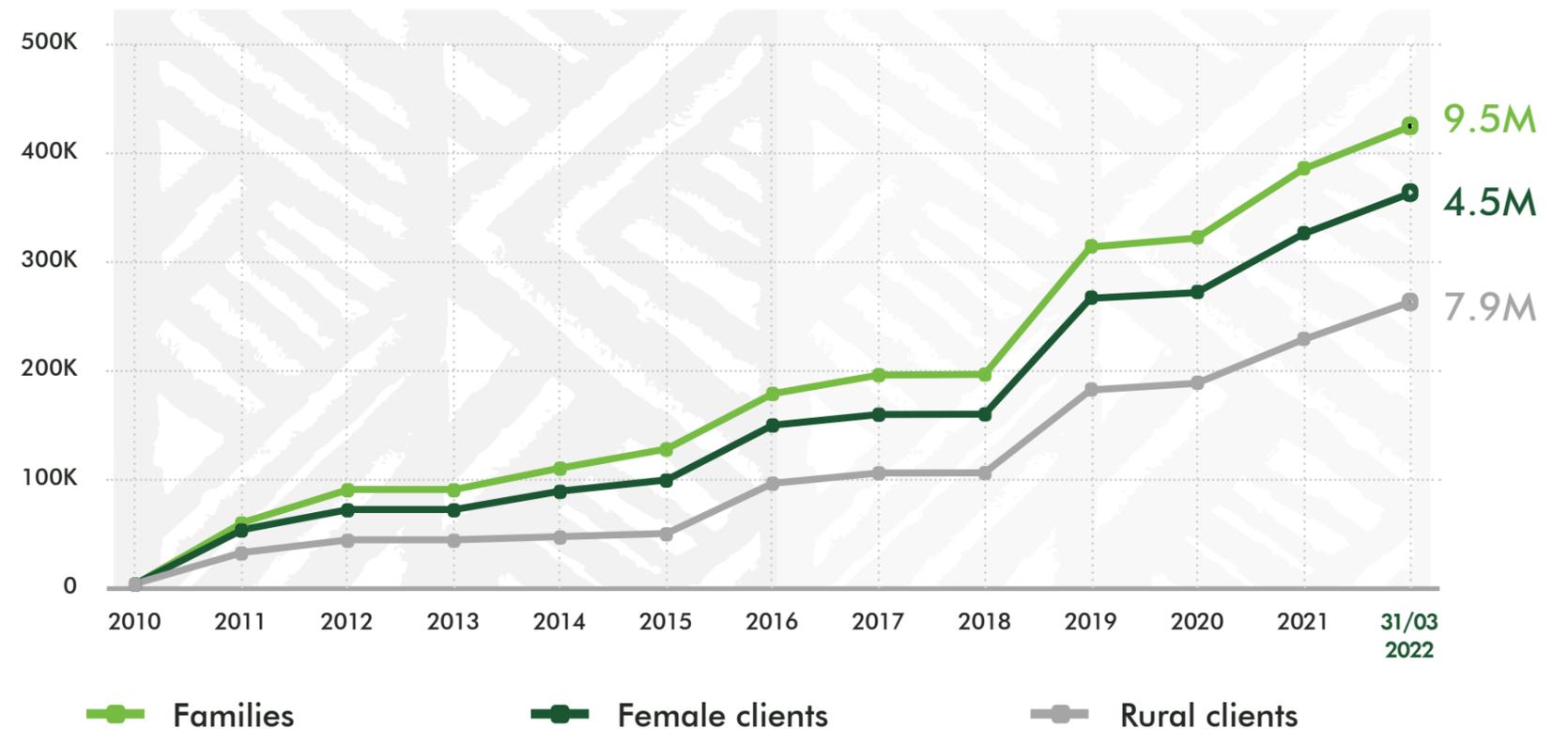


## EVOLUTION OF ASSETS UNDER MANAGEMENT

GAWA has built up a strong track-record through four Impact Investment Funds (GAWA Microfinance Fund, Global Financial Inclusion Fund, Magallanes Impacto FIL and Huruma Fund), with a total EUR 204 million managed and advised. The Huruma Fund and Magallanes Impacto FIL are currently making investments.

## CLIENTS REACHED BY OUR INVESTEES:

Our investees are companies that have a strong social impact and reach the most vulnerable populations. We make sure that apart from increasing our reach, we keep supporting underprivileged populations improving their living standards.



# OUR IMPACT FOOTPRINT

## LATIN AMERICA

### Bolivia

- ◆ CRECER
- ◆ ProMujer IFD

### Chile

- ◆ Emprende MF
- ◆ Fondo Esperanza

### Colombia

- ◆ Contactar
- ◆ Crezcamos

### Ecuador

- ◆ Banco D-Miro
- ◆ INSOTEC
- ◆ FACES

### Mexico

- ◆ CAMESA
- ◆ Procrédito

### Nicaragua

- ◆ Fondo de Desarrollo Local

### Panama

- ◆ Microserfin
- ◆ CFE

### Peru

- ◆ Acceso Crediticio
- ◆ Norandino
- ◆ Edpyme Alternativa

## EUROPE

### Germany\*

- ◆ ProCredit Holding

## AFRICA

### Ghana

- ◆ Sinapi

### Senegal

- ◆ Caurie

## ASIA

### Azerbaijan

- ◆ VF Azercredit

### Georgia

- ◆ Credo

### India

- ◆ Janalakshmi
- ◆ Fusion
- ◆ Kinara Capital
- ◆ Kanakadurga (KFL)
- ◆ Varthana
- ◆ AYE Finance
- ◆ ASA India
- ◆ Way Cool
- ◆ Pahal

### Myanmar

- ◆ LOLC Myanmar

### Philippines

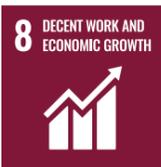
- ◆ One Puhunan

### Sri Lanka

- ◆ LOMC

\* The investment was made in Procredit Holdings, based in Germany but was then distributed through its subsidiaries, most of which had presence in developing economies. ProCredit's exposure was as follows: Central and Eastern European Countries (CEECs) 57.3%, Commonwealth of Independent States (CIS) 15.2%, Latin America 24% and the remaining in Africa.

# OUR WORK DURING 2021



- **33 million** euros invested in financial service providers.<sup>1</sup>
- **7.4 million** clients reached
- **229k** smallholder clients in Huruma’s portfolio.<sup>3</sup>
- **11 million** euros invested in agricultural SMEs.<sup>1</sup>
- **75k** smallholder suppliers in Huruma’s portfolio.<sup>3</sup>
- **6.4 million** euros available to implement technical assistance projects. TA Projects are starting implementation during 2022.
- **92%** of portfolio dedicated to productive activities.
- **25%** of clients under national poverty lines.<sup>2</sup>
- **8.7%** increase in average income of small-scale food producers<sup>1</sup>. Increase yet to be registered in tons/year of smallholders due to recent investment.
- Specific indicators are selected for each project, given they are tailor-made with each investee and are thus heterogeneous.

## WE KEPT CLOSE CONTACT THROUGH CHALLENGING TIMES

VIDEO



**44 million** euros invested during 2021  
**13** impact investments as of December 2021  
**7** countries  
**75.1 million** euros in portfolio as of December 2021, supporting **21** entities

<sup>1</sup> - Internal indicator, <sup>2</sup> - IRIS Taxonomy: PD3569. SGD Indicator 1.1.1, <sup>3</sup> - IRIS Taxonomy: PI6372, <sup>4</sup> - IRIS Taxonomy: PI8999. SGD Indicator 2.3.2

# IMPACT OBJECTIVES



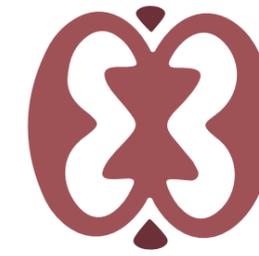
## Financial inclusion for all <sup>2</sup>

GAWA Capital started with the mission of providing a positive social impact for poor & socially excluded people in developing countries. Our first advised funds focused on providing financial services for vulnerable populations, given the huge unmet demand for basic financial services. Thus, the main targets of our first funds were Microfinance institutions and Micro & Small Enterprise (MSME) financing institutions.



## Financial inclusion for smallholders <sup>3</sup>

Experience and travel led us to realize that smallholder farmers were frequently left aside by microfinance institutions and the financial system in general, due to their irregular cashflows and more complex associated risks. Farmers' restricted access to financial services leaves an unmet demand of over \$170 billion per year. We also realized that, with access to financial services, farmers can substantially increase their productivity by purchasing better inputs and improving their farming techniques. In order to foster agricultural productivity, in December 2019 GAWA launched the Huruma Fund, with a specific rural & agricultural focus that seeks to help smallholders farmers to be financially and productively included. The Huruma Fund invests in financial service providers with an agricultural approach.



## Inclusion into Agricultural Value Chains <sup>4</sup>

Most farmers are also excluded from formal value chains, limiting many small producers to markets that are characterized by low-quality products, low prices and low returns. As a response to the above, Huruma Fund also invests in agricultural value chain companies such as aggregators, cooperatives and agri-techs, among others.

**OUR ICONS ARE  
INSPIRED BY THE  
ADINKRA SYMBOLS<sup>1</sup>**

[WIKIPEDIA](#)

<sup>1</sup> Mostly printed on fabric and pottery, the Adinkra symbols evocate traditional knowledge, concepts or aphorisms of the Akan people.

<sup>2</sup> Mako: from the proverb "not all peppers ripen at the same time" and talks about the importance addressing inequality in society.

<sup>3</sup> Saka base: four cocoa beans together symbolise the abundance of the earth.

<sup>4</sup> Nkonsonkonson: chains that represent the relationship between people within society and interdependence.



# FINANCIAL INCLUSION FOR ALL

**Portfolio outstanding as of 31.03.2022**  
EUR 29.3 million

**Companies in portfolio as of 31.03.2022**  
16

**Companies financed in 2021**  
7

**Total disbursements in 2021**  
EUR 11.2 million

Microfinance and access to financial services work towards equal rights to economic resources. GAWA delivers financing to local financial institutions and SMEs that provide poor people with the services they need. This means that poor people can make investments in economic opportunities that can lead them out of poverty, save, access social benefits or cope with shocks more easily.

Our first fund, **GAWA Microfinance Fund (GMF)** was launched in September 2010, raising EUR 20.4 million. It was liquidated in December 2018, having achieved a 6.34% annual IRR for investors. GMF focused on investments in Microfinance institutions and Micro & Small Enterprise (MSME) lenders worldwide, carrying out 9 investments in 8 different countries, with presence in Latin America, Asia, Eurasia and Africa (7 debt investments and 2 equity investments). GAWA's second fund, **Global Financial Inclusion Fund (GFIF)**, was launched in September 2014 with a fund size of EUR 32.3 million. GFIF executed its last investment at the end of 2017, and since then has carried out several capital returns to investors. GFIF has focused on investments in Microfinance institutions and MSME lenders. The portfolio was made up of a total of 10 investments (7 debt; 3 equity) in 8 countries in Latin America and Asia. To date, 7 investments have been exited with positive returns and the remaining 3 are expected to be liquidated also with positive returns by 2023. Currently, GAWA is advising the Fund **Magallanes Impacto FIL**, the first open-ended impact investing fund in Spain. Magallanes Fund was launched in September 2018, has a fund size of EUR 23 million and focuses on financial inclusion in Latin America and Asia. The Fund is managed by Magallanes Value Investors SGIIC, S.A., a leading fund management company in Spain. In general, investees have been recovering relatively rapidly from the COVID-19 crisis.

## EQUAL RIGHTS TO ECONOMIC RESOURCES

VIDEO





Financial inclusion for all



**What**

**SDG 1.4** - Increase access to economic resources for the poor and most vulnerable men and women through microfinance.

**Who**

Poor and vulnerable men & women living in developing countries.

**How much<sup>4</sup>**

7.2 million total MFIs clients.<sup>1</sup>  
157k direct clients in relation to our investment.  
97% of productive portfolio.

**Contribution<sup>4</sup>**

24% increase in low-income clients accessing financial services since investment.<sup>1</sup>

**Risk**

Evidence risk – Insufficient high-quality data regarding impact of financial services provision on end clients.

Mitigation - Onsite due diligence and monitoring ensures sufficient data quality.



**What**

**SDG 2.3** - Increase agricultural productivity and income through financial services.

**Who**

Poor and vulnerable men & women living in developing countries.

**How much<sup>4</sup>**

3.6 million total MFIs rural clients in portfolio.<sup>2</sup>  
102k direct rural clients in relation to our investment.

**Contribution<sup>4</sup>**

23% increase in rural clients accessing financial services since investment.<sup>2</sup>

**Risk**

Evidence risk - Insufficient high-quality data regarding impact of financial services provision on end clients.

Mitigation - Onsite due diligence and monitoring ensures sufficient data quality.



**What**

**SDG 5A** - Increase women access to financial services and other forms of control.

**Who**

Poor and vulnerable women living in developing countries.

**How much<sup>4</sup>**

6.5 million female clients in investees.<sup>3</sup>  
142k direct female clients in relation to our investment.

**Contribution<sup>4</sup>**

23% increase in female clients receiving financial support since investment.<sup>3</sup>

**Risk**

External risk – Cultural factors might prevent female clients rate of empowerment to be slower than expected.

Mitigation - Onsite due diligence and monitoring ensures mission driven investees with a strategic focus in productive loans.

<sup>1</sup> – IRIS Taxonomy: PI4060. <sup>2</sup> - IRIS Taxonomy: PI6652. <sup>3</sup> – IRIS Taxonomy: PI8330. <sup>4</sup> - As of May 2022

<sup>5</sup>- USING THE IMP METHODOLOGY [www.impactmanagementproject.com](http://www.impactmanagementproject.com)



Financial  
inclusion for all

# varthana



LEARN MORE

## Entity insight

Varthana’s vision is to transform affordable education in India by supporting the country’s many private schools that are focused on providing quality education to low and middle-income students. The Entity achieves this by providing timely loans and support, which enable these schools to expand their infrastructure, invest in teacher-training and introduce new learning methods into their classrooms.

Varthana specifically caters to the needs of affordable private schools, so school leaders can secure valuable resources without having to go through a long and difficult credit process. It also supports schools with academic and management solutions that help school leaders deliver an excellent education to their students and be recognized as the top school in their community.

Varthana is a transparent and innovative non-banking financial institution, that seeks to improve the quality of life of India’s most disadvantaged populations through its financing of the education segment that focuses on low and low-medium income communities – affordable private schools (APS). It offers secured and unsecured loans destined toward the construction of infrastructure, education and school material in order for more excluded families to access quality education for their children. It also gives direct loans to APS students who continue their university studies. It has focused on offering products for an attractive segment in a fragmented, unattended market, with a stable client base with recurrent needs. This provides dynamism and potential for portfolio growth, sustained by an underlying market which is currently growing, and has a scalable model with an efficient office network. It also counts with complementary non-financial products (“beyond loans”), which differentiates Varthana from competitors.

Varthana has a strong social impact due to the financial inclusion of the APS segment and the improvement of students’ quality of life. In financial inclusion, Varthana stands out for being one of few entities in the sector that attends clients (APS) with no credit history. As a result, it contributes to the accomplishment of United Nations’ SDGs (no poverty, quality education and reduced inequalities).

As of 31.03.2022, Varthana has financed 4,386 APS and served 3,855,139 low-income students.

## Future prospects

Varthana’s endeavor is to be a school’s most valuable and long-term partner as it grows and improves to reach its full potential.

Varthana aims to continue improving the quality of life of India’s most disadvantaged populations, through the continuation of its activity of financing the educational segment focused on low and middle-income communities. Its work contributes to the fulfilment of several United Nations development objectives, highlighting the eradication of poverty, quality education and the reduction of inequalities. Nothing has more impact than promoting the education of the low-income population.

## GAWA’s contribution

Magallanes Impacto, FIL, advised by GAWA, has invested in Varthana 3.2 million euros.



## FINANCIAL INCLUSION FOR SMALLHOLDERS

**Portfolio  
outstanding as  
of 31.03.2022**  
EUR 35 million

**Companies in  
portfolio as of  
31.03.2022**  
9

**Companies  
financed in  
2021**  
6

**Total  
disbursements  
in 2021**  
EUR 21.4 million

Farmers with access to financial services are often more able to carry out investments that increase their crop yields and strengthen food security. GAWA's investments aim at increasing the agricultural productivity and incomes of small-scale food producers via secure and equal access to financial services.

In addition, several entities also offer agricultural extension services for farmers, such as trainings and technical assistance, helping increase productivity and income.

In December 2019, GAWA launched an EUR 120 million fund: Huruma Fund. This Fund, which is currently in investment phase, has a rural & agricultural focus on Latin America, Africa and, to a lesser extent, Asia. The Fund enjoys a blended finance structure, with a EUR 10 million first-loss tranche (EU funds, managed by COFIDES – Spanish Development Finance Institution) and EUR 20 million in concessional debt (AECID, Spanish Agency for International Development Cooperation), significantly reducing the risk for investors while enhancing the Fund's target IRR. A Technical Assistance Facility of EUR 8.5 million (EU funds, administrated by COFIDES and managed by GAWA Capital) is available to investees, helping to maximise the social value of Huruma's investments.

We expect our investments to impact 100,000 new farmer clients during the life of the Fund. As of March 2022, the Fund has investments in Ecuador, Peru, Bolivia, Panama and India, both in debt and equity.

Despite COVID, we managed to deploy much needed capital to support farmers who have been very badly affected by the pandemic.

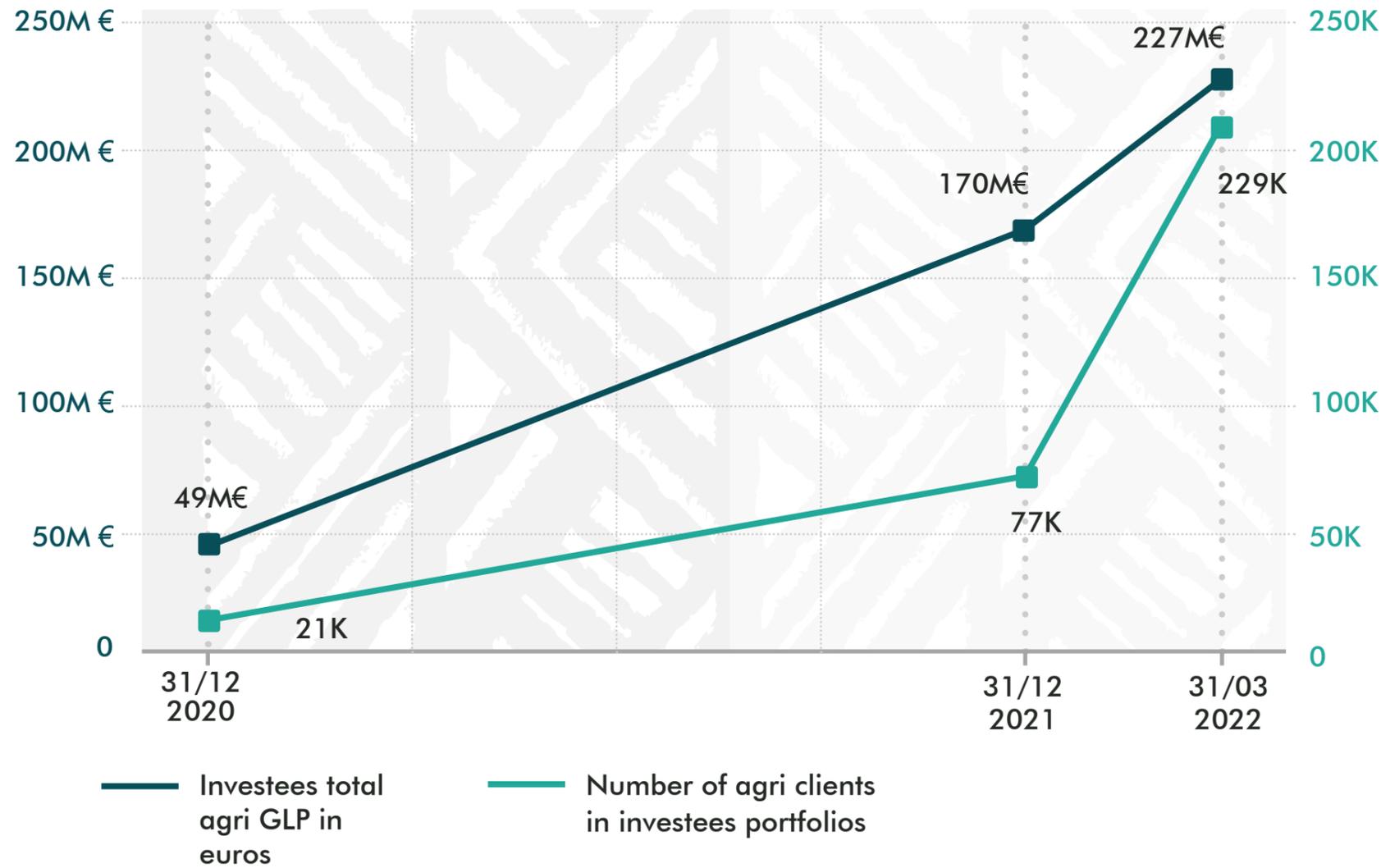
## INCREASING PRODUCTIVITY & INCOME

VIDEO





Financial inclusion for smallholders



7,261 farmer clients increase in investees portfolios since Huruma's investment

### THROUGH AGRICULTURAL FINANCIAL SERVICES

76% of farmers increase productivity<sup>1</sup>

5,518 farmer clients have increased productivity since investment

58% has a rise in income<sup>1</sup>

4,211 farmer clients have increased income since investment

[link to GIIN's STUDY](#)

<sup>1</sup> Obtained from GIIN's study: Understanding impact Performance: Agriculture investments, October 2020  
[https://thegiin.org/assets/Understanding%20Impact%20Performance\\_Agriculture%20Investments\\_webfile.pdf](https://thegiin.org/assets/Understanding%20Impact%20Performance_Agriculture%20Investments_webfile.pdf)



Financial inclusion for smallholders



**What**

**SDG 1.4** - Increase access to economic resources for the poor and most vulnerable men and women through microfinance.

**Who**

Poor and vulnerable men & women living in developing countries.

**How much**

825k total MFIs clients.<sup>1</sup>

48k direct clients in relation to our investment.

25% of clients under national poverty lines.<sup>2</sup>

87% of productive portfolio.

**Contribution<sup>6</sup>**

4.1% increase in low-income clients accessing financial services since investment.<sup>1</sup>

**Risk**

Evidence risk – Insufficient high-quality data regarding impact of financial services provision on end clients.

Mitigation - Onsite due diligence and monitoring ensures sufficient data quality.



**What**

**SDG 2.3** - Increase agricultural productivity and income through financial services.

**Who**

Poor and vulnerable men & women living in developing countries.

**How much<sup>6</sup>**

229k total MFIs agricultural clients.<sup>3</sup>

44k direct agricultural clients in relation to our investment.

**Contribution<sup>6</sup>**

4.6% increase in agri clients accessing financial services since investment.<sup>3</sup>

**Risk**

Alignment risk – Investees strategic focus on the agricultural segment might weaken in the future.

Mitigation - Onsite due diligence ensures current solid strategic focus. Availability of Technical Assistance funds to adapt business models to work with smallholders' farmers favours future alignment.



**What**

**SDG 5A** - Increase women access to financial services and other forms of control.

**Who**

Poor and vulnerable women living in developing countries.

**How much<sup>6</sup>**

653k female clients in investees.<sup>4</sup>

39k direct female clients in relation to our investment.

1,973 female MFI staff.<sup>5</sup>

**Contribution<sup>6</sup>**

No increase in female clients yet, as the investments are recent.<sup>4</sup>

5.8% increase in female MFI staff since investment.<sup>5</sup>

**Risk**

External risk – Cultural factors might prevent female clients rate of empowerment to be slower than expected.

Mitigation - Onsite due diligence and monitoring ensures mission driven investees with a strategic focus in productive loans.

<sup>1</sup> – IRIS Taxonomy: PI4060., <sup>2</sup> – IRIS Taxonomy: PD3569. SGD Indicator 1.1.1, <sup>3</sup> – IRIS Taxonomy: PI6372., <sup>4</sup> - IRIS Taxonomy: PI8330., <sup>5</sup> - IRIS Taxonomy: OI2444., <sup>6</sup> - As of May 2022., <sup>7</sup>- USING THE IMP METHODOLOGY [www.impactmanagementproject.com](http://www.impactmanagementproject.com)



Financial  
inclusion for  
smallholders

insotec



LEARN MORE

### Entity insight

INSOTEC is a leading microfinance NGO with nearly 40 years' experience and family business roots. INSOTEC has evolved to serve small producers in Western Ecuador, with the aim of incorporating them into structured production cycles through value chain alliances.

The institution has a strong social mission, working to reach the most vulnerable population and smallholder farmers. It currently offers productive loans for agriculture and other activities (manufacturing, commerce) under individual methodology to low-income populations, as well as microinsurance, financial literacy, technical assistance (TA) and health services. In 2019 it developed its agricultural microinsurance, pioneer in the country.

It has specialized in the development of value chain alliances with 6 representative agri-companies in the segments of corn and milk, incorporating small farmers in the productive cycle at fair market prices. Impact potential is reinforced through a geographically diversified network in central and western Ecuador, complemented by banking agents. In 2019 it launched a digitalization strategy, targeted at credit sourcing and collection management. It enjoys a solid and diversified debt profile in terms of financial instruments and geography, proof of strong market positioning.

As of 31.03.2022, INSOTEC serves 10,380 smallholder farmer clients, which amounts to 60% of their total client base.

### Future prospects

INSOTEC is implementing a business transformation to optimize its workflow and enhance client outreach. This transformation will contribute to improve the product mix and value offer (accessibility, pricing) enhancing the quality

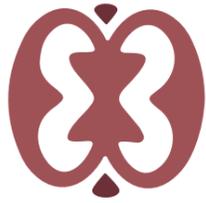
of life of Ecuadorian smallholders, especially considering the latter represent 60% of its client base (target of 67% by 2023).

Its main strategic objectives involve its digitalization agenda, which is aimed, among other things, at developing mobile applications to fully digitalize all the credit workflow, interconnected to its core banking system. The overall goal is reducing the high cost of microcredit, generating greater efficiency and profitability. Agricultural loans normally bear higher costs due to their inherent risk and could benefit greatly in the medium term as mobile network infrastructure advances rapidly. This agenda also includes the set-up and commercialization of new products, a web-based input market for farmers and the expansion of rural agents' network. Additionally, the Entity aims to further develop its alliances in the coming years, enhancing the value chain.

### GAWA's contribution

Huruma Fund has provided INSOTEC with a 4 million euro loan, with which it aims to support smallholder farmers by directing the investment toward its Agri portfolio, increasing this portfolio share by 11%. The loan will be provided for three years, a time frame that helps to cover the potential asset-liability gap caused by decreasing funding tenors (below 3 years average) and increasing fixed asset investment tenors (41% of Agri loans are used for fixed asset investments with >32 months average tenor).

Moreover, INSOTEC's digitalization agenda is the lead project to be funded through the Technical Assistance Facility (TAF). The NGO wants to leverage on digitalization to improve operational efficiencies and provide better access, improved terms and additional financial products to its customers.



## INCLUSION INTO AGRICULTURAL VALUE CHAINS

Portfolio outstanding as of 31.03.2022  
EUR 11 million

Companies in portfolio as of 31.03.2022  
1

Companies financed in 2021  
1

Total disbursements in 2021  
EUR 11 million

Agricultural value chains in developing countries are normally dual: one informal or “traditional”, and the other formal or “modern”. Smallholders are regularly involved in the informal chains that deliver products to local middlemen and then to small local stores. These markets are characterized by low-quality products, low prices and low returns.

Huruma Fund can invest in organizations such as aggregators, processors, distributors, or other entities that works towards integrating smallholder farmers into more formal value chains.

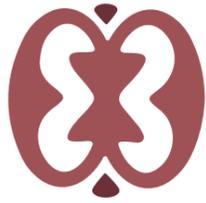
Our first investment aimed at smallholder inclusion into value chains has been WayCool, one of India’s largest and fastest growing agri-food companies, that processes, distributes, and supplies dairy and fresh produce staples to small stores. WayCool buys produce from more than 75,000 farmers and, through its agricultural extension program, engages with them through the entire cultivation cycle. Involved farmers substantially increase their profitability, reduce their risk, and stabilize their income by leveraging a host of technologies to measure soil health, ensure quality of inputs, capture agricultural practices, and measure output quality. To date, over 2,200 farmers and 30 crops are part of the program.



## INTEGRATING FARMERS ONTO FORMAL VALUE CHAINS

VIDEO





Inclusion into  
Agricultural  
Value Chains



**What**

**SDG 2.3** - Increase agricultural productivity and income through productive resources and inputs, knowledge, markets and opportunities for value addition.

**Who**

Farmers living in developing countries.

**How much<sup>2</sup>**

INR 25,293 average income of small-scale food producers per hectare per year.<sup>1</sup>

**Contribution<sup>2</sup>**

8.7% increase in average income of small-scale food producers since we invested, in relation to our investment.<sup>1</sup>

**Risk**

External risk – Exposure to climate change and rising temperatures that may alter their crops functioning, income and productivity.

Mitigation – Resilient farming practices promoted by Waycool to its suppliers.



**What**

**SDG 2.4** - Ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality.

**Who**

Farmers living in developing countries .

**How much<sup>2</sup>**

426 farmers having received training initiatives during FY21-22 (31/03/2022 cut-off date).

311 hectares of land indirectly controlled.

540 farmers with implemented efficient irrigation systems as at 31/03/2022.

1.28 tonnes of agricultural production per hectare per year.

**Contribution<sup>2</sup>**

The investment agreement was signed in December 2021 and no contribution can be attributed at this point in time.

**Risk**

External risk – Exposure to climate change and rising temperatures that may alter their crops functioning, income and productivity.

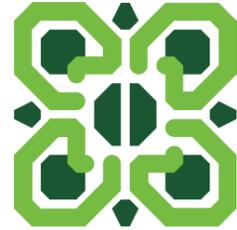
Mitigation – Resilient farming practices promoted by Waycool to its suppliers.

<sup>1</sup>- IRIS Taxonomy: PI8999. SDG Indicator 2.3.2., <sup>2</sup>- As of May 2022

<sup>3</sup>- USING THE IMP METHODOLOGY [www.impactmanagementproject.com](http://www.impactmanagementproject.com)

# IMPACT TOOLS

---



## Impact Management and Measurement

GAWA has built its business around the pillars of social impact, which are the basis for our raison d'être. Impact Measurement & Management is thus a key element of GAWA's investment strategy, helping to ensure that the transformational change that we seek is actually achieved. Simply measuring impact is not enough – we must actively manage the social impact of our investees, working with them to identify ways to maximise this element. At GAWA this concept is deeply engrained in our modus operandi, from Fund inception and throughout the lifetime of our investments, seeking to create Theories of Change that will truly contribute to reducing poverty around the globe.



## Investee Transformation

Technical Assistance is a tool by which to achieve our objectives related to Smallholder Farmers' Productivity: Financial Inclusion and Inclusion into Agricultural Value Chains. This tool is offered to improve our investees' agricultural readiness, social performance systems and their general business, as well as to assist end-beneficiaries via cross-cutting activities. The complementarity between the financial resources and TA knowledge transfer will help maximize the efficiency and impact of the overall Fund.





# IMPACT MANAGEMENT AND MEASUREMENT

## IMPACT PHILOSOPHY



1

### Investment strategy

GAWA's Investment strategies are designed to solve specific social or environmental problems, following rational steps:

**Problem:** Identifying a major social or environmental problem which can be addressed by the private sector.

**Solution:** Understand how the problem can be solved by preparing a theory of change and back-testing it with academics.

**Design:** Designing an investment strategy that will enable us to facilitate the transformational change we seek to achieve.



2

### Maximising social impact

Social impact is maximized by actively managing it through a variety of ways:

**Social Due Diligence:** An exhaustive due diligence (using tools like the CERISE: SPI4 / SPI4 Alinus) evaluates investees' social performance, identifying strengths and weaknesses.

**Monitoring:** GAWA sets targets and covenants, and actively measures and supports the progress made by investees. Each investee is assigned a social impact score.

**Technical Assistance:** GAWA helps transform its investees by funding and implementing TA projects that maximize its social impact.



3

### Verification

GAWA's social impact score includes a mix of input and outcome metrics, including investee-specific goals. These metrics aim at measuring to what extent investees implement policies / business models that serve smallholder farmers (input) and what real impact is generated through their activities (outcome). These metrics have been defined together with COFIDES, the Spanish DFI, and they are part of a complex and validated methodology. **Social Impact Scores** are audited by an independent third-party social auditor chosen by the investors.



4

### Alignment

GAWA's **financial incentives are aligned with its social impact**. The performance reward (Carried interest) is not only linked to the overall funds' financial performance but also their social achievements. **50% of GAWA's carried interest is linked to the portfolio level impact score**, showing our commitment to our social objectives.





Impact Management and Measurement

### STANDARDIZED IMPACT SCORE TOOLS

GAWA uses a number of tools and questionnaires to evaluate how our investees’ business models contribute solutions. Some are custom forms created by GAWA that evaluate the maturity of their approach toward working with smallholder farmers, or their actual outputs and impact generated. Others are standardized solutions that focus on evaluating solid and ethical internal policies and procedures like Cerise Alinus and Social Business Scorecard.



The SPI4 is an assessment tool created by Cerise to evaluate an organization’s level of implementation of the Universal Standards for Social Performance Management (USSPM), developed by the Social Performance Task Force. The **SPI4 Alinus** is the sub-set of 68 SPI4 indicators, selected by a group of social investors and fund managers committed to aligning their investment strategies and decisions to the USSPM. ALINUS stands for Aligning Investors due-diligence and reporting to the Universal Standards. The SPI4 Alinus standards cover the six dimensions of social performance management.

We perform the SPI4 Alinus analysis for microfinance institutions. By using SPI4 Alinus, we enhance our social performance management, as it is linked with our funds’ carried interest.

The SBS is a social due diligence tool for impact investors investing in social businesses. Huruma Fund invests in Agricultural-related SMEs, including cooperatives, food processors, input providers, or other SMEs that operate in value chains involving farmers. Most of the time, Ag-SMEs will work with farmers either as clients or suppliers, but they do not necessarily have to be “social businesses”. This tool has been adapted to assess whether the company is working well with farmers, especially with smallholder and medium-sized farmers.

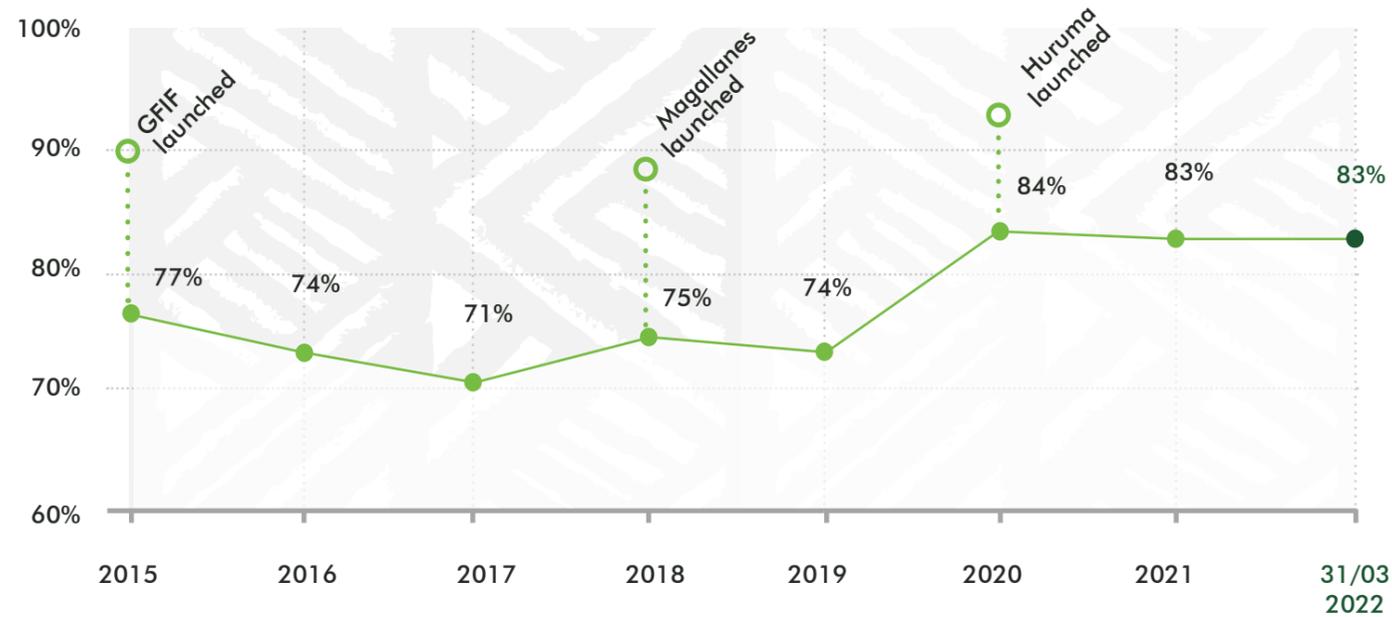
The modified SBS tool includes a sub-set of 36 indicators, organized along six dimensions (Purpose, Target clients, Products and Services, Social Practices and HR policies, Environment and Sustainability).The SBS assesses metrics such as if the organization integrates smallholder farmers into the supply chain, or if the products and services are available at a price that is appropriate for smallholder farmers. We perform SBS analysis for agricultural SMEs.





## Impact Management and Measurement

### AVERAGE SOCIAL PORTFOLIO PERFORMANCE SCORE



These percentages represent a weighted average evolution of all GAWA funds' social performance scoring. This scoring evaluates how the investee defines, monitors and commits to social goals, if it designs products adequate to clients' needs, if clients and employees are treated responsibly and the extent of environmental focus. As it can be seen, investees have shown a rising trend on their social performance score, which implies that there is an increased focus on social and environmental performance.

### EMPLOYMENT AND DECENT WORK

In our Social Performance Score we consider Dimension 5 of Alinus: "Treat employees responsibly". We ensure that our investees have the right policies in place to protect employees, that their salary scale is transparent, and that there is no employee discrimination and no forced labour.

During the due diligence, we get to know the investees' working atmosphere in person, interacting with employees and understanding their daily conditions. Once the investment agreement is in place, we monitor each investee's scoring quarterly. Our investees' average scoring of this Dimension has risen sharply during recent years and most of our investees reach at least 90%/100% score.



Target 8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value



# INVESTEE TRANSFORMATION

Through our investments, GAWA Capital not only aims at delivering impact but also at transforming its investees to amplify and catalyse the impact they are able to generate.

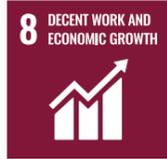
COFIDES and the European Union agreed to a financial contribution for the setting up of a Technical Assistance Facility (TAF) for the Huruma Fund. This Facility is the impact amplifier of the Fund. We believe that the projects that can be developed through this Facility will boost the investee's outreach and impact on farmer clients, which is our main target.

Most MFIs have difficulties reaching agricultural clients, since these clients have specific risks that need to be addressed and mitigated. Technical Assistance contributes to strengthening our investees' capacities, improving their methodologies so that more adequate financial products can be offered.

As for agricultural value chain players, these have the potential of creating a successful collaboration network with farmers - the Facility can catalyse these collaborations, contributing at including farmers into formal value chains, stabilizing and improving their income.

The TA Facility will assist the Investees of the Huruma Fund by improving their agricultural readiness, their social performance systems, their general business and agricultural value chains strategy as well as to assist end beneficiaries through cross-cutting activities.

Cross-cutting TA projects aim at improving the investment environment and will indirectly benefit the investees. The Cross-cutting Agri-projects of Huruma TAF will address specific needs and market failures identified during the investment period of Huruma Fund.



The TAF will contribute mainly to target 8.10: Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all among others.





Investee  
Transformation

## MFIs

Regarding Agricultural readiness, projects aim to ensure that investees have the right People, the right Processes and the right Products to serve the agricultural sector (e.g., developing adequate agricultural financial products, improving technology and delivery channels, developing agricultural risk management systems, training loan officers or conducting demand side research).

Social Performance and Environmental Risk Management Systems projects aim at improving the ability of investees to achieve their social missions and adequately manage Environmental and Social Risks.

General Business Improvement projects target improving the overall business model, financial performance and the risk management of the investee (e.g., Governance, General Management, Loan portfolio, Human Resources, Digitalization).

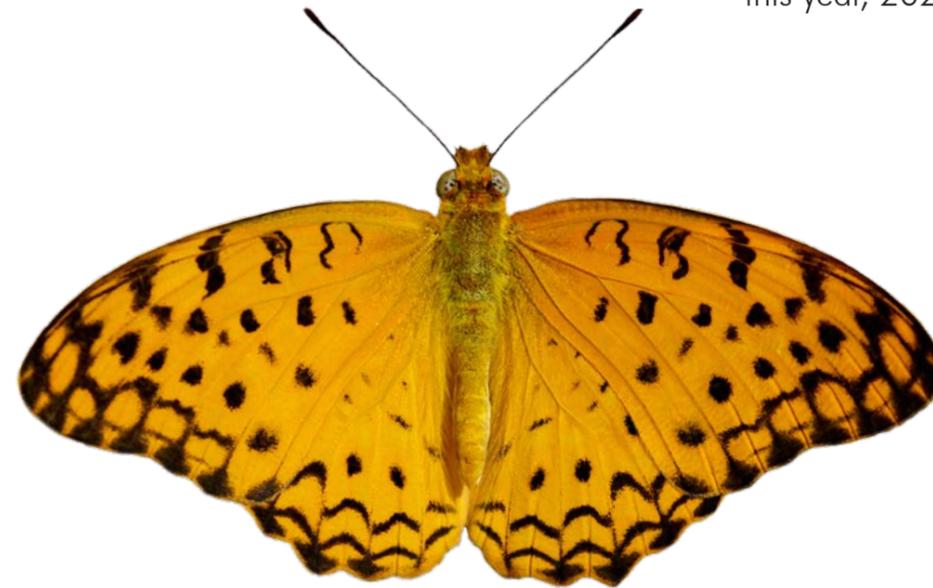
## Agri SMEs

Agricultural Value Chain projects aim at supporting investees to better include and serve smallholder farmers in their business operations (e.g., design and scale out-grower programs, farmer certifications, extension advisory services on good agricultural practices, marketing strategies, third-party input financing, distribution/logistics).

## Ecosystem

Cross-cutting TA projects aim at improving the investment environment and will indirectly benefit the investees. The Cross-cutting Agri-projects of Huruma TAF will address specific needs and market failures identified during the investment period of Huruma Fund. The projects seek improvements in markets for products, country-level infrastructure and other activities that, in addition to tailored TA for investees, could be implemented under a Value Chain Development (VCD) and/or thematic approach.

There is a long route ahead to achieve these goals and thus we look forward to beginning the implementation of these projects during this year, 2022.





Investee  
Transformation

## UPCOMING PROJECTS

The table below shows the planned upcoming transformation projects we have designed with our investees. The first project to be implemented will be developed jointly with FACES from Ecuador, one of the first partners to have received a loan from the Huruma Fund.

The project will consist in the implementation of a refined Agricultural Risk Management System, aiming at complying with the regulations issued by the Superintendency of Banks of Ecuador for general risks. Additionally, it will improve the management of the specific risks of an agricultural portfolio. More precisely, parameters that manage the Entity's main risks (client selection, portfolio risk, etc) will be reevaluated and

new ones that address additional risks related to the intrinsic characteristics of natural resources, the environment and the cycles and risks of agricultural production will be introduced.

In practical terms, elements such as standard smallholder profiles will be created for all the different crops, agroclimatic regions and the common agronomic practices typical of the regions where FACES is present. The profiles estimate average production cost and profits, and will be integrated into FACES' IT system to ensure an adequate level of risk at loan approval. These practices will also enable better agronomic and livestock recommendations, improving clients' traditional practices and increasing their productivity.

**WE HELP OUR  
PARTNERS TO  
DELIVER IMPROVED  
IMPACT, NOT ONLY  
MORE IMPACT**

TAF Partners	Investment (EUR)	TA Phase	Total Amount	Topic	Goal
FACES	3,000,000	Approved	170,250	Agricultural Risk Management	More unbanked clients reached per year. Improved agricultural risk management.
INSOTEC	4,000,000	Pending Approval	361,000	Digitalization	Improved service delivery through tech. devices. Savings accounts offering.
Microserfin	2,033,419	Design	100,000	Agricultural Risk Management	More unbanked clients reached per year. Enhanced agricultural risk management.
COOPAC Norandino	3,000,000	Design	-	Value Chains	Best agricultural practices training provided to farmer clients. Increase and stabilization of farmers' income.
Creceer IFD	5,107,251	Design	-	Digitalization & Education	Improved service delivery through tech. devices. Education and health services provided to end-clients.

# PARTNERS

THANKS TO OUR PARTNERS' SUPPORT, WE CONTINUE CREATING A TRANSFORMATIONAL ECOSYSTEM



We have mobilized financial resources for developing countries from multiple sources and promoted public-private partnerships through blended finance.

**Magallanes** has a strong interest in social development, having launched alongside GAWA Capital the first open-ended impact investing fund in Spain - "Magallanes Impacto FIL". Magallanes Impacto is managed by Magallanes Value Investors and is regulated by the Spanish National Securities Market Commission (CNMV). GAWA Capital acts as investment advisor to this Fund, which focuses on promoting financial inclusion in developing and emerging countries across the globe.

**SpainNAB** is the national impact investing association that represents Spain on the Global Steering Group for impact investing (GSG), the international organization successor of the G8 Impact Investing task force. In its effort to contribute to the growth of the Spanish impact investing sector, GAWA Capital was founding member of SpainNAB actively contributing to Spain's adherence to the GSG. Once Spain became member of the GSG, GAWA Capital led the impact funds' taskforce authoring three toolkits (blended finance, distribution of impact products and impact measurement and management) that contributed to quadruple Spanish impact investing funds' assets under management in just two years.

**The Global Impact Investing Network (GIIN)** is a non-profit organization dedicated to increasing the scale and effectiveness of impact investing. By convening impact investors to facilitate knowledge exchange, highlighting innovative investment approaches, building the evidence base for the industry, and producing valuable tools and resources, the GIIN seeks to accelerate the industry's development through focused leadership and collective action. The GIIN is currently a sponsored project of Rockefeller Philanthropy Advisors. GAWA Capital is part of The GIIN's Investors' Council, where leading impact investors gather. This Council provides a forum for experienced impact investors to strengthen the practice of impact investing.



WITH EUR 30 MILLION RAISED IN PUBLIC FUNDS, GAWA HAS MOBILIZED EUR 90 MILLION IN PRIVATE FUNDS VIA OUR LATEST FUND – HURUMA FUND. WE ACHIEVED THIS BLENDED FINANCE STRUCTURE THANKS TO THE COLLABORATION OF AECID (FONPRODE), COFIDES AND THE EU:



**FONPRODE** is an instrument of Spanish International Cooperation with the primary aim of eradicating poverty, reducing social inequalities between individuals and communities, while promoting gender equality, protection of human rights and sustainable human development in poor countries. FONPRODE has invested in GAWA's second fund - Global Financial Inclusion Fund - and in GAWA's third fund - Huruma Fund - via EUR 20 million in concessional debt.

**COFIDES** is administering the **EU funds** granted to GAWA's third fund - Huruma Fund - in the form of a EUR 10 million first loss facility and EUR 8.5 million of Technical Assistance.

The **European Commission** is the executive body of the European Union, through which the latter participates in the Huruma Fund. The European Union is committed to sharing its achievements and values with countries and peoples beyond its borders. Huruma Fund was the first project presented by Spain to the European Union to mobilize first-loss investment and the technical assistance facility.





## MADRID

C/ Alcalá 96, 4º Centro  
28009 Madrid, Spain

Follow us on linkedin  
**[gawa-capital](#)**

Visit our website  
**[www.gawacapital.com](http://www.gawacapital.com)**

Or contact us at  
**[info@gawacapital.com](mailto:info@gawacapital.com)**



### Disclaimer

- This document has been carefully prepared and is presented by GAWA Capital Partners SGEIC, S.A.
- This document does not carry any right of publication or disclosure, in whole or in part, to any other party.
- This document is for discussion purposes only.
- The information and opinions in this document constitute the judgement of GAWA Capital Partners SGEIC, S.A. at the time specified and may be subject to change without notice. They are not to be relied upon as authoritative or taken in substitution for the exercise of judgement by any recipient. Under no circumstances are they to be used or considered as an offer to sell, or solicitation of any offer to buy, nor shall they form the basis of or be relied upon in connection with any contract or commitment whatsoever or be taken as investment advice.
- The content of this document is based upon sources of information believed to be reliable, but no warranty or declaration, neither explicit or implicit, is given as to their accuracy or completeness.
- This document is not intended for distribution to or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation.
- All copyrights patents and other property in the information contained in this document is held by GAWA Capital Partners SGEIC, S.A. and shall continue to belong to GAWA Capital Partners SGEIC, S.A. No rights whatsoever are licensed or assigned or shall otherwise pass to persons accessing this information.
- All information contained in this document is as of 31 March 2022.