

# 10 YEARS

SANAD Fund for MSME  
Impact Report 2020

A DECADE OF SUPPORTING  
ENTREPRENEURSHIP AND EMPLOYMENT

A DECADE OF SUPPORTING ENTREPRENEURSHIP AND EMPLOYMENT

# Contents



- Key Figures PAGE 4
- Greetings from the Chair PAGE 6
- Letter from the Advisor PAGE 10
- Investors PAGE 12
- About SANAD PAGE 16
- How SANAD Generates Impact PAGE 22
- Highlights
- PAGE 32
- PAGE 42
- PAGE 48
- PAGE 56
- PAGE 66
- PAGE 74
- Board and Committees PAGE 82
- Contacts PAGE 84
- Credits and Disclaimer PAGE 86

Supporting Entrepreneurship & MSMEs  
 Local Currency Finance  
 Fostering Agriculture  
 Fintech & Digital Finance  
 Empowering Women in Business  
 Responding to the COVID-19 Pandemic

A DECADE OF SUPPORTING ENTREPRENEURSHIP AND EMPLOYMENT

# A Decade of Impact in the Region

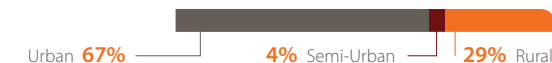


## Development Impact

Cumulative, as of year-end 2020

|  |           |
|--|-----------|
| Jobs supported in MSMEs receiving financing through a SANAD partner institution  | 230,000   |
| Direct jobs contributed to within SANAD ESF I partner institutions               | 2,900     |
| Sub-loans enabled by SANAD DSF to MSMEs and households                           | 242,000   |
| Sub-loans supported by SANAD ESF I institution building                          | 1,000,000 |
| Sub-loans enabled to women borrowers through SANAD DSF microfinance institutions | 135,000   |
| Average sub-loan size  | USD 3,258 |
| Loans to microfinance institutions in local currency                             | 59%       |

### Type of sub-loans enabled by SANAD's debt investments

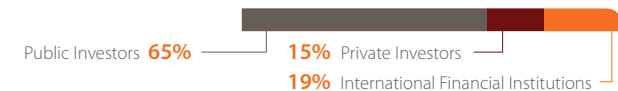


## Fund

As of year-end 2020

|  |                 |
|--|-----------------|
| SANAD partner institutions, cumulative   | 49              |
| Target countries   | 16              |
| Outstanding investment portfolio   | USD 349 million |
| Cumulative disbursement of sub-loans enabled to SANAD's target group through DSF | USD 787 million |
| Committed capital of SANAD DSF   | USD 467 million |
| Committed capital of SANAD ESF I & II  | USD 69 million  |

### Fund investors by type



## Technical Assistance

Cumulative, as of year-end 2020

|  |                |
|--|----------------|
| Partner institutions served by SANAD with TA | 21             |
| Institutions served by SANAD with sector TA  | 143            |
| Total beneficiaries of TA projects           | 31,000         |
| TA projects approved                         | 270            |
| Total TA project volume                      | USD 21 million |
| Total countries                              | 22             |

# Greetings from the Chair

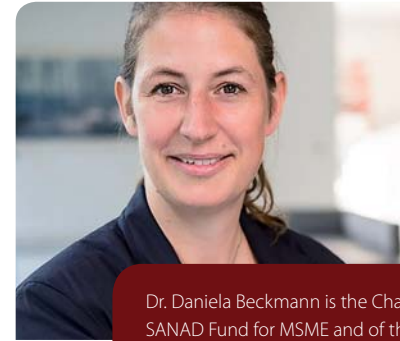
Dear Reader,

Welcome to SANAD's Ten-Year Impact Report.

This milestone publication is appearing during an extraordinary period. For 18 months now, a pandemic requiring drastically reduced business activity has weighed especially heavily on that crucial source of income generation and economic stability: micro, small, and medium enterprises.

And yet, impact investing is by its very nature about solving problems. And the SANAD Fund for MSME is no stranger to challenging situations. Established in 2011, the fund has been a reliable partner to local entrepreneurs and financial institutions throughout a full decade of challenges in the Middle East and North Africa. Whether against the background of political upheaval, economic turbulence, or a historic pandemic, SANAD has been a constant champion of tangible support to micro, small, and medium enterprises – maintaining close relationships with on-the-ground financial service providers, entrepreneurship organizations, and national regulators to help shape a strong entrepreneurship ecosystem and lay stable footing over uncertain ground.

This is because SANAD takes a long-term view in pursuing its impact mission: to foster economic growth and employment by investing in the success of local entrepreneurs. And truly sustainable development does not occur overnight. The fund combines patient capital with targeted technical assistance to build a solid foundation for positive impact to take hold. It does so through a combination of instruments: For example, debt financing helps to strengthen existing institutions, while equity capital is deployed to greenfield brand-new financing providers dedicated to expanding



Dr. Daniela Beckmann is the Chairperson of the Board of Directors of the SANAD Fund for MSME and of the SANAD Debt Sub-Fund Investment Committee

outreach to underserved entrepreneurs such as rural, women, or young business owners. In such cases, SANAD utilizes its market expertise to identify financing gaps, then combines its equity investment with engaged support as a shareholder to fuel the new institution's success.

SANAD has successfully enabled more than

240,000

small borrowers to invest in their future.

To date, this comprehensive approach has enabled SANAD to direct over USD 787 million in responsible finance since 2011 through a total of nearly 50 dedicated partner institutions across the Middle East, North Africa, and selected countries of sub-Saharan Africa. Since its inception, SANAD has successfully enabled more than 240,000 small borrowers to invest in their future and supported 230,000 jobs. In fact, in the crisis year 2020 alone, SANAD approved a record total of USD 161 million in new loans to facilitate much-needed financing to enterprises grappling with the economic headwinds of the pandemic.

Accompanying these investments in 2020 were 51 customized technical assistance initiatives geared toward helping entrepreneurs, and the financial institutions they rely on, tackle operational challenges like risk management, financial planning, and especially expanding digital infrastructure.

This impact is the result not only of SANAD's local expertise and proximity to its markets. It is also thanks to close collaboration and trust built over ten years with local partners as well as with SANAD's

## A DECADE OF SUPPORTING ENTREPRENEURSHIP AND EMPLOYMENT

committed network of international investors. The fund's blended finance structure leverages capital from impact-minded public entities – including its initiator, German KfW Development Bank, along with substantial contributions from the German Federal Ministry of Economic Cooperation and Development (BMZ) and the European Commission (EC) – to absorb potential risk and mobilize increased funding from the private sector. The last years have shown: SANAD can rely on its committed investor base, with longstanding commitments from FMO, OeEB, and SECO along with strong private sector investors concerned about developments in SANAD's target countries.

In fact, SANAD's ability to provide targeted, timely support in response to the crisis has been supplemented by a record increase in investor funding in 2020 and 2021, especially in the form of an additional USD 125 million from the European Commission and the BMZ. I would like to take the occasion of publishing this SANAD Impact Report to offer my heartfelt thanks to the fund's investors for their trust and vision. It is through their dedication that SANAD is empowered to pioneer innovations for deepened impact.

For example, a dedicated share class backed by public investors amplifies SANAD's ability to provide financing to borrowers in local currency by facilitating hedging for foreign currency risks. This important safeguard protects partner financial institutions and end borrowers from additional risk, especially now in times of COVID-induced uncertainty. Or take digitalization: SANAD has long viewed financial technology as key to building an agile, inclusive, future-proof financial system. The pandemic has certainly underscored the importance of a resilient and proven digital infrastructure for both financial institutions and small businesses alike, which is why SANAD has launched a first-of-its-kind initiative to provide both counterparties with designated loans with grant components for accelerated digitalization.

We are pleased to present these initiatives and more in this publication. In this SANAD Impact Report, you will find concrete examples of the broad palette of instruments and interventions SANAD deploys to support a conducive environment for entrepreneurship to take hold. You will read about the strategy behind how the fund pursues and ensures impact, aligned with the Sustainable Development Goals of the United Nations. And you will learn how SANAD has adapted over the years in concert with our operating environment to continuously provide partners and entrepreneurs with the resources they need to overcome challenges and sustain operations.

SANAD has directed

787 million

in responsible finance since 2011.

SANAD is one of the leading impact investment funds in the Middle East and North Africa for a reason. It is because we are committed to the potential of these regions' hardworking, visionary entrepreneurs to drive transformation and contribute to vibrant growth. In short: We believe in their future.

In fact, that is why SANAD has now expanded southward to select countries in sub-Saharan Africa. A growing marketplace with a dynamic, youthful population, sub-Saharan Africa has much to offer in terms of financial technology and innovations for financial inclusion. It is also a region with a high impact potential, where SANAD can apply the ten years of expertise gained from building the entrepreneurship ecosystem in the Middle East and North Africa. SANAD thus aims to utilize the strong links between these regions to scale up its activities and generate amplified impact. Because the pandemic has laid bare our deep interconnectedness: Our own health, success, and future are tied to that of our neighbors. As we begin the road to recovery, it is clear that our long-term success will continue to depend on mutual learning and collaboration.

We have come far in the last ten years. But our mission is not yet accomplished. Especially against the backdrop of a pandemic whose repercussions are yet reverberating, we will need the continued commitment, collaboration, and vision of our partners to navigate a path toward recovery. And the entrepreneurs of SANAD's regions – together with the institutions they rely on – will need the ongoing support of a reliable partner with expertise in providing tailor-made solutions. That is who SANAD is and will continue to be.

Commitment. Collaboration. Vision. These themes have formed the backbeat of the last ten years of SANAD's impact. And thanks to the dedication of our partners and of the entrepreneurs we support, we look forward to continuing to pioneer sustainable development in the decade to come.

With best regards,

**DR. DANIELA BECKMANN**

Chairperson of the SANAD Board of Directors



# Letter from the Advisor

Dear Reader,

Time flies when you care deeply about what you do.

It seems not so long ago that discussions began with KfW Development Bank, SANAD's initiator, on creating an impact fund aimed specifically at closing the financing gap for crucial yet underserved micro, small, and medium enterprises in the Middle East and North Africa. As the fund's advisor from the very beginning, it has been our privilege to accompany SANAD from inception to its establishment and through its growth, developing into one of the leading impact investors in the region today.

SANAD could be called a pioneer in many ways. Its sights have always been set on how to open up paths for sustainable investment in geographies and markets that hold much promise yet have also experienced a fair share of turbulence. Yet investment here is worth it. These are markets distinguished by a keen entrepreneurial spirit and high growth potential, skilled at innovating and adapting to overcome obstacles. Businesses and systems in this region require international partners that understand their needs, operate locally, and adapt right alongside them to changing circumstances. And a fund whose establishment coincided with the tumultuous Arab Spring of 2011 is one that can navigate a challenging environment, moving swiftly to deliver the investments and business support services to make a difference. It is also one that has the resilience and stamina to be a trusted, reliable partner to local financial intermediaries and financial sector stakeholders for a decade and beyond.



UWE SCHOBER  
DIRECTOR



IVETA TANCHEVA-NIKOLOVA  
DIRECTOR



BURCU KARPUZ  
DIRECTOR



MATHIAS DITTRICH  
MANAGER

We can see the difference SANAD has made just by looking at some of the fund's impact achievements. By the end of 2020, the SANAD Debt Sub-Fund, through its strong on-the-ground partnerships with local financial institutions, had enabled more than 240,000 individual loans provided to micro, small, and medium enterprises. Many of these loans were facilitated to entrepreneurs in rural areas; around half were to women. Today, this financing has supported 230,000 jobs in a region where unemployment remains consistently high and nearly one in three young people remain unemployed.

In that same time span, the SANAD Equity Sub-Funds I and II have – through their institution-building and long-term, systemic approach to impact – helped establish four new micro and SME-financing companies dedicated to serving smaller businesses, supporting the provision of nearly a million loans to finance local enterprises and low-income households.

And alongside these investments, the SANAD Technical Assistance Facility has provided nonfinancial support to over 30,000 direct beneficiaries through 270 projects in 22 countries, helping create the circumstances that anchor and amplify positive change even beyond SANAD's initial interventions.

We are pleased to look back on SANAD's first full decade of supporting entrepreneurs and employment, and proud to be a part of the SANAD story. This success would not have been possible, of course, without the keen guidance of the Board of Directors and Committees as well as the dedication of the fund's visionary public and private investors. We would like to thank them for their trust. And we look forward to the next decade together, contributing to the success of SANAD as it continues to invest with impact in MENA and selectively in Sub-Saharan Africa, capitalizing on the knowledge transfer and investment linkages between the two regions.

With kind regards,

**FINANCE IN MOTION**

A DECADE OF SUPPORTING ENTREPRENEURSHIP AND EMPLOYMENT

# Investors

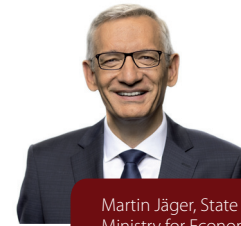
## Initiated by



## Advised by



## Funded by



Martin Jäger, State Secretary, German Federal Ministry for Economic Cooperation & Development (BMZ)

“At the BMZ, we believe that ensuring stable livelihoods and creating new prospects and jobs are key to counteracting crises and strengthening resilience, particularly in the MENA region with its overwhelmingly young population. That is why we invest German development funding into SANAD and its complementary Technical Assistance Facility: to help build a robust small-business ecosystem in the Middle East and North Africa that supports hardworking entrepreneurs and creates jobs and livelihood opportunities.

For a decade, SANAD has been an unwavering on-the-ground ally to micro, small, and medium enterprises – and the institutions that support them – throughout political and socioeconomic upheaval. After the COVID pandemic, SANAD was instrumental in mitigating the devastating effects of the pandemic on the labor market. BMZ thus provided extra funding in the realm of its emergency COVID-19 support program. BMZ is pleased to be a part of the international cohort powering this impactful fund; in times like these, international collaboration and partnership is more important than ever for driving long-term sustainable development.”



Maciej Popowski, Acting Director General of Directorate General for Neighbourhood and Enlargement Negotiations, European Commission

“Micro, small, and medium enterprises are the backbone of the economy in the Middle East and North Africa. In order to improve their future, especially in a challenging environment, these entrepreneurs require access to both financial and non-financial resources – such as business loans tailored to the needs of smaller operations, or training opportunities to access new markets or implement digital innovations.

The SANAD Fund for MSME has specialized for ten years in precisely this holistic approach to making a positive impact in the region. It aims at employment creation, primarily through microfinance and building inclusive financial systems, by cooperating with banks and microfinance institutions.

The EU as a long-term partner sees in SANAD a valuable tool in pursuing the EU Neighbourhood Policy to strengthen prosperity, stability, and security for all.”



Christiane Laibach, Member of the Executive Board, KfW

“When KfW initiated the SANAD Fund for MSME in 2011, we envisioned a holistic approach to social and economic development: by promoting access to finance for MSMEs, we aim to support employment and build inclusive financial systems.

Today, SANAD has grown to become one of the leading impact investment vehicles in MENA. It has made productive use of its public-private partnership structure to invest over USD 630 million in responsible finance to provide 240,000 loans to entrepreneurs and households in the Middle East, North Africa, and, recently, select countries of sub-Saharan Africa. SANAD’s funding has contributed to supporting 230,000 jobs in MSMEs receiving financing throughout the region. Around 31,000 people have benefited directly from guidance and nonfinancial resources through the Technical Assistance Facility. And SANAD’s equity financing and strategic support has helped to build and even create new financial institutions.”



“SANAD takes a long-term view in pursuing its impact mission: to foster economic growth and employment by investing in the success of local entrepreneurs.”

DR. DANIELA BECKMANN  
Chair of the SANAD Board of Directors





# About SANAD



**“SANAD was conceptualized in early 2011, just before the Arab Spring. The unrest in the region made us act faster than planned initially. We were already preparing investments and opening the first local office in Egypt, and were ready to go by August of that year.”**

Dr. Klaus Maurer, first Chairperson of the Supervisory Board for Finance in Motion, Advisor to the SANAD Fund for MSME

## What is SANAD?

The SANAD Fund for MSME is an impact investment fund dedicated to supporting micro, small, and medium enterprises (MSMEs) in the Middle East, North Africa, and select countries of sub-Saharan Africa. SANAD was established in 2011 by KfW Development Bank to address the financing gap for MSMEs in the Middle East and North Africa (MENA). Ten years later, SANAD is now one of the leading impact investors in the region, with a long-term focus and comprehensive approach to generating impact.

## What is its mission?

By facilitating much-needed access to financial and nonfinancial resources, SANAD helps MSMEs fulfill their role as engines of business growth, job creation, and income generation – thus reinforcing economic stability, improved livelihoods, and sustainable development.

## How does it work?

Through local financial institutions, SANAD channels funding to MSMEs and strengthens the ability of the local financial infrastructure to serve the needs of this vital economic sector.

To this end, the fund invests debt and equity financing into on-the-ground partners, such as microfinance institutions, leasing companies, banks, fintechs, and other financial service providers that share SANAD’s commitment to positive societal impact.

A DECADE OF SUPPORTING ENTREPRENEURSHIP AND EMPLOYMENT

By the end of 2020,  
SANAD had facilitated  
USD  
**787 million**  
in tailored financing ...

When needed, SANAD also forms strong partnerships to build new financial institutions that address the needs of the underserved “missing middle” throughout the region.

The fund’s investment activities are complemented by the SANAD Technical Assistance Facility (TAF), which delivers nonfinancial support to amplify impact on both an individual and systemic level. The TAF conducts tailored projects that build the capacity of financial institutions to serve MSMEs; facilitate best practice in regulation and knowledge exchange across sectors and borders; and connect entrepreneurs with the resources to help them succeed.

A sustainable, inclusive entrepreneurship ecosystem is crucial for the long-term economic resilience and future prospects of MSMEs. That is why SANAD especially promotes financial inclusion for underserved segments of the market, including refugees, young business owners, women entrepreneurs, and low-income households.

... for more than  
**240,000**  
loans to micro, small  
and medium enterprises  
and households ...

**Who is behind SANAD?**

SANAD was initiated by KfW Development Bank with the strong support of the European Union and the German Federal Ministry of Economic Cooperation and Development (BMZ). Today, the fund enjoys the backing of a strong network of international public and private investors through the power of blended finance: In other words, SANAD’s multilayered structure leverages the capital provided by impact-minded public contributors as a risk cushion to unleash the financial clout of private institutional investors. SANAD’s investors can be found on [page 12](#) of this report.

... across  
**9**  
countries ...

**Where is SANAD active?**

The fund and its Technical Assistance Facility have generated positive impact in 22 countries across the Middle East and North Africa. In 2020, SANAD expanded its focus to select countries of sub-Saharan Africa with an aim to facilitate links between the regions for the transfer of valuable knowledge and innovations. Global impact asset manager Finance in Motion serves as SANAD’s advisor, with its team of professionals working from locally staffed offices in Frankfurt, Beirut, Cairo, and Nairobi. This proximity to SANAD’s investees is key to an in-depth understanding of market needs and regional developments.

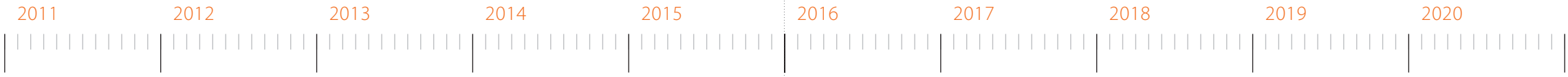
... and had supported  
**230,000**  
jobs.

For more information on SANAD’s key figures, please visit [page 5](#) of this report.  
For more information on how SANAD generates and manages impact, please visit [page 22](#) of this report.  
For information on partnering with SANAD, please visit [www.sanad.lu](http://www.sanad.lu).

**“Our partnership with SANAD extends beyond funding, as we are able to tap into the vast experience that SANAD has as a renowned name in the Middle East and North Africa.”**

JAMAL FARIZ  
Board Chair, Jordan Trade Facility

A DECADE OF SUPPORTING ENTREPRENEURSHIP AND EMPLOYMENT



# A Decade of Supporting Entrepreneurship and Employment

**SANAD established**  
SANAD is initiated by KfW with support from the European Union and the German government. The innovative blended finance structure of the SANAD Debt Sub-Fund calls on capital from donor programs, providing a risk cushion to leverage additional funding from private investors.

**SANAD issues first local currency loans in Jordan, leveraging its internal hedging capacity provided by dedicated shares**  
SANAD issues local currency loans to two microfinance institutions, MEMCC and Finca.

**SANAD's first equity investment**  
SANAD signs its first Equity Sub-Fund deal and becomes a founding shareholder of greenfield microfinance institution Advans Tunisie.

26

34

89

142

165

247

269

285

361

Committed Portfolio (USD m)

As at 31 December 2020



Federal Ministry for Economic Cooperation and Development



**SANAD Equity Sub-Fund inception**  
The creation of SANAD's Equity Sub-Fund enables the purchase of strategic minority stakes in financial institutions to expand their lending capacity and increase impact in MENA.

**SANAD initiator KfW leverages seed funding from BMZ and EU to invest in SANAD**  
This makes KfW the first development bank to do so.

**SANAD Debt Sub-Fund surpasses cumulative total of USD 100 million**  
invested into local financial institutions.



**Austrian development bank OeB provides their first funding to SANAD**  
OeB now a long-term SANAD investor, providing top-up funding in later years.



**SANAD raises first private sector funding**  
The SANAD Debt Sub-Fund succeeds in raising its first private sector funding with GLS Bank, a remarkable milestone based on its solid track record in achieving its goals while safeguarding its assets.

**Dutch development bank FMO invests in SANAD**  
The list of development banks backing the fund broadens.



**Calvert Impact Capital invests in SANAD**  
Enters fund as the first private U.S. investor.



**Sandah for Microfinance launch**  
SANAD becomes a founding shareholder of Sandah for Microfinance, the first microfinance company to be established since the Egyptian Financial Regulatory Authority (EFRA) introduced a new framework governing microfinance.

**SANAD launches Equity Sub-Fund II**  
SANAD launches a new sub-fund to invest equity into local financial intermediaries that support financial inclusion and job creation.

**COVID response**  
The SANAD Technical Assistance Facility tackles the crisis with a series of measures to help partners grapple with operational difficulties. This includes a brand-new initiative providing grants to both financial institutions and small business owners to strengthen their ability to overcome the challenges of COVID-19, especially by implementing new digital systems and solutions.

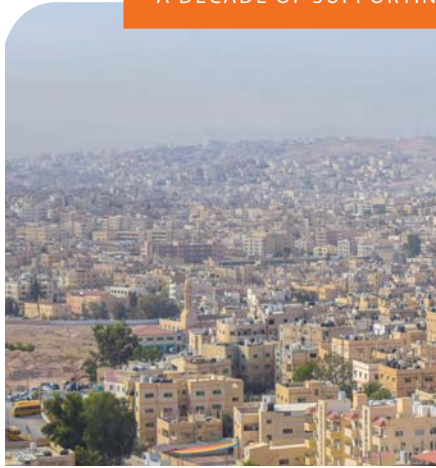
**BMZ and E.U. invest additional capital in the fund**  
Total of USD 125 million to strengthen the fund's ability to deliver impact, including in times of crisis.

**SANAD expands to sub-Saharan Africa**  
Fund and TAF initiate first partnerships with financial institutions in select countries to build links between this region and MENA for exchange of innovations and opportunities.





# How SANAD Generates Impact



## SANAD's Impact Strategy

**SANAD aims to foster economic development and job creation – including youth employment – as well as supporting agriculture, affordable housing, and innovations in finance and financial technologies.**

SANAD pursues this goal primarily by investing in the ability of local financial infrastructure to supply the resources businesses, entrepreneurs, and families need to thrive. By strengthening financial intermediaries' lending activities to micro, small, and medium enterprises (MSMEs) in the Middle East, North Africa, and select countries of sub-Saharan Africa, the fund strives to increase access to finance to this critical segment of the economy, which remains underserved, at scale and in a sustainable manner. The fund's investment activities are complemented by the non-financial support of the SANAD Technical Assistance Facility, which builds capacities of partner institutions and financial sector stakeholders, facilitates knowledge exchange, and nourishes an environment in which MSMEs can grow.





**SANAD's contribution to the Sustainable Development Goals**



SANAD contributes to eradicating poverty by meeting the basic financing needs of MSMEs and low-income households.



SANAD contributes to improving agricultural productivity and the livelihoods of small-scale food producers through secure and equal access to financial services.



SANAD contributes to economic development and job creation by enabling entrepreneurs to grow businesses, especially young entrepreneurs and MSMEs in rural areas.



SANAD contributes to inclusive industrialization by upgrading small-scale enterprises through improved access to finance and innovative solutions.



SANAD contributes to economic inclusion by sustaining and growing business income among marginalized entrepreneurs, such as women, youth, refugees, and rural populations.



As a blended finance fund, SANAD brings together public and private investors for sustainable development.

**SANAD takes a comprehensive approach to development, generating deep, long-term impact at scale.**

**A comprehensive approach to impact**

SANAD takes a comprehensive approach to economic development that involves not only improving the situation of individual micro, small, and medium enterprises and households. The fund also endeavors to strengthen the systems that surround and enable these local businesses, entrepreneurs and families, thereby generating deep, long-term impact at scale.

Dedicated sub-funds for debt and equity investments, along with the SANAD Technical Assistance Facility, work with different types of local institutions that facilitate access to finance for the fund's target groups. This holistic approach of supplementing investments with non-financial support has shown to be especially effective and sustainable in the long run, as structures and capacities can be built that outlast SANAD's direct involvement. SANAD thereby lays the foundation for systemic, long-lasting impact for economic growth and job creation.

SANAD pursues its impact mission through the following:

**Channeling tailored financing to micro, small, and medium enterprises (MSMEs) and households**  
MSMEs are the backbone of local economies and a major driver of income generation and employment creation. To promote their stability and sustainable growth, SANAD facilitates tailored loans to these enterprises through its network of selected local partner institutions. SANAD also supports access to housing loans, as good living conditions increase social security and resilience as well as providing an asset for future development and prosperity. SANAD pursues these goals by extending debt and equity financing to local partners such as microfinance institutions (MFIs), leasing companies, commercial banks, fintechs, and other financial intermediaries that share the fund's mission in serving these target groups. The strategic approach of providing dedicated finance through financial intermediaries has been shown as particularly effective in building outreach at a scale, strengthening local systems, and creating impact at scale.

A DECADE OF SUPPORTING ENTREPRENEURSHIP AND EMPLOYMENT



**Strengthening local financial markets**

By investing in and through local partner institutions, as well as by providing tailored capacity building, the fund expands its outreach and reaches its final target group efficiently. This also allows it to build the sustainability of its impact: The partner's capacities and practices are enhanced, and SANAD's lending priorities – such as a focus on financial inclusion for rural borrowers, for example – are established as investable business cases. In addition to providing dedicated financing, SANAD is advancing strategic issues to strengthen local financial markets, such as local currency financing or digitalization.

**Building an enabling ecosystem**

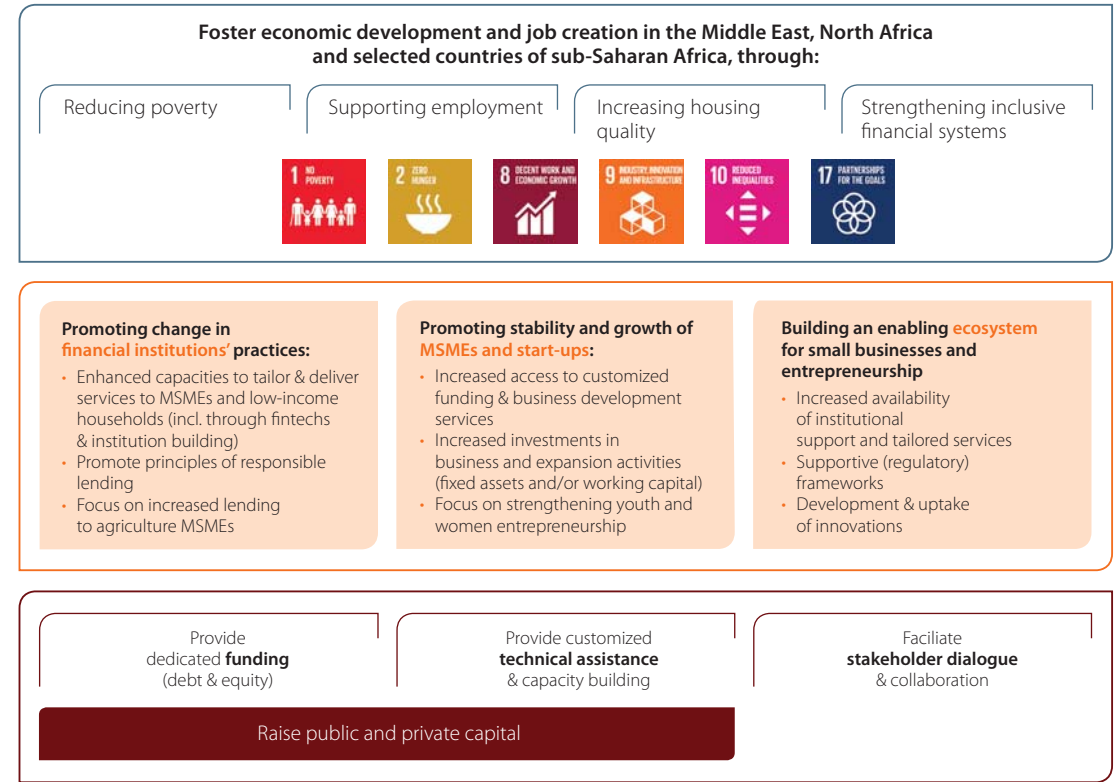
It takes more than financing for markets and individuals to thrive. That is why SANAD also aims

to support the systemic factors that contribute to business development – such as a culture of entrepreneurship, a regulatory environment that prioritizes financial inclusion, knowledge-sharing that encourages innovations like fintech, agritech, and sustainable industry practices. Our ecosystem work includes building up business support organizations that, together, create a solid infrastructure for entrepreneurs to succeed.

IMPACT ON FINANCIAL SECTOR, ENTREPRENEURSHIP, AND LOW-INCOME HOUSEHOLDS

FINAL IMPACT

SANAD ACTIVITIES



**Pathway to impact**

SANAD leverages the power of blended finance to amplify its impact and outreach. In other words, the fund draws its capital from various layers: public investors provide a risk cushion to unleash the financial clout of private institutional investors. The fund then

provides dedicated debt and equity financing to local financial intermediaries, who channel this money to MSMEs and households in line with the fund's eligibility criteria and strategic priorities.



By the end of 2020,  
SANAD had approved

270

technical assistance  
projects.

### Delivering impact in COVID-19 times

The financial sector, MSMEs and low-income households in SANAD's region were severely affected by the COVID-19 pandemic. Loss of income combined with limited or no savings can put extreme strains on businesses and households, and put them at a real risk of discontinuation or moving into poverty. In 2020, SANAD moved quickly to provide fresh investments and specialized technical assistance to help institutions and entrepreneurs tackle financial and non-financial difficulties arising from the crisis.

For more information on responding to the COVID-19 pandemic, please visit [page 74](#) of this report.

In addition, the SANAD Technical Assistance Facility provides technical support, mentorship, and on-the-ground training to partner institutions, entrepreneurs, regulators, and other market players.

Together, these activities build a platform that enhances collaboration among a range of stakeholders, the sharing of good practices, and fostering an awareness for entrepreneurs and their needs across the fund's countries of operations.

The impact pathway provides a high-level overview of how these activities work towards the fund's overall impact goal. Its underlying assumptions are regularly verified through the fund's impact management system. They are also backed by external studies and other impact evidence.

### Managing positive impact

across the investment cycle



- Guided by principles set out in fund documents
- Aligned with international targets
- Assess impact potential
- Agree on eligibility criteria for financing to be provided
- Agree on capacity building measures
- Agree on reporting
- Continuously monitor performance and assess impact
- Engage with investee, including through technical assistance and on-site-visits
- Conduct periodic end-borrower studies
- Report on a regular basis
- Integrate impact considerations to support sustainability of result achieved
- Identify best practices and lessons learned

### Approach to managing impact & sustainability

SANAD's work towards its impact mission is supported by an impact management system that combines managing and mitigating potential negative outcomes with enhancing positive impact. Impact management is integrated throughout the fund's entire investment cycle, following the standards established by the Operating Principles for Impact Management: from setting out objectives in SANAD's strategy and thorough screening of potential investees – including their alignment with fund objectives and capacities to deliver impact – through to continuous monitoring and management once capital has been deployed.

In line with its goal to strengthen the local financial sector, boost the availability of responsible finance for its target groups, and develop a conducive ecosystem for entrepreneurship, SANAD engages in long-term partnerships. Close collaboration is facilitated through the advisor's local offices in SANAD's target region, and through the fund's networking and platform-building efforts.

SANAD works towards the Sustainable Development Goals and aligns with international standards and good practices. These include the Operating Principles for Impact Management, the IFC Performance Standards, and key responsible finance initiatives.

A DECADE OF SUPPORTING ENTREPRENEURSHIP AND EMPLOYMENT



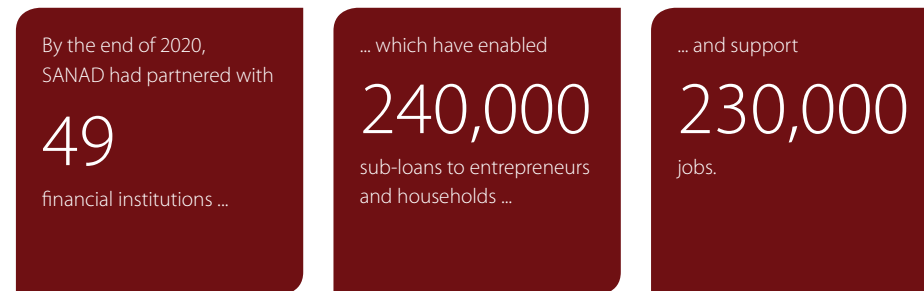
SANAD places a priority on the effective management – i.e., avoiding, minimizing, and mitigating – of potential environmental and social (E&S) risks and impacts associated with its investments. To this end, the fund maintains, implements, and continuously improves on its environmental and social management system (ESMS).

E&S risks are considered throughout the investment process. E&S screening and thorough E&S due diligence processes are a key tool for identifying potentially significant adverse sustainability impacts and for assessing the capacity and commitment of SANAD’s investees to address and mitigate against these impacts. Once capital is deployed, SANAD regularly monitors the E&S performance of its partner institutions.

In pursuing its sustainable investment objectives, SANAD falls within the scope of [Article 9](#) of the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR). Read more about SANAD’s approach to impact & sustainability, including our sustainability-related disclosures in line with the requirements of the SFDR, at:

[www.sanad.lu/impact](http://www.sanad.lu/impact)

SANAD utilizes a number of instruments and approaches to enhance the positive impact of its activities. These include criteria for the selection of investee companies; specific eligibility criteria which aim to ensure that resources are actually on-lent for the intended purpose and to the intended recipients; portfolio targets, such as



increasing the proportion of local currency lending or lending to rural areas; and the deployment of technical assistance to build capacity as and where needed.

Assessing SANAD’s impact is important to the fund, as it demonstrates progress towards SANAD’s social objective, as well as providing insights and learnings that inform fund strategy. The attainment of SANAD’s social objective is monitored continuously through a set of key positive impact indicators, combining different data sources and assessment methodologies. These indicators were selected based on SANAD’s impact agenda, reflecting both the direct impact on the investee (for example, by improving the financial sector’s capacity to serve MSMEs) as well as the indirect impacts on or through an institution’s clients (particularly the number of jobs supported).

The fund combines a range of data sources to track progress against its industry-aligned key performance indicators, including reporting by the investees on their financing activities to MSMEs and households, and

periodically conducted end-borrower studies. The fund also utilizes third-party data for impact estimations as appropriate and in line with industry practice. SANAD’s geographical proximity to investees and stakeholders through local offices supports regular on-site visits and continuous dialogue, contributing both qualitative and quantitative impact information.





# Supporting Entrepreneurship & MSMEs

By the end of 2020, SANAD's debt financing activities had facilitated over

# 240,000

loans to small borrowers

# Supporting Entrepreneurship & MSMEs



**“Financial inclusion isn’t just about money; it’s about opening up a path to opportunity.”**

H.M. Queen Máxima  
of the Netherlands  
on financial inclusion

Micro, small, and medium enterprises (MSMEs) form the backbone of income generation and employment in the Middle East and North Africa.

This sector accounts for nearly two-thirds of GDP and around three-quarters of jobs in the region. Yet crucially, a large proportion of MSMEs have limited or no access to the financing they need to thrive. This is due to several factors: One is the fact that smaller enterprises do not usually possess sufficient collateral with which to approach commercial banks. Another is that lenders can perceive this segment as particularly risky. In some cases, entrepreneurs themselves lack knowledge about available resources, or, oftentimes, there is simply a lack of financing options tailored to the needs of entrepreneurs.

One of the main obstacles to financial inclusion, however, lies in the natural progression from micro-enterprise to small business: when an operation outgrows microfinance but is still too small and informally structured for commercial banks, it is said to have fallen into the “missing middle.”

## Fueling the engines of the economy

SANAD provides debt financing and tailored technical assistance to existing institutions to expand their capacity to serve to MSMEs. SANAD also uses equity capital to greenfield new institutions dedicated to this target group, building the financial infrastructure upon which entrepreneurs rely. By the end of 2020, SANAD’s debt financing activities had facilitated over **240,000 loans** to small borrowers; SANAD’s equity financing and strategic support helped to build and even create new financial institutions. SANAD’s investments have supported well over **230,000 jobs** since the fund was established in 2011.

With targeted financing solutions and hands-on assistance, the SANAD Fund for MSME expands resources to this underserved but important sector. It also establishes long-term partnerships with financial institutions, enhancing their capacities to serve MSMEs and providing patient, long-term financing tailored to this target group. In this way, the fund adopts a comprehensive and sector-wide approach that enables commercial banks to widen their client base at the lower end of the scale, and microfinance institutions to accompany their customers further along the growth curve. This allows entrepreneurs the means to grow, and jobs to be created and sustained. And by trailblazing financing for MSMEs in the region, SANAD helps open up opportunities for further investment.

## Bridging the MSME financing gap in Egypt

**Egypt's newest microfinance institution, Sandah for Microfinance, was founded in the spring of 2018** as a joint venture between the SANAD Fund for MSME and the Arab African International Bank. It was the first internationally backed microfinance institution (MFI) in the country, obtaining a license from the Central Bank of Egypt shortly after the regulatory changes spurring growth of the MFI sector. SANAD supported the foundation of the company as well as its institutional build-up with extensive technical assistance support spanning the areas of risk management, product development, branch network rollout, and management support. The fund continues to strategically support the institution through its Board participation, steering it in line with its impact objectives.

Sandah aims to extend financial inclusion to the underserved – thus contributing to alleviating poverty and providing employment opportunities, especially across the Upper Egypt governorates. And with the strong support from SANAD, it has filled an urgent gap. In just over a year of operations, Sandah already opened its tenth branch in the country. And by the end of 2020, the institution had reached approximately USD 31 million in disbursements to microenterprises, serving over 13,000 customers.

Sandah is currently serving over  
**13,000**  
clients in the governorates of Upper Egypt and the Delta Region.



SANAD Board Chairperson Dr. Daniela Beckmann remarked: "Micro and small business owners are the key to employment and income generation in many parts of Egypt, particularly in the governorates of Upper Egypt and the Delta Region. We at SANAD are proud to have helped create a landmark institution that specifically targets this important Egyptian community, providing the resources for hardworking business owners to grow and thrive."

"Sandah for Microfinance is an example of SANAD's comprehensive approach to sectorial support in our target countries," adds Iveta Tancheva-Nikolova, Director at Finance in Motion, advisor to SANAD. "We go for long-term impact by investing in financial infrastructure. By bolstering the ability of the local financial sector to enable financial inclusion, we empower both institutions and entrepreneurs alike."

**"We are very proud of our partnership with SANAD, which will help us to provide our services to MSMEs excluded from the financial system."**

HICHEM ZGHAL  
General Manager, Tunisie Leasing & Factoring



## Sweet success

**Badeaa Sahi has been an entrepreneur since the age of 19.** That was when she began her own business making traditional sweets, originally with the aim of earning a better income for her family. But as Sahi met with increasing success and demand for her products grew, she realized that she had a knack for business.

Over the years, Sahi has poured time, energy, and passion into building up what is now a lively sweets factory in Tanta, Egypt. "Of course, manufacturing requires tools, which means investment," says Sahi.

Fortunately, Sandah for Microfinance specializes in providing tailored loans to small enterprises like hers. Sahi's business loan from Sandah enabled her to purchase a larger stock of ingredients and several new machines. "The machines have been quite a boost to our production," Sahi notes. Meanwhile, family still plays a key role in her business. "My husband has become our machine specialist. He received special training, and now he is responsible for all of our production tools."

Today, Sahi manages up to 30 people during peak production. When asked about expansion plans, she reveals her dedication as an employer. "We sell across the country, for sure. But I employ a whole network of local agents, many of them part time, to distribute my products. And there is plenty of work. I plan to branch out, offer new ranges of different products. We are getting more productive all the time. Maybe one day I'll even employ 100 people!"

**"I plan to branch out, offer new ranges of different products. We are getting more productive all the time."**

BADEAA SAHI  
Sweets Producer  
Client of Sandah for Microfinance, Egypt



A DECADE OF SUPPORTING ENTREPRENEURSHIP AND EMPLOYMENT



Laying the foundations for inclusive growth through refugee entrepreneurship

MENA is among the regions of the world with the highest number of refugees – well over six million are from Syria alone. Sociopolitical upheaval, conflict, and a lack of opportunities have been driving people to flee their circumstances in the hope of a better life.

SANAD believes in the power of inclusion to help build a safer, stabler world. That is why the fund and its Technical Assistance Facility actively work to expand opportunities for refugees in the region, supporting their integration and exchange with host communities. Financial inclusion in particular is a key element of economic security and future prospects.

To date, the activities of the SANAD Technical Assistance Facility have supported over

**1,200** refugee-led businesses in the MENA region.

“The one-to-one mentorship gave me the chance to ask specific and detailed questions about my business, unlike other programs where small and medium enterprises of all levels are mixed together.”

MOHAMAD AL-HUSMI  
Syrian, owner of business “Twig”

Over the last ten years, SANAD has worked with organizations on the ground to implement such projects as using block chain technology to create secure digital identities for refugees that enable mobile access to credit and banking services; or training and mentorship programs that connect refugee entrepreneurs with local industry representatives to help them establish and scale up businesses for income generation and independence.



Providing the tools for success

Running your own business is hard. It’s even harder in an unpredictable environment that has been suddenly shaken by crisis. That is why the SANAD Entrepreneurship Academy joined with the Jordanian Al Hussein Fund for Excellence to launch an online education series entitled “How to Start and Manage a Successful Business.”

More than 18,000 participants in the MENA region took advantage of the course – half of whom were female. The average participant age was 29. “I learned how to choose an appropriate project for the needs of the market, making a business and marketing plan, and also how to take decisions based on sales and customer satisfaction results,” said one learner.

Read more in the [“SANAD & HFE support entrepreneurs in MENA region with free online education”](#) press release.

In 2020, SANAD teamed up with Jusoor, a nonprofit organization of Syrian expatriates, to help displaced Syrian youth realize their potential through programs in the fields of education, career development, and global community engagement. Together, the partners launched the Small Business Accelerator: a three-month, free-of-charge online training and mentoring program for Jordanian and Syrian small business owners to help them grow in the fields of small and medium enterprise operations, digital marketing, and management. By the end of the program, 40 Jordanian and Syrian entrepreneurs from 20 businesses had received training to deepen their business management skills and tap new markets.

Enterprises with up to nineteen employees account for over

**50%** of employment in Jordan’s economy.





When pipe dreams come true

output and expand his sales catalog. It meant setting up a second production line. In other words, taking up a loan.

“We can’t help now, maybe later” became a familiar refrain at the banks he visited, and microfinance institutions weren’t interested, either. For the former, two years wasn’t enough of a track record, and for the latter, the loan amount was too large.

**“Obtaining a loan seemed impossible: I was too big for microfinance and too small for traditional banks. Thankfully, I was just right for Sanadcom’s tailored financing program.”**

ISHAQ SOUFAN  
 Founder ESRAR Plastic Pipe Manufacturing Co.  
 Client of Sanadcom, Jordan

**In 2016, Ishaq Soufan had a pipe dream.** Quite literally: He was dreaming of producing plastic pipes for construction. At the time he was assembling electric heaters, frequently delivering them to building sites, where he noticed that plastic pipes were in very short supply.

After running the numbers and locking in supply contracts to start on a solid footing, he founded ESRAR and soon had a production line up and running. Goodbye heaters, hello pipes.

By early 2018, Ishaq’s order books were full, with new customers knocking at the door. What at first seemed like great news soon cost him sleepless nights, however: To stay in business he had to increase

It was March when a business acquaintance suggested Sanadcom for Business Finance. “It’s a financing company specialized in very small, small and medium enterprises. You’re a dynamic entrepreneur and your situation fits their profile.”

Sanadcom is the first company in the Kingdom of Jordan dedicated solely to financing the “missing middle”: growth entrepreneurs such as Soufan, who graduate from a microenterprise into a small or medium-sized business. In fact, Sanadcom had just become fully operational in January 2018, thanks in part to equity funding from the SANAD Fund for MSME along with other anchor investors. In addition to the 30% equity investment, SANAD helped steer the success of the new company through board representation as well as support from the SANAD Technical Assistance Facility, which helped Sanadcom develop new MSME lending products and a tailored credit scoring model.

“Sure enough, Sanadcom came through with funding for the second production line,” beams Ishaq, “and my advisor there also gave me valuable advice on administration and accounting. I couldn’t have a better partner. We are now eight employees at ESRAR, and will soon be more.”



Jordan



# Local Currency Finance

To date, the SANAD Debt Sub-Fund has provided USD

**114** million in local currency loans to its partners since 2011



# Local Currency Finance



**“Supporting the ability of the local financial sector to provide businesses with financing in their market’s own currency means contributing to sustainable growth on both an institutional and individual level,”**

Dr. Daniela Beckmann,  
Chairperson of the SANAD Board of Directors



SANAD takes a long-term, holistic approach to building a conducive ecosystem for micro, small, and medium enterprises (MSMEs) to thrive.

That means providing more than just access to the financing entrepreneurs need. It also means ensuring that this financing contributes to an enterprise’s healthy, sustainable growth in a responsible manner. And part of that involves enabling funding in local currency.

### Why is local currency financing important?

Foreign investment can represent a boon for some economies, especially in emerging markets. Yet it is not without risk. When local banks borrow from international financiers in a foreign currency, they can either take on the exchange rate risk themselves or pass it on to their clients. And while currency volatility can negatively impact a bank’s own balance sheet, it can be truly perilous for the financial health of MSMEs that invest using one currency but earn their income in another.

That is why SANAD has always been keen to offer financing to its partner institutions in local currency – sparing both financial service providers and end borrowers alike from direct exposure to ups and downs in the exchange rate. This frees up MSMEs and households to invest in their future without worrying about unforeseen depreciation or appreciation that could destabilize their financial planning. And especially in times of crisis or a challenging operating environment, this extra layer of protection helps create a stronger, more sustainable entrepreneurship ecosystem.

The SANAD Debt Sub-Fund has extended local currency financing to

**13** MSME-dedicated financial institutions in the Middle East, North Africa, and sub-Saharan Africa.

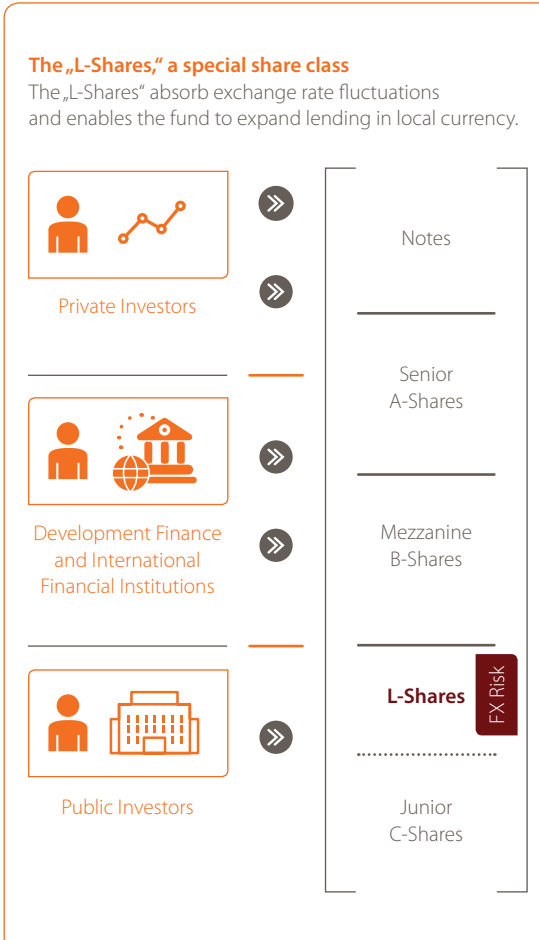
A DECADE OF SUPPORTING ENTREPRENEURSHIP AND EMPLOYMENT



Where does SANAD's local currency financing come from?

As most recently demonstrated by the coronavirus pandemic, global issues require global solutions. Yet it was ten years ago – before the SDGs were established, and when “corona” was just an astronomical phenomenon to the broader public – that the importance of high-level collaboration was already woven into SANAD’s very DNA. That is, the fund was created as a public-private partnership: a blended finance model that pools capital from various international sources in order to raise more money for impact.

One of the layers in this tranced structure is particularly designed to facilitate financing in local currency. Funded by public investors, these innovative “L-shares” allow the fund to absorb the exchange rate risk so that SANAD’s partners do not have to.



To date, the SANAD Debt Sub-Fund has provided USD

114

million in local currency loans to its partners since 2011.

Through these L-shares, along with the external hedging partners that SANAD works with on a case-by-case basis, the fund can provide a wide range of solutions to foster local currency lending.

Who has benefited from SANAD's local currency financing over the years?

SANAD issued its first local currency loans soon after the fund was established: In 2012, SANAD provided the local currency equivalent of USD 3.0 million to Jordanian microfinance institution Middle East Micro Credit Company (MEMCC) and USD 1.5 million to FINCA Jordan.

Since then, the fund has issued financing in 6 different local currencies to 17 MSME-dedicated financial institutions in the Middle East, North Africa, and sub-Saharan Africa, especially microfinance institutions.

“Supporting the ability of the local financial sector to provide businesses with financing in their market’s own currency means contributing to sustainable growth on both an institutional and individual level,”

says Dr. Daniela Beckmann, Chairperson of the SANAD Board of Directors. “We have a robust mechanism that protects vulnerable MSMEs from exchange rate fluctuations, further boosting the fund’s endeavors to promote business development and employment in the Middle East, North Africa, and sub-Saharan Africa through sustainable support to entrepreneurs, the backbone of these regions’ economy.”

The German Federal Ministry for Economic Cooperation and Development (BMZ) contributed a total of USD

42 million

to the L-shares, significantly boosting SANAD's ability to pursue this key element of responsible finance in its regions.





# Fostering Agriculture

## 23%

of the current loans facilitated to MSMEs by SANAD across the region have been in rural areas, to date.

# Fostering Agriculture

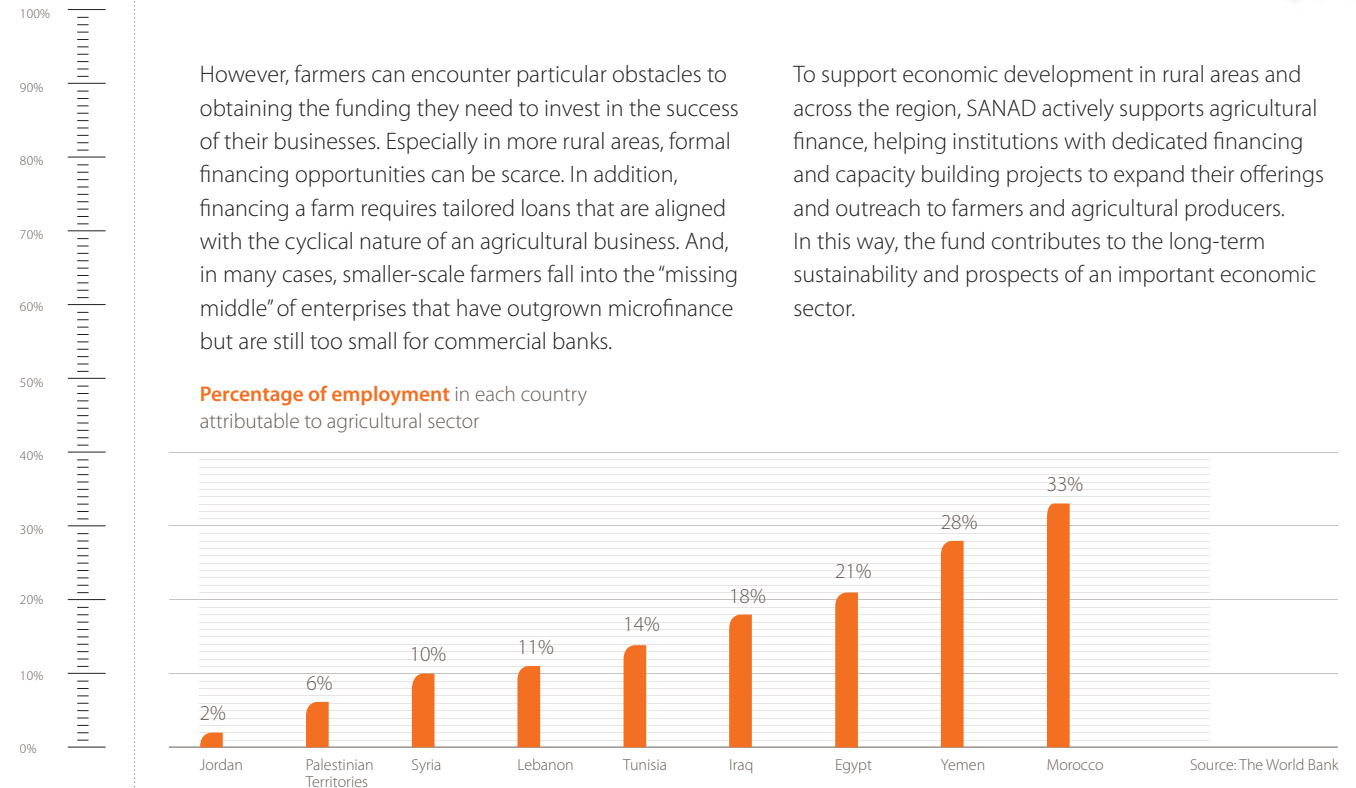


**Agriculture contributes significantly to the economy of many countries in the Middle East and North Africa, employing a large share of the population.**

However, farmers can encounter particular obstacles to obtaining the funding they need to invest in the success of their businesses. Especially in more rural areas, formal financing opportunities can be scarce. In addition, financing a farm requires tailored loans that are aligned with the cyclical nature of an agricultural business. And, in many cases, smaller-scale farmers fall into the “missing middle” of enterprises that have outgrown microfinance but are still too small for commercial banks.

To support economic development in rural areas and across the region, SANAD actively supports agricultural finance, helping institutions with dedicated financing and capacity building projects to expand their offerings and outreach to farmers and agricultural producers. In this way, the fund contributes to the long-term sustainability and prospects of an important economic sector.

**Percentage of employment** in each country attributable to agricultural sector







## Credit scoring for Egyptian farmers

### Agriculture is a pillar of the Egyptian economy, contributing more than 11% to the country's GDP.

The agricultural sector accounts for around a fifth of all jobs; in Upper Egypt, over half of employment is agriculture related.

Yet historically, less than 2% of total credit provided in the country has been extended to agricultural MSMEs. One reason is the reluctance of financial intermediaries to extend financing to this segment due to high perceived credit risks and insufficient expertise in performing credit evaluations for this segment.

In 2020, the SANAD Technical Assistance Facility launched a project with the Egyptian Credit Bureau, known commercially as I-SCORE, to develop a web-based credit assessment and scoring tool tailored to the Egyptian agricultural sector. I-SCORE assigns credit ratings to retail and MSME borrowers. The cooperation with the SANAD Technical Assistance

Facility and its experienced consultants is now enabling I-SCORE to provide crucial credit assessment methodology and tools to financial institutions to allocate more funding to the agricultural sector.

The new scoring model will provide best estimates of net income and repayment capacity of agricultural loan applicants, taking into account the seasonality and harvest periods of each crop, suggesting suitable maturity periods for that crop, and offering appropriate loan repayment schedules with different loan allocation alternatives. With this comprehensive tool tailored to the needs of agricultural borrowers, SANAD and I-SCORE are offering concrete, practical solutions to expand financing opportunities to this important economic segment.

Egypt



## A family business grows

### In El Minya, Egypt, Ahmed Zayan and his father run a small dairy farm called Al Laban.

What began as a hobby making cheese with the milk from one cow has now grown into a popular business. Today, the Zayans keep several cows and Al Laban cheese is known and enjoyed throughout the community.

Growing an enterprise requires hard work and planning. It also requires investment. But access to financing can be tricky for small businesses in Egypt, as many cannot meet the high collateral requirements to obtain a loan from large financial service providers.

That was why, in 2018, the Zayans approached Sandah for Microfinance. Sandah had just been established earlier that year by SANAD and the Arab African International Bank to make it easier for small businesses like Al Laban to get the financing they need to thrive.

"We had been turned away by other institutions," recalls Ahmed Zayan, "but Sandah was very easy to deal with." He and his father were able to acquire a loan to purchase production equipment, including tin storage canisters. "Sandah truly supported me in getting Al Laban to where it is today."

As Zayan plays with his small daughters, he is already thinking about the next generation. "If they want to work in the family business, I would really welcome that." Then he smiles as he reveals some of his dreams for the future: "For example, they might want to be in charge of international distribution."



Watch Ahmed Zayan's story [here](#).

Over

55%

of employment in Upper Egypt is agriculture related.



A DECADE OF SUPPORTING ENTREPRENEURSHIP AND EMPLOYMENT



Boosting agricultural microfinance in Tunisia

**Enda Tamweel is a pioneering Tunisian microfinance company** working to increase financial inclusion to underserved populations, especially women, young people, and agricultural entrepreneurs. With its widespread branch network, including in rural areas, Enda Tamweel is also a key ally in enabling SANAD to channel financing to small businesses across Tunisia.

SANAD's support of Enda Tamweel began with an equity investment of more than USD 7 million in 2018. Since then, Enda Tamweel has provided tailored business loans to more than 400,000 microenterprises. In addition, the SANAD Technical Assistance Facility and Enda Tamweel have been working together to expand the institution's outreach to agricultural producers in particular.

This involved taking a systematic approach to Enda Tamweel's agricultural portfolio management. Together, SANAD and Enda Tamweel trained more than 30 staff,

from senior management to loan officers, in the specific needs of agricultural businesses. An agrifinance strategy was developed to manage the risks of the agricultural portfolio through reasoned diversification, as well as to strengthen institutional agricultural skills and implement new technological tools that facilitate decentralized operations. And finally, concrete measures were undertaken to reach out to agricultural clients by opening new branches in rural areas, creating more mobile branches, and increasing the efficiency of Enda Tamweel's rural operations. By the end of 2020, rural and agricultural clients comprised one-third of Enda Tamweel's gross lending portfolio.

Support from the SANAD Technical Assistance Facility helped Enda Tamweel grow its agrifinance portfolio by

30% in two years.

Tunisia



Adventures in farming

**Taieb Aboud from Kairouan in Tunisia is a man of many talents.**

He worked as a mason and a mechanic before he discovered a knack for farming, and in 2017, he decided to take up agriculture full time. But for that, he needed a loan to get started.

Aboud turned to microfinance provider Advans Tunisie for his first loan to buy a greenhouse. "It was a very successful idea," he explains, "And I was able to pay back my loan quickly. This encouraged me to grow and apply for a second loan."

Advans Tunisie was established with the help of SANAD in 2013 to cater to microenterprises just like Taieb Aboud's farm. Microbusinesses account for more than half of employment in Tunisia, with around one-third of that total in the agricultural sector.

"Farming for me is a challenge that requires a sense of adventure," says Aboud. "Today, I have multiple greenhouses and a variety of crops. In fact, I am able to guarantee employment to more than a dozen people in the high season."

He continues: "I owe this success to the loans, no doubt about it. I thank SANAD and Advans Tunisie, who have supported and financed us so far in our agricultural projects and believed in our success."



Watch Taieb Aboud's story [here](#).

To date, agricultural sub-loans make up

22% of Advans Tunisie's outstanding portfolio.



# Fintech & Digital Finance

There are approximately **70** digitalization projects with 21,000 beneficiaries in the region.

# Fintech & Digital Finance

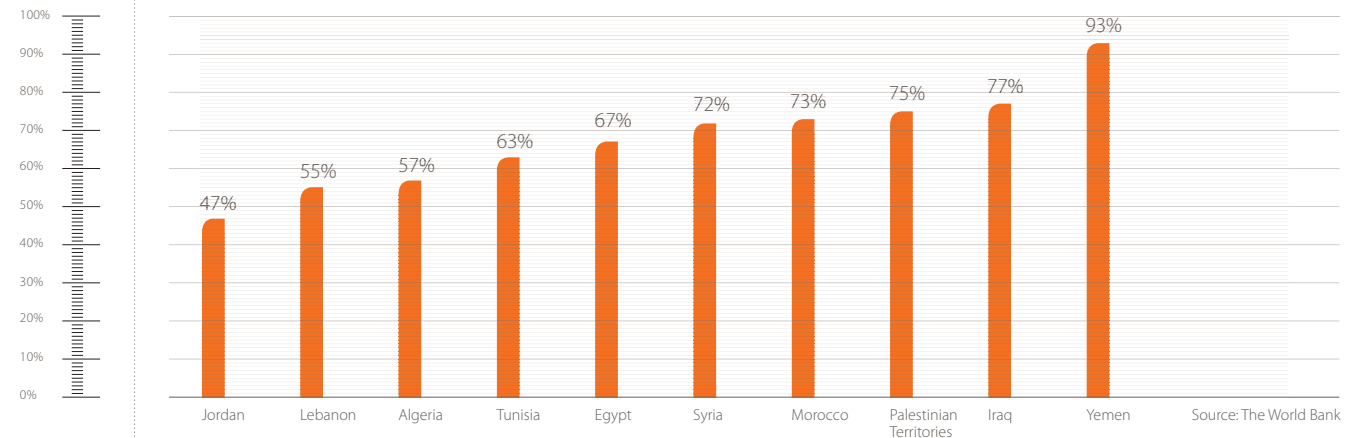


**Financial technology, or “fintech,” is a key accelerator for financial inclusion.**

Online banking, for example, opens up financial services to people – such as rural entrepreneurs – who may have difficulty reaching brick-and-mortar institutions for their banking needs. But the range of fintech applications goes beyond online banking: digital payments, micro-

insurance platforms, and training courses for financial education are all examples of valuable digital tools that can help smaller businesses grow and succeed. And when financial institutions take advantage of such innovations to widen their outreach through, for example, online tools and platforms, they expand formal financial services to those who may not otherwise have had access.

Portions of population **with access to formal financial services**





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SANAD has long championed the adoption and development of fintech.

And finally, fintech is essential for future-proofing businesses and systems. The pandemic made abundantly clear the importance of a strong digital infrastructure for confronting disruptive or challenging environments. But even outside of a crisis, institutions and enterprises simply cannot afford to ignore the advancement of new technologies, lest they fall behind in a rapidly digitizing world.

**SANAD has long championed the adoption and development of fintech as a core element of pursuing its impact strategy. The fund and its Technical Assistance Facility support partners in accelerating their digitalization strategies and regulators in adopting fintech-friendly policy approaches. SANAD also works to identify promising fintech companies that enable inclusion and helps them grow through its partnerships with fintech incubators and accelerators throughout the region. Through equity investments, the fund also directly supports fintechs which improve financial inclusion with the potential to reach tens of thousands of MSMEs.**

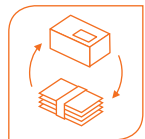
Technological advancement is also crucial on the lender side of the equation. A robust tech strategy allows institutions to, for example, create precisely tailored lending products to serve clients with specific financing needs, such as agricultural businesses.

This helps them both deepen their product offering and broaden their portfolio by connecting with new markets. And within the institution, digitalization can increase process efficiency by making information quickly and centrally accessible for informed decision-making.

Main fintech verticals of interest to the SANAD Fund for MSME



Alternative lending



Trade and invoice financing



Insurance



Payments and transfers



Alternative capital raising



Vital digital transformation with Vitas Group

Vitas is also a longstanding SANAD partner. Over the years, SANAD and Vitas have collaborated to channel USD 54 million in funding to entrepreneurs in Jordan, Lebanon, the Palestinian Territories, and Egypt, resulting in 16,000 loans to support local businesses.

Now, the partners are revamping the central IT infrastructure of Vitas Group for both efficiency and effectiveness in serving these clients, including the ability to collaborate with local financial technology providers to expand financial inclusion.

**When the world was rocked by the first waves of the COVID-19 pandemic in 2020**, many institutions and businesses found themselves reliant on digital infrastructure that in some cases was not up to the task of going completely online. That is why the SANAD Technical Assistance Facility went to work supporting fund partners in adapting to the operational challenges of the crisis.

One example is the large-scale digitalization project being conducted with the Vitas Group. Comprised of five microfinance institutions in countries across the MENA region, Vitas is committed to providing financial services tailored to clients' needs for long-term development. In 2020 alone, the Vitas Group sustained over 49,000 jobs, with 30% of their clients being women entrepreneurs, and 38% of clients under the age of 30.

To date, the SANAD Technical Assistance Facility has conducted

35

projects to advance digitalization and fintech in the MENA financial sector.



“When the pandemic hit in 2020, the SANAD Technical Assistance Facility lent considerable support to helping us implement, hone, and accelerate the transformation.”

ELISSA MCCARTER LABORDE  
CEO Vitas Group

Vitas Group CEO Elissa McCarter LaBorde commented, “We had already recognized the rapid tech evolution of the financial sector prior to the crisis; that is what led us to create a new digital transformation strategy. When the pandemic hit in 2020, the SANAD Technical Assistance Facility lent considerable support to helping us implement, hone, and accelerate the transformation. And not a moment too soon: The events of last year have underscored the urgency of digital solutions for resilient, agile operations. And this will further enable us to continue delivering responsible financing to our client base of hardworking entrepreneurs.”

The ‘Agile Transformation’ project comprises two main aspects:

- 1) bringing internal processes into one harmonized digital architecture to raise productivity, lower costs, and boost the institution’s ability to continue supporting MSMEs in a volatile environment; and
- 2) expanding Vitas’ outreach by going beyond traditional lending. An infrastructure that enables the company to collaborate with third-party tech innovators will expand the availability of new digital tools to Vitas’ clients, making it easier and faster for MSMEs to access financial services that meet their specific needs.



Learning from the neighbors

**Fintech is a major force shaping the financial industry in sub-Saharan Africa**, expanding access to financial services for underbanked clients while simultaneously opening up previously untapped markets for financial institutions.

Yet while this region – particularly East Africa – has become a global leader in fintech services with approximately 550 million registered mobile money accounts, the adoption and usage of fintech in North Africa remains less advanced than it does further to the south.

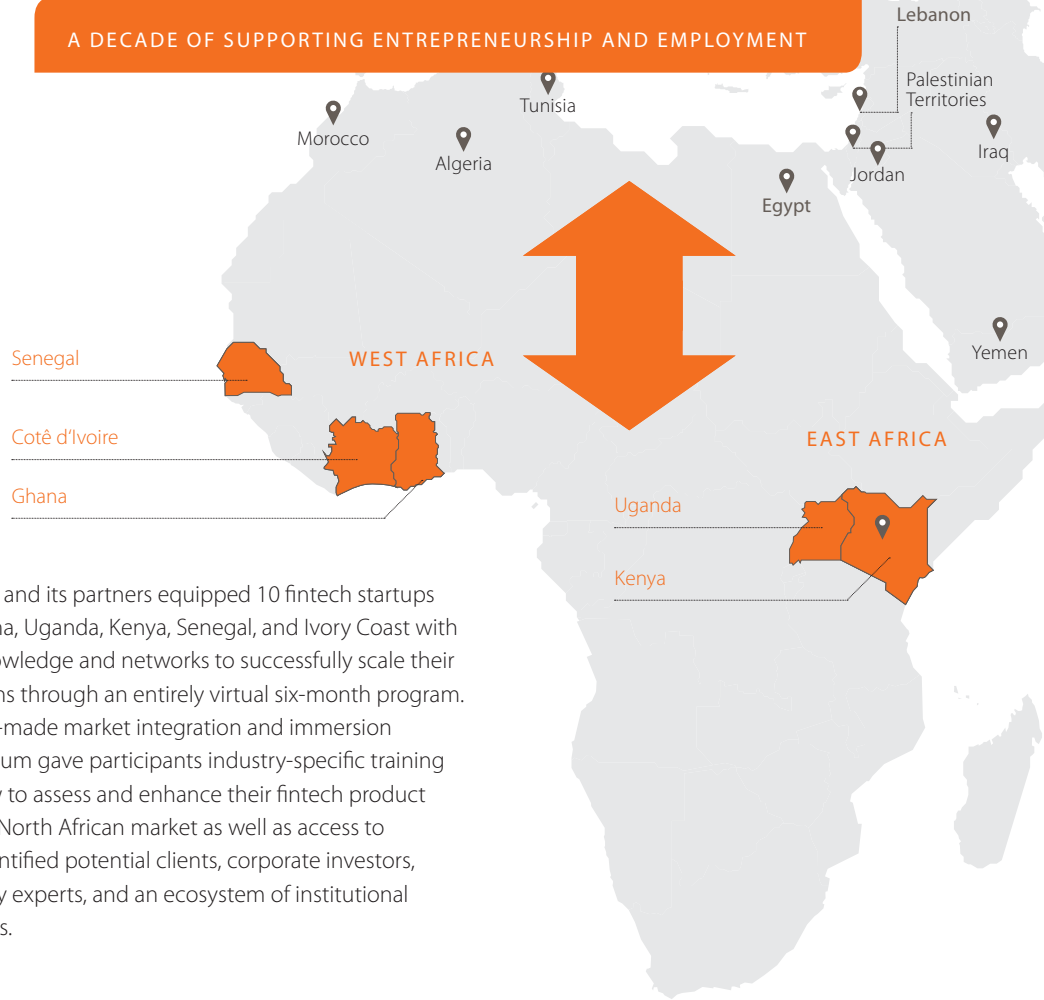
So, after nearly a decade of capacity-building support to the entrepreneurship ecosystem of the Middle East and North Africa, SANAD has now expanded to select countries in sub-Saharan Africa with an eye to bridging the regions through innovation exchange, strengthening the fund’s core region by exporting successful fintech models from sub-Saharan Africa northward.

It is against this background that the SANAD Entrepreneurship Academy, in partnership with Meltwater Entrepreneurial School of Technology (MEST) and IMPACT Lab, launched the Pan-African Fintech Accelerator in 2021. The program aims to accelerate high-potential, growth-stage fintech businesses in sub-Saharan Africa which are looking to expand to markets in North Africa.

Sub-Saharan Africa is a global leader in mobile money, with approximately

**550** million registered accounts.

A DECADE OF SUPPORTING ENTREPRENEURSHIP AND EMPLOYMENT



SANAD and its partners equipped 10 fintech startups in Ghana, Uganda, Kenya, Senegal, and Ivory Coast with the knowledge and networks to successfully scale their solutions through an entirely virtual six-month program. A tailor-made market integration and immersion curriculum gave participants industry-specific training on how to assess and enhance their fintech product for the North African market as well as access to pre-identified potential clients, corporate investors, industry experts, and an ecosystem of institutional partners.



Deploying digital solutions for financial inclusion in Morocco

pour l'Education Financière (FMEF), approached the SANAD Technical Assistance Facility to support them in developing a digital education program.

The program, which will be developed in several stages from 2021 to 2023, is expected to reach thousands of participants about the usage and benefits of new digital services and channels, such as mobile payment, microfinance, and inclusive insurance, thereby strengthening their capacity to use digital channels and instruments effectively and responsibly.

**The digitalization of financial services is one of the catalysts of financial inclusion**, providing access to those underserved or excluded from the financial system. According to research by financial inclusion think tank Consultative Group to Assist the Poor (CGAP), Morocco is the third largest fintech hub in the Arab world, hosting 13% of all 400 active fintech solutions, highlighting its advancement in digitalization.

Digitalization promotes access to secure savings, payments, financing, and insurance solutions, enabling underprivileged segments of the population to better manage their finances, seize opportunities, and cope with financial shocks.

Aware of the benefits of digitalization and in line with the Moroccan National Financial Inclusion Strategy that sees digitalization as a central component, Bank Al-Maghrib, together with the Foundation Marocaine

**3rd** Morocco is the third largest fintech hub in the Arab world ...

**13%** ... hosting 13% of all ...

**400** ... 400 active fintech solutions in the region.



A woman with dark braided hair, wearing a yellow top, is speaking into a silver microphone. She is looking upwards and to the right. The background is a blurred audience of people.

# Empowering Women in Business

Gender-diverse companies are

15%

more likely to have higher financial returns than their respective national industry medians.

# Empowering Women in Business



**“Women belong in all places where decisions are being made.”**

Ruth Bader Ginsburg

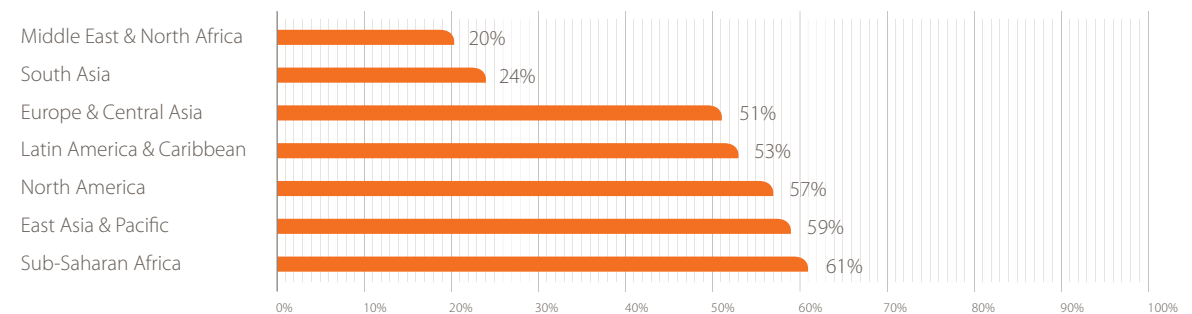
Women’s participation in business is important for both individuals and societies. Not only does equal access to employment opportunities boost both individual earnings and the economy as a whole, but gender-diverse representation in company management has been shown to positively benefit business success<sup>1</sup>.

<sup>1</sup> ‘Delivering Through Diversity,’ McKinsey & Company, 2018

Promoting women entrepreneurship is thus more than a matter of social fairness. It is an important factor in unleashing the economic potential of the MENA region.

As an impact fund dedicated to promoting inclusive growth, SANAD places women’s economic empowerment squarely in its focus. The fund’s Technical Assistance Facility, for example, has conducted targeted projects over the years aimed at identifying and tackling obstacles to women’s participation in business, and helping to facilitate investment in women in the form of capital, resources, and advocacy.

Percentage of **female population participating in the workforce**



Source: Regional Report, International Labour Organization, 2016

A DECADE OF SUPPORTING ENTREPRENEURSHIP AND EMPLOYMENT



SANAD and Womenpreneur team up to close the gender gap

Policy recommendations were then shared with public institutions and interested parties to advocate for women's equal participation in the entrepreneurial ecosystem.

With the outbreak of the pandemic in 2020, working women were faced with a new set of challenges. Overrepresented in service industries and largely responsible for at-home schooling and childcare, women accounted for over half of COVID-related job losses in 2020.

In 2019, an unusual van was seen traveling across North Africa. Emblazoned with the logo Womenpreneur Tour, the orange bus started in Morocco before stopping in Tunisia on its way to Jordan. The travelers had a clear goal: to map and connect female leaders in tech and explore the state of the startup ecosystem in the Arab world.

The first-of-its-kind awareness campaign was the result of a partnership between the SANAD Entrepreneurship Academy and the nonprofit Womenpreneur Initiative. Interviews, roundtables, mentoring sessions, and industry events brought together tech entrepreneurs, financiers, policymakers, and experts to discover the challenges faced by female business founders and explore possible solutions to overcoming them.



“Our aim is to ensure that every woman and girl in MENA has access to the tools that will help her realize her full economic potential.”

SANA AFOUAIZ

CEO and founder of Womenpreneur Initiative

That was why, in March 2021, the partners once again teamed up to launch the Womenpreneur Digital Hub. This free-of-charge online knowledge platform aims to help women hone valuable skills for the job market, such as financial knowledge, digital literacy, and business management. High-profile speakers provide insights into current industry trends and tips on accessing career opportunities. And finally, the hub connects users for

mutual information and support, experience exchange, and valuable network-building. In this way, the platform aims to help open up potential employment paths for those whose careers have been upended by the crisis.

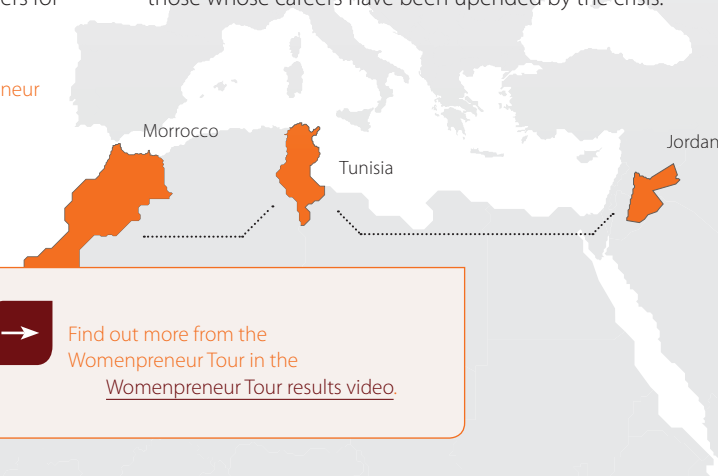
To date, the joint activities of SANAD and Womenpreneur Initiative – through both the Tour and the Hub – have benefited a total of around

7,000 women in the region.

A second Womenpreneur Tour is planned for the end of 2021.



Find out more from the Womenpreneur Tour in the Womenpreneur Tour results video.







## Getting women on board

to provide guidance on strategy and formal governance structures to women-led SMEs in Jordan, with the ultimate aim to support these companies in scaling up their business operations.

“There is a strong link between women on boards and better financial performance,” explains Iveta Tancheva-Nikolova, Fund Director for SANAD at Finance in Motion, advisor to SANAD. “Inclusive and gender-balanced boards are able to bring diverse perspectives to the table, understand customer preferences better, ensure greater due diligence, and as a result make better decisions.”

**“There is a strong link between women on boards and better financial performance.”**

IVETA TANCHEVA-NIKOLOVA  
Fund Director for SANAD at Finance in Motion

**When it comes to company leadership, the SANAD Technical Assistance Facility recognized two parallel challenges.** One is an overall lack of female representation on advisory boards for companies in general. The other is a frequent lack of formal governance structure within small and medium enterprises (SMEs) led by women.

The Women on Boards program seeks to address this gap head-on. That is why, in June 2020, SANAD partnered with Women in Business Arabia, an online community of 40,000 businesswomen seeking to empower women economically by accelerating inclusion, advancing women in their careers, and investing in companies that are committed to equal opportunities. The partners teamed up to build a pool of qualified women advisory board members



**“The program has been helping me shape the advisor within me to be much more efficient and boundaries-aware, and learn how to deliver value, not just advice.”**

RAZAN KHATIB  
Participant in the Women on Boards program

“Women’s ability to participate in the workforce, and especially on boards, not only provides them with financial stability and freedom on an individual level,” notes Tancheva-Nikolova. “It also enables an economy to fully open the tap on creativity, entrepreneurship, productivity, and income generation – which is exactly what SANAD strives to achieve.”

After selecting 20 women board advisors and 30 SMEs, the program then commenced with intensive training based upon the IFC’s [Corporate Governance Methodology](#). This equips participants with the tools and knowledge to implement sound corporate governance processes and structures in the companies with which they are involved. What is more, the training is providing aspiring business leaders with internationally recognized qualifications for top management positions.

Gender-diverse companies are

**15%**

more likely to have higher financial returns than their respective national industry medians.



# Responding to the COVID-19 Pandemic

The SANAD Fund and its Technical Assistance Facility have so far dedicated

USD **3.5** million in specialized initiatives to confront  
the economic effects of the pandemic

# Responding to the COVID-19 Pandemic



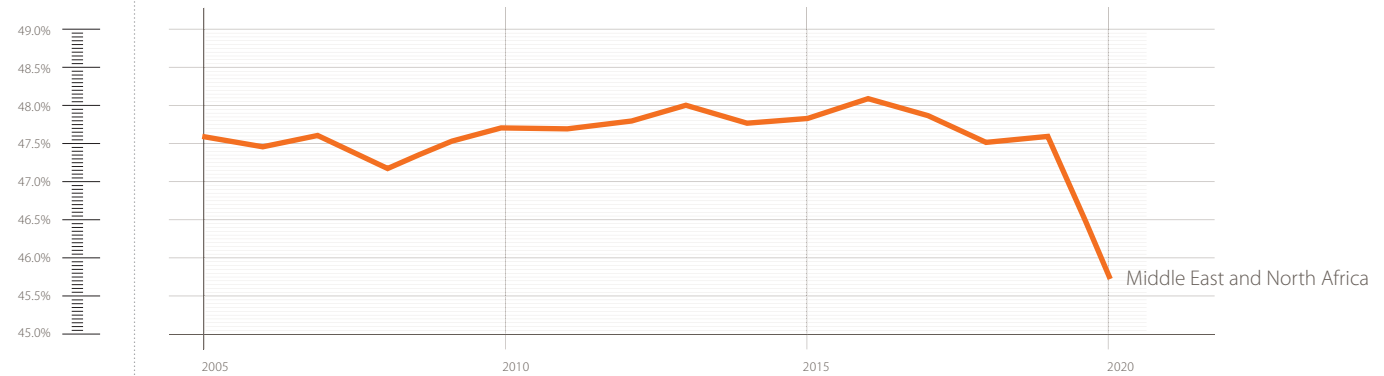
**“In this period of economic crisis, SANAD has demonstrated its continuous support to our institution and indirectly to microentrepreneurs in Tunisia.”**

Mr. Kamel Saibi, General Manager,  
Centre Financier aux Entrepreneurs

When the COVID-19 pandemic reached the Middle East and North Africa in the spring of 2020, local governments implemented strict containment measures to limit the risk to human health. Yet the necessary reduction in travel and business activity brought about

by multiple waves of outbreaks caused considerable economic disruptions that still reverberate today. Micro, small, and medium enterprises (MSMEs), many of which do not possess significant stores of cash to absorb a sudden drop in revenues, were in many cases faced with existential consequences. Disrupted supply chains, reduced remittances, unemployment, and lost wages

**Effect of COVID-19** on employment  
Labor force participation rate in % of total population ages 15+



Source: International Labour Organization, ILOSTAT database, data retrieved on June 15, 2021



A DECADE OF SUPPORTING ENTREPRENEURSHIP AND EMPLOYMENT



SANAD disbursed investments of more than USD

161 million

in 2020 supporting the ability of local financial infrastructure to help MSMEs confront the pandemic

threatened livelihoods across the region.<sup>1</sup> This was especially true for vulnerable groups such as women, youth, and refugees, who have been disproportionately affected by COVID-related job losses.<sup>2</sup>

SANAD is a seasoned partner in helping individuals and institutions alike to grapple with seemingly daunting challenges. That is why the fund moved swiftly to deliver both financial and nonfinancial solutions to help players across the entrepreneurship ecosystem find solid footing over shifting ground.

**Increased investments across the region**

In 2020, SANAD approved record investments exceeding USD 161 million to channel much-needed liquidity to partner institutions and MSMEs to help them combat

<sup>1</sup> "COVID-19 crisis response in MENA countries," OECD (2020)

<sup>2</sup> "COVID-19 crisis in the MENA region: impact on gender equality and policy responses," OECD (2020)

the economic effects of the crisis. These included loans in local currency – providing an additional safeguard in troubled times by protecting institutions and borrowers from exchange rate risks – as well as subordinated loans to bolster strategic partners and important MSME financiers. SANAD's speedy response in this regard had systemic effects, as well, sending a signal of confidence that helped keep international investments flowing to the region.

**Targeted technical assistance support for crisis response**

As early as April 2020, the SANAD Technical Assistance Facility launched a COVID-19 Crisis Response Program to help financial service providers in the MENA region continue supporting MSMEs in the midst of the pandemic. The program, which continues through today,

**“Thanks to SANAD’s support, Advans Tunisie was able to design a coaching program to help the most vulnerable women and micro entrepreneurs to better manage their businesses in these difficult times.”**

ISLEM LAHAMI  
Advans Tunisie

**SANAD responded to the crisis with measures including:**



Increased investments to provide uninterrupted access to financing



Targeted technical assistance to support with operational challenges



Accelerating digitalization efforts for both institutions and individuals



Countering the crisis's disproportionate effect on women



Learn more: [SANAD and Advans Tunisie Tackle the Crisis](#)

offers advisory services to fund investees on a comprehensive set of business topics. These include risk and liquidity management, stakeholder communication, human resource management, and other areas where partners seek to refine their response to the economic fallout of the COVID-19 outbreak. To date, the Technical Assistance Facility has approved USD 3.5 million in support within the scope of this program.

A DECADE OF SUPPORTING ENTREPRENEURSHIP AND EMPLOYMENT



**Accelerating digitalization through innovative product solutions**

In a first-of-its-kind initiative, the SANAD Technical Assistance Facility is enhancing the fund’s crisis response measures by supplementing SANAD financing with three types of additional support. The first aims to bolster the stability and agility of local entrepreneurs in confronting a turbulent environment by enabling them to ramp up digital operations: MSMEs that use a SANAD-facilitated loan for new investments in their business, such as upgrading IT equipment or systems, are eligible to receive a grant as part of the loan. The second facility takes direct aim at costs incurred by the crisis by covering a portion of partner microfinance institutions’ (MFI) expenses for pivoting its

USD **2** million has been dedicated to grants for enhancing digital operations

operations – especially the transition to digital systems and processes – in response to the unprecedented environment. And finally, the third focuses on supporting the ability of SANAD’s partner MFIs to provide liquidity to MSMEs in uncertain circumstances, by financing part of the partner’s costs for credit risk insurance or credit guarantees.

The innovative initiative will be available to selected SANAD partner institutions until the end of 2022.

**Countering the crisis’s disproportionate effect on women**

Although women make up less than a third of the workforce in the MENA region, they are expected to account for more than 40% of COVID-related job losses. The crisis has taken a particularly heavy toll on sectors where women are overrepresented, such as retail, care,

The COVID-19 pandemic is expected to result in the loss of 1.7 million jobs in the Arab region, including approximately 700,000 jobs held by women.

“THE IMPACT OF COVID-19 ON GENDER EQUALITY IN THE ARAB REGION”  
UN Women (2020)

and food service. School and daycare closures have added further pressure, with many households placing the responsibility for at-home schooling and childcare solely upon women.

In line with its comprehensive, systemic approach to making a difference, SANAD also leveraged its strong international network to tackle the disproportionate effect of the crisis on women entrepreneurs. In 2021, SANAD joined with the German-Arab Women in Business Leadership (GAWBL) organization to establish the GAWBL.connect virtual meeting series. By bringing together women business leaders and key sector players

from across the region, the [GAWBL.connect](#) series aims to better understand COVID-related implications and develop targeted solutions for such issues as financing women entrepreneurs during the pandemic; how companies can leverage diversity and inclusion initiatives to boost recovery and resilience; and how the pandemic can be a catalyst for progress. Four sessions have been held so far in 2021, attracting over 535 participants and viewers.

The European Union and the German Federal Ministry for Economic Cooperation and Development (BMZ) contributed additional funding to SANAD totaling USD

**107** million to fuel the crisis response efforts of both the fund and the Technical Assistance Facility.

# Board and Committees

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- Dr. Daniela Beckmann (Chair)
- Ines Ebrecht
- Koen Wasmus

## EQUITY SUB-FUND I INVESTMENT COMMITTEE

- Rauf Khalaf (Chair)
- Joachim Rang
- Sonjy Hoess

## EQUITY SUB-FUND II INVESTMENT COMMITTEE

- Dr. Heinz J. Hockmann (Chair)
- Inga Müller
- Noha El Ghazaly

## TECHNICAL ASSISTANCE FACILITY COMMITTEE

- Kim Reichel (Chair)
- Andrew Shaw
- Inga Müller
- Koen Wasmus

## FOREIGN EXCHANGE COMMITTEE

- Nikolaus Siegfried
- Sylvia Gansser-Potts

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(CHAIR)



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