

**Sustainable human development**  
by strengthening the private sector  
in developing countries





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# Message of BIO's CEO

## Highlights and achievements of BIO in 2013 with a special focus on BIO's rural outreach

### Luuk Zonneveld, what are your 2013 most memorable moments?

L.Z.: First and foremost, I will remember our excellent investments. Our second loan to the Société de Cultures Légumières in Senegal for example. SCL is the country's only large-scale producer of vegetables for domestic consumption. With our loan of EUR 3 million in 2013, we contribute to enhancing food security and secure the supply chain of the local market and SCL's business partners. I'm also thinking of our loan of USD 15 million to BCI bank in Mozambique. Many small enterprises – anywhere in the world, and in particular in developing countries – need long-term capital in local currency for their growth and prosperity. But because of the costs and risks involved, these are hardest to come by. BIO's loan to BCI was Mozambique's first long-term local currency facility for SMEs established by a foreign lender. The facility was fully subscribed within a few months, motivating BCI to double the fund's capital out of its own means. As such BIO encouraged a commercial bank to develop a long-term SME finance product, and other

foreign investors to replicate its long-term local currency structure. We can be proud of the impact we had with our investment. Another memorable investment was our EUR 6 million senior loan to the Citizens' Development Bank in Sri Lanka. One of CDB's core activities is the leasing of three-wheel vehicles. This allows thousands of rural poor to establish a small business as taxi driver or small trucker. Just as important is that, once an investment has had its impact, BIO gets its capital back, without jeopardising the further consolidation and growth of its investment goals. In other words: successful exits that free up our capital for new investments. In this respect, I should mention our exit from Cogebanque in Rwanda. BIO became a minority shareholder in April 2008, and has since allocated significant human and technical assistance resources to support the rapid expansion of the activities of Cogebanque, most notably towards the local population, SMEs and microfinance institutions. In March 2014, BIO sold its participation back to one of the founding shareholders, which resulted in a substantial capital gain and demonstrated the value added by BIO during the investment period.



### **2013 has been a year of intense reflections on BIO as a tool for public development cooperation.**

L.Z.: Indeed, 2013 was devoted to the revision of the Law on BIO, the production of a strategic plan 2014-2018, the second phase of the evaluation of BIO by the Belgian State, and the preparation of a management contract between the State and BIO. The first phase of the evaluation was concluded late 2012, which focused on BIO as an institution, comes to the conclusion that BIO is a correct instrument to sustainably support the private sector in developing countries. The second phase of the evaluation focused on BIO's development impact and included field visits to 63 investment projects in 9 countries in Africa, Asia and Latin America. The full report will be available in the course of 2014. This process of evaluation is interesting as it challenges us to achieve even more, in particular by being more pro-active in encouraging the local banks and funds we work with to focus more on the development impact of our investments – a challenge we'll respond to with dedication.

### **What are the advantages for BIO of the new Law on BIO voted at the end of 2013?**

L.Z.: The Law recognises BIO as the Belgian tool for support to the private sector in developing countries, and the reform is part of the modernisation process of the Belgian development cooperation. It confirms the specific mission of supporting local micro-, small and medium-sized enterprises (MSMEs) as the cornerstone of sustainable socio-economic development. BIO welcomes that its mandate has been extended to new sectors, for example basic services to the population and support of enterprises of the social and solidarity-based economy. BIO also appreciates the geographical concentration on about fifty countries, which now includes upper-middle income countries. BIO will of course integrate the restrictions provided by the Law in terms of investing in or through States that are considered non-transparent or with little or no taxation laws. Furthermore, BIO is pleased with the importance that is given to a better coherence and collaboration between all Belgian development actors, respecting each specific mandate at all times.



## **BIO's mission: development through investment**

### **The new Law also indicates that BIO will contribute to setting up a new Belgian development strategy.**

L.Z.: The new strategy will be aimed at a more inclusive and stable growth by investing in sectors of infrastructure and basic services, especially in terms of renewable energy and access to natural resources for MSMEs. Protecting the environment and natural resources is in fact one of the principles enacted by the Belgian Law on Development Cooperation and is part of the domains where BIO can intervene. The challenges and stakes are high. A lack of infrastructure and electricity or water supply is a real obstacle to growth for SMEs. Our projects allow to produce clean, stable and non-polluting energy, for the benefit of complete regions, to recycle waste, reduce the energy footprint, raise performances of the public energy sector thanks to the arrival of private operators and modern technology transfer for cleaner energy. Development of renewable energy and joint efforts to diminish the environmental and climate impact, within the framework of our projects, are essential for humanity and even more pressing for the people in developing countries. Everybody has to contribute, each player at his level and BIO is no exception.

### **BIO is also concerned with local integration.**

L.Z.: Indeed. That is why in this report we illustrate our achievements along a horizontal theme, “rural outreach”. This theme entails numerous factors for potential impact: the fight against the rural exodus, the rise of competitiveness in isolated areas, access to services in rural areas, creation of activity opportunities, fight against climate change within targeted projects, increase of income and consequently reduction of poverty. In the pages that follow you will read more on how private sector investments contribute to improving living conditions and perspectives in Africa, Asia and Latin-America.

### **BIO has a strong commitment to sustainable development. What can you tell us about that?**

L.Z.: Firstly, I must place BIO’s action in context: BIO’s mission is to fight poverty and promote sustainable human development. BIO is guided by the UN Millennium Development Goals. More than ever, I am convinced that the emergence and blossoming of a strong and sustainable private sector is a key contributor to widespread, significant and sustainable livelihood improvements. Successful entrepreneurship is an essential catalyst for social and economic development. And within the private sector, first and foremost the MSMEs. BIO’s mission is to do its utmost to enhance a dynamic private sector that contributes to sustainable human development.

### **By what means?**

L.Z.: BIO’s investments contribute to local and regional economic growth, the creation of jobs, and the generation of tax revenues for local governments. In most developing countries, private enterprises and especially MSMEs have limited access to financing. Yet this segment has the largest growth potential. BIO was created to reduce the “financing gap” for SMEs and to improve access to basic financial services for micro-enterprises. At the end of 2013, BIO’s net commitments amounted to about EUR 548M, in thousands of MSMEs in Africa, Asia and Latin America, directly or through intermediary institutions.

### **What kind of enterprises are you talking about?**

L.Z.: BIO’s investments support enterprises that ensure access for hundreds of thousands of people to small loans; enterprises that produce, process and market food; enterprises that generate and supply renewable energy and enterprises that help the local populations to improve their standard of living, by providing sustainable jobs.

### **What is BIO’s place in the Belgian development cooperation?**

L.Z.: BIO is an integral part of the Belgian development cooperation. It is complementary to the other organisations and instruments and seeks to work in synergy with them, in accordance with the specific tasks of each of us, more specifically in the following areas: agriculture and the rural sector, infrastructure, energy and economy and manufacturing activities.

Luuk Laurens Zonneveld  
CEO BIO



# Our partners on BIO

## Peter Moors

**Director General for Development Cooperation and Humanitarian Aid**



« BIO has become stronger after a successful reform. The year 2013 was a year of strategic reorientation and integration into the Belgian development work for BIO. Since the Minister of Development Cooperation, Jean-Pascal Labille, took office in January 2013, he has endeavoured to reform BIO into a relevant and efficient instrument for financial assistance, with a special focus

on micro-, small and medium-sized enterprises, on the social economy and on development relevant interventions. The new law on the Belgian development cooperation confirms that the local private sector is crucial to sustainable economic growth and the fight against poverty. In this context, BIO has grown into the executive agency of the Belgian development policy, additional to the Belgian Technical Cooperation. At the end of 2013, the Belgian State took over the shares of the Belgian Corporation for International Investment, becoming the sole shareholder of BIO. The Director General for Development Cooperation and Humanitarian Aid has now become a member of BIO's board of directors. The first management agreement between the Belgian State and BIO was signed in March 2014. For a year now, the management of BIO and the Directorate General for Development Cooperation and Humanitarian Aid have deliberated regularly on structural affairs. This all contributes to integrating BIO completely into the Belgian development policy. These substantial changes allow BIO to develop into a central actor of the Belgian development Policy over the following years. »

## Olivier De Schutter

**United Nations Special Rapporteur on the right to food**



« Six years ago, the food price crisis drew the attention to the impact of 30 years of underinvesting in agriculture, as a result of both governments' and the private sector's lack of interest in a sector that was considered to have no future, and commercial policies that discouraged local production. Today, investments in agricultural production are on the rise. But new questions arise: will these invest-

ments allow poor countries to better feed themselves or, more importantly allow them to increase export crops without reducing dependency of those countries on food imports? Will they have a sustainable effect on rural poverty reduction, benefitting smallholder farming despite the significant transaction costs this entails? Bearing in mind that farming is becoming more of a female activity, are gender issues sufficiently taken into account in the support of smallholders – who are often women? And do we sufficiently consider the urgent need to better preserve ecosystems and more specifically to regenerate the soils? Supporting the private sector can contribute to better taking these different aspects into account. The equation is simple: we need private investment to advance, but we will only reach the desired effects when all is sufficiently supervised and steered. BIO, just like other organisations that provide access to credit, can favour looking for solutions that are beneficial to all parties involved. It is an important responsibility and the challenges are as high as the stakes. »



## 👤 **Jean-Michel Severino** CEO of Investisseurs & Partenaires

« Supporting the private sector in developing countries is very important and relevant in the current growth phase of the world and developing countries to obtain significant results in terms of poverty reduction and sustainable development. BIO's commitment to the benefit of SMEs is particularly crucial: those enterprises that stand for the hope and future of growth in poor countries often find great difficulty in accessing finance, because of failing local financial sectors. Yet, these enterprises could generate

a considerable number of new jobs in the formal sector and the quality of their investments could improve, allowing for an industrial development that is more energy neutral, more respectful of natural resources and less polluting. The emphasis BIO puts on environmental and social responsibility for its investments, illustrates the deep impact that can be expected in that aspect of its operations. »



## 👤 **Aziz Mebarek** Founding Partner of AfricInvest

« The private sector is the main pillar for the development of our African economies, and it is the most important way to create jobs, reduce poverty, increase value and transfer knowledge. The success of our small and medium-sized enterprises (SMEs), the backbone of the private sector, depends largely on their capacity to have access to long-term and stable finance and more precisely to capital resources that match their potential. Our partner BIO has clearly positioned itself in this difficult segment with a significant impact on sustainable development. The support of this institution, with which we have been collaborating for about ten years, is not limited to bringing capital to our pan-African funds, or to financing our enterprises in equity or debt, but also covers technical assis-

tance for our enterprises, in subsidies. Thereby they contribute to improving the governance and performance and making the business sustainable. Whether it concerns Cogébanque (SME bank in Rwanda), Exat (one of the reference exporters of rubber in Côte D'Ivoire), APDL (pharmaceutical laboratory targeting generic products in Uganda and West Africa), Alios (pan-African leasing and financing group of equipment), CFEs (one of the renowned operators in microfinance in sub-Saharan Africa and that recently started activities in Tunisia) or Mansard (insurance company in Nigeria), BIO's support during a decisive life step for these companies and institutions has been crucial and one of the key success factors. »

## ““ Abou Simbel Ouattara

### CEO Moablaou, Burkina Faso



« BIO's interventions in SMEs are the fruit of an analysis of all bilateral cooperation with developing countries. Only by investing directly in SMEs can an economical network arise to effectively fight poverty. Paradoxically, it is in those developing countries that have not yet reached food self-sufficiency that less than 10% of the public budget is invested in agriculture and livestock farming.

The company Moablaou received BIO's support to increase its egg production. This intervention resolved the crucial issue of financing important investments in the sector in our country. The company has doubled its production capacity, improved the employees' wages, and increased its clientele, especially of women, for the distribution of its products. Moablaou has become a leading company officially listed as an enterprise that contributes to the fight against poverty by offering direct jobs to women and young men. The company also consolidated its management and production methods. BIO has allowed Moablaou to become visible and attractive for other investors interested in the continuing growth. »

## ““ Anne Gaboury

### CEO Développement International Desjardins



« Founded in 1970 with the aim of sharing the expertise and experience of the Desjardins Group in microfinance with emerging and developing countries, the first cooperative financial group in Canada and the 5th in the world, Développement International Desjardins (DID) has the mission to render diversified, safe and needs-adapted financial services accessible for the less favoured on this

planet. A pioneer in the deployment and development of microfinance (also known as community finance) around the world, DID today is a world leader in this sector. DID is very privileged to be able to count on a financial partner such as BIO, which combines great professionalism with a patient vision focused on achieving concrete and sustainable results. We very much hope that this collaboration will be a long-lasting one, for the benefit of the thousands of small and micro-enterprises that can access the financing they need thanks to the Entrepreneur Financial Centres (EFC) supported by BIO. »

# BIO in numbers

## FIVE YEARS IN REVIEW, EUR MILLION

	2013	2012	2011	2010	2009
REVENUES	18.6	19.9	13.6	12.1	7.07
NET RESULT	8.5	10.8	4.5	4.05	0.79
EQUITY (CUMUL.)	600	581.6	473.1	368.1	359.1
OPERATING COSTS / EQUITY (IN %)	0.97	1.01	1.2	1.5	1.2

## FIGURES AT A GLANCE IN 2009-2013

	2013	2012	2011	2010	2009
TOTAL NUMBER OF INVESTMENTS	132	117	96	85	72
PORTFOLIO (OUTSTANDING INVESTMENTS), EUR MILLION	373.9	283.1	220.7	179.7	138.2
NUMBER OF NEW APPROVED PROJECTS	24	29	30	27	30
NEW COMMITMENTS, EUR MILLION	124.5	145.1	126.3	114.6	63.8
NET COMMITMENTS*, EUR MILLION	547.6	461.6	397.7	331.1	261.1
STAFF	41	41	38	36	27

\* Signed + Bod approved projects – reimbursements

## DEVELOPMENT IMPACT

Estimates show that projects signed in 2013 will contribute to:

### 1. CREATING OR MAINTAINING +/- 73,000 JOBS

■ +/- 23,000 direct jobs      ■ +/- 50,000 indirect jobs



### 2. REACHING +/- 20 MILLION END-USERS THROUGH TELECOMMUNICATION INFRASTRUCTURE



### 3. LOCAL GOVERNMENT REVENUE THANKS TO DIRECT INVESTMENTS BY BIO

**+ 64,000,000 REVENUE**

# Rural outreach

## Rural development, a concern for BIO

Since the 2008 surge in food prices and ensuing food riots in many parts of the world, agriculture and rural development are back at the forefront of development policy. The 2008 food crisis made clear that many developing countries remain vulnerable to shocks in the global food system and underlined the need to boost local food production. As demand for food is expected to grow considerably in the decades to come, driven by population growth and the emergence of a middle class in the developing world, investments in agriculture are all the more urgent, particularly in those regions where investment has been lagging behind and productivity levels are far below their potential. This is the case in Sub-Saharan Africa in particular.

Increasing aggregate food production is, however, not the only rationale to invest in agriculture. Poverty in rural areas has fallen considerably in the past two decades - mostly driven by rapid economic growth in East Asia. However, most of the world's poor continue to live in rural areas and most of the rural poor are involved in agriculture. In the face of striking rural poverty, **investment in agriculture is often considered a sure path to poverty reduction**. Some studies suggest that the poverty-reduction potential of investment in agriculture is two to three times as big as investment outside agriculture.

With rapid urbanisation across much of the developing world, some wonder whether rural development should be a priority and whether investment should not rather be directed towards manufacturing and industrialisation. Some economists support this view, indicating that no nation has become wealthy without going through a stage of industrialisation. But in fact, urbanisation underscores the urgency for investment in rural development for two reasons. First, many large urban centres have grown extraordinarily fast in recent decades and are

reaching the limits of their absorptive capacities. Especially in Sub-Saharan Africa with manufacturing still in its infant shoes, urban areas are not ready to absorb a large inflow of rural immigrants. Second, in much of Latin America and Asia, rural-urban income disparities have risen so fast that these have become sources of potential political and social disruption. The challenge here is to **raise incomes in rural areas by increasing opportunities for commercial farming, non-farm opportunities and creating value chains** that link rural and urban areas.

### Access to finance

Although the rural developing world is very heterogeneous – rural Niger is indeed very different from rural Honduras - rural households face broadly similar constraints to improved livelihoods. A first constraint is access to finance. Due to the systemic risk inherent in agriculture, high transaction costs in reaching out to sparsely populated rural areas, the absence of credit bureaus and the difficulty of obtaining collateral, formal financial institutions have typically shunned away from offering financial services to smallholder farmers. The difficulty in **accessing credit on affordable terms** makes that farmers may have to forego profitable investment opportunities in agriculture or that they may be prevented from diversifying into non-agricultural activities. Traditionally, microfinance has primarily catered towards micro-entrepreneurs in urban and semi-urban areas but it is now increasingly expanding into rural areas. Many of these microfinance institutions offer not just credit but also other important financial services such as savings and insurance.

## Training

There is an increasing understanding that relaxing credit constraints is not a panacea by itself. Farmers often lack knowledge about modern farming techniques to increase production quantities and to attain the required quality standards, making it necessary **to provide technical training** along with financial services. Financial literacy and business skills programs may also have high returns. Fortunately, many microfinance institutions have realised this and some are now offering these training services to their clients as a complement to credit.

## Markets and infrastructure

Investment by smallholder farmers is going to make sense only if farmers are connected to **markets** where they can purchase inputs (fertiliser, improved seeds, etc.) and sell their produce at fair prices. High transaction costs and other market inefficiencies however tend to increase prices of inputs and depress farm gate prices. Besides red tape and regulation, poor **infrastructure** is one of the major culprits for the high transaction costs. Transport infrastructure is often in a dire state, energy expensive and in short supply and, in areas not yet covered by mobile phone networks, communication with other market parties is cumbersome. **Private investment is needed to support agribusinesses that create and complete value chains for smallholder farmers and to expand rural infrastructure.**

## Job creation

Rural development is, however, broader than the development of smallholder farming. In many parts of the developing world outside Sub-Saharan Africa, the majority of the rural labour force is engaged in the rural labour market and more

and better **job opportunities** are needed for the landless rural labour force. Jobs could be in agribusinesses or outside agriculture. The constraints to job creation by micro-, small and medium-sized businesses fall – broadly speaking – into the same categories as discussed above: access to finance, human capital, markets and infrastructure.

In short, the challenges lying ahead are enormous but so are the opportunities. With state budgets strained, **the private sector has an important role to play in creating economic opportunities in rural areas of the developing world.** This is why BIO gives high priority to making its financing reach rural areas, through direct investments and by investing in MFIs, banks and other financial institutions that - through their greater proximity - can make financing accessible to farmers and SMEs better than BIO can from Brussels. In the next few pages, we showcase some of BIO's work in this area.



**Private investment is needed to support agribusinesses that create and complete value chains for smallholder farmers and to expand rural infrastructure.**

# Access to finance and job creation in rural areas

Rural poverty is often linked to a lack of available jobs, which in turn is also linked to limited access to finance, poor infrastructure, immature markets, etc. Creating jobs and thereby revenues for rural households forms an integral part of poverty reduction. Microfinance institutions (MFIs) that target rural entrepreneurs and micro-, small and medium-sized enterprises are scarce.

In Nicaragua, 66%<sup>1</sup> of the active population is self-employed or works in micro-business, making micro- and small entrepreneurs key to a prosperous economy. By extending financial services to these micro-entrepreneurs in rural areas to develop and expand their business, the MFI Fondo de Desarrollo Local (FDL) directly contributes to job creation.

1. Survey Nicaraguan Institute of Statistics, 2012

Putting your money on rural development

# Fondo de Desarrollo Local



BIO investment:  
**USD 4 million**



Sector:  
**Microfinance  
Institution**



Business focus:  
**Rural financing**



FDL provides access to finance for rural communities through small loans. A wide array of technical assistance programmes and support to market access through various networks are key to FDL's strategy. FDL reaches 60,000 clients through 37 branches.

Country:  
**Nicaragua**



Region:  
**Central America**



Fondo de Desarrollo Local (FDL) is a Nicaraguan not for profit microfinance institution mainly offering loans to micro- and small enterprises. FDL strongly focuses on reaching rural communities and creating access to financial services for micro-entrepreneurs through small loans. FDL provides more than just finance: a wide array of technical assistance programmes and support to market access through various networks is a key factor in FDL's strategy.



There is a typical lack of access to financial services in rural areas as the high operating costs involved keep banks from investing. When banks do invest in rural areas, the high operating costs lead to very high interest rates that are often out of the reach of micro- and small entrepreneurs. FDL has developed an offer specifically targeting rural clients, offering tailor made small-scale loans to micro- and small entrepreneurs to allow them to set up or expand and innovate their business. FDL has the lowest pricing in the microfinance sector in rural Nicaragua.

### The microfinance crisis in Nicaragua

The microfinance sector in Nicaragua was booming when in 2008 the global financial crisis hit. This caused an abrupt decline in remittances, which quickly led to repayment problems as clients were overindebted. As the economy deteriorated, the microfinance industry was further affected by a political and social movement of borrowers known as the "No Pago" (No Payment) movement, encouraging borrowers not to pay their loans and forcing

microfinance branches to close in an attempt to force Congress into voting a law creating a 10 year moratorium on debt repayment. It was a reaction to MFIs pushing clients to take more loans than they could manage, causing clients to succumb under the debt burden. In this context MFIs and banks needed to reschedule and restructure loans, and some of the MFIs went bankrupt. International funders grew nervous about the country risk and massively and abruptly retrieved their investments causing further trouble in the sector.

### BIO's role

BIO signed a USD 4 million loan to Fondo de Desarrollo Local in 2013 to support the expansion of its loan portfolio and financing to micro-entrepreneurs in Nicaragua. BIO also supports FDL in the process of becoming a financial institution.

In the context of the post microfinance crisis in Nicaragua, foreign investors are still hesitant about investing in Nicaraguan MFIs. BIO's investment in

FDL is a sign of confidence and contributes to mobilising funds to the country.



### Interview

**Julio Flores, CEO FDL**



**Fondo de Desarrollo Local saw the light as a spin-off of the university research centre Nitlapan, during the 90's in a post war context in Nicaragua...**

Nitlapan is a university research centre of the Universidad Centroamericana, it was created in 1990 after the eighties' war in Nicaragua ended. The main goal of Nitlapan was to generate development alternatives for the country through research and development programmes and popular education in rural areas. The National bank was closed as a consequence of the war and the failing economy, and the private banks were introduced but only serviced the urban areas. This meant a serious lack of financial services for rural areas. In 1993, FDL was created as the spin-off of Nitlapan's initiatives of small, revolving credit funds for the rural and agricultural sector. FDL continues to work closely with Nitlapan for technical assistance services, business development and legal services for agricultural and rural clients.

## The story of

### José Alberto Espinoza Hurtado

**Banana grower and seller**

**History:  
25 repaid loans**

**Lives in Tola, Villa Eddy Monterrey**



## Context

Tola is a village situated in the Rivas department. The area has developed over the last years in banana production both for national consumption and export.

### José Alberto Espinoza Hurtado

José Alberto Espinoza Hurtado is 51 years old. Until 2007, he was a producer of basic grains and he also worked as a baseball referee in the municipal championships. He was already an FDL client, using loans for sowing grains for his own consumption. At the time, he was living with his wife and 2 children without a bed or a television. His land was only 0.4 hectares.

But José did not miss the banana boom of 2007. He decided to apply for a loan to grow bananas. He received a loan from FDL's Development Portfolio for irrigation equipment, which also provided him with training and technical assistance. He started expanding his cultivated land step by step. Thanks to another loan he was able to buy a van and diversify his income, he now also sells bananas.

In the picture we see José on his land, which is now 3.2 hectares, rendering about 42,000 units per 2 acres. The family has bought a house and José has built a house for his youngest son.

**FDL has a specific portfolio targeting smallholders: the Investment and Development Portfolio.**

The Investment and Development Portfolio is designed for smallholders to diversify, take advantage of new business opportunities, or develop and improve their business. These loans are not merely financial, we provide financing in collaboration with partners, such as Nitlapan, who provide technical assistance. Some examples of recent programmes are technical assistance to 3400 coffee smallholders. We provide them with working capital and Nitlapan provides technical assistance to improve cultivation techniques, fertilisation or to handle plagues such as coffee rust. Other examples of collaboration can be found in strategic alliances we make with the business world. For example, we have an alliance with a company that markets sesame: the company provides adequate seeds and technical assistance; FDL finances 50% of the technical assistance and provides credit. FDL goes even further; we also support our clients in market access, for example through alliances with export companies. Approximately 15% of all FDL loans are comprised in the Investment and Development Portfolios.

**FDL offers the lowest interest rates on its microcredit in rural areas in Nicaragua.**

Although FDL was born as a rural initiative, we also have urban clients. In urban areas, our clients are micro-entrepreneurs with commercial activities. We diversify our interest rates in accordance with the clients' activities and how their capital rotates. In urban areas, micro-entrepreneurs rotate their



capital on a weekly or monthly basis, while capital for agricultural clients only rotates once every 6 or 8 months, depending on the crops. As a consequence, the urban client with high rotation can pay higher interest rates, which in turn allows us to lower the interest rates in rural areas. About 65% of our clients are located in rural areas. To be sustainable, we balance out our loans for commercial activities, services or consumption and housing at a higher interest rate, with the agricultural loans at a lower interest rate.

### **FDL survived the 2009 microfinance crisis in Nicaragua.**

FDL was one of the MFIs that lost only a minor part of its portfolio during the crisis: we reduced our portfolio by 20%, while the overall reduction attained 53% in the country. FDL successfully managed the crisis both on the field and towards its investors in a very transparent and proactive way. During the crisis FDL refused to close any of its branches, even in those areas where the No Pago movement was strongly present and inciting clients not to pay. The local FDL personnel maintained a constant dialogue with the clients and looked at restructuring loans. FDL also never lost its confidence in its clients: when a defaulting client eventually repaid his loan, this client could easily renew his credit with FDL. Other MFIs closed all doors on all defaulting clients, even when they managed to settle the credit. FDL saw the crisis coming and contacted all international investors before it reached its peak, meeting them personally in a summit in Brussels. FDL presented a strategic plan to manage the crisis, which was based on complete transparency towards the investors. This strong commitment to good governance and

transparency created confidence and FDL was able to ensure financing for 2009 and 2010. As a consequence, when the bank Banex went bankrupt, most MFIs saw their investors depart, but FDL was secure in its funds. After 2010, we also suffered decreases in funding, which is why we decided to reduce the portfolio.

### **In 2013, FDL signed a loan agreement with BIO.**

BIO is an important partner to FDL because we seek a same mission: we consider BIO to be a development agency. We look forward to a long-term relation with BIO, supporting us in our further growth.

*[www.fdl.org.ni](http://www.fdl.org.ni)*



**FDL successfully survived the 2009 microfinance crisis thanks to good governance and complete transparency.**

**Julio Flores**

# Access to financial services for rural communities

Micro- and small entrepreneurs play an essential role in the development of emerging economies. A major obstacle to the growth of these enterprises is the lack of access to adequate financing. The development of the microfinance sector increasingly fills this gap. Professional microfinance institutions provide financial services to micro-entrepreneurs to grow their activities, mobilise their small savings on a large scale and bring generated transactions back into the financial system, enhancing the role of the formal financial sector as a facilitator of economic activity. The expansion of the microfinance industry has been considerable over the last few years. Leading microfinance operators have convincingly demonstrated that well-managed microfinance institutions can make major contributions to poverty reduction and the creation of employment. However, the successful penetration of microfinance has been mainly concentrated in urban areas. The provision of sustainable microfinance services in rural areas remains weak, even though the majority of the world's needy live in those areas. As a result, notwithstanding the remarkable achievements of the microfinance industry, there are still substantial untapped opportunities for microfinance institutions (MFIs) in rural areas.

Working together to alleviate poverty in rural areas

# Rural Impulse Fund



BIO investment:  
**USD 2 M** equity  
**USD 6.5 M** debt



Sector:  
**Microfinance**  
Investment fund



Business focus:  
**Rural MFIs**



The rural impulse funds reach out to rural MFIs and support them in product development specific to the needs of each MFI and client base. It is the first commercial microfinance fund to identify the emergence of financially sustainable MFIs in rural areas. The rural impulse funds reach over 2.3 million end beneficiaries.

Reach:

**28**  
institutions  
**19**  
countries

Region:  
**Various**



Rural Impulse Fund (RIF I) was launched in 2007 and was the first commercial microfinance fund to identify the emergence of financially sustainable microfinance institutions in rural areas. RIF I is managed by Incofin Investment Management (Incofin), the specialised fund manager for microfinance funds in developing countries. The first Rural Impulse Fund was a joint effort of FMO, IFC, EIB, BIO and Incofin.

RIF I is now maturing and it is clear the outcome is positive both financially and socially, despite the 2008 financial crisis. The fund fully achieved its catalytic role to attract more foreign investors to invest in rural MFIs. Those funded by RIF I have seen an important increase in financial offers and resources. RIF II was launched in 2010 and attracted more private sector investors, becoming considerably larger by building on the success of RIF I. The rural impulse funds are unique in reaching out to rural MFIs and supporting them in product development specific to the needs of each MFI and client base. To give an example, RIF I developed specific agricultural loans for smallholder clients together with the Kenya Women Finance Trust, a Kenyan MFI. The technical assistance offered in that sense is a clear added value for the MFIs involved.



### Interview

**Geert Peetermans, Chief Investment Officer and Dina Pons, Social Performance Manager at Incofin**



### Why is BIO important for funds like RIF?

GP: The RIF I was started in 2005 and launched in 2007. At that time it was considered highly risky so we needed to gain confidence to put together an investment group. The Development Finance Institutions that joined gave credibility to the project. BIO was a significant investor in the first RIF, showing the private investors that knowledgeable players were interested in this project. This means BIO's role was of critical importance to kick-start the first RIF. The follow-up, RIF II, built on the confidence and example set out by RIF I and was launched with more private investors.

### RIF targets rural MFIs specifically.

#### How do you choose your investees?

GP: We screen MFIs to determine whether they achieve a minimal threshold of rural outreach, the minimal being 30%. We calculate this threshold by looking at whether the branches of the MFIs are located close to the rural areas. The threshold was set at 30%, but in practice we have reached about 65% of rural outreach.

The MFIs are not exclusively rural, there is a mix, but there is a clear focus on rural outreach.

DP: To find our investees, we work with our local investment managers. They meet MFIs, go to conferences, understand financial needs, etc. In one scenario, the MFI has heard of us and comes to us for information on financing. In the other scenario, we approach the MFI after identifying that they have a profile that fits our bottom double line investment mandate and start looking at possible financial needs they might have.

#### Once the MFI has been selected, how do you screen the investee?

DP: Once the MFIs have been "found", we make sure they fit the RIF mission. First we look at the rural scoring and we conduct a full due diligence with financial and social performance analysis. This includes interviewing and meeting the management team as well as visiting branches to make sure the policies and strategies that have been formulated are being carried out on the field as well. We also meet clients to see what the end result for them is. We can then conclude whether an MFI is financially sustainable

enough and if the social performance management systems that are implemented or being implemented meet the socially responsible investment standards.

**Once the due diligence is concluded and it is decided to invest but the MFI does not fully comply with certain standards, does Incofin then support the MFI in developing these standards?**

GP: Incofin pro-actively supports the development of standards. We have attached certain social requirements to the finance that we provide. We can either play a passive role when we do debt investments or a pro-active role when we are investing in equity. We also have technical assistance facilities, so we can be very involved and active, e.g. helping to address product development or corporate governance issues.

This also brings added value for the future. The importance of the purely financial aspect may dimin-

ish because of the larger sector with more funding available from various sources, for example local banks, but institution building is still a critical aspect to focus on. We are increasingly using technical assistance to help institutions professionalise, be it on corporate governance or other aspects.

**When talking about rural, we often link it to agricultural loans. Is that the main part of loans in rural areas?**

GP: In fact, the first RIF did not specifically target agricultural lending, the next fund that we will soon launch (AGRIF) will be different as it will be focused specifically on agriculture. In the first 2 funds (RIF I and RIF II) we have reached about 20 to 30% of agricultural loans, so it is actually not the largest portion. Rural economy is based around agriculture, but not solely on the production of crops. A lot of business is also to be found in trade and services used in rural

areas. There is a diverse set of economic activities in rural areas.

**Microfinance has been through some major crises with over-indebted clients as one of the main problems. How does Incofin monitor that MFIs comply with the client protection principles (CPP)<sup>2</sup>?**

DP: During the due diligence we spend a lot of time understanding the solidity and robustness of the MFI's credit underwriting and methodology to calculate repayment capacity analysis. We check the implementation of the Client Protection Principle number 2 on prevention of over-indebtedness: each investment manager looks at whether there is a systematic and comprehensive debt threshold

2. The Client Protection Principles describe the minimum protection clients should expect from an MFI. These Principles are adopted from the CGAP's Client Protection Principles. CGAP (the Consultative Group to Assist the Poor) is a global partnership of 34 leading organisations that seek to advance financial inclusion. There are 8 CPPs in total.

The  
**story**  
of

**Susan Nyambura  
Kimani**

**Widow and mother of 2,  
took her first KWFT loan  
in 2013 to benefit her tailor  
shop "Susan Fashions"  
in Limuru.**



**KWFT "Banking on women"**

Kenya Women Finance Trust (KWFT) is a deposit-taking microfinance institution. KWFT largely operates in remote rural and poor urban areas where access to financial services is a great challenge. KWFT specifically targets women and provides innovative services, one of which is mobile banking. In 2012, RIF I invested 1.5 million USD in quasi equity in KWFT. In addition to the investment, RIF I also provided technical assistance to help KWFT develop agricultural loans.

analysis being conducted for all clients. This way, credit decision is not only based on collateral but on a true repayment capacity and analysis with detailed income and expenses. The investment manager screens credit manuals and other information and then checks whether there is actual compliance of such policies when talking to field staff, including regional managers, branch managers, loan officers and ultimately end clients.

Once RIF has invested, we monitor the compliance of our investee with the Client Protection Principles through annual screenings of our debt investments. The monitoring looks at whether all previously implemented CPPs are still in place, and also whether previously identified "gaps" are being mended.

With equity investees, the screening and monitoring is more hands-on as one of the investment managers sits on the Board of Directors and brings the topic to the table at board meetings. They will for example first suggest a self-assessment of the institution on CPP so they can think on how to approach the issue of client protection and recommend tools that can be used.

**Incofin offers more than just finance. What is the real additionality of a fund like RIF I?**

GP: We follow the "do no harm" policies in micro-finance, but our real additionality lies in trying to push the envelope on product development aspects and reaching rural areas.

We are highly engaged in the institutions we work with and increasingly shift our focus from debt to equity because this allows an even higher level of engagement. Someone in our team is specifically dedicated to the institution and usually sits on the board. The investment manager also engages with the management to discuss investment strategies. Where possible, we also provide technical assistance. So we do more than just financing: we provide smart finance in the sense that we engage with the institution, discuss strategies and provide additional support to help realise those strategies. The big difference with a commercial investor is that we do not seek a controlling position, but a partnership.

## BIO invests directly thanks to being introduced by Rural Impulse Fund

Some of BIO's direct investments are made in MFIs that initially received funding through RIF. Sembrar Sartawi is such a microfinance NGO in Bolivia. The MFI currently has 21 branches and 12,000 clients, and focuses on providing a range of loan products targeted at micro-entrepreneurs and small agricultural producers. Sembrar is quite unique in its approach in the sense that it offers not only financial support: loans are accompanied by technical advisory services to implement best practices and improve productivity. Furthermore, the MFI fa-

cilitates access to markets for its clients, and provides them with up-to-date price information. The result is an integrated solution that allows Sembrar Sartawi to promote higher productivity, product quality and more dynamic, sustainable rural markets in Bolivia. BIO was introduced to Sembrar through the Rural Impulse Fund as an indirect investor. In 2013, BIO signed a loan agreement with Sembrar of 2 million USD, allowing BIO to work more closely with the MFI. The loan contributes directly to increasing Sembrar's capacity to provide

financing to smallholder farmers and micro-entrepreneurs in the underserved rural areas of Bolivia. In practice, this means that BIO contributes directly to creating jobs in poorer rural areas: as Sembrar not only provides financial services such as loans and savings, but also technical assistance to improve quantity and quality of the agricultural production and access to markets facilitation, employment effects are significant.

**Some of BIO's investments are in MFIs that previously were targeted by RIF. Does RIF also take up the role of building bridges between the DFIs or other investors and the MFIs?**

GP: We have an agreement with BIO to be a "broker" so to speak. Some examples are **Sembrar Sartawi** (see page 22) in Bolivia or Fundeser in Nicaragua. We locate the MFIs more easily thanks to the local presence we have through our local offices. We then introduce the MFIs to BIO and then BIO can decide to pursue a direct investment, which was the case in the aforementioned MFIs.

**Looking at the future, RIF I is maturing and RIF II is performing. What's next on the agenda?**

GP: AgRIF fund is the follow-up of the RIF I & II. In RIF we didn't specifically target the provision of funding to farmers. This will be an outspoken focus for the next fund. We will do this in two ways: we will continue to concentrate in the first place on financial institutions but pay more attention to the fact that there are specifically designed products to finance smallholder farmers. Of course, the portfolio needs to reflect the local economy. So in that respect it cannot be purely agricultural financing. We are hoping to achieve 50% of the portfolio in the smallholder segment. Secondly we have also been working on direct agricultural finance, providing financial services to producer organisations or cooperatives of smallholder farmers directly.

[www.incofin.com](http://www.incofin.com)



# Rural value chain

A major challenge rural households face in improving their livelihoods is their poor connection to markets. Access to markets is important not only to sell products but also to purchase equipment and inputs. The development of markets that reach into remote rural areas pose many challenges; often multiple markets are missing at the same time. Because the functioning of one market is dependent on the other, an integrated approach where multiple activities along the value chain – from input provision over production and transformation to marketing and distribution – are supported simultaneously, has the best chances of success. The two projects presented here illustrate how BIO's work contributes to expanding opportunities for rural households through improved access to input and output markets, but also technical training and related services. SEDIMA is a successful Senegalese enterprise active in the poultry sector. In addition to its in-house hatching and breeding activities, it provides inputs, services and equipment to a large network of local breeders. The Laiterie du Berger, also in Senegal, is active in the dairy sector. For its provision of milk, it relies – partly – on local cattle breeders, helping them to expand their production and increase their incomes.

A global value chain approach

# SEDIMA

Sénégalaise de Distribution de Matériels Avicoles



BIO investment:  
**EUR 3.7 million**  
EUR 150,000 TA



Sector:  
**Agriculture**



Business focus:  
**Poultry farming**



Country:  
**Senegal**



Region:  
**Africa**



The Senegalese poultry sector is one of the most promising agribusinesses to reduce poverty and support economic growth, with a contribution of 17% to the gross interior product, a turn-over of over 132 billion FCFA in 2012, more than 30,000 jobs and 80% growth since 2000.

The objectives of SEDIMA, since its inception in 1988, are to contribute to improved food self-sufficiency in Africa and to become one of the leaders in the poultry and animal feed sector in Sub-Saharan Africa. Today, the company is market leader in Senegal with 39% of the one-day chicken market share and 35% of the animal food market share. The objective of SEDIMA is to master the complete value chain, from raising chickens to producing wheat for animal food.

The enterprise plays a central role in the Senegalese poultry farming development by delivering quality products to the farmers and installing breeding and egg-laying farms. It markets poultry material, installs turn-key poultry projects and ensures training and a qualitative framework for the farmers.



**Seynabou Seck Diawara, Deputy General Director 1997-2004, General Director 2007-2013, executive Vice President since January 2014**

SEDIMA today comprises a hatchery of 14 million one day chickens a year; a breeding farm with 150,000 laying hens and broilers a year; a poultry farm of 750,000 chickens and egg production from 350,000 laying hens. Furthermore, SEDIMA has a food processing factory with an annual production capacity of 150,000 tons and a flour mill for the production of pastry flour with a capacity of 250 tons a year and a selling point for aviculture equipment. The annual sales have gone up from EUR 6 million to EUR 30.5 million in ten years. SEDIMA employs 215 people, increased with a 100 daily workers, and ensures about 1,000 indirect jobs through its 200 distributors.

SEDIMA also scores high in gender issues: the highest management positions in the company, from General management to Vice Presidency, are in the hands of women.

Today the company is a modern agribusiness. To attain its objectives, the assets of the company are over 30 years of experience, highly qualified and motivated personnel, and an efficient and effective organisation. The company uses the most modern of equipment: the installations are at the quality level of European enterprises. It has embarked on a quest for quality: hygiene, security, environment, qualified personnel, procedures, high quality infrastructure... It also developed a client-based approach, seeking solutions adapted to the needs of the local or regional poultry farmers.





The company is still growing and is not short of perspectives or projects. Its challenges for the future are to establish new headquarters to improve working conditions of the personnel and to be able to better receive clients, establish an industrial slaughter chain together with local farmers and adjust plots of industrial corn farming.

### **A real impact on the local and regional rural development**

Senegal, a partner country of the Belgian development cooperation, faces industrial challenges like other countries in the region. The country is in need of a strong private sector. Behind this strong private sector there are people who have the courage to invest in sectors that target and support local added value in production terms and that create jobs.

With a contribution of 17% to the gross interior product of poultry farming, a turn-over for the poultry industry of over 132 billion FCFA in 2012, more than 30,000 direct and indirect jobs and a growth of almost 80% between 2000 and 2012, the Senegalese poultry sector is one of the most promising agribusinesses to support poverty reduction and economic growth in Senegal.

The main part of SEDIMA's production is destined for the interior market, but SEDIMA also exports a part of its production, mainly to Mauritania, Gambia and Mali, and is looking for market access in Guinea Bissau and Guinea Conakry. Through its activities and services aimed at local poultry farmers, its creation of local added value, and creation of direct



and indirect jobs, the group SEDIMA has a significant impact on rural development around the project. There is a significant number of farmers involved in SEDIMA's activities, the company currently has almost 1,100 active clients.

[www.sedima.com](http://www.sedima.com)

### **Interview** **Babacar Ngom,** **Chairman of SEDIMA Group**



**In 2013, SEDIMA Group was awarded the prize of “Golden Cauri for the most innovative enterprise”. How did a Senegalese self-made**

#### **business man start this success?**

I started up a poultry farm in 1976 representing a total investment of 100,000 FCFA. Today, SEDIMA Group has a capital of 2 billion FCFA, which is completely in the hands of Senegalese shareholders.

#### **What was the impact of BIO's first investment of EUR 700,000 in 2007?**

The project was defined as the extension of the existing plant in Dakar, exclusively dedicated to the production of chicken and ruminant feed for the local market and for regional export (mainly to Mauritania and Mali). BIO's investment was used to consolidate our position on the laying hen feed market and launch new products (granulated and high energy products) with a total production capacity of 100,000T/year for chicken feed and 50,000T/year of ruminant feed, in

order to sustain survival during the dry season. The total production capacity is now up to 150,000T and extendable to up to 300,000T.

### **BIO's EUR 3M financing agreed in 2013 is aimed at building a wheat mill. Why a wheat mill?**

A livestock feed factory has been installed as part of the SEDIMA Group's development framework. The totality of the wheat bran that will be produced by the mill will be used by the livestock feed factory. BIO's intervention in this project includes a technical assistance component on staff training in milling and the integration of quality management (ISO 22000) within the company.

### **What is the company's advantage in producing its own flour?**

Like all products, the price of wheat bran fluctuates according to offer and demand. The mill will allow managing the factory cost structure of livestock and poultry feed.

### **So with this project SEDIMA will control the complete value chain?**

That's correct: we will produce eggs, chicks, broilers, egg-laying chickens and eggs for consumption, wheat, poultry and livestock feed. We aim at a maximum of local added value; we contribute to the development of the national and regional subsistence market. We hope BIO will continue to support us in this expansion.

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### **Interview Patrick Englebert, Advisor / Head of Development – Belgian Embassy Dakar**



Senegal is a country with great potential, it benefits from good stability, trained human resources and a favourable natural environment for farming activities and livestock farming. It is a country with strong ambitions in socio-economic terms and several institutional partners want to help attain those ambitions.

Private enterprises are also called upon to play an increasingly important role driving the country's development. They contribute to creating wealth that is redistributed in the form of jobs and as a consequence income, but also to improving access to basic qualitative products at affordable prices.

Despite these assets, Senegal is not a developed country, with almost one inhabitant out of two living in poverty and malnutrition affecting almost 20% of the population, mainly in rural areas.

An enterprise like SEDIMA fits perfectly in a development approach based on valuing local resources and favouring the poor. Since its start, the company has not stopped diversifying its activities in an attempt to free itself from foreign suppliers for several products. The complete Senegalese population benefits from SEDIMA's activities: the poultry sector has developed

strongly, with numerous micro-enterprises that can provide the complete consumption market of poultry meat and eggs.

With its new mill SEDIMA seeks to better manage primary material supply. By doing this, the company reinforces the industrial wheat production capacity and contributes to the competitive climate, a necessary ingredient to stimulate the economy and ensure attractive pricing for consumers.

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Development of a network of farmers in rural areas

# Laiterie du Berger



BIO investment:  
**EUR 1.38 million**  
EUR 45,000 TA



Sector:  
**Agriculture**



Business focus:  
**Milk production and collection**



Amadou BA, Gaudi:  
"I have heard that there are countries where the herders with a herd of thirty milk cows can afford a car, send their children to university to become engineer... But here we have herds of over hundred cows and we are poor! That changes with the sale of milk: milk can do everything."

Country:  
**Senegal**



Region:  
**Africa**



BIO has been a partner in structuring the local dairy milk network since Laiterie du Berger (LDB) was created in 2008. The support consisted of two loan facilities (EUR 380,000 in 2008 and EUR 1M in 2010) and two technical assistance projects. LDB is the first dairy processing farm to get supplied by local semi-nomadic herders near the Mauritanian border.

When the company started in 2007, local collection represented 100% of the factory's supply. By 2012, however, only 53% of the factory's needs were covered by local collection, the rest was met by powder milk. It is estimated local milk production could increase by 5% per year. Meanwhile, it is too weak to meet the needs of the factory and produce the finished product of milk, for which demand is rising quickly. At the same time, the income generated by the sale of milk is too low to allow farmers to anchor in the country's economy and offer a real long-term perspective to cover their needs.

In this context, LDB has reviewed its milk collection strategy for 2016. The strategy foresees the continuation of milk collection from traditional Nomad herders in the area of Diéri and the set-up of more productive milk exploitations in the area of Walo, in addition to agricultural activity.

LDB's development of traditional livestock farming and milk collection is technically supported by a French NGO, GRET, and is linked to financing for the set-up of the project "Access to services and structuring of dairy farmers in the Department of Dagana in Senegal".





The development of the livestock farming by installing a pilot farm was launched thanks to BIO's technical assistance. BIO's intervention concerns several aspects: technical supervision of the pilot farm, validation of a more productive standard breed that is better adapted to the conditions in the Sahara, set-up of a reproduction herd, food production on the basis of local sub-products (sugar cane leaves, rice straw) at improved nutritional value, technical training of herders, and a catalysing role towards potential investors for setting up medium-sized farms.

BIO supports LDB in setting up a correct management structure for the production factory in Richard Toll. The technical assistance concerns defining a guiding plan for the industrial development and putting it into practice; setting up a team of local managers; installing a control system of the factory management by formalising manufacturing procedures and integrating industrial operations in the company's information system. The aim by 2025 is to manage to install, apart from the pilot farm and other medium-sized farms, 250 mini farms within the current pool of herders. That stands for a productive herd of approximately 1,250 cows, producing about 4 million litres of milk a year.

*You can find 'laiterieduberge' on Facebook.*



## Interview

**Bagoré Bathily, Founder and General Director of Laiterie du Berger**



### Why did you create Laiterie du Berger?

I noticed in 2005 that almost 90% of all milk consumed in Senegal is imported in powder, while 4 million people, mainly Fula people, traditionally live

from herding in Senegal and could therefore produce milk. I then had the idea to create a company that produces dairy products based on locally collected milk and that would allow the herders to improve their living conditions. Today, LDB has developed a brand with strong penetration potential (Dolima) and a turnover in a very competitive market.

### What has been BIO's role in this project ?

The project offers a convincing alternative which allows the shepherds to improve their lives, to value their milk and to bring products of « European » quality to the market at « Senegalese » prices. BIO has assisted LDB along the complete value chain (collection, industry, quality, supply chain, sales, marketing, financial management) and strengthened the production team's capacities and the support to herders. It is about encouraging the herders to improve their productivity by offering them a reference through the pilot farm, know-how through practical and theoretical training, as well as support by providing services, simple management tools, food for livestock,...

### What is the impact of this project in development terms and what are the gains for the local people ?

Contrary to what is usually thought, the problem in Africa in general and specifically Senegal, does not always stem from poor productivity of the local cows, but from the absence of an efficient distribution circuit that can collect, transform and distribute final products to growing urban markets. The milk produced by shepherds is often wasted due to a lack of a market. Thanks to the Laiterie du Berger, there is an important development of livestock farming and the income of the herders involved in the project are estimated to have tripled thanks to regular milk sale.



**Before the factory, only the calves were happy. Today, we are as well.**

Ahmet Diallo



**We no longer have to throw the milk away: I thank God and the factory.**

Ifra Malick Sow



**One day this milk will feed my children.**

Binta Kouna Sow

# Rural infrastructure

Just like the limited access to credit, a lack of infrastructure and electricity or water supply is an obstacle to growth for SMEs. BIO started operating in this sector in 2010, through an agreement with FMO, the Dutch Development Finance Institution. Directly or through intermediary institutions, BIO's investments in infrastructure projects targets power generation based on renewable energy (wind, sun, hydropower, bioenergy or geothermal) including the aspects of energy efficiency, as well as transport, water or telecommunications. The added value of BIO's financing in this sector is mainly the longer loan terms, which cover the construction phase as well as the operational period, where the commercial financing markets do not provide the necessary amounts or tenor. The main development impacts of these projects are renewable energy production, impact on climate change issues (reduction of CO2 emissions), public energy sector performance improvement thanks to the arrival of private operators and modern technology transfer for cleaner energy.

Rural infrastructure

# Helios Towers DRC



BIO investment:  
**USD 14 million**



Sector:  
**Infrastructure**



Business focus:  
**Telecommunications**



Helios Towers DRC offers mobile technology solutions in the Democratic Republic of Congo to allow access to affordable telecom services for people in underserved, often rural, areas.

Country:  
**DRC**



Region:  
**Africa**



The Helios Towers DRC Infracore project, signed in December 2013, aims at expanding the network of telecom towers in the Democratic Republic of Congo (DRC), also to rural areas, allowing access to affordable telecom services for private consumers and local business.

This transaction is the first major telecom infrastructure project in the DRC for BIO. The DRC is a focus country for BIO and the Belgian development cooperation, and the project is in line with BIO's strategy to improve telecommunication infrastructure and information access in Africa, with special attention to rural areas. Infrastructure, particularly in terms of transport and communications, remains a key area which requires investment to drive future development of the DRC's economy. Helios Towers DRC (HTD) is the first and currently the only independent telecom towers company in the DRC. The DRC is one of the largest African markets with among the lowest telecom penetration rates. In 2011, HTD acquired a portfolio of 728 telecom towers from the mobile operator Tigo. End 2013, HTD owned or managed a portfolio of 741 towers, comprising 651 in-service towers and the reactivation of 90 existing but disconnected towers. The roll-out and business

performance of HTD seem to exceed expectations. HTD has signed Master Lease Agreements with all five mobile operators (Africell, Bharti Airtel, Orange, Tigo, Vodacom) and a number of internet service providers. Operators are aware that rural expansion is key to capture the real potential of the DRC market. Geographical expansion is key to making the model sustainable. Furthermore, all operators are forced by the local regulator to expand their coverage as agreed in the license agreements.

### **Mobile technology to accelerate financial inclusion and development in underserved markets**

Traditional financial institutions have so far been unable to reach low-income customers, especially those living in remote areas, due to the cost structure of retail financial services. It is rarely economical for banks to build and operate bricks-and-mortar branches to serve the poor. Even if such branches were operational, the fees they would have to charge their clients to cover their costs, relative to the size of those clients' transactions and/or deposits, would exceed customers' willingness or ability to pay. This problem is exacerbated in rural areas, where the population density is low.

In contrast, over 40% of people on low incomes in Africa have access to a mobile phone. Moreover, there are over a billion customers in developing markets who already have access to a mobile phone, but do not have a formal bank account.

So a huge opportunity exists to impact the lives of millions of the financially excluded through leveraging mobile operators' expansive distribution networks and trusted brands to deliver such financial services. In this context, access to mobile telephony is crucial for the local financing institutions. While in 2007 local banks in the DRC had registered only 100,000 bank accounts, the number has increased to 2 million. Thanks to mobile banking it is expected that in 2018 around 8 million people will have access to financial services.

### **Interview Philippe Loridon, CEO of Helios Towers Africa in the DRC**



#### **How significant is mobile telecom in Africa?**

Fixed lines are almost non-existent in sub-Saharan Africa; mobile has been the only form of communication between urban population centres and rural villages and forms the basis for mobile banking and internet services. Lower communication costs (facilitated by mobile telephony) improve productivity in many sectors (logistics, agricultural, manufacturing, healthcare) and expand access to education. In addition to the tangible benefits, low cost communication among

**By 2018,  
8 million people will  
have access to financial  
services thanks to  
mobile banking**

family members fulfils a social benefit, given the size of African families and the human desire to keep in contact. The significance of mobile telephony is even greater in a country the size of the DRC - nearly as large as Western Europe-, with 75 million people and poor infrastructure.

### **Why is it interesting for the mobile operators to outsource the tower operations to HTD?**

Mobile operators reduce capital investment and operational cost, allowing them to concentrate on their core business of selling telephony services, with better network quality at lower rates to the consumer. Moreover, lower tower costs enable operators to increase mobile presence and meet requirements of geographical roll-out under the operating license, as well as to invest in newer applications such as mobile banking. Speed to market is also a competitive advantage for any mobile operator, utilising our towers either for coverage or capacity needs. Finally, due to tower maintenance being our core business, we increased the network quality standard to 99.75% service availability without interruption.

### **What are the expansion plans of HTD in the DRC, especially in rural areas?**

HTD follows the operators; cost reduction facilitates network expansion in rural areas, which are traditionally less profitable. For example, in October 2013 one of our operators, Tigo, announced that it had acquired more than 250,000 new customers in less than three months following its return to two troubled eastern provinces of the DRC – the North and South Kivu provinces. We expanded the Tigo network from 40 to 70 sites in a matter of months, increasing uptime

from <80% to 99% and facilitated the launch of 3G on 22 sites in the two largest towns. Without Helios, this expansion would have taken close to a year, rather than months, and the cost would have been 3 times as high.

### **What is the impact of BIO's investment in this project?**

BIO is providing finance alongside the German partner DFI (DEG), which is complementary to the commercial tranche. The investment allows us to deploy more sites for our customers, who are continuously improving communication in the DRC and broadening access to mobile services.

### **What challenges is the project facing?**

Size of the country and limited infrastructure are the two biggest challenges in DRC and greatly affect our costs. Moreover, unreliable electricity supply through the public grid increases the complexity of powering our sites, due to the requirement of backup generator capacity. We install deep cycle batteries to maintain high uptime and reduce fuel consumption in some circumstances. Other challenges include fuel theft and a limited quality of contractors. We have mitigated the first through a remote monitoring system, and the second by giving training to improve performance in our four regional offices (Kinshasa, Matadi, Goma and Lubumbashi).

### **Does the project have a positive impact on the environment?**

Reducing the proliferation of towers improves the urban landscape. It moreover reduces the aggregate cell site fuel consumption and the industry's carbon footprint. Furthermore, Helios initiatives, such as the installation of modern generators with hybrid solutions and deep cycle batteries, drive down diesel consumption by 40% in many instances, thereby unequivocally having a positive impact on the environment.

### **It seems that "tower business" is a model for most sub-Saharan countries with low mobile penetration rate. HTD is also active in Tanzania and Ghana. Does HTD have plans to operate in other countries?**

Yes, the HTA Group in London is actively pursuing new business opportunities in other African countries. 2014 should see Helios starting up in new countries replicating the current success seen in DRC, Tanzania and Ghana.

*[www.heliostowersafrica.com](http://www.heliostowersafrica.com)*

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Rural infrastructure

# Rajasthan Sun



BIO investment:  
**USD 20 million**



Sector:  
**Renewable energy**



Business focus:  
**Solar Energy**



Rajasthan Sun will provide clean and sustainable energy to India and support the diversification of its energy system. About 350,000 people will obtain access to energy in one of the poorest states of India. The project contributes to reducing CO<sub>2</sub> emission by 270,000 tons per year.

Country:  
**India**



Region:  
**Asia**



The 100MW Concentrated Solar Power project is located in the state of Rajasthan in India, adjacent to another 40MW PV project. The project site is 340 ha of infertile desert land of limited biodiversity, remote and without economic use. The project is owned by Reliance Power, India's leading private sector power generation company, and has secured USD 302 million in debt financing.

With its long-term financing of hard currency, BIO contributes to the project's viability based on a reasonable electricity tariff. Long-term USD financing is very limited in India, so BIO's intervention is important and additional to locally available financing.

The Project is developed under Phase I of the Jawaharlal Nehru National Solar Mission, which has set a target of 20GW solar power by 2020. It will provide clean and sustainable energy to India and support the diversification of its energy system which is largely reliable on polluting thermal power. The project is eligible under the Clean Development Mechanism and is estimated to avoid more than 270,000 tons CO<sub>2</sub>/year.

The project is expected to generate energy for 346,000 people in Rajasthan, one of the poorer states of India. During the construction phase, the project company has recruited more than 300 workers.

During the investment period of 18 years, the Government will receive tax revenues of several millions USD per year. The company contributes financially to the improvement of primary education standards and to the implementation of lunch schemes in schools.

This project is the largest Concentrated Solar Power project in the world and another step towards achieving the goal of developing one of the largest renewable energy portfolios in India.

**As one of the largest solar power projects in the world, Rajasthan Sun will bring clean energy to 350,000 people in one of the poorest states of India.**

# Meet our team



Luuk  
ZONNEVELD

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GEERAERTS

Bettina  
PIRA

Stéphane  
RYELANDT

Chantal  
VANDE GUCHT

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VAN DEN BOSCH

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Lotje  
DE RIDDER

Catherine  
LE RICHE

Ann  
OLEK

# Institutional report

## Operations and results

The targets of BIO's interventions are micro-, small and medium-sized enterprises (MSME), which BIO supports directly or indirectly through investments and co-financing of feasibility studies and capacity building.

The companies supported by BIO create jobs and local added value, generate government income (tax impact), and contribute to institutional and management building. In 2013, BIO's interventions contributed to creating and maintaining more than 60,000 local jobs. They impact significantly the development of local economies, particularly through the effect they have on job creation and government income, energy supply, support to SMEs and farmers, reducing isolation of local populations and the development of the financial sector.

The concrete effects of BIO's interventions are assessed and measured through relevant criteria in terms of development, used by the Belgian Development Cooperation Agency, whether to institutional and management capacity building, the economic and social impact, technical and financial viability of projects, the attention paid to gender equality and the respect for the protection or preservation of the environment. Additionally, BIO finances trainings and other forms of capacity building for the companies it invests in and their employees. All of BIO's projects contribute to technology and knowledge transfer at a local level and help increase local tax revenues through the creation of added value.

In 2013, BIO approved 24 new investment files, for a total amount of about 124.5 million euros, as well as 9 technical assistance files for about 630,000 euros. Twenty-two investment contracts and 6 technical assistance projects were signed. Seven loans were fully reimbursed in 2013.

On December 31st of 2013, BIO's portfolio encompassed 132 projects with an outstanding investment of EUR 374 million. The net commitments at the same date amounted to almost EUR 548 million.

## Institutional developments

### New Law on BIO

The Belgian State initiated a modernisation process for the Belgian development cooperation, with the new Law on the Belgian Development Cooperation of 19 March 2013 as the concrete realisation of this process. The goal of this development cooperation law is sustainable human development through the promotion of actions that contribute to inclusive, fair and sustainable economic growth. Within the framework of the modernisation process, the Belgian State also finalised the reform of BIO.

Central in this reform was the adoption, in December 2013, by the Chamber of Representatives, of a new

law modifying the Law of 2001 on the creation of BIO. This new Law confirms BIO's specific mission, which is to support local micro-, small and medium-sized enterprises, and it broadens its mandate to new activities such as basic services to the population and the support to enterprises in the social and solidarity-based economy. In the future, BIO can be active in about fifty developing countries, including countries of the upper middle income class, as defined by the Development Aid Committee of the OECD, which were previously excluded from BIO's domain of intervention.

Furthermore, this new Law is coherent with the work of OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes. States considered as non-transparent or with little or no taxation laws are explicitly excluded from BIO's intervention domain.

Among other issues, the new Law foresees a management contract to be signed between BIO and the Belgian State in order to operate with maximum efficiency. It also details the governance rules by establishing the number of directors and the composition of the Board of Directors of the company. Since January 28th of 2014, BIO therefore has a renewed Board of Directors with 12 members and a permanent observer.

Since January 2014, the Belgian State holds 100% of BIO's capital as it purchased the shares of the Belgian Corporation for International Investment, the long-time shareholder of BIO.

### External evaluation

In 2012, an in-depth external audit of the way BIO functions was conducted on the initiative of the Special Evaluation Department of the Belgian Development Cooperation Ministry. The report, published in December 2012, attests the fundamental role played by BIO, confirming that the institution is a suitable instrument for supporting the long-term development of the private sector in developing countries.

The audit looked mainly at BIO's financial situation, its investment strategy, operations, governance and HR management. The Auditor came up with a number of recommendations on ways of improving effectiveness, efficiency and pertinence with regard to future interventions. Subject to changes and improvements in certain fields, the report concludes that BIO's mission was «worded with care and well-considered at the time of its establishment». The evaluation also confirms that the use of investment funds is the most efficient and effective way of reaching smaller companies and/or companies located in rural areas.

In 2013, the second phase of the evaluation started in 2012 was concluded by the Service of the Special Evaluator for the International Development. In this second phase, the evaluators conducted field visits aimed at assessing five criteria: pertinence, effectiveness, additionality and coherence of BIO's interventions. They visited and analysed 63 projects in 9 countries in Africa, Asia and Latin America, on the basis of a representative sample of BIO's different investments.

The report of the first phase is available on [www.bio-invest.be](http://www.bio-invest.be).

The report of the second phase will be available in the course of 2014.

## Organisation

### Human resources

In order to achieve its mission, BIO can count on a team of about 40 professionals. In its human resources strategy, BIO aims at applying the same sustainable principles and values BIO promotes externally. A modernisation of the HR management was initiated over three years ago. The underlying principles guiding this revision are the following:

- Maintain, develop and transfer skills and expertise within the organisation, in the context of sustainable HRM;
- Measure and value the collective and individual performances based on SMART objectives covering also qualitative indicators reflecting the efficiency (objectives reached) and the effectiveness (way to achieve);
- Optimise the existing resources within the financial constraints while creating new career development opportunities;
- Include these different items into a motivating remuneration policy, aiming to reward the skills

and competences needed by the organisation and respecting the individual needs and expectations.

In 2013, this led to a revised remuneration framework linked to an adapted function classification, based on a competences grid. During the same period, new flexible working patterns were offered to the staff allowing a better work-life balance and a modern work organisation.

### **Know You Customer policy**

BIO constantly aims to improve its investment standards and procedures. In that framework, BIO developed and implemented a Know your Customer policy 2 years ago, which goal is to mitigate the financial and reputational risk associated with the nature of BIO's activities across developing countries. It requires staff to perform extensive background checks and integrity due diligence investigations on potential investees throughout the various stages of its investment through local contacts (banks, embassy representatives, suppliers, etc.), internet searches, generic web-based tools and (UN, EU, Belgian etc.) sanctions lists.

In particular, KYC looks into issues such as possible tax evasion, relations with politically exposed people, labour conditions, land-grabbing, corruption, fraud, terrorism, etc. This way BIO makes sure that its business partners are trustworthy and reliable, and that its funds are prevented from being used for money laundering or terrorist financing.

During 2013, the internal review of the KYC procedure performed in 2012 was complemented by an external audit comprised of a gap analysis of the existing KYC procedure with applicable regulations and a case by case file review. Subject to limited recommendations for improvement, the audit assessed the current KYC operations as solid and compliant with existing standards. Risk assessment and KYC searches were found to be performed thoroughly and well documented. Based on the insight in the practical organisation of the KYC procedure gathered during the audit, staff training was organised with a view to enhancing awareness and assisting the staff in developing adequate methods to know and understand the customer and prudently manage risks associated with each investment.

The recommendations issued by the external audit and other lessons learned are currently being translated into further improvements of the KYC procedure and its application in practice. 2014 will see continued efforts to keep BIO's KYC policy and its application up to date and in accordance with national and international standards and best practices against money laundering and terrorist financing, as applied by its peers.



# Portfolio

## Summary of 2013 operations

On 31 December 2013, the BIO portfolio encompassed 132 projects of direct funding to SMEs, infrastructure projects and support to local financial sector with regard to SMEs. On 31 December 2012, this portfolio encompassed 117 files.

## Financial resources

BIO's financial resources are allocated by the Belgian government in the form of Development Certificates. Combined with earlier funding, the total funds, excluding capital, made available to the company for investments (excluding subsidies) were EUR 595 million at the end of 2013.

## Human resources

At the end of 2013, the team consisted of 40 people from 7 different nationalities.

## Activities

### New applications

In 2013, BIO received 195 funding applications for a total of EUR 804 million. Out of this, a total of EUR 379 million has been taken into first consideration for admission approval.

In 2012, 127 applications were introduced, which translates into an increase by 54% year to year.

### Projects approved in 2013

In 2013, 24 investments for a total value of EUR 124.5 million were approved by the Board of Directors, which represents a decrease of 14 percent in comparison with 2012. Out of these new 2013 commitments, 69 percent are relating to the African continent.

## Signed contracts

In 2013, BIO signed contracts for a combined value of EUR 112 million. This implies a slight decrease compared with 2012 (EUR 120 million).

## Subsidies

### Feasibility studies

In 2013, at the approval level, no new commitment for feasibility studies were approved by the Board of directors and 2 feasibility studies agreements were signed for a total amount of EUR 138.770.

### Technical assistance

At the approval level, 9 applications for subsidies have been approved in 2013 for a total of EUR 638.549. Six technical assistance agreements were signed in 2013, for a total amount of EUR 561.050.

**CONTRACTS SIGNED IN 2013 IN 000 EUROS (1 EUR= USD 1.3791)**

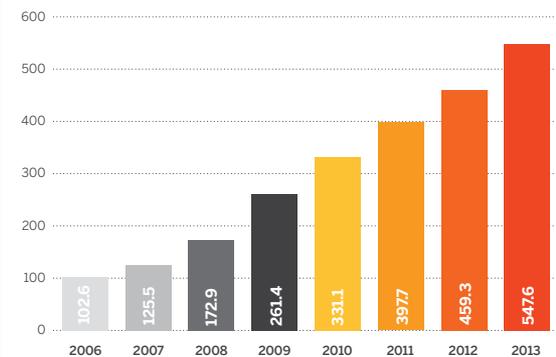
Projects	Sector	Country/Region	Amount	Percentage
<b>AFRICA</b>			<b>72,175</b>	<b>64%</b>
<b>Financial sector</b>			<b>25,711</b>	
Pulse Financial Services	Microfinance	Zambia	1,500	
BCI	Regional bank	Mozambique	10,877	
Access Bank FOI	Regional bank	Tanzania	334	
Oragroup	Regional bank	Togo	3,000	
Africinvest Fin Sector Fund	SME finance	Africa	5,000	
CNAV II	SME fund	Marocco	5,000	
<b>Enterprises</b>			<b>21,312</b>	
CDPA	Agribusiness	Benin	3,000	
SCL FOI	Agribusiness	Senegal	4,000	
Sedima FOI	Agribusiness	Senegal	3,000	
GBS	Telecom	DRC	435	
Indorama	Agribusiness	Nigeria	10,877	
<b>Infrastructure</b>			<b>25,152</b>	
Bharti Airtel	Telecom	Africa	15,000	
Helios Towers	Telecom	DRC	10,152	
<b>ASIA</b>			<b>20,956</b>	<b>19%</b>
<b>Financial sector</b>			<b>17,040</b>	
Prasac FOI	SME fund	Cambodia	5,438	
Acleda	Regional bank	Cambodia	7,251	
Citizens Dev B Finance	SME finance	Sri Lanka	4,351	
<b>Enterprises</b>			<b>3,916</b>	
NVTS	Agribusiness	Mongolia	3,916	
<b>LATIN AMERICA &amp; CARIBBEAN (LAC)</b>			<b>18,852</b>	<b>17%</b>
<b>Financial sector</b>			<b>18,852</b>	
Sembrar Sartawi	Microfinance	Bolivia	1,450	
FDL	Microfinance	Nicaragua	2,900	
Fundeser	Microfinance	Nicaragua	725	
Banpais	Regional bank	Honduras	10,877	
Locfund II	Microfinance	LAC	2,900	
<b>TOTAL</b>			<b>111,983</b>	<b>100%</b>
<b>Financial sector</b>			<b>61,603</b>	<b>55%</b>
<b>Enterprises</b>			<b>25,228</b>	<b>23%</b>
<b>Infrastructure</b>			<b>25,152</b>	<b>22%</b>

## Global portfolio

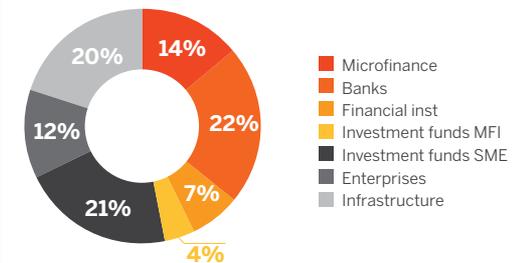
### Net commitments

As at 31 December 2013, BIO's net commitments<sup>3</sup> were EUR 547.6 million at the prevailing EUR/USD exchange rate. In terms of volume (constant rate), this represents an increase of 20 percent compared with 2012 figures, which were EUR 459.3 million.

### Evolution Net Commitments (Mio EUR)



### Beneficiaries



3. Net commitments = signed and BoD approved projects - reimbursements

## Outstanding investments

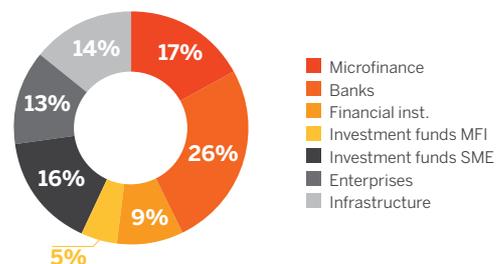
The outstanding investments (volume of disbursements less repayments) reach an amount of EUR 374 million at the prevailing USD/EUR rate at 31/12/2013. In volume, outstanding increased by 32 percent as compared to 2012.

### Geographical spread

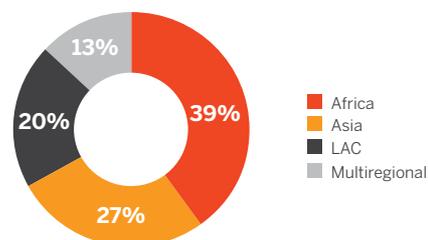
Some investments agreed by BIO are in funds or companies which cover several countries, regions or even continents. These are listed as “multiregional”.

More specifically, 25 percent of the outstanding investments are located in partner countries of the Belgian Development Cooperation. 23 percent of BIO’s portfolio is aimed at Least Developed Countries.

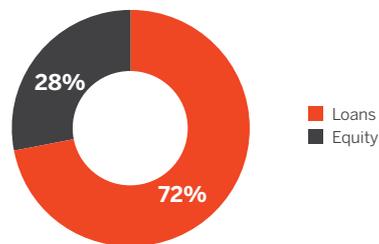
### Outstanding investments per beneficiary as per 31.12.13



### Outstanding investments per region as per 31.12.13



### Outstanding investments per instrument as per 31.12.13



## Cash reserves

In 2013, BIO’s cash reserve policy was adapted to make larger amounts available for new investments. However, the requirement that BIO must at all times hold sufficient cash reserves to be able to fulfill all its commitments was maintained. Hence, not only BIO’s equity, but also any undisbursed parts of loans and equity participations, 50% of the amounts associated with formally approved but not yet signed projects and 100% of any issued guarantees cannot be used for new investments.

### Treasury

At 31.12.2013, excluding the funds under management for grants, BIO’s treasury consisted of EUR 254.7 million of which EUR 151.7 million was “reserved”, leaving EUR 103 million available for new investments.

BIO exclusively invests its cash in sight deposits, savings accounts or term deposits with a maximum maturity of 24 months. The existing possibility to place part of BIO’s cash reserves in OLOs was not used in 2013 given to prevailing market conditions.

# Financial Sector portfolio

## 2013 achievements

### Financial Institutions

BIO approved 16 projects for a total amount of EUR 62.7 million in 2013 and aims to maintain this approval level in 2014. Total commitment to financial institutions amounts to EUR 236 million whereas the outstanding portfolio for financial institutions reached EUR 196 million end of 2013.

New clients in 2013 included rural microfinance institutions in Bolivia (Sembrar Sartawi) and Nicaragua (Fondo de Desarrollo Local and Fundeser), institutions dedicated to the financing of small enterprises (CFE Zambia, Citizen Development Business Finance in Sri Lanka and Acleda in Cambodia) as well as credit lines to banks dedicated to SMEs (BCI and Banpais). BIO also consolidated its equity position in the West African banking group, Orabank to allow the growth of its activities.

On a geographic basis, Africa accounted for 39% of BIO's total commitments in financial institutions followed by Asia (25%) and Latin America (23%), the remaining portfolio being multi-region. From a sector perspective, the growth of our portfolio has come mainly from investments in banks (47% of BIO's commitments) and microfinance portfolio (35% of our commitment).

In 2014, we expect to maintain the same investment pace as in 2013 and to maintain our prospecting work on Africa and on new markets in Latin America and Asia. We intend to remain active in smaller transactions that meet our main strategy niches: support of tier 2 and 3 microfinance institutions, refinancing of local SMEs and creating or strengthening of financial institutions in underserved markets.

One of BIO's objectives is to act as a catalyst, in the sense of it temporarily investing in companies and thereby helping them to develop. At the end of the investment period, the challenge is for BIO to exit from the investment while at the same time ensuring the sustainability of the positive effects thereof.

### Private Equity

BIO's net commitment to funds now reaches EUR 137 million of which EUR 78 million has been disbursed. Our funds invest in SMEs, microfinance institutions and infrastructure projects in Africa, Asia and Latin America. BIO signed in three new funds:

- African Financial Sector: a fund dedicated to supporting with equity and expertise financial institutions in Africa that serve the micro-, small and medium-sized enterprises
- Locfund II: a microfinance fund that provides local credit line to tier 2 microfinance institutions in Latin America
- CNAV II, a fund that takes equity position in medium-sized enterprises in Morocco.

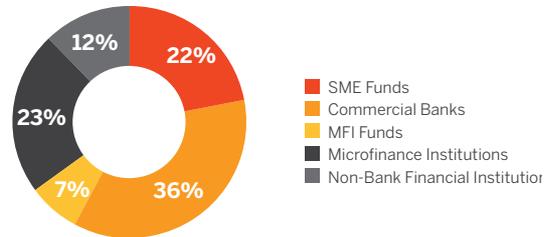
Through BIO's investment in funds, we are contributing to financing the long-term capital of some 300 enterprises and to modernising the private sector in our target countries. The development impact of our fund activity includes among others: providing long-term capital, improving governance and management, transferring industrial expertise, creating jobs, implementing international environmental and social standards.

## Evolution net commitments and outstanding investments

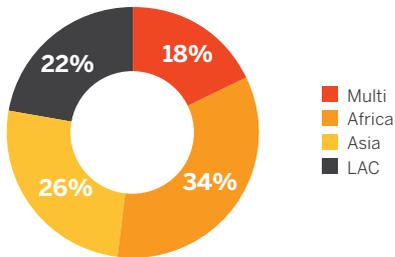
In k EUR	Net commitments	Outstanding investments
<b>2013</b>	<b>373,724</b>	<b>273,613</b>
<b>2012</b>	<b>327,553</b>	<b>215,294</b>
<b>2011</b>	<b>296,629</b>	<b>175,686</b>
<b>2010</b>	<b>236,498</b>	<b>143,934</b>
<b>2009</b>	<b>184,162</b>	<b>119,757</b>

## Outstanding investments

### Breakdown per sector as per 31.12.13



### Regional breakdown as per 31.12.13



## Enterprises portfolio

### 2013 achievements

BIO is one of the rare DFIs considering investments in SMEs below EUR 3 million.

Last year, BIO approved 5 projects for a total amount of EUR 22 million. Signatures for the year reached EUR 25.2 million and included three follow-on investments in a company growing vegetables in Senegal, an egg producing company in Senegal and a telecom company in the Democratic Republic of Congo. BIO also committed financing to new clients in the fertilizer industry in Nigeria, to an egg farm in Mongolia as well as an aviculture farm in Benin. All our interventions were under the form of long-term loan dedicated to fund our clients' capital expenditures.

BIO's target sectors are:

- Agriculture and food processing: while these sectors are highly risky in view of the climate risk as well as commodities price volatility, the development impact for local population is huge. Access to food and development of local employment allow people to improve their living standards in rural areas in order to prevent their migration to large cities where slums are emerging.
- Industrial transformation: all aspects related to industrial transformation are core to the country development and to ensure access to affordable goods.

- Telecoms: increasing the access to communication is key to ensure knowledge transfer to population and attractiveness of the country for industrial development.
- Small renewable energy infrastructures remain important in the development of local welfare. Indeed, access to energy has an immediate impact on economic development and people.

BIO's additionality is also driven by the long-term maturity of the investment. This makes BIO very complementary to local banks which generally offer short-term debt.

BIO's outstanding portfolio in enterprises amounted to EUR 49 million in 2013 whereas our total commitments reached EUR 68 million. Geographically, BIO remained focused mainly on Sub-Saharan Africa (2/3 of our portfolio). Agriculture and agriculture value chain financing remains our main sector of intervention.

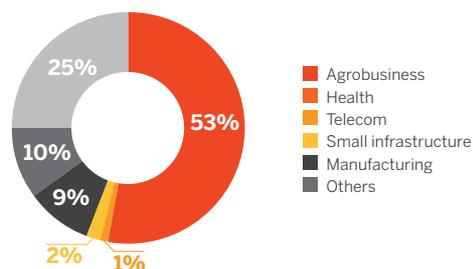
### Evolution net commitments and outstanding investments

In k EUR	Net commitments*	Outstanding investments
2013	67,662	49,009
2012	53,099	28,878
2011	49,590	23,592
2010	45,710	22,482
2009	32,285	18,505

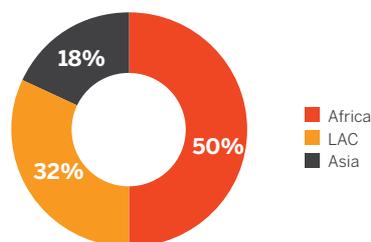
\* Signed and BoD approved projects - reimbursements

## Outstanding investments

Breakdown per sector as per 31.12.2013 (in volume)



Regional breakdown as per 31.12.2013 (in volume)



## Countries in which BIO's Enterprises department has invested

<b>Africa</b>	Benin, Burkina Faso, Cameroon, Democratic Republic of Congo, Ghana, Ivory Coast, Kenya, Mali, Nigeria, Niger, Rwanda, Sao Tome, Senegal, Sierra Leone, Tanzania, Tunisia, Uganda
<b>Asia</b>	China, Laos, Mongolia, Vietnam
<b>Latin America</b>	Ecuador, Honduras, Peru

## Infrastructure portfolio

### 2013 achievements

In 2013, BIO further developed its infrastructure portfolio by taking significant participations in financing packages relating to projects which aim at servicing the SME sector in the developing countries. This has been achieved through close cooperation with peer institutions and particularly in the framework of the Risk Sharing Agreement with FMO.

A biofuel project in Peru has been, at technical completion, refinanced by local private banks, illustrating the additional and catalytic roles of DFIs in the project finance sector when it comes to the poorest countries.

By the end of 2013, the infrastructure portfolio is made up by 10 signed projects for a total of EUR 106 million. Moreover, commitments for EUR 14.5 have been issued.

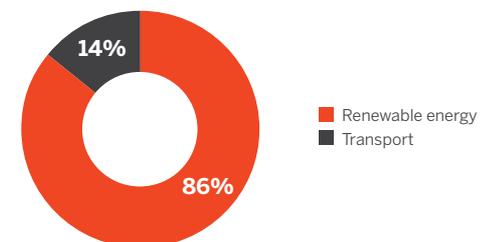
### Evolution net commitments and outstanding investments

In k EUR	Net commitments*	Outstanding investments
<b>2013</b>	<b>106,248</b>	<b>51,277</b>
<b>2012</b>	<b>78,622</b>	<b>39,316</b>
<b>2011</b>	<b>51,531</b>	<b>21,528</b>
<b>2010</b>	<b>48,856</b>	<b>13,237</b>

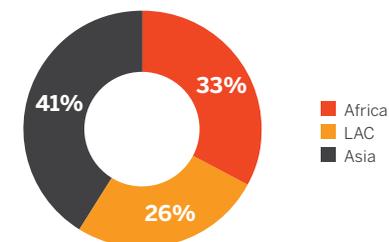
\* Net commitments = signed and BoD approved projects - reimbursements

## Outstanding investments

Breakdown per sector (in volume)



Regional breakdown (in volume)



# Colofon

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