




**BIO**

Investing  
in a Sustainable Future

DEVELOPMENT & SUSTAINABILITY REPORT 2022







At work  
for a better world  
for **all**

Promoting the Sustainable  
Development Goals  
by financing the private sector





# Table of contents

- 1** Preface
- 2** Private sector development and the role of development finance institutions
- 4** BIO at a glance
- 6** BIO's development and sustainability approach
- 16** Towards the Sustainable Development Goals
- 17** SDG highlights
  - 18**  **SDG 5** – Gender equality
  - 26**  **SDG 7** – Clean and affordable energy
  - 32**  **SDG 8** – Decent work and economic growth
  - 37**  **SDG 9** – Industry, innovation and infrastructure
  - 44**  **SDG 10** – Reduced inequality
  - 48**  **SDG 12** – Sustainable production and consumption
- 52** Challenges and work in progress

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# Preface

**B**IO's Development & Sustainability Report illustrates how BIO is translating its main mission and principal mandate into investments and business development support that contribute to the global community's development aspirations.

Entrepreneurship is by far the largest source of employment in developing countries. Strengthening the private sector gives BIO an important lever to promote decent work, gender equality and to fight poverty and climate change – the main barriers to human development.

The UN Sustainable Development Goals (SDGs) are our guide in our quest for impact. While we seek to contribute to achieving all 17 SDGs, this second edition of BIO's Development and Sustainability Report has a special focus on SDG 5: "Achieve gender equality and empower all women and girls." BIO supports clients such as Advans Côte d'Ivoire, Banco Guayaquil in Ecuador, and KOMIDA in Indonesia in developing innovative, women-focused financing products and services. Many of our clients promote female access to relevant training and decision-making positions within companies. Raising gender awareness is an essential objective in all of BIO's investments.

By showing the impact that Development Finance Institutions like BIO have on girls and women – and boys and men, the latter illustrate that over the past decades they have become a key part of the development finance architecture, with a crucial role in achieving the 2030 Sustainable Development Goals.<sup>1</sup>

Everybody concerned with international solidarity – not least BIO's stakeholders: whether they be government, parliament, civil society or the Belgian taxpayer – can read here how BIO invests its money and seeks to improve people's lives. This D & S Report provides an opportunity to look more closely at the issue of sustainable development and shows BIO's commitment to promoting best practices for achieving a better world for all. 🌍

Géraldine Georges  
CHAIR OF BIO'S BOARD OF DIRECTORS



1 A Development Finance Institution is a specialised financial institution that provides medium and long term finance to businesses in development countries. DFIs are essentially development-oriented organisations, but, unlike commercial banks, they do not accept deposits from the public and often work with public and/or private funds. They try to strike a balance between financial sustainability and societal impact.



# Private sector development and the role of development finance institutions

The goal of this report is to provide a comprehensive understanding of how investing in the private sector, with a clear focus on development effects and sustainability, can address some of the world's major challenges.

**T**he private sector is crucial to achieving long-term, inclusive, and sustainable economic growth. It is responsible for over 90% of jobs in developing countries as well as for local value-added, innovation, the provision of valuable goods and services, and tax revenue. When focused on positive impact creation, the private sector is key to achieving the Sustainable Development Goals (SDGs) by 2030 and to contribute reducing of poverty and inequalities.

Development Finance Institutions (DFIs) play a significant role in supporting the private sector in developing countries. They aim to create a strong, transformative, and responsible economy, mostly by working with investment capital. DFIs support the creation of profitable

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DFIs invest in places, sectors and segments where other investors often do not dare to tread.

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and sustainable businesses that also have a positive impact on society.

DFIs vary in governance, and their sectoral and regional focus. However, they are all government-backed. As such, they can take more risks and adopt a longer-term perspective. DFIs invest in places (Africa, Least Developed Countries, fragile states, etc.), sectors (financial services, energy, agribusiness, etc.) and segments (SMEs) where other investors often do not dare to tread. Leading by example, they have a catalytic effect and mobilise capital from more traditional private investors. In short, DFIs are investors that put development above financial returns.

BIO is Belgium's DFI. It is fully owned by the Belgian State as a central instrument to achieve its objectives



and principles on development cooperation. By financing private companies – primarily Micro, Small and Medium-sized Enterprises (MSMEs) – BIO contributes to sustainable human development in low- and middle-income countries.

BIO works hard to have maximum development impact. It assesses in which domains – gender, decent work, the fight against climate change, the promotion of basic services to the population, etc. – an investment project has high development potential. BIO then seeks agreement with the sponsor to put these at the forefront of the project's implementation. It carefully assesses the economic, social, and environmental challenges a client may have and proposes measures to mitigate

these risks, with clear milestones for improvements over time. BIO also offers advice and technical assistance to improve business management, performance, sustainability, and the overall development effectiveness of its projects.

Since its creation in 2001, BIO has been assessing, monitoring, and evaluating the development effects of its portfolio companies. Its theory of change (ToC) helps to better understand the impact of its investments.

BIO's theory of change provides an integrated approach to economic, social, and environmental development. It includes a comprehensive description of its strategic alignment with six SDGs where BIO can have the greatest

impact. It also includes a set of key performance metrics that aim to capture BIO's contribution to each SDG.

BIO's Development Assessment, Monitoring and Evaluation framework uses this ToC as a guiding reference to measure its development impact. This is done in parallel with the ongoing harmonisation of impact measurement and sustainability practices across European DFIs and other impact investors.

This report illustrates in a structured, tangible and transparent way BIO's contribution to the 2030 agenda to all its stakeholders including its investee companies, the Belgian State, the development community, civil society and the public at large. 🌍

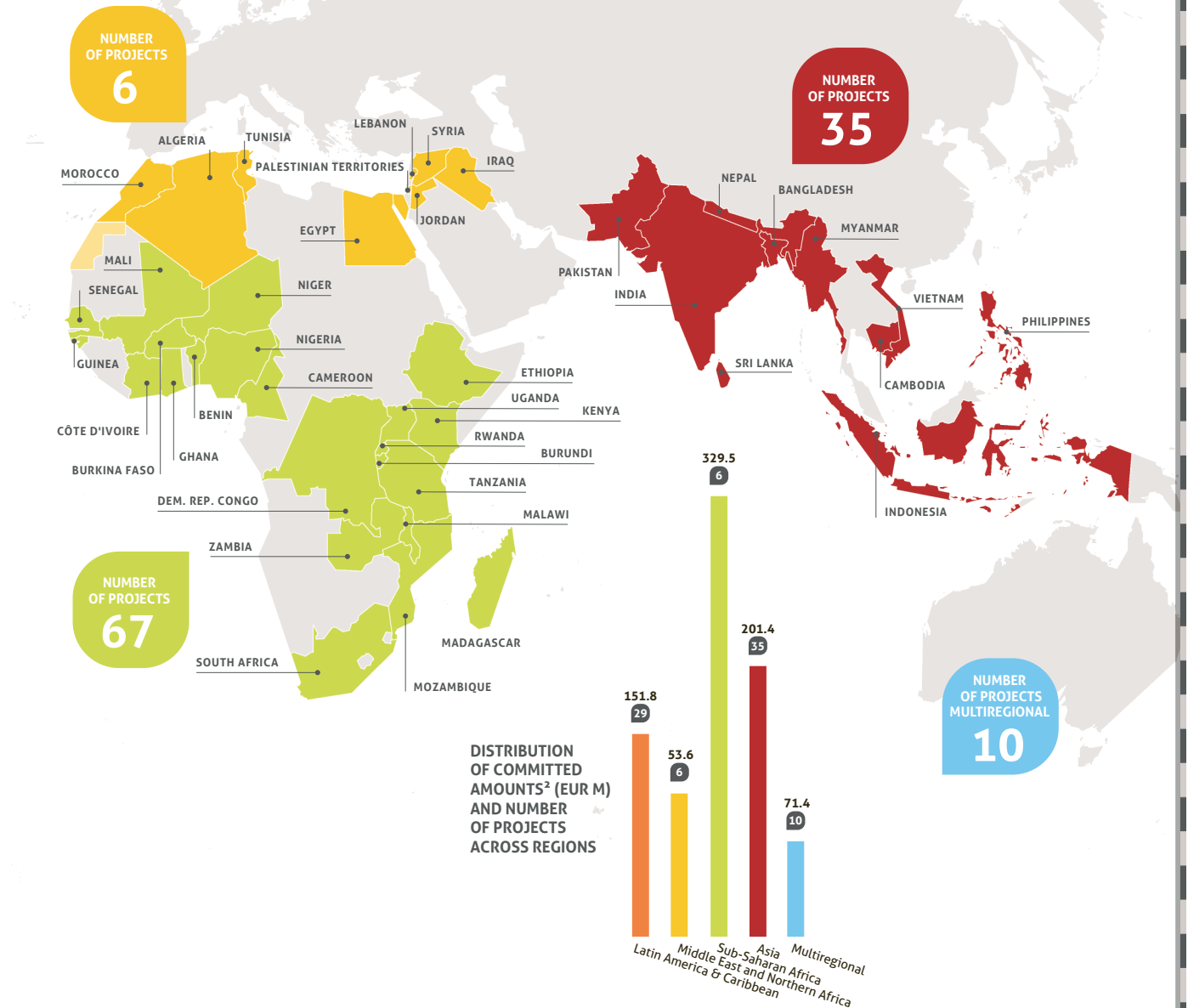
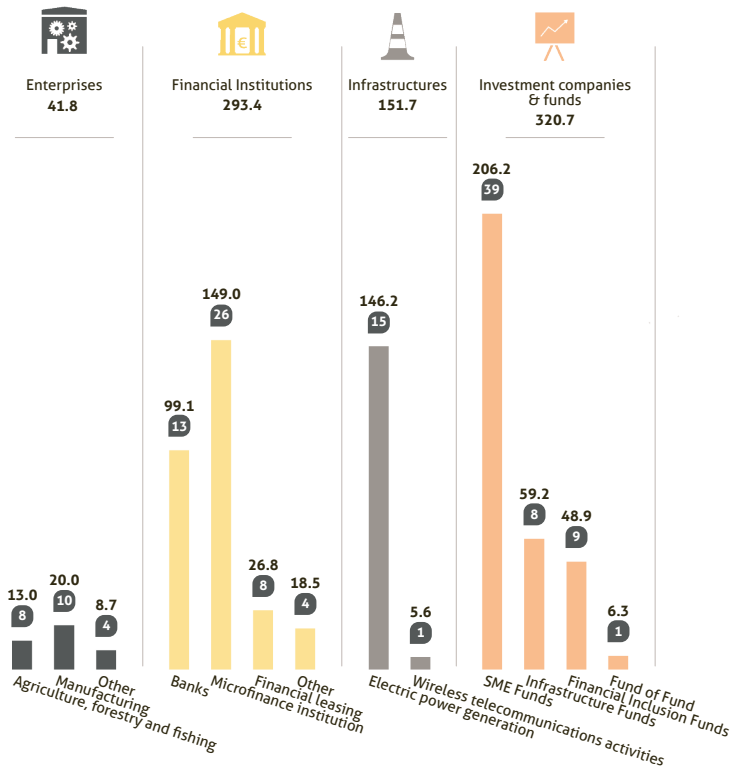
# BIO at a glance

2021

Total committed amounts: EUR **807.7 M**

Total number of projects: **146**

DISTRIBUTION OF COMMITTED AMOUNTS IN MILLION EUR AND NUMBER OF PROJECTS ACROSS SECTORS



2 Committed amounts are board-approved and signed. It is to be noted that outstanding amounts are lower than committed amounts because it takes time for projects to evolve and to fulfill a number of requirements that BIO needs in order to be able to disburse.

# BIO's development and sustainability approach



BIO's theory of change (ToC) provides a comprehensive description of its contribution to the 2030 agenda. Although the SDGs are not perfect and are sometimes difficult to quantify, they are the reference and guidance for BIO's development mission because they represent the global agreement on what we all strive for in terms of a better world for all.

**B**IO's ToC outlines the links between inputs, outputs, outcomes and (expected) development impacts. It uses this framework to develop sustainable entrepreneurship in developing countries and to contribute to a world without poverty, where economic growth is inclusive and jobs are sustainable, in line with SDG 1.

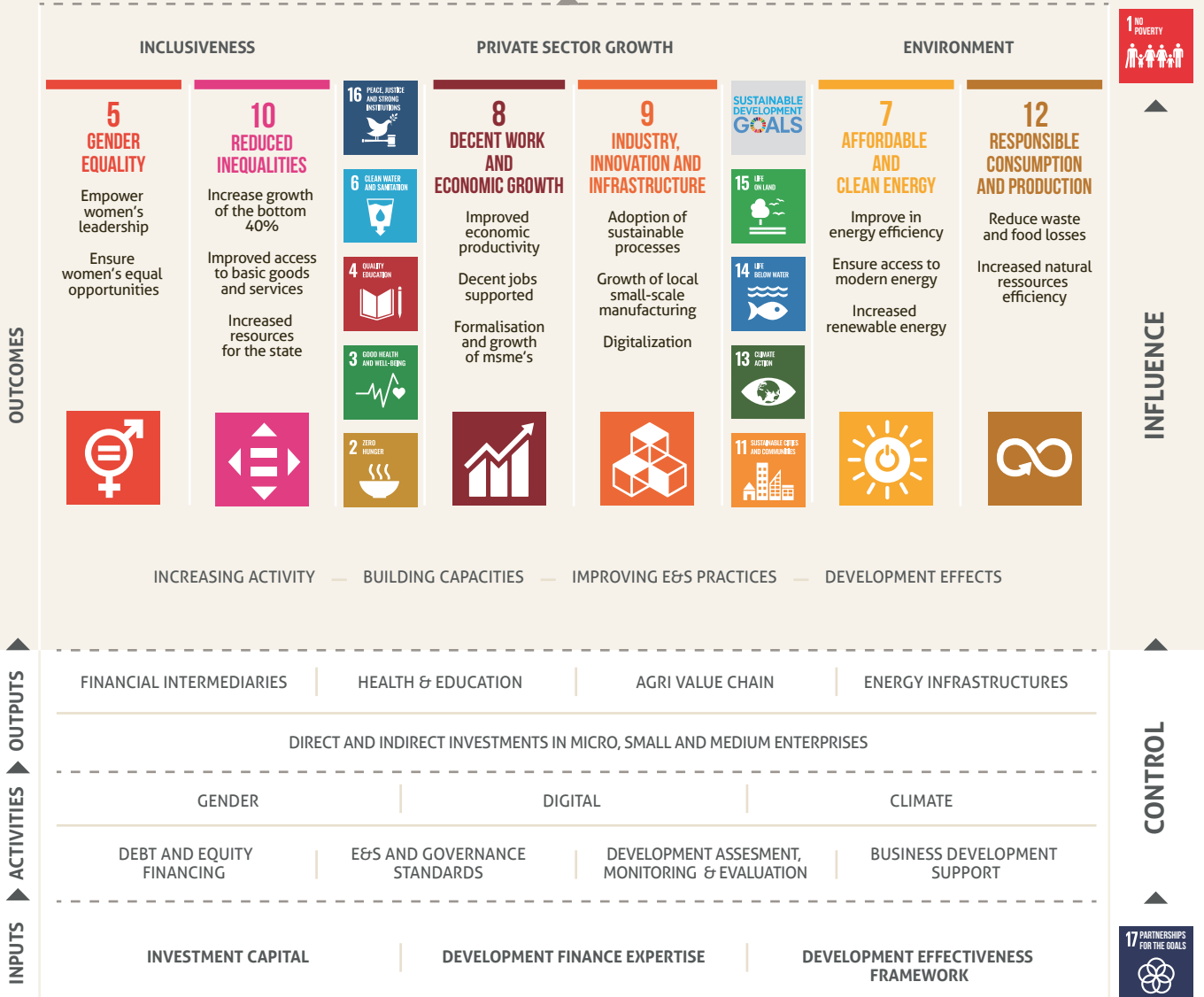
BIO's clients are expected to contribute to a number of SDGs. They can reduce gender inequalities (SDG 5), provide affordable and clean energy (SDG 7), create decent work and economic growth (SDG 8), build innovative industries and infrastructure (SDG 9), work on social inclusion (SDG 10), or practice good environmental standards

for responsible production and consumption (SDG 12). These are priority goals for BIO and sustain most of BIO's activities and departments.

Other SDGs may also be relevant to BIO and its clients, but are dealt with more indirectly. For instance, the various projects in the agricultural sector contribute to SDG 2. More transversally, by supporting climate change mitigation and adaption, BIO contributes to SDG 13. In addition, by ensuring that clients comply with BIO's E&S policy, they also contribute to good health and wellbeing (SDG 3), protecting the oceans and marine resources (SDG 14), and to the conservation and sustainable use of terrestrial and other ecosystems (SDG 15).

# BIO's Theory of Change

## INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH





Finally, BIO creates partnerships with fellow European DFIs in EDFI. It cooperates with other development actors, such as the Belgian development agency Enabel, and mobilises funds from the private sector (SDG 17), including through the SDG Frontier Fund.

All of the BIO and SDG Frontier Fund investment projects pass through a similar cycle. When a potential

investment has been identified, BIO evaluates whether it is aligned with its overall investment strategy and compliant with its investment conditions. If so, a due diligence is conducted to assess the governance, commercial and financial aspects of the project.

BIO also identifies the environmental and social risks and opportunities, and work with its

clients on the project's development potential. This development angle is extensively discussed from the very beginning. BIO and its investee then agree on what is expected in terms of development impacts, where the client may need support with technical assistance, and how to create value for both the company, its employees and stakeholders.

### **The SDG Frontier Fund**

*is a closed-end, self-managed private equity fund of funds, focusing on SME's across sectors in frontier markets of Africa and Asia in order to promote job creation and sustainable economic growth. In 2022, the fund reached its final closing for a total fund size of EUR 36 million, thanks to the participation of four additional Belgian private investors, including Ghent University and Ethias. The Fund aims to invest in 10 to 12 funds, which in turn will each invest in half a dozen to a dozen local small and medium-sized enterprises (SMEs). In this way, more than a hundred SMEs will receive support. Two years after its creation, the SDG Frontier Fund already participates in eight funds active in Asia and Africa.*

## Assessing and measuring development effectiveness

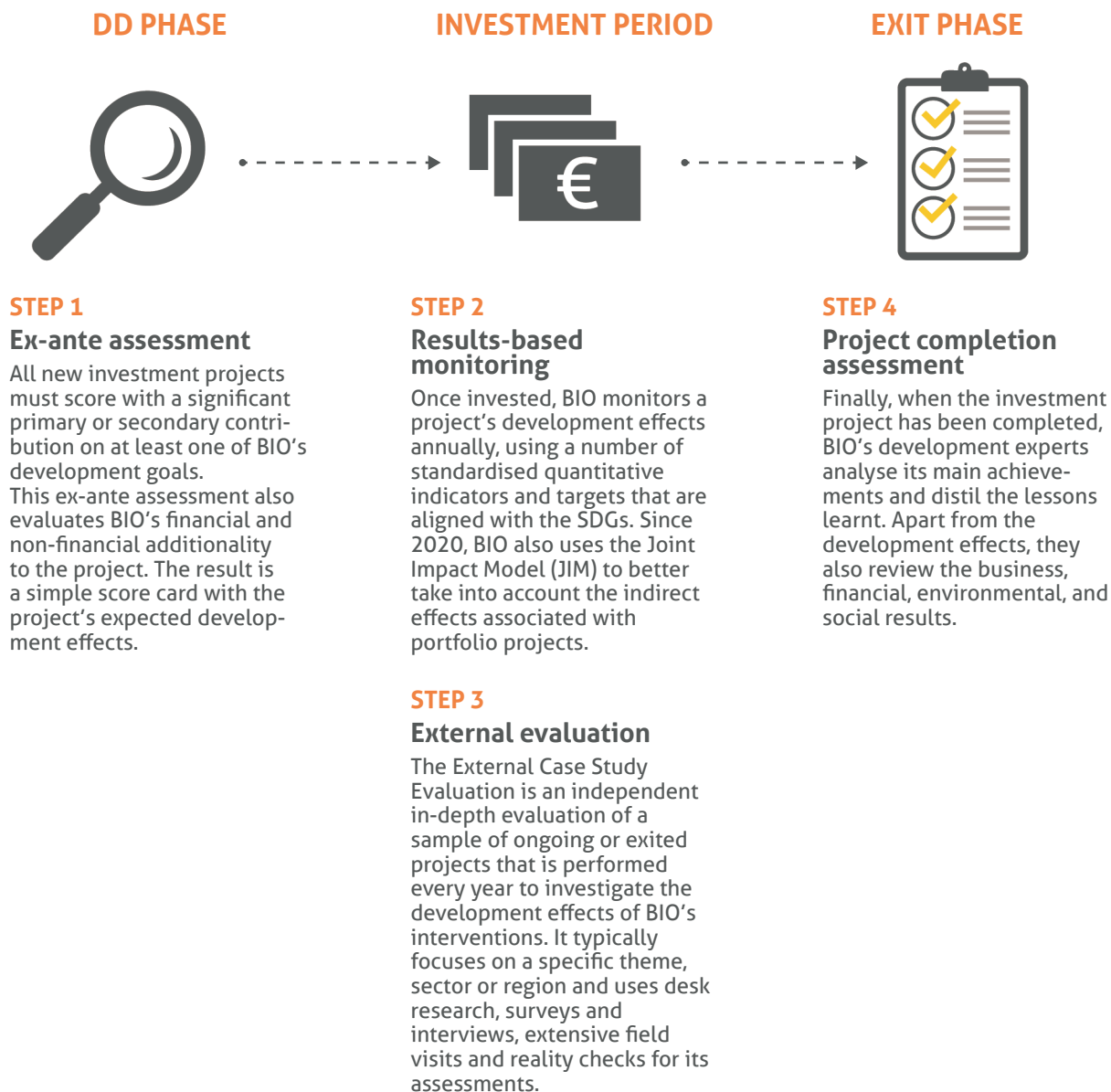
BIO's Assessment, Monitoring and Evaluation framework (AME) is used to set development objectives and to monitor a project's effectiveness during its complete lifecycle, both at project and portfolio level.



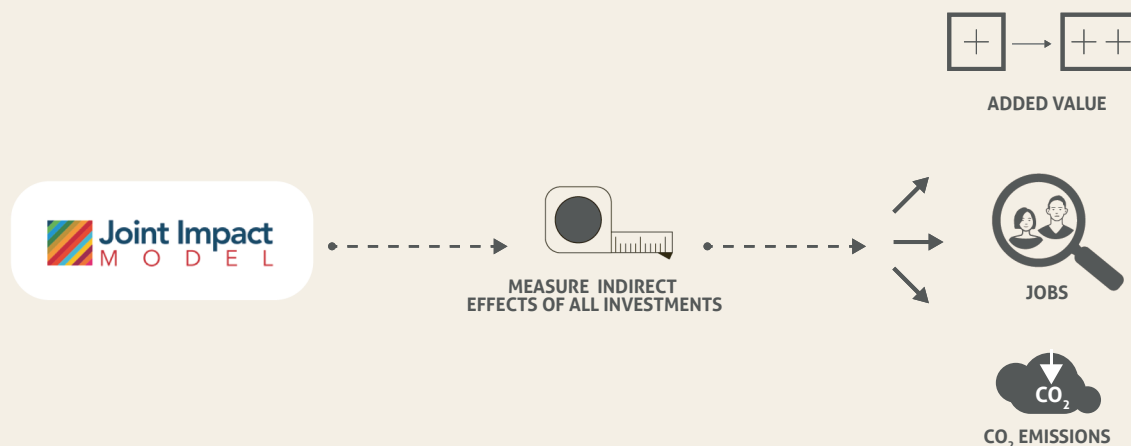
### **Operating Principles for Impact Management**

*BIO is a signatory to the Operating Principles for Impact Management (OPIM). This is a framework to ensure that impact considerations are integrated throughout the investment lifecycle. The principles draw on emerging best practices from a range of asset managers, asset owners, asset allocators, and development finance institutions. Mid-2022 OPIM had 135 signatories from 33 countries and covered total assets of USD 407,161 million. ([www.impactprinciples.org](http://www.impactprinciples.org))*

## STEPS TO ASSESS, MONITOR AND EVALUATE DEVELOPMENT EFFECTIVENESS



## The Joint Impact Model (JIM)



In 2019, BIO joined AfdB, CDC, FMO and Proparco in the working group in charge of developing a common approach to measure indirect effects of their investments. For a smaller DFI like BIO, with limited resources, this collaboration was also a unique opportunity to learn and access the potential of economic modelling.

Before the Joint Impact Model, BIO was only monitoring direct effects of investments. However, financial institutions and energy production projects – two types of investment for which indirect effects are at the heart of the development thesis – represent a large part of BIO's portfolio. Using JIM allows to estimate the magnitude of the enabling effects associated with these investments and more generally indirect effects of all investments.

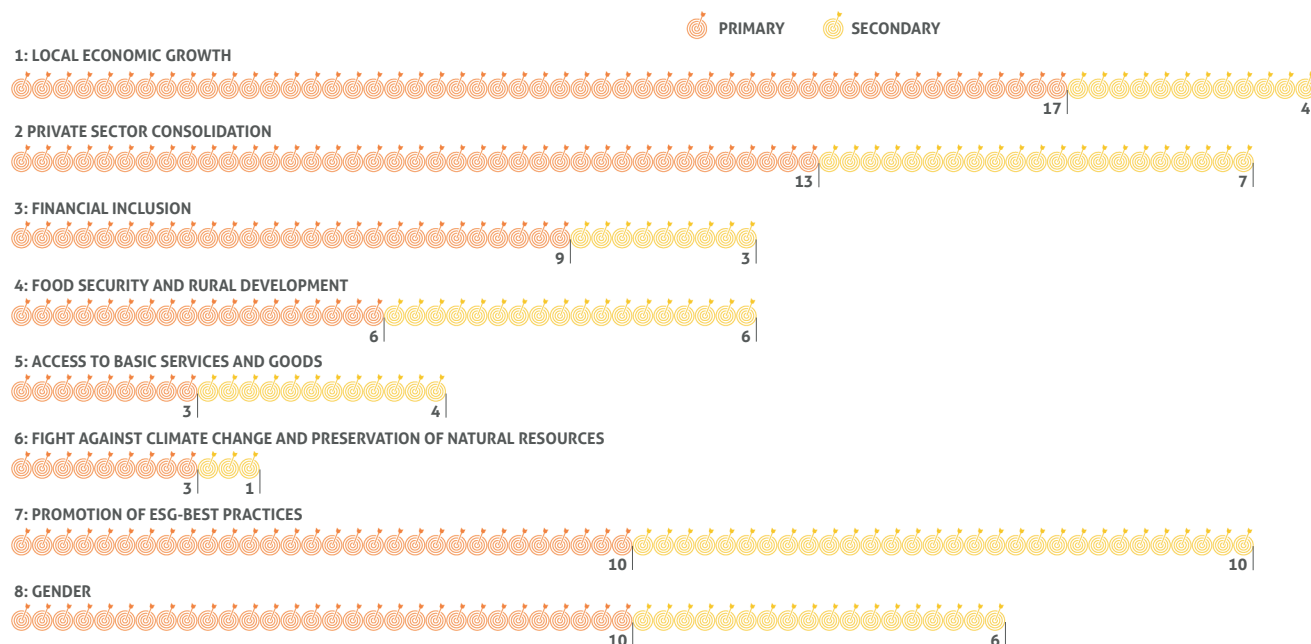
BIO used JIM for the first time on the data relating to its 2018 portfolio, in an ex-post manner. The input data needed to run the model are basic and easily accessible data, which BIO had already been collecting for all investments for several years. Although a little formatting of the data was required, the first implementation of JIM went off without a hitch, facilitated by a user-friendly interface, a simple user guide, and on-demand support provided by Steward Redqueen.

The first estimates from JIM confirmed the relative importance of the indirect effects associated with BIO's investments. Not surprisingly, most of these effects comes from the finance and power enabling effects. The results also give some insights into the country-sector combinations that are the most

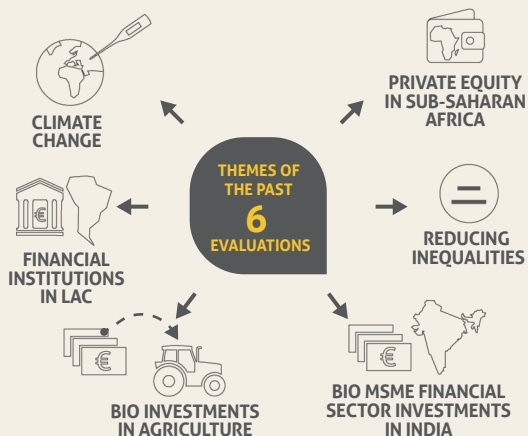
impactful. For example, BIO's investment in food manufacturing companies in Africa appears to be among the most important in terms of direct and indirect jobs supported.

BIO plans to pursue its collaboration with other JIM members to further develop the model. Improvements in several dimensions should be implemented in the next years and make the model even more reliable, comprehensive, and easy to use. While jobs, added value and CO<sub>2</sub> emissions are the few key indicators covered at the moment, the model could in the near future be extended to include additional impact dimensions such as the quality of jobs supported. ([www.jointimpactmodel.org](http://www.jointimpactmodel.org)).

## ASSESSMENT OF BIO'S DEVELOPMENT GOALS OF THE 21 PROJECTS APPROVED IN 2021



### External Case Study Evaluations



Since 2017, BIO's annual External Case Study Evaluations have covered more than 30 different investment projects, amounting to around 20% of BIO's portfolio. Topics under scrutiny varied from the development effects of private equity funds in sub-Saharan Africa to more cross-cutting themes such as climate-related risks in BIO's investments. This year, the External Case Study Evaluation will look into BIO's contribution to reducing inequalities (SDG 10).

BIO invests in the poorest countries and wants the businesses in which it invests to be as inclusive as possible. Together with other DFIs, it aims to reduce inequalities e.g. in income between men and women or castes, or unequal access to basic services. The 2022 evaluation is expected to shed a critical light on BIO's strategy and practice to reduce inequalities, and to identify ways to improve performance in this respect.

The key findings and recommendations, and BIO's response, will be publicly available on BIO's website.

## Strengthening environmental and social progress

BIO promotes decent and safe working conditions, the respect of human rights, and environmental sustainability. That is why BIO requires all of its clients to comply with the local environmental, social, labour, and human rights laws of the countries in which they operate, as well as with international standards and conventions<sup>3</sup>.

The IFC Performance Standards are the key reference when assessing BIO's clients' environmental and social (E&S) performance. They cover a comprehensive array of environmental, social and human rights topics. Each standard describes the desired outcomes and the specific requirements, to help clients achieve them. They also allow the identification of new opportunities that may help them to expand their business and improve their competitive advantage sustainably.

The IFC Performance Standards define BIO's clients' responsibilities in managing their environmental and social risks and deal with the following topics:

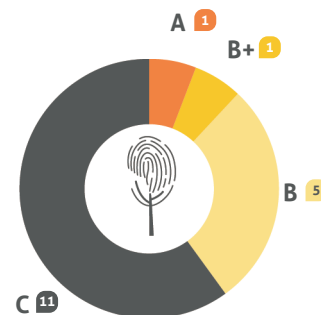


BIO requires an E&S Action Plan (ESAP) to be part of the investment contracts for all projects.

BIO categorises its investments according to the environmental and social risks they carry. Categories A, B+, B and C, respectively represent projects with a high, medium-high, medium-low and low potential impact. For riskier projects, BIO works with its clients to define the right environmental and social actions to take. The results of these are duly monitored.

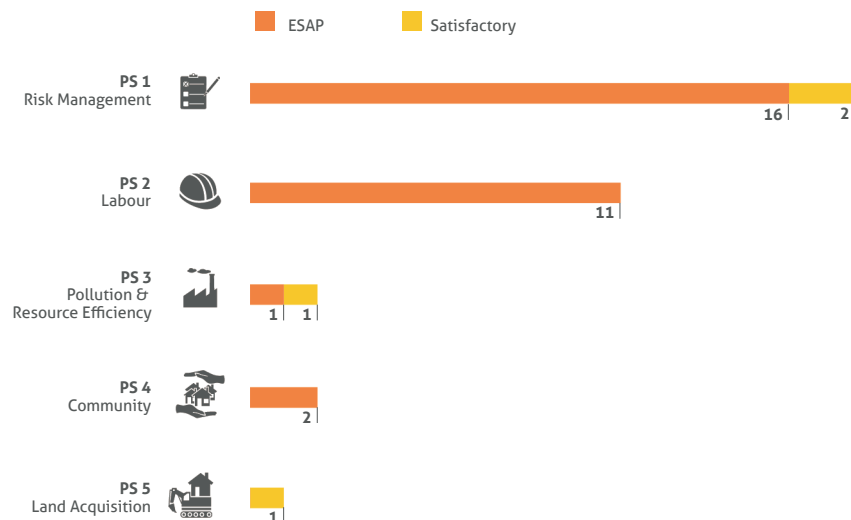
E&S RISK OF THE 18 PROJECTS SIGNED IN 2021

 NUMBER OF PROJECTS



<sup>3</sup> See BIO's E&S Policy

## IFC-PS TRIGGERED IN THE ESAP OF THE 18 PROJECTS SIGNED IN 2021

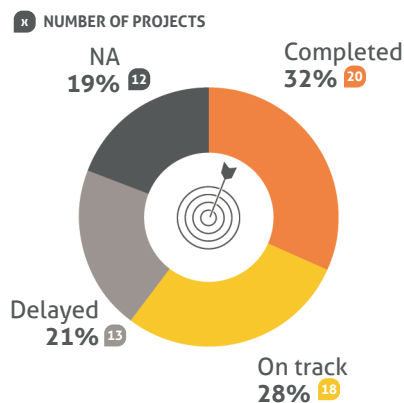


BIO works closely with its clients on their E&S-performance. Its E&S-team provides advice, appropriate tools, and assists (prospective) clients in developing appropriate E&S action plans to improve their E&S performance. BIO requires an E&S Action Plan (ESAP) to be part of the investment contracts for every signed projects. Almost all of them incorporated measures in relation to the E&S risk management system (IFC-PS 1). Sixty percent of them include actions regarding labour conditions (IFC-PS 2). When relevant,

for high-risk projects (A and B+), BIO and/or external experts carry out on-site visits to verify the reporting and conduct their own assessments

Every year clients report on progress made on the various measures and actions in the ESAP. The figure below shows to which extent the projects are on track regarding their ESAP. When insufficient progress is made, BIO will discuss with its clients the reasons why, and the measures to be taken to accelerate the execution of the ESAP. Delays often occur due to business issues popping up along the way for entrepreneurs, a lack of capacity and/or constraints in human resources. BIO supports its clients to increase their E&S capacity building and competences, through, among others, BDSF support or BIO staff providing guidance and trainings. Companies that have a high reputational risk or that do not comply with essential actions of their ESAP are put on an E&S watchlist. This means that they will be automatically monitored more intensely by BIO's E&S-team. At the end of 2021, there were five projects on the list, out of a total of 146.

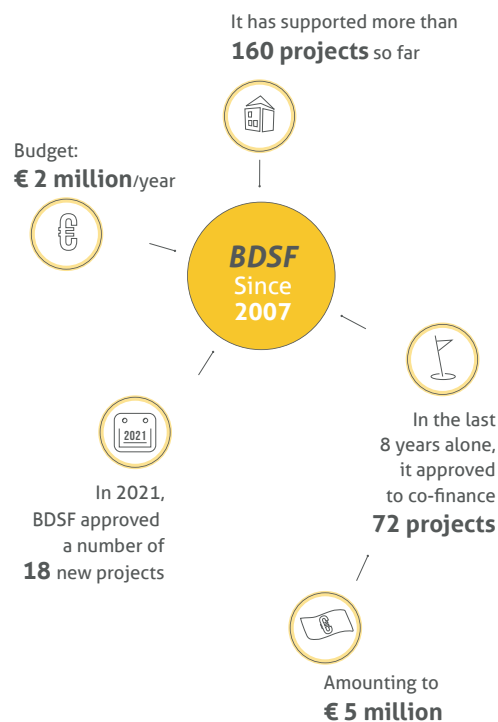
ESAP PROGRESS FOR THE 63 PROJECTS IN BIO'S PORTFOLIO FROM 2018



# The Business Development Support Fund helps to improve sustainability

For companies to grow and prosper they not only need tailor-made investments, but also the skills and know-how to increase business performance and improve sustainability. That is why BIO's Business Development Support Fund (BDSF) subsidises client activities in these areas (business performance and sustainability improvements). In order to ensure an alignment of interests and to maximise the project's chances of success, BIO always requires clients to pay part of the costs of the subsidised activities.

Also, international certifications such as ISO, Fairtrade, Organic, FSC, ... can be instrumental in reaching a company's objectives. Grants from BDSF can help clients to obtain these. Alternatively, technical assistance and feasibility studies may be used to finance gender equality programmes, the creation of green financial products, the use of best lending practises, or the development of client protection measures for the final beneficiaries of microfinance institutions.



## Technical assistance

*improves a company's economic, social and environmental impact by co-financing, for example, its environmental and social action plan, the digital product development for a microfinance institution, or the establishment of a business training centre for a bank's SME-clients.*

## Feasibility studies

*are indispensable instruments to analyse the technical viability and profitability of an investment project. These may range from an E&S-impact study of a new solar project to a market and technical study for an agribusiness project.*

The BDSF has a budget of EUR 2 million a year. Since its inception in 2007, it has supported more than 160 projects. In the past eight years alone, it approved co-financing for 72 projects, amounting to EUR 5 million. In 2021, BDSF approved a record high number of 18 new projects. 🟡

THE TOPICS BIO'S TECHNICAL ASSISTANCE IS DEALING WITH



Financial  
sustainability



Risk management

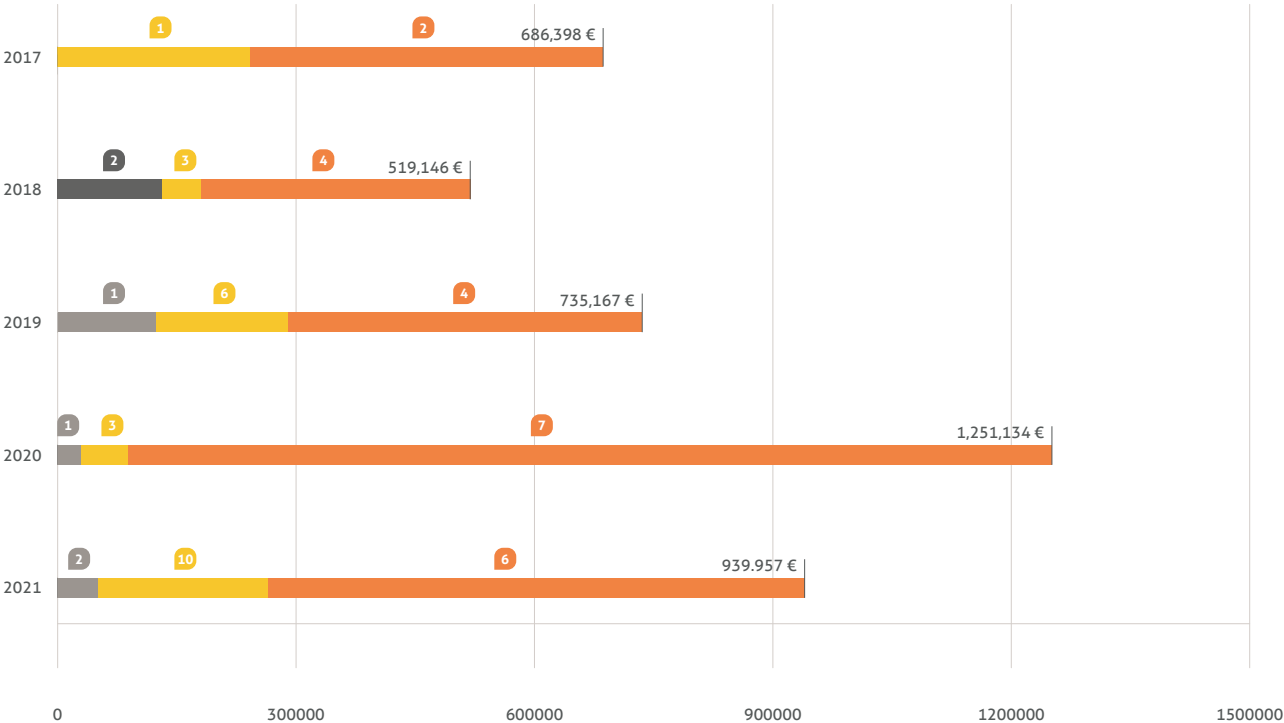


Managing and  
monitoring E&S risks



Operational  
improvements

 NUMBER OF PROJECTS PER OBJECTIVE





# Towards the Sustainable Development Goals



This report covers the financial year from 1<sup>st</sup> January to 31<sup>st</sup> December 2020 and also includes examples of new investments signed during the year 2021.

**T**he data are gathered through self-reporting from clients on a selected number of indicators using a standardised template. The one-year lag is due to the time required for clients to provide yearly figures and for BIO to verify, consolidate and analyse these data.

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The report is based on the 112 reports (out of 118 expected) that were effectively submitted to BIO in 2021. Another 21 projects are not included in the reporting because they are in distress or are special files with no reporting required.

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Most figures are aggregated to portfolio level based on data reported by project companies. These are non-attributed figures i.e. not taking account of BIO's investment share. In other words, they capture the entire activity and development effects of the funded companies.

BIO will continue to improve its data collection and strengthen reporting on the development effectiveness of its investments. 

# SDG highlights

## 5 GENDER EQUALITY

- > **14 OUT OF THE 21 PROJECTS** approved in 2021 invested in women and qualified for the 2X Challenge.
- > In its first two years of membership, BIO contributed **EUR161 M TO THE 2X CHALLENGE – EUR 94 M IN 2020 AND EUR 66 M IN 2021.**
- > **MORE THAN 90%** of financial institutions in BIO's portfolio qualified as 2X eligible investments.

## 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

- > All but one of the recent direct investments in the agricultural value chain work with **INTERNATIONAL SUSTAINABILITY CERTIFICATIONS** such as Fairtrade, Organic or Rainforest Alliance.
- > In 2020, four financial institutions directly funded by BIO offered **GREEN LOANS** for a total outstanding amount of **MORE THAN EUR 1 BILLION.**

## 7 AFFORDABLE AND CLEAN ENERGY

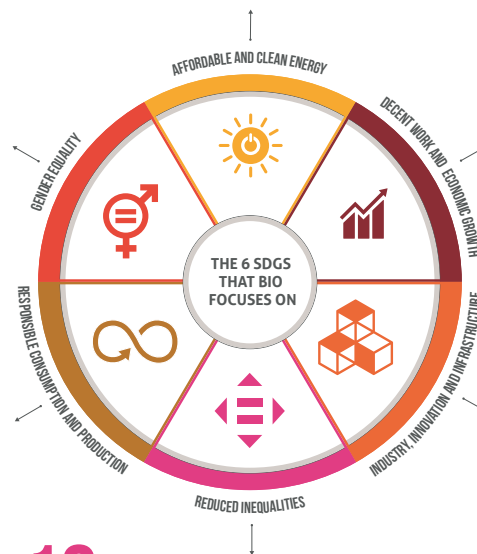
- > Total electricity production supported of **6,144 GWh** through direct energy projects and **3,053 GWh** through indirect energy projects.
- > BIO finances energy production to the equivalent of the annual consumption of about **25 MILLION PEOPLE, 90% IN AFRICA.**
- > In 2020, the renewable energy financed by BIO avoided the emission of **920,000 TONNES OF CO<sub>2</sub>.** Indirect projects avoided another **1,596,000 TONNES.**

## 8 DECENT WORK AND ECONOMIC GROWTH

- > In 2020, BIO's funding supported **117,462 JOBS** through direct investments and an additional **158,432** through indirect investments.
- > Altogether, BIO's investment projects would support **MORE THAN 10 M INDIRECT JOBS**, as estimated through JIM.
- > Financial institutions in BIO's direct portfolio have **EUR 55.1 BILLION** outstanding in loans, with a strong focus on MSMEs. This is a **5.6% NET INCREASE** compared to the previous year.

## 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

- > BIO's portfolio includes **8 DIRECT INVESTMENTS** and **54 INDIRECT INVESTMENTS** in manufacturing companies.
- > In 2020, the **42 FINANCIAL INSTITUTIONS FUNDED BY BIO** granted at least **140,000 LOANS TO SMEs**, of which **113,000** to small companies and **26,572** to medium-sized companies.
- > BIO finances **49 TECH-RELATED BUSINESSES** through 4 venture capital funds that focus on tech companies in sectors such as financial services, agriculture and health.



## 10 REDUCED INEQUALITIES

- > In 2020, companies funded by BIO paid **EUR 431.2 M IN TAXES** to their respective local governments. Funds' investees are the source of an extra **EUR 921.7 M IN TAX REVENUE** in that year.
- > The microfinance institutions that BIO funded directly had **EUR 2.8 BILLION OF MICROLOANS** outstanding at the end of 2020, equivalent to more than **3.38 MILLION LOANS TO MICRO-ENTREPRENEURS.**

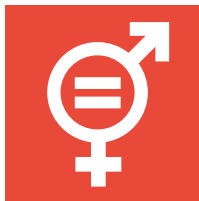
# Gender equality

“

Ms Entin has an ambitious project. She produces “sotong”, a well-known snack made from cuttlefish, wheat, starch flour, water and salt. Sotong is very popular in Indonesia, especially in West Java. Armed with a pretty good recipe and an old motorbike she used to hit the roads for hours to peddle her wares on city markets.

Nowadays, having set up a sotong production facility, Ms Entin helps and empowers about a hundred women in her village by providing them secure jobs. Even through covid times, demand for sotong in Javanese cities remained high and the women – friends, family and neighbours – kept producing the local snack, steadily raising their income.

”



5

**M**s Entin is a member of KOMIDA, an Indonesian microfinance institution – the name is Malaysian for ‘We Care for the Poorest Women’. KOMIDA is a savings and loan cooperative owned by rural women that exclusively targets female entrepreneurs. As of July 2021, KOMIDA counted 824,725 members like Ms Entin, who receive microfinance. The cooperative has 318 branches all over the country, more than 4,000 staff members, and a loan portfolio of EUR 102 M. By 2025, KOMIDA plans to attract another 400,000 female customers.

In 2021, BIO granted a EUR 6 M loan to the institution, which agreed to further improve its gender practices by loosening the requirements for women to obtain credit and improving internal working conditions for female employees.

## Gender equality

According to the United Nations gender inequality index, Indonesia’s gender inequality is among the highest of the ASEAN countries. Only Cambodia, Laos and Myanmar rank worse.

Despite some progress in recent years, according to the index, no

## 2X Challenge

The 2X Challenge is an initiative launched at the G7 Summit in 2018 that challenges DFIs to focus as much financing as possible on advancing women's economic empowerment and on gender equality. The challenge is to use this financing to support initiatives that provide women in developing countries with access to leadership opportunities, quality employment, finance, enterprise support, as well as products and services that enhance the inclusion of women and girls. The 2X Challenge uses several criteria to identify such initiatives. To qualify, a client must formally (commit to) achieve at least one of the following criteria:



### Entrepreneurship

The business is founded by a woman who still maintains an active role OR holds more than 51% in shares.



### Employment

At least 40% of employees are female AND a policy or programme is in place to address barriers to women's quality employment (beyond those required by local law or compliance).



### Leadership

30% of women are in senior management OR 30% sit on the board or the investment committee.



### Consumption

The company provides products that address women's unique needs, address a problem disproportionality impacting women, or that have a majority of female customers or beneficiaries.

Of all new BIO investment projects approved in 2021, 14 out of 21 qualified for at least one of the following 2X criteria: leadership, entrepreneurship, employment, or consumption.

In its first two years of membership, BIO contributed EUR 161 million to the challenge, EUR 95 million in 2020 and EUR 66 million in 2021.

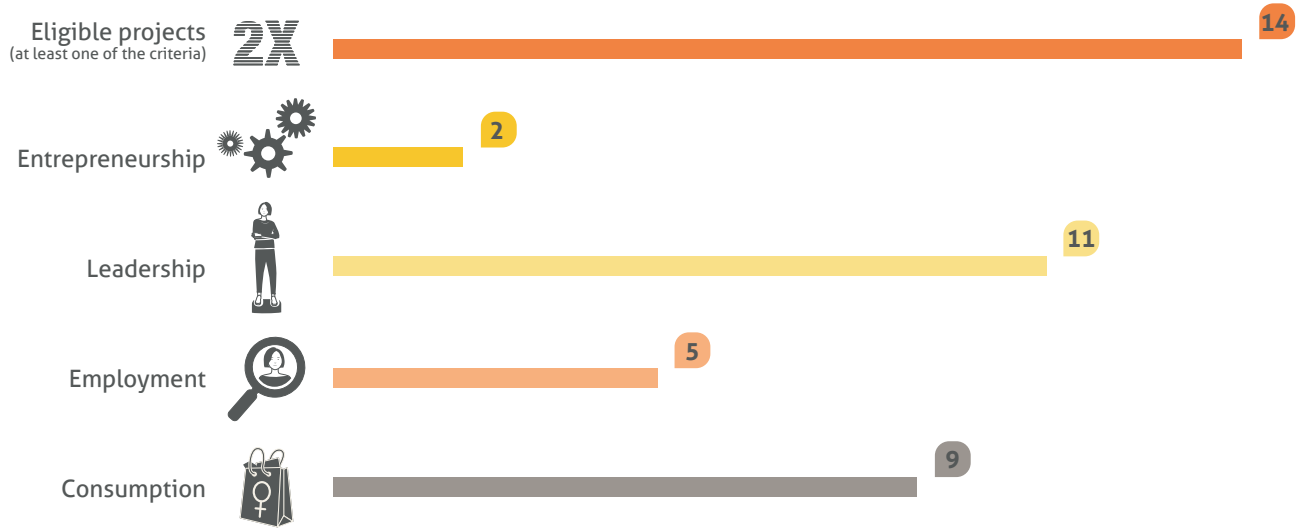
The 2X Challenge has significantly surpassed its initial goal of mobilising

USD 3 billion  
for gender equality

and has recently raised its  
goal to USD 15 billion

DFIs like BIO are the primary providers of this capital, but private sector companies and institutional investors contribute as well.

## 2021 APPROVED PROJECTS – 2X ELIGIBILITY BY DIMENSIONS



country in the world has achieved full gender equality yet. Worse, no country is even expected to achieve it before 2030. In almost all countries around the globe, women are still a minority in leadership and politics. They were also the most affected by the covid-19 pandemic, because of increased household burdens and the risk of violence. Since such gender inequalities pose a real barrier to sustainable and inclusive development and could seriously harm the businesses themselves, Development Finance Institutions (DFIs) like BIO have intensified their efforts to reduce them.

No country in the world has achieved full gender equality yet. Worse, no country is even expected to achieve it before 2030.

## BIO's approach

For BIO, gender equality is a fundamental human right. The topic of gender justice is integrated in all its projects, strategies, policies and actions. Beyond increasing the mere number of female employees or clients of a company, BIO's gender strategy is to enhance economic opportunities for women.

To create these opportunities, it now looks at gender from all possible perspectives, as if through a "360° gender lens" which considers all the positions of women in a company

whether they be entrepreneurs, leaders, workers, consumers, or community members. This offers a framework to collect gender-related information, assess key dimensions of gender equality and talk to clients about gender-related issues.

BIO is a member of the Gender Finance Collaborative, an initiative of the British DFI Bill. It brings together the gender experts of development finance institutions to support the development of shared financing principles, definitions and methodologies that promote the integration of "gender smart" decision-making into investment processes and operations.

BIO's gender strategy builds on the Resolution on Advancing Gender Smart Investment adopted by all 14 European DFIs that cooperate within their European Development Finance Institutions association (EDFI). By putting this resolution into practice, BIO and its colleague DFIs seek to improve the lives and livelihoods of women and girls around the globe and to promote gender diversity. It ensures that gender is considered in the assessment and monitoring of all projects. It also promotes the equal access of women to health and financial services, education, and technology and strives to develop gender responsive companies. These actively address the potential and actual inequality related to sex, gender identity and sexual orientation.

## Technical assistance with a gender focus

*BIO's Business Development Support Fund offers technical assistance subsidies to enable its clients to execute a gender scan of their company, to mitigate gender risks, and to support their gender equality programmes. In 2021, BIO offered such gender-focused technical assistance (TA) subsidies to three financial institutions.*

● **Banco Solidario** is one of the leading microfinance institutions in Ecuador. The bank wanted to strengthen its internal gender culture to ensure the inclusion and empowerment of women in the company. Thanks to BIO's TA subsidy Banco Solidario could contract assistance by the Swiss EDGE Certified Foundation to take a holistic approach to workplace gender equity gaps. EDGE carried out an in-depth assessment and benchmarked the company's gender equality practices. These included topics like female representation, equal pay, recruitment and promotion policies, and flexible working. EDGE identified some areas for improvement with respect to upper management, career flows and maternity rights, which led to concrete guidelines and a gender action plan.

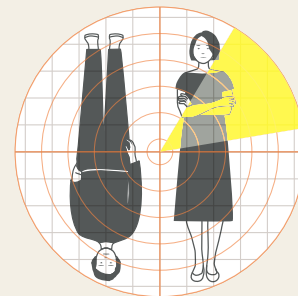
● Another Ecuadorian bank, **Banco Guayaquil**, also received a TA subsidy to develop a gender strategy and action plan. The plan is being developed by Value for Women, a social enterprise that helps to advance the participation of women in the workplace. The action plan includes the design and running of a gender inclusion training programme for future "gender champions" within the bank.

● BIO's TA subsidy to **Advans Côte d'Ivoire** seeks to promote the upward mobility of female middle managers to senior positions, to create a culture of gender equality across the organisation, and to share experiences and good practices between the Ivorian branch and the other subsidiaries of Advans Group. A team of local and international consultants, including from the French IPAG Business School, the IT service provider Micro Ivoire, and the communications agency VIZEO, is implementing the programme. It addresses topics such as assertiveness training, team management, building a professional network, and work-life balance.

### GENDER SCAN

A gender scan is an assessment of how gender equality is part of a company. It looks at a company's policies, processes, designs, products and services.

This helps to identify and understand gender patterns, gaps and challenges, and how to improve on them.



## Timeline of major gender equality steps at BIO



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BIO would not accept clients using different labour contracts for men and women, or any practice that would require male authorisation for women to request credit.

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## Gender lens investments

BIO's EUR 6 million loan to the Indonesian microfinance institution KOMIDA in 2021 is a good example of how it acts as a gender lens investor, i.e. how it takes gender into consideration across the entire investment process.

### **Example of Advans Côte d'Ivoire**

*Another recent investment project with a gender lens is Advans Côte d'Ivoire. This microfinance institution is part of the Advans Group, a DFI-led initiative to establish development-focused MFIs across Africa. Members of Advans provide loans to micro-, small, and medium-sized enterprises and to women and others who have difficulties in obtaining finance for their business.*

*Following a first investment in Advans Côte d'Ivoire in 2017, BIO granted a second loan in 2021 of EUR 2 M, and a gender-focused technical assistance subsidy.*

*Advans Côte d'Ivoire serves about 120,000 clients with the goal of including them in the financial ecosystem. For people who are excluded from this ecosystem – because they cannot read and/or are women for example – it is hard to enter a bank. Most banks don't send customer advisors to their villages and small towns either. It is Advans's job to serve these people. More than half of its employees are women. And*

*with women constituting half of its executive committee, Advans sets a good example of gender equality in Côte d'Ivoire.*

## Gender-based violence and harassment

Even – or maybe especially – in companies where the majority of the workforce are men, serious risks of gender-based violence and harassment (GBVH) may still appear, including in the neighbouring communities.

GBVH affects people of both sexes. It is driven by unequal power dynamics, which explains the high incidence of female victims. Wherever gender stereotypes are rigid and people have unequal rights and resources, GBVH can be particularly prevalent. In times of crisis, in fragile countries, or in male-dominated industries such as infrastructure, GBVH can even be aggravated.

In infrastructure projects, the influx of a transient male workforce might adversely affect women from host communities. That is why prevention, detection, and response are key in dealing with GBVH. Failing to do so may lead to community traumas, costly settlements, project inefficiencies, and even to the cancellation of the project. In 2020, BIO raised awareness about GBVH in several workshops organised with



its infrastructure project clients. These workshops consisted of four interactive sessions with more than fifty participants.

BIO systematically identifies context-specific risks such as GBVH at the start of a project, as part of its broader contextual risk assessment. The latter also looks at the access to financial institutions, the availability of credit, and the possibility of getting a job.

BIO expects clients to integrate gender equality into the Environmental and Social Action Plans it negotiates with them. For instance, BIO would not accept clients using different labour contracts for men and women, or any client practice that would require male authorisation for women to request credit. In 2021, there were at least two investment projects with an ESAP that included explicit gender equality conditions. 🟡

## Other facts and figures

- 🟡 Overall, an increasing percentage of portfolio projects had gender equality as a primary development goal, 9% in the 2020 portfolio as compared to 7% in 2019. A goal is primary when the objective is explicitly stated as fundamental for a company's activities. In addition, 25% of portfolio projects have gender equality as a secondary goal.
- 🟡 Two-thirds of BIO's new investment projects approved in 2021 qualified for at least one of the 2X criteria. More than half of the projects qualify for at least two 2X criteria.
- 🟡 Nine of the 2X-eligible projects approved in 2021 were financial institutions, 3 investment funds and 2 direct investments in SMEs.
- 🟡 Eleven out of the 21 new projects scored well on the leadership criterion, 9 on the consumer one, 5 on employment and 2 on entrepreneurship.
- 🟡 More than 90% of financial institutions in BIO's portfolio qualified as 2X eligible investments and one-fourth of the microfinance institutions in BIO's portfolio strongly focus on female clients.

# Affordable and clean energy



In Kitwe, Zambia, tall 1960s-style high-rises flank city streets where women set up fruit stalls that are as colourful as their intricate head dresses. As the country's second largest city, Kitwe is an important part of its economic and industrial development. However, less than three percent of rural Zambians live with electricity. For rural communities, power runs like a golden thread through the houses of the lucky. Even in urban cities like Kitwe, less than 20 percent of people have electricity. The country's high reliance on hydropower and limited power distribution infrastructure have left the nation with a limited source and lacking structure. Because of the high demand for power, the unstable power grid suffers from constant blackouts.



# 7

## The challenges

This lack of access to reliable energy is a major constraint to economic growth and development. At the same time, fossil-fuel energy production and consumption are major contributors to climate change. To address these challenges, BIO invests in projects in renewable energy and energy efficiency.

The covid-19 crisis and Russia's aggression towards Ukraine put an end to several years of continued

progress and worsened the already low energy purchasing power of households in developing countries. In 2020-21, the number of people in sub-Saharan Africa without access to energy increased for the first time since 2013.

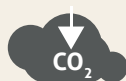
Promoting clean and affordable energy requires tremendous public and private investments in energy infrastructure and climate finance. Estimates exceed EUR 1 trillion annually up to 2030. Because the energy sector creates a lot of jobs

IN 2020  
ENERGY PRODUCTION (GWH)  
SUPPORTED  
THROUGH 15 DIRECT  
INVESTMENT PROJECTS

TOTAL **6,144 GWh**

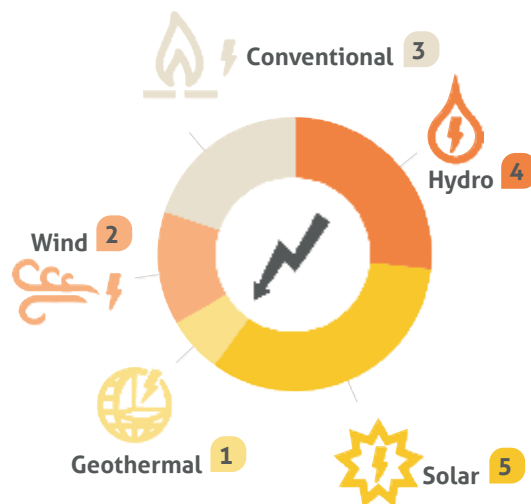
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annual energy consumption of about  
21 million people in Africa

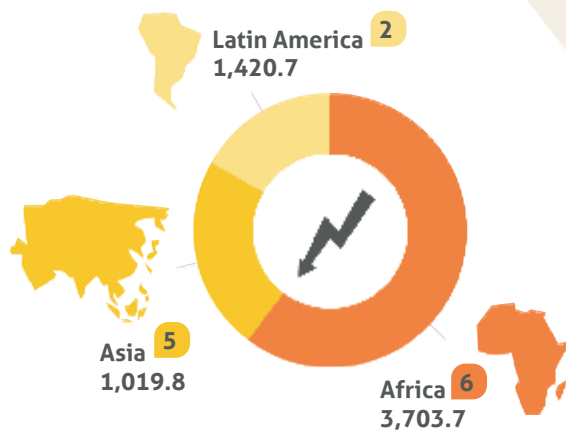


They avoid the emission  
of 920,000 tonnes  
of CO<sub>2</sub> annually

Across technology type  
by number of investments projects



Across region  
by amount of energy produced (in GWh)



and economic development these enormous investments indirectly help to realise other SDGs as well.

That is why energy is high on the list of BIO's investment priorities.

BIO has 15 direct investments in energy production facilities in its current portfolio and more than 100 indirect investments in energy-related projects. Seventy-one of the latter are production facilities that were funded through 11 investment funds that focus on energy and energy efficiency projects. The other projects deal with the transmission and distribution of electricity.

The total installed capacity of the energy projects directly funded by BIO reaches 1,482 MW. In 2020, they produced 6,144 GWh. That is the equivalent of the annual energy consumption of about 21 million people in Africa. Twelve (out of 15) are renewable energy projects that range from geothermal, hydro, and wind, to solar energy. They represent 25% of the total energy produced by BIO's direct energy project and avoid the emission of 920,000 tonnes of CO<sub>2</sub> annually. That is almost equal to the annual CO<sub>2</sub> emissions of 1.3 million people in Nigeria.

BIO is fully committed to promoting renewable energy but does not necessarily exclude investments in innovative gas projects. The three non-renewable energy projects produce reliable, cheaper, and cleaner electricity by using

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The total installed capacity of the energy projects directly funded by BIO reaches 1,482 MW

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more efficient combined-cycle gas turbines. This is cleaner than the locally available coal or diesel alternatives. However, in line with the EDFI Climate & Energy Statement<sup>4</sup>, BIO will exclude all fossil fuel investments by 2030 at the latest.

The funds BIO is invested in support an extra 71 power plants, almost all of them renewable. Together they will have an installed capacity of 2,485 MW. In 2020, they produced 3,053 GWh of electricity. That is equivalent to the consumption of 5.6 million people in the countries where that energy is produced and avoids the emission of 1.6 million tonnes of CO<sub>2</sub>.

Increased availability, higher reliability, and lower prices for energy have large economy-wide effects as well. It supports local jobs, adds value, and offers opportunities for a modern and green industry.

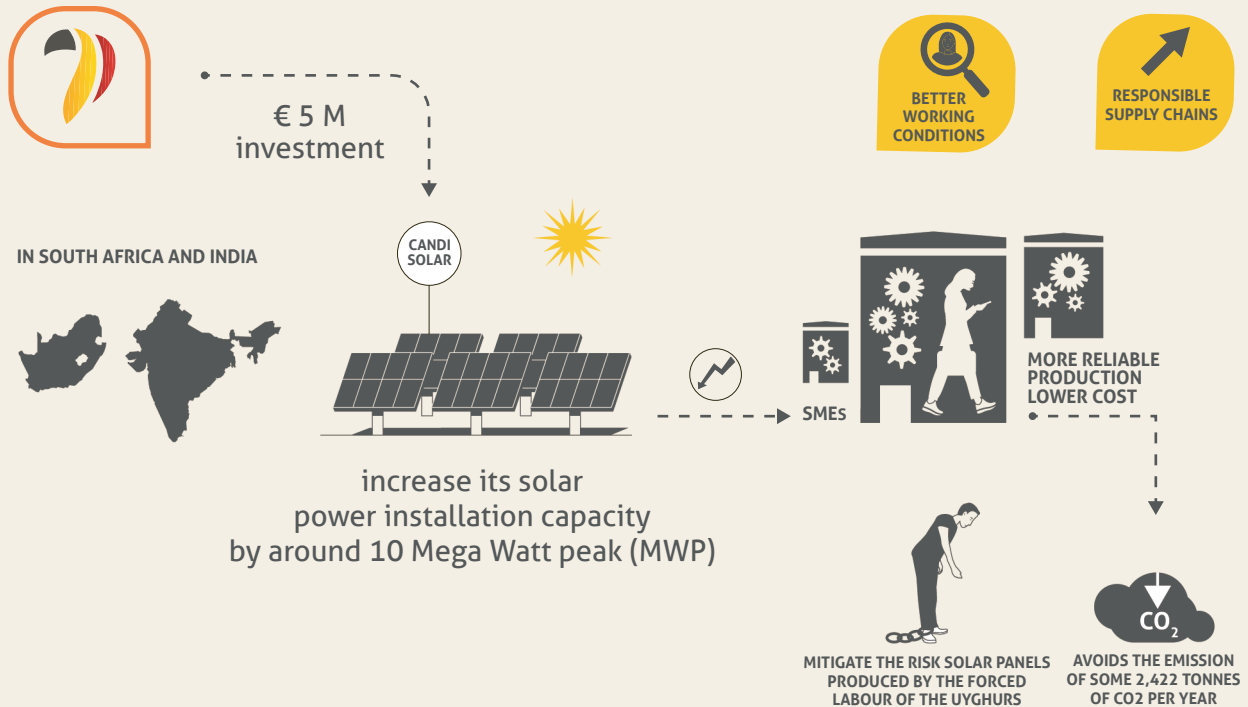
## Energy efficiency

An alternative way to address growing energy needs is to invest in energy efficiency. That is why BIO supports projects that save energy by substituting obsolete equipment for newer, more efficient versions or by transforming agricultural by-products or waste with caloric value into energy.

Highly efficient cooking stoves, for example, can reduce energy use by 30-60 %. Cooking over open fires or inefficient stoves typically entails burning fuels such as wood, charcoal, coal, and kerosene that release harmful, climate-warming emissions. The use of more modern stoves also reduces forest degradation, deforestation, and climate change.

4 [www.edfi.eu/](http://www.edfi.eu/)

## Example of Candi solar



A recent example is BIO's USD 5 million investment in candi solar, a company that installs, owns, and operates solar production plants in India and South Africa. It serves SMEs that need reliable and affordable energy, but that prefer to focus on their core business and want to outsource the financing and management of a solar plant to others.

Candi's clients are all connected to the grid, which is often subject to power outages and grid price fluctuations,

especially in India. Candi allows them to diversify part of their energy supply with more reliable proprietary production, at a lower cost. BIO's funding allows candi to increase its solar power installation capacity by around 10 Mega Watt peak (MWP) of clean power. This helps to reduce their clients' dependency on national grids in countries where electricity generation is mostly fossil fuels-based and avoids the emission of some 2,422 tonnes of CO<sub>2</sub> per year.

With the support of other DFIs, candi had already developed an E&S policy that identified risks related to land acquisition and biodiversity. BIO will further support candi solar by adding clauses in the ESAP on working conditions and responsible supply chains, so that it can minimise the risk of using solar panels produced by forced labour from the Uyghur population in China.

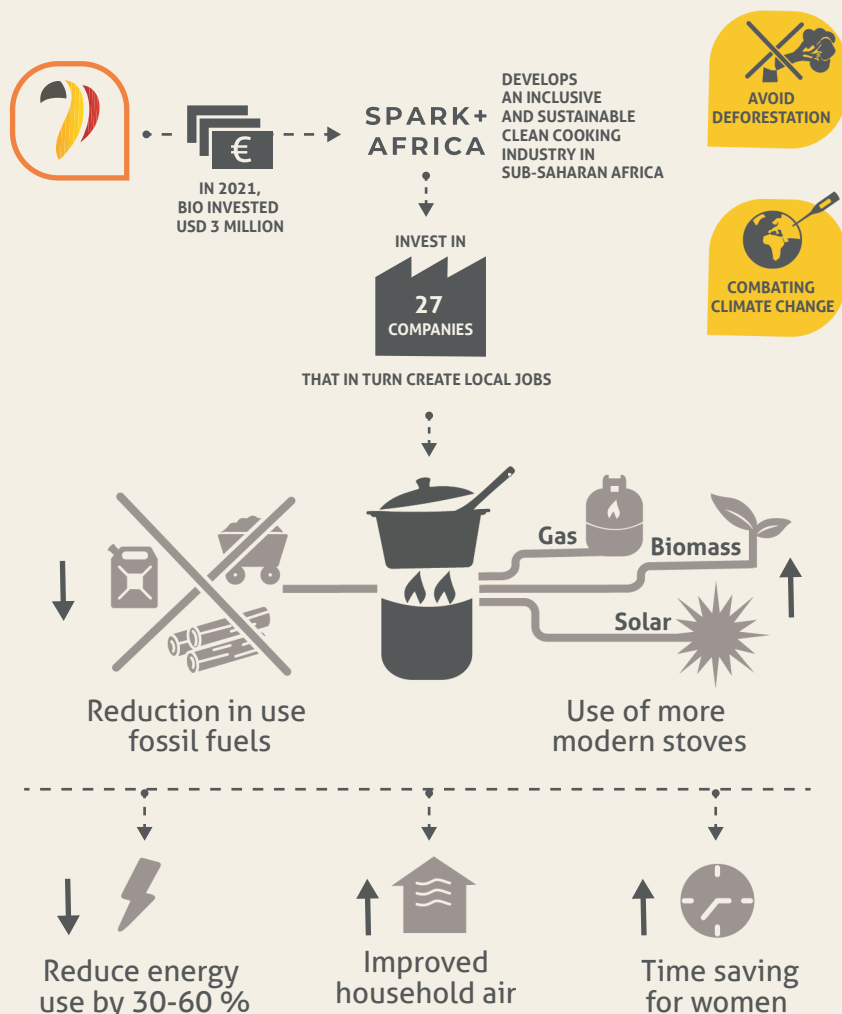
## Example of Spark+ Africa

In 2021, BIO invested USD 3 million in Spark+ Africa, an impact investment fund that develops an inclusive and sustainable clean cooking industry in sub-Saharan Africa.

The fund invests in companies that manufacture and distribute clean, energy-efficient cooking solutions in Burkina Faso, Côte d'Ivoire, Ghana, Kenya, Rwanda, Senegal, Tanzania and Uganda. Think of gas- or solar fuelled cooking stoves replacing more polluting combustibles such as wood or coal. A specific feature of Spark+ Africa is that it not only invests in manufacturers of cookstoves and fuel, but also in companies that distribute or finance clean cooking solutions. These may include off-grid solar companies or microfinance institutions.

The fund will invest in some 27 companies that in turn create local jobs.

Spark+ Africa is eligible for the 2X Challenge. Forty percent of its investment committee are female and the fund is committed to having at least 20% women on its board of directors. Clean cooking solutions also present huge opportunities for women as they will spend less time collecting fuel and cooking. Time that can then be spent more productively. Moreover, the improved household air leads to a reduction in acute respiratory infections that are mostly impacting women and children.



Partly financed by the Clean Cooking Alliance<sup>5</sup>, Spark+ also provides technical support to its clients, especially with respect to operational

efficiency, corporate governance, risk management, compliance, development impact measurement and environmental and social aspects.

5 The Clean Cooking Alliance, formerly the Global Alliance for Clean Cookstoves, is a non-profit organisation operating with the support of the United Nations Foundation to promote clean cooking technologies in lower and middle-income countries ([www.cleancooking.org](http://www.cleancooking.org)).

## E&S-stewardship

All BIO-funded power projects must comply with national laws and the applicable international standards. Best practices during the construction and operational phases of the projects are promoted by implementing an E&S-impact assessment, by drawing up community investment plans, and by employing dedicated staff for health and safety management, community liaison, and for environmental studies and monitoring.

Recently, concerns have risen about the Uyghur minority's treatment in the Chinese solar panel industry.

BIO vehemently condemns forced labour in any of its investment projects or their supply chains. That is why BIO advocates the creation of fully transparent, alternative solar panel supply chains so that any risk of forced labour can be effectively excluded. Capital and technical assistance are available, and BIO will work with European development finance institutions, the International Finance Corporation, and the World Bank Group on a joint policy to address the risk of forced labour. ●

## Other facts and figures

- ☉ Total electricity production supported in 2020 of 6,144 GWh through direct energy investments and 3,053 GWh through indirect energy investments
- ☉ BIO finances energy production to the equivalent of the annual consumption of about 25 million people. More than 90% of the people using electricity produced by BIO projects live in Africa.
- ☉ Twelve out of BIO's 15 direct energy projects are renewable and BIO invests indirectly in 71 other energy facilities, all but 3 renewable.
- ☉ In 2020, the renewable energy financed by BIO avoided the emission of 920,000 tonnes of CO<sub>2</sub>. Indirect projects avoided another 1,596,000 tonnes.
- ☉ Two private equity funds in which BIO participates together with their 36 investees, focus exclusively on improving individual access to solar energy through Solar Home Systems diffusion. They also have endorsed sector-specific consumer protection principles (GOGLA)<sup>6</sup>, as required by BIO.

<sup>6</sup> GOGLA is the global association for the off-grid solar energy industry ([www.gogla.org](http://www.gogla.org)).



# Decent work and economic growth



Caroline Cherotic is an entrepreneur. She is an independent woman and believes that many of her sisters in Uganda depend too much on their husbands, letting this spoil their businesses.



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Originally from the border region with Kenya, Ms. Cherotic has been living in Kireka, a suburb of Kampala, Uganda's capital city for 15 years now. She is convinced that there is work for those that want it and that if you are willing to put in the time, you can earn your way – little by little.

Ms. Cherotic made her first money by selling chapatis – flat breads – and mobile money in a kiosk. With that capital, she bought some unfinished property to rent out to local workers and students. The property's apartments were little more than walls and dirt floors. So, eight years ago, she was looking for a loan to renovate them.

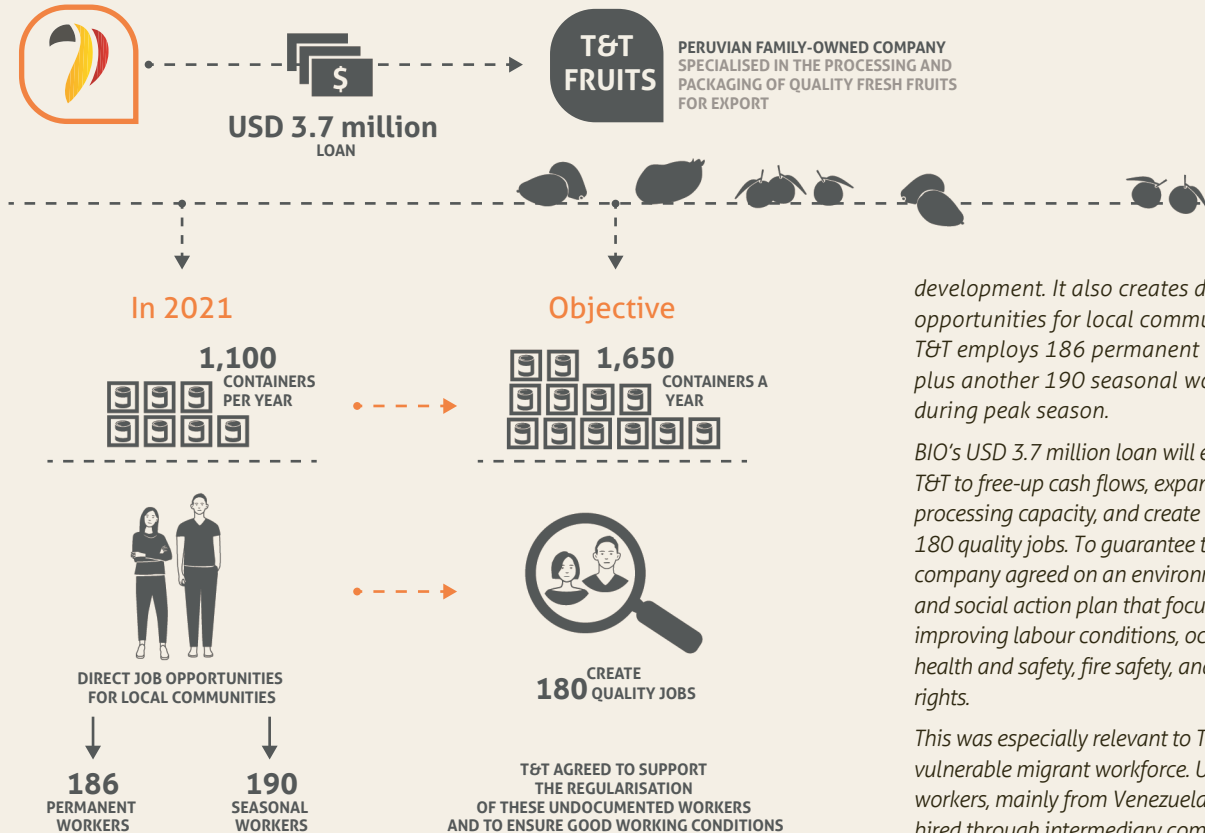
After visiting several banks, and always being told to 'come back tomorrow', she was about to give up, when she discovered EFC Uganda, a

microfinance institution supported by BIO, that was willing to provide her with her first loan of 1.5 million Ugandan shillings (about EUR 350). She is currently paying back her eighth EFC loan, this one for UGX 30 million (about EUR 7,200). She used the loans to create cosy living spaces, with light, electricity, tiled bathrooms and toilets, and covered verandas. And this in turn allowed her to raise the rent from UGX 50,000 for two rooms (about EUR 12) to UGX 350,000 (about EUR 84). Her capital isn't to be touched and the profits are used for food or go into the bank for a rainy day.

Now she is proud that she can earn enough to take care of herself and her children. It's success stories like this that underline the value of microfinance institutions such as EFC Uganda.



## Example of T&T Fruits



T&T Fruits SA is a Peruvian family-owned company that is specialised in the processing and packaging of quality fresh fruits for export. Founded in 2014, the company has built a packaging facility in Huaral, 90 kilometres North of Lima, strategically located near Callao and Chancay port, with a processing

capacity of 1,100 containers per year in 2021. The plan is to reach a packaging capacity of 1,650 containers a year.

The company buys mangoes, mandarins, avocados, etc. from smallholders and medium-sized farmers, helping them to get an export price premium and stimulating rural economic

development. It also creates direct job opportunities for local communities. T&T employs 186 permanent workers plus another 190 seasonal workers during peak season.

BIO's USD 3.7 million loan will enable T&T to free-up cash flows, expand its processing capacity, and create another 180 quality jobs. To guarantee this, the company agreed on an environmental and social action plan that focuses on improving labour conditions, occupational health and safety, fire safety, and workers' rights.

This was especially relevant to T&T's vulnerable migrant workforce. Up to 190 workers, mainly from Venezuela, were hired through intermediary companies with short term contracts. Some of them were also undocumented – which was unacceptable to BIO. T&T agreed to support the regularisation of these undocumented workers and to ensure good working conditions.

BIO supported T&T's E&S action plan with USD 9,145 in technical assistance meant to assess the key environmental and social risks of its business, as well as to identify key actions to implement



## Jobs, jobs, jobs

Jobs and economic growth mainly rely on the dynamism of private entrepreneurs like Ms. Cherotic. Their role is crucial to ensure that jobs and economic growth also benefit more vulnerable groups. One of BIO's main priorities is to support its clients to expand these economic activities, and to create formal, quality employment for the local population.

This is well illustrated by BIO's investments in Phatisa Food Fund II and in T&T Fruits. They are both expected to create a large number of quality jobs.

### **Example of Phatisa Food Fund II**

*Phatisa Food Fund II, invests across the African food value chain and aims to create over 2,000 permanent jobs and sustain another 10,000. It seeks to support over 90,000 smallholder farmers and micro-entrepreneurs by investing in food services, distribution, manufacturing, processing, inputs, poultry and meat production.*

*Phatisa has a dedicated decent work policy that describes how it assesses job quality and how it approaches living wages. Together with other investors, BIO has worked with Phatisa to upgrade the fund's environmental and social management system, to develop a stakeholder engagement framework, to hire a dedicated and qualified E&S manager, and to develop a formal climate change risk management process.*

## Economy-wide effects

Importantly, economy-wide effects also create many jobs indirectly. JIM estimates suggest that in 2020 companies directly funded by BIO supported a total of 7.5 million indirect jobs.<sup>7</sup>

Most of these were created by loans from financial institutions (6.8 million). The remaining jobs come with the local purchasing of intermediary goods and services (140,000), wages spent in the local economy (370,000) and on energy (170,000).

The investees of the funds in which BIO is invested indirectly would support an extra 3.5 million jobs.

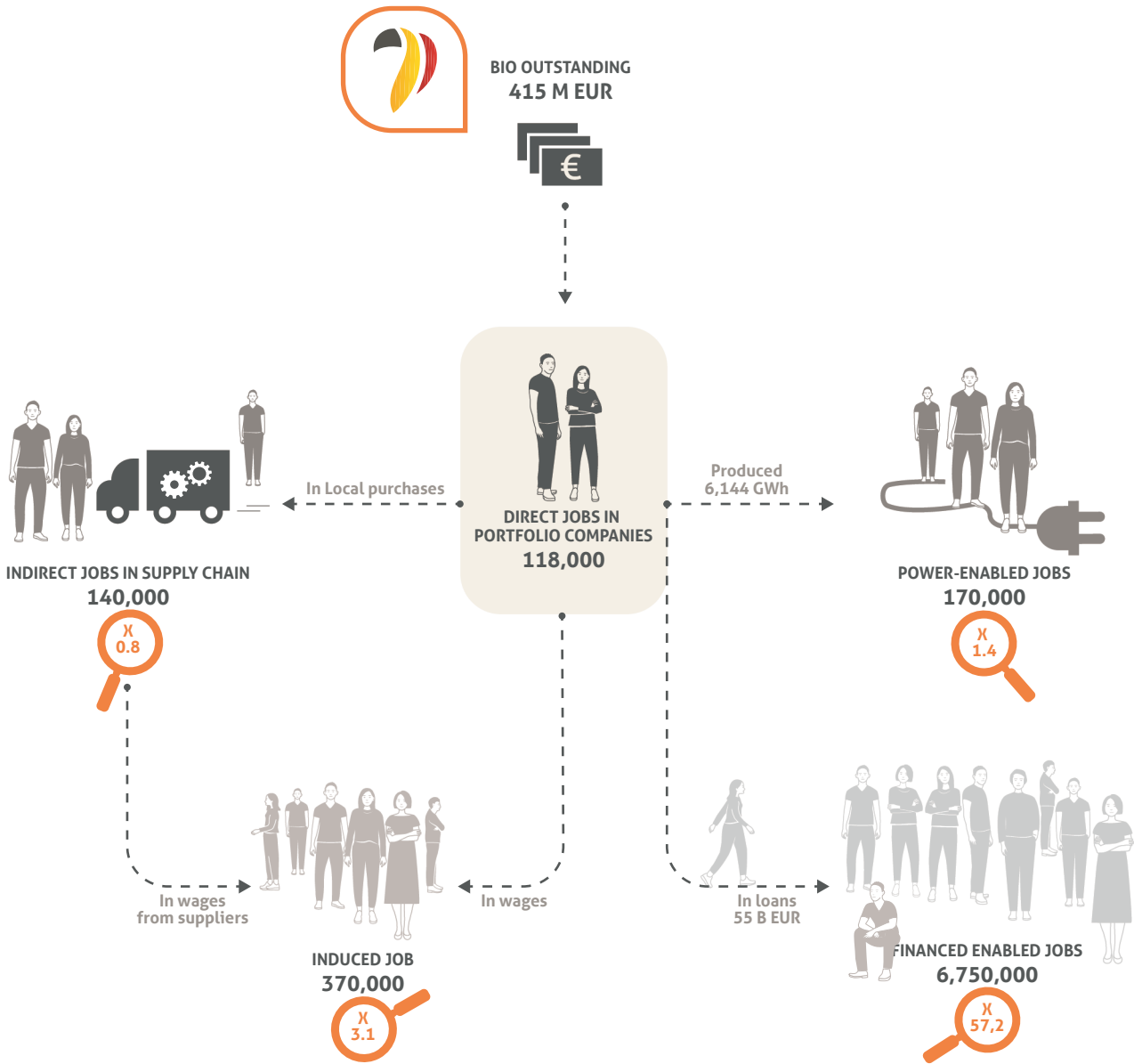
<sup>7</sup> Impact results are calculated using the Joint Impact Model, a web-based tool for impact oriented investors in developing markets developed by Steward Redqueen, in coordination with CDC, FMO, BIO, Proparco, AfDB, and FinDev Canada. The results are calculated using economic modelling and do not represent actual figures, rather, they are estimates and should be interpreted as such.

## Challenges and opportunities

Labour markets in emerging and developing countries are often poorly regulated. Many jobs are informal, with a lot of casual workers. Wages are generally low and working environments unsafe. Companies' internal policies are sometimes poorly designed and may have a bad impact on the condition of workers. That leaves a lot of room for improvement. Consequently, BIO assesses the labour employment and management practices of its potential clients and, in line with its environmental and social policy, requires clients to promote a fair, safe, and secure working environment. Clients must adhere to all relevant local and international regulations, including the core conventions of the International Labour Organisation (ILO). BIO's reference standard with respect to working conditions is IFC Performance Standard 2.<sup>8</sup> Its investment contracts require its clients to work towards achieving these E&S-standards over time.

<sup>8</sup> More information is available on IFC's website ([https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/sustainability-at-ifc/policies-standards/performance-standards/ps2](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/performance-standards/ps2))

ESTIMATED INDIRECT JOBS EFFECTS (FOR DIRECT INVESTMENTS)




## Financial services

BIO invests in companies to stimulate economic growth, innovation, productivity, and financial inclusion. Also, by investing in financial institutions, BIO improves access to financial services for entrepreneurs. Financial services such as savings, insurance, payments, and credit, allow people to manage their lives, grow their businesses, and improve overall prosperity.


### Example of Optima Financial Services

*Take, for instance, the example of Optima Financial Services, one of the main Salvadorian microfinance institutions. It serves MSMEs and people who would otherwise not be able to secure financing for their businesses at commercial banks. Optima operates a network of 13 branches and employs more than 230 employees all over the country.*

*BIO granted the company a USD 5 million loan to support Optima to invest in the growth of small businesses in covid times and amidst increased uncertainties, which reduced the appetite of private investors. Optima expects to double the outstanding loan portfolio and to triple the number of microfinance clients to over 23,000 customers by 2025.*

*BIO also helped to create an environmental and social action plan that improves Optima's working conditions for its more than 230 employees. To improve the internal work environment, measures were taken regarding fire safety, workers' representation, overtime, and a grievance mechanism. As part of the plan, BIO and Optima also agreed on E&S improvement measures such as nominating an E&S officer and manager, the developing a sustainability policy, and the conduct of an external Client Protection Principles audit, aiming at ensuring responsible lending practices. *

## Other facts and figures

-  For direct investments, job creation reached 3,210 in 2020.
-  BIO's direct investments in 2020 contributed an estimated EUR 3.6 billion to local GDP, an almost 24% increase compared to 2019.
-  At the end of 2020, the total outstanding loan portfolio of financial institutions directly funded by BIO amounted to EUR 55.1 billion. This is a 5.6% net increase compared to 2019.
-  In 2020, the financial institutions in BIO's portfolio reported a total of EUR 36.7 billion in saving deposits, and 7,222 commercial branches of which 57% are in Africa

# Industry, innovation and infrastructure

Kenya is one of Africa's most digitally connected countries. 42% of Kenyans were online at the start of 2022, according to Datareportal, a research company. However, those who have access to the internet via smartphones often have bad connections, and digital access remains elusive for people with the lowest incomes, as mobile operators find it too difficult or costly to extend their services to them.



# 9

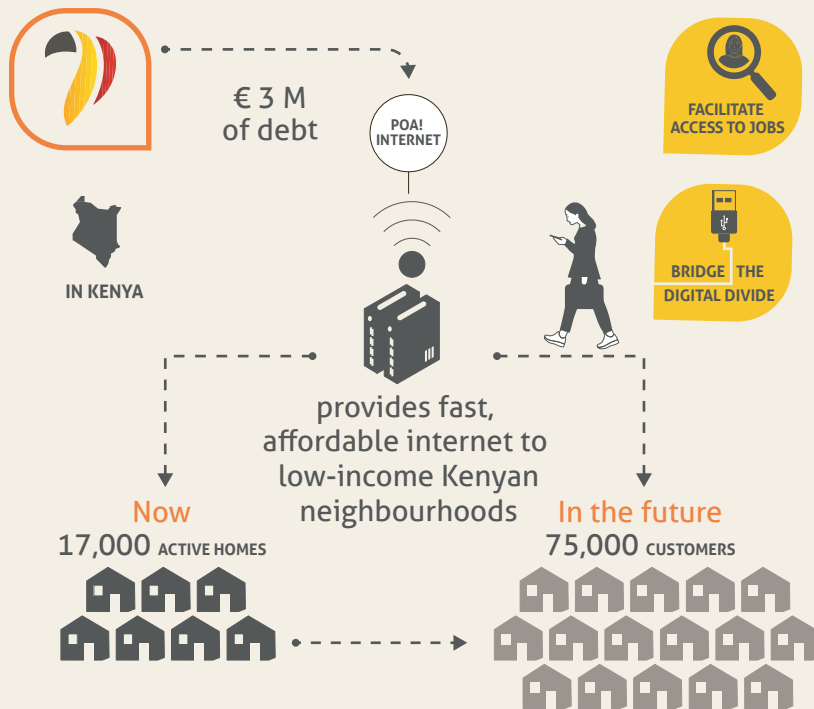
Sending one gigabyte of data from London to Nairobi costs USD 0.02, but is sold by Kenya's largest telecom operator, Safaricom 4G, at USD 2. The expense is all in the so-called "last mile," which refers to the short geographical distance when delivering communication and media services to end consumers, especially in rural areas.

This lack of quality internet access poses a serious problem for people like Daniel Otieno, a data specialist in Nairobi, who reviews computer code for driverless cars and crop disease detection. His work is dependent on reliable and fast internet, but that is not always available or affordable in his neighbourhood.

Industry, innovation, and infrastructure are fundamental to a dynamic economy that generates employment and income for developing countries. Especially least developed countries need to accelerate the development of their manufacturing sector. That is why BIO has 62 manufacturing companies in its portfolio, which is about one-fourth of its total investments in enterprises. Twelve of the 21 investments that were approved in 2021 have private sector innovation and SDG 9 as a primary goal.

Ezdehar's Mid Cap Fund II – BIO's first fund investment in Egypt – is a good illustration of how BIO supports SMEs and family businesses in a politically and economically challenging context.

## Example of POA!



BIO invested EUR 3 million of debt in poa! Internet, a company that provides fast, affordable internet to low-income Kenyan neighbourhoods.

Fully in line with BIO's digital for development strategy, poa! Internet provides unlimited connectivity to individuals and households in underserved urban and peri-urban communities, helping bridge the digital divide between the haves and have-nots and facilitate

access to jobs, trade, education and social inclusion.

poa! now serves more than 17,000 active homes in greater Nairobi via 115 towers, and the company is expecting to scale across Kenya and sub-Saharan Africa in the coming years. BIO's investment will support the company's expansion to over 260 towers and 75,000 customers across the top urban centres in Kenya.

## Example of Ezdehar

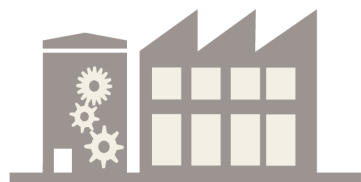
Established in 2015, Ezdehar emerged as a leading private equity fund manager in the country. Its second fund invests in SMEs and family businesses, which remain largely overlooked by the broader investment community.

In 2021, BIO provided USD 10 million in equity to Ezdehar, while the SDG Frontier Fund that BIO administers invested another EUR 2 million in 2022 (See box The SDG Frontier Fund page 8). These equity participations are intended to support a burgeoning private equity industry in Egypt, that has been severely impacted by a succession of crises, but that also shows strong resilience in the face of adversity.

SMEs and family businesses constitute roughly 90% of Egypt's businesses. They face great difficulties tapping into growth capital. That is why the Ezdehar's Mid Cap Fund II invests longer term in up to 8 companies and in a range of sectors that varies from consumer goods, retail, financial services, food & beverage, to industrial manufacturing. The idea is to create regional leaders for sustainable economic development. SMEs are able to explore new markets and create quality jobs for Egypt's many unemployed – who formally amounted to 10.45 percent of the population in 2020.

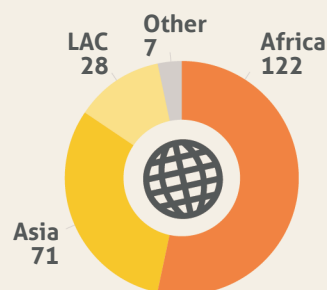
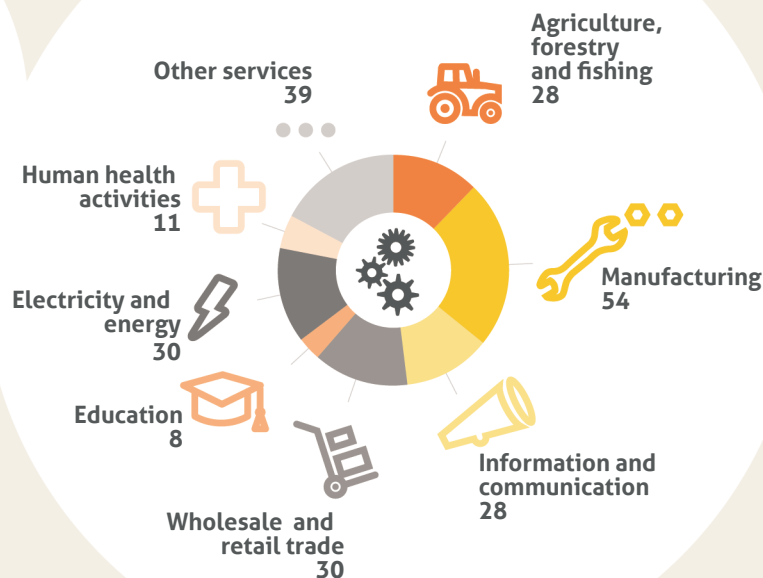
For example, one of Ezdehar's investees is AluNile. Established in 1999, the company is a leading manufacturer, designer, producer and installer of glass and aluminium architectural facades. Its products include curtain walls, doors, window frames, skylights,

## OVERVIEW OF BIO INDIRECT INVESTMENTS IN ENTERPRISES (BASED ON NUMBER OF PROJECTS)

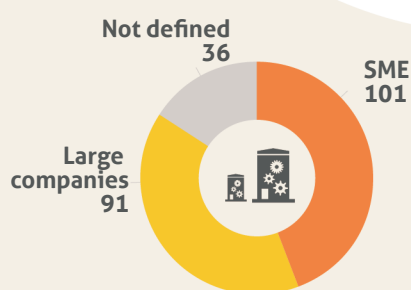


**TOTAL**  
**228**  
**INDIRECT**  
**ENTERPRISES**

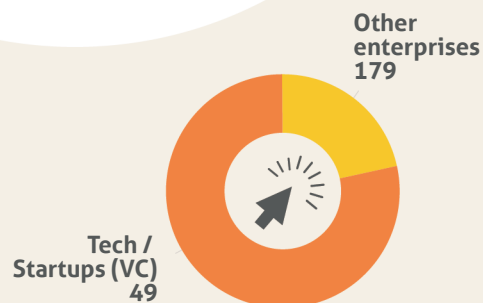
### Across Sector



### Across Region



### Across Size<sup>9</sup>



### Across Digital

<sup>9</sup> BIO's mandate defines MSMEs as the enterprises that do not reach the limits set by the European Commission on annual turnover (M 50 EUR) and balance sheet total (M 43 EUR). A vast majority of the indirect portfolio enterprises would satisfy this definition. For the sake of both granularity and comparability, this graph is based on the more restrictive IFC MSME definition that defines MSMEs as enterprises with no more than 300 employees and EUR 15 M annual sales.

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SMEs and family businesses constitute roughly 90% of Egypt's businesses.

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*and processed flat glass for use in residential, commercial and office buildings.*

*Notable past project awards include the new campus at the American University in Cairo, Cairo International Airport – Terminal 2, office parks (Capital Business Park, the Polygon, Smart Village, and SECON), and shopping centres (Mall of Egypt, Mall of Arabia, Almaza City Centre). All of these created jobs for local people.*

*Ezdehar collaborated with AluNile to streamline operations and to focus on enhanced corporate governance, improved commercial operations, the formation of a corporate strategy, upgraded internal IT systems and a new implemented ESG framework. This resulted in impressive growth.*

*Ezdehar II wants to improve its investees' management teams and governance. Environmental and social concerns are at the core of Ezdehar's approach. It typically invests in companies with largely informal processes and converts them into well-governed institutions with acceptable E&S practices. It also intends to give greater attention to gender equality, both at the fund level and in the portfolio companies.*

## SME financing

In emerging markets SME's have trouble meeting their financing needs, especially for long-term capital. The gap is even greater for smaller firms and more informal businesses. BIO's financing contributes directly and indirectly

to the growth potential of these companies. It is currently directly invested in 16 SMEs that are active in the manufacturing sector and/or the agricultural value chain. Moreover, BIO's indirect investments through financial institutions and private equity funds support a much larger number of SMEs in these sectors and others.

BIO's key objective when investing in financial institutions is to increase their loans and services to SMEs, and for them to provide the necessary market knowledge, product distribution channels, and support to these SME clients. In 2020, the 42 financial institutions in BIO's direct portfolio granted at least 140,000 loans to SMEs, of which 113,000 to small companies and 27,000 to medium-sized companies.

Private equity funds also provide long-term capital to enterprises. Moreover, these funds' teams actively participate in the governance and strategic management of their investees, providing quite some added value, especially to relatively young companies and start-ups.

In 2020, BIO had a total outstanding amount of EUR 147.1 million in 54 investment funds. These are mostly SME-focussed private equity funds that are active in Africa. Together they are currently invested in 228 companies, 126 (micro-)finance institutions and 71 (small-scale) energy infrastructure projects.



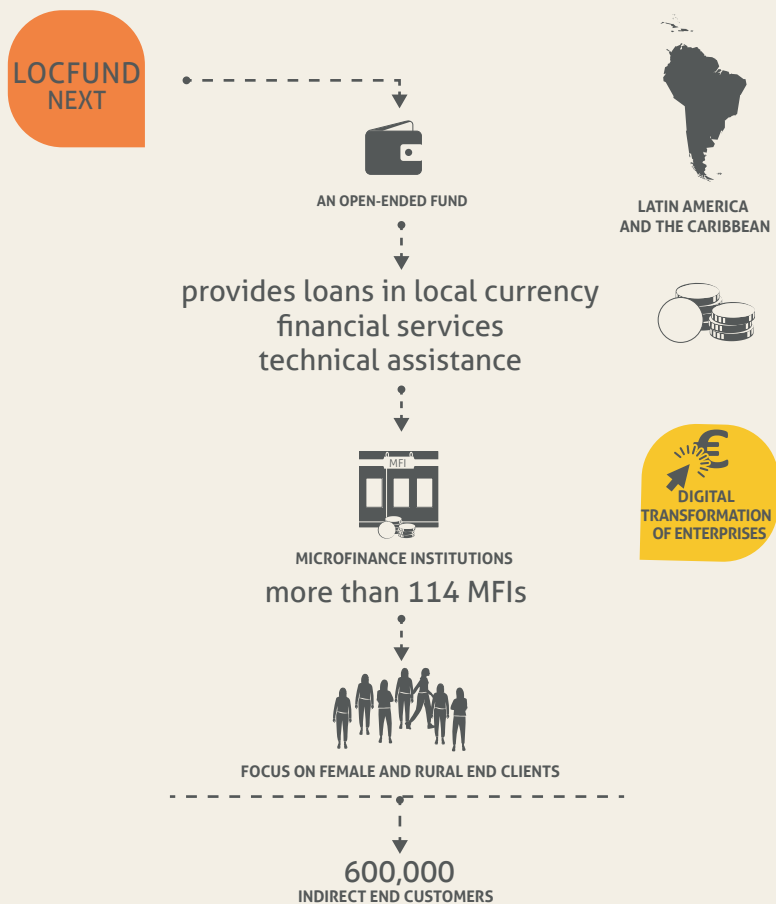
## Managing environmental & social risks and improvement opportunities

Financing SMEs has great potential for environmental and social improvement (E&S). SMEs face challenges with respect to pollution, lack of permits, threats to biodiversity, labour issues, dangers to human health, and impacts on communities. It is therefore crucial to address these risks, to mitigate them, and to strengthen the sustainability of doing business.

Therefore, BIO works with its (prospective) clients to actively identify opportunities for improvements in the E&S performance throughout BIO's investment period. These can call on BIO's Business Development Support Fund to co-finance E&S-related studies, evaluations, trainings, and third-party expertise on E&S-related matters.

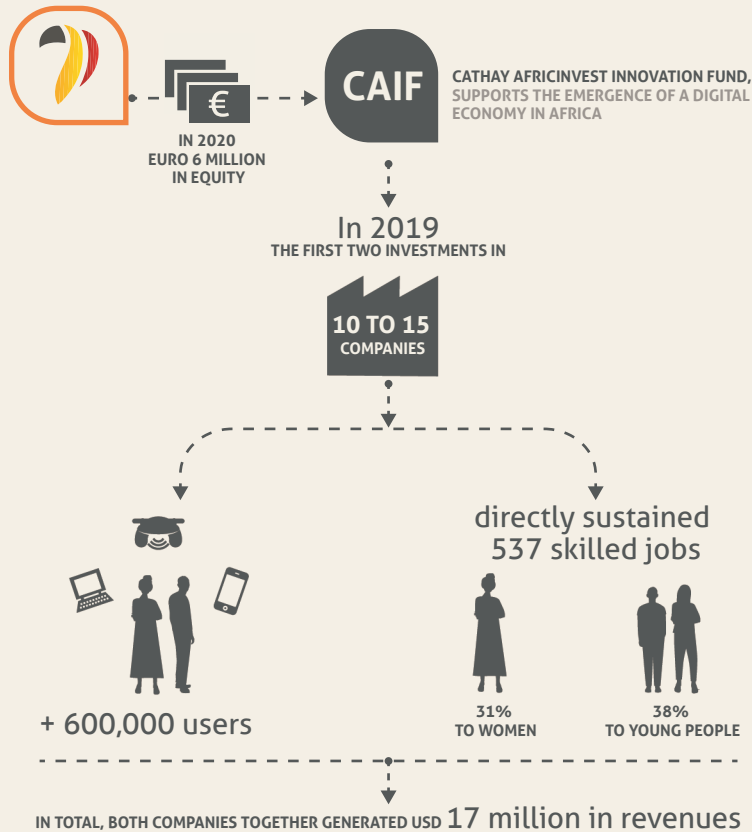
Because of their nature, financial institutions and funds themselves usually don't have a large direct E&S-footprint. However, their clients and investees often do. That is why financial institutions and funds must insist that their clients and investees develop and implement an Environmental and Social Management System (ESMS).

### Example of Locfund Next



*A case in point is Locfund Next, an open-ended fund that provides loans in local currency, financial services, and technical assistance to microfinance institutions in Latin America and the Caribbean (LAC). The fund targets MFIs that focus on female and rural end clients. One key component of Locfund Next is the digital transformation of its investees. Indirectly, Locfund Next reaches 600,000 end customers, with an indirect impact on 2.4 million people. It has USD 820 million outstanding in disbursements and serves more than 114 MFIs, which represent 30% of the Latin American and Caribbean market.*

## Example of CAIF



Take for example the Cathay AfricInvest Innovation Fund (CAIF), a pan-African SME venture capital fund that supports the emergence of a digital economy in Africa. The fund is a partnership between two specialised private equity fund managers, AfricInvest and Cathay Innovation. CAIF invests in innovative African ventures that are ready to

scale their activities or in international companies that are bringing digital business to Africa. The intention is to reinforce the African venture capital ecosystem and to create an African innovation cycle.

One of CAIF's investees is Aerobotics, a South African agritech company that uses aerial imagery and artificial

intelligence to provide intelligent tools to feed the world. One of its founders, James Paterson, grew up on a farm outside of Cape Town, learning firsthand the challenges his family and community of growers face. Years later, at university, he met Benji Meltzer and together they decided to see how they could use their combined skills in aeronautics and machine learning to find ways to solve the challenges faced by the agricultural sector.

In the beginning, Messrs. Paterson and Meltzer brought together a team to assemble their own drones and fly them on the family farm. They were soon able to validate that they could use artificial intelligence to process aerial imagery and identify problems invisible to the naked eye. Today, Aerobotics has flown and generated insights for over one hundred million trees to help growers, investors and insurers improve their production and profitability.

In total, CAIF seeks to invest in 10 to 15 companies, including in least developed countries, and expects to create up to 2,000 digital jobs, of which 1,400 in Africa. The investees are expected to reach 100 million new clients, and generate USD 250 million in additional sales. In 2019, the first two CAIF investments reached more than 600,000 additional users and directly sustained 537 skilled jobs. Thirty-one percent of these went to women and 38% to young people. In total, both companies together generated USD 17 million in revenues.

BIO can provide them with technical assistance to support this effort. This has been the case with KCB, for example, a commercial bank in Kenya that received a EUR 28,200 subsidy from BIO to enhance its existing E&S risk categorisation process.

## Digital for development

Digitalisation plays an important role in reaching the SDGs, and can catalyse companies' efficiency and effectiveness, in particular in developing products and services for more vulnerable groups. That is why digitalisation for development is a key BIO investment objective.

As their business is generally highly technological and they may still be in the start-up or early development stage, companies in developing countries that have digital at the core of their business, or that include a strong digital component, are often financed by specialised private equity funds. These usually focus on agritech, fintech or healthtech.

The fund has an environmental and social policy and management system in place that ensures that E&S risks are assessed and mitigated at all stages of the investment process. At BIO's request, it also added digital-specific E&S topics including data privacy and ethical use, and data security into its ESMS.

In 2021, BIO invested EUR 6 million in equity in the Cathay AfricInvest Innovation Fund, while the SDG Frontier Fund invested another EUR 2 million.

Finally, the Business Development Support Fund has grants available to strengthen the digitalisation of products, services, internal processes, staff capacity, and the protection of clients' personal data. For example, in 2021 a BDSF subsidy enabled the Honduran Banco Popular to diagnose its operational and ICT processes, in order to design the bank's future ICT strategy. 🌍

## Other facts and figures

- 🌐 Twenty of the 42 financial institutions directly funded by BIO mostly focus on SMEs. In 2020, they granted at least 140,000 loans of which 113,000 to small companies and 26,572 to medium-sized companies
- 🌐 Out of the 54 investment funds in which BIO invested in 2020, there were 31 SME-focused funds, 11 targetting small-scale infrastructure and/or the fight against climate change, and 7 targetting financial inclusion.
- 🌐 BIO finances 49 tech-related businesses through four venture capital funds that focus on tech companies in sectors including financial services, agriculture and health.

# Reduced inequalities

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Ms Mcvin Mbesa Muia lives in the Machokos region, in the village of Kyambutho, around 80 kilometres southeast of Nairobi. She is one of the many women with her own small business and a member of a group of women who receive small loans from the Kenya Women Microfinance Bank.

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**W**hen Ms Muia first met the bank's representative, she found that getting a loan was fairly simple. So, she decided to quit her job, applied and received a loan of approximately KES 360,000 (EUR 2,883) to purchase three cows and start her own dairy business.

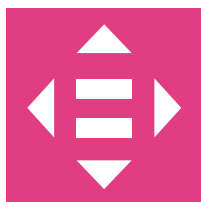
She had no special dairy training, but she found out all about dairy farming on the internet. She now has eight cows and four calves. They produce around 100 litres of milk per day which Ms. Muia sells for 50 dollar cents per litre. Now she wants to expand and needs another loan to buy a piece of land near Masinga Dam. This time the collateral will be the cows, as the milk proceeds are a steady source of income.

BIO invests in the poorest countries and in inclusive businesses because these play a significant role in reducing inequality due to income,

age, sex, (dis)ability, race, religion, or any other reason. Private companies can directly target disadvantaged and economically excluded people, promote equal opportunity, and reduce inequalities.

In BIO's portfolio, 23 of the 72 companies directly funded, and 119 of the 425 companies funded indirectly through funds, are in least developed countries. Overall, in 2020, BIO-funded companies contributed respectively EUR 431.2 million and EUR 921.7 million in tax revenues to their local governments. This is crucial because governments have a major redistributive role with respect to social and economic inclusion, healthcare, and education. Taxes and social contributions from BIO's clients enable them to honour these commitments.

In 2021, four of the newly-approved 21 investment projects were in least



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developed countries, and 15 of them had financial inclusion, rural development and/or access to basic goods and services as a primary goal.

## Inclusive businesses

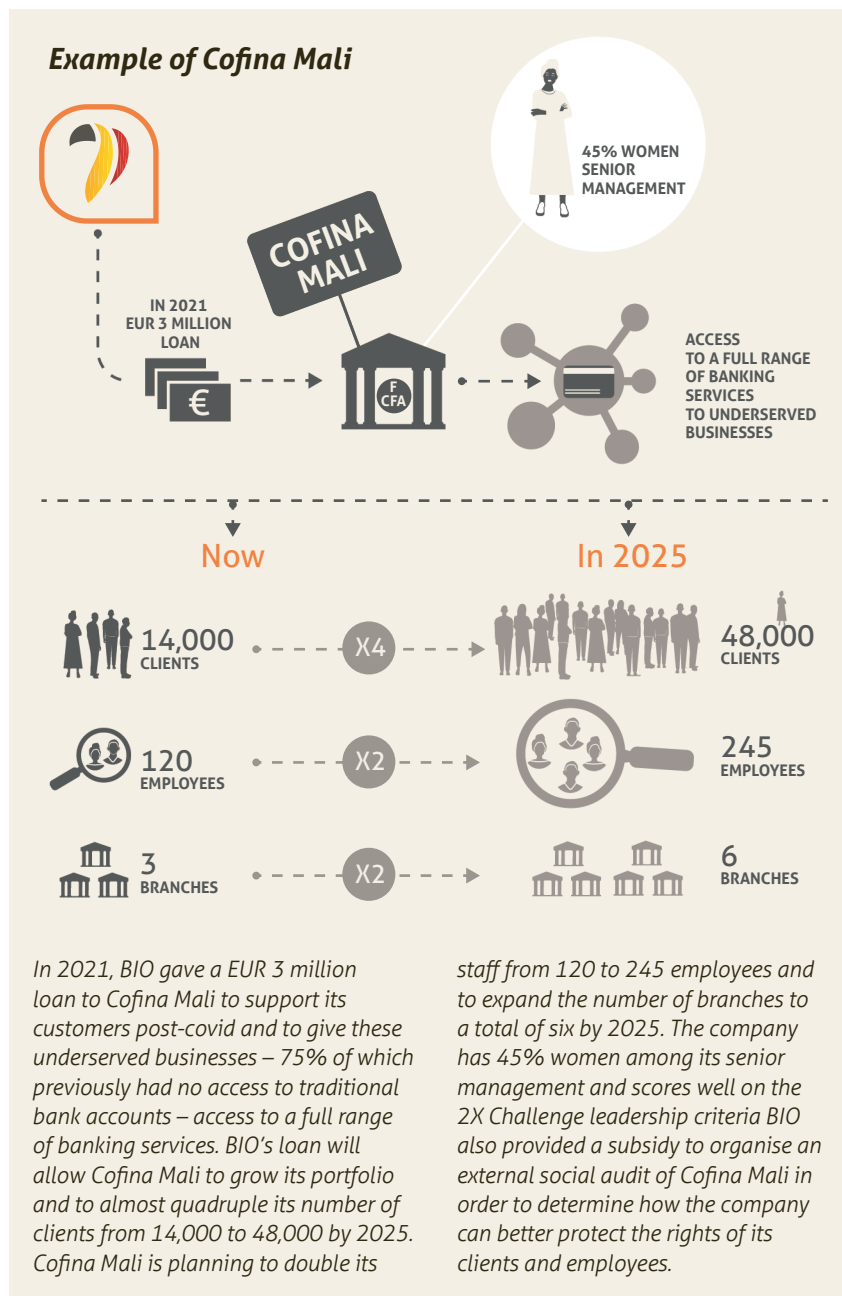
Microfinance institutions, that cater to the specific needs of micro-entrepreneurs, rural populations, and women, have the strongest potential for inclusiveness, i.e. providing equal access to opportunities and resources for people who might otherwise be excluded or marginalised, such as minority groups.

Cofina Mali, for example, operates in one of the most conflict-affected and poorest countries in the world, with a complex, informal market and low financial inclusion. It is part of a young pan-African meso-finance group with subsidiaries in Burkina Faso, Côte d'Ivoire, Guinea, Senegal and Togo.

### Example of Incofin's India Progress Fund

Fostering growth and reducing poverty by financing agribusiness is the aim of Incofin's India Progress Fund, a private equity fund that supports the entire food value chain and the financial inclusion of rural entrepreneurs in India.

India is a country with a young and aspirational population. Eighty-six percent is younger than 55 years old. At the same time, the country faces serious challenges because of inequality





## PROJECTS IN LEAST DEVELOPING COUNTRIES

■ LDC
 ■ Non LDC
 ■ Multi-country



(gender, education, family wealth) and a lack of technology, organised supply chains, and access to capital. Although 65% of India's population lives in rural areas, private equity investments have largely focused on urban companies. As a result, many budding rural entrepreneurs fail to realise their full potential.

That is why the India Progress Fund provides early stage and growth capital to some 9 to 12 companies. Half of these investments focus on innovative financial services that include economically disadvantaged groups such as women and rural populations. The other half focus on opportunities for rural people in the post-harvest agri-food value chain.

BIO and the other investors in the fund agreed to raise the bar on client protection principles and to ensure that its environmental and social risks review covers working conditions, community relations, biodiversity, indigenous people and all the other requirements of the IFC Performance Standards.

In 2021, BIO invested EUR 5 million in equity in the fund, while the SDG Frontier Fund invested another EUR 2 million.

BIO requires that, through its E&S standards application, workers, stakeholders and communities interests are respected, e.g. health, safety, security of staff, land acquisition and resettlement, the rights of indigenous people, community protection and their cultural heritage. Moreover, BIO expects its client to pay particular attention to the integration of vulnerable groups such as ethnic minorities, women, or disabled people and may require its client to adapt their E&S action plans in order to upgrade their HR-policies with community non-discrimination clauses.

## Protecting vulnerable clients

Microfinance institutions typically score well on inclusiveness, but sometimes they raise issues for vulnerable stakeholders. That is why BIO required them to adopt the so-called Client Protection Principles and to prepare Client Protection certification. This certification assures that clients are correctly protected. It requires transparency of the MFIs' loan pricing, and adequate measures taken by the MFI to reduce the risk of client over-indebtedness amongst others.

In 2020, 10 out of the 22 microfinance institutions in BIO's portfolio were Smart-Campaign certified.<sup>10</sup> The Smart Campaign was a global initiative between 2009 and 2020 to make sure that financial services were delivered safely and responsibly to low-income clients. It developed the first global financial consumer protection standard, established a rigorous certification programme to validate practices by financial service providers, produced consumer protection research, and convened partners to effect change. Over the course of the programme more than 135 financial institutions, collectively serving more than 62 million low-income clients in

42 countries, were certified for adhering to the Smart Campaign's Client Protection Standards.

In 2020, the Smart Campaign was transformed into the "Client Protection Pathway" of cerise and SPTF (Social Performance Task Force), that offers a roadmap for improved client protection practices. It also promotes Universal Standards for Social and Environmental Performance Management. When investing in microfinance institutions, BIO also proposes, and co-finances, an external social assessment, as in the case of Cofina Mali in 2021. 🍷

## Other facts and figures

- 🍷 BIO's direct investments supported a total of 117,000 jobs, of which 18,271 are in least developed countries. Almost one-third of those are occupied by women and at least 9,271, or 8%, are in rural areas.
- 🍷 The microfinance institutions that BIO funded directly had EUR 2.8 billion in microloans outstanding at the end of 2020. They disbursed at least 3.38 million loans to micro-entrepreneurs that year.
- 🍷 In 2020, 10 out of the 22 microfinance institutions in BIO's portfolio were Smart-Campaign certified.

<sup>10</sup> The Smart Campaign | Center for Financial Inclusion



# Responsible consumption and production

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Mrs Judith Kahindo Katavali is an agricultural engineer working as a technical supervisor of agronomists for Soprocopiv, a coffee cooperative in Kivu, DRC. She coordinates the activities of the agronomists in the field and is in charge of all the certifications.

All members of Soprocopiv are UTZ and organically certified. All its members growing Arabica coffee have received the Fair For Life-certification. The cooperative is also undergoing an audit for the Fairtrade certification.

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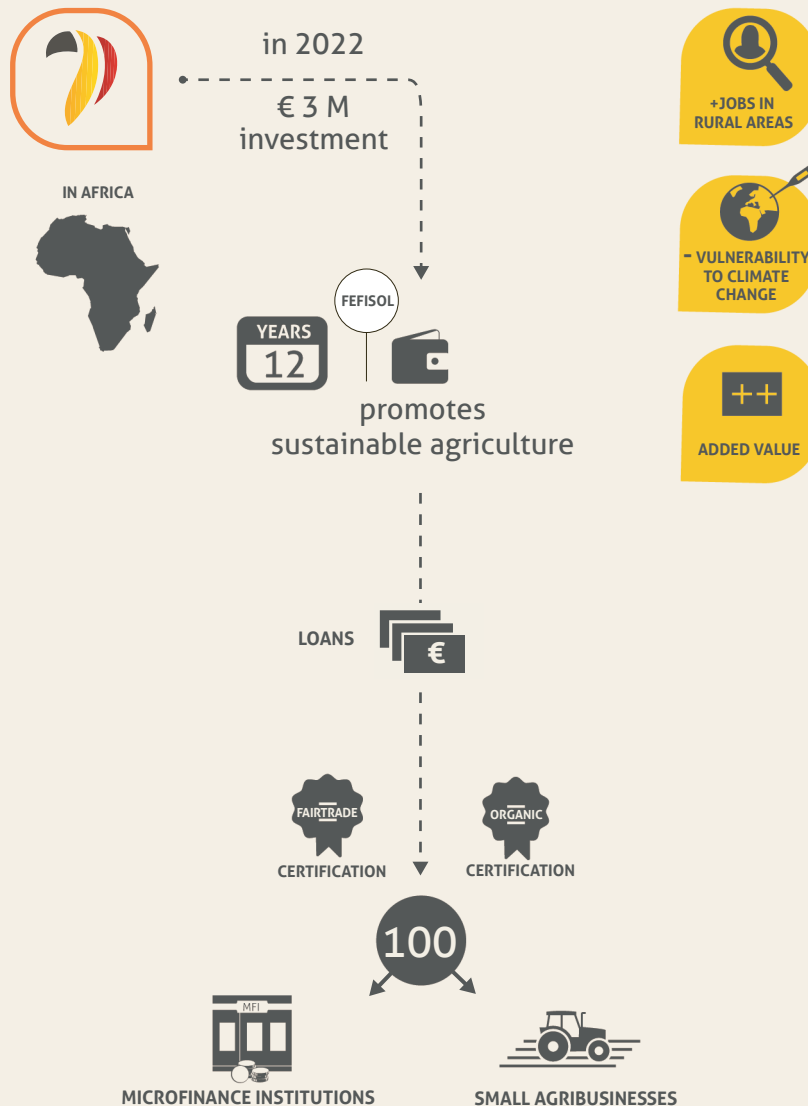
For Mrs Katavali, these certificates share the same four parameters: social, environmental, quantity and quality: "Through these labels, the product can be traced, the production improved, and financial premiums obtained, for the direct benefit of the farmers and their villagers. They also allow us to stabilise the prices and reach a wider and more international clientele." Or, in the words of Mr Kambale Bonane Blessing, one of the member coffee producers: "We prefer this most recent Fairtrade certification because it is, well... fair trade."

International sustainability standards for agriculture and forestry projects encourage companies to use fewer natural resources and produce less greenhouse gasses, pollutants, and waste. Labels like Organic, Fairtrade, UTZ, Rainforest Alliance, FSC, and PEFC all contribute to sustainable consumption and production. BIO offers technical assistance-subsidies to help implement these standards. Four out of five of BIO's investments in the agricultural value chain use Organic- and/or Fairtrade-certified products and services.

BIO also contributes to SDG 12 by promoting production processes and



## Example of the FEFISOL Microfinance Fund II



FEFISOL is a BIO client that promotes sustainable agriculture. It provides medium to long term loans to African microfinance institutions with a strong rural and agricultural outreach.

By giving small rural enterprises and agricultural organisations access to finance, FEFISOL contributes to rural development in sub-Saharan Africa. That is why, early in 2022, BIO invested EUR 3 million in equity in FEFISOL. The fund is supported by social investors including Alterfin and SIDI, who bring knowledge, experience, and a strong impact-oriented mindset to the table.

FEFISOL is a 12-year fund. Over that time it will provide loans to 100 microfinance institutions and small agribusinesses, that have at least one organic or Fairtrade certification. The objective is to strengthen agricultural value chains, create employment in rural areas, increase local added value, and reduce vulnerability to climate change.

In addition, the fund can count on BIO's technical assistance to improve sustainability, promote certification, and improve access to premium markets. FEFISOL wants to provide such technical assistance to more than 50% of its customers and has hired two dedicated agronomists to promote sustainable agricultural practices.

In order to prevent over-indebtedness FEFISOL's customer MFI's must adhere to the Client Protection Principles. BIO also collaborated with FEFISOL to formalise its E&S procedure, and include the IFC Performance Standards.

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The objective is to strengthen agricultural value chains, create employment in rural areas, increase local added value, and reduce vulnerability to climate change.

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services that respond to basic needs and bring a better quality of life. At the same time, it minimises the use of natural resources and limits the emissions of greenhouse gasses, pollutants, and waste.

BIO also invests in sustainably managed forests to sequester carbon emissions and promotes the use of green loans. These are used to finance climate projects, to prevent and control pollution, and to sustainably manage natural resources such as land, water and wastewater.

BIO is a signatory to the Beyond Chocolate partnership that promotes a sustainable Belgian chocolate industry. It unites the chocolate and retail sector, civil society, social impact investors, trade unions and universities.


## Responsible use of resources

BIO has three main E&S-objectives, based on IFC Performance Standard 3. First, it wants its clients to avoid or minimise any adverse impacts on human health and the environment by avoiding or minimising pollution. Second, BIO advocates a more sustainable use of resources, especially of energy and water. And thirdly, it wants to reduce project-related greenhouse gas emissions.

BIO requires at the very least that its customers avoid or minimise the release of pollutants to air, water, and land. If possible, the company is also encouraged to transform its waste into energy. Moreover, all of BIO's new direct investments are assessed by E&S-experts who suggest improvements in waste management, water consumption, and energy consumption.

Finally, BIO also requires companies to protect and conserve biodiversity and to maintain ecosystem services, following IFC Performance Standard 6 and the International Convention on Biological Diversity.

## Climate-related risks and opportunities

In 2020-2021, Atkins, a specialised consulting firm, evaluated the climate-related risks and opportunities in BIO's portfolio. The study looked at 11 case studies and resulted in concrete recommendations concerning BIO's strategy, governance, risk and opportunity management, and the use of metrics. A summary is available on BIO's website. 

## Other facts and figures

- ⦿ Four out of five of BIO's new investments in the agricultural value chain are organic and/or Fairtrade certified.
- ⦿ Most of the recent direct investments in the agricultural value chain work with international sustainability certifications: Geuther (FSC/PEFC), T&T fruits (Organic), Comafruits (Fair For Life and Organic) and Fefisol II (Fairtrade, Organic).
- ⦿ In 2020, the Africa Forestry Fund II invested in two projects that sequester over 164,676 tonnes CO<sub>2</sub>eq. That is the equivalent of 32,189 gasoline-powered passenger vehicles driven for one year.
- ⦿ In, 2020, four financial institutions directly funded by BIO offered green loans for a total outstanding amount of more than EUR 1 billion.



# Challenges and work in progress

This second edition of BIO's D&S report highlights to what extent BIO and its clients contribute to the SDGs. It provides concrete examples of BIO's development effectiveness and underlines the central role the private sector can play towards the 2030 agenda.

Still, important challenges must be overcome. Some of these are specific to BIO. Others are common to all European DFIs or other development actors. These include improving impact management and measurement.

In 2021, BIO pursued the harmonization efforts with other DFIs and multilateral development banks in terms of impact management. This results in an enriched and more comprehensive set of harmonised indicators,<sup>11</sup> including their alignment to SDGs. In 2022, one of BIO's points of attention will be how to improve the monitoring of job quality and the adequate approach to living wages and income.

BIO has started addressing the recommendations of the 2021 external evaluation on climate-related risks and opportunities in its portfolio. It also worked with other DFIs on a joint methodology to ensure the alignment of new investments with the objectives of the Paris Agreement. BIO gradually works towards carbon neutrality, supporting its clients to progressively decarbonate their business while increasing their climate change resilience. These are among the most pressing and complex challenges.

As far as gender is concerned, BIO and other DFIs have made progress by gradually moving away from just looking at gender equality and raising awareness, to supporting clients to take concrete actions.

For this purpose, technical assistance subsidies are available to focus on gender programmes, but there are also more and more memoranda of understanding being signed between DFIs and their clients to formally agree on concrete gender targets and commitments.

By using the Joint Impact Model, BIO was also able to shed light on some development outcomes of its investments, such as indirect job creation in key sectors like financial institutions and infrastructure. Therefore, the way forward for BIO is to continue to support the JIM improvements, such as e.g. improving the scale or level of detail when calculating greenhouse gas emissions, adding data on storage, transmission, and distribution when assessing power

11 <https://indicators.ifpartnership.org>

systems, and – in general – refining BIO's data in order to make the results more accurate.

BIO also has a keen interest in an open dialogue and cooperation with civil society organisations and other relevant stakeholders. That is why, in 2021, BIO reinforced its efforts to engage NGOs on priority subjects like agriculture and food security, climate, decent work, and gender during dedicated workshops. More of them are foreseen in 2022.

Finally, global inequalities are currently one of the world's most pressing challenges. That is why BIO has decided that in 2022 the independent evaluation BIO commissions every year will focus on how its investments contribute to reducing inequalities, and how this can be further improved in the future. SDG 10 will play a central role throughout this reflection and the conclusions will be presented in next year's D&S Report. 🌍

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BIO gradually works towards carbon neutrality, supporting its clients to decarbonate their business while increasing their climate change resilience.

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