



BIO

Investing
in a Sustainable Future





DEVELOPMENT & SUSTAINABILITY REPORT 2021

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

Promoting the Sustainable
Development Goals
by financing the private sector

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Preface

This *Development & Sustainability Report* is long due, as it is very much at the core of what BIO is trying to achieve. Development and Sustainability are BIO's main mission and principal mandate. Therefore, I am proud to introduce BIO's first comprehensive report on how its investments and business development support contribute to the global community's development aspirations.

This report intends to illustrate, to its principal shareholder and the Belgian people, to everybody concerned with international solidarity, where and how BIO invests its tax money and seeks to improve people's lives. Lastly, this report will give civil society an opportunity to look at the issues of impact and effect more closely, at BIO's commitment to promoting best practices in order to pave the way for a better future, and its contribution to the 2030 Sustainable Development Goals.

Although initially sceptical about the role of the private sector in development, I now clearly see the impact and I am glad that this report is showcasing some examples of BIO's influence on local communities. BIO's investments have long-term, wide-ranging effects – that sometimes might take a while to show.

The only way to achieve true, long-term impact, is by means of an integrated approach, working alongside all our partners – they are more than just clients or customers. Money and impact are only part of the deal. BIO is there from A to Z, empowering not only the direct beneficiaries of a project but, by means of a domino effect, the region and society as a whole, trying to create maximum impact.

For those who find that Development Finance Institutions struggle to demonstrate their value as development actors, this report - by showing the change they create - should come as a welcome reprieve. It is no surprise therefore that in the past decades DFIs have become a key part of the development finance architecture and their role to achieve the 2030 agenda cannot be overlooked. 

Xavier Godefroid
 Acting Chairman of BIO's Board of Directors (2019-2021)

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.

The private sector is crucial to achieving long-term, inclusive, and sustainable economic growth. It is responsible for a large majority of jobs in developing countries as well as for local value-added, innovation, the provision of valuable goods and services, as well as 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 to the reduction 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 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 risk 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 mobilize capital from more traditional private investors. In short, DFIs are investors that put development beyond 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 – decent work, fight against climate change, promotion of basic services to the population, etc. – an investment project can have particularly high development effects, and 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.

But, how to measure success? Since its creation in 2001, BIO has been assessing, monitoring, and evaluating the development effects of its portfolio companies. Substantial improvements have been made to this impact management framework in recent years. This work is still ongoing, in parallel with the initiative of European DFIs and other impact investors towards the harmonization of impact measurement and sustainability practices.

Impact investors invest in companies, organizations, and funds with the intention to generate a measurable, beneficial social or environmental impact alongside a financial return. They provide capital to address social and/or environmental issues.

> *The Global Impact Investing Network*

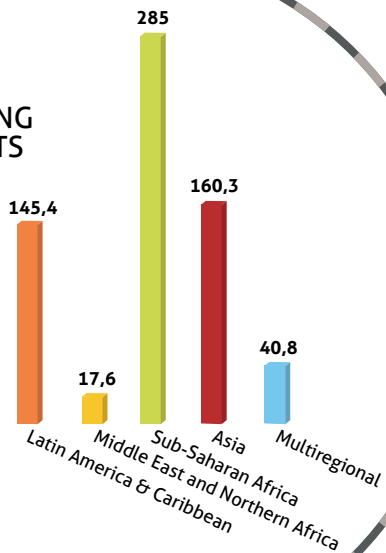
BIO's theory of change provides an integrated approach to economic, social, and environmental development. It includes a comprehensive description of its strategic alignment to six SDGs where BIO can have its greatest impact. It also includes a set of key performance metrics that aim to capture BIO's contribution to each SDG.

This report relies heavily on this new framework. It illustrates BIO's contribution in a structured, tangible, and transparent way to all its stakeholders, whether they are its investee companies, the Belgian State, the development community, civil society, or the public at large. 



BIO at a glance

OUTSTANDING INVESTMENTS at end 2020 (EUR M)



NUMBER OF PROJECTS
30



NUMBER OF PROJECTS
5

NUMBER OF PROJECTS
66

NUMBER OF PROJECTS
33

BIO's development and sustainability approach

In 2020, BIO revised its theory of change (ToC) to provide a comprehensive description of its contribution to the 2030 agenda. Admittedly, the SDGs are not perfect. They are sometimes difficult to quantify, for example. Still, they cannot be overlooked since they represent the global agreement on what we all strive for in terms of a better world for all.

BIO's ToC outlines the linkages between inputs, outputs, outcomes and (expected) development impacts. It uses this framework to develop sustainable entrepreneurship in its countries of intervention and to contribute to a world with no poverty, where economic growth is inclusive and jobs are sustainable, in line with SDG1.

BIO's clients contribute to a number of other SDGs. They may positively work towards reducing gender inequalities (SDG5), provide affordable and clean energy (SDG7), create decent work and economic growth (SDG8), build innovative industries and infrastructure (SDG9),

work on social inclusion (SDG10), or practice good environmental standards for responsible production and consumption (SDG12).

Other SDGs may also be relevant to BIO, but are tackled more indirectly. BIO also creates partnerships with fellow European DFIs in EDFI.

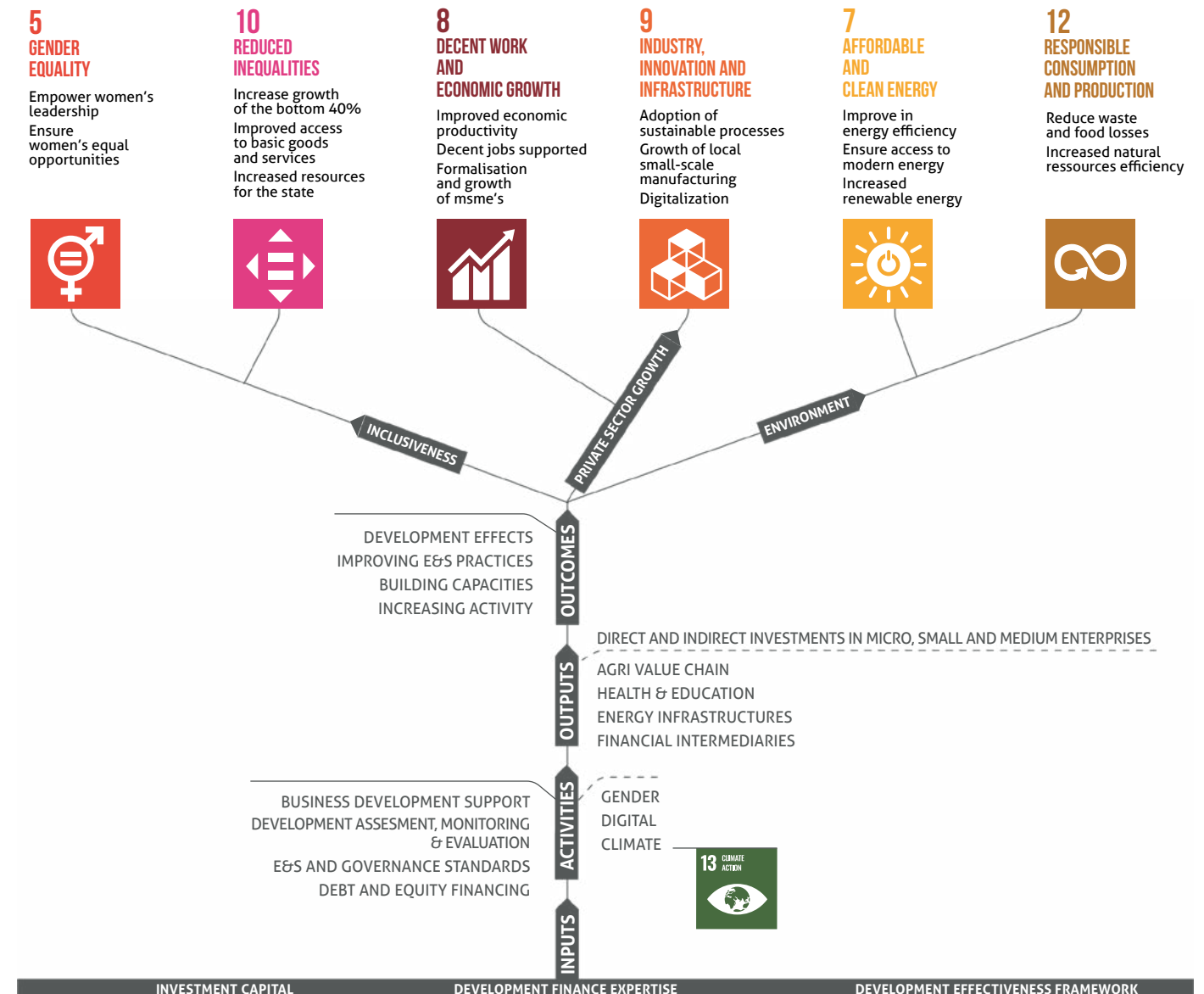
All potential investment projects pass through a similar cycle. After a potential project has been identified, BIO will evaluate whether it is aligned with the overall investment strategy and compliant with its investment conditions. If so, a due diligence will be conducted to assess the governance, commercial and financial aspects of the project.

The SDG Frontier Fund

It is a closed-ended 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 2020, the fund reached a first closing at EUR 25.3 M thanks to the participation of nine Belgian private and institutional investors. After this successful first closing, the SDG Frontier Fund is still looking for investors to reach the target size of EUR50 M.

BIO's theory of change

INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH



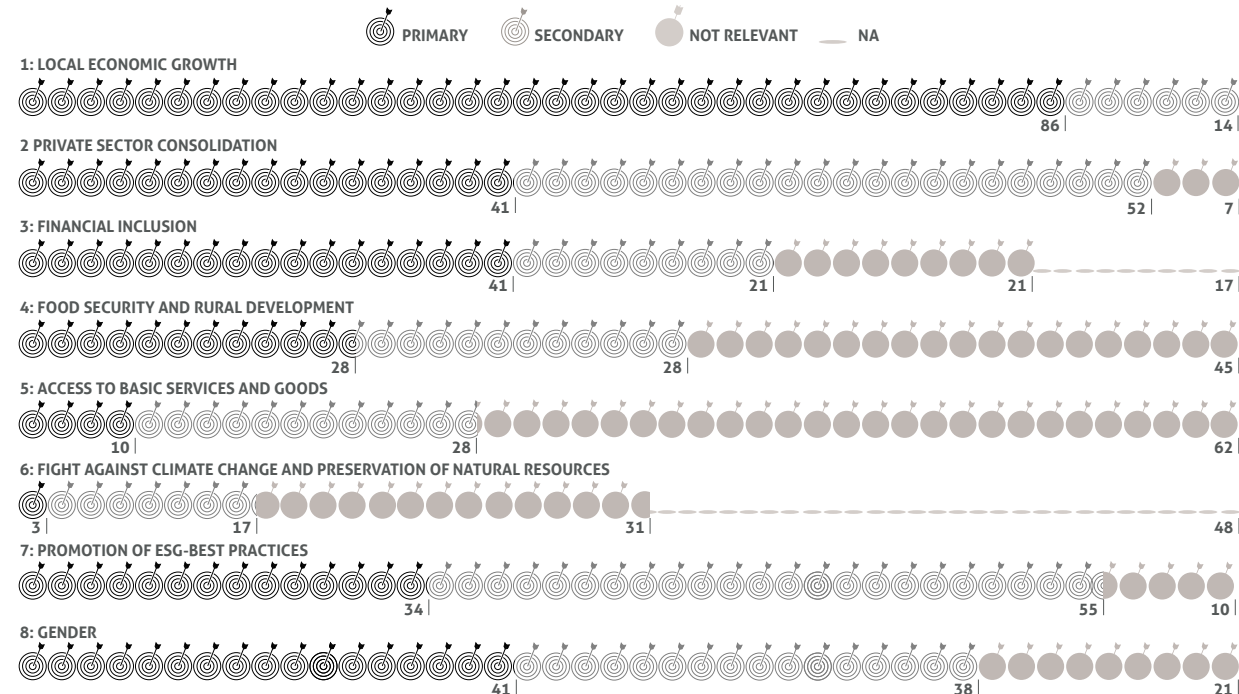
BIO will also identify the environmental and social risks and opportunities and work with its clients on the project's development potential. This development rationale is extensively discussed from the very beginning. BIO and its investee then agree on what is expected in terms of development impacts,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

Assessing development effectiveness

Since 2020, 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. It draws on emerging best practices from a range of asset managers and development finance institutions. OPIM has 135 signatories from 33 countries with covered assets of US 407,161 million.

BIO's Assessment, Monitoring and Evaluation framework (AME) sets the development objectives for an investment project and then tracks progress over the investment period. This takes place in three steps :

EVALUATION OF BIO'S DEVELOPMENT GOALS FOR THE 2020 APPROVED PROJECTS IN %



STEP 1

EX-ANTE ASSESSMENT

All new investment projects must score with a significant primary or secondary contribution on at least one of BIO's development goals. This ex-ante assessment also evaluates BIO's financial and non-financial additionality to the project. This simple scoring serves as a basis for structuring and documenting the development rationale of each project.

STEP 2

RESULTS-BASED MONITORING

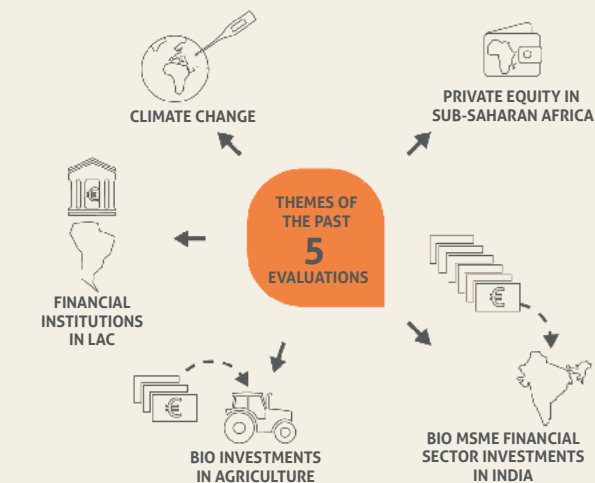
Once invested, BIO annually monitors a project's development effects. This is based on standard quantitative metrics that are aligned with the SDGs. Since 2020, BIO also uses the Joint Impact Model to better take into account the indirect effects associated with portfolio projects.

STEP 3

PROJECT COMPLETION ASSESSMENT

Finally, when the project has been completed, BIO's development experts analyze its main achievements and distil the lessons learned. Apart from the development effects, they also review the business, financial, environmental, and social outcomes.

External case study evaluation



Every year, BIO organizes an independent evaluation of a small sample of ongoing and exited projects. These evaluations focus on a specific theme, sector, or region. They typically involve in-depth analysis, systematic survey and interviews with BIO staff and other key stakeholders, as well as field visits and reality-checks.

Over the last 5 years, these evaluations covered more than 30 different projects or, equivalently, 20% of BIO's portfolio projects. One evaluation, for instance, dealt with the development effects of private equity funds in sub-Saharan Africa. But they can also focus on cross-cutting themes like decent work or climate change.

In 2021 the evaluation aims to understand the extent to which BIO's activities tackle the risks of climate change and minimize its effects. It also identifies the significant risks and opportunities that are linked to climate change and looks at ways to improve BIO's management of them.

The key findings and recommendations are publicly available on BIO's website, as well as BIO's response.

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 they operate in, as well as international standards and conventions¹.

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 to identify 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 for managing their environmental and social risks and deal with the following subjects:

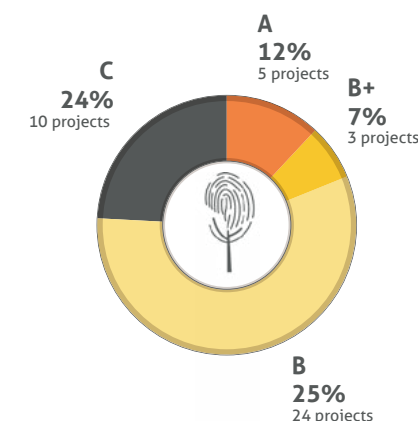


BIO categorizes its investment projects according to their environmental and social risks. Categories A, B+, B or C, respectively represent projects with a high, medium-high, medium-low and low potential impact. For riskier projects, BIO works alongside its client to define the right environmental and social requirements. On top of that, due diligence and monitoring measures are taken.

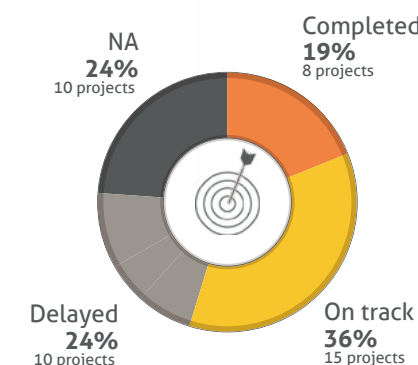
BIO's works closely with its clients to follow-up on and support their E&S-performances. Its E&S-team provides advice, appropriate tools, and develops, if necessary, an E&S-action plan with the client. Thirty-two out of 42 signed projects in 2019 and 2020 had such an ESAP in place. The majority of these (55%) are now either completed or on track, while 21% experience delays.

Companies that have a high reputational risk or that do not comply with their ESAP are put on a watchlist. This means that they will be automatically monitored more intensely by BIO's E&S-team. At the end of 2020, there were 7 projects on the list, out of a total of 144.

E&S RISK OF THE 42 PROJECTS SIGNED IN 2019 & 2020



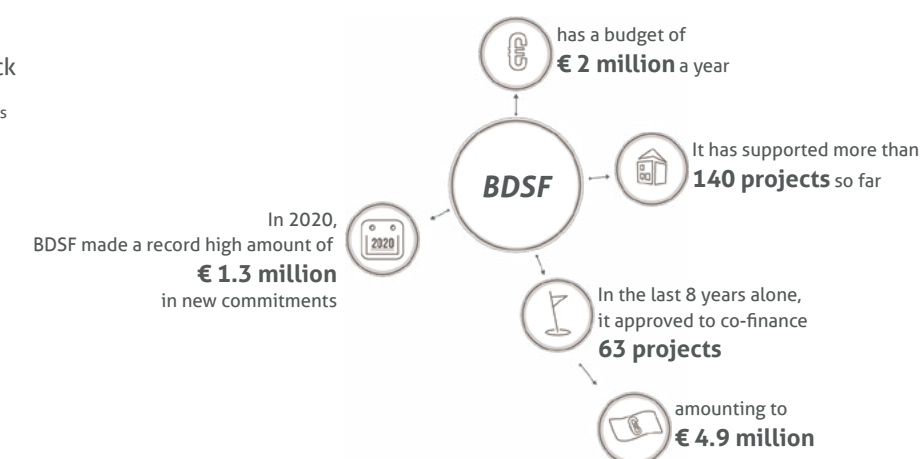
ESAP PROGRESS OF 42 PROJECTS SIGNED IN 2019-2020



The Business Development Support Fund

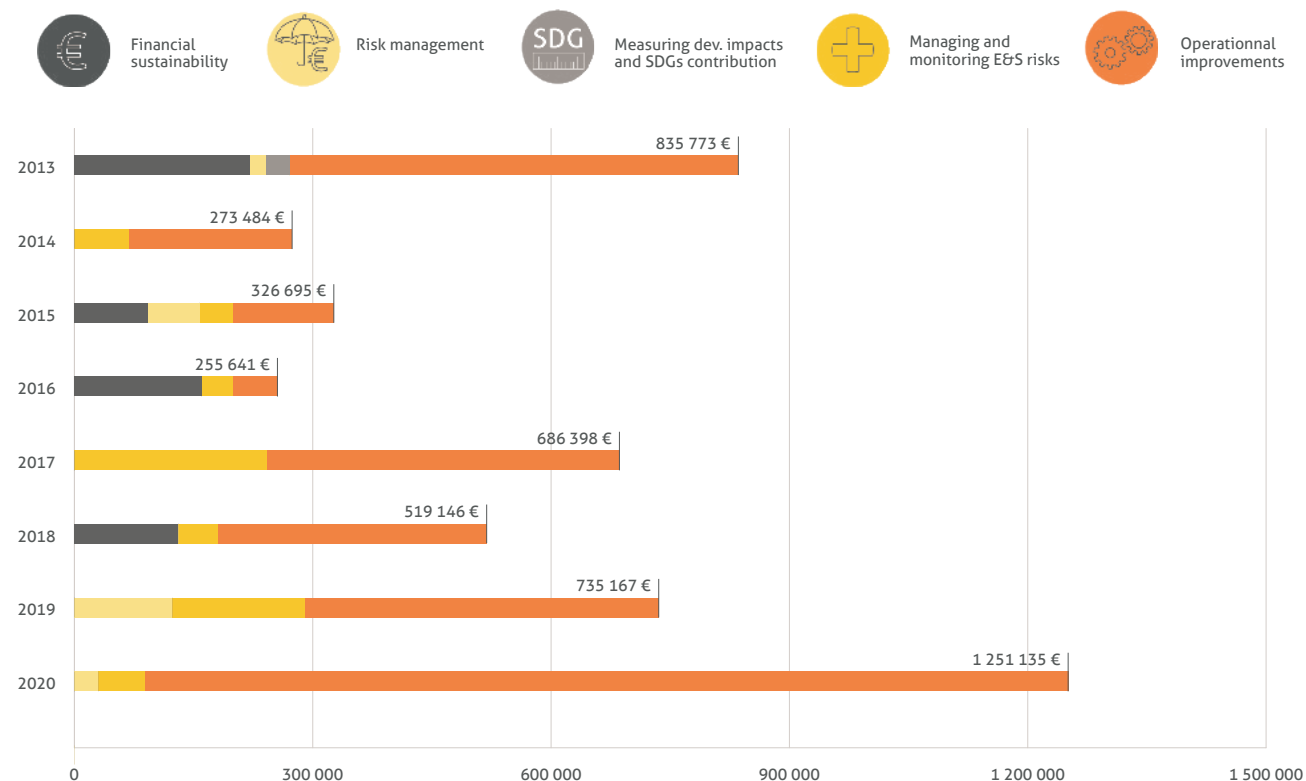
For companies to grow and prosper they not only need tailor-made investments, but also the skills and know-how to improve business performance and sustainability. That is why BIO's Business Development Support Fund (BDSF) enables companies to hire the consultants they need. In order to ensure an alignment of interest and to maximize the project's chances of success, BIO and its customer split the costs.

Also, international certifications like ISO, Fairtrade, Organic, FSC, ... can be instrumental in reaching a company's objectives. Grants from BDSF can help 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 end-beneficiaries of microfinance institutions. 🎯



¹ See BIO's E&S Policy

EVOLUTION OF THE AMOUNTS ALLOCATED BY OBJECTIVE 2013-2020



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.

Towards the Sustainable Development Goals SDG highlights

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GENDER EQUALITY

- > **THIRTEEN** out of the seventeen new projects assessed against 2X-criteria in 2020 qualified as 2X ELIGIBLE
- > BIO contributed **EUR 95.422.568** to the 2X-challenge in the first year of its membership
- > **90%** of the financial institutions funded by BIO qualified as 2X-ELIGIBLE transactions, equivalent to an extra EUR 252,108,701 in capital mobilized towards gender equality
- > **86.864**, or about **ONE THIRD OF EMPLOYEES** at funded companies are **WOMEN**

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AFFORDABLE AND CLEAN ENERGY

- > In 2019 BIO's energy clients had installed a production capacity of **5,130 MW** and produced **7,334 GHW** of energy
- > The total energy supply supported is equivalent to the **ANNUAL CONSUMPTION** of about **23.78 MILLION PEOPLE**
- > **1.488 MILLION TONS** of CO₂ emissions were avoided

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DECENT WORK AND ECONOMIC GROWTH

- > In 2019, portfolio companies directly funded by BIO employed **108,752 WORKERS**
- > Indirect investments through investment funds supported an additional **131,787 JOBS**
- > JIM estimates that direct investments support **2.1 MILLION INDIRECT JOBS**, mostly through the loan activity of financial institutions. Another million indirect jobs are supported through funds
- > Financial institutions in BIO's portfolio reported a total of almost **EUR 50** billion outstanding loan portfolio

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RESPONSIBLE CONSUMPTION AND PRODUCTION

- > In addition to funding a technical assistance facility for the Fair Trade Access Fund, BIO has supported the **DEVELOPMENT OF SUSTAINABLE AGRICULTURAL PRACTICES** for Geuther Vietnam, Puratos Grand Place Vietnam and Niche Cocoa
- > At the end of 2019, three financial institutions in BIO's portfolio had a total outstanding green loan amount of **EUR 832 MILLION**
- > The Africa Forestry Fund II, which manages forestry plantations, has invested in 2 projects (Global Woods and Mphone), which sequestered over **20,000 TONNES CO₂EQ** in 2019

10

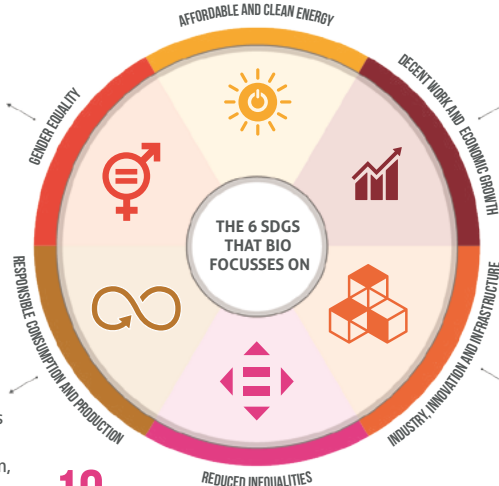
REDUCED INEQUALITIES

- > Twenty-three out of the **74 COMPANIES** directly funded by BIO are in least developed countries
- > Eight out of the **18 ENERGY PROJECTS** directly funded by BIO are in least developed countries
- > At the end of 2019, the financial institutions funded by BIO had **EUR 3 B** outstanding in microloans
- > Over 2019, BIO's direct and indirect investees paid taxes amounting to **EUR 677 M** to their national governments

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INDUSTRY, INNOVATION AND INFRASTRUCTURE

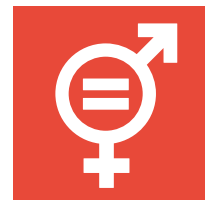
- > BIO supports **61 MANUFACTURING COMPANIES** directly and through PE Funds
- > The companies in BIO's portfolio support circa **40,000 JOBS** in the manufacturing industry
- > In 2019, more than **81,000 SMEs** benefitted from a loan through funded financial institutions
- > BIO finances **41 TECH-RELATED BUSINESSES** through 4 venture capital funds that focus on tech companies in various sectors
- > BIO implemented **TWO** technical assistance projects to support the digitalization efforts of financial institutions, one in Ecuador and the other one in West-Africa



Gender equality

“ Mrs Souad El Gammouni, originally from Kasserine, but now living in the Médenine region of Tunisia, considers herself to be a militant woman, even while crocheting and knitting. She learned the trade at a young age from her mother and she remains fascinated by the craft, even twenty years later.

She always kept improving her skills and creations by going to specialized schools, like UTICA Médenine, and can now deliver truly innovative crochets and knitware, even make custom-made and personalized models. This impassioned artisan is always intent on transferring her skills to the young, rural girls of her region, creating business that contributes to their financial inclusion.



Mrs. Gammouni is a customer of Enda Tamweel, a BIO-investee. Enda provides financial and non-financial services to micro-entrepreneurs in rural Tunisia. Its microfinance program is driven by the belief that women and young people are the backbone of the rural economy, and that, with the right resources, they can power economic recovery.

It also attaches much attention on gender sensitization. And this is clearly necessary, not only in Tunisia, because gender inequalities hinder sustainable and inclusive development. Private sector

projects that involve women as leaders, entrepreneurs, workers, or consumers can be key drivers to improve women's economic participation and their control over decisions that affect their lives.

Gender equality agenda

That's why in 2019, BIO signed-up to the 2X Challenge [See Case 1] and developed a gender strategy to enhance economic opportunities for women. BIO also performs a gender assessment of every new project in order to get an all-round picture of

the activities, policies, and practices that may have a gender-impact. It also performed a gender scan of the financial institutions it is invested in [See Case 2].

But this gender lens goes beyond mere assessment. BIO's objective is to actively mitigate gender risks and to discuss the potential for improvement with its clients. Its Business Development Support Fund (BDSF) offers plenty of opportunities to support such gender equality projects.

Mitigating risks for women

BIO systematically identifies context-specific risks for women and girls at the start of a project. This assessment serves as a basis to formulate the scope of the project's E&S due diligence.

BIO opposes all forms of discrimination against women, and gender equality is integrated into the Environmental and Social Action Plans (ESAP). For instance, BIO would not accept using different labor contracts for men and women, or any clause that would require male authorization for women to request credit.

More specifically, the private sector can address Gender-Based Violence and Harassment (GBVH) in a more proactive way. The harm it causes to (mainly) women pose real

Case 1 – 2X Challenge

The 2X Challenge is an initiative that challenges DFIs to focus as much financing as possible on advancing women's economic empowerment and gender equality. The challenge is to mobilise these resources 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 Challenge includes several criteria to identify such initiatives. To qualify, a client must already (commit to) meet 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.



Leadership

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



Employment

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



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.

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

USD 3 billion for gender equality

and has recently raised it to USD 15 billion

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

Case 2 – Gender scan of financial institutions

Financial institutions represent about two-thirds of BIO's direct investments and in 2019 BIO performed a "gender scan" on 46 of them. Of the thirty-nine final participants, 20 are microfinance institutions (MFIs), 11 are commercial banks, and 8 are non-banking financial institutions (NBFIs).

Ninety percent qualified as 2X-eligible investments. That is equivalent to an extra EUR 252,108,701 in capital mobilized to promote gender equality. The institutions qualified most on leadership, but also scored well on delivering products or services that are specifically or disproportionately benefitting women. Finally, BIO's financial institutions perform well on the overall share of women in the workforce.

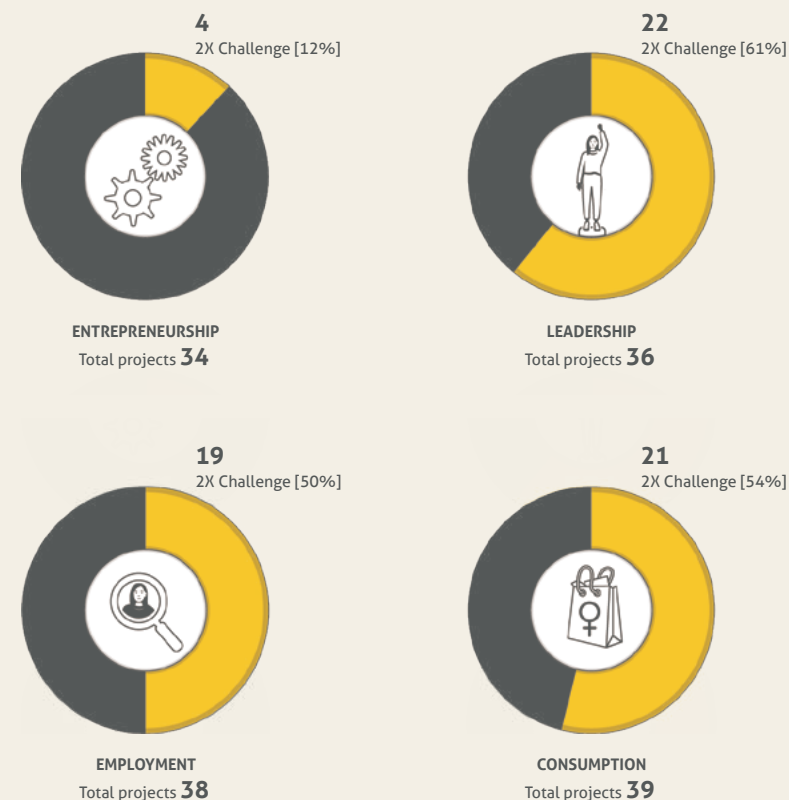
Entrepreneurship, the share of women owning or having founded a business, was by far the weakest dimension. Few financial institutions reach the 40% threshold of women shareholders. Often, they perform well in some aspects, but are weak in others. This shows the importance of applying a 360-degree view on gender equality, and of not limiting the assessment to employment only.

Overall, microfinance institutions appear to be the most gender-literate. Almost all of them qualified. They are followed by non-banking financial institutions and commercial banks. Eight MFIs and two commercial banks qualify for more than two criteria. Interestingly,

MFIs that focus on female clients do not necessarily perform well on employment and leadership. This further demonstrates the limits of focusing on just one criterion instead of adopting a more multi-dimensional gender lens.

According to BIO's clients, the most relevant TA-programs for its financial institutions would be product development for women, leadership training, and the development of a gender strategy.

GENDER SCAN FI > QUALIFICATIONS BY 2X INSTITUTIONS



reputational, legal and commercial risks to any business. That is why, in 2020, BIO organized a series of workshops for its infrastructure clients on the risks associated with GBVH [See Case 3].

Facts and figures

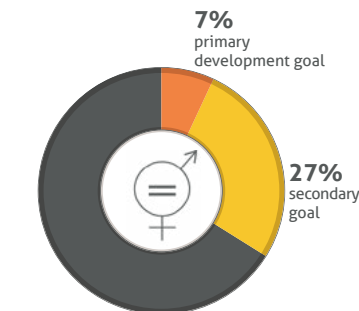
Some of BIO's investments have gender equality at their very core. By the end of 2019, 7% of its portfolio projects had gender equality as a primary development goal and 27% as a secondary goal.

Thirteen out of the twenty-nine projects that were assessed against 2X-criteria in 2020 scored for female leadership, entrepreneurship, employment, or consumption. They qualified as 2X-eligible and contributed EUR 95,422,568 to the 2X-challenge in the first year of BIO's membership.

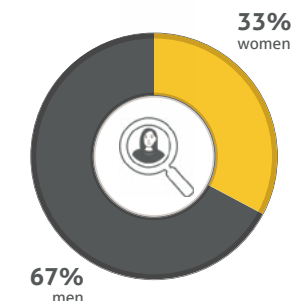
Ninety percent of financial institutions in BIO's portfolio qualified as 2X-eligible investments, which is equivalent to an extra EUR252,108,701 in capital mobilized to promote gender equality.

Women hold a third or 44,362 of the jobs supported though direct investments. Funds' investees support another 42,502 extra jobs for women. 🟡

IN 2019 INVESTMENTS IN THE FIELD OF BIOTECHNOLOGY WITH A FOCUS ON GENDER EQUALITY



DIRECT JOBS SUPPORTED THROUGH DIRECT PROJECTS OCCUPIED BY WOMEN



Case 3 – Gender-based violence and harassment in infrastructure

Gender-based violence and harassment (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 especially prevalent. In times of crisis, in fragile countries, or in male-dominated industries like 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 with its infrastructure clients. They consisted of 4 interactive sessions with more than 50 participants.

Before the workshop, all participants indicated that their projects could run GBVH risks. They learned about its root causes, specific infrastructure issues, key steps to conduct a gender-responsive risk assessment, and the importance of gender-responsive planning. As a result, many participants declared that they wanted to strengthen their gender inclusion practices and planning. Hence BIO helps them to effectively assess, prevent, monitor, and respond to GBVH.

Clean and affordable energy

Mr Bala Suleman from Mataisia Town, Nigeria, is a customer of d.light, an investee company of Sunfunder, which is one of the private equity funds in BIO's portfolio that focusses exclusively on improving individual access to electricity and more specifically, solar power. Bala learned about d.light's solar lanterns from a friend and decided to use them to increase productivity on his chicken farm. Normally, each chicken produces ten to fifteen eggs per month. By using his lanterns to feed the chickens at night, Bala now boasts an average of thirty eggs per month. He now owns seven lanterns, further saving money on kerosene and batteries.



Such off-grid systems are particularly suited to rural and remote areas which lack electricity access or are prone to frequent grid blackouts. Connecting to the main grid in such areas can be very costly, while off-grid solar energy systems offset this significant expense and provide a sustainable alternative to polluting kerosene-based alternatives.

Bala's story illustrates that the lack of access to reliable energy is a major constraint to economic growth and development. At the same time, energy production and consumption are major contributors to climate

change. It is therefore also crucial to step up efforts on renewable energy and energy efficiency in order to fight climate change and implement the Paris agreement (SDG13).

BIO's investments in renewable energy range from geothermal, hydro, wind, to solar energy, like for example BIO's solar project in Bir El Haffey [See Case 1] or in SIMA, a distributor of solar home systems [Case 2]. The increased availability, higher reliability, and lower prices for energy resulting from these projects also have economy-wide effects and support jobs and local economic growth.

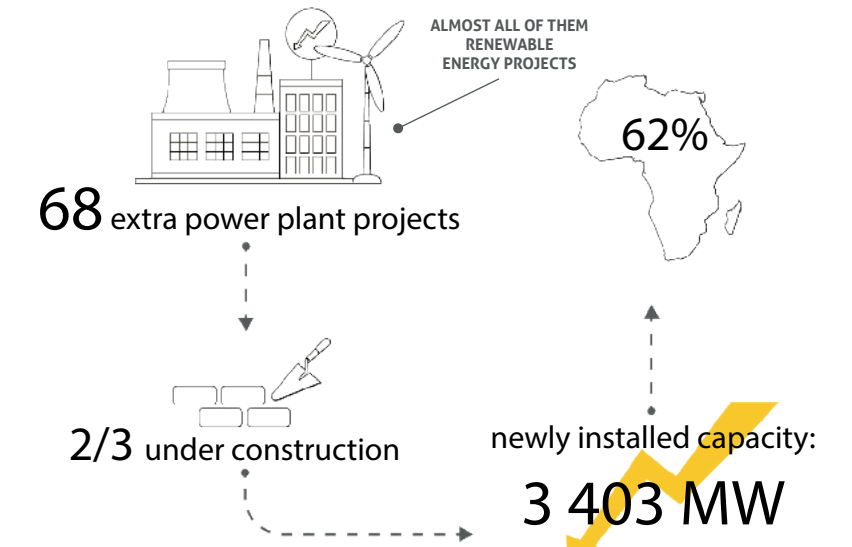
BIO is also a co-signatory to EDFI's Climate and Energy Statement, an initiative to align all new financing with the objectives of the Paris Agreement by 2022 and to transition investment portfolios to net zero GHG emissions by 2050 at the latest. But BIO goes beyond. In July 2021, BIO's board decided to exclude investing into any new gas powered plants. This exclusion applies to direct project finance, projects financed through intermediary investment vehicles, like private equity and debt funds, and dedicated debt of financial institutions. BIO considers this transition to cleaner forms of energy as a necessary and efficient way of reducing GHG emissions.

Sustainable energy

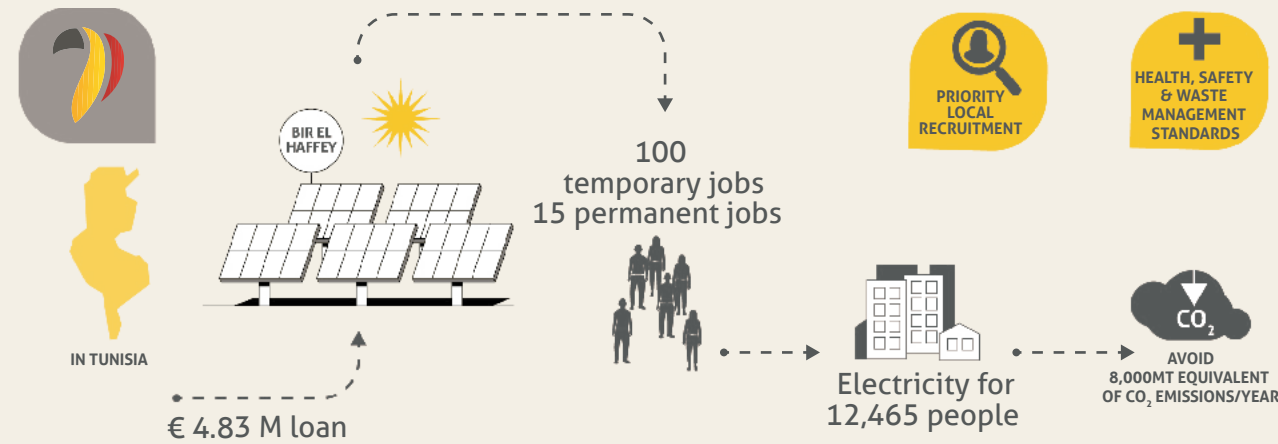
Energy projects pose several environmental and social challenges. These can be addressed by implementing an E&S-impact assessment, by drawing up community investment plans, and by employing dedicated staff for health and safety management, as well as for community liaison, or environmental studies and monitoring.

BIO supports its clients in adopting appropriate, sustainable practices with grants from the Business Development Support Fund. In 2019, three energy projects benefitted from such technical assistance.

BIO IS INVESTED IN SEVERAL ENERGY PROJECTS THROUGH INVESTMENT FUNDS



Case 1: Bir El Haffey



Bir El Haffey is a 10 MW solar plant in Tunisia. In 2020, BIO granted a EUR 4.83 million loan to the project for the construction of the plant and connecting it to the national grid. Bir El Haffey is one of the first independent photovoltaic power producers in Tunisia. The country suffers from a deficit in electricity, which is now being addressed with a renewable source of energy.

The project creates about 100 temporary jobs during the construction phase and 15 permanent jobs in operations and maintenance. Once operational, the power plant will produce 18,000 MWh per year of clean electricity. This can serve 12,465 people in a country where demand for electricity largely exceeds supply. The project will also improve

the share of renewables in the Tunisian energy mix and is expected to avoid 8,000 MT-equivalent of CO₂ emissions annually.

Before investing, BIO supported the company in contracting independent experts who could assess the technical aspects and the environmental and social (E&S) risks of the project. This was made possible thanks to a subsidy of EUR 15,000 in technical assistance. Following site visits by BIO and external E&S-experts, BIO asked for additional field studies on biodiversity and for consultations with the local communities. This process led to a state-of-the-art E&S Impact Assessment (ESIA), which confirmed that biodiversity on the site was not in danger.

BIO stipulated in the loan contract that specific E&S responsibilities had to be assigned within the company and that local hiring should get priority. Other requirements are the management of traffic impact, the assessment and compensation of potential impacts from the transmission line right of way. The latter is the strip of land where the transmission line is constructed, which clears all trees, structures and constructions which interfere with the power lines. And finally, BIO demanded that all contractors comply with the project labour conditions, as well as the health, safety, and waste management standards.

Climate change

BIO wants to invest a minimum of EUR 150 million in fifteen renewable energy projects by 2023. In parallel, BIO is working at better integrating climate considerations into all of its future operations, and it is aligning itself both strategically and operationally, with the Paris Agreement by commissioning a specialized evaluation of BIO's exposure to climate risk and its contribution to climate change adaptation and mitigation. The final report is expected in Autumn 2021.

Facts and figures

BIO invested directly in 18 energy production facilities and indirectly in more than 100 energy-related projects, through 9 investment funds.

The total installed capacity directly funded by BIO reaches 1727 MW. In 2019, BIO's directly funded energy projects produced 6693 GWh, a 9% increase to 2018, and equivalent to the annual consumption of about 24million people (of which 90% live in Africa).

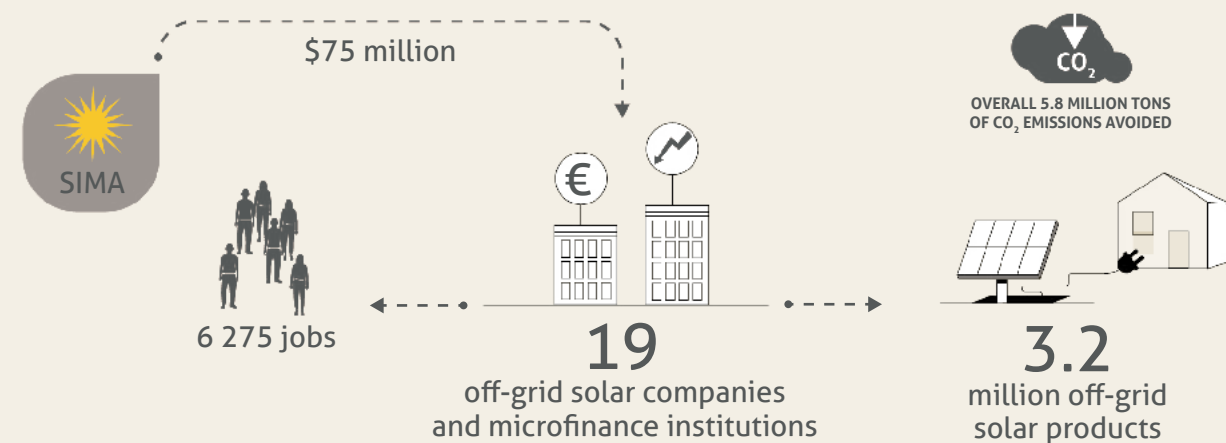
In 2019, BIO's energy investments avoided the emissions of 1.488million tons of CO₂, almost equal to Rwanda's yearly CO₂-emissions.

BIO's direct energy investments supported, directly and indirectly, an estimated total of 187,050 jobs. 🌱

In 2021, BIO decided to exclude investing into any new gas-fueled power plants.

SDG 7

Case 2: SIMA



Worldwide there are still 940million people who have no access to electricity. Off-grid solar systems could give hundreds of millions of these access at more affordable cost. That is why SIMA, one of the largest investment funds in the off-grid solar sector, provides senior debt to innovative companies that finance, manufacture, and/or distribute individual solar home systems in sub-Saharan Africa and South Asia.

SIMA already invested USD 75 million in 19 off-grid solar companies and microfinance institutions. These provide access to energy to the poorest socio-economic groups and created 6,275 jobs, of which 30% occupied by

women. By 2019, investees of SIMA sold several million off-grid solar products, such as lamps, smartphone chargers and batteries.

Affordable lighting, e.g., brings immediate benefits. It creates more economic and educational opportunities, better health, and improved safety. So far, SIMA's portfolio companies have provided clean energy for over 1 million beneficiaries. This means that they rely less on burning fossil fuels, which are a very harmful and expensive source of energy. Overall, SIMA's portfolio companies already avoided 5.8 million tons of CO₂-emissions.

For each company SIMA invested in, it established individualized social goals, based on their business strategy and social intent. Once these are mutually agreed upon, the investee is held accountable through social covenants that are part of the legal agreements. The SIMA-team also conducts ESG-checks on-site and forbids all borrowers to engage in activities on the IFC Exclusion List. SIMA is also a member of GOGLA, the industry association for off-grid solar energy.

Decent work and economic growth



Mr Barry Ibrahim Laho is a young man from Guinée Conakry. When his mother died, he tried his hand at farming on a small plot he inherited. Cofina, a young pan-African mesofinance group supported by BIO, provided him with a small loan and helped him along the way. Now, he has become CEO of Kamofib, one of the country's biggest producers of fresh food products and a major creator of jobs. It's success stories like these that underline the value of BIO's work.



Jobs and economic growth mainly rely on the dynamism of private entrepreneurs like Barry. 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.

By investing in private companies BIO supports a substantial number of jobs directly. But – most importantly – jobs are also created indirectly through economy-wide effects, caused, for example, by the purchase of intermediary goods and services in the supply chain, or by employees

spending wages and paying taxes, or by financial institutions providing credit and power plants supplying sustainable energy.

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

Look, for example, at the case of Daw Saw Saw Win in Myanmar. The country's infrastructure is poor

Key aspects of IFC Performance Standard 2 on decent work and job quality (IFC-PS2)

Promoting the fair treatment, non-discrimination, and equal opportunity of workers

Establishing, maintaining, and improving the worker-management relationship and dialogue

Promoting compliance with national employment and labour laws

Protecting workers, including vulnerable categories such as migrant workers, women, or workers engaged by third parties in the supply chain

Promoting safe and healthy working conditions

Banning the use of forced or child labour

and Daw spent a lot of money renting trucks to transport her rice. VisionFund Myanmar, a microfinance institution supported by BIO, suggested buying a truck and Dawn was given two loans, for a total of USD 7,150. Now Daw could deliver directly to her buyers and rent out the truck when she didn't need it. Her profits grew 300%. Now, she is planning to invest in the mill and buy another threshing machine. This would double the mill's capacity and employ an additional 5-6 people. Also, with better and higher quality rice, Daw may potentially access export markets and sell her produce in Thailand or China.

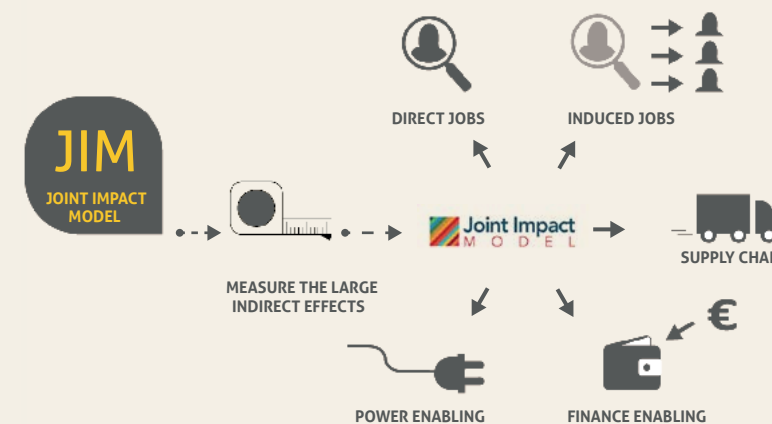
Challenges and opportunities to support decent and quality jobs

After initial discussions with a project's sponsors and entrepreneurs, BIO does an on-site due diligence. At that moment, there often appear challenges that are particular to emerging and developing countries. Labour markets 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 may be poorly designed and may have a bad impact on the condition of workers.

That leaves a lot of room for improvement, at a cost. BIO will therefore assess labour employment practises and management, and will rely on an environmental and social policy (E&S), to promote a fair, safe, and secure working environment in the future. Client companies must then adhere to all relevant local and international social regulations and conventions, such as the core conventions of the International Labour Association (ILO). Regarding working conditions and SDG8 targets, BIO's reference standard is IFC Performance Standard 2.

BIO's contracts make sure that its clients comply with these E&S-standards over time. In 2019 and 2020, 86% of all signed direct investment projects had a contractually binding E&S action plan. Usually, they formalize critical HR-processes and policies, enhance health and safety of operations, and improve workers' representation. BIO's clients may also benefit from consultancy and technical support through the Business Development Support Fund.

Case 1: The Joint Impact Model (JIM)



The Joint Impact Model is a tool that has been developed by a small group of DFIs (AfDB, BIO, CDC, FinDev Canada, FMO, and Proparco) in collaboration with specialist consultancy Steward Redqueen and enables to estimate indirect jobs, value added, and greenhouse gas (GHG) emissions related to investments of financial institutions. Thanks to JIM, BIO is now able to document and measure the large indirect effects associated with its portfolio. This model is also a key achievement towards the harmonization of impact measurement practices.

While people used to focus exclusively on the direct effects, JIM enables to estimate the magnitude of indirect effects. The latter include some that are at the heart of the investment thesis when investing in financial institutions or energy infrastructure.

In addition, the model can identify the investments that are most impactful. For instance, the employment effects of BIO's direct investments in SMEs appear higher than average, largely due to the sectors and countries in which they are made. Food manufacturers in countries such as Benin, Ghana, Rwanda, Senegal, and Vietnam have been the main drivers behind this large employment effect.

The model will be improved over the coming years and be made even more reliable, comprehensive, and easy to use. On top of jobs, added value and CO₂ emissions, other impact dimensions, like the quality of jobs, should be added in the future.

Facts and figures

In 2019, portfolio companies directly funded by BIO supported at least 108,752 direct jobs. The majority of the direct jobs supported are located in Africa (54%) and provided by financial institutions (87%).

There is a 4.4% net increase in the number of jobs supported compared to the year before or, equivalently, almost 4,500 new jobs created by direct portfolio companies.

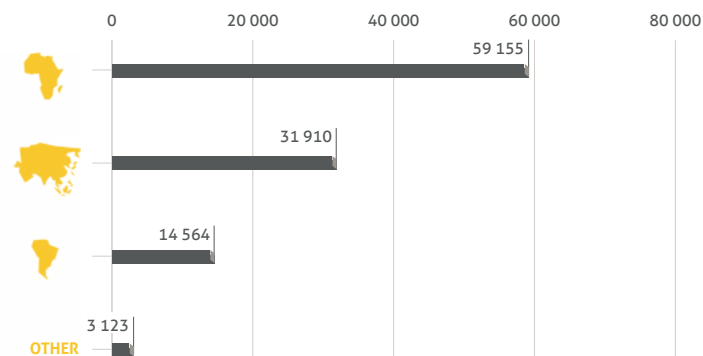
Indirect investments through funds supported an additional 131,787 jobs.

BIO investments have substantial indirect economy-wide effects beyond the creation of direct jobs. To estimate the indirect jobs supported and created, BIO uses the Joint Impact Model [See Case1]. For 2019, JIM estimates that companies funded by BIO further support 2.1 million indirect jobs through the local purchasing of intermediary goods and services, by spending wages, and by provisioning loans, and energy supply. This means 18 indirect jobs for every direct one, mostly from finance enabling effects or the loan activity of financial institutions. Another million indirect jobs would be supported through fund investees.

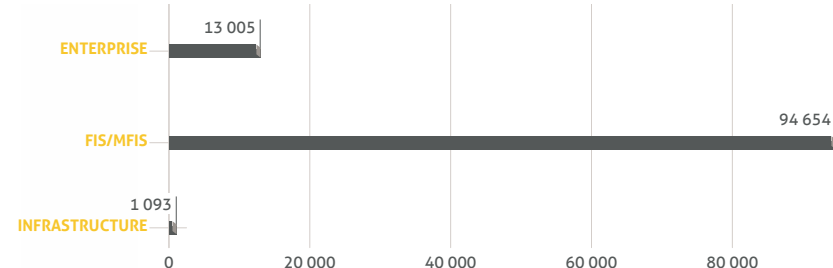
JIM estimates that the activity of portfolio companies contributes to increasing local gross domestic product by generating EUR 2.9 billion direct and EUR 18 billion indirect in value added.

The 40 financial institutions directly funded by BIO support loans and financial services to millions of micro-, small- and medium-sized businesses. Their total outstanding loan portfolio increased by 16% over 2019 to reach almost EUR 50 billion, resulting in an increased access and usage of credit, deposits, and payments. 🔄

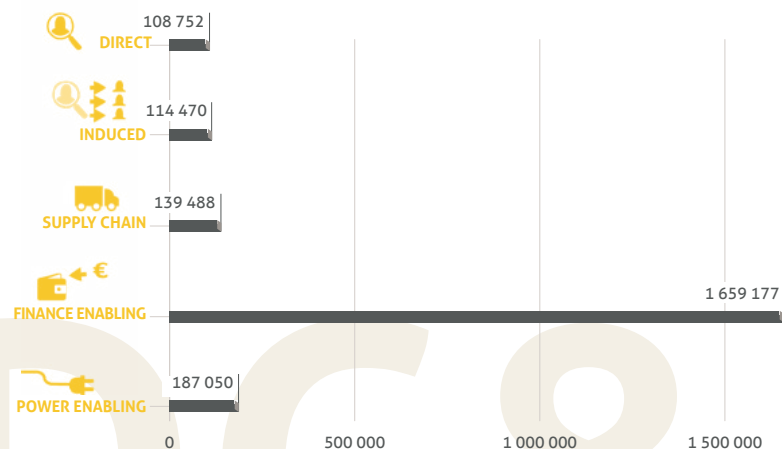
DIRECT JOBS SUPPORTED ACROSS REGION



DIRECT JOBS SUPPORTED ACROSS SECTOR

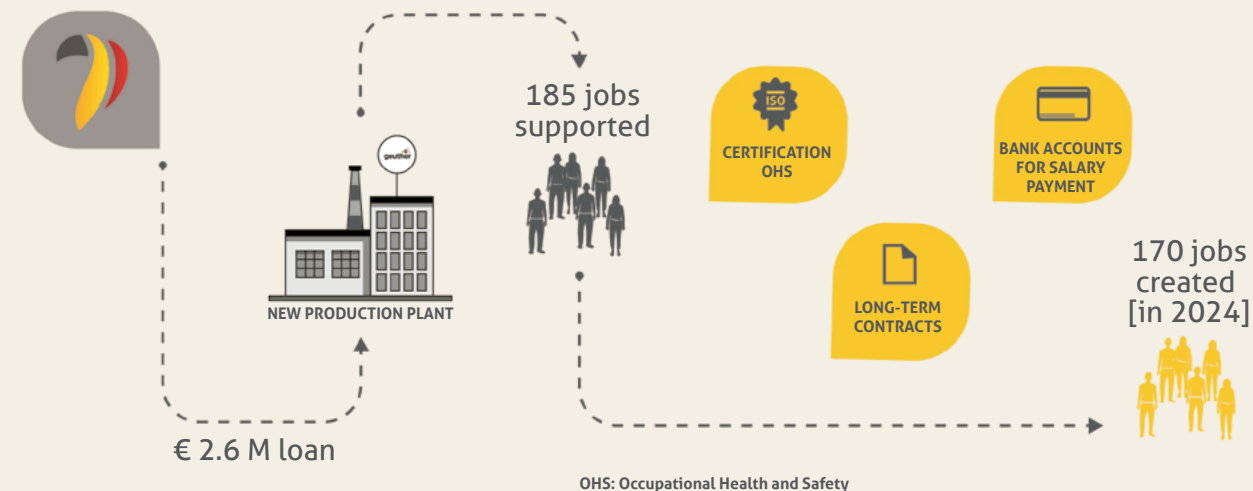


DIRECT JOBS AND INDIRECT JOBS²



² Impact results are calculated using the Joint Impact Model, a web-based tool for impact-oriented investors in developing markets, developed by the consultancy Steward Redqueen, in coordination with AfDB, BIO, CDC, FinDev Canada, FMO, and Proparco.

An example: Geuther Vietnam



In 2020, BIO granted a EUR 2.6 M loan to Geuther Vietnam Co., Ltd. This is a company that produces wooden safety gates and other solid wooden baby furniture. Demand for its high-standard, quality products is steadily growing.

That is why the company decided to invest in a new production plant which will support 185 jobs and create an additional 170 jobs by the end of 2024. All employees are local. One third of them are lowly educated. With BIO's encouragement, Geuther Vietnam will now focus on good E&S-practices and the transfer of know-how.

When BIO stepped in, the company already had an E&S-management system in place. This was based on the code of conduct and implementation system of the Business Social

Compliance Initiative (BSCI). Moreover, a BSCI certification audit gave the company a good rating with only minor recommendations. BIO classified the E&S-risks for Geuther in category B.

Despite the company's good E&S-performance and its BSCI-certification, BIO still identified additional steps that could be taken to improve occupational health and safety (OHS), as well as working conditions in general. Hence, BIO insisted on concrete measures to improve the design of Geuther's machinery and its workers' safety. BIO also asked the company to achieve OHS-related ISO 45001 certification. Other requirements included long-term contracts for employees, as well as support in opening bank accounts for salary payments. Today, 80% of Geuther

employees have bank accounts, instead of 40% before BIO's involvement. Finally, BIO requires an annual, independent BSCI-certification.

To achieve all this, BIO granted two subsidies for technical assistance (TA). The first TA-subsidy (EUR 5,929) was given to help the company obtain the ISO 45001- and ISO 14001-certifications. The second TA (EUR 31,044) was meant to increase business efficiency and the company's responsiveness to market needs. This was done by introducing lean production management in the whole organisation. Eventually, this should lead to an increase in productivity and profitability, as well as improved well-being and safety for Geuther's current and future employees.

Industry, innovation and infrastructure

Mr Ananda Verma, founder & CEO of Fasal, is someone who is driven by innovation. His company created, amongst others, a platform powered by artificial intelligence for horticulture, which captures real-time data on growing conditions from on-farm sensors and delivers farm-specific, crop-specific advice to farmers via mobile, in vernacular languages. Nothing less.



Fasal is an investee from Omnivore Partners India Fund 2, a BIO-client since 2019. Omnivore is a PE-fund that invests in start-up technology companies that are active in the sectors of food, agriculture, and the rural economy in India. One of Fasal's customers in Nashik, Mr Vaibhav Changdev Aringale, has nine acres of vineyard and has been doing grape farming for the last ten years. Earlier, there was no system which could give him any information beforehand about the irrigation parameters, soil moisture levels, leaf wetness, evaporation, weather forecast, etc. on a real-time basis. Fasal's system completely changed the scenario: "It's been five months now since I have installed the Fasal-system in

my plot. It helped me in prudent water management across my farm, leading to a lot of water savings. Its predictions and alerts were super helpful for me in controlling thrips, mealybugs, powdery mildew and downy mildew attacks."³

SME's like Fasal play a critical role in promoting technological change and creating jobs, producing basic goods and services for local markets. Through its focus on SME-financing, BIO strongly contributes to the growth potential and socio-economic development associated with that segment. BIO invests directly into SMEs or indirectly through financial institutions and private equity funds.

³ <https://fasal.co/Roi-on-grapes12.html>

Case 1 – Evaluation of BIO's private equity activities in sub-Saharan Africa

The private equity model is an effective and well-used model for developing new and innovative companies. That is why BIO invests in private equity (PE) funds.

Because these investments are indirect, it may be harder to spot their development effects. Therefore, an independent evaluation of BIO's private equity portfolio in sub-Saharan Africa was commissioned to gain more insight.

BIO usually invests in smaller PE-funds, that are more exposed to less developed markets. That is because BIO's investments are more additional in low-income countries and/or fragile

states. BIO is particularly active in such low-income countries, especially in Madagascar, Tanzania, and Uganda. As far as the middle-income countries are concerned, BIO has a relatively high PE-exposure to Côte d'Ivoire and Kenya.

The evaluation found that BIO is an agile and constructive investor, that can provide fund managers with advice on environmental, social and governance management (ESG).

Impact measurement tools are also made available to BIO-clients, and the evaluation recommends to further increase BIO's technical assistance facilities since funds that received subsidies for their investees' TA-projects clearly perform better on E&S-issues and impact measurement.

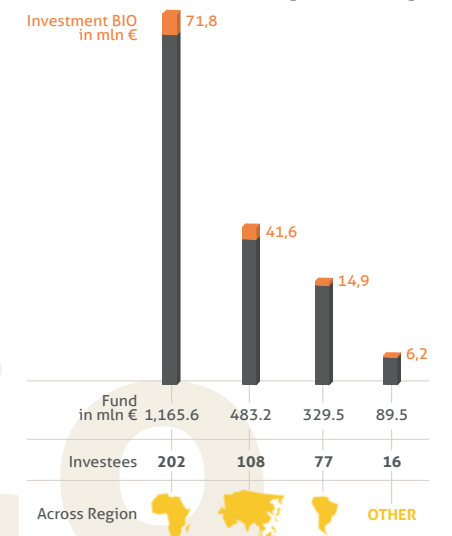
A take-away of the evaluation is that private equity funds provide invaluable support in business expansion, product development and professionalization to their investees. The latter also appear to offer good employment conditions and to provide essential goods and services to the local communities.

Even though they represent most businesses and formal jobs in developing countries, most SMEs continue to have significant financing needs. The gap between the existing needs and what's on offer is even bigger for smaller firms and more informal enterprises. These fail to access the long-term capital that is crucially needed to develop their activities. With adequate funding, SMEs can grow their businesses, invest, innovate, and improve their market position and competitiveness. This will eventually create higher productivity and profitability, and result in more employment, growth, and social inclusion.

Banks and other financial intermediaries are key to address the specific needs of SMEs. They provide the necessary market knowledge, product distribution channels, and support. Therefore, BIO's key objective when investing in financial institutions is to increase their lending capacity and to strengthen the financial and non-financial services directed towards SMEs.

Complementarily, private equity provides long-term capital to enterprises and actively participates in the governance and strategic management of the companies it invests in.

CUMULATIVE AMOUNT INVESTED BY FUNDS ACROSS REGION [IN MLN EUR]



Environmental & social risk management adds value

Financing SMEs has great impact potential but also comes with environmental and social risks (E&S). These may include pollution, lack of permits, threats to biodiversity, labor 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 actively identifies opportunities for improvement throughout the investment life cycle, adding value for its clients. 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 usually don't have a large direct E&S-footprint. However, their clients and investees could. That is why financial institutions and funds must insist that their clients and investees develop and implement an Environmental and Social Management System (ESMS). Take, for example, the ESMS of Banco Guayaquil, an Ecuadorian

universal bank that has integrated E&S-considerations into its risk assessment and credit processes. Banco Guayaquil uses dedicated tools that are managed by a full-time E&S-professional, who may also be supported by a dedicated external consultant. Their ESMS-system includes a screening checklist, a categorization of the risks, documentation requirements, and the assignation of roles and responsibilities concerning E&S. Moreover, it should be noted that 56% of jobs in the bank are held by women. And then there are the private equity funds, that usually go beyond delivering financial services, and also focus on ESG-practices, thus improving the economic and social viability of their investees.

Digital for development

Digitalization plays an important role in reaching the SDGs, and companies should use digital methods to reach out to more vulnerable groups. That is why digitalization for development is part of all BIO's investment policies.

As they are generally still in the start-up or in the early development stage, companies that have digital at the core of their business, or that include a strong digital component, are almost exclusively financed by specialized PE-funds. These funds

usually focus on agritech, fintech or healthtech. Several other financial institutions in BIO's portfolio also provide digital services for financial inclusion, like e.g. FINCA Malawi. This Malawian microfinance institution is developing branchless channels, and mobile transfers, savings, and loans for the local population. Case 2 illustrates the comprehensive digital scan that BIO carried out for all the financial institutions in its portfolio.

Finally, the Business Development Support Fund has grants available to strengthen the digitalization of products, services, internal processes, staff capacity, and the protection of clients' personal data. For example, BIO helped Banco Solidario, one of the leading microfinance players in Ecuador, to determine the best mobile distribution channels to serve existing and potential new clients. Also, Acep Group, a network of microfinance institutions in five West-African countries, developed a global digital strategy for serving its clients online thanks to the BDSF.

Facts and figures

Almost two-thirds of financial institutions in which BIO invests are commercial banks or leasing companies that are active in the SME-segment.

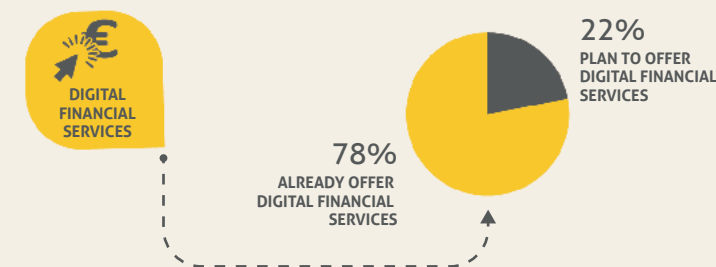
Together, they provide loans to at least 81,000 SMEs, of which 61,000 to small and 20,000 to medium-sized companies.

BIO had a total outstanding of EUR 134.4 million in 53 investment funds, mostly private equity funds. Half of these target SMEs. Others specialize in small-scale infrastructure (11) or financial institutions (6). Together, they invested in more than 400 companies across the world, mostly in Africa [See Case 1].

At the end of 2019, there are 61 small-scale manufacturing companies in BIO's portfolio. These are mostly active in food, pharmaceuticals, and basic equipment. They represented about 15% of the total amount of direct jobs supported by BIO's investments. 🟡

Case 2 – Digital scan of financial institutions

Financial institutions worldwide need to digitalise in order to stay competitive. How far have they come and how far are they willing to go?



BIO conducted a survey amongst the financial institutions in its portfolio to collect information on their level of digitalisation and strategic digitization priorities and challenges. All digital products and services offered by 27 clients were covered, as well as the level of digitalisation of internal processes, and the technological readiness for digital innovation. The survey also included digital partnerships (such as with mobile network operators, agent networks, fintechs, and others) and gauged the clients' attitude towards digital products and services.

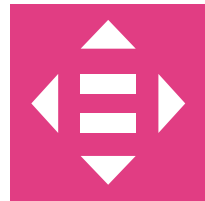
All participants in the survey were either already offering digital financial services to their customers (78%) or planning to do so (22%), with concrete digital products already under development. Similarly, all institutions were either already using digital tools to enhance operational processes (75%) or making concrete plans to do so (25%).

Many digital products, channels and services are still under development, but the message is clear. Digitalisation concerns all types of financial institutions, and there is a sense of urgency. The champions of digitalization now are commercial banks. But BIO hopes that microfinance institutions as well will drive digitalization further. This would greatly accelerate the financial inclusion of so many more people who like, or need, the convenience and efficiency of digital products.

Through the Business Development Support Fund, BIO can now offer tailor-made technical assistance to further support its clients' digitalization efforts.

Reduced inequalities

BIO invests in the poorest countries and in inclusive businesses by providing equal access to opportunities and resources for people who might otherwise be excluded or marginalised.



Take, for example, Utkarsh CoreInvest Ltd in India, which provides microcredit to female borrower groups under the Grameen model.⁴ The Grameen model emerged from the grassroots institution that focusses on the poor, Grameen Bank, started by Prof. Mohammed Yunus in Bangladesh. It essentially uses a methodology in which the collective responsibility of a group of customers serves as collateral for individual loans. In this way, Utkarsh CoreInvest targets unbanked populations who have the skills but are in need of capital. Usually, such microfinance institutions (MFI) in BIO's portfolio, that cater to the specific needs of micro-entrepreneurs, rural populations, and women, have the strongest potential for increasing financial inclusiveness, i.e. the access

to a bank account, financing and other financial services. [See Case1]. Agribusinesses may also be key drivers to foster growth and reduce poverty in low-income countries when they contribute to rural development and food security, e.g. by providing new market opportunities to smallholder farmers [See Case 2].

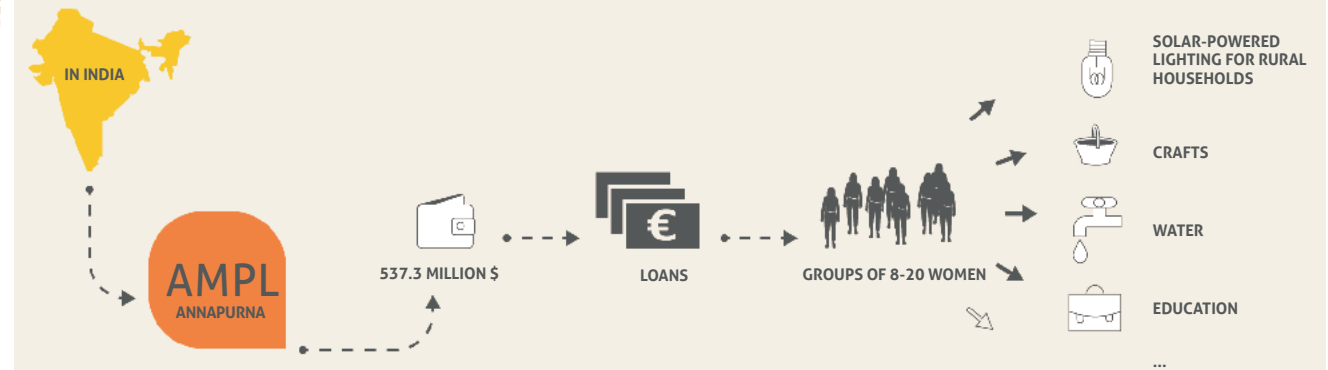
Finally, governments as well have a central redistributive role in increasing social and economic inclusion, through healthcare, education, and other social provisions. By paying taxes and social contributions, BIO's clients enable them to honour these duties.

Protecting vulnerable clients

While MFIs have a strong potential for inclusiveness, they may also raise issues for vulnerable stakeholders.

⁴ Erstwhile Utkarsh Micro Finance Limited. BIO granted a USD 5 million loan in 2015.

Case 1 - Annapurna



Omm Sirini Sai Self Help Group is one of the active groups of Annapurna's Balipatna branch of Khurda District. The group currently has eleven members who want to help their families financially. Annapurna – a microfinance institution - assisted Omm Sirini Sai by providing a group loan. One member, Mrs. Tikina Raut, explains that they: "started making toys and showpieces out of coconut coir and then scaled up their business further." The group's products are highly demanded in local fairs and festivals, especially in Shri Jagannath Rathayatra in Puri.

Annapurna Microfinance Private Limited (AMPL) is a leading microfinance institution in India, which provides financial and non-financial services to unbanked micro-entrepreneurs,

especially women, in rural, tribal and sub-urban areas of Central-Eastern India. AMPL primarily lends to individual women borrowers under the Self-Help Group-model (SHG), where groups of 8-20 women save and borrow together for their businesses. Usually, they take out loans for less than USD 400. The money is used to finance agricultural production, crafts and services, trade, water, sanitation, solar-powered lighting for rural households, education etc.

Together with other social impact investors, like Incofin and Oikocredit, BIO assisted AMPL in scaling up and growing its microcredit portfolio. BIO's 20% equity stake in AMPL makes it one of its largest shareholders. While in 2015 AMPL had a gross loan portfolio of USD 70 million, in 2020 it had grown

to USD 537.3 million. Over these years, the number of clients multiplied by 6 and reached 1.75 million people, almost exclusively women.

BIO's technical assistance helped the company with its social rating and Smart Campaign certification. It also contributed to the development of branch audit tools. BIO helped to review the company's strategic business plan and to set up an employee training and retention programme. AMPL's partnership with BIO also helped to establish a Social Performance Management department that emphasizes responsible finance, social performance, and environmental impact.

That is why 8 out of the 18 microfinance institutions that are funded by BIO are Smart Campaign-certified.⁵

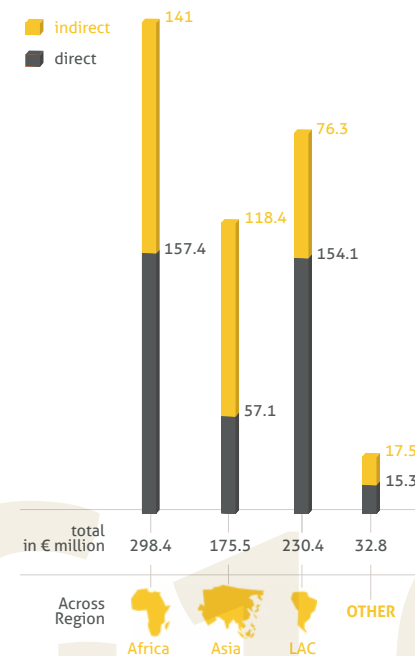
This certification acknowledges that clients are correctly protected against abusive lending practices. It guarantees price transparency and reduces the risk of client over-indebtedness. BIO actively supports MFIs, a.o. in Senegal and Côte d'Ivoire, to prepare for Smart Campaign-certification. It also aims to ensure fair and sustainable term conditions for smallholder farmers.

BIO protects all stakeholders that are impacted by a project equally. These may include suppliers, community members, and the users of services. Its E&S-standards cover all matters related to community protection, such as health, safety and security, land acquisition and resettlement, the rights of indigenous people, and their cultural heritage.

In its E&S-assessment BIO pays particular attention to the integration of vulnerable groups. In its E&S action plans, e.g., BIO may require its clients to upgrade their HR-policies with community non-discrimination clauses and to adapt their practices accordingly.

MFIs that cater to micro-entrepreneurs, rural populations, and women, have the strongest potential for increasing financial inclusiveness.

PAYMENTS TO GOVERNMENT ACROSS REGIONS



Facts and figures

BIO invested a total of EUR151million in Least Developed Countries (LDCs) or, equivalently, 26% of BIO's total outstanding commitment in 2019.

The 23 direct investments in LDCs created jobs for 12,456 people. Investment funds supported an extra 111 companies and 30,000 direct jobs in LDCs.

At the end of 2019, the financial institutions funded by BIO had EUR3 billion outstanding in microloans.

Laiterie du Berger and Puratos Vietnam are agricultural investments that work with small-scale producers. Niche Cocoa in Ghana also sources its beans from several thousands of smallholder farmers.

In 2019, companies that were directly funded by BIO contributed a total of EUR 384 million in taxes to their respective local governments. More than a third of these were paid in LDCs, where tax revenues are often the lowest.

Indirect investments through funds contributed EUR 293 million in taxes to local government revenues. 🌱

Case 2 - Laiterie du Berger



Senegal is the second biggest importer of (powder) milk in West Africa. Laiterie du Berger (LdB), a dairy processing firm, therefore wants to upgrade the country's dairy value chain. The company collects milk from small herders of the semi-nomadic Fulani population in the North of the country and turns it into finished products for the local markets. It also provides the herders with cattle feed and supporting services.

Mr. Yero Mariem Sow, is one of these Fulani herders and according to him "selling milk allows me to support myself. Before the Laiterie du Berger, I had to sell my cows to survive. Now I sell 15 liters of milk a day for CFA 3,000. That allowed me to build an enclosure for 20 of my 70 cows. They are also better fed now, so my herd is growing."

Laiterie du Berger directly impacts the lives of 15,106 family members of people like Yero. It has created more than 340 permanent jobs - 38% of which are held by women.

With BIO's support, the company plans to double its operating capacity and to improve its logistics network in the Dakar region. BIO also works closely with the company on proper environmental and social management systems, and policies, and has granted 3 technical assistance-subsidies.

⁵ The Smart Campaign | Center for Financial Inclusion

Responsible consumption and production

“ 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. BIO has invested in the Fairtrade Access Fund, which in turn has invested in Soprocopiv. Soprocopiv has 7,636 members; all coffee farmers with fields ranging from 20 acres to 10 hectares. They are located in Lubero and Beni territory. All members of Soprocopiv are UTZ-BIO 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. The latter is rather new, and must be acquired digitally since the region is too difficult to reach for the standard certification process. ”



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.” Yet, 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 incite companies to use less natural resources and produce less greenhouse gases, pollutants, and waste. Labels like Organic, Fairtrade, UTZ, Rainforest Alliance, FSC, and PEFC all contribute to sustainable consumption and production. BIO encourages sustainable management practices and offers technical assistance subsidies to

BIO also requires companies to protect and conserve biodiversity and to maintain ecosystem services.

help implementing these standards. The Fair Trade Access Fund, e.g., is invested in 330,000 smallholder farmers who benefitted from BIO’s technical assistance to become organic, UTZ/Rainforest or Fairtrade-certified [See Case 1].

BIO’s investments in Alterfin, Geuther Vietnam [See Case 1 in SDG8 section], Puratos Grand Place Vietnam, and Niche Cocoa involved similar international sustainability certification by using BIO’s technical assistance subsidies.

Case 1: Fairtrade Access Fund

The Fairtrade Access Fund (FAF) is a social impact fund created in 2012. It operates in 19 countries in Latin America and sub-Saharan Africa. Its varied portfolio ranges from Guatemalan coffee plantations, over honey producers in Chile, to cashew nut markets in West Africa.

FAF addresses the financial and technical needs of smallholders and provides loans to farmers, cooperatives, SMEs, and microfinance institutions that are active in the local agricultural value chains. So far, FAF funded more than 330,000 farmers. Moreover, its investment strategy fits perfectly with BIO’s mandate to help agricultural smallholders mitigate the effects of climate change.

FAF pays particular attention to the remuneration of smaller producers and to the environmental and social (E&S) impact of its companies. The fund looks for sustainable projects which are either already Fairtrade-accredited or in the process of becoming accredited. On top of that, other labels, like UTZ or Rainforest Alliance, require a sustainable approach towards pesticides and fertilisers, reforestation of land, and the protection of rivers and ground water.

BIO provided FAF with EUR 3 million in equity with the purpose of strengthening its E&S Management System (ESMS). BIO also supports FAF in assessing potential gaps with IFC Performance Standards and local legislation. In order to better capture the E&S-risks of each investee, specific action plans may be included in the contracts. FAF-staff also receives E&S-training.

Finally, BIO supports the fund’s technical assistance facility with a grant of EUR 350,000. This facility is meant to help smallholders improve the productivity and/or quality of their crops, and to comply with and maintain the certification processes. It also helps FAF-investees to manage their businesses more effectively by implementing poverty assessment tools, agricultural socio-demographic baselines, and by strengthening the operational and social performance of its investees.

Responsible use of resources

To attain SDG 12, it is crucial to promote the efficient use of resources, to reduce waste, and to prevent pollution. That is why BIO has three main E&S-objectives, based on IFC Performance Standard3.

First, BIO 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 emissions of greenhouse gasses.

That is why 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 and supported to transform its waste into energy. Moreover, all BIO's new direct investments are assessed by E&S-experts who suggest improvements on waste management, water consumption, and energy consumption in their E&S-action plans.

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.

Green loans

A green loan is any type of loan instrument that is exclusively available to facilitate and support environmentally sustainable economic activities. These may range from climate projects, over the management of wastewater or living natural resources, to clean transportation.

For example, in Nicaragua, Financiera FDL offers green loans to support the productivity of small farmers and to promote environmentally friendly development. This microfinance institution also works with the Instituto de Investigación y Desarrollo Nitlapan, a research centre of the Central American University (UCA) in Nicaragua, whose services allow small rural entrepreneurs to improve their productive skills through technical assistance, which generate a better insertion in the market and increase their income. The funds are used to finance projects on climate mitigation.

Also, in 2019, BIO's Business Development Support Fund co-financed a training session and market analysis on green lending for Fidelity Bank in Ghana. This led the bank to develop a green credit line and to the ambition to become a reference in loan products for renewable energy, energy efficiency, and waste management.

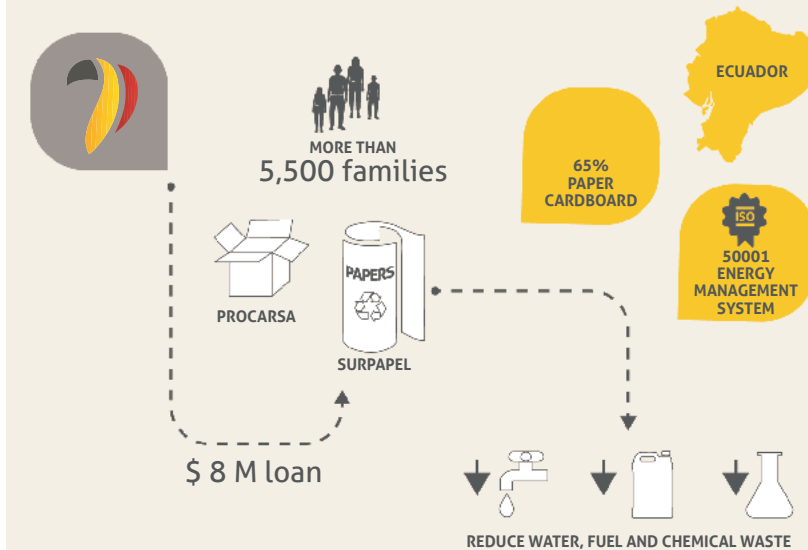
Facts and figures

In addition to funding a technical assistance facility for the Fair Trade Access Fund, BIO has supported the development of sustainable agricultural practices for three projects: Geuther Vietnam, Puratos Grand Place Vietnam and Niche Cocoa.

At the end of 2019, three financial institutions in BIO's portfolio had a total outstanding green loan amount of EUR 832 million.

The Africa Forestry Fund II, which manages forestry plantations, has invested in 2 projects (Global Woods and Mphome), which sequestered over 20,000 tonnes CO₂e in 2019. 🌱

Case 2: Surpapel



In 2019, BIO provided a USD 8 million loan to two sister companies, Procarisa and Surpapel, that produce cardboard boxes. The latter is a paper mill in Ecuador and provides the former with (recycled) paper rolls.

The company wants to create a responsible, recycled paper supply chain. Already more than 65% of its raw materials consists of recycled paper or cardboard. More than 5,500 families are directly involved in this recycling industry. Moreover, expanding Surpapel's production capacity will facilitate the export of Ecuador's main agricultural commodities like bananas, flowers, and shrimp. This makes Surpapel an integral part of the agricultural value chain in the country, where 2 million people depend on the banana industry.

With the help of BIO, Surpapel now wants to further reduce its water, fuel and chemical waste. An ESAP was drafted in which the client undertook to use key indicators for its energy, water, fuel and chemicals consumption, and to carry out annual quantifications of its greenhouse gas emissions. The ESAP also included an energy efficiency check and the implementation of an ISO 50001 energy management system.

BIO urges its customers to avoid or minimise the release of pollutants to air, water, and land.



Challenges and work in progress

This report asks the question whether BIO and its clients are on the right track towards the Sustainable Development Goals. It tries to give a comprehensive and transparent picture on where BIO stands in contributing the 2030-agenda.

Over the past few years, and despite the harsh impact of the covid-crisis on developing countries, major progress has undoubtedly been made. But, there still is a long way to go to reach the SDGs. By continuing to finance innovative, sustainable, and inclusive private sector projects in the years ahead, BIO will further scale-up its investments and will continue to look after its clients' needs in an agile, impactful, and sustainable way.

This responsibility comes with numerous challenges:

DEVELOPMENT IMPACT MANAGEMENT

BIO interacts on development impact with its clients all along the investment cycle. Development impact is at the heart of BIO's harmonisation efforts with other European DFIs and multilateral development banks. Furthermore, BIO will organize thematic discussions with Belgian impact investors in order to share best practises, especially on certain topics like climate, decent work, and gender.

DECENT WORK AND SOCIAL PROTECTION

European development institutions are vividly discussing how to assess and measure their impact on decent working conditions. As part of this effort, BIO is working with EDFI on topics like job quality and a human rights-based approach. European DFIs are also developing the JIM-model to better address job quality considerations.

BIO will also further explore the themes of decent work, social protection, and living wages with other development cooperation stakeholders, like Enabel, civil society, and experts in the field.

Moreover, in 2022-2023, BIO's external case study evaluation will be devoted to the subject of promoting work.

GENDER EQUALITY

BIO works together with its clients in developing innovative, women-focused products and services. It also promotes the access of women to relevant training and decision-making positions in the companies they work for. Raising gender awareness will remain an objective in BIO's investments.

CLIMATE CHANGE

BIO supports the energy transition by helping its clients to mitigate and adapt to climate change.

In November 2020, BIO signed up to joint ambitions on climate and energy related finance, that were set out in the EDFI Statement on Climate and Energy. The statement sets 6 ambitious commitments for the years ahead, among others the alignment with the Paris Agreement by 2022 and the transition of BIO's investment portfolios to net zero greenhouse gas emissions by 2050 at the latest. BIO will continue to focus its efforts on renewable energy projects and will develop a strategy with a focus on innovative and decentralised energy production, offering innovative solutions to households and SME's which have no access to reliable and affordable power.

The Business Development Support Fund will continue to support BIO's

clients in coming to terms with the warmer world in which we will be living. Building up resilience is key and the fund will provide subsidies to develop and use risk management tools, and develop appropriate products and services for dealing with climate change.

TRANSPARENCY

BIO sees transparency as an obligation towards its stakeholders, and as a way to increase their trust in its activities.

In 2020 BIO adopted a Transparency and Disclosure Policy that defines the information that is disclosed to its stakeholders in an open and transparent way, while also protecting the rights of its clients. BIO has also taken the initiative within the association of European Development Finance Institutions (EDFI) to achieve a common basic disclosure policy for all its members. Furthermore, BIO seeks to engage regularly with civil society, NGOs and other development actors on specific themes or projects. 





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