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The mission of the Belgian Investment Company for Developing Countries (BIO) is to support a strong private sector in developing and/or emerging countries, enabling them to gain access to growth and sustainable development within the framework of the Sustainable Development Goals.

MISSION

OUR VALUES

Open-mindedness

WE ARE OPEN TO THE WORLD, NEW PROJECTS, NEW IDEAS AND WE VALUE DIVERSITY

Responsibility

WE HOLD OURSELVES ACCOUNTABLE FOR EVERYTHING WE DO, WE KEEP OUR PROMISES AND WE DELIVER EXCELLENCE

Determination

WE HAVE A STRONG DESIRE TO FULFIL OUR AMBITIONS, COMING UP WITH INNOVATIVE SOLUTIONS AND DARING TO BE BOLD AND TAKE THE INITIATIVE

Sustainability

WE WANT TO CREATE VALUE SHARED BY ALL OUR SHAREHOLDERS AND DEVELOP LONG-TERM COLLABORATION AND WE WANT TO ACHIEVE LASTING SOLUTIONS
In many respects 2015 was a turning point, especially from an international development perspective, with 193 countries setting down a new development framework in the form of Sustainable Development Goals at the United Nations Sustainable Development Summit in September.

Following in the wake of the Millennium Goals, these new goals are particularly ambitious. The ultimate objectives are to eradicate poverty by 2030 and to protect our planet. Though the new goals are not legally binding, in my view they are morally compelling. The new development framework constitutes the best and perhaps the only chance to get through the 21st century relatively unscathed, enabling us to bequeath to future generations a planet in better shape than it is now.

One of the new frameworks highlights is the key role to be played by the private sector. Although BIO has always attached great importance to the private sector’s role, this is now for the very first time firmly anchored in international development thinking, with international consensus that there can be no development without the local private sector.
A strong local economy is an important driver of progress and the backbone of an inclusive society where all men and women have the chance to get on in life.

Earlier in 2015, the UN Financing for Development Conference in Addis Ababa similarly made it quite clear that the private sector has a key role to play in financing development, as seen by the fact that the flow of private investment capital to developing countries is now many times higher than that of Official Development Aid (ODA).

During the UN Sustainable Development Summit in New York, I had the privilege of chairing one of the major debates on behalf of our country on the role of the private sector in development. Among others, Facebook CEO Mark Zuckerberg greeted the new development goals with great enthusiasm and commitment, and, in doing so, infected many others present at the Summit.

But what does this new consensus on the role of the private sector mean for BIO and our Belgian companies?

First of all, we have to adapt the BIO mission statement to the new context created by the Sustainable Development Goals. I initiated the legislative process immediately after the Addis Ababa and New York conferences.

In addition, we are opening BIO’s capital to private investors in search of impact investment opportunities. Via BIO they will have the chance to contribute to development. Please note: such investments must always be both in line with development goals and provide an adequate financial return.

Last but not least, in line with such international examples as the UN Global Compact, the Swedish Leadership for Sustainable Development or the Dutch Charter voor de Nieuwe Ontwikkelingsdoelstellingen, we need to build a broad-based alliance of private sector representatives to make the new Sustainable Development Goals become reality in the form of concrete results. Here as well, I am counting on BIO’s enthusiastic participation and leadership.

Alexander De Croo
Deputy Prime Minister and Minister of Development Cooperation
The Impact of Investing in Sustainable Development

As we enter the compound of Madame Désirée, the sand stirred up by the Sahara wind mixes with flour dust. On the outskirts of Ouagadougou, the capital of Burkina Faso, Madame Désirée’s company consists of an adobe house with half a dozen different flour mills, and terraces to dry cereals. Her business: buying sorghum, millet, maize and rice from the farmers around Ouaga, processing these into flour, couscous, polenta and other cereal products, and selling them in retail packaging to stores, wholesalers and women vendors on the open-air food markets. Madame Désirée has long-term supply contracts with farmer groups and cooperatives, paying them a good price for quality cereals. Madame Désirée now employs 8 women for receiving the farmers, drying the grain as needed, grinding it and then filling it into cellophane bags. Starting up her business with her own savings, she received
a €1,000 loan from ACEP to finance its expansion. With this initial loan fully repaid, Madame Désirée is now into her second loan, using the money as working capital to bridge the time gap between purchasing from the farmers and being paid by her customers.

ACEP started business operations in Burkina just three years ago. Whereas most small business financiers shy away from lending to people like Madame Désirée – she is illiterate, had no previous business experience and didn’t have assets that are usually requested as collateral –, she comes under the scope of ACEP’s business model. ACEP employs young credit agents to comb the streets of Ouaga on their mopeds in search of incipient entrepreneurs: tailors, furniture-makers, mobile phone repair shops, metal workshops, i.e. basically targeting any entrepreneur wishing to grow her or his business. The credit agents assist them in translating their dreams into business and financing plans, ensure their families and friends support them, and provide tailored loans – a few hundred euros initially, and up to several (tens of) thousands as the businesses flourish. Due to the almost total lack of collateral, ACEP’s financial risk is huge. But through weekly visits, SMS credit repayment reminders, and hands-on help when a business runs into trouble, ACEP is able to minimize write-offs while being a very successful catalyst of business growth, job creation and local economic development. After just two years, ACEP Burkina now lends to over 3,800 small-scale entrepreneurs.

ACEP Burkina is the latest offspring of a network of 5 ACEPs in French-speaking Africa. Last December, after a good year of work, BIO became one of the founding shareholders of an ACEP holding structure, contributing €4 million in equity to enable the establishment of additional ACEPs in Ivory Coast and Togo.
BIO invested in ACEP because it is a fine example of the type of impact investment BIO has been doing for fourteen years now: using a commercial approach to enable people and companies to access financing to create employment, economic prosperity and social well-being – the type of investments center-staged in the international conferences mentioned by Minister De Croo in his Foreword. Last year his Ministry increased BIO’s capital by €40 million, meaning that at the end of 2015 we had almost €700 million available for impact investing and helping to achieve the new Sustainable Development Goals.

To help us in targeting and monitoring our investment-for-impact, we have rolled out a new methodology to assess, track and evaluate the development effects of our financing. In conceiving the methodology, we faced the same question as everybody else in development cooperation: how to devise a system regarding a subject – “development” – that eludes simple definition let alone easy quantification, a system that generates the essential information without putting an undue burden on our partners and clients and at a reasonable cost for all involved?

Our answer is a methodology defining the eight areas of development that we believe to be most pertinent for our type of impact investing: job creation and retention, economic growth, “financial inclusion”, food security, and four others that you’ll find the next section, where our new methodology is described in greater detail. When assessing a new investment opportunity, we determine the area or areas in which the investment should have most impact. We then translate this impact into performance indicators – some standard, such as ‘n’ MT CO2 avoided, and some specific, such as ‘n’ MT of flour sold on domestic markets. We discuss this analysis with the investee to make sure we are aligned on achieving maximum impact in particular areas. The indicators then become part of our investment contract and are regularly assessed during the investment period. When performance falls short of expectations, we discuss with our client what can be done. And we can offer a subsidy out of our Micro-, Small- and Medium-sized Enterprises (MSME) Support Fund to co-finance remedial technical assistance.

This approach focuses on essentials – for example, the contribution of a solar energy project to bringing electricity to under-developed regions and fighting climate change. Its drawback: it doesn’t track secondary effects, such as the solar project’s impact on improving food security or promoting gender equality. But it does allow us to get a tighter grip on a project’s primary development
impact. And to make sure that we don’t lose sight of the other areas, we use environmental and social standards that all projects always have to comply with – and which help our clients and us in identifying opportunities for improvement.

We started applying the new methodology to all our new investments in 2015, and are progressively including earlier projects as well. On the following pages you can read about the initial information generated. Though the system still needs fine-tuning, it’s already clear that it will be a great help in achieving our mission: to promote private sector development, economic growth and lasting poverty reduction in Africa, Asia and Latin America. Moreover, as ways of measuring impact effectively are key to the growth of impact investing, we are proud that this methodology has already become a source of inspiration for other impact investors.

Luuk Zonneveld
CEO BIO N.V.
In 2014, BIO’s Development & Sustainability department undertook a fundamental revision of the tools used to assess the development impact of our investments.

This revision resulted in a new development assessment system which (a) maps how the investment will contribute to BIO’s development objectives, (b) defines a yearly monitoring of the development impact of our projects in portfolio, and (c) sets out procedures for measuring the impact attained when exiting an investment. In addition to this three-step assessment system, BIO has at least five specific investments assessed by external evaluators every year. In 2014, five projects in Senegal covering different types of investees were closely studied and evaluated. In 2015, external evaluators analysed the impact of five financial sector MSME investments in Kenya, Tanzania and Uganda.

**Development assessment system**

**The ex ante assessment tool**

The main function of the ex ante assessment tool is to structure and document the development rationale of a given investment by indicating how it is expected to contribute to BIO’s eight development goals.
1. **Local economic growth:**
Main factors here are job creation, SME growth and import/export effects. This dimension is key to most of BIO’s investments.

2. **Private sector innovation:**
Private sector innovation is understood in a broad sense and refers to the potential of the investment to bring new know-how or technologies to the country, or to consolidate or structure the local market by creating upstream or downstream linkages between companies, or by contributing to the creation of new types of institutions or the availability of new or improved products.

3. **Financial inclusion:**
Financial inclusion refers to providing financial services, credit, savings, payment and transfer services and insurance to financially excluded segments of the population, including micro-entrepreneurs.

4. **Food security and rural development:**
This dimension includes three sub-factors: (1) improving economic opportunities for smallholder farmers, (2) creating formal employment in rural areas and (3) contributing to the availability of food on local markets.

5. **Basic services and goods:**
This dimension refers to access to basic services and goods for the population. These include energy, housing, water, health, education, communication, etc. Note that food and financial services are covered separately and not included under this dimension.

6. **Fighting climate change**
This dimension includes two different parts: (1) climate change which relates to improving energy efficiency and creating supply and access to renewable energy; and (2) the preservation of natural resources, in particular forest and water.
7. **Promotion of ESG best practices**

There are two distinct ways in which an investment can contribute to the promotion of Environmental, Social and Governance (ESG) best practices. Either an investee company already disposes of excellent practices, in which case the investment may serve to showcase these practices to peers within the sector. Or, alternatively, if not all practices are up to standard, the investment may provide an opportunity to improve standards.

8. **Gender**

This dimension refers to the empowerment of women and the creation of business opportunities for women.

In addition to these development goals, the ex ante assessment tool also covers additionality. The core reason for the existence of development finance institutions (DFIs) such as BIO is the belief that markets in developing countries are incomplete, i.e. bankable investment opportunities exist for which no commercial financing is available. The role of DFIs is thus to supplement the market.

Besides this financial additionality, there are also non-financial ways in which BIO can bring added value to a project, offering services other than financing. Examples include improving an environmental and social risk management system, assistance in developing product lines to reach poorer clients, and assistance in improving a client’s management capabilities. In principle, such services can be subsidized by BIO’s MSME Support Fund. To maximize the development impact of its investments, BIO actively seeks opportunities for non-financial additionality in the investment appraisal phase.

For the different types of investments, whether in an MSME, in an infrastructure project, a financial institution or a fund, a tool has been developed that translates these general dimensions into sets of more concrete indicators.

During the investment appraisal, investment officers have to clarify how an investment is expected to contribute to the different dimensions and sub-dimensions. To ensure consistent and comparable ratings, the assessment is checked by the Development Officer. The tool allows the development impact
on the 8 goals mentioned above to be calculated:

**BIO DEVELOPMENT RATING**

**Development goals**
1. LOCAL ECONOMIC GROWTH
2. PRIVATE SECTOR CONSOLIDATION/INNOVATION
3. FINANCIAL INCLUSION
4. FOOD SECURITY AND RURAL DEVELOPMENT
5. ACCESS TO BASIC SERVICES AND GOODS
6. FIGHT AGAINST CLIMATE CHANGE AND PRESERVATION OF NATURAL RESOURCES
7. PROMOTION OF ESG BEST PRACTICES
8. GENDER

**Additionality**
1. FINANCIAL ADDITIONALITY
2. NON-FINANCIAL ADDITIONALITY

**Yearly reporting**
Following the development assessment, relevant – in part standardized and in part specific – follow-up indicators are set. Tracked during the investment period, these are set together with the client and include a baseline and projections. Every year, the client compiles a report on them, tracking progress towards the targeted development goals and assessing whether extra attention or action is needed, by means of a technical assistance (TA) program.

**End of project**
An end-of-project assessment is conducted on completion of each project. The main objective is to distil and document lessons learned. The assessment covers business, financial, development and Environmental & Social (E&S) outcomes, and is based on monitoring data and any other available information. The framework for the assessment is provided by the expected development effects indicated in the initial appraisal at the start of the investment. Internal meetings are organized to discuss the outcomes.

**External in-depth evaluations**
In addition to these short end-of-project evaluations undertaken for every investment, BIO conducts a limited number of external in-depth evaluations each year. The Principles for Evaluation of the Organisation for Economic Development and Cooperation (also known as the DAC principles) – relevance, effectiveness, efficiency, impact and sustainability – provide the framework for these evaluations.

The external evaluations focus on a particular theme, sector or region and examine at the performance of at least five ongoing or recently exited projects. The external evaluators look at the projects much more intensively than in the end-of-project assessments do, interviewing clients and investee companies, comparing investees to other companies in the area and investigating development effects that are more difficult to assess.
Applying BIO’s new development assessment tool
The ex-ante development assessments of the investments approved in 2015 have allowed an assessment of how a project is expected to contribute to BIO’s eight Development Goals (BDGs):

The expected contribution of BIO investments to its BDGs can vary greatly. For example, a renewable energy project will primarily target ‘Fighting Climate Change’, while a Microfinance project will score primarily on ‘Financial Inclusion’. For each goal, specific parameters are set to harmonize scoring. For each investment, the BDGs are assessed as a primary, secondary or irrelevant goal. Looking at our 2015 investment commitments, the expected contribution to our BDGs is as follows:

1. All 22 projects approved in 2015 are expected to contribute to local economic growth, and for 17 investments this is the main objective. Financial institutions are expected to improve local economic growth through offering financial and non-financial services to MSMEs, for example technical assistance, and through the mobilization of local savings. For the projects in the other sectors, local economic growth is expected mainly through increased employment and net export effects.

2. 21 projects address private sector consolidation and innovation, measured by transfer of know-how and market structuring effects. This is a main objective for 16 projects.

3. The 11 projects supporting financial institutions and MSME funds are expected to contribute strongly to financial inclusion by improving access to credit and other financial services.

4. Food security and rural development is a main objective for 3 BIO investments. This is expected to be achieved through improved access to and availability of food, the creation of rural employment, and access to finance in rural areas. Another 8 projects indirectly address food security and rural development by reaching out to communities in rural areas.

5. 13 projects are expected to improve the availability of basic services and goods.
goods in the local market through investments in housing, education, health, construction materials, energy, telecommunications and water. For 7 projects, this is the main development objective.

6. Fighting climate change - either through improving energy efficiency, accessing renewable energy and/or preserving natural resources - is an objective for 8 investment projects, and for 3 of them it is the main objective.

7. Through BIO’s investment in 14 projects, environmental, social and governance standards in the respective sector are expected to be improved. This is a primary objective for 3 investments.

8. 10 projects are expected to specifically contribute to gender equality – 3 as a primary and 7 as a secondary goal – through promoting female empowerment and creating business opportunities for women.

Another aspect of the ex-ante assessment of projects is their financial and non-financial additionality. In 2015, 100% of BIO investments are considered to be financially additional, whereby in 86% of them this was a primary aspect. BIO contribution was to offer specific funding unavailable in the client’s local market or not offered by private banks.

For 90% of its investments in 2015, BIO played a non-financial additional role, with this a primary aspect in 45% of cases. Non-financial additionality exists when BIO adds value to a project by of-
ferring services other than financing. This can be through the MSME Support Fund offering co-financing grants for technical assistance, through BIO officers having a seat on the Board or Advisory Committee of the investments to guide investee decisions, through helping the investee to develop environmental, social and governance standards in collaboration with other Development Finance Institutions (DFIs); etc.

BIO has developed a monitoring template for each investment, allowing it to keep track of project achievements with regard to the BDGs. Clients are requested to compile annual reports throughout the lifetime of the investment.

**DEVELOPMENT FINANCE INSTITUTIONS (DFIS) AND EDFI**

BIO is a so-called DFI National and international development finance institutions (DFIs) are specialised development banks or subsidiaries, usually majority-owned by national governments, and set up to support private sector development in developing countries. One of the major challenges for DFIs is to help financed companies to become aware that good governance and environmental and social performance are essential components for their success and sustainability.

BIO has been a member of the European Development Finance Institutions (EDFI) since 2001. EDFI is an association of 15 European bilateral Development Finance Institutions. Its mission is to foster cooperation among its members and to strengthen their relationship with the institutions of the European Union.

**BIO’s financial and non-financial additionality**

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THE 2015 IN-DEPTH EVALUATION: IMPROVING MSME DEVELOPMENT THROUGH INDIRECT INVESTMENTS IN EAST AFRICA

Evaluation of five BIO investments in East Africa

In September 2015, in line with the stipulation in BIO’s management contract with the Belgian State, the Board of Directors commissioned external evaluations of five investments in the financial sector in East-Africa, which comprise a sample of indirect investments in micro, small and medium-sized enterprises (MSMEs):

• Three financial institutions, namely Bank of Africa and AccessBank focusing on MSMEs in Tanzania, and EFC Uganda, a microfinance institution targeting micro and small enterprises in Uganda.
• Two funds, namely Grofin East Africa Fund and Catalyst Fund I that invest in larger SMEs in the East African region.

Following a call for tenders, the evaluation contract was awarded to PHB Development. Its team conducted on-site visits to BIO’s investees and a number of their clients in Kenya, Uganda and Tanzania. They assessed the selected projects according to different criteria: relevance, effectiveness, efficiency, impact, sustainability and additionality.

The main conclusions and key recommendations

Conclusions

The evaluators concluded first that BIO’s choice of investments, focused on regions with high credit constraints for SMEs, had great development rel-

ACCESSBANK TANZANIA (ABT):
MICROFINANCE INSTITUTION IN TANZANIA

Accessbank Tanzania is a greenfield microfinance bank created by the microfinance holding AccessHolding. It is a socially responsible bank for the lower- and middle-income strata of Tanzanian society. ABT offers loan products and current and savings account to local micro, small and medium enterprises and the lower-income strata of the Tanzanian population. ABT aims to build up long-term business relationships with customers based on responsibility and mutual respect.

KEY FINDINGS:

• Increased access to finance for MSMEs: between 2008 and 2015, the bank reached over 30,000 borrowers, of which 25,000 were micro clients and 1,200 SMEs.
• BIO invested in equity and opened the door to other investors. BIO sold its shares to Microvest in 2014.
• BIO played an active role on the board of directors.
• Technical assistance (TA) was provided to support ABT’s management costs in 2007 and perform a client protection principle assessment in 2012.
evance. Their second conclusion was that the five investments had been successful in providing access to financing to some 32,000 micro-, small and medium-sized enterprises (MSMEs) and that the development impact on these MSMEs was quite good, in particular to the ones financed through the SME funds. Finally, the evaluation concluded that the SME funds actively promoted and ensured MSME implementation of local environmental, social and governance (ESG) standards.

Regarding the evaluated ‘additionality’, i.e. the degree to which BIO’s financing complements – or is ‘additional’ to – commercially available financing, the evaluation concluded that BIO was substantially ‘additional’ in kick-starting the operations of the selected SME funds and financial institutions, supporting them in a crucial period and taking a substantial risk. Moreover, BIO is considered as a key investor by the five investees, offering an ideal combination of equity, debt and grants. In the area of non-financial additionality, BIO’s representatives in the investees’ Board c.q. Advisory Committees are committed and active and BIO provides crucial Technical Assistance (TA), specifically in the startup phases of some of the investees.

**Key recommendations**
The main lessons learned from the evaluation of the five cases and the recommendations based thereon are as follows.

1. “Better definition of the MSMEs targeted, more country-level intelligence, more pro-active sourcing of appropriate financial institutions and more proactive client support (including TA subsidies) to reach out to the targeted MSMEs and meet their financing demands.”

2. “Given the large and costly effort required to successfully invest in SMEs, more proactive use should be made of the TA facility (BIO’s board and advisory committee representation) for its investee funds and banks. Coordination and follow-up with regard to the TA and other such non-financial intervention instruments needs to be improved.”

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**THE FIVE INVESTMENT CASE STUDIES**

**BANK OF AFRICA TANZANIA: COMMERCIAL BANK**

BOA Bank Tanzania is a universal bank offering the traditional range of banking services including corporate and retail products. The bank has a strong focus on SMEs and aims to expand its network to boost its geographical presence and increase its deposit market share.

**KEY FINDINGS:**

- Increased access to finance for MSMEs: between 2010 and 2015, the bank’s loan portfolio grew from 1973 to 6,368 borrowers, while the SME loan portfolio grew from 136 to 790 clients in 2015.
- BIO played an active role on the board of directors, including during the BOA turnaround.
EUROPEAN FINANCING PARTNERS (EFC) UGANDA: MICROFINANCE INSTITUTION

EFC Uganda is one of the four Microfinance Deposit-taking Institutions operating in the country. It offers loan products to the underserved micro and small scale enterprise (MSME) market segment through presently four Business Loan Centers in the Kampala area. The Business Loan is specifically designed for entrepreneurs to provide working capital or to finance inventory and/or equipment purchases, investments, agricultural supplies or any other business related purpose. The Home Improvement loan is designed for entrepreneurs who want to keep their house in good condition through upgrades and improvements, which also ensures its value appreciates over time. The Women Market Trader Loan is specifically designed for women entrepreneurs who need fast and efficient small loan services. The product is aimed at improving the women’s livelihood by empowering them financially.

KEY FINDINGS:

- Particular focus on MSMEs in combination with technical assistance
- Outreach: 952 loans in 2015
- BIO keen on sustainability and transfer of knowledge, ownership and management to locals
- Ample technical assistance to allow EFC to develop and implement its business model and processes in Uganda.

3. “Because the expansion of BIO’s financial institutions client base with a view to reaching out to more SME is generally slower than market demand, BIO should consider in greater depth whether and how to stay involved beyond its initial investment period to support clients’ upscaling and increase BIO’s development impact”

4. “Concerning its development objectives, BIO should ensure that the indicators for monitoring an investment are SMART (objectively verifiable), and that its new development assessment and monitoring tool is fully integrated into the working methods of BIO’s investment and portfolio officers and its Board and Advisory Committee representatives. It should also decide how it evaluates the development impact of SMEs delivering goods and services to the middle- and upper-class markets, and of “investee Corporate Social Responsibility (CSR) activities”

BIO executive management response

Lessons learned and recommendations

Apart from the fact that BIO has some critical remarks on the methodology used (insufficient account of the socio-economic context, tendency to gen-
eralize the findings), the recommendations can be read as a general call for more proactive involvement on the part of BIO, whether in terms of sourcing, supporting investees in their governance, or the use of BIO’s TA facility. More specifically, BIO’s management reaction on the four recommendations mentioned by the evaluators is the following:

1. While BIO actively invests in opportunities aimed at alleviating smaller SMEs’ financing needs, also in rural areas, it is not in the business of setting up local SME financiers. In this field, BIO is dependent on the efforts of others. More active support of such third-party efforts would mean greater ‘upstream’ involvement, requiring human and financial resources that BIO currently doesn’t have. Regarding sourcing, while we could always do more market intelligence and proactive sourcing, BIO is limited in its up-front human resource and financial means this requires.

2. BIO agrees with the evaluator’s reporting on the underestimation of the large and costly efforts required to successfully invest in SMEs, due to the need for an effective financial support to be accompanied by business support. BIO believes that “SMEs are risky business” precisely because they generally lack adequate support in planning and conducting their business, often coined as “hand-holding”. Considering that such “hand-holding” can hardly ever be made financially sustainable, such support is not part of BIO’s mandate but funds like Grofin and upcoming incubators do include it in their business model. Concerning the evaluators’ recommendations to play a more pro-active TA role, BIO intends to explore how its participation in clients’ governance can identify and encourage capacity-building opportunities and provide more proactive support, and how a similar approach can be included in its loan monitoring.

CATALYST FUND I: PRIVATE EQUITY FUND, INVESTING IN SMES IN EAST AFRICA

Catalyst Fund I is a private equity fund investing in small and medium-sized enterprises (SMEs) in East Africa and led by a local management team. The fund’s focus is on growth-oriented SMEs in various sectors with a specific emphasis on consumer goods and retail, ICT/technology, financial services, manufacturing and infrastructure. The fund is still in its investment phase and has invested in 7 companies in Kenya, Tanzania and Ethiopia so far.

KEY FINDINGS:
- Outreach to large, underserved SMEs: the 7 investee companies have improved governance and management structures, expanded into new markets and developed new products
- Greater emphasis on ESG sustainability, which has led the SMEs to upgrade their processes to incorporate ESG standards
3. BIO regularly participates in capital increases (three times in the case of ABT, four times in BoA-T), follow-on funds and the expansion of successful models. It is a challenge to find a balance between supporting client up-scaling and timely exits aimed at ensuring clients to become sustainable in a purely commercial environment.

4. BIO’s development impact refers to meaningful efforts to achieve targets in such fields as job creation and economic growth, greater financial inclusion, food security and environmental, social and/or governance domains. Over the past two years BIO has invested greatly in translating these objectives into indicators for defining, monitoring and evaluating its development impact and intends to now focus more on working closer with its clients to achieve an optimal sustainable development impact.

Key points to follow up
Notwithstanding our somewhat critical response to the “lessons learned and recommendations”, the evaluation has prompted BIO to follow up a number of issues raised (some already on the agenda and some new):

• Continue to search for adequate ways of enhancing the financing offered to SMEs needing loans and equity participations ranging from several hundred thousand euros to 1-2 million euros.
• Clarify BIO investment policy regarding direct versus indirect financing of SMEs.
• Consider and possibly implement a more proactive and extensive role in proposing and developing client capacity-building measures and supporting these with concessional funding out of the MSME Support Fund.
• Ensure that external experts commissioned to represent BIO on client governance bodies are kept up-to-date on developments at BIO, and improve communications with them.

GROFIN EAST AFRICA FUND: SME FUND IN EAST AFRICA
The Grofin East Africa Fund focused on making start-up and growth investments in small and medium enterprises in Uganda, Kenya and Tanzania. Grofin also provided Business Development Assistance to SMEs in order to develop their business plan, support the management and monitor closely its investees. The Fund came to an end early 2015 but some of the assets still need to be liquidated. The Fund invested in 48 SMEs with an average size of c. 400 k$.

KEY FINDINGS:
• Access to credit for credit-constrained SMEs, as well as equity: successfully invested in 48 SMEs, also providing them with business support.
• BIO initially attracted other investors to allow the fund to be launched.

GROFIN EAST AFRICA FUND: SME FUND IN EAST AFRICA
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KEY FINDINGS:
• Access to credit for credit-constrained SMEs, as well as equity: successfully invested in 48 SMEs, also providing them with business support.
• BIO initially attracted other investors to allow the fund to be launched.

3. BIO regularly participates in capital increases (three times in the case of ABT, four times in BoA-T), follow-on funds and the expansion of successful models. It is a challenge to find a balance between supporting client up-scaling and timely exits aimed at pressuring clients to become sustainable in a purely commercial environment.

4. BIO’s development impact refers to meaningful efforts to achieve targets in such fields as job creation and economic growth, greater financial inclusion, food security and environmental, social and/or governance domains. Over the past two years BIO has invested greatly in translating these objectives into indicators for defining, monitoring and evaluating its development impact and intends to now focus more on working closer with its clients to achieve an optimal sustainable development impact.

Key points to follow up
Notwithstanding our somewhat critical response to the “lessons learned and recommendations”, the evaluation has prompted BIO to follow up a number of issues raised (some already on the agenda and some new):

• Continue to search for adequate ways of enhancing the financing offered to SMEs needing loans and equity participations ranging from several hundred thousand euros to 1-2 million euros.
• Clarify BIO investment policy regarding direct versus indirect financing of SMEs.
• Consider and possibly implement a more proactive and extensive role in proposing and developing client capacity-building measures and supporting these with concessional funding out of the MSME Support Fund.
• Ensure that external experts commissioned to represent BIO on client governance bodies are kept up-to-date on developments at BIO, and improve communications with them.
BIO PROJECTS SIGNED IN 2015

Latin America & Caribbean

**Banco Popular**
Urban and rural microfinance
*Country*: Honduras
*Equity*: EUR 3 million

**Banco D-Miro**
Microloans to micro, small and medium entrepreneurs
*Country*: Ecuador
*Senior loan*: USD 5 million

**Sociedad Financiera Visionfund**
Individual, solidarity group and village banking loans for low-end microenterprises
*Country*: Ecuador
*Senior loan*: USD 2.27 million

**PHC Feronia (see page 37)**
Restoration of palm-oil plantations
*Country*: DRC
*Loan*: USD 11 million

**Société Générale d’Hôtellerie**
Renovation and building of two hotels in Bamako
*Country*: Mali
*Loan*: EUR 4 million
Fusion Microfinance Private Limited (see page 29)
Micro-loans for female micro-entrepreneurs in rural and suburban areas.
Country: India
Equity: EUR 3.8 million

Irrawaddy Green Towers (see page 41)
Installation and operation of mobile telecommunication towers
Country: Myanmar
Senior loan: USD 12.2 million

Banh Vang (see page 38)
Industrial bakery
Country: Vietnam
Senior loan: EUR 2.5 million

Berkeley Wind Energy Mauritius
Greenfield wind farm
Country: India
Senior loan: EUR 1 million

Commercial Leasing & Finance PLC
Loans, leasing and factoring for micro, small and medium entrepreneurs
Country: Sri Lanka
Senior loan: USD 7 million

Utkarsh Microfinance Plc.
Microloans to financially excluded women
Country: India
Loan: USD 5 million

AgRIF (see page 32)
Fund targeting agricultural and rural financial institutions
Country: Africa, Asia, Latin America and Caribbean
Equity: USD 7.5 million

EFC Tanzania
Greenfield microfinance institution
Country: Tanzania
Loan: USD 1.5 million

Rwimi Small Hydro Power Project
5.6 MW greenfield hydro power project
Country: Uganda
Senior loan: USD 13 million

Niche Cocoa Industry
Production of cocoa butter and powder
Country: Ghana
Loan, renewed commitment to target local market: USD 4.3 million

Alios (see page 30)
Leasing to (informal) MSMEs
Country: Various Africa
Loan: EUR 11 million

Helios Towers
Build and operate telecom towers
Country: Various African countries
Loan (renewed commitment): USD 6 million
Summary of 2015 operations

“After years of economic growth in our target markets, 2015 came as a turning point for many of our countries of intervention due to decreasing commodity prices, weakened local currencies and increasing security threats. Those countries that had started climbing the value chain and are net commodity importers are benefiting from these changes (India for instance), whereas other economies, as net commodity (especially oil and gas) exporters, have suffered from increasing public deficits limiting state policies, shortages of hard currencies and flattening economic growth. This shifting environment has led us to take a cautious approach to commodity-based projects, to financial institutions with a high exposure to commodities, and to public entities or government. This said, we will continue investing in all our target countries, contributing to the sound growth of a sustainable private sector by making credit lines available (through our financial institution activity), equity contributions (through our funds’ intervention), by improving the availability of infrastructure and in particular of clean and low-cost energy, and by investing directly in well-managed SMEs.”

Carole Maman,
Chief Investment Officer
SOME KEY FIGURES 2015

22 NEW INVESTMENTS
for a total value of EUR 115 million were approved by the Board of Directors

13 LOANS
were 100% repaid (including 3 early repayments for EUR 27 million)

6 TECHNICAL ASSISTANCE PROJECTS
were approved in 2015 for a total of EUR 319k.

Projects approved in 2015
In 2015, 22 new investments totalling EUR 115 million were approved by the Board of Directors, with an average of EUR 5.2 million per project. This is in line with the 2014 level (EUR 116 million for 26 projects).

Signed contracts
In 2015, BIO signed contracts for a combined value of EUR 101 million (compared to EUR 81 million in 2014).

Exits
After 15 years of existence, BIO is beginning to exit from more and more projects that are now sustainable on their own. These exits free up funds for new investments.

In 2015, 13 loans were 100% repaid (including 3 early repayments for EUR 27 million) for a total of EUR 45 million, and 3 equity holdings were sold for a total of EUR 6 million.

Subsidies
Feasibility studies
In 2015, one feasibility study project was approved for an amount of EUR 20k.

Technical assistance
6 technical assistance projects were approved in 2015 for a total of EUR 319k.
Financial resources
BIO’s financial resources are provided by the Belgian government in the form of Development Certificates. In 2015 the government allotted an additional EUR 40 million, bringing total funds, excluding capital, available to BIO for investment (excluding subsidies) to EUR 690 million.

New commitments in 2015:

<table>
<thead>
<tr>
<th>Projects</th>
<th>Sector</th>
<th>Country Region</th>
<th>Amount in 000 €</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Africa</strong></td>
<td></td>
<td></td>
<td>66,785</td>
</tr>
<tr>
<td>Financial Sector</td>
<td></td>
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<td>45,241</td>
</tr>
<tr>
<td>African Rivers Fund</td>
<td>SME financing</td>
<td>DRC</td>
<td>4,593</td>
</tr>
<tr>
<td>BCB</td>
<td>Bank</td>
<td>Burundi</td>
<td>390</td>
</tr>
<tr>
<td>Allos</td>
<td>Leasing</td>
<td>Africa region</td>
<td>10,104</td>
</tr>
<tr>
<td>CFE Uganda</td>
<td>Microfinance</td>
<td>Uganda</td>
<td>1,378</td>
</tr>
<tr>
<td>CCA</td>
<td>SME financing</td>
<td>Cameroun</td>
<td>4,999</td>
</tr>
<tr>
<td>Oragroup</td>
<td>Bank</td>
<td>Côte d’Ivoire</td>
<td>10,000</td>
</tr>
<tr>
<td>Jamii Bora</td>
<td>Leasing</td>
<td>Kenya</td>
<td>4,593</td>
</tr>
<tr>
<td>Agri-vie</td>
<td>SME financing</td>
<td>Africa region</td>
<td>9,185</td>
</tr>
<tr>
<td><strong>Enterprises</strong></td>
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<td></td>
<td>21,544</td>
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<tr>
<td>Feronia</td>
<td>Agribusiness</td>
<td>DRC</td>
<td>10,104</td>
</tr>
<tr>
<td>Azalai/SGH</td>
<td>Hotel</td>
<td>Mali</td>
<td>4,000</td>
</tr>
<tr>
<td>Fabrimetal</td>
<td>Reinforced concrete</td>
<td>Ghana</td>
<td>4,593</td>
</tr>
<tr>
<td>Centre Médical de la Communauté</td>
<td>Health</td>
<td>DRC</td>
<td>2,847</td>
</tr>
<tr>
<td><strong>Asia</strong></td>
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<td>35,558</td>
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<tr>
<td>Financial Sector</td>
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<td>18,281</td>
</tr>
<tr>
<td>Fusion</td>
<td>Microfinance</td>
<td>India</td>
<td>3,421</td>
</tr>
<tr>
<td>Annapurna FOI</td>
<td>Microfinance</td>
<td>India</td>
<td>2,000</td>
</tr>
<tr>
<td>Triple P</td>
<td>Insurance Fund</td>
<td>South East Asia</td>
<td>6,430</td>
</tr>
<tr>
<td>CLC</td>
<td>Leasing</td>
<td>Sri Lanka</td>
<td>6,430</td>
</tr>
<tr>
<td><strong>Enterprises</strong></td>
<td></td>
<td></td>
<td>2,500</td>
</tr>
<tr>
<td>Banh Vang</td>
<td>Agribusiness</td>
<td>Vietnam</td>
<td>2,500</td>
</tr>
<tr>
<td><strong>Infrastructure</strong></td>
<td></td>
<td></td>
<td>14,778</td>
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<tr>
<td>Irrawady Green Towers</td>
<td>Telecom</td>
<td>Myanmar</td>
<td>13,778</td>
</tr>
<tr>
<td>BEWML</td>
<td>Wind farm</td>
<td>India</td>
<td>1,000</td>
</tr>
<tr>
<td><strong>Latin America</strong></td>
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<td></td>
<td>12,728</td>
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<td>Financial Sector</td>
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<td></td>
<td>4,828</td>
</tr>
<tr>
<td>Banco Popular</td>
<td>Microfinance</td>
<td>Honduras</td>
<td>199</td>
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<tr>
<td>Banco D Miro</td>
<td>Microfinance</td>
<td>Ecuador</td>
<td>4,630</td>
</tr>
<tr>
<td><strong>Infrastructure</strong></td>
<td></td>
<td></td>
<td>7,900</td>
</tr>
<tr>
<td>Dona Juana</td>
<td>Landfill gas</td>
<td>Colombia</td>
<td>7,900</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td>115,072</td>
</tr>
<tr>
<td>Financial sector</td>
<td></td>
<td></td>
<td>68,350 59%</td>
</tr>
<tr>
<td>Enterprises</td>
<td></td>
<td></td>
<td>24,044 21%</td>
</tr>
<tr>
<td>Infrastructure</td>
<td></td>
<td></td>
<td>22,678 20%</td>
</tr>
</tbody>
</table>
GLOBAL PORTFOLIO

Net commitments
As at 31 December 2015, BIO’s net commitments amounted to EUR 620 million at the prevailing EUR/USD exchange rate. This represents an increase of 6 percent over the 2014 figure of EUR 586.7 million.

Outstanding investments:
Outstanding investments (volume of disbursements less repayments) totalled EUR 414 million at the prevailing USD/EUR exchange rate at 31.12.2015, an increase of just 1 percent compared to 31.12.2014, as a consequence of the early repayments mentioned above.

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

21 percent of outstanding investments are located in partner countries of the Belgian Development Cooperation.

<table>
<thead>
<tr>
<th>Net commitments 2006-2015 (Mio €)</th>
<th>Outstanding investments per beneficiaries as on 31/12/15</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image1.png" alt="Graph showing net commitments" /></td>
<td><img src="image2.png" alt="Graph showing outstanding investments per beneficiaries" /></td>
</tr>
<tr>
<td><img src="image3.png" alt="Image of people" /></td>
<td><img src="image4.png" alt="Image of business people" /></td>
</tr>
</tbody>
</table>
29 percent of BIO’s portfolio targets Least Developed Countries.

**Cash reserves**

At all times, BIO is required to hold sufficient cash reserves to be able to fulfil all its commitments. The prudential rule requires all undisbursed commitments to be covered by cash and the loan repayments expected in the next two years.

**Liquid assets**

At 31.12.2015, excluding the funds under management for grants, BIO’s liquid assets amounted to EUR 323 million of which EUR 205 million were already committed. BIO exclusively invests its cash in sight deposits, savings accounts or term deposits with a maximum maturity of 24 months and in OLOs, long-term bonds issued by the Belgian State (EUR 28 million at 31.12.2015).
In order for SMEs to develop and sustain their impact on economic development, they need access to financial services. This access has historically been severely constrained. Traditionally, banks in developing countries have focused on large enterprises and retail services but have shunned away from the SME segment, mainly because of the perceived high risks of SME credit (due to information asymmetries and the lack of collateral) and the high costs associated with these smaller transactions.

In recent years, following in the wake of BIO and other development finance institutions, an increasing number of financial institutions in developing countries have started venturing into the SME market, thereby raising awareness that providing banking services to SMEs in a profitable way is possible – though certainly not easy. Successfully providing financial services to SMEs requires hard work: a thorough understanding of the needs and preferences of SMEs is required and the development of specific products, targeted marketing strategies, risk management tools and monitoring procedures is essential.

Many of BIO’s investments in financial institutions – banks, microfinance institutions, leasing companies, etc. – are aimed at further developing access to financial services for SMEs. BIO targets financial institutions that have dedicated SME strategies, helping them to

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**Evolution of net commitments and outstanding investments**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net commitments</strong> *</td>
<td>248,266</td>
<td>378,172</td>
<td>373,724</td>
<td>327,553</td>
<td>296,629</td>
<td>236,498</td>
</tr>
<tr>
<td><strong>Outstanding investments</strong></td>
<td>195,290</td>
<td>263,487</td>
<td>273,613</td>
<td>215,294</td>
<td>175,686</td>
<td>143,934</td>
</tr>
</tbody>
</table>

* Signed and BoD approved projects – reimbursements
THE STORY OF PRARTHNA
Prarthna is a 36 year-old woman living in Bhagwantpura, a village in the Jhansi district in Uttar Pradesh. Up to recently, her husband, a labourer, was the family’s sole breadwinner, earning a wage of just Rs. 3000 (approx. EUR 40) a month. Prarthna used to live in a mud house with her husband and three grown-up children. The children’s education was under threat for financial reasons. It was a tough life and the family was only just able to survive.
Receiving her first loan of Rs. 15,000 (approx. EUR 200) from Fusion Microfinance, she used it to buy goats. After successful repayment of the 1st loan, she applied for a 2nd cycle loan of Rs. 20,000 (approx. EUR 260) to increase the number of goats. Her household income increased to around Rs. 6000-7000 (approx. EUR 80 - 95) per month. Over a period of two years, she bought a new brick house, her children were able to continue their education and she has become the largest seller of goats in her area. She thanks Fusion for transforming her life to such an extent. She plans to further increase her business and provide higher education to her children.

At the end of 2015, the department had approved 11 new projects for a total net commitment of EUR 48.7 million.
CASE

FUSION MICROFINANCE PRIVATE LIMITED - INDIA

Fusion started its microfinance activities in 2010 and focuses on creating access to microloans for women micro-entrepreneurs living in rural and semi-urban areas. The MFI operates largely in rural areas where the lack of access to finance impedes micro-entrepreneurs from developing or expanding their activities. Headquartered in New Delhi, it operates in the underserved North Central part of India (Madhya Pradesh, Uttarakhand, Uttar Pradesh, Haryana, Bihar and Jharkhand) through 154 branches.

The MFI provides microfinance loans through the Grameen-based Joint Liability Group (JLG) model. A small group of 10 to 30 women is formed, and loans are given to the group as a whole so that each member of the group is jointly responsible for the loan taken by them. Clients receive a 2-day compulsory group training along with financial literacy training from Fusion Microfinance prior to becoming eligible for loan financing.

Fusion currently has 383,698 active clients. These are engaged in small-scale diversified businesses such as livestock, carpentry, tailoring, vegetable trading, small shops, local transportation, and many more. Women channel the financial support to the family by scaling up their existing enterprises or setting up new enterprises. A substantial proportion of the client base is made up of true entrepreneurs – they enjoy creating and running their own businesses.

The MFI puts great effort into the financial and social inclusion of women belonging to the country’s marginalized communities, and these account for about 85% of its active loan clients. BIO is partnering Oikocredit, Incofin and the Norwegian Microfinance Initiative to support Fusion in its expansion plans.

Development impacts

1. Local Economic Growth
BIO is facilitating the expansion of Fusion MFI, a company offering financial services to rural women micro-entrepreneurs in underserved regions in some of India’s poorest states.

2. Financial Inclusion & gender equality
Fusion creates access to credit for micro-entrepreneurs in underserved regions of India. It targets women from the marginalized communities for whom access to credit is difficult.

3. Food security and rural development
Fusion fosters access to credit for rural and agricultural enterprises: over 50.32% of the MFI’s portfolio is related to agricultural activities.

4. Additionality
BIO’s long-term investment will help the company achieve its ambitious growth plan, strengthen its governance, and provide diversification and stability in its funding. With its seat on the Board of Directors of Fusion, BIO can support the institution in implementing a sustainable growth strategy and help improve the E&S performance.
CASE
ALIOS FINANCE - AFRICA

Alios Finance S.A. is a Pan-African specialist finance company that has been operating throughout Africa for over 50 years. The non-banking financial institution offers a broad range of asset finance solutions to SMEs and individuals, including leasing, investment loans and long-term rentals. Leasing is sometimes the only financial tool available to provide small and medium-sized businesses, especially the smallest or informal ones, with medium-term finance to support investments in productive and logistic assets. Banks shy away from these businesses because they are too small and have insufficient assets to serve as collateral. Alios Finance supports informal MSMEs that usually do not have any significant assets and no reliable financial statements, providing them with a productive asset around which they can build and develop their business. One example is to provide a building company with on-site material to be able to launch its first development. Furthermore, Alios Finance often helps clients improve their financial reporting.

BIO is providing long-term funding to the youngest and smallest subsidiaries of the Alios Finance Group. It will offer the possibility to draw the facility in local currency, thereby enabling Alios to decrease its foreign currency exposure.

Eric Sutter, senior portfolio officer at BIO, comments “Leasing is crucial to develop small businesses in developing countries. Indeed, those companies are too small to be able to be financed by banks, and Alios Finance provides them with the productive assets they need to enhance their business. It also helps them creating a financial history. All this will be helpful at a later stage, when the business will be bigger and the enterprise will seek new financing for new developments.”

Development impacts
1. Local economic growth
   Alios provides credit through leasing to MSMEs that are underserved by banks.
2. Private sector consolidation
   Alios contracts with informal MSMEs, incentivizing these companies to join the formal market.
3. Additionality
   BIO provides long-term funding to the youngest and smallest Alios subsidiaries that are too small to be fully bankable and cannot easily access adequate long-term financing on the local market.
   BIO offers the possibility to draw the facility in local currency.

THE STORY OF HEIRI HEIGHTS

Heiri Heights is an independent serviced apartment company in Nairobi that offers apart-hotel services to African businessman. Alios helped finance a set of new, more ecological laundry machines. Thanks to them, water consumption will decrease and the services of the company will be improved. Alios might also provide funding to lease solar panels, drastically reducing the apartments’ electricity and fuel (as back-up generators are powered by fuel) consumption.

FACTS & FIGURES

What
Non-banking financial institution

Country
Various countries in Africa

Contract signed
2016

Type
Leasing to (informal) MSMEs

BIO investment
EUR 11 million in debt
FUNDS
PROVIDING LONG-TERM CAPITAL TO SMES

Through investment funds, BIO provides long-term financial support to medium-sized enterprises, the agricultural sector, the financial sector (including the microfinance sector) and for the development of basic infrastructure, in particular renewable energy.

BIO works with fund management teams who play a vital role in formalizing medium-sized enterprises, building up their managerial skills and expertise, creating an adequate governance structure to ensure that good decisions are taken and implemented, and in consolidating the financial structure of these enterprises. A key element when selecting our funds is the principle of subsidiarity: the selected funds must play a spearheading role in development, and therefore explore investments that BIO teams cannot implement due to insufficient manpower. In this sense, BIO also invests in funds targeting small enterprises, with the goal of improving the level of formality of their portfolio companies. Also, funds reduce risk through the pooling of investments and through managers with specific experience in the areas the fund is active, in conjunction with local teams close to the investee SMEs.

In 2015, 3 new funds projects were approved for a total net commitment of EUR 20.4 million. In 2015, the total net commitments in funds reached EUR 156.5 million, with EUR 88.3 million of commitments outstanding.

Outstanding Investments

Breakdown per sector (in volume)

- 57% SME funds
- 22% Infrastructure funds
- 21% Microfinance institutions funds

Breakdown per region

- 41% Africa
- 30% Asia
- 17% Multi
- 12% LAC

OUTSTANDING INVESTMENTS
agRIF Cooperatief U.A. (agRIF) invests in financial intermediaries in emerging economies (Africa, Asia, LAC Region, CEE-NIS), that enhance the financial inclusion of smallholder farmers and rural micro-, small and medium sized entrepreneurs (MSMEs) in the agricultural value chain. agRIF capitalizes on the experience of its predecessor funds, Rural Impulse Fund I & II, the performance of which is in line with or exceeds ROI and outreach targets. These funds reach out to 3.8 million clients, 68% of whom are located in rural areas. BIO invested in both funds. Like RIF I & II, agRIF is managed by Incofin Investment Management, an AIFM (Alternative Investment Fund Manager) licensed specialist fund manager focused on financial inclusion for the rural and agricultural sectors in developing countries.

“agRIF invests in financial institutions to support and accelerate their growth and expand their agricultural and/or rural portfolio. It does this via the hands-on and dedicated involvement of Incofin IM’s experienced team of private equity and investment managers. In addition, agRIF benefits from a technical assistance facility (co-funded by BIO) that actively supports the portfolio companies. The expected outcome of the Fund’s investments is the development of stronger, more resilient and more profitable financial institutions and the provision of tailored financial services to substantially larger numbers of players in the agricultural value chain, especially MSMEs. Incofin IM rigorously monitors and measures the outcome of agRIF’s investments. Within 9 months of the Fund’s inception in June 2015, agRIF had made 1 equity and 9 debt investments for a total of 21.5 million USD. The 10 agRIF investees serve 900,000 clients. We are convinced that the new Fund, based on 15 years of experience in rural finance, will contribute value at all levels: investors, investees, clients and agricultural value chain operators. We have demonstrated in the past that we have always been able to translate our funds’ aims into reality. We are happy to observe that top notch investors acknowledge our leadership in this area”, says Loïc De Canrière, CEO of Incofin IM.

Development impacts
1. Local economic growth
   agRIF will create access to financing for financial institutions
2. Private sector consolidation
   agRIF specifically targets financial institutions operating in underserved markets.
3. Financial Inclusion
   agRIF’s aim is to facilitate access to credit...
and savings and other financial services for smallholder farmers and micro-entrepreneurs.

4. Food security and rural development
By supporting financial intermediaries that target the agriculture value chain, agRIF seeks to strengthen local agriculture and in particular smallholder farmers, while at the same time promoting environmental and social governance practices.
Incofin puts a strong focus on the social and environmental practices of its investees. For example it assesses such aspects as an investee’s adherence to Client Protection Principles (CPP). If the investee company has a weak social performance measurement system in place or poorly defined environmental policies, technical assistance can be offered to improve CPP implementation.

5. Additionality
BIO is a cornerstone investor, working closely with Incofin and other early investors to develop agRIF’s scope. Its contribution of 7.5 million USD was critical to reaching the minimum target capitalization needed to launch the fund.

STORY: INVESTMENT IN VISION FUND ECUADOR
Sociedad Financiera VisionFund Ecuador is a Tier-2 microfinance institution, operating in the northern and central region of Ecuador. With a rural score of 88% at the end of 2015 and just over 50% of its outstanding portfolio dedicated to agriculture, VFE demonstrates a clear commitment to supporting and developing the agricultural sector in Ecuador. In 2015 16,627 smallholder farmers received agricultural loans from VFE, the majority of which were less than 2,000 USD in value. Almost two-thirds of the agricultural borrowers were female farmers.
In its microenterprise activities VFE focuses on low-income borrowers and women: about 68% of its clients are women from rural and peri-urban areas who live in (extreme) poverty.
The investment by agRIF will support VFE in its intended conversion from a Non-Bank Financial Institution (NBFI) to a bank, ensuring that it has a diversified funding base with a stable cost structure. VFE has demonstrated its ability to quickly adapt to a changing regulatory framework and benefits from the financial and institutional support of the holding company, VisionFund International. These organizational strengths should ensure a successful transformation process ultimately leading to a more inclusive financial sector in Ecuador.
The microfinance sector has been a driving force in strengthening financial inclusion; over the last 20 years microfinance development has enabled 200 million people to access formal and sustainable financial services and invest in improving their lives. Microfinance plays a role in reducing poverty through providing saving services, money transfer services and insurance. On the other hand, the contribution of microcredits (small loans) at the economic and social level appears more limited: although microcredits encourage business creation and enable businesses to grow beyond the subsistence level, it often does not provide the solution for transforming them into formal enterprises integrated into their country’s economy. Most micro-enterprises still tend to be only involved in retail sales or the provision of basic services. Furthermore, in several countries, the rapid development of microcredits bearing no relation to real economic growth has created bubbles of indebtedness resulting in severe crises.

The microfinance sector has responded to these downsides by actively promoting Customer Protection Principles (better known under the acronym CPP) and the Smart Campaign:

- Development of financial products meeting customer needs
- Prevention of over-indebtedness: credit institutions must ascertain customers’ actual capacity to service their debts
- Transparency: information must be transmitted to customers in such a way that they understand their commitments to the credit institution
- A responsible pricing policy that is affordable for customers and enables microfinance institutions to develop
- Fair and respectful treatment of customers
- Confidentiality of information
- Complaint and dispute resolution mechanisms

In addition, the microfinance sector has expanded from the original joint-liability group lending model, now offering individual and more flexible credit models better suited to customer needs. Moreover, many microfinance institutions are now extending their services beyond micro-entrepreneurs to small enterprises. Compliance with these Customer Protection Principles is now monitored through audits and certifications.

As Régis Dock, Microfinance Investment Officer at BIO, puts it: “Over the last few years, BIO has shifted its focus in the direct financing of microfinance institutions, now targeting meso-finance segment with such offerings as equity financing, debt providing and technical assistance. This segment constitutes the missing link between the upper threshold of MFIs and the lower one of banks. We aim to ensure that the loans that we indirectly provide are used for a productive purpose, and not to finance consumption. We pay specific attention to the implementation of CPPs, with their endorsement by our investees a prerequisite. We also offer a technical assistance grant to conduct a full due diligence on how the institution is performing in this respect and what needs to be done to gain a recognized certification. Last but not least, we encourage our investees to extend branch networks to the more remote parts of the country within which they operate and to develop specific products tailored to the local economy, such as agricultural loans. We also stress the need to develop savings products and to use new technology to offer the most inclusive service possible to clients.”
In its direct investments in enterprises, BIO strongly focuses on contributing to ensuring food security in developing countries by supporting the agricultural and agribusiness sector. On average, growth in the agricultural sector reduces poverty three times more quickly than growth in any other economic sector. Agricultural and agribusiness development contributes directly to reducing hunger and malnutrition, and to increasing the ability of rural households to produce and buy nutritious food, while improving efficiency and increasing rural employment.

BIO addresses the subject of food security from two perspectives in which the private sector can contribute:

- **linking farmers to markets**: developing and improving agricultural chains is essential for production to meet market needs in terms of quality, quantity and diversity of foodstuffs.
- **inclusive rural development**: 85% of the African population lives off and depends on agriculture. Although agricultural productivity and sustainability need substantial improvements, any radical change in production methods would accelerate the rural exodus. To avoid this, it is appropriate to work towards developing employment and increasing incomes in rural areas.

These intervention perspectives are subject to the necessity to minimize the ecological impact of agricultural development in terms of land and water use, and so develop sustainable agriculture over the long term.

**Evolution of net commitments and outstanding investments**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net commitments *</td>
<td>70,545</td>
<td>70,678</td>
<td>67,662</td>
<td>53,099</td>
<td>49,592</td>
</tr>
<tr>
<td>Outstanding investments</td>
<td>46,082</td>
<td>51,605</td>
<td>49,009</td>
<td>28,878</td>
<td>23,592</td>
</tr>
</tbody>
</table>

* Signed and BoD approved projects – reimbursements
To help respond to the challenges of food security and rural financial inclusion, BIO centres its action on the following areas:

- Investment in improving productivity in the agricultural sector
- Support for agricultural operations that can play a structuring role in the agricultural chain
- Projects that can create local added value through processing foodstuffs
- Development of rural activities through improved access to financing for small entrepreneurs in agricultural areas

Over 2015, the enterprise portfolio expanded with 5 new projects for a total net commitment of EUR 24.2 million.
Plantations et Huileries du Congo SA (PHC) is a Congolese company which operates three long-established palm oil plantations in the Democratic Republic of the Congo (DRC) close to the River Congo. PHC produces crude palm oil and palm kernel oil which is sold domestically in the DRC.

A consortium of DFIs, namely the German DEG, BIO, EAIF and the Dutch FMO are providing a long-term loan facility of up to USD 49 million. The funds are to be used to finance investments in replanting, equipment, fertiliser and environmental and social governance. Through their involvement, the DFIs are promoting the implementation of high environmental, social and corporate governance standards via an “Environmental and Social Action Plan”.

The project is having a major impact on development in the DRC, with the financing safeguarding some 3,800 permanent and up to 4,000 seasonal jobs in a post-conflict country, one of the world’s least developed ones. It is estimated that more than 57,000 people live on the company’s plantations and directly benefit economically and socially from its activities. These positive effects are even more significant given that the DRC has an underemployment rate of 82 per cent and a poverty rate of 63 per cent.

The project improves access for the DRC population to staple foods including fats and oils, and to basic hygiene products including soap and detergents while avoiding high-cost imports. Furthermore, PHC is contributing to economic diversification in remote and underdeveloped regions.

PHC provides, and is in the process of further restoring and developing, an extensive social infrastructure, including health facilities, employee housing, schools, water supplies and roads at each of its three plantations.

**Development impacts**

1. **Local economic growth**
   - PHC safeguards 3,800 permanent jobs and up to 4,000 seasonal jobs in an impoverished area with very little other economic activity. PHC plantations have a population in excess of 57,000 people benefiting economically and socially from the company’s activity.

2. **Food Security and rural development**
   - In addition to the economic opportunities for farmers in the rural area, PHC improves access to basic goods, i.e. edible oil.

3. **Access to basic services and goods**
   - PHC provides housing, schools and clinics for the communities on the plantations.

4. **Promotion of ESG best practices**
   - The lenders have put in place an extensive action plan focusing on employment conditions, community involvement, health, education, but also the protection of forestry and biodiversity and waste management.

5. **Additionality**
   - The DFIs provide high-risk financing for a company that is currently not profitable. This financing would not be provided by commercial lenders. Furthermore, the DFI investment has a high non-financial additionality in view of the environmental and social action plan that was put in place.

**FACTS & FIGURES**

**What**
- Plantations et Huileries du Congo SA, palm oil

**Country**
- Democratic Republic of Congo

**Contract signed**
- 2015

**Type**
- Restoration of palm oil plantations

**BIO investment**
- USD 11 million loan

**Total DFI investment**
- USD 49 million

---

**THE STORY OF DR CHRISTIAN SEMBALI**

Dr Christian Sembali is one of the two doctors at one of PHC’s Lokutu plantation hospitals, looking after patients who cannot be treated by nurses in one of the plantation’s health centres or clinics. The hospital is open to all members of the local community and PHC employees and their families receive free healthcare. Drugs and medical equipment is purchased by PHC and delivered to the hospital on a monthly basis. The hospital has been refurbished, is better equipped and there is greater availability of medical supplies. “There are still improvements to be made but since the Company started running the hospital again, things are much better. PHC plays an important role in ensuring adequate medical care for the communities of Lokutu,” Dr Sembali explains.
CASE

FOOD INDUSTRY:
BÁNH VÀNG, INDUSTRIAL BAKERY IN VIETNAM – ASIA

The population of Ho Chi Minh City is growing quickly, requiring major developments in the Vietnamese food sector. Entrepreneurs are challenged to offer food for all at any time. At the same time, consumers’ concern with health is growing, in light of an increasing prevalence of cancer. Food ingredients are widely suspected to cause cancer and retailers are encouraged to ensure healthy sourcing. Responding to these expectations, Bánh Vàng has set up a HACCP-designed industrial bakery and has introduced new practices based on international standards. More specifically, Bánh Vàng has banned the use of potassium bromate as an ingredient. Bánh Vàng delivers its bread to supermarkets and sandwich outlets, who in turn communicate health issues to end consumers. The new industrial product will also allow many more sandwich outlets to be opened, in response to demand from the young urban generation in a crusty bread country.

Partnerships for development
Bánh Vàng has partnered with “Life Project for Youth”, an NGO that empowers underprivileged young people to join the labour market. For its specific bakery programme called “Bread & Smiles”, Bánh Vàng is backing the teaching of professional skills in industrial bakery. Apart from attending courses on food safety and management skills, students work on the production line alongside Bánh Vàng staff and learn how to handle and bake the products in the laboratory. The aim is for people to join the labour market as skilled bakers.

Development impacts
1. Local economic growth
Creation of 60 jobs during construction (6 months) and over 80 permanent jobs when operating at nominal capacity. More than 200 indirect jobs have been created downstream in retail activities.
2. Private sector innovation
First project in Vietnam in the industrial bakery sector, paving the way for international standards to be introduced into the sector.
3. Basic services and goods
Bánh Vàng is able to produce at a competitive cost for the street market as well as for the mass distribution sector, providing access to healthy food in dense urban areas.
4. Food safety
The capacity of the factory will ease the promotion of “healthy” bread and help the market to steer away from bakery products still using the carcinogen bromate.
5. Education
Bánh Vàng is setting up a bakery training programme for young disadvantaged people, creating job opportunities in over 100 bakery outlets in supermarkets and convenience stores. Bánh Vàng is also preparing training sessions for traditional bakers so that they can learn best food and safety practices and develop their skills and capacities to diversify their production.
6. Additionality
The DFI’s role has been crucial to financing the construction of the project: long-term financing is scarcely available in Vietnam, especially for industrial start-ups.

FACTS & FIGURES
What
the first industrial bakery in Vietnam
Country
Vietnam
Contract signed
2015
Type
industry – food production
BIO investment
EUR 2.5 million

THE STORY OF LY DOAN VUONG, GENERAL MANAGER OF BÁNH VÀNG
In 1998 Ly Doan Vuong founded the first typical French Boulangerie in Ho Chi Minh City, named Pat’a Chou. Facing growing demand, they installed a central kitchen serving shops and B2B clients. After 15 years of development, the next step saw a major increase in production capacity to meet demand. The alternative would have been to be pushed out of the market for not responding. “Thanks to the strong support from Bio we were able to set up our new facility, creating jobs and offering healthy products.”
INFRASTRUCTURE
CONTRIBUTING TO SME DEVELOPMENT

For businesses to prosper, a conducive, enabling environment is needed. Important aspects are the legal and regulatory framework and infrastructure. Whereas BIO has limited clout to influence the legal and regulatory framework, infrastructure does constitute an important focus area for BIO. Most of BIO’s infrastructure investments are in energy – energy efficiency and renewable energy. Another important area is telecommunications. The benefits of these investments – access to energy and telecommunication services – are certainly not restricted to SMEs but they are nonetheless crucial to sustaining a thriving SME sector.

1.1 billion people worldwide have no access to electricity, with the largest

Evolution of net commitments and outstanding investments

<table>
<thead>
<tr>
<th>In k EUR</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net commitments *</td>
<td>146,717</td>
<td>137,853</td>
<td>106,248</td>
<td>78,622</td>
<td>51,531</td>
</tr>
<tr>
<td>Outstanding investments</td>
<td>84,748</td>
<td>96,289</td>
<td>51,277</td>
<td>39,316</td>
<td>21,528</td>
</tr>
</tbody>
</table>

* Signed and BoD approved projects – reimbursements

OUTSTANDING INVESTMENTS

Breakdown per sector (in volume)

- Energy: 76%
- Telecommunication: 12.5%
- Transport & logistics: 11.5%

Breakdown per region

- Africa: 50%
- Asia: 37%
- Latin America & Caribbean: 13%
number of these living in southern Asia and sub-Saharan Africa. Just as mobile telephony has helped the poor leapfrog landlines and bricks-and-mortar banking services, entrepreneurs are now seeking to provide widespread access to clean, cheap energy with local systems, metered and paid for by mobile phone. Combining efforts to provide access to power from renewable sources with the mobile revolution might very well be a piece of the sustainable puzzle. We would like to highlight two investments contributing to SME development through access to energy and mobile technology.

At the end of 2015, the infrastructure portfolio was made up of 17 approved projects for a total net commitment of EUR 147 million.
CASE
INFRASTRUCTURE:
IRRAWADDY – DIGITAL INCLUSION OF RURAL POPULATION - ASIA

In 2014 only 14% of the approximately 51 million inhabitants of Myanmar had access to mobile telecommunication services. Irrawaddy Green Towers (IGT) is about to complete a mobile telecommunication tower network consisting of at least 2,000 towers, providing coverage to approximately 14 million people. Mainly in rural areas this can provide a significant stimulus for economic development by improving access to mobile financial services and service offers.

Financial institutions are often unable to reach low-income customers, especially those living in remote areas, due to the cost structure of retail financial services. It is rarely economical for banks to build and operate bricks-and-mortar branches to serve the poor. Even if such branches were operational, the fees they would have to charge their clients to cover their costs, relative to the size of those clients’ transactions and/or deposits, would exceed customers’ willingness or ability to pay. This problem is exacerbated in rural areas, where population density is low. By contrast, many people on low incomes have access to a mobile phone. Currently, only 6% of the Myanmar population have access to financial services. Great opportunities exist to impact the lives of millions of the financially excluded through leveraging mobile operators’ extensive distribution networks and trusted brands to deliver such financial services. In this context, access to mobile telephony is crucial for the local financing institutions.

The USD 12.2 million senior loan to IGT is BIO’s first investment in Myanmar, a least-developed country according to the OECD classification. The long-term financing in hard currency is provided by BIO in conjunction with the Dutch development bank, FMO, and other European DFIs.

Irrawaddy Green Towers, a story of social commitment
IGT has a strong social commitment. In 2015, it provided immediate support to areas affected by the devastating floods across the country with such critical items for daily needs as proteins and canned food, rice, dry fish, water, torches, etc., with more than 6,000 people benefiting from this program. IGT also supports local education programs: in April 2015 Irrawaddy donated six sets of school furniture to a 300-pupil primary school in the neighbouring community Thar Kay Ta Township.

Development impacts
1. Local economic growth
   Creation of 4,000 jobs during the construction phase.
   IGT creates access to affordable mobile telecommunication, improving infrastructure for SMEs.
2. Private sector Consolidation & Innovation
   IGT invests greatly in training local staff through ambitious training programs and knowledge transfer in order to replace expat staff.
   The market structuring effects are high as the mobile telecom roll-out is significantly expanded, servicing rural areas that were previously excluded.
   This in turn drives prices down, allowing a larger portion of the population to gain access to the service. Thanks to private telecom infrastructure providers like IGT, private telecom operators can offer their services at only a fraction of what the former state-owned monopoly charged.
3. Additionality
   The DFIs provide long-term financing in hard currency that is not available on the domestic market at reasonable conditions.

FACTS & FIGURES
What
Construction of a mobile telecommunication tower network
Country
Myanmar
Contract Signed in 2015
Type
Infrastructure – Telecom
BIO investment
USD 12.2 million senior loan
Total investment
international lenders
USD 122 million
CASE

INFRASTRUCTURE:
KIVUWATT, FROM HAZARDOUS GAS TO ELECTRICITY – AFRICA

Hidden in the deep waters of Lake Kivu, one of Africa’s Great Lakes situated between Rwanda and the Democratic Republic of Congo, lies a colossal reserve of methane gas. In 2011, BIO participated in a loan facility of USD 91.25 million together with the Emerging Africa Infrastructure Fund, the Netherlands Development Finance Company (FMO) and the African Development Bank to support the construction of a ground-breaking project to extract this dangerous gas, “Kivuwatt”. Kivuwatt has been set up to remove and process the methane gas (an asphyxiating gas when released in the air) trapped in the waters of Lake Kivu for use as fuel to generate critically needed electricity. Extracting the methane gas will greatly reduce the environmental hazards associated with the natural release of the lake gases, and also provide an environmentally friendly and sustainable source of power generation. The project adds 25 megawatts to the national electricity grid, thereby increasing access to electricity from 6 to 10% in Rwanda, providing electricity for 25,000 people. Kivuwatt provides social services and economic assistance to the local population, investing in local primary schools and actively supporting community developments. KivuWatt is also supporting the improvement of hygienic standards in a camp for refugees from the DRC.

Development impacts
1. Local economic growth
Creation of 550 jobs in the construction phase and over 140 permanent jobs in the operational phase
2. Private sector innovation
First project worldwide to extract lethal methane gas and transform it into energy
3. Basic services and goods
Increase access to electricity from 6 to 10% in Rwanda, providing electricity for 25,000 people.
4. Fighting climate change
Innovative and renewable power generation
5. Additionality
The DFI’s role has been crucial to finance the construction of the project: long-term financing is scarcely available in Rwanda and few investors are willing to take the risk of financing the construction of a first-time innovative infrastructure project.

FACTS & FIGURES
What
Power plant generating electricity from methane gas
Country
Rwanda
Contract signed
2011
Type
infrastructure – energy generation
BIO investment
USD 10 million senior loan
Total investment
international lenders
USD 91.25 million

THE STORY OF THEOGENE MUTANGA, PRODUCTION MANAGER OF THE KARONGI TEA FACTORY
Theogene Mutanga is proud of his tea-drying plant. His company employs more than 450 leaf croppers, families living around the plant up in the mountains nearby Kibuye on Lake Kivu. Harvested tea leaves must dry within 48 hours, but production output is dependent on a stable electricity supply. With Kivuwatt fully operational, electricity supply is now stable. As Theogene explains, “Kivuwatt arrived just in time, we were two steps away from closing down the tea factory because electricity was so irregular, meaning that our drying facilities were not working correctly. Can you imagine, I would have had to have put 450 families out of a job? We are grateful to now have a reliable electricity supply, thereby ensuring a steady income for the people in Kibuye.”
Access to finance is certainly a major, but not the only obstacle to Micro, Small and Medium Enterprise (MSME) growth. In addition to finance, missing capabilities may be a further impediment to sustainable MSME growth. Capabilities – appropriately in this context – are needed in a wide range of areas. Technical capability, market knowledge, accounting know-how, financial and investment planning and risk management are all important capabilities needed to successfully manage and grow a business. It is not uncommon for SMEs and financial institutions in the developing world to require capacity building in certain areas and, for an investor wishing to support growth MSMEs, it is important to understand and identify an organization’s potential bottlenecks.

Through its MSME Support Fund, a facility providing subsidies to potential and existing clients, BIO supports MSMEs and financial institutions in further improving their performance, increasing competitiveness and strengthening their impact on sustainable development through training, advice and skill transfer. Apart from co-financing technical assistance projects, BIO also supports feasibility studies as these are an essential step in the process of creating or developing a company or infrastructure project.

During 2015, the MSME Support Fund approved 6 Technical Assistance grants and 1 feasibility study, for a total net commitment of EUR 337,271.
CASE
ADVANS BANK, THE DRC – AFRICA

Advans Bank Congo SA is a Congolese commercial bank that opened its doors to the public in 2009 in Kinshasa. In 2014 the bank received a USD 2 million senior loan from BIO. In the same year, it also received a €65,200 grant from the MSME Support Fund to strengthen its deposit mobilization strategy. The grant enabled the bank to successfully launch its ATM card service and has helped to set up pilot points of sales in gas stations, a project rolled out in 2015. The technical assistance also supported the bank in reorganizing its branch office sales staff, and in reviewing its bonus system to take better account of deposit results.

So far the bank’s focus has been on catering to the needs of MSMEs in the city of Kinshasa. In 2015, BIO gave Advans a €26,600 subsidy to conduct market research on the potential of rural and agricultural activities in Kikwit and the periphery of Kinshasa. The study has allowed Advans to quantify the potential and risks connected to rural financing as well as the necessary adaptations at the level of the proposed products and how it will go about developing this new market.

“Expansion into underserved rural areas is of high potential for growth and impact and is a key strategic focus for Advans. Advans Banque Congo’s rural market studies around Kikwit and Kinshasa are the first step towards developing tailored financial products and distribution channels for rural clients in DRC. The studies, funded by BIO, are helping Advans to develop an in-depth understanding of the current environment, agricultural context and demand for financial products in these areas. This will ensure Advans has the right knowledge to provide farmers and non-farmers with accessible, sustainable financial products adapted to their needs,” notes Katherine Brown from Advans Group.

Expected Impacts of the Technical Assistance grant
The market research will define the deployment strategy of Advans in rural and peri-urban areas and ensure that this strategy meets the needs of rural populations. Advans will be able to fully assess the viability of developing its rural and agricultural lending activity. The study will enable identification of any key gaps in the market and help define innovative solutions for the future implementation of its strategy. In expanding to rural areas, the bank hopes to increase its outreach and impact, promoting financial inclusion and growth in rural areas where populations often lack access to formal banking services. In scaling up its activities and addressing a new client segment, Advans Bank Congo hopes to expand its client base and diversify its product offering, creating drivers for further growth in the years to come.

Development Impacts
- Targeted end users: 6,766 loan clients (June 2015)
- Job creation: 299 local staff (June 2015)
- Advans is one of the few banks in DR Congo offering credit to the lower-end segment of MSME finance. This enables private sector growth through supporting micro and small entrepreneurs.
- Advans contributes to the financial inclusion of the population of DR Congo through offering savings and transfer services.
# Financial Report

## Balance Sheet

### Assets

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed Assets</strong></td>
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<td>402,590,171</td>
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<td>Formation expenses</td>
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<td>Intangible assets</td>
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<tr>
<td>Tangible assets</td>
<td>207,960</td>
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<tr>
<td>Furniture and vehicles</td>
<td>134,952</td>
<td>139,765</td>
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<tr>
<td>Leasing and similar rights</td>
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<tr>
<td>Other tangible assets</td>
<td>73,008</td>
<td>120,360</td>
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<tr>
<td><strong>Financial assets</strong></td>
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<tr>
<td>Participating interests in affiliated enterprises</td>
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<td>-</td>
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<tr>
<td>Participating interests in other enterprises</td>
<td>122,371,207</td>
<td>108,499,762</td>
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<tr>
<td>Amounts receivable and cash guarantees</td>
<td>275,444,580</td>
<td>293,740,896</td>
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<tr>
<td><strong>Current Assets</strong></td>
<td>330,485,621</td>
<td>287,456,778</td>
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<tr>
<td>Amounts receivable within one year</td>
<td>1,062,314</td>
<td>1,249,854</td>
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<tr>
<td>Investments</td>
<td>314,446,544</td>
<td>258,738,730</td>
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<tr>
<td>Cash at bank and in hand</td>
<td>8,143,571</td>
<td>20,912,073</td>
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<tr>
<td>Deferred charges and accrued income</td>
<td>6,833,192</td>
<td>6,556,121</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>728,572,286</td>
<td>690,046,948</td>
</tr>
</tbody>
</table>

### Liabilities

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capital and Reserves</strong></td>
<td>712,157,789</td>
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<tr>
<td>Capital</td>
<td>4,957,873</td>
<td>4,957,873</td>
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<tr>
<td>Reserves</td>
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<tr>
<td>Legal reserve</td>
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<td>495,787</td>
</tr>
<tr>
<td>Reserves not available for distribution</td>
<td>685,016,405</td>
<td>645,016,404</td>
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<td>Profit carried forward</td>
<td>21,687,724</td>
<td>18,563,214</td>
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<tr>
<td><strong>Provisions and Deferred Taxes</strong></td>
<td>737,365</td>
<td>3,779,689</td>
</tr>
<tr>
<td>Provisions for risks and costs</td>
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<td>3,779,689</td>
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<tr>
<td><strong>Creditors</strong></td>
<td>15,677,132</td>
<td>17,233,980</td>
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<tr>
<td>Amounts payable after more than one year</td>
<td>0</td>
<td>-</td>
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<tr>
<td>Amounts payable within one year</td>
<td>8,448,121</td>
<td>9,311,820</td>
</tr>
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<td>Current portion of amounts payable after more than one year</td>
<td>0</td>
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<tr>
<td>Trade debts</td>
<td>543,735</td>
<td>365,385</td>
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<tr>
<td>Taxes, remuneration and social security</td>
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<td>1,318,286</td>
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<tr>
<td>Other amounts payable</td>
<td>6,770,100</td>
<td>762,7470</td>
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<td>Accrued charges and deferred income</td>
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<td>7,922,160</td>
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<tr>
<td><strong>Total Liabilities</strong></td>
<td>728,572,286</td>
<td>690,046,526</td>
</tr>
</tbody>
</table>
NOTES TO BALANCE SHEET

Financial assets
Equity holdings and shares are stated at acquisition cost. Incidental expenses relating to acquisition are charged to the financial year during which they were incurred.

These assets will remain valued at a historical exchange rate. The Board of Directors will determine on a case-by-case basis when reductions in value are lasting and lead to the booking of a capital loss or an impairment.

Receivables are valued at nominal value. Related expenses are charged to the financial year during which they were incurred. An impairment is booked if there

Fixed assets

<table>
<thead>
<tr>
<th></th>
<th>USD</th>
<th>MAD</th>
<th>INR</th>
<th>KHR</th>
<th>NIO</th>
<th>TZS</th>
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</thead>
<tbody>
<tr>
<td>Signed projects</td>
<td>348,854,133</td>
<td>11,211,178</td>
<td>518,300,000</td>
<td>10,080,443,585</td>
<td>27,362,900</td>
<td>8,797,828,757</td>
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<tr>
<td>equity participations investment funds</td>
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<td>265,000,000</td>
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<td>10,080,443,585</td>
<td>8,797,828,757</td>
<td>3,007,166,500</td>
<td></td>
<td></td>
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<tr>
<td>loans investment funds</td>
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<td></td>
<td></td>
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<td></td>
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<tr>
<td>loans</td>
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<td>0</td>
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<table>
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<tr>
<th></th>
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<tr>
<td>equity participations</td>
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<td>330,000,000</td>
<td></td>
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<tr>
<td>loans</td>
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<td>330,000,000</td>
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<td></td>
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<tr>
<td>Total projects 2015</td>
<td>159,002,846</td>
<td>8,489,839</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>6,773,287,350</td>
</tr>
</tbody>
</table>
is uncertainty as to the repayment of all or part of the amount receivable on the due date. From an accounting perspective, such impairment reduces the value of the financial asset.

Alongside these impairments booked against assets, a general provision used to be established at the end of each financial year (included under ‘Provisions for risks and costs’ in the Liabilities section of the Balance Sheet), bringing total provisions up to the 3% decided by the Board of Directors. Because the total impairments booked under the financial assets now amount to more than this 3% level, the general provision no longer exists. At 31/12/2015, these impairments represented 4% of the outstanding (EUR 18,587,772).
When the interest risk and the currency risk are covered by a financial instrument that meets the hedging criteria on an ongoing basis in terms of maturity, interest and currency, valuation of the financial instrument follows the valuation rules for the underlying asset.

BIO’s financial commitments at the end of the financial year are converted at the closing rate of the financial year and are recorded as off-balance sheet items. The submission of a letter of intent to a potential customer implies the off-balance sheet recording of the amounts committed.

The interest and exchange risk related to 70 loans totalling USD 270 million, FCFA 2.498 million, ZMK 5 million, NGN 1 million, MZN 360 million, BOB 7 million and LKR 393 million was covered by an interest and currency swap (CCIRS/Cross Currency Interest Rate Swap), converting the counter value of the future instalments and interest payments into fixed-interest EUR loans. Five loans totalling USD 1 million were covered by forward currency contracts.

**Amounts receivable within one year**

Trade receivables amount to EUR 762,682.

The remaining receivables mainly refer to yet to be reclaimed VAT (EUR 73,635) and foreign taxes (EUR 222,667).

Cumulated unpaid interest for a total of EUR 1,861,943 has been considered as doubtful and a corresponding impairment booked. The balance of EUR 3,330 relates to down payments to be earmarked.

**Cash at bank and in hand**

This item includes the unallocated cash available to BIO in the context of its corporate mission.

Deposits and long-term accounts with credit institutions and cash at hand are valued at par.

No value adjustments were applied.

**Deferred charges and accrued income**

This item includes deferred costs totalling EUR 57,878, accrued income of EUR 6,689,883 and currency conversion gains of EUR 85,432.

Deferred costs mainly consist of rent, insurance, subscriptions, travel expenses and legal fees.

Accrued income mainly consists of accrued interest currently due on loans granted.

The currency conversion gains represent the exchange rate difference between the spot rate and hedging rate. These conversion gains are spread over the duration of the instrument used and the loans.

**Reserves**

The development certificates are included in unavailable reserves. Impairments and capital losses can be directly charged to these certificates without having to modify the articles of association. At the end of 2002, EUR 62,070 was charged to the certificates.

The legal reserve is EUR 495,787.
EUR 6,249,019 of total profit for the 2015 financial year will be distributed as dividends, with the remainder (EUR 3,124,510) carried forward, bringing the total carried forward up to EUR 21,687,724.

**Provisions for risk and charges**
The provision of EUR 500,000 established to cover a termination of contract is maintained.

The Board of Directors had previously decided that the general provision of EUR 3,010,152, previously included under ‘Financial assets’ was to be booked under ‘Provisions for risks and costs’ in the Liabilities section of the Balance Sheet. This provision no longer exists as total specific provisions now exceed the provisioning level of 3% set in the valuation rules. The specific provisions amount for 4% of the outstanding, leaving no margin for a general provision.

A provision for EUR 237,365 pertaining to VAT has been maintained.

**Amounts payable within one year**
Commercial debts consist of EUR 170,219 of invoices to be paid and EUR 373,516 of invoices to be received.

**Tax debts**
Tax debts include provisions for corporation tax of EUR 180,000 for the current financial year and of EUR 194,476 for the previous years, as well as EUR 189,456 for withholding taxes on salaries.

**Debts relating to wages and social security**
Debts relating to wages and social security concern the provision for statutory holiday pay and a wage balance of December 2014 totalling EUR 524,134, as well as social insurance contributions of EUR 46,221.

Remaining debts include a yet to be distributed dividend of EUR 522,129. There is an outstanding amount of EUR 60,276 related to advance payments or received amounts to be transferred to third parties.

**Accrued charges and deferred income**
This heading includes costs to be charged amounting to EUR 3,780,791. This is mainly the provision for interest incurred and not due on the CCIRS contracts amounting to EUR 3,291,939 and a subsidy of EUR 488,852, the contract for which has been signed.

Deferred accrued income amounts to EUR 3,448,220 for a Capacity Building and MSME fund.
### INCOME STATEMENT

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td><strong>45,775,835</strong></td>
<td><strong>40,999,559</strong></td>
</tr>
<tr>
<td>Income from financial fixed assets</td>
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<td>20,522,612</td>
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<tr>
<td>Income from current assets</td>
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<tr>
<td>Other financial income</td>
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<td>246,823</td>
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<tr>
<td>Other operating income</td>
<td>2,101,410</td>
<td>1,809,559</td>
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<tr>
<td>Exceptional income</td>
<td>6,115,951</td>
<td>5,868,230</td>
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<td><strong>Charges</strong></td>
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<td>Services and other goods</td>
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<td>Remuneration, social security costs and pensions</td>
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<td>Depreciation</td>
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<td>678,298</td>
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<td><strong>Profit for the period</strong></td>
<td><strong>9,373,729</strong></td>
<td><strong>10,963,790</strong></td>
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</table>

**Notes to income statement**

**Operating income**
Totalling EUR 2,101,410, other operating income is made up of the EUR 200,497 subsidy related to the Capacity Building and MSME Fund, various fees for EUR 1,512,013, a re invoicing of costs amounting to EUR 230,143, EUR 158,227 of withholding tax exemption and redistribution of social security contributions, as well as other various costs amounting to EUR 530.

**Operating charges**
“Goods and services” covers general operating costs such as rent and related charges, insurance, office supplies, membership fees and documentation, various fees, travel expenses, promotion costs, as well as the remuneration of the management bodies. These charges amounted to EUR 2,711,742.

Wages, social security contributions, staff insurance and employee benefits amounted to EUR 5,100,334. Depreciation on tangible assets amounted to EUR 141,983, while impairments on receivables totalled EUR 543,145.

Other operating charges of EUR 153,357 relate to a EUR 97,918 approved subsidy.
for the MSME Support Fund, and various taxes and levies for EUR 55,439.

Financial income
Income from BIO’s core activity in 2015 amounted to EUR 24,159,196. It consists of returns on loans (EUR 21,326,459) and dividends (EUR 2,832,737).

Income derived from investing the non-allocated cash available to BIO to execute its corporate mission amounted to EUR 12,951,837 in 2015. The income from CCIRS contracts is included under this heading.

Other financial income (EUR 447,441) mainly relates to differences in exchange rates and payments.

Financial charges
“Interest payable and similar charges” (EUR 18,385,685) are mainly attributable to CCIRS contracts.

Other financial charges refer to discounts on receivables amounting to EUR 34,187, the adaptation of the acquisition value of the bonds emitted by the Belgian Government to the actuarial value amounting to EUR 593,706, exchange rate differences of EUR 106,571, discounts and provisions on debtors amounting to EUR 22,991, EUR 88,476 of banking charges and EUR 7,940 of various financial costs.

Extraordinary income
Extraordinary income is made up of the use of the 2014 general provision on debtors for 3,010,152, a EUR 2,890,637 capital gain from the realization of fixed assets, the recovery of impairments on receivables for EUR 194,186, VAT recovery for EUR 20,975.

Extraordinary costs
Capital losses on the realization of financial assets amounted to EUR 101,704 in the 2015 financial year. Estimated impairments on financial assets amounted to EUR 8,314.

Taxes
This item contains provision adjustments for corporation tax for financial years 2014 (EUR -237,341) and 2015 (EUR 180,000), foreign taxation on 2015 revenues (EUR 252,582), and the recovery of foreign taxes for EUR -65,474.
## CASH FLOW

<table>
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<tr>
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<td>Operational cash flow after taxation</td>
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<td>Formation expenses</td>
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<td>Investment flow</td>
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<td>Financing by</td>
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<td>Other amounts payable</td>
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<td>Financing flow</td>
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<tr>
<td>Total cash flow</td>
<td>42,939,311.71</td>
<td>20,858,754.80</td>
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STATUTORY AUDITOR’S REPORT

Belgian Investment Company for Developing Countries SA

Statutory auditor’s report to the shareholders’ meeting
on the annual accounts for the year ended 31 December 2015

To the shareholders

As required by law and the company’s articles of association, we report to you in the context of our appointment as the company’s statutory auditor. This report includes our report on the annual accounts together with our report on other legal and regulatory requirements. These annual accounts comprise the balance sheet as at 31 December 2015 and the income statement for the year then ended, as well as the summary of accounting policies and other disclosures.

Report on the annual accounts – Unqualified opinion

We have audited the annual accounts of Belgian Investment Company for Developing Countries SA (“the company”), prepared in accordance with the financial reporting framework applicable in Belgium, which show total assets of 728,572 (000) EUR and a profit for the year of 9,374 (000) EUR.

Board of directors’ responsibility for the preparation of the annual accounts

The board of directors is responsible for the preparation and fair presentation of annual accounts in accordance with the financial-reporting framework applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Statutory auditor’s responsibility

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the statutory auditor’s judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the company’s preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the annual accounts. We have obtained from the company’s officials and the board of directors the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.
Unqualified opinion

In our opinion, the annual accounts of Belgian Investment Company for Developing Countries SA give a true and fair view of the company’s net equity and financial position as of 31 December 2015 and of its results for the year then ended, in accordance with the financial reporting framework applicable in Belgium.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the directors’ report on the annual accounts, as well as for maintaining the company’s accounting records in compliance with the legal and regulatory requirements applicable in Belgium and for the company’s compliance with the Companies Code and the company’s articles of association.

As part of our mandate and in accordance with the Belgian standard complementary to the International Standards on Auditing applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statements, which do not modify the scope of our opinion on the annual accounts:

- The directors’ report includes the information required by law, is consistent with the annual accounts and is free from material inconsistencies with the information that we became aware of during the performance of our mandate.
- Without prejudice to certain formal aspects of minor importance, the accounting records are maintained in accordance with the legal and regulatory requirements applicable in Belgium.
- The appropriation of results proposed to the general meeting is in accordance with the relevant requirements of the law and the company’s articles of association.
- There are no transactions undertaken or decisions taken in violation of the company’s articles of association or the Companies Code that we have to report to you.

Antwerp, 11 May 2016

The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d’Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Luc Van Coppenolle
GOVERNANCE

BIO is a private company. Its capital is provided by the Belgian State (Ministry for Development Cooperation). Its starting capital amounted to €5,000,000 and it makes investments using additional equity (“development certificates”) put at its disposal by the Ministry for Development Cooperation. The annual Shareholders’ meeting was held on June, 1st 2016 at which the Shareholder discharged Board and Auditor from liability.

THE BOARD OF DIRECTORS

There are twelve members on the Board of Directors, including the president who is a member by right. The Board has an equal number of Dutch-speaking and French-speaking members. The Government appoints the Board members on the basis of their expertise in international cooperation or finance; their six-year term is renewable. In 2015, none of the Board member held a management function in the company.

The Board of Directors decides on strategy and policy, and exercises strict internal control on the basis of regular reporting. It oversees the implementation of BIO’s mandate and has the final word on all investment projects. Two Government Commissioners, one appointed by the Minister of Finance and the other by the Minister for Development Cooperation, assist the Board of Directors in ensuring that State provided funds are well-managed. They are invited as observers to all meetings of the Board and its Committees.

The Board of Directors consists of:
Mr. Christophe Soil (President)
Ms. Els Schelfhout (Vice President)
Mr. Jan Kerremans (2nd Vice President)
Ms. Laurence Christians
Ms. Françoise Demeuse
Mr. Jean-Claude Fontinoy
Mr. Xavier Godefroid
Mr. Carl Michiels
Ms. Florence Thys
Ms. Annuschka Vandewalle
Ms. Hilde Vautmans
Mr. Pieter Verhelst
Mr. Koen Devoldere (Government Commissioner – Ministry of Finance)
Mr. Peter Moors (Government Commissioner – Ministry for Development Cooperation)

In accordance with the Law of 20 January 2014, amending the Law of 3 November 2001 establishing the Belgian Investment Company for Developing Countries as a public-law company, the Director-General for Development Cooperation and Humanitarian Aid, Mr Frank De Wispelaere, represents the Federal Public Service of Foreign Affairs, Foreign Trade and Development Cooperation in BIO’s Board of Directors. As an observer, he is not eligible to vote.
Remuneration of the Board members
The remuneration of the Board members was set at the incorporation of BIO in 2001. Any change is decided by the General Assembly of Shareholders in accordance with the by-laws.

The remuneration of the members depends on their function (president, vice president and member) and the number of meetings attended by the Committees they belong to.

In 2015, the members received the following remuneration:

<table>
<thead>
<tr>
<th>Name Board member</th>
<th>Function</th>
<th>Amount received in 2015 (in EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Christophe Soil</td>
<td>President</td>
<td>9,958</td>
</tr>
<tr>
<td>Ms. Els Schelfhout</td>
<td>Vice President</td>
<td>11,979</td>
</tr>
<tr>
<td>Mr. Jan Kerremans</td>
<td>2nd Vice President</td>
<td>8,000</td>
</tr>
<tr>
<td>Ms. Laurence Christians</td>
<td>Member</td>
<td>5,000</td>
</tr>
<tr>
<td>Ms. Françoise Demeuse</td>
<td>Member</td>
<td>7,500</td>
</tr>
<tr>
<td>Mr. Jean Claude Fontinoy</td>
<td>Member</td>
<td>8,000</td>
</tr>
<tr>
<td>Mr. Xavier Godefroid</td>
<td>Member</td>
<td>7,500</td>
</tr>
<tr>
<td>Mr. Carl Michiels</td>
<td>Member</td>
<td>8,000</td>
</tr>
<tr>
<td>Ms Florence Thijs</td>
<td>Member</td>
<td>10,000</td>
</tr>
<tr>
<td>Ms Annuschka Vandewalle</td>
<td>Member</td>
<td>8,000</td>
</tr>
<tr>
<td>Ms Hilde Vautmans</td>
<td>Member</td>
<td>8,000</td>
</tr>
<tr>
<td>Mr. Pieter Verhelst</td>
<td>Member</td>
<td>5,000</td>
</tr>
<tr>
<td>Mr. Frank Blomme</td>
<td>Government Commissioner</td>
<td>3,859 (until 05/2015)</td>
</tr>
<tr>
<td>Mr. Koen Devoldere</td>
<td>Government Commissioner</td>
<td>6,599 (started 05/2015)</td>
</tr>
<tr>
<td>Mr. Peter Moors</td>
<td>Government Commissioner</td>
<td>12,063</td>
</tr>
<tr>
<td>Mr. Frank De Wispelaere</td>
<td>Observer</td>
<td>5,000</td>
</tr>
</tbody>
</table>

The remuneration of the government commissioners is determined by Ministerial Decree from the Minister of Development Cooperation.

In 2015, the Board convened eleven times.
COMMITTEES

All Committees are appointed by and report to the Board of Directors.

The Investment Committee
The Investment Committee includes 6 members. It is responsible for the following activities:
- Advise the Board of Directors on investment decisions
- Analyse and monitor the portfolio

The investment committee is composed as follows:
Ms. Florence Thys (Chair)
Mr. Carl Michiels
Mr. Jean-Claude Fontinoy
Ms. Hilde Vautmans
Mr. Frank De Wispelaere
Ms. Els Schelfhout
Mr. Yves Windelincx (external expert)

The Audit Committee
The Audit Committee is appointed by the Board to support the Board in its oversight responsibilities regarding internal control in the broadest sense, including internal control over financial reporting.

The audit committee is composed as follows:
Mr. Pieter Verhelst (Chair)
Mr. Jan Kerremans
Ms. Laurence Christians

Human Resource Committee
The HR Committee assists the Board in human resources policy matters.

It is composed as follows:
Ms. Françoise Demeuse (Chair)
Ms. Annuschka Vandewalle
Mr. Jan Kerremans
Mr. Xavier Godefroid

Credit Committee
The role of the Credit Committee is to formulate proposals to the CEO, with respect to certain decisions delegated by the Board to the CEO:

The Credit Committee will formulate recommendations to the CEO with regard to:
- final investment decisions up to 2 million euros, and proposals for waivers (minor and major) and amendments (minor and major) to such decisions that fall within the scope of authority of the CEO.
- all decisions relating to awarding grants out of the MSME Support Fund.
- The Credit Committee will further make recommendations to the CEO on minor waivers and amendments in respect of all investment decisions and the CEO is vested with the authority to resolve, after giving due consideration to the Credit Committee’s recommendation.

The members of the Credit Committee are:
- the Chief Executive Officer;
- the Chief Risk Management and Monitoring Officer (CMO);
- the Chief Investment Officer (CIO);
- the Head of Legal Department
- The Development & Sustainability Specialist
External control
The funds entrusted to BIO by the Belgian government are subject to particular scrutiny.

- BIO is supervised by 2 Government Commissioners, one appointed by the Minister for Development Cooperation and the other by the Minister for the Budget.
- The Belgian Court of Audit conducts an annual financial audit.
- BIO accounts are certified annually by an external auditor.
- BIO is regularly evaluated by the Government’s Special Evaluator: the first evaluation took place in 2007, the second evaluation in 2012/2013.

Executive Committee
The Executive Committee is responsible for preparing and implementing strategy and policy, and for the daily management of the company. It is headed by the CEO, who ensures the Executive Committee’s relations with the Board of Directors.

Throughout 2015, the members of the Executive Committee were:
Mr. Luuk Zonneveld,
Chief Executive Officer
Mr. Arnaud Delmarcelle,
Chief Administration and Finance Officer
Ms. Carole Maman,
Chief Investment Officer
Ms. Anne Demeuse,
Chief Risk Management and Monitoring Officer (until December 2015)
Mr. Denis Pomikala,
Chief Risk Management and Monitoring Officer (since January 2016)
Ms. Yumi Charbonneau,
Head of Legal Department