BIO in a nutshell

BIO is a Development Finance Institution (DFI) established in 2001 in the framework of the Belgian Development Cooperation.

Mission

Invest for the long-run in the development of the South.

BIO aims to support private sector growth in developing and emerging countries to enable them to gain access to growth and sustainable development.

BIO supports the financial sector, enterprises and private infrastructure projects by means of tailored long-term financial products (equity, quasi-equity, debt and guarantees) and provides subsidies for technical assistance programmes as well as feasibility studies.

Through its investments, BIO encourages its business partners to implement environmental, social and governance standards.

BIO operates as an additional partner to the traditional financial institutions and looks for projects with a balance between return on investment and development impact.

BIO is a member of EDFI (European Development Finance Institutions).
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“Support for the private sector is not limited to corporate finance alone, but is also aimed at building capacity and encouraging the incorporation of international standards, thereby increasing human resources, improving productivity and attracting additional capital.”

The 3rd Private Sector Forum held in New York in September 2010 and the United Nations 2010 MDG Summit both emphasised and reiterated the importance of the Business World’s involvement in achieving the Millennium Development Goals (MDG) as “primary driver of innovation, investment and job creation”.

This is in fact something we must not lose sight of: poverty reduction is not limited to investments in the social sphere. It depends first and foremost on economic growth and the redistribution of wealth originating, in the first place, from private investments.

Corporate objectives of profitability and growth are not incompatible with development objectives: synergies exist when businesses wish to ensure the sustainability of their profits by adopting economically, socially and environmentally responsible policies.

Provided it is socially inclusive, innovative and sustainable, this economic growth will have much greater repercussions for poverty reduction than steady increases in Official Development Assistance.

Promoting entrepreneurship and innovation presupposes the involvement of bold, creative men and women, endowed with freedom of action who are capable of planning and managing projects. This also presupposes government involvement in creating the
conditions and rules for establishing a healthy business climate, with a legal framework and business regulations that are sufficiently transparent and attractive to encourage investors.

In this respect, Development Finance Institutions (DFIs) are expected to play an increasingly important role in supporting SMEs, which are development drivers and, very often, the main employer of the poorest groups of people.

Innovative public-private partnerships and new finance options coupled with technical assistance, implemented with the support of these Development Finance Institutions enable businesses to access a wider range of suitable financial instruments for their size and projects, while benefitting from the transfer of skills and technology and improved organisational and management capacity.

In addition to positive financial outcomes, the role played by DFIs in private projects above all demonstrates a positive impact on development. A recent study confirms that development financial institutions permit an efficient use of public funds. In fact, favourable impacts on development subsist even after the amounts initially invested have been recuperated, while the financial yields achieved may be reinvested in their turn in new projects. Furthermore, the involvement of a DFI in projects also enables additional private funds to be mobilised (catalytic effect).

BIO is a relatively young institution compared with its European counterparts but since its creation in 2001 the size of its portfolio and the number of projects have grown continuously.

This growth, supported by an increase in its equity capital, which reached 465 million at the start of 2011 compared with 176 million at the end of 2007, demonstrates the confidence of its shareholders.

BIO is currently financing about a hundred projects either directly or through local finance institutions or investment funds set up to finance SMEs. After ten years of existence it has demonstrated its ability not only to support reliable projects but also to diversify its portfolio and finance increasingly complex projects, especially with the commencement of infrastructure funding operations in 2010.
BIO has moreover applied to open a representative office in the Democratic Republic of the Congo. This highlight confirms the strategic importance of the African continent. As a part of the world economy this continent is beginning to grow once more and is resolutely committed to sustainable change.

Over the next few years BIO will continue to become more professional, by concentrating its expertise on three priority strategies, namely access to basic financial services for micro, small and medium-sized enterprises, food industries and basic infrastructure, specifically the promotion of clean energy and access to water. These priorities respond to the three major constraints on the eradication of poverty: the growing demand for sustainable energy, threats related to the issue of climate change and the global food crisis.

In 2011 BIO will celebrate its 10th anniversary. This will be an opportunity to draw up its first action report and also to implement important strategic changes outlining the future profile of BIO by 2020.

Already, I have to thank and warmly congratulate the BIO team for the quality of the work accomplished and for its continued commitment to supporting the private sector in developing countries.
Key figures 2010

Evolution in net commitments 2005-2010

Distribution of net commitments by sector as at 31.12.2010
Highlights in 2010

New financial resources
As at 31 December 2010 BIO’s total financial resources were EUR 360 million (including capital). The Belgian government has moreover committed new funds amounting to EUR 105 million for the start of 2011.

Increase of number of applications and approvals
In 2010 BIO looked at 260 funding applications for a total of EUR 760 million. It backed 27 projects, worth a total of EUR 114.6 million.

An increase in net commitments of 24.3 percent
As at 31 December 2010 net commitments were EUR 331.1 million, an increase of 24.3 percent compared with 2009 (EUR 261.4 million).

First investments in infrastructure
Commencement of Infrastructure operations and first commitments and disbursements in geothermal and wind power projects in Latin America and Africa.
New website

The launch of the new BIO website with a more detailed overview of portfolio projects, easy navigation and direct access to the necessary information for making new funding applications.

Recruitment of specialists

BIO has taken on several specialists in the fields of private equity, microfinance, infrastructure and technical assistance.

Organisation of the EDFI General Meeting in Bruges

BIO welcomed its European counterparts to the General Meeting of the European Development Finance Institutions (EDFI) held in the magnificent setting of Bruges. This event is organised each year by one of the members of EDFI and provides an opportunity to take stock of each institution’s progress and hold informal discussions on trends in development finance.
Mission

Support the private sector  Develop local skills  Promote sustainable projects
Development report

Effects on development in 2010

Private sector finance: a vehicle for development

The three pillars of development assistance are:

(1) aid and donations (to the authorities or the civil society) through bilateral or multilateral channels;

(2) development banks oriented towards the public sector;

(3) investments in the local private sector. This third pillar demonstrated its vital importance during the recent financial crisis which had a decisive influence on the amount of aid allocated by donor countries given the pressure on their public expenditure.

These three pillars constitute further approaches for reducing poverty. The third pillar corresponds to BIO's mandate.

BIO is fulfilling its mission to support the private sector by ensuring that its investments have a positive and lasting effect on economic growth and improve the living conditions of people in the receiving country.

In this sense, BIO relies on a series of indicators to determine the impact its contributions have had on development, and also to measure its strategic position in the context of an investment project, either by playing the role of pioneer, or attracting other investors, or significantly contributing to the sector's growth or greater credibility.

Since 2006 BIO has used GPR©, a measurement tool developed by DEG¹. Before approval, each funding project is subjected to ex-ante assessment which enables the expected impacts on development to be estimated, by placing it on a scale of 1 (very good) to 6 (inadequate).

¹ Deutsche Infestations- und Entwicklungsgesellschaft mbH
GPR© enables a certain number of parameters favourable to development to be evaluated: job creation, income generation, access to training, enlargement of supply and the market, environmental protection, etc.

These parameters are then compared with the principles of the law on Belgian International Cooperation.

1. Principles of the law on Belgian International Cooperation

Article 3 of the law of 3 November 2001 on the creation of BIO stipulates that "BIO’s mandate is to invest in the development of businesses situated in developing countries in the interest of the economic and social development of these countries."

More particularly, article 8 of this same law specifies that "the criteria relevant to development, as specified in article 4 of the law of 25 May 1999 on Belgian International Cooperation, are also applicable to BIO."

Article 4 of the law on Belgian International Cooperation specifies six principles to be used as the basis for evaluating pertinence to development. BIO assesses its impact on the first 5 principles stated below:

1. Building institutional capacities and management
2. Economic and social impact
3. Technical and financial viability
4. Attention given to equality between men and women
5. Compliance with environmental protection or safeguards
6. Effectiveness of the planned operating procedure

The third principle, "Technical and financial viability", is a precondition for any investment by BIO.

The sixth principle does not apply directly to BIO investments as such and is therefore not evaluated.

It should be noted that some indicators and parameters used by BIO may refer to several of these principles (for example, training is pertinent because of its economic and social impact as well as its role in building the capacities of local players). Nevertheless, in the interests of clarity, we have chosen to deal with these indicators in respect of the principles for which BIO’s results are the most significant.
This section highlights, through concrete examples, the pertinence of the BIO investments approved in 2010 in terms of development in the context of the principles stated above. It then sets out how BIO investments can contribute towards achieving MDGs. Finally, the last part is devoted to the technical assistance offered to its clients by BIO because of its multiplier effect on development.

2. New projects approved by BIO in 2010

In 2010 BIO approved 28 new investment projects for an amount of over EUR 114 million. The average score of these projects is 2.8 on the GPR© (1-6) scale, which corresponds to a "good" rating on the scale of effects on development (very good - inadequate).

These 28 projects are spread over the following sectors: 12 financial institutions, 7 investment funds, 6 productive companies and 3 infrastructure projects. It is the results, in terms of development, of these projects which are examined in this report. Financial institutions and investment funds are sometimes grouped under the more general name of "financial sector".

GPR scores of new investment projects

<table>
<thead>
<tr>
<th></th>
<th>Financial institutions</th>
<th>Investment funds</th>
<th>Enterprises</th>
<th>Infrastructure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of investments approved in 2010</td>
<td>12</td>
<td>7</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>Average score</td>
<td>2.9</td>
<td>2.5</td>
<td>2.9</td>
<td>3.1</td>
</tr>
</tbody>
</table>

Amounts committed in 2010 by sector

<table>
<thead>
<tr>
<th>Financial institutions</th>
<th>Investment funds</th>
<th>Enterprises</th>
<th>Infrastructure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of projects</td>
<td>17</td>
<td>12</td>
<td>14</td>
</tr>
<tr>
<td>Amounts committed (EUR million)</td>
<td>46</td>
<td>35</td>
<td>25</td>
</tr>
</tbody>
</table>
I. Effects on development according to the principles of Belgian law

I.1. Building institutional and management capacities

BIO’s impact manifests itself at several levels, both directly and indirectly. Firstly, BIO supports enterprises and financial institutions that offer training to their employees. We have chosen to deal with training in this section because, although it has an effect on “human resources”\(^1\) as specified by the economist Gary Becker\(^2\) and an increase in this resource leads to higher revenue, we think it more appropriate to associate training with the building of capacities than with economic and social impacts (see Point 1.2).

BIO also contributes to the institutional building and capacity development of local businesses, whether directly with its clients, or indirectly through its partners operating in the financial sector\(^3\).

Apart from the infrastructure projects which have limited impact on this point, all the new investments approved by BIO contribute in one way or another to building the capacities of partners in developing countries.

a. Training

The positive link between the level of training, which is one of the constituents of human resources, and economic growth\(^4\) does not need demonstrating. Yet, people in developing countries do not all have access to a competitive and affordable education system. The training

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1 Becker defines human resources as a stock of productive resources incorporated in the individuals themselves, such as the level of education, training, professional experience, health, etc.


3 It is the local banks or investment funds themselves which take action to build the capacities of their local enterprise clients.

a business offers its employees often turns out to be vital, as they have not always been able to complete a course of study or do not have sufficient knowledge to do their work in optimal fashion. Further professional training gives them the opportunity to develop their skills, increase their human resources and improve their productivity, leading eventually to an increase in revenue.

88 percent of newly committed projects in 2010\(^1\) give rise to training opportunities for their staff and clients, or to other outside people. These take the form of on-the-job training or staff development programmes, as well as specific management training or other types of learning (sharing experiences between financial institutions, training support from headquarters, in collaboration with local schools or universities, etc.). Some training is financed by BIO’s technical assistance funds.

\(^1\) Apart from infrastructure projects, which during the construction phase have no or very few employees of their own.

Impact of projects in terms of training

As the result of a technical assistance contract one of BIO’s banking partner in the Democratic Republic of the Congo was able to send 28 employees for several weeks training in Europe and Africa. The managers concerned were thus able to develop their banking and financial skills as well as their management skills and abilities to interact with human resources and the banking environment.
Development report

b. Building institutions and their capacities

In addition to the training described above, which is based more on individuals, BIO may invest in its clients directly, either through technical assistance or by identifying improvement pathways, in order to optimise management, governance, information and control systems, risk management, or other components affecting the organisation of the enterprise or the financial institution. In general, these investments help to build the capacities of these enterprises or financial institutions and are particularly beneficial in terms of the quality of the decision-making process, planning or even supervision. In addition, improvement of corporate governance results in better access to finance and leads to better economic results1.

Of the new investments approved by BIO in 2010, 37 percent of cases in the financial sector (financial institutions or investment funds) and 43 percent of enterprise fundings have been or will be interventions of this kind. They can take the form of advice on organisation building and company management (8), recommendations for improving risk management (2) and suggestions for optimising information and control systems (5).

1 In particular see: IFC, "Why corporate governance", 2005 and OECD, "Corporate governance: effects on firm performance and economic growth", 1999
In 2010 BIO approved funding in Mongolia’s dairy sector. The client also wanted to receive a technical assistance grant in order to introduce a product quality control system and an efficient information management system, commensurate with the dairy’s expected increase in production.

The quality control system will be implemented in collaboration with the United Nations Industrial Development Organisation (UNIDO). As well as increased productivity linked to better quality products it will build the capacities of local businesses which will become more aware of the quality management process. Moreover, the introduction of such a process could eventually enable them to obtain international certification (ISO, etc.).

In addition, BIO also invests indirectly, through support to financial institutions or investment funds, which in turn support the building of capacities in their client enterprises. This for example is the case for all new fundings granted to investment funds and for 27 percent of the investments in financial institutions approved in 2010 by BIO.

I.2. Economic and social impact

It is at this level that BIO’s contribution to development has had the greatest impact, in respect of all new fundings approved in 2010. BIO’s investments support employment but not exclusively. They also facilitate the transfer of technology and know-how and generate revenues to the benefit of the local authorities and populations.

More specifically, enterprises financed by BIO contribute to the development of economic activity and local markets. Infrastructure projects contribute to improving the supply of energy and other raw materials. Finally, investments in the financial sector (financial institutions and investment funds) are behind a diversification of credit allocation and development of local financial markets.

a. Effects on employment

The main economic and social effect of BIO’s investments is the creation or maintenance of “decent” jobs. Due diligence carried out with our clients for projects approved in 2010 (whether enterprises, financial institutions or infrastructure projects) have confirmed that they comply with the fundamental employment principles and laws of the International Labour Organisation. What’s more, some clients go further by offering their employees other

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1 The International Labour Organisation defines decent work as the possibility for each man and woman to have access to productive work under conditions of liberty, equity, safety and dignity.

2 These 4 principles and rights are: 1) Freedom of association and effective recognition of the right to collective bargaining; 2) elimination of any form of forced or compulsory work; 3) effective abolition of child working; 4) elimination of discrimination in employment and professional matters.
advantages such as a share of housing costs or free medical care.

BIO will invest in a palm grove in the Democratic Republic of the Congo. As well as having a significant impact in terms of jobs (direct creation of 1400 jobs) the enterprise also plays a social role. In fact, it reopened the hospital (100 beds with surgical and maternity departments) located on the plantation and offers free treatment to its staff. This hospital is open to all of the local population (about 100,000 people), providing renewed access to treatment unavailable since 1992 in a region where medical facilities are practically non-existent.

Overall, the projects approved in 2010, all sectors combined, should enable a total of nearly 50,000 jobs to be supported or created. Altogether, companies which received BIO funding in 2010 employ nearly 11,000 people. This new record was achieved through new fundings aimed at larger enterprises and a few banking institutions. Moreover, according to estimates, BIO will contribute directly to the creation of 3,000 new jobs in its client businesses and indirectly to the creation or maintenance of nearly 39,000 jobs in their partner businesses (including clients and suppliers).

Direct job creation mainly comes from the enterprise sector (2,100 posts created, or 70% of the total), while the financial sector contributes nearly 800 jobs (25%) and infrastructure projects up to about 150 jobs (5%).

b. Transfer of technology and know-how

According to the United Nations Conference on Trade and Development (UNCTAD), “the acquisition of foreign technologies through the transfer of technology is essential to the economic and social development of developing countries.” In particular, the use of state-of-the-art technology improves productivity, which in turn leads to greater economic growth. Technology transfer is not limited to the acquisition of new production processes, new machines or patents, but it also takes into account the necessary know-how for using these new technologies.

Where appropriate the know-how transfer may have effects at the capacity building level without involving technology, such as, for example, the implementation of a new type of marketing or organisation, or even the adoption of modern management methods. However, in the case of BIO, which makes contributions mainly for the purpose of funding investment in equipment, the effects of the technology transfer are manifested more at the economic level.

BIO assesses the direct and indirect impact of its investments:

1 Source: UNCTAD website
• Impact of direct funding aimed at enterprises and infrastructure projects. All 9 "Enterprise" and "Infrastructure" projects approved in 2010 contribute to the acquisition of technology and/or know-how by BIO's partners. "Above all they allow the appropriation of state-of-the-art productive technologies or technologies lacking in the countries concerned (see above graph).

• Indirect impact through BIO's support to the financial sector which in turn supports its clients' modernisation projects. This is the case for 55 percent of financial institutions (6 out of 11), as well as all 7 fundings of investment funds approved in 2010.

In 2010 BIO approved funding for a bioethanol production project in Peru. This project intends to build a modern factory using state-of-the-art production techniques, not only for producing bioethanol from sugar cane (a technology still new to Peru), but also for irrigation and energy recovery.
c. Contribution to local revenue

"Through its investments in registered productive companies operating in developing countries, BIO contributes to the generation of local revenue in two distinct ways: firstly through the creation of new tax receipts in the broad sense¹ and secondly through the added value generated by the company’s activities. This translates into company profits, or the payment of rent, interest or wages to local economic participants.

BIO only assesses its contribution for its direct investments in productive companies. In 2010 it approved 6 fundings for enterprises and 3 infrastructure projects. The activity created by these 9 clients should generate over EUR 1.8 million per year in tax and other fiscal revenues. The difference compared with revenues generated by the fundings agreed in 2009 (EUR 8 million) is due to the significant weight of investment in a large energy company, which alone contributed up to 35 percent of this amount.

With regard to the creation of local added value, the 9 projects approved in 2010 should generate over EUR 12.5 million a year for countries in the Southern hemisphere. This figure is also lower than that of 2009 (EUR 24.4 million) because of the even more remarkable contribution of the energy company to this result (81 % or EUR 19.8 million).

d. Development of markets and economic activity: impacts specific to investment in enterprises

One of BIO’s main impacts is measured through the structural development of local markets and local economic activity. This structural development generally involves diversification and improvement of the supply of products as well as the spreading and diversification of the country’s industrial structure, which will then lead to increased customer satisfaction and / or increased added value for the country.

This may manifest itself in the availability of a wider range of products, improvements in product quality, better access to basic goods and products, trade improvements, regional diversification, sectoral diversification, development of the value chain through the creation of industrial and / or commercial links between various local players and the use and development of local resources, etc.

All the 6 new enterprise fundings approved in 2010 had an impact on the development of the

¹ Income tax, corporation tax, value added tax, fees, customs duties, privatisation revenues, etc.
Making commitments in places with the most pressing needs
BIO operates on 3 continents through investment funds and banks, in infrastructure projects and private enterprises.

For several years the Ghanaian authorities wanted to develop their national economy, mainly based on the export of primary products, into an economy which adds value to its primary products before exporting them. This is even more important for cocoa, of which Ghana is the world’s second largest exporter.

BIO approved investment in a cocoa bean processing plant in Ghana, which will turn locally grown beans into cocoa liquor, butter or powder. BIO’s partner in this project will be one of the few enterprises operating in this sector to have local shareholders.

Impact of commitments in productive companies on markets and economic activity

For the 6 projects revealed 33 positive effects. As the graph opposite shows, improved product quality and the development of local resources appear most often (5 times each).

e. Improvements to supply: impacts specific to infrastructure projects

Building infrastructure is crucial for developing countries. They all need efficient sanitation, energy, transport and communications systems to be able to prosper and offer decent living conditions to their populations. The United Nations Development Programme (UNDP) estimates that 884 million people in Southern Hemisphere countries do not have access to drinking water, 1.6 billion are without electricity and 2.6 billion lack basic sanitation.

In addition, economic operators need a quality infrastructure in order to be able to function optimally.
Through its investments in infrastructure projects, BIO contributes to improving the supply of energy and other raw materials, whether by developing the infrastructure network or through improving the performance of operators.

The 3 infrastructure projects approved in 2010 are linked to electricity production. Each project uses a different production technique: hydro-energy, wind and geothermal. All participate in extending the national electricity network. Furthermore, 2 investments will be in remote regions which currently lack electricity, and the third provides new connections to the network for people who are not connected.

Moreover, additional electricity production, using modern techniques, will enable the national supply to be made more secure and reliable and will have positive effects on the economy of the country (support for the main economic sectors, less dependency on imported fossil fuels, positive signal to investors, etc.).

Finally, the electricity produced by the 3 projects approved in 2010 will be at a lower cost than the average cost of national production.

BIO intends to invest in a hydro-electric power project in Rwanda with 4 MW capacity. The electricity produced will partly reduce the national energy deficit of a country with one of the lowest rates of household access to electricity in the world. The production of electricity will not only be green but also cheaper than traditionally produced electricity. In fact, about 47 percent of Rwanda’s electricity is currently produced with the aid of thermal generators fed by fossil fuels at a cost 50 percent higher than that produced from hydro-electric power.

The role of the financial sector as a vehicle for economic development is essential. Several economic theories emphasise that growth is supported by investment, which itself is made possible by savings. The financial sector makes it possible to operate an efficient payment system which mobilises savings and improves their allocation to investment.

However, the effectiveness of the financial sector in some countries is far from that described in these theories. For example, the average gross domestic savings rate remains low in several countries, particularly in Sub-Saharan Africa: in 2008 it was 16 % of GDP (compared with 22 % in Latin America and 35 %...
Effects on development in 2010
Effects on development according to principles of Belgian law
Contribution to Millennium Development Goals
Technical assistance

Supporting small and medium-sized enterprises
Revitalising the local economy and creating jobs

in South-East Asia\(^1\)). Low interest rates coupled with substantial inflation are often the reason for these low rates of savings but they are also due to the fact that people lack access to a suitable financial institution.

Moreover, when suitable financial institutions do exist, the policy of these institutions does not necessarily permit efficient allocation of credit. In fact the conditions imposed on a potential client in order to obtain credit are often dissuasive. Yet, Levine shows empirically that there is a positive correlation between actual GDP per capita and the allocation of credit to the private sector\(^2\). Access to credit for SMEs in particular is an issue in a large number of developing countries, although they represent a significant proportion of economic activity and employment. A recent study by McKinsey and the International Finance Corporation\(^3\) shows that approximately 70 percent of micro, small and medium-sized enterprises do not use finance from a financial institution even though they need it. Furthermore, the OECD recognises that innovative SMEs (start-ups and/or offering a new type of product or service), acknowledged to be higher-risk, encounter even more difficulties than traditional SMEs in obtaining funding from a financial institution.

In 2010 BIO approved 19 new investments in the financial sector, distributed as follows: 7 investment funds and 12 financial institutions (6 microfinance institutions, 4 commercial banks and 2 non-bank financial institutions).

Of these 19 fundings, 17 (89.5%) were for partners which mobilise local savings or attract local investors. For example, deposits collected by the 12 financial institutions represent nearly EUR 3 billion and their credit portfolio is nearly EUR 2.8 billion. Moreover, 13 partners (68.4%) contribute towards the extension of the local financial sector, either by establishing a new type of institution or introducing new financial products into the country concerned, or even by implementing funding between financial institutions or by floating on the stock market.

Furthermore, these 19 clients are oriented towards the private sector and thus contribute to the diversification of credit allocation, by offering better access to funding to potential clients who, for various reasons, were

\(^1\) Sources: World development indicators, World Bank, 2010.


\(^3\) Stein, P., Goland, T., Schiff R., "Two trillion and counting. Assessing the credit gap for micro, small, and medium-size enterprises in the developing world", October 2010.
remote or inadequately served by them before then. In fact, of the 19 institutions concerned, 16 (84.2%) offer funding possibilities to SMEs. Similarly, 9 (47.4%) grant credit for funding start-ups and 7 (36.8%) offer funding solutions to clients operating in new or underdeveloped sectors in the countries involved. Finally, 8 institutions (42.1%) are in regions far from national business centres and 7 (36.8%) offer microfinance services.

BIO contributed to 2 Cambodian microfinance institutions. These are developing around large economic centres and in the most remote areas of the country and will therefore enable the clients furthest away from commercial centres and urban areas to benefit from access to basic financial services.

Finally, given the amounts of BIO’s fundings and the average credits per microfinance institution per region we can deduce that BIO’s contributions will affect up to 16,000 potential clients. The table below summarises the main data illustrating the impact of the 6 microfinance institutions approved by BIO in 2010.

In 2010, BIO approved two commitments in investment funds operating in the green energy and production sector. These two funds will be able to invest over EUR 500 million in a sector which is still under-financed at present, and provide access to suitable solutions for enterprises that until now have not been able to develop their projects due to a lack of funding.

Mobilisation of savings and allocation of credit generated by the microfinance institutions financed by BIO in 2010

<table>
<thead>
<tr>
<th></th>
<th>Africa</th>
<th>Latin America</th>
<th>Asia</th>
<th>TOTAL</th>
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<td># institutions</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>6</td>
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<tr>
<td>Deposits</td>
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<td>597,503</td>
<td>2,461</td>
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<tr>
<td>Credits</td>
<td>35,797</td>
<td>732,258</td>
<td>72,770</td>
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<tr>
<td># credit clients</td>
<td>17,739</td>
<td>349,204</td>
<td>124,173</td>
<td>491,116</td>
</tr>
</tbody>
</table>
I.3. Equality between men and women

According to a UN report dated October 2009, providing women with equitable access to economic and financial resources has positive effects on the development of a country. In addition, according to the authors, when women have equal access to resources, they are better able to multiply these resources and re-invest in the welfare of succeeding generations. Providing women with access to these resources has a multiplier effect on the achievement of certain Millennium Development Goals (see Section II), such as poverty reduction, child welfare and economic growth.

Yet, the current global situation shows that, in spite of an increase in the number of women on the labour market, they are still over-represented in casual jobs (especially in the informal sector) and under-represented in decision-making positions. Furthermore, women’s salaries are lower while their share of unpaid work is greater than that of men. The study stipulates that this is equally true in developed and developing countries.

Although gender equality is not the main objective of the 28 new investments approved by BIO in 2010, four of them play a role in this. In particular, 2 new fundings are for microfinance institutions in which the majority of clients are women. These 2 institutions seek to provide women with access to basic financial services.

In addition, 2 other new investments (a financial institution and an SME) are working in different ways to encourage the emancipation of women. The SME has appointed several women to managerial posts and employs only women for certain stages of production because of the quality of their work, while the financial institution has launched a specific training programme aimed at empowering women.

I.4. Environmental protection or safeguards

Some situations are based on a compromise between economic growth and the quality of the natural environment. In other cases, these two imperatives are complementary and permit sustainable development.

BIO ensures that the development of its clients’ activities is not detrimental to local environmental resources and considers that protection of the environment is a positive point for development. In its assessment BIO distinguishes between its direct investments and its indirect investments. The first are investments in...
enterprises or infrastructure projects while the second are investments in the financial sector.

a. Direct effects: investments in enterprises or in infrastructure

The application of international environmental standards is positive for local development in the sense that these standards may raise the quality of production. This is why, for all its investments in enterprises or in infrastructure BIO assesses the environmental standards adopted by its clients when extending or installing new production tools.

With respect to the new fundings approved in 2010 the 3 infrastructure projects will apply environmental standards equivalent to those recommended by the World Bank. Each of these projects introduces a technique which is internationally recognised for its environmental sustainability.

This is also the case for 2 of the 6 enterprises, while the 4 others have adopted techniques meeting local standards less strict than those laid down by the World Bank.

BIO also assesses the environmental impact of the production process, finished products and energy sources used by its clients. Of the 9 enterprise or infrastructure fundings approved in 2010, 5 clients use renewable raw materials or energy, 4 use lower energy production or environmentally sustainable processes, and 4 produce so-called “green” goods and services.

BIO approved two green electricity production projects in Central America, in a country in which two thirds of electricity production is thermal. One of these projects uses wind technology and the other geothermal. Altogether, these 2 enterprises should cut CO₂ emissions by nearly 490,000 tons per year.

b. Indirect effects: investments in the financial sector

Here, we are talking about indirect effects, as BIO’s clients do not produce anything themselves but invest in enterprises which do. In development terms the assessment takes account of the efforts taken to reduce or manage the environmental impact of the final beneficiary.
Environmental impact of direct commitments

In some cases (6 of the 19 fundings approved in 2010), BIO supports the financial institution or investment fund in setting up a system for the environmental supervision and risk management of the end client. BIO also supports institutions that offer funding opportunities for projects that are beneficial for the environment (5 out of the 19 cases). Finally, some institutions or funds financed by BIO are introducing environmental impact management systems directly in their end clients (12 out of the 19 cases).

Two of these fundings approved by BIO in 2010 are directed towards investment funds focusing on environmental sustainable projects concerned about climate change. These initiatives promote the use of clean technologies as an integral part of economic development. These two funds contribute to sustainable development by offering funding facilities for clients wanting to implement energy efficient or renewable energy projects in poor countries suffering from an energy deficit.
II. Contribution to the Millennium Development Goals

The Millennium Development Goals (MDG) cover a wide range of subjects concerning many development actors. By the nature of its activities BIO was not designed to meet the 8 goals directly. Nevertheless BIO’s commitments facilitate job creation and local revenue generation, which in general contribute positively to the MDGs. In addition, some investments approved in 2010 make a more direct contribution.

II.1. Goal 1: Eradicate extreme poverty and hunger

By the nature of its activities BIO was not designed to meet the 8 goals directly. Nevertheless BIO’s commitments facilitate job creation and local revenue generation, which in general contribute positively to the MDGs. In addition, some investments approved in 2010 make a more direct contribution. 1B: “Providing full employment and the opportunity for everyone, including women and young people, to find decent, productive work”.

Number of projects in 2010 contributing to Goal 1: 28

BIO’s main contribution has undoubtedly been linked to Goal 1 and in particular target

II.2. Goal 2: Achieve universal primary education

Fundings approved by BIO in 2010 will enable decent and productive jobs to be created (see Point 1.2).

Number of projects in 2010 contributing to Goal 2: 1

BIO does not invest directly in private school projects.
Nevertheless, BIO has had an indirect effect on education through funding allocated to a client which opened a free primary school next to its production site, for use by its employees and neighbouring village communities.

II.3. Goal 3: Promote gender equality and women’s empowerment

Number of projects in 2010 contributing to Goal 3: 4

A number of projects approved in 2010 encourage women’s empowerment through training, offering them easier access to credit or encouraging their employment (see Point 1.3).

II.4. Goal 4: Reduce child mortality rates

Number of projects in 2010 contributing to Goal 4: 2

BIO approved funding for two enterprises which implement actions to reduce child mortality: the first by producing and selling drinks for children containing food supplements, the second through a hospital built on the production site to provide better follow-up medical care for young children. This medical care is free for employees and their families.
II.5. Goal 5: Improve maternal health

Number of projects in 2010 contributing to Goal 5: 1

Funding approved in 2010 for an enterprise which built a hospital on its production site. This hospital has a maternity department which is free for members of staff and their families.

II.6. Goal 6: Combat HIV/AIDS, malaria and other diseases

Number of projects in 2010 contributing to Goal 6: 2

One of the investments approved in 2010 concerns a company which is going to start a prevention programme for sexually transmitted diseases (STDs) and in particular HIV/AIDS, for its employees. Moreover, another funding is intended for an enterprise which has built a hospital on its production site, which is free for employees and their families, and which has nursing staff trained in the prevention of HIV/AIDS and malaria.

II.7. Goal 7: Ensure environmental sustainability

Number of projects in 2010 contributing to Goal 7: 8

Eight of the fundings approved in 2010 contribute to environmental sustainability. Four do so directly: this is funding for enterprises which will produce “green” goods and services, using production processes that consume less energy or renewable raw materials (see Point 1.4.).

Four investments contribute indirectly to goal 7: this is funding to financial institutions or investment funds which themselves finance renewable energy or green production projects (see point 1.4.).

II.8. Goal 8: Develop a global partnership for development

Number of projects in 2010 contributing to Goal 8: 3

Two fundings approved in 2010 contribute to target 8E which aims to make information and telecommunications technologies universally accessible. These two investments are aimed at financial sector companies which regularly support telecommunications projects. In 2010 BIO also approved an investment in a company that will produce “fair trade” chocolate, thus contributing to the global partnership for development based on a system of fairer trade.
III. Technical assistance

Building capacities and promoting best practices

In order to strengthen its role as a development investor, BIO encourages its partners to improve their performance and competitiveness, as well as improving their impact on development.

Through technical assistance grants, BIO finances training, consultancy, and knowledge transfer missions in order to:

Make partner organisations more professional

BIO contributes to its partners’ development by building their institutional and managerial capacities, making their organisation more professional and through technological transfer. For example, BIO supports production techniques, managerial support, financial management, development of new products, etc.

Promote social and environmental responsibility

BIO takes account of environmental and social ramifications throughout the project lifecycle and incorporates best practices principles at all levels, from the strategic business model to every-day decision-making, and encourages its partners to do the same. For example, BIO supports social and environmental audits, plans and management systems as well as certification processes (quality, health and safety, social, environmental and agricultural), etc.
Promote best practices in corporate governance

BIO works to maintain and improve existing best practices in corporate governance. Good governance improves the performance of enterprises and their access to funding, thereby stimulating sustainable economic growth.

In 2010 BIO approved 13 applications for technical assistance for a total of EUR 1.07 million, 64% of which was granted to financial institutions (banks, microfinance institutions and investment funds) and 36% for partner Small and Medium-sized Enterprises.

Senegal: training and structuring of a finance department

Through a technical assistance grant BIO contributed to the structuring of a financial department of a large player in the dairy industry. The support helped to consolidate the management structure, knowledge transfer and

Geographical spread

<table>
<thead>
<tr>
<th>Geographical spread</th>
<th>Latin America</th>
<th>Africa</th>
<th>Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>48 %</td>
<td>39 %</td>
<td>13 %</td>
<td></td>
</tr>
</tbody>
</table>

Sectoral distribution

<table>
<thead>
<tr>
<th>Sectoral distribution</th>
<th>Food processing</th>
<th>Microfinance investment funds</th>
<th>Microfinance institutions</th>
<th>Services</th>
<th>SME investment funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>32 %</td>
<td>29 %</td>
<td>18 %</td>
<td>4 %</td>
<td>17 %</td>
<td>13 %</td>
</tr>
</tbody>
</table>
Effects on development in 2010
Effects on development according to principles of Belgian law
Contribution to Millennium Development Goals
Technical assistance

Fighting climate change
BIO has significantly increased its investment in projects favouring renewable energy.

Implementation of procedures suited to the growth of the enterprise.

Latin America: social and environmental certification of agricultural enterprises

Through a subsidy BIO contributed to a technical assistance facility managed by one of its clients aiming to certify food exporting companies in order to upgrade them socially and environmentally and to implement social and environmental standards throughout the production process to make them more competitive on international markets.

Operating on a regional basis, this facility provided technical and financial support to food processing companies for the GlobalGap/EurepGap, Rainforest Alliance, SA8000, ISO 14001, ISO 9001 and CAFE Practice certifications.

Vietnam: support for the vertical integration of the cocoa chain

By granting a technical assistance grant BIO helped assess the quality of Vietnamese beans as an input for chocolate production and train a technical team to manage the cocoa chain. The results of this support have given rise to the establishment of a programme aimed at improving the quality of the beans.

The team of experts works with local farmers at all stages of production, from harvest, through fermentation, to drying. This collaboration enables producers to acquire new skills and learn modern techniques, thereby contributing to the viability of the chain.

Financed activities

- ESG/certification: 47%
- Technical training: 14%
- Management support: 39%
Funding

Enterprises  Financial sector  Infrastructure
In 2010 BIO experienced significant growth following the granting of new resources by the Government: the volume of activity increased and the areas of involvement were enlarged to include very small enterprises (ATHENA) and infrastructure projects. BIO also adapted its organisation to its different areas of expertise, particularly by setting up teams dedicated to private equity projects, financial institutions, microfinance and infrastructure projects respectively. This new organisation will enable BIO to build expertise in its priority areas.

**Financial resources**

The Belgian government has reaffirmed its support for BIO’s mission as part of its Development Cooperation policy. At the end of 2010 it released funds of EUR 9 million and allocated additional funds of EUR 105 million, to be paid at the beginning of 2011. Combined with earlier fundings, the total funds, excluding capital, available to the enterprise for investments (excluding subsidies) will be EUR 460 million at the beginning of 2011.

Since its creation, BIO has deliberately laid down rules to ensure a sufficiently liquid position, especially by forming reserves of funds equivalent to the undisbursed allocations of signed projects, reserves for officially accepted projects but not yet signed, and reserves for projects submitted to a due diligence procedure.

**Human resources**

At the end of 2010 the team consisted of 34 people of 9 different nationalities.
Operational review

**Activities**

**New applications**

In 2010 BIO looked at 260 funding applications across the world for a total of EUR 760 million. Compared with 2009, the total amount has increased by 29 percent.

**Decisions**

In 2010 investments for a total value of EUR 114.6 million were approved by the Board of Directors, which represents an increase of 64 percent compared with 2009.

**Signed contracts**

In 2010 BIO entered into and signed contracts for a combined value of EUR 107.3 million; an increase of 120 percent compared with 2009.

**Contracts signed with productive companies in 2010**

- Clean Food
  - Laiterie du Berger
  - Fundo Fangelica
  - Kwiks Champis
- Palm oil
- Milk
- Asparagus
- Mushrooms
- Cameroon
- Senegal
- Peru
- Morocco
### Contracts signed with enterprises in the financial sector in 2010

<table>
<thead>
<tr>
<th>Enterprise Name</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>ProCredit Bank Congo</td>
<td>DRC</td>
</tr>
<tr>
<td>AccessBank Tanzania</td>
<td>Tanzania</td>
</tr>
<tr>
<td>Sathapana</td>
<td>Cambodia</td>
</tr>
<tr>
<td>Prasac</td>
<td>Cambodia</td>
</tr>
<tr>
<td>Bancoveo</td>
<td>Honduras</td>
</tr>
<tr>
<td>ProCredit Holding</td>
<td>Multiregional</td>
</tr>
<tr>
<td>Banque Crédit Bujumbura</td>
<td>Burundi</td>
</tr>
<tr>
<td>BOA DRC</td>
<td>DRC</td>
</tr>
<tr>
<td>BOA Group</td>
<td>Africa</td>
</tr>
<tr>
<td>Banco Financiero del Peru</td>
<td>Peru</td>
</tr>
<tr>
<td>Alios Finance Ivory Coast (Côte d’Ivoire)</td>
<td>Ivory Coast</td>
</tr>
<tr>
<td>Quippo Holding (QIEL)</td>
<td>Latin America</td>
</tr>
<tr>
<td>CIFI</td>
<td>Africa</td>
</tr>
<tr>
<td>Regmifa</td>
<td>Africa</td>
</tr>
<tr>
<td>Rural Impulse Fund II</td>
<td>Africa</td>
</tr>
<tr>
<td>EFP IV</td>
<td>Africa</td>
</tr>
<tr>
<td>Cauris Croissance II</td>
<td>Asia</td>
</tr>
<tr>
<td>Mekong Brahmaputra Clean Development Fund</td>
<td>Asia</td>
</tr>
<tr>
<td>South Asia Clean Energy Fund</td>
<td>Asia</td>
</tr>
<tr>
<td>Interact Climate Change Facility</td>
<td>Multiregional</td>
</tr>
</tbody>
</table>

### Contracts signed for infrastructure projects in 2010

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Polaris Energy</td>
<td>Nicaragua</td>
</tr>
<tr>
<td>AMAYO II</td>
<td>Nicaragua</td>
</tr>
<tr>
<td>Jakarta Tank Terminal</td>
<td>Indonesia</td>
</tr>
<tr>
<td>Maple Ethanol</td>
<td>Peru</td>
</tr>
<tr>
<td>Renewable energy</td>
<td></td>
</tr>
<tr>
<td>Wind</td>
<td></td>
</tr>
<tr>
<td>Petrol storage</td>
<td></td>
</tr>
<tr>
<td>Biofuels</td>
<td></td>
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<tr>
<td>SME investment fund</td>
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<tr>
<td>SME investment fund</td>
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<td>SME investment fund</td>
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<td>SME investment fund</td>
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<td>SME investment fund</td>
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<td>SME investment fund</td>
<td></td>
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<tr>
<td>SME investment fund</td>
<td></td>
</tr>
</tbody>
</table>
Operational review

Subsidies

Feasibility studies

In 2010 the Board of Directors approved 9 subsidies for a total combined amount of EUR 531,625, compared with 10 subsidies granted in 2009 for a total of EUR 666,267.

<table>
<thead>
<tr>
<th>Kuma Kukiele</th>
<th>Vegetables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bagoe</td>
<td>Food and vegetables</td>
</tr>
<tr>
<td>Sarr</td>
<td>Meat</td>
</tr>
<tr>
<td>Rwanda Mountain Tea</td>
<td>Tea</td>
</tr>
<tr>
<td>Carton Mali</td>
<td>Cardboard</td>
</tr>
<tr>
<td>Hardy</td>
<td>Banana plantation</td>
</tr>
<tr>
<td>Oléavaler</td>
<td>Sesame oil</td>
</tr>
<tr>
<td>Semboja</td>
<td>Insecticides</td>
</tr>
<tr>
<td>Rovic</td>
<td>Cereals and vegetables</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Contracts signed for feasibility studies in 2010

Technical assistance

In 2010 13 technical assistance grants were approved for a total of EUR 1.07 million. As at 31.12.10 total technical assistance commitments were EUR 3.27 million.

Regional distribution of new commitments

The large volume of commitments in Latin America is due to the approval of 4 infrastructure projects which in essence involve higher amounts. Leaving these aside, Africa remains the primary region of BIO investment.

<table>
<thead>
<tr>
<th>Region</th>
<th>Number of projects approved in 2010</th>
<th>Volume of commitments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>13</td>
<td>31 %</td>
</tr>
<tr>
<td>Latin America</td>
<td>8</td>
<td>50 %</td>
</tr>
<tr>
<td>Asia</td>
<td>4</td>
<td>10 %</td>
</tr>
<tr>
<td>Multiregional</td>
<td>2</td>
<td>10 %</td>
</tr>
</tbody>
</table>
2010 operations
Global portfolio
Financial sector portfolio
Enterprise portfolio
Infrastructure portfolio

Contributing to domestic food security
Give priority to food farming projects and encourage local production and consumption.

Global portfolio

Net commitments

At a constant USD/EUR exchange rate, as at 31 December 2010 BIO’s net commitments were EUR 331.1 million; an increase of 24.3 percent compared with 2009 figures, which were EUR 261.4 million. Net commitments are defined as the volume of funding contracts signed, less combined repayments, plus contracts officially approved by BIO’s Board of Directors, but not yet officially signed.

Beneficiaries

- Enterprises: 37%
- Infrastructure: 14%
- Financial institutions: 34%
- Investment companies and funds: 15%

Enterprises
Infrastructure
Financial institutions
Investment companies and funds
Outstanding investments

The outstanding investments (volume of disbursements less repayments) increased by 30 percent, from EUR 138.3 million in 2009 to EUR 179.7 million in 2010.

Geographical spread

Some investments agreed by BIO are in institutions or enterprises which cover several countries, regions or even continents. The latter case is classified as "multiregional".

More precisely, 36 percent of the outstanding investments are in partner countries of the Belgian Development Cooperation. This figure rises to 79 percent if we only consider direct investments in productive companies.

With regard to recently signed contracts for feasibility studies, these again are mainly in partner countries (84 % of the total of subsidies granted).
Only the balance of available resources, apart from capital, can be used for new investments.

Apart from funds allocated to subsidies at the end of 2010 the BIO treasury consisted of EUR 196.5 million, EUR 182.4 million of which was "reserved", which leaves EUR 14.1 million available for new investments.

BIO shows prudence in its treasury policy. It sets up a financial "reserve" intended to cover:

- 100 percent of amounts undisbursed but committed pursuant to signed contracts,
- 100 percent of amounts of contracts officially approved by the Board of Directors, but not yet signed,
- 66 percent of the value of projects submitted to due diligence procedure,

BIO 2010 operations

Global portfolio
Financial sector portfolio
Enterprise portfolio
Infrastructure portfolio

2010 operations

Global portfolio
Financial sector portfolio
Enterprise portfolio
Infrastructure portfolio

Treasury

In December 2010 the government released new funds for a value of EUR 9 million. These funds were not invested immediately. Some projects have to wait for a signature, others until they come into force. Finally others, although signed, are not disbursed in a lump sum but over several months, or even years.

BIO shows prudence in its treasury policy. It sets up a financial "reserve" intended to cover:

- 100 percent of amounts undisbursed but committed pursuant to signed contracts,
- 100 percent of amounts of contracts officially approved by the Board of Directors, but not yet signed,
- 66 percent of the value of projects submitted to due diligence procedure,
BIO’s “Financial Sector” department provides funding to microfinance institutions, commercial banks, non-bank financial institutions (NBFI) and to investment funds and companies, in the form of long-term loans and equity participations, for amounts greater than 1 million euros. The beneficiaries of these investments are micro entrepreneurs and SMEs. The organisation of the department is shared between the team dedicated to financial institutions with commitments of EUR 121 million at the end of 2010, and the team dedicated to investment funds, with commitments of EUR 111 million at the same period.

### Portfolio development

Commitments in the financial sector experienced considerable

### Outstanding investments

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net commitments</td>
<td>236,498</td>
<td>184,162</td>
<td>155,625</td>
</tr>
<tr>
<td>Outstanding investments</td>
<td>143,934</td>
<td>119,757</td>
<td>109,017</td>
</tr>
</tbody>
</table>

**Sectors**

- Microfinance (institutions and funds): 24%
- Commercial banks: 18%
- Non-bank financial institutions: 38%
- SME investment funds: 20%

**Regional distribution**

- Africa: 30%
- Asia: 20%
- Latin America: 21%
- Multiregional: 29%
Encouraging environmental and social standards
By integrating international standards into their management, enterprises increase their chances of attracting additional capital.

growth in 2010. In terms of disbursements, there is a balance between the different regions. Microfinance, funds and institutions combined, are the largest beneficiaries (38%), followed by funds oriented towards SMEs, non-bank financial institutions and commercial banks.

Africa
- Balanced portfolio for the whole of Africa (North, West, East and Central Africa).
- Significant presence in partner countries of the Cooperation.
- Presence in North Africa through SME investment funds (CNAV and MPEF II).
- New investments in funds dedicated to Africa (Cauris Croissance II, Regmifa).
- Increased commitments in EFPs (European Financing Partners).

Latin America
- Strong presence in Peru, Nicaragua, Honduras and Bolivia.
- Large portfolio in the microfinance domain and in commercial banks.
- Funds in local currency (LocFund)
- Presence in microfinance through Multiregional Funds (RIF I and RIF II)

Asia
- Balanced portfolio shared between non-bank financial institutions, microfinance and investment funds.
- Large volumes committed in India, Sri Lanka, Cambodia and Vietnam (partner countries).
- Focus on renewable energies (REAF, Mekong Clean Brahmaputra Fund and SACEF).
- Acting as a catalyst for attracting private capital to immature markets.

Distribution per country category

<table>
<thead>
<tr>
<th>Country Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>LDC</td>
<td>11%</td>
</tr>
<tr>
<td>LIC</td>
<td>20%</td>
</tr>
<tr>
<td>LMIC</td>
<td>15%</td>
</tr>
<tr>
<td>Other</td>
<td>54%</td>
</tr>
</tbody>
</table>

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Financial institutions portfolio

Financial institutions (microfinance institutions, commercial banks and non-bank financial institutions) have represented the bulk of BIO’s growth over the last three years. Between 2007 and 2010 net commitments in this sector have more than doubled and reached EUR 121 million. The debt/equity ratio remains around 55/45 percent.

BIO has EUR 95 million invested in financial institutions. Latin America is the primary area of operation, followed by Africa and Asia. By operation, the portfolio is relatively well-balanced.

Investments in financial institutions have been rated “good” in terms of their impact on the environment and strategic role.

Notable results are:

• mobilisation of savings
• diversification of credit allocation (especially funding of SMEs)
• team training
• institutional building

Through its investments in the financial sector, BIO pursues two main objectives:

Refinancing micro and small and medium-sized enterprises

BIO has acquired experience in funding financial institutions targeting SMEs and micro-enterprises and wants to become a reference player in this area. This strategy is also based on increased use of technical assistance to support SME funding procedures in credit establishments.

Building the financial sector

BIO supports general banking institutions with a strong SME focus (Bank of Africa, Bancentro, etc.) by building their capital to support the growth of their agency network and their credit portfolio. In this perspective BIO also works in partnership with other development financial institutions.

Geographically, BIO tries to maintain a balance between the three regions in the interests of good risk management, by giving priority to regional players with developed managerial capacity, organisation and experience enabling better risk management on fluctuating markets, which are also often driver groups for transforming the financial sector and improving access to finance. New activities such as indirect funding of insurance, social housing and infrastructure may be considered.
Creating sustainable and decent jobs
Raising the incomes of poor families to encourage their access to education and health care.

Investment funds and companies

At the end of 2010 BIO’s commitment in investment funds and syndication organisations rose to EUR 111 million. Over half of these commitments were directed towards Africa (Sub-Saharan and North), followed by Asia and Latin America. Half the funds were dedicated to SMEs followed by investments in microfinance and infrastructure.

These commitments of EUR 66 million and EUR 45 million respectively were shared between equity and debt investment funds. Typically investment funds in capital have a life of ten years and are intended to invest in capital instruments over 5 years and disinvest over the next 5 years. Investments in debt funds are heterogeneous and mainly include syndication initiatives between EDFIs (EFP and ICCF) and microfinance funds.

At the end of 2010 disbursements were EUR 49 million. The slowness of investment is due firstly to the fund structure which generally calls for funding over 5 years and secondly to the youth of its portfolio (3.5 years old on average). Through the 27 funds in which it has invested BIO has financed about 260 enterprises, including almost 100 microfinance institutions. Funds in fact have a multiplier effect and enable operational risk to be diversified between multiple clients and countries. In terms of sectors, BIO’s disbursements in funds are directed towards microfinance (32%), manufacturing industry and services (29%), food processing (14%) and communications and information technologies, (10%).

During 2010 there was considerable growth in commitments in funds dedicated to the support of renewable and/or clean energy projects, thus showing the importance of climate change reduction for BIO.

We should also emphasise BIO’s investment in REGMIFA, a fund specialising in microfinance which aims to build microfinance institutions in Sub-Saharan Africa with the aim of granting lines of credit to local SMEs.

The impact of the funds on development is “good” with a score slightly higher than the average of BIO’s investments. Impacts are particularly high in terms of:

• impact on employment (an estimated 70,000 jobs supported by BIO’s investment in funds)
• capital contribution to under-financed sectors
• institutional development of investee companies
• mobilisation of funding

In the future BIO will continue to invest in funds dedicated to micro-entrepreneurs, SMEs and infrastructure.
Mekong Brahmaputra Clean Development Fund (MBCDF), SME investment fund, Asia

BIO has committed USD 5 million to the Mekong Brahmaputra Clean Development Fund, an Asian regional fund dedicated to investing in renewable energy, water and waste management in South East Asia. The fund is managed by Dragon Capital, a well-known asset manager in the region. BIO has joined other experienced emerging market institutional investors, such as FMO, the Asian Development Bank and Finnfund, committing to MBCDF's first closing of USD 45 million. This investment aims at playing a catalytic role in attracting long-term investment to countries where private equity is not existing or emerging and in demonstrating the viability of clean energy investments in the region.

The Mekong Brahmaputra Clean Development Fund was the first sustainable investment fund to be launched in Vietnam. It emphasizes both the importance of energy self-sufficiency and also environmental welfare, both critical issues in driving responsible economic development in Vietnam and the Asian region. The Mekong Brahmaputra Clean Development Fund will make investments of an average of USD 5 million in renewable energy, energy efficiency, water conservation and waste recycling in countries including Vietnam, Laos, Cambodia, Thailand, Nepal, Sri Lanka, Bhutan and Bangladesh.

MBCDF recently closed its first equity investment in the recent IPO of Electricite du Laos Generation Plc (EdL Gen) on the newly launched Laos Securities Exchange. As a significant energy exporter, Laos is critically important to the Mekong region’s energy equation and economic growth prospects.
BIO has invested USD 10 million in Corporación Interamericana para el Financiamiento de Infraestructura SA (CIFI), a non-bank financial institution focusing on infrastructure investments in Latin America and the Caribbean. CIFI began its activities in July 2002, and has progressively grown to become a unique and recognized player in the regional private small and medium-sized infrastructure market. BIO has together with SIFEM, another DFI, arranged a senior debt financing of USD 20 million. BIO has furthermore been leading all stages of the investment process (sourcing, negotiation, structuring), and is due to play an important monitoring role.

CIFI predominantly arranges and provides USD denominated long-term debt for small infrastructure projects, which are not sufficiently targeted by private and public investors in Latin America and the Caribbean. The projects targeted are typically in the USD 20-100 million size bracket, and operate in BIO’s priority sectors (energy, transportation, telecommunications, water and sanitation...)

CIFI invests up to USD 10 million per project, typically through senior secured instruments and in co-investment with DFIs and private investors (syndication). It also provides structuring and advisory services to both its clients and investors.

Despite years of economic growth and improved access to finance by companies in the local capital markets, the financing of infrastructure remains an important challenge in Latin America. Sizeable financing needs, combined with limited financing capability of the public sector, point to the importance of the private sector in the development of infrastructure. Given its direct impact on development, investment in infrastructure continues to be a priority for DFIs. Indirect support for infrastructure projects through financial intermediaries is particularly well-suited in this context, as it enables them to reach small- and medium-sized projects including basic infrastructure and renewable energy.
Micro, small and medium enterprises (MSMEs) across Africa barely have access to adapted financial services to fund their growth. As a result, they are unable to seize opportunities to develop and expand in new markets, and are prevented from hiring more workers. People need to secure a household income to have access to fundamental services such as health care and education, and to improve their living conditions. Therefore, employment creation plays an essential role in alleviating poverty and reducing the effects of the economic crisis in Africa.

In response to the need of developing a strong private sector in Sub-Saharan Africa, European development finance institutions recently initiated the establishment of the Regional MSME Investment Fund for Sub-Saharan Africa (REGMIFA), a unique initiative endorsed by the G8 in 2007.

REGMIFA is an open-ended debt fund dedicated to providing microfinance institutions in the region with a broad range of key financing instruments, including long-term debt, quasi-equity and guarantee schemes. REGMIFA aims to back financial institutions, which in turn will lend to over 300,000 small businesses in local currency (approximately 80% of the Fund's exposure), and to develop a credit portfolio of about USD 200 million by 2015.

In its first six months of operations, REGMIFA has disbursed a loan portfolio of USD 17.7 million in favor of ten microfinance institutions located in Ghana, Kenya, Senegal and Tanzania to support local micro-entrepreneurs. The disbursement of these ten investments constitutes an important milestone for REGMIFA and represents an important contribution to employment and entrepreneurship at the bottom of the pyramid.

BIO committed USD 5 million to REGMIFA. The project is completely in line with its mandate as it will contribute to develop a still immature sector, mobilise additional private capital, and help to further broaden and deepen the financial sector overall. Ultimately, this will improve the penetration of financial services throughout the region, ensuring access to finance for a much broader segment of the population. The increase in income generated through access to credit will directly secure and generate employment, in turn increasing household income and indirectly raising living standards.
Enterprise portfolio

BIO’s “Enterprise” department invests in SMEs and smaller enterprises by making long-term loans and capital available for amounts above EUR 300,000. Priority sectors include food processing, manufacturing industries and ICT/telecommunications industries.

<table>
<thead>
<tr>
<th>000 EUR</th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
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</thead>
<tbody>
<tr>
<td>Net commitments</td>
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<td>Outstanding investments</td>
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<td>18,505</td>
<td>11,361</td>
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</table>

**Outstanding investments**

**Sectors**

- Food processing: 40%
- Information and communications technologies: 26%
- Health: 15%
- Processing industry: 14%
- Small infrastructure: 5%

**Regional distribution**

- Africa: 61%
- Asia: 18%
- Latin America: 21%
Operational review

Portfolio development

The SME portfolio developed gradually between 2007 and 2010. Until now the Enterprise department made investments through loans. BIO is the only DFI to provide direct and untied finance to SMEs for amounts varying between EUR 300,000 and EUR 1 million. Despite the difficulty of this sector, BIO has considerably improved its knowledge of the market since the first projects in 2006.

In accordance with the criteria of the Belgian Convention, the majority of investments of the Enterprise department have been made in Africa and in the agricultural sector. The average size of investments in this portfolio are situated just under EUR 500,000. "Corporate" investments which affect locally based large enterprises and small infrastructure projects requiring greater resources were added to the Enterprise Department in 2009. Three fundings were approved in this sector, two of which were disbursed in 2010.

Direct new commitments in enterprises in 2010 were mainly in the food processing and renewable energy sectors. BIO's Board of Directors approved three hydro-electric power projects, 1 in Rwanda and 2 in Central America, three food processing projects (Mongolia, Senegal and Ghana) and a medicine distribution project in Niger.

At the end of 2010 an investment volume of 40 percent of the portfolio was achieved in the food industry and 26 percent in the processing industry. Geographically, 61 percent of

![Distribution per country category](image-url)
investment is oriented towards Africa and 52 percent towards the least developed countries.

Support for food processing

The food sector and especially food farming is a priority in the context of the Millennium Goals. It is considered as the backbone of developing countries. It is an important growth stimulus as it accounts for 30 to 60 percent of the GDP, employs more people than any other sector (generally 70% of the population), represents an important source of foreign currency, provides the majority of basic foodstuffs and influences the whole value chain. The emphasis is on the food industry aimed at both local consumption and export. Enterprises which are oriented towards export are an interesting target for BIO as they should provide additional investment (better working conditions, standardised and often certified production techniques) for complying with international quality standards, which has a direct consequence for improving the living conditions of local populations.

It should be emphasised that the food processing sector is probably one of the most high-risk as it has a strong dependency on weather conditions which determine the yields of harvests and the production resulting from them. In general, financial intermediaries/ conventional local banks are not really interested in giving loans to such enterprises as they often do not offer sufficiently solid guarantees. This deficiency of the local banking system fully justifies the additional role that BIO can play.

Finally, the processing industry remains a priority strategy insofar as these enterprises contribute greatly to the creation of added value. BIO targets companies that have adopted environmentally sustainable production technologies and recognised production best practice in their sector.

Geographically, BIO will continue to give special investment to enterprises in Sub-Saharan Africa and especially in Central Africa, while looking to further develop investments in Latin America and Asia.

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SAPHAR

In 2010 BIO approved its first investment in Niger, in the pharmaceutical sector. The project concerns a loan of EUR 460,000 granted to SAPHAR (Société d’Approvisionnement pharmaceutique), a medicine distribution company operating throughout Niger. SAPHAR is ranked third in a market largely dominated by French enterprises.

SAPHAR was formed in 1999 by two Niger nationals, one of whom, a pharmacist, directed the national medicine centre for several years. The enterprise works in the hospital and health centre segment where the other players are less present and offers a wide range of generic medicines. SAPHAR also has the special feature of supplying rural areas and public hospitals which are poorly supplied by the other players, more oriented towards private pharmacies.

The company now offers 2,359 reference products, about 500 of which are generic. It distributes products and acts as adviser to health professionals. New imported medicines are analysed by the national laboratory of Niger. It is recognised by the WHO and carries out controls for the whole UEMOA zone. The Ministry of Health issues marketing and import authorisations.

Niger’s health requirements are enormous and largely unsatisfied. The public structure in charge of buying medicines for public bodies (hospitals, health centres) cannot meet the needs because it is under-financed. Building private enterprises such as SAPHAR enables public medical centres to buy medicines, including generic medicines, at prices which remain controlled by the State.

Moreover, it is estimated that half (50%) of the medicines sold in Niger are smuggled. A project such as SAPHAR is a partial response to this pest as the injection of generic products onto the official market helps to reduce the average cost of medicines and therefore attract consumers of unofficial medicines. SAPHAR therefore helps to improve accessibility to faultless medicines and, as a corollary, to combat counterfeit medicines.
Infrastructure portfolio

BIO’s “Infrastructure” department invests in private infrastructure projects by making long-term loans and capital available for amounts above EUR 3 million. The projects should be private, encourage development of the private sector and provide the local population with access to basic facilities.

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Outstanding investments

**Sectors**
- Energy: 29%
- Transport and logistics: 71%

**Regional distribution**
- Latin America: 29%
- Asia: 71%
**Portfolio development**

BIO started its infrastructure operations in 2010 and created a new department consisting of 3 people dedicated to this sector. In 2010 two commitments were made in the energy sector in Nicaragua, especially in geothermal and wind power. These two investments were made as part of the risk sharing facility set up by BIO and its Dutch counterpart FMO. This agreement enables BIO to participate in larger scale infrastructure projects and benefit from FMO’s long experience in this field.

The priority strategies are energy, telecommunications and transport infrastructure. Geographically speaking, Africa, which has a pressing need for basic facilities, is a priority target.
AMAYO II, Wind project, Nicaragua

This is BIO’s first infrastructure project since the commencement of its infrastructure operations in 2010.

AMAYO II is the extension of the existing wind energy project AMAYO I in south-western Nicaragua. The wind farm is located on the western shore of Lake Nicaragua, about 18km southeast of the city of Rivas, and guarantees favourable west-bound winds. The 11 turbines provide a capacity of 23MW and are located adjacent to the 39 MW AMAYO I wind project. AMAYO I started its operation February 2009 and due to higher wind speeds revenues since then have developed superior to expectations. The construction of AMAYO II started mid 2009 and final completion has been achieved in October 2010.

The major project sponsors are US based AEI and Centrans Energy Services Inc. from Guatemala (CENTRANS). AEI successfully acquires, develops and operates power projects. Together with CENTRANS they control power generation, transmission and distribution in a number of projects in Latin America. CENTRANS is owned by a Guatemalan family.

Electricity is being sold to the local power distribution companies DisNorte and DisSur SA, local subsidiaries of the Spanish power company Union Fenosa, on the basis of a 15 year Power Purchase Agreement (PPA).

As a genuine project finance transaction, AMAYO does not benefit from a sovereign or corporate (bank) guarantee to ensure the repayment of the debt. It is typical for infrastructure projects that the repayment term requires a long-term loan in order to achieve a socially acceptable and competitive tariff. A shorter repayment period would result in a higher tariff for the local population. In view of the substantial political risk in Nicaragua, the commercial lenders abstain from such a long-term commitment and private sponsors limit their commitment to the equity. As mainly DFIs have the opportunity to participate in a long-term financing in a high risk country, BIO will play a very important role in the financing of the project, where the focus lies on the long-term financing of the operating period rather than the construction period.

The development impact of AMAYO II lies principally in the energy substitution effect from fossil sources to CO₂ free energy, with its significance for the climate change issue. The installation of wind energy reduces GHG-emissions of 67,000 tons CO₂ per year. Furthermore, the structural trade deficit will be reduced by the substitution of fossil fuel imports. The performance of the publicly dominated power sector will improve significantly through the purely private operator and through the transfer of modern technology for clean energy.
Results

Sound governance

Rigorous management

Performance
Financial report

Balance Sheet
Income statement
Cash flow
Report of the Court of Audit
Statutory auditor’s report

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## Balance Sheet

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2010</th>
<th>2009</th>
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<td>Intangible assets</td>
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<td>Tangible assets</td>
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<td><strong>TOTAL ASSETS</strong></td>
<td>377,869,856</td>
<td>364,222,377</td>
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</tbody>
</table>

### Notes to Balance sheet

**Formation expenses**

In addition to the notary fees, preliminary expenses related to the setting up of BIO, the establishment of the Local Currency Fund and the SME-Fund, the increase of the financial resources of the Development Fund and the Local Currency Fund, were capitalised. Formation expenses are depreciated on a straight line basis over 5 years.

**Intangible assets**

Expenses relating to the purchase of software, amounting to at least EUR 1,250, are capitalised and depreciated on a straight line basis over 3 years from the date of acquisition.
### Balance Sheet

#### LIABILITIES

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<th>2009</th>
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</thead>
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<tr>
<td>Provisions for risks and costs</td>
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<tr>
<td>Other risks and costs</td>
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<td>Amounts payable after more than one year</td>
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<td>-</td>
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<td>Amounts payable within one year</td>
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<td>Trade debts</td>
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<td>Taxes, remuneration and social security</td>
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<td>Other amounts payable</td>
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<td>Accrued charges and deferred income</td>
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<td>4,347,591</td>
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<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>377,869,856</td>
<td>364,222,377</td>
</tr>
</tbody>
</table>

**Tangible assets**

This item relates to office furniture, computers and other office equipment and the furnishing of the rented facilities. Amounts are capitalised as from EUR 1,250, depreciation is on a straight line basis from the month of acquisition over 10 years for the office furniture, over 3 years for the computer equipment and pro rata to the remaining term of the lease agreement. In 2010, investments mainly involved additional furniture, IT hardware, and office equipment.

**Financial assets**

This item relates to the investments, irrespective of

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their percentage, as described in BIO’s mission statement. Unallocated cash remains under investment and/or cash at hand and in bank. The equity participations and shares are stated at acquisition cost. Incidental expenses relating to the acquisition are charged to the financial year during which they were incurred. With regard to the unlisted shares, a decrease in value is applied in the event of capital loss or long-term depreciation.

These assets will remain valued at a historical exchange rate. The Board of Directors will determine case by case from when reductions in value are lasting and lead to the booking of an actual depreciation or reduction in value.

Receivables are valued at nominal value. Additional costs relating to the acquisition are charged to the financial year during which they were incurred. Depreciation takes place if there is uncertainty as to reimbursement of all or part of the amount receivable on the due date.

In 2006, a general provision has been established for expected depreciation and reduction in value, which represents 1.5% of the outstanding amounts of the Development Fund and the Local Currency Fund, plus, 10% of the outstanding amounts of the SME Fund. This percentage is adapted annually according to the portfolio turnover and each actual reduction in value is compensated by the provision. This provision will be limited to a maximum of 3% of the outstanding amounts of the Development Fund and the Local Currency Fund at the end of each fiscal year.

In 2010, a provision of EUR 2,049,322 has been set up. Specific provisions have been created for 6 specific portfolio components. One specific provision of EUR 352,682 has been recovered, as the loan was repaid at the beginning of 2011. The total provision for expected depreciation and reduction in value amounts to EUR 5,912,781 entirely reserved for specific projects.

If the exchange 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 liabilities at the end of the fiscal year are converted at the closing rate of the financial year and referred off-balance sheet. The submission of a letter of intent to a potential customer implies the off-balance sheet registration of the amounts committed.
### Fixed assets

**Disbursed**

<table>
<thead>
<tr>
<th>Euro equivalent</th>
<th>USD</th>
<th>MAD</th>
<th>INR</th>
<th>KHR</th>
<th>RWF</th>
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<th>NGN</th>
<th>ZMK</th>
<th>euro</th>
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</thead>
<tbody>
<tr>
<td>Signed projects</td>
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<td>24,534,012</td>
<td>320,175,132</td>
<td>3,941,580,880</td>
<td>1,090,000,000</td>
<td>6,712,385,097</td>
<td>3,968,873,695</td>
<td>69,612,301</td>
<td>8,115,715</td>
<td>370,625,000</td>
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### Off-balance

**Committed**

<table>
<thead>
<tr>
<th>Euro equivalent</th>
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<th>INR</th>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<td>0</td>
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<td>10,043,407</td>
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<tr>
<td>loans investment funds</td>
<td>0</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>loans</td>
<td>27,676,000</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>34,432,000</td>
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<tr>
<td>Total projects 2010</td>
<td>93,330,396</td>
<td>8,452,208</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>79,088,948</td>
</tr>
</tbody>
</table>
The interest and currency risk related to 34 loans amounting to a total of USD 72 million and FCFA 1,765 million, ZMK 4,697 million, NGN 370 million, TZS 1,630 million and PEN 8 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 EUR loans at fixed interest. Twelve loans for a total amount of USD 7.98 million were covered by future currency contracts.

**Amounts receivable within one year**

These amounts mainly refer to the receiving of a subsidy for the Capacity Building Fund (EUR 1.7 million), to VAT yet to be re-claimed (EUR 186,823), taxes (EUR 163,810) and three open receivables valued at year’s end rate (EUR 3,044,975). For one of these receivables, the specific provision for expected reduction in value amounting to EUR 140,998 was maintained.

Unpaid interests for a total of EUR 334,095 were considered as doubtful and a corresponding reduction in value has been booked. The balance of EUR 5,966 is made out of down payments to be affected.

**Cash at bank and in hand**

This item includes unallocated cash of which BIO disposes to implement 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 for EUR 128,410, accrued income for EUR 2,107,891 and positive conversion variances for EUR 75,794. Deferred costs of EUR 128,410 mainly consist of rent, insurance, subscriptions, travel expenses and legal fees. The fees of outside lawyers used in obtaining projects in portfolio are spread, until the end of 2006, over the duration of the project or over 10 years, in case of participations that may remain in the portfolio for an indefinite period. They are recorded in the deferred charges line. Accrued income of EUR 2,107,891 mainly consists of accrued interest, not overdue on loans granted.

The positive conversion rates of EUR 75,794 hold the difference in rate between the cash rate and cover rate. These conversion rates are spread over the duration of the instrument used and the loans.

**Reserves**

The development certificates are included in unavailable reserves.
Depreciation and capital losses are directly charged to these certificates without having to proceed to a modification of the articles of association. At the end of 2002 EUR 62,070 was charged to the certificates. The result of the fiscal year 2004 was allotted to the legal reserve, bringing it up to EUR 74,905. Of the 2005 result (EUR 448,437) EUR 420,882 was allotted to the legal reserve, which reached its limit of 10% of the capital. The balance has been transferred to the next fiscal year. The result of fiscal year 2006 (EUR 2,467,428.48) was partly allocated to BIO’s personnel (EUR 80,000) by means of profit participation and partly paid as dividend (EUR 1,377,205.71). The balance has been transferred to the next fiscal year. The result of fiscal year 2007 has been fully transferred to the next fiscal year.

For 2008, EUR 101,672.41 was allocated to the personnel under the form of profit participation and the balance of the result, amounting EUR 2,798,742.40, was deferred to the next fiscal year.

For 2009, the result of EUR 796,984.25 was also deferred to the next fiscal year.

The result of fiscal year 2010 will be allocated for EUR 160,397 to the personnel in the form of a profit participation plan, and for EUR 3,897,156 to capital remuneration.

Deferred charges and accrued income

This heading includes costs to be charged amounting to EUR 1,731,724. This is mainly the provision for interest incurred and not due to the CCIRS contracts amounting to EUR 485,441 and a subsidy of EUR 805,843 granted by contract. The deferred accrued income amounts to EUR 3,084,405, consisting of the Capacity Building Fund subsidy. In addition, this item covers negative exchange differences for EUR 7,531.
Financial report

Income statement

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>17,106,370</td>
<td>10,551,941</td>
</tr>
<tr>
<td>Income from financial fixed assets</td>
<td>7,210,745</td>
<td>5,731,767</td>
</tr>
<tr>
<td>Income from current assets</td>
<td>5,125,112</td>
<td>3,165,425</td>
</tr>
<tr>
<td>Other financial income</td>
<td>63,780</td>
<td>82,191</td>
</tr>
<tr>
<td>Other operating income</td>
<td>2,534,104</td>
<td>1,562,095</td>
</tr>
<tr>
<td>Exceptional income</td>
<td>2,172,629</td>
<td>10,463</td>
</tr>
<tr>
<td>Charges</td>
<td>13,048,816</td>
<td>9,754,957</td>
</tr>
<tr>
<td>Services and other goods</td>
<td>2,960,946</td>
<td>2,456,096</td>
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<tr>
<td>Remuneration, social security costs and pensions</td>
<td>3,184,921</td>
<td>2,516,809</td>
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<tr>
<td>Depreciation</td>
<td>162,991</td>
<td>154,151</td>
</tr>
<tr>
<td>Minusvalue</td>
<td>212,973</td>
<td>36,080</td>
</tr>
<tr>
<td>Other operating charges</td>
<td>1,611,774</td>
<td>923,111</td>
</tr>
<tr>
<td>Financial charges</td>
<td>2,703,476</td>
<td>2,239,698</td>
</tr>
<tr>
<td>Extraordinary charges</td>
<td>2,101,694</td>
<td>1,294,471</td>
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<tr>
<td>Taxes</td>
<td>110,041</td>
<td>154,541</td>
</tr>
<tr>
<td><strong>Profit for the period</strong></td>
<td><strong>4,057,554</strong></td>
<td><strong>796,984</strong></td>
</tr>
</tbody>
</table>

Notes income statement

Operating income

Other operating income incorporates the EUR 1,664,499 subsidy related to the TA, the Study Fund and the Capacity Building Fund, various fees for EUR 780,074, a re-invoicing of costs amounting to EUR 58,005, EUR 21,756 of advanced tax payment exemption as well as damages and compensation of credit hours for EUR 9,770.

Operating charges

The heading “miscellaneous goods and services” includes general operating costs such as rent and related charges, insurance, office supplies,
membership fees and documentation, remuneration costs, fees, travel expenses, promotion costs. These charges amounted to EUR 2,960,946. Remuneration, social security contributions, staff insurance and extra legal benefits amounted to EUR 3,184,922. Depreciation on tangible assets amounted to EUR 162,991 and reduction in value on receivables amounted to EUR 212,973.

Other operating charges of EUR 1,611,774 relate to EUR 1,571,437 approved subsidy for TA and Study and Capacity Building Fund, various taxes and levies for EUR 40,337.

Financial income

The income from BIO’s core activity in 2010 consists of the returns on loans granted, amounting to EUR 5,277,336 and dividends amounting to EUR 1,933,409. Income from the deposit of unallocated cash of which BIO disposes to implement its corporate mission amounted to EUR 5,125,112 in 2010. The income from CCIRS is included under this heading. Other financial income (EUR 63,780) mainly relates to differences of exchange rate and payments.

Financial charges

The “interest payable and similar charges” heading includes the interest on the leasing contracts and the CCIRS, for a total amount of EUR 2,426,198. Other financial charges refer to the interests on receivables amounting to EUR 20,112, the results of exchange rates amounting to EUR 135,808 and EUR 121,358 of banking costs relating to payments for projects, guarantees and the use of financial systems.

Extraordinary income

The extraordinary income includes a EUR 1,679,550 appreciation as a result of the realisation of assets, recovery of reductions in value on receivables for EUR 352,682 and VAT recovery for EUR 140,397.

Extraordinary costs

The reductions in value on fixed financial assets are, as explained here above, the registered provisions for EUR 2,049,322. The realised reduction in value of financial fixed assets amounts to EUR 52,371.

Income taxes

This heading contains the recovery of the provision for corporate tax for fiscal year 2009 (EUR 710,65), the foreign taxation on 2010 revenues (EUR 191,909), and the recovery of foreign taxes for EUR 81,269.
## Financial report

### Cash flow

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating result / EBIT</strong></td>
<td>-7,348,513</td>
<td>-5,818,623</td>
</tr>
<tr>
<td><strong>Adjustment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation, decrease in value</td>
<td>-162,991</td>
<td>-154,151</td>
</tr>
<tr>
<td>Provisions</td>
<td>2,754,141</td>
<td>2,425,944</td>
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<tr>
<td><strong>Operating cash flow</strong></td>
<td>-4,757,364</td>
<td>-3,546,829</td>
</tr>
<tr>
<td>Current debts &amp; receivables (net)</td>
<td>-4,379,833</td>
<td>1,983,303</td>
</tr>
<tr>
<td><strong>Cash flow from working capital changes</strong></td>
<td>-9,137,196</td>
<td>-1,563,526</td>
</tr>
<tr>
<td>Acquisition of financial assets</td>
<td>-39,176,576</td>
<td>-17,581,368</td>
</tr>
<tr>
<td>Acquisition of tangible and intangible assets</td>
<td>-143,458</td>
<td>-394,272</td>
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<tr>
<td><strong>Cash flow from investment activities</strong></td>
<td>-48,457,230</td>
<td>-19,539,166</td>
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<tr>
<td>Income from current assets</td>
<td>2,756,487</td>
<td>1,012,848</td>
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<tr>
<td>Income from financial fixed assets</td>
<td>9,642,757</td>
<td>7,958,739</td>
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<tr>
<td>Other financial income</td>
<td>393</td>
<td>7,795</td>
</tr>
<tr>
<td>Other financial charges</td>
<td>-2,703,476</td>
<td>-2,239,698</td>
</tr>
<tr>
<td>Plusvalue</td>
<td>1,679,550</td>
<td>10,463</td>
</tr>
<tr>
<td>Taxes</td>
<td>-242,120</td>
<td>-134,541</td>
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<tr>
<td>Net financial income</td>
<td>11,133,591</td>
<td>6,615,607</td>
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<tr>
<td><strong>Free cash flow</strong></td>
<td>-37,323,639</td>
<td>-12,923,559</td>
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<tr>
<td>Increase/decrease of longterm financial debts</td>
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<tr>
<td>Increase/decrease of capital</td>
<td></td>
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<tr>
<td>Development certificates</td>
<td>9,000,000</td>
<td>145,898,328</td>
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<tr>
<td>Proceeds from financing</td>
<td>9,000,000</td>
<td>145,897,861</td>
</tr>
<tr>
<td><strong>Net flow of funds</strong></td>
<td>-28,323,639</td>
<td>132,974,302</td>
</tr>
<tr>
<td><strong>Net variation in deposits and cash</strong></td>
<td>-28,323,639</td>
<td>132,974,302</td>
</tr>
</tbody>
</table>
Report of the Court of Audit

Brussels, April 8th, 2011

REPORT OF THE BELGIAN COURT OF AUDIT
on the accounts for the financial year ended 31 December 2010 to the general assembly of shareholders of BIO NV/SA (public limited company)

Pursuant to article 459 of the 24 December 2002 programme law (I) (Belgisch Staatsblad/Moniteur belge - Belgian Official Journal of 31 December 2002), which introduced article 5 bis in the 3 November 2001 law relating to the establishment of the Belgian Investment Company for developing countries (BIO), the Belgian Court of Audit’s general assembly elected an auditor among its members to perform the audit.

In accordance with the provisions of the law and the articles of association, this auditor has examined the annual accounts of the Belgian Investment Company for developing countries (BIO) ended 31 December 2010. The audit included the following documents: the balance sheet, the profit and loss account, the notes to the annual financial statements and the annual report.

This audit was conducted in accordance with the INTOSAI auditing standards and has not resulted in any qualification.

The Belgian Court of Audit
Represented by

Jozef Beckers
Member of the Court
Statutory auditor’s report

Belgian Investment Company for Developing Countries SA

Statutory auditor’s report for the year ended 31 December 2010

The original text of this report is in Dutch
Belgian Investment Company for Developing Countries SA

Statutory auditor’s report for the year ended 31 December 2010
to the shareholders’ meeting

To the shareholders

As required by law and the company’s articles of association, we are pleased to report to you on the audit assignment which you have entrusted to us. This report includes our opinion on the financial statements together with the required additional comments.

Unqualified audit opinion on the financial statements

We have audited the financial statements of Belgian Investment Company for Developing Countries SA for the year ended 31 December 2010, prepared in accordance with the accounting principles applicable in Belgium, which show total assets of €77,870 (000) EUR and a profit for the year of €4,058 (000) EUR.

The board of directors of the company is responsible for the preparation of the financial statements. This responsibility includes among other things: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with legal requirements and auditing standards applicable in Belgium, as issued by the "Institut des Réviseurs d’Entreprises/Instituut van de Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

In accordance with those standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the company’s preparation and fair presentation of the financial statements 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. We have assessed the basis of the accounting policies used, the reasonableness of accounting estimates made by the company and the presentation of the financial statements, taken as a whole. Finally, the board of directors and responsible officers of the company have replied to all our requests for explanations and information. We believe that the audit evidence that we have obtained provides a reasonable basis for our opinion.

In our opinion, the financial statements as of 31 December 2010 give a true and fair view of the company’s assets, liabilities, financial position and results in accordance with the accounting principles applicable in Belgium.
Additional comments

The preparation and the assessment of the information that should be included in the directors’ report and the company’s compliance with the requirements of the Companies Code and its articles of association are the responsibility of the board of directors.

Our responsibility is to include in our report the following additional comments which do not change the scope of our audit opinion on the financial statements:

- The directors’ report includes the information required by law and is in agreement with the financial statements. However, we are unable to express an opinion on the description of the principal risks and uncertainties confronting the company, or on the status, future evolution, or significant influence of certain factors on its future development. We can, nevertheless, confirm that the information given is not in obvious contradiction with any information obtained in the context of our appointment.

- 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.

- No transactions have been undertaken or decisions taken in violation of the company’s articles of association or the Companies Code such as we would be obliged to report to you. The appropriation of the results proposed to the general meeting is in accordance with the requirements of the law and the company’s articles of association.

Antwerp, 27 April 2011

The statutory auditor
BIO in a nutshell

BIO is a Development Finance Institution (DFI) established in 2001 in the framework of the Belgian Development Cooperation.

Mission

Invest for the long-run in the development of the South.

BIO aims to support private sector growth in developing and emerging countries to enable them to gain access to growth and sustainable development.

BIO supports the financial sector, enterprises and private infrastructure projects by means of tailored long-term financial products (equity, quasi-equity, debt and guarantees) and provides subsidies for technical assistance programmes as well as feasibility studies.

Through its investments, BIO encourages its business partners to implement environmental, social and governance standards.

BIO operates as an additional partner to the traditional financial institutions and looks for projects with a balance between return on investment and development impact.

BIO is a member of EDFI (European Development Finance Institutions).