BIO in a nutshell

BIO
Investing
in a Sustainable Future

BIO is an impact investor, its dedicated staff members are driven by their search for both economic and societal added value in development countries with the goal to achieve decent living conditions for everyone on this planet. That is why BIO invests in entrepreneurs, SME funds, microfinance and other financial institutions, and in renewable energy and other infrastructure projects in Africa, Asia and Latin America. This allows investees to develop sustainable entrepreneurship, and to create jobs and economic prosperity in their community.

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BIO is a public limited company created in November 2001. The initial capital at the time was EUR 5 M. The capital is owned by the Belgian State. Via so-called development certificates BIO obtained extra investment capital from the Federal Public Service - FPS Development Cooperation; together with the retained profits this led to more than EUR 1.1 billion in assets under management at the end of 2022. The minister for Development Cooperation is responsible for BIO within the framework of the so-called BIO law. The concrete collaboration with the FPS is regulated under a 5-year management contract between the Belgian State and BIO.

Mobilise private investors for development

BIO wants to be a catalyst to encourage private entities to invest in development. Only, most of them are not that eager to invest in the South. By being the first to take the plunge, BIO can lower the barrier and the risk for these rather commercial investors.

This is the idea behind the SDG Frontier Fund. Through this co-investment fund, Belgian private investors can join BIO. They can rest assured that their money is invested in companies that will offer a high development impact.

Recent figures (31/12/2022)

BIO staff:	79
Investment capital:	EUR 1.1 B
Total net commitments:	EUR 820.8 M
New commitments:	20 commitments for EUR 115.6 M
Outstanding loans:	76
Investments in equity:	71
Technical assistance and capacity building:	20 new projects in 2022 for EUR 1.6 M
SDG Frontier Fund:	EUR 36 M by 14 institutional and private investors

BIO staff during the staff retreat in Leuven

Development goals

It might seem strange that the Belgian State, which means the Belgian tax payer, invests in private companies in development countries. However, entrepreneurs create more than 80% of all jobs – which contribute to government revenues through taxes, and which offer goods and services, including renewable energy. A strong and sustainable private sector contributes to widespread, significant and sustainable improvements in the lives of many.

According to the United Nations, the private sector is crucial to achieve the Sustainable Development Goals (SDGs), and especially:

No poverty
end poverty in all its forms everywhere

Zero hunger
end hunger, achieve food security and better nutrition, and promote sustainable agriculture

Affordable and clean energy
ensure access to affordable, reliable, sustainable and modern energy for all

Decent work and economic growth
promote inclusive and sustainable economic growth, employment and decent work for all

Industry, innovation and infrastructure
build resilient infrastructure, promote sustainable industrialisation and foster innovation

Reduced inequalities
reduce inequality within and among countries

Climate action
take urgent action to combat climate change and its impacts

In order to achieve these ambitious goals, companies need to have:

- a **supportive environment** (legal framework, economic development policy, solid institutions, a transparent fiscal policy, no corruption, etc.),
- access to **sufficient financing** (especially long-term investment capital),
- custom, **pragmatic support** (business angels, administrative help, technical assistance, etc.).

Addressing these needs is BIO's main activity. Furthermore, we collaborate with the government in Belgium and in our investment countries to improve the entrepreneurial framework.

BIO Development Goals

BIO uses its preliminary development assessment tool to structure and document the development rationale of any given investment. This is done by judging how the investment will score on these goals.

- Local economic growth
- Private sector consolidation/innovation
- Financial inclusion, i.e. provide access to financial services to all segments of the population
- Food security & rural development
- Access to basic services and goods for all segments of the population
- Fight against climate change & preservation of natural resources
- Promotion of ESG best practices
- Gender equality

Sustainable development

Focus on less developed companies with high potential

BIO strives to align its development ambition with the hard reality. That is why BIO does not necessarily support companies which are already respecting all high Western standards, but rather entrepreneurs who are trying their best to make a difference in difficult circumstances and strive to respect the highest standards over time. BIO supports them by offering investment capital, know-how, subsidies to improve social and environmental management, and participations in equity. We also collaborate on the management of these companies.

Laiterie du Berger (LdB)

Region: sub-Saharan Africa
Activity: dairy processor
Signed: 2017/2019
Amount: EUR 1.8 M
Instrument: Debt

LdB is a dairy processor in the north of Senegal. The company collects milk from the semi-nomadic herders in the region, and turns it into dairy products. The 600 Fulani herder families who sell their milk to LdB – about 3,000 litres of fresh milk a day – can also call upon services provided by Kossam, a subsidiary of LdB, such as animal feed and trainings. LdB's biggest challenge is the competition from cheap powder milk from Europe, which makes up 90% of the market.

Development impact:
- *Local economic growth*
- *Consolidation/innovation of the private sector*
- *Food security & rural development*

When BIO invests in a company, the ecological, social and governmental aspects (ESG) are often not up to scratch yet. That is why BIO's strategy consists in requiring a number of basic standards which the client must always comply with, such as the eight ILO fundamental Conventions, no serious environmental pollution, and other important internationally recognised basic conditions. Next, on a case-by-case basis, BIO assesses the potential to introduce improvements at a later stage. We introduce these conditions in our investment contracts as goals which need to be respected one step at a time during the investment period. This means that BIO sometimes needs to accept that a plant's wastewater treatment is not yet fully implemented at first investment. Or that there's room for improvement in the labour conditions of some employees. However, it also means that companies can transcend expectations and can adapt to international standards over time.

Laiterie du Berger collects milk from the Fulani

European standards for AviNiger

AviNiger

Region: sub-Saharan Africa
Activity: Poultry
Signed: 2017/2020
Amount: EUR 3.45 M
Instrument: Debt

AviNiger is a greenfield poultry project located near Niamey, Niger. It is the country's first large-scale provider of fresh chicken eggs – a pioneering enterprise providing the Nigerien population with easily affordable protein. AviNiger started in 2018 as a state-of-the-art egg farm, striving hard to comply with ever toughening EU food safety standards.

Development impact:

- *Local economic growth*
- *Consolidation/innovation of the private sector*
- *Food security & rural development*

Development challenges

Financing smaller, less mature companies is a tough job for any investor. Investing in smaller agricultural businesses is challenging since they are often situated in rural areas and therefore have a hard time obtaining scalability. Small-scale renewable energy projects in politically unstable countries are not always easy to achieve either. You cannot always apply the same high standards in development countries as in Europe.

Especially regarding environmental, social and governance standards this comparison tends to fall short, and BIO is often confronted with a dilemma. Should we refuse investment projects because the company does not yet comply with all of the highest Western standards, or should BIO accept that shortcomings can be solved over the years and that its investment is the beginning of a development journey where all parties benefit?

BIO really wants to make a difference, that is why we often choose the latter and offer our clients the opportunity to perfect their business.

Maghreb Private Equity Fund III (MPEF III)

Region: the Middle East and North Africa
Signed: 2011/2014
Amount: EUR 8 M
Activity: SME Fund
Instrument: Capital

MPEF III targets Algeria, Morocco and Tunisia, and takes stakes in medium-sized companies with the potential to become regional leaders. MPEF III has invested in 12 companies, one of them is Polymedic. This pharmaceutical company is specialised in the production and marketing of medication and has 142 employees, more than half of them are women.

Development impact:

- *Local economic growth*

The difference between direct and indirect

BIO invests directly in target companies in development countries. This allows us to purposefully support rural development and innovation, among other things. However, investing at a distance is expensive and riskier. That is why BIO also invests indirectly in SMEs and in infrastructure projects through intermediary institutions such as banks, funds, venture capital funds and microfinance institutions. Indirect investments allow for BIO to call upon the expertise of locally anchored institutions and to spread its own risk.

Banana producer and customer of FDL

Financiera Fondo de Desarrollo Local (FDL)

Region: Latin America and the Caribbean
Signed: 2017/2021
Amount: EUR 5.6 M
Activity: Microfinance
Instrument: Debt

Financiera FDL is the biggest microfinance institution in Nicaragua, focused on MSMEs in rural areas for agriculture and processing of agricultural products. In its 38 offices, it offers loans, insurances and payment services to over 65,000 customers (34% women), with an average loan size of USD 1,250.

Development impact:

- *Local economic growth*
- *Financial inclusion*
- *Food security & rural development*

Development highlights[1]

In 2021, BIO's direct investments played a pivotal role in creating or sustaining a total of 100,294 jobs. Indirect investments created or sustained an additional 156,734 jobs, over one third of which are held by women.

BIO's investments supported 5.6 million direct jobs and contributed to sustaining an additional 1.1 million indirect[2] jobs.

BIO's direct portfolio of 44 financial institutions provided a total of EUR 53.2 billion in loans to private enterprises, supporting over 3 million microentrepreneurs, 70,000 small enterprises, and 75,000 medium-sized enterprises.

1 *All impact data are based on BIO's portfolio of outstanding investments on 31.12.2021, unless stated otherwise. Indirect impact data are calculated using the Joint Impact Model (JIM), a web-based tool for impact-oriented investors in developing markets.*

2 *Indirect jobs are jobs that exist to produce the goods and services needed by the workers with direct jobs.*

Advans Côte d'Ivoire, a microfinance institution with a strong focus on gender

74% of the investments approved in 2022 have specific objectives towards greater gender equality. Furthermore, a total of 22 projects, amounting to EUR 179.5 million, were deemed eligible for participation in the 2X Challenge.[3]

3 *The 2X Challenge is an initiative to compel DFIs to channel their financial support towards the advancement of women's economic empowerment and the attainment of gender equality.*

BIO's direct investments produced 4,657 GWh of electricity, out of which 1,117 GWh from renewable sources. This results from the fact that BIO's three non-renewable projects include a large power plant like Azito, which produces larger amounts of electricity, as compared to BIO's twelve renewable energy projects that are much smaller in scale, and where the additionality of BIO was greater. BIO's investment in Azito doubled the efficiency of the existing gas-powered plant, reducing the consumption of gas by almost half.

candi solar installation

Indirectly, BIO contributed to an additional 1,100 GWh of electricity production. Combined, this total production represents the annual electricity consumption of around 12 million households in rural Africa. Through BIO's commitment to renewable energy investments, 1,180,000 tonnes of CO_2 emissions were avoided throughout 2021, comparable to the average annual emissions of around 26,000 cars.

In 2021, the companies directly supported by BIO contributed to the public provision of goods and services by paying EUR 537.2 M in taxes to their respective governments. Furthermore, the companies in which BIO's funds are invested paid an additional EUR 434.4 M in tax revenues.

Investment tools

BIO uses a series of financial tools designed to help small and medium-sized enterprises to set up in business or to expand already existing activities. These tools can be adapted according to requirements and the local situation.

- When injecting **capital** (equity), BIO takes a (minority) stake, generally tied to a seat on the Board of Directors or the Advisory Board, and helps to drive the strategy and policy. There is often an especially substantial development impact as BIO helps carry the entrepreneurial risk; regular banks are usually not prepared to do so.
- BIO uses **quasi-equity**[4] (mezzanine capital, subordinated loans, convertible loans, etc.) to strengthen the financial resources of up-and-coming companies, without diluting the position of its shareholders.
- BIO offers a wide range of direct medium- and long-term **loans** at both fixed and variable rates, in hard and in local currency. Their term can vary between three and ten years, with a grace period of three years maximum.
- BIO's signature is a guarantee of solvability and facilitates the mobilisation of resources by private sector borrowers by guaranteeing certain **obligations** on their behalf.

Net commitments per instrument (12/2022 in million EUR)

4 *Equity is the amount of money that a company's owner has put into it or owns subtracting company profits and reserves. Equity is, so to speak, the company's debt to its owners.*

- The Business Development Support Fund (BDSF) allows current and prospective portfolio companies to improve their sustainable social and environmental practices by offering grants for technical assistance, feasibility studies and investment support for innovative SMEs.

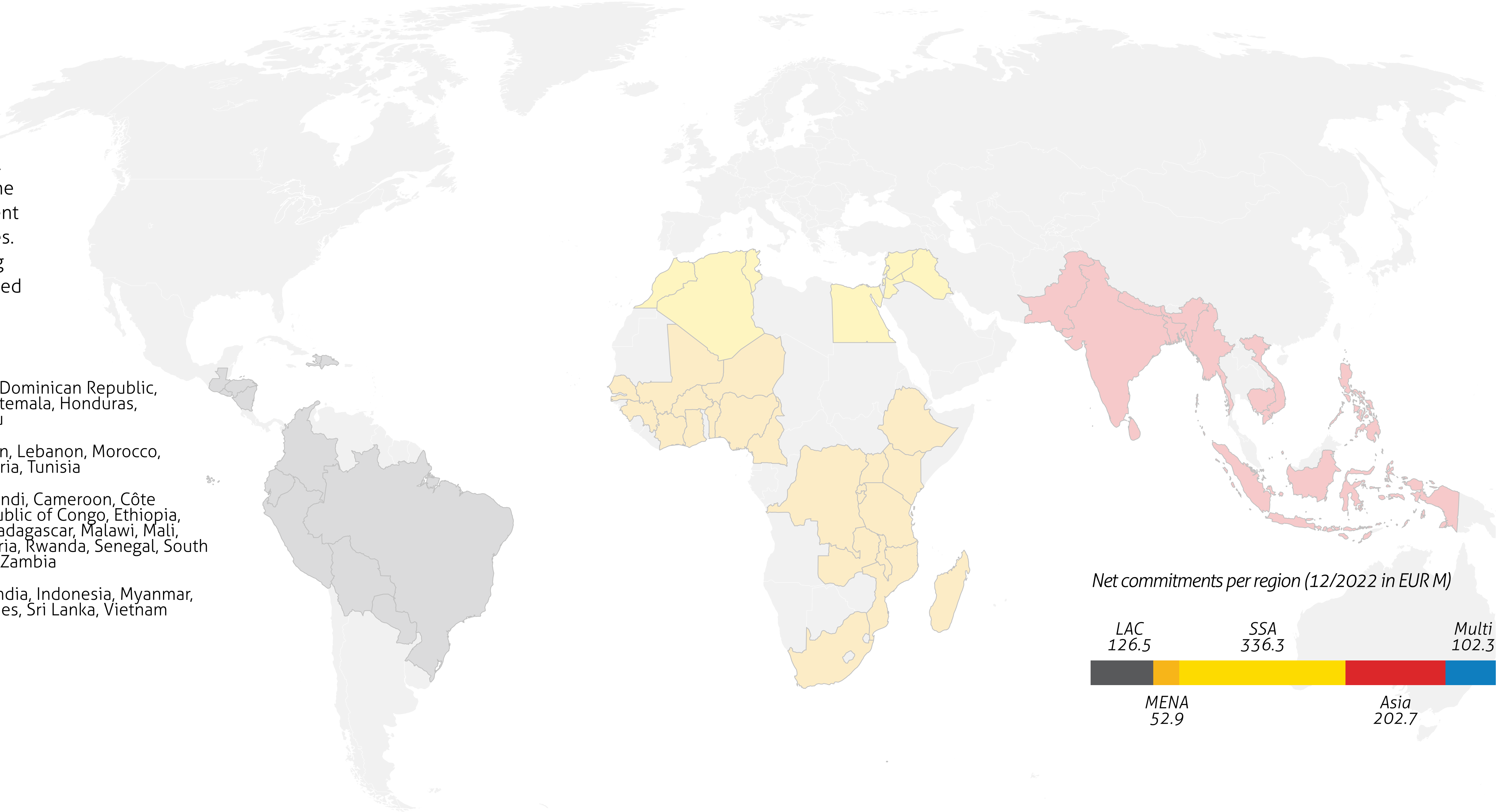
Geuther Vietnam received technical assistance to improve the quality of its products, and to make the manufacturing processes more reliable and more efficient.

- BIO primarily funds projects with capital received under "**code 8**" from the Belgian State. This capital is bound by a return target.
- BIO received EUR 50 M from the Belgian State under "**code 5**" from 2019 to 2023. These funds are used for investments with a higher impact potential, but also a higher risk or lower return on investment.

Country list

BIO may invest, directly and indirectly, in 52 countries, but pays particular attention to the partner countries of the Belgian Development Cooperation and to less developed countries. BIO has strict rules and guidelines regarding the use of intermediate structures established in offshore financial centres.

Latin America & the Caribbean	Bolivia, Brazil, Colombia, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Paraguay, Peru
The Middle East & North Africa	Algeria, Egypt, Iraq, Jordan, Lebanon, Morocco, Palestinian Territories, Syria, Tunisia
Sub-Saharan Africa	Benin, Burkina Faso, Burundi, Cameroon, Côte d'Ivoire, Democratic Republic of Congo, Ethiopia, Ghana, Guinea, Kenya, Madagascar, Malawi, Mali, Mozambique, Niger, Nigeria, Rwanda, Senegal, South Africa, Tanzania, Uganda, Zambia
Asia	Bangladesh, Cambodia, India, Indonesia, Myanmar, Nepal, Pakistan, Philippines, Sri Lanka, Vietnam



Organisation

Governance

- Board of Directors with 12 members appointed by the government based on their expertise in development cooperation or finances
- Advisory Committees: investments, audit, human resources
- Executive Committee (ExCom): CEO and three directors (investments, finances, legal affairs)
- Credit Committee
- Liaison offices: in Abidjan for West Africa and in Nairobi for East Africa
- External supervision: two government commissioners, appointed by the State Secretary for the Budget and the Minister of Development Cooperation; annual financial audit by the Court of Audit; annual check of the accounts by a commissioner; regular assessments by a Special Evaluator appointed by the government

Internal organisation

BIO consists of three important departments: Investments & Portfolio, Finance, and Corporate Partners (Legal & HR).

In addition, the Development & Sustainability team continually screens the development impact of BIO's investments, especially regarding ESG. They also collaborate with EDFI and DGD on standards to monitor the development goals.

The team Special Operations works on the financial viability, and the development of companies and projects which ran into trouble. They take into account the financial and reputational risks, the development impact, the cost efficiency and the client's cooperation.

Finally, BIO also has an internal auditor and a communications team.

Relationship with the shareholder, other development actors, and stakeholders

BIO follows the FPS Foreign Affairs and Development Cooperation's political strategy and closely cooperates with the Directorate-General for Development Cooperation, and with Enabel. BIO often reaches out to NGOs that recognise the common goal to achieve the SDGs, and regularly organises stakeholder meetings. Through the SDG Frontier Fund, BIO also cooperates closely with private investors.

EDFI

BIO is a development finance institution and, as such, has been a member of EDFI since 2002.

EDFI is the association of 15 European bilateral development finance institutions. Its mission is to promote the joint interests of its members, inform policy, and drive innovation in industry standards. It aims to foster cooperation among its members and strengthen their relationship with the institutions of the European Union.

BIO executes about 40% of its investments in collaboration with one or more peer DFIs.

Together with EDFI and five other European DFIs, BIO is shareholder in the EDFI Management Company (EDFI MC). It manages so-called blended finance tools and other concessional financing facilities[5], in particular two market development facilities (EDFI ElectriFI and EDFI AgriFI), specialised in sustainable energy and in (small) agricultural businesses.

5 Blended finance is the strategic use of development finance and philanthropic funds to mobilise private capital flows to emerging and frontier markets, resulting in a positive outcome for both investors and communities. Concessional financing are investments taking the form of soft loans that are extended on terms substantially more generous than market loans.

The Belgian Investment Company for Developing Countries, BIO, is a development finance institution established in 2001 by the Belgian development cooperation to support private sector growth in Africa, Asia & Latin America. BIO provides long-term financing to enterprises, the financial sector, and private infrastructure projects, as well as grants for feasibility studies and technical assistance programmes. BIO invests in projects targeting both high and sustainable development impact, and a modest financial return. BIO is a member of EDFI.

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