From : Jérémie Gross
To : Board of Directors, for its meeting on September 29th
Date : September 22nd, 2020
For : approval

External Case Study Evaluation 2019-2020:
Evaluation of BIO's private equity activities in Sub-Saharan Africa
Summary of findings and Management Response

I. Introduction

The 2019-2024 management contract of BIO requires that each year a sample of BIO's interventions – ongoing as well as exited investments – undergoes a detailed assessment of their relevance for local development. Beyond a purely accountability objective, the evaluation findings and lessons are to guide improvements in BIO's processes and investment strategy.

The mission of BIO is to support a strong private sector in developing and emerging countries, enabling them to gain access to growth and sustainable development. Investments in private equity (PE) funds are at the heart of BIO's strategy to provide entrepreneurs with long-term capital and strengthen the business model of the involved MSMEs. However, due to the indirect nature of investments, development effects of investing in PE funds are not always obvious. The 2019-20 external assessment seeks to fill this gap by providing a more comprehensive understanding of the model, activities, performance and development achievements of its portfolio and investments of selected funds.

The primary objective of the 2019-2020 evaluation was to assess the effects of BIO's investment in SMEs through Sub-Saharan African PE funds, focusing mainly on business, management and development outcomes at the MSME level. The evaluation sought to meet this objective through

(i) an analysis of BIO Sub-Saharan Africa Private Equity portfolio (see Annex 1 for an overview of the portfolio) and
(ii) an in-depth focus on 4 Sub Saharan African PE funds (see Annex 2 for a short description of each fund) and 8 of their invested companies, focusing mainly on business, management and development outcomes at the SME level.

Table 1: Pre-selected investments

Year	Fund name	Country	Sector(s)	Sub-sector	Instrument	Commitment
2019-2020	Adenia Capital III (Ademat, Syrse)	Cote d'Ivoire	Investment fund	SME	Equity	5000000
2019-2020	African Rivers Fund (MDN, Monishop, Quickprint)	DRC	Investment fund	SME	Equity	4118275
2019-2020	AfricInvest Fund II (Bridge)	Cote d'Ivoire	Investment fund	SME	Equity	6000000
2019-2020	Cauris Croissance II (AWI, Cauris)	Cote d'Ivoire	Investment fund	SME	Equity	5000000

For the sample of pre-selected SMEs, the evaluators were asked

(i) to provide a comprehensive understanding of the economic, social and environmental changes that occurred over the investment period;
(ii) to assess to what extent the fund's intervention has contributed to the observed changes;
(iii) to investigate whether these changes do translate into development achievements; and
(iv) to draw a clear picture of the link between the investees' impact and financial performance, and the local context in which the companies operate.

The study was also expected to address the question of the rationale behind BIO's investment in PE funds, how well the activities of the pre-selected funds are aligned with the investment strategy, and BIO value add to the funds.

Through a call for tender process, the proposal submitted by consulting firm Steward Redqueen was selected and the evaluation team – composed by Matthijs de Bruijn, Sabine Dankbaar and Thomas Pons-Seguin – carried out the research between November 2019 and May 2020. Consequently, the evaluation was partly executed during the COVID-19 pandemic, which influenced the process.
As reported by evaluators themselves, the evaluation team was able to carry out a robust analysis with full cooperation of the BIO team, Sub Sahara African fund managers and the selected companies. The analysis of BIO's Sub-Saharan Africa portfolio covers all 20 funds with investments in this sub-continent. In addition, evaluators executed a deep dive focus on the four funds (see Table 1 for a rapid overview and Annex Table for a more in-depth description) and five MSME cases out of the 8 companies considered, reducing slightly the scope of the case studies. Evaluators were not able to include analysis of an additional three pre-selected companies in DRC, as travel restrictions as a result of the COVID-19 pandemic prevented the evaluation team from executing a field visit there. Therefore, the final sample is concentrated in Côte d'Ivoire.

Inputs for this evaluation were collected through extensive data collection and analysis, an online survey as well as in-depth interviews with BIO investment staff, funds and companies, and a field visit to three fund managers and five indirectly invested companies.

The evaluation process has been supervised by a Steering Committee (SC) - made up of representatives of the Belgian Ministry of Development Cooperation (Cécilia De Decker, Head of the Special Evaluation Unit – S4 ; Fabio Pompetti, Member of the Results Unit – D0.1 ; Jean-Jacques Bastien and Anne Van Malderghem, Head of the Private Sector Development unit – D2.4), a member of BIO's Board of Directors (Annuschka Vandewalle), BIO Manager and Senior Portfolio Officer (Eric Suttor) and BIO Senior Development Officer (Jérémie Gross) who has also coordinated the whole assignment.

II. Report findings

The evaluation was structured around five focus areas: (i) the rationale for PE investment; (ii) BIO's strategy; (iii) analysis of the PE portfolio; (iv) BIO's value adding role; and (v) findings from an in-depth focus on four funds and five companies invested through these funds. For each of these key areas specific evaluation questions were formulated. Based on findings, the evaluation draws the following conclusions:

i. **Rationale for Sub-Sahara African PE investment**: What is the private equity model? Why is it in demand and suited for generating development impact? What are advantages and disadvantages? Why does it make sense for BIO?

   - **The private equity model is an effective and well-used model for sustainable private sector development in developing economies.** The main benefits of the model are a longer-term investment horizon, focus on capacity building, ability to target underfinanced business segments and opportunities to improve sustainability;

   - **There is a clear rationale for BIO to invest indirectly through PE funds in Sub Saharan Africa.** Private equity investment through funds allows BIO to (indirectly) diversify and take on more risk by moving into frontier markets and high impact sectors. In addition, BIO gains access to market intelligence and investment opportunities.

ii. **BIO's PE investment strategy**: What are BIO's key targets? How is the team structured? How are funds selected?

- **PE investment is at the heart of BIO's strategy and has relevant targets.** PE investment through local investment fund managers has been and is at the heart of BIO's strategy, and its role is expected to increase under the current strategy to 2023. The main targets for PE are additionality, catalytic effects, project sustainability and contributing to the SDGs;
- **BIO's selection criteria fit the targets although impact could be analysed more structurally.** BIO's selection criteria for funds support BIO's overall strategy and the targets for PE with a focus on smaller-sized, local funds in Sub-Saharan Africa that are focused on SMEs. The expected

iii. **Analysis of the SSA PE portfolio**: To what extent is the composition of the PE investment portfolio in line with BIO's strategy and criteria? What is the financial performance? What are the key development impacts achieved?

Composition

- **BIO generally has smaller stakes in a multitude of funds.** On average, BIO committed €6.3m per fund, with an average stake of 8%. The relatively low exposure per fund enables BIO to diversify its portfolio and spread risk. It also means that BIO will usually be among the smaller investors in a fund, which reduces its leverage;
- **The selected funds fit BIO's strategy.** BIO's selected funds are mostly sector-agnostic funds focussing on equity investments to SMEs in multiple African countries within BIO's target universe, and thus fit the mandate. However, despite BIO's primary focus on sector-agnostic funds, single-sector funds score the highest on BIO's screening criteria. Less than half of the funds are expected to contribute to the specific targets on gender equality, the fight against climate change and preservation of natural resources, and practices or food security and rural development;
- **BIO's PE investments are more exposed to less developed markets compared to overall PE flows.** BIO's additionality is likely to be highest in low-income countries and/or fragile states where relatively little other PE investments take place. BIO has a substantial exposure to low-income countries in its target markets, especially in Madagascar, Uganda and Tanzania. For the non-frontier countries, BIO has a relatively high exposure to Côte d'Ivoire and Kenya compared to the market. At the same time, the funds do not reach several least developed countries, including some of BIO's target countries, where PE activity does take place. This can partly be explained by BIO's limitations in terms of capital and funds it can support but does provide an opportunity for further improvement by pushing towards the frontiers of the market.

Performance

- **A solid financial performance is important to generate impact.** A solid financial performance is of importance because the returned capital can be re-invested by BIO, it can generate a demonstration effect to other investors; and the financial return usually goes hand-in-hand with achieving development impact;
- **BIO's current PE investment portfolio is likely to generate adequate financial returns.** As per 30 September 2019, BIO had a Sub-Sahara African portfolio-wide cumulative average gross multiple of 1.25x and net multiple of 1.05x. The solid performance is mostly driven by the funds with a larger exposure to investments in the financial sector. Overall it should be

noted that due to increasing commitments of the funds over the past few years, the portfolio on average is young. 65% of the 20 funds are still in their investment period.

Impact

- **BIO PE portfolio supports almost 25.000 jobs directly and 177-000 jobs indirectly.** In 2018, the most recent year for which data is available, the portfolio companies of BIO's PE funds employed a total of 25,083 people. Most jobs are in Kenya and DRC, followed by Tanzania, Uganda and Madagascar. In terms of sectors, most jobs are supported in financial services, manufacturing and agribusiness sectors. Jobs are generally well-paid, but there are large differences between companies, and some workers might live from less than USD 3.20 per day. On top of the direct jobs the portfolio companies supported an estimated 132,358 supply chain jobs, and 44,665 induced jobs;
- **The indirectly supported companies generated a cumulative turnover of close to a billion euros.** In 2018, the portfolio companies of BIO's PE funds reported a cumulative turnover of EUR 932 million. The highest contributions to turnover are in the DRC, Kenya and Côte d'Ivoire. In terms of sectors most economic results are in the manufacturing and services sectors.

iv. **Value adding support by BIO**: How does BIO assist funds through financial and non-financial support? How is BIO's role perceived by partners?

- **BIO is perceived as an agile and constructive investor.** In line with its strategy, BIO has a seat on the Advisory Committees (ACs) of the PE funds it invested in. BIO is seen as a constructive and pragmatic partner, actively engaged in discussions, and particularly valued for its good understanding of the context in which fund managers operate. Most fund managers received advice from BIO on ESG management and support on impact measurement tools, which they found useful. However, BIO could do more, for instance on fund structuring and governance;
- **BIO could improve on its additionality and catalytic effect at the time of investment.** Although most fund managers indicated that BIO's capital could not have been replaced, they would have been able to close their fund without BIO. Furthermore, there is improvement potential in BIO's support to new fund managers. Although there are examples, notably its structuring support for AfricInvest's evergreen platform FIVE, BIO is rarely among the very first investors and its catalysing role could be stronger. While BIO cannot be the cornerstone investor in all funds, it could consider determining its ambition in terms of additionality and support more clearly, balancing this with risk perceptions;
- **BIO's technical assistance is appreciated but limited.** As of 31 December 2019, BIO committed EUR 306.000 of TA funding to two PE funds in SSA. The TA aimed to fund a total of 12 projects at 7 companies, most of which in the portfolio of Adenia III. Despite the strong interest in TA from fund managers, and value BIO staff attaches to TA, only 7% of all companies indirectly invested by BIO have been supported with BIO's TA facility. The funds that received TA from BIO were unanimously positive about the clarity and flexibility of BIO's TA facility. They observed a connection between the TA and improvements on E&S and impact measurement at their portfolio companies.

v. **Company cases and related findings**: What is the background of the companies? What are product and services offered? What development impact is achieved, including contributions to the SDGs? What was the role of the funds? And what has been the financial and ESG performance? What are the overarching learnings of the five cases in terms of approaches and instruments used, support offered by managers, sustainability and impact?

- **The maturity, structure and management of a company as well as the market circumstances are crucial in tailoring the approach and instruments.** The success and (financial) sustainability of companies strongly depend on the right type of investment by an investor. That is what makes it so important to select quality fund managers that cannot only analyse numbers and see market opportunities but also can read and assess human factors and assess the risks;
- **PE investors can provide invaluable support in business expansion, product development and professionalisation.** The cases show that companies can develop and increase development impact through various pathways (e.g. expanding production facilities in-country, pursuing regional expansion, a strategic merger. In all cases, the investor played a crucial advisory role in identifying opportunities for growth, drawing up the plans and resources and challenging the company management at the tight times;
- **The companies are decent employers and are local providers of essential societal goods and services.** All company cases contribute locally to the Sustainable Development Goals. This includes improving equal rights to technology and financial services (SDG 1), supporting smaller-scale farmers to double agricultural productivity (SDG 2), preventing health problems (SDG 3), providing schooling grants (SDG 4), achieving access to adequate and equitable sanitation and hygiene for all (SDG 6), providing reliable access to energy (SDG 7), enabling decent employment and access to banking (SDG 8) as well as providing innovative solutions empowering underserved communities to better manage their financial resources (SDG 9). All companies also have important economic knock-on effects, which can either be backward or forward effects.

III. Management response

The overall assessment of the assessment by BIO management is unanimously positive. Management especially appreciated the articulation of the two main components of the analysis: portfolio analysis and case studies.

First, the report provides a solid evidence-based analysis of BIO's Private Equity Funds (PEF) Sub-Saharan strategy and portfolio. This analysis makes explicit and tangible how the PEF portfolio and the underlying selection of investments is well in line with BIO's strategy. It also broadly confirms that the portfolio of investment funds is performing relatively well on both financial and development aspects, and that BIO's indeed adds value to the funds, is relevant and strongly appreciated by fund managers.

Second, the evaluation zoom on selected companies provides an interesting insight into indirect support to SMEs in the Sub-Saharan African context. The case study reports are clear-cut, and each summarizes well a systematic analysis of the role and support of the fund to the investee company, the financial, ESG and development performance of the company and its contribution to the SDGs. This allows a more comprehensive understanding of both the added value of funds and the development effects of companies.

Based on their findings, the evaluators draw 13 recommendations. BIO's management found most of these recommendations interesting and assessed their relevance one-by-one, also taking into consideration BIO's constraints and resources. When relevant, key follow-up actions were identified. Several 'strategic' recommendations involve pursuing what BIO is already trying to achieve in frontier markets – as evidenced by the high exposure to smaller funds active in undeserved countries – which matches its risk-return profile.

Below are all recommendations as well as the management response to each of them:

Strategy

Recommendation 1 – Increase the focus on larger stakes in dedicated fund managers.

BIO's investment strategy for funds already seeks to maximize its additionality within the framework of its resources and risk/return constraints. As shown in the report, BIO is "generally more exposed to less developed markets" and has a "substantial exposure to low-income countries in its target markets". When feasible, BIO also seeks to invest in dedicated funds or to be an early advisor and investor (e.g. recent investment in ARF III). But BIO privileges a relatively low exposure per fund to diversify its portfolio and spread risk, while relying on other mechanisms to ensure maximum leverage of its resources and expertise. First, the fact that BIO requires an Advisory Committee seat or at least an observer seat in every PE Fund it invests in guarantees some degree of influence over investment decision-making and portfolio management, regardless of the stake size. Second, when co-investing with larger DFIs, BIO usually limits its exposure and adopts a follow-the-lead approach. This allows directing BIO's non-financial support to funds that promise particular development impact and that have more difficulties in securing investors. Finally, BIO strives for very regular contacts with fund managers to support them with inputs and advice, as well as to closely monitor fund activities.

Investment selection

Recommendation 2 – Increase focus on managers that target specific strategic priorities.

Funds that target specific strategic priorities are less diversified and usually show higher risk profile, in contrast to generalist or sector-agnostic funds. In view of their relatively lower risk profile, the latter constitute a large part of BIO funds portfolio. However, in recent past years BIO is increasingly investing in funds more directly contributing to specific goals. Indeed, the report shows a positive evolution over time – today targeted funds represent 50% of BIO's PE fund portfolio - with more recent funds typically scoring higher in terms of development goals. Some concrete recent examples are BIO's investments in agriculture-oriented funds (e.g. Fairtrade Access Fund, Alterfin, Phatisa Food Fund II) or in funds focusing on the education sector (e.g. Kaïzen). This trend is catalyzed by the use of so-called "code 5" capital that allows investing in funds with more innovative features, requiring additional time to reach financial sustainability or presenting higher risk and less financially attractive profile, but that best target specific strategic priorities. More generally, BIO's strategic priorities are systematically taken into considerations when sourcing an investment fund, analysing its potential as well as in final decision-making. For instance, BIO is systematically assessing the gender equality performance of funds' activities and proposes actions to mitigate risks and steer for improvements.

Recommendation 3 – Enhance the structural analysis of (expected) development impact.

Since 2015, BIO uses such an ex-ante assessment tool to structure and document the development rationale behind a given investment fund. The tool allows to assess the expected contribution of the fund to a set of strategic development priorities (BDGs) as being primary, secondary, or not relevant.

The tool also evaluates BIO's financial and non-financial additionality, with a similar scoring methodology. The results for the different dimensions as well as explanatory comments are included in the investment analysis note. The project approval decision as well as how BIO intends to monitor impact is based on this systematic narrative of the project's expected development contribution.

Over the past years, a more effective use of the tool has shown its potential to adequately challenge the impact story. However, this is not always an easy task for funds where only limited evidence is available at time of investment. Recent (gender assessment, indicator set, investee-level monitoring) and future improvements (update of impact dimensions, SDG mapping, indicator set) should further enhance the structural analysis of development impact. Regarding geographic additionality, this is already a central criterion for funds investment and BIO appears to perform quite well at targeting less developed countries and markets. This does not prevent BIO to think about a more structured way of assessing its geographic additionality (i.e. by taking into consideration the overall private equity flow to the targeted countries).

Actions	Responsible	Timing	Status
- Update Development Assessment Tool to better capture expected contribution to private sector mobilization, digital, climate, etc. - Mapping current development assessment framework to the SDGs	Jointly by investment department and D&S unit	Q4 2020	- Structured gender equality assessment alongside with a set of 6 specific indicators at both fund and investee levels. - First data collection and analysis at investee level (in 2020) - Systematic mapping of BDGs with SDGs, but not yet implemented in the tool

<u>Development impact</u>

Recommendation 4 – Explore investing in funds with an agribusiness focus.

The report highlights that most capital of BIO's PE funds benefits companies in the manufacturing, financial services, energy and agribusiness sectors. More precisely, agribusiness sector ranks in the top five of BIO's sector exposure though investments funds, either in terms of amount or number of companies invested. More substantially, BIO already moved in the direction of targeting PE funds with an agriculture focus. This can be well illustrated by BIO's recent investments in the Fairtrade Access Fund, Alterfin or Phatisa Food Fund II.

Recommendation 5 – Assess (together with fund managers) whether portfolio companies pay a living wage.

Together with other EDFI, BIO has specific E&S requirements that have direct implications for fund portfolio companies, including on labour conditions. More precisely, all funds are required to ensure that their investees comply or progress towards compliance with labour national laws and regulations as well as with relevant international standards (i.e. ILO core conventions). Beyond wages, BIO E&S policy also requires that other job requirements are met: safety and health, HR policy in place, possibility for workers to be represented towards the company's mamnagement, protect workers, in particular those in vulnerable categories, ...
Regarding wages paid, the focus is on seeking to ensure that companies pay at least the minimum wage, and, increasingly, on engaging a dialogue with them on opportunities to progressively increase wages towards what can be considered a "living wage". Handicaps are the lack of a commonly accepted

definition for living wages, as well as measurement issues. We are considering to overcome these handicaps by taking a comparative approach, comparing wages paid by prospective clients to the wages paid by other companies in their sector of activity. Moreover, BIO is working with other DFIs on a harmonized approach to living wage as part of the broader decent work agenda. In addition, BIO is investing in funds that are especially active on this topic (i.e. Living wage policy Phatisa Food fund II).

Actions	Responsible	Timing	Status
- Pursue the discussion with other DFIs on a common approach to living wage - Coordinate with other actors of the Belgian Development Cooperation on living income - Draw lessons from the implementation of the living wage policy by Phatisa Food Fund II	D&S unit	No deadline Q4 2020 No deadline	Forthcoming

<u>Value adding role</u>

Recommendation 6 – Play a more active role supporting funds at the time of investment.

While being an early investor in funds is clearly more additional, this also does require more time and resources. As a result, BIO generally decides to invest in the earliest stages of funds only alongside with other DFIs. In a few cases, BIO has also participated in the structuring of a fund (e.g. FIVE) or provided early advice on specific aspects like E&S or business integrity (e.g. ARF). Given its relatively small size, BIO's primary focus will however remain on participating in PE Funds' second closings, once it is certain that the funds will have an acceptable minimum size and the transaction is less costly (time consuming). This strategy does not prevent BIO from mobilizing funds of more traditional private investors. On the contrary, it is for instance well aligned with the investment target of the SDG Frontier Fund through which BIO is directly catalysing Belgian private investments.

Recommendation 7 – Leverage BIO's size and agility more in support.

BIO strives for regular contact with fund managers, to be well-informed of funds 'specific needs and to be able to contributing in finding appropriate solutions and offer support where relevant. BIO promotes the setting-up of Technical Assistance Facilities at the fund level to support investee companies. More recently, BIO's response to the Covid-19 illustrated well its reactivity in unforeseen situations. A special facility was rapidly put in place to provide emergency financing to clients affected by the pandemic. Two funds have already solicited BIO's facility. In addition, BIO developed three toolkits to support companies in developing their own business continuity plan and serve as guides for clients or future clients to develop their own Covid-19 prevention and response measures and plan(s).

Recommendation 8 – Strategically prioritise ESG and impact advice.

Regarding funds' establishment, BIO's advisory role is limited by the fact that most funds invested by BIO are already in place at the time of investment. Yet as highlighted in the evaluation report, most fund managers do receive advice from BIO on ESG management and support on impact measurement tools, which they found useful. In addition, BIO is engaged more closely with a few fund managers on their E&S (e.g. ARF) and/or impact (e.g. Omnivore) management systems. Given the limitations in terms of resources, BIO is carefully in selecting projects in which this type of support appears especially relevant. The words of one fund manager summarize this well: "As we have a number of other investors, BIO has been efficient in not adding additional advice where others had already provided this.". In terms of TA, BIO cannot co-finance programs to support the Fund Manager itself but can – and does increasingly - support the funds' investees directly or through TAFs.

Actions	Responsible	Timing	Status
- Leaflet with E&S guidelines for investment funds	Jointly by investment department and D&S unit	Q4 2020	Forthcoming

Recommendation 9 – Get acquainted with potential direct investees through support.

Except during PE fund investor days, BIO does not have much direct contact with portfolio companies of PE funds. In general, BIO prefers relying on local PE fund teams that are better positioned to assess a portfolio company's needs. For instance, TA opportunities are most often identified by fund managers, in cooperation with their investees, and can be more cost-efficiently supported at the level of the Fund Manager through a Technical Assistance Facility (TAF). However, positive examples of direct contact confirm that BIO should promote this when possible. It can also be crucial to better identify interesting co-investment opportunities.

<u>Data management</u>

Recommendation 10 – Ensure consistent impact data collection over time.

Since 2015, BIO requires contractually that all invested PE funds report annually on a number of pre-selected development monitoring indicators. Information is normally gathered at both fund and investee-level. The lack of some historical data is because in the past the data collection process was not fully effective. Over the last two years, BIO puts strong effort into this data collection and made substantial progress in data coverage. BIO is also actively participating in the impact measurement harmonization initiative at EDFI level that should ultimately result in a joint and simplified approach to data collection.

Actions	Responsible	Timing	Status
- Continue progress in data collection at investee level (targetting similar data coverage than for direct investments) - Finalize the database structure to allow for comparison of data over time	D&S unit	Q1 2021	- Development database at investee level - (First) development reporting at investee level (65% data coverage)

Recommendation 11 – Gradually expand the impact data collection.

The current set of indicators used by BIO is aligned with what other DFIs collect and includes all the additional indicators mentioned in the report. Indeed, sector-specific indicators (MWh produced, GHG emission avoided, number of students enrolled, number of patients, etc.) are supposed to be collected for investment funds, but more effective reporting is certainly needed. Furthermore, the existing set of indicators has recently been expanded with all the 2X indicators regarding gender that, from 2020, will be collected for each portfolio investee companies. Next adjustments of the indicator set will be based on the harmonization process at HIPSO and EDFI level.

In coordination with other development finance institutions and Steward Redqueen, BIO also contributed to the development of the Joint Impact Model. As in the report, the model allows to estimate the economy-wide effects of financed companies.

Actions	Responsible	Timing	Status
- Reformatting and update of the data collection template to ensure complete and consistent data collection - Use the Joint Impact Model to estimate and track the gross direct and indirect economic and environmental impact of portfolio investees	D&S unit	Q4 2020	- Expand indicators set with 2X challenge indicators

Recommendation 12 – Review data quality.

Data quality is a major concern when relying on self-reported data. Over recent years, BIO took several actions to improve the data collection process. It is now embedded in the overall internal investment process (data collection has been included in the updated Investment Manual Process of BIO). Substantial improvements in data quality were also made through higher sensibilization of the staff involved, systematic data checks by development officer, and follow-up with fund managers where necessary. However, this is still work in progress and further improvements can be expected. Next step will be to expand the automated data quality assessment that is currently in use for direct investments to fund's portfolio companies.

Actions	Responsible	Timing	Status
- Include automatic DQA routine	D&S unit	Q1 2021	- Systematic internal checks on impact data - Follow-up with fund managers

Recommendation 13 – Improve results monitoring and measurement of TA. Assessing and measuring results of TA is currently lacking.

For each TA, BIO requires a report from the consultant in order to have a clear description of all activities performed under the TA assignment. But it is true that there is neither systematic discussion nor monitoring of the TA results at PE fund portfolio company level. In 2020, a first step has been taken with the development of a tool to monitor the financial and development basics of TA projects. Next steps should be to develop proper monitoring tools to be used by portfolio companies.

Actions	Responsible	Timing	Status
- Structured template to report on activities and outputs at the end of a TA project - Identification of a set of monitoring and reporting indicators	D&S unit	Q4 2020	- Construction of a TA database and development of a monitoring tool

In conclusion, BIO management would like to thank the reviewers for their very structured and concise report which directly contributes to the clarity of the study results. Evaluators also did an excellent presentation at the online feedback workshop with BIO staff and Steering Committee members. They succeeded in making this workshop as participative as possible and a pertinent learning experience for all the different stakeholders. Worth noting as well is the excellent collaboration with the team of evaluators who proved to be open and flexible all throughout the assignment, despite several challenges and difficult circumstances.

Annex 1 – Overview of BIO Sub-Saharan Private Equity Funds Portfolio

Fund name	Geography	Theme	Year of investment	Amount committed (EUR m)	Share-holding (%)	Fund size (EUR m)	Total invested by fund (EUR m)
Adenia Capital III	Various Africa	SME	2012	5.0	5.22%	95.8	63.4
Adenia Capital IV	Various Africa	SME	2016	9.0	4.70%	191.6	60.3
Africa Renewable Energy Fund	Various Africa	Renewable Energy	2014	8.3	4.42%	188.5	162.5
Africa Sustainable Forestry Fund II	Southern Africa	Sustainable Forestry	2017	5.8	7.80%	74.9	10.3
African Rivers Fund	Central Africa	SME	2015	4.2	9.05%	46.1	47.1
AfricInvest	Various Africa	SME	2003	5.0	17.86%	28.0	24.1
AfricInvest Financial Sector	Various Africa	Financial Sector	2013	5.0	8.25%	60.6	48.1
AfricInvest Financial Sector Holding	Various Africa	Financial Sector	2017	10.0	12.13%	82.5	16.4
AfricInvest Fund II	Various Africa	SME	2008	6.0	4.20%	142.9	114.3
AgRIF	Global	Financial Sector	2014	6.3	4.43%	141.3	92.4
Agri-Vie Fund II	Various Africa	Agribusiness	2015	8.3	6.51%	128.1	31.0
Catalyst Fund I	East Africa	SME	2011	4.2	3.68%	113.2	91.3
Catalyst Fund II	East Africa	SME	2017	6.3	4.45%	140.5	51.5
Fonds Cauris Croissance II	West Africa	SME	2010	5.0	8.29%	60.3	34.0
Fonds pour l'Inclusion Financière (FPM) en DRC	Central Africa	Financial Sector	2013	6.7	20.32%	32.8	25.1
Frontier Energy II	East Africa	Renewable Energy	2017	8.3	4.46%	186.9	61.7
I&P Afrique Entrepreneurs II	Various Africa	SME	2018	5.0	6.68%	74.9	3.7
TIDE Africa LP	Various Africa	VC	2019	4.4	13.30%	32.8	17.9
Verod Capital Growth Fund III	Nigeria	SME	2019	8.7	6.32%	138.2	10.3
Zoscales Fund I	Ethiopia	SME	2018	4.4	7.01%	62.3	10.5

Annex 2 – Introduction to the four selected funds

This evaluation study zooms in on selected companies that are invested by four PE funds: Adenia Capital Fund III, Cauris Croissance Fund II, AfricInvest Fund II and the African Rivers Fund. Below is a short description of each fund background.

Adenia Capital III is a closed-end generalist private equity fund targeting primarily control positions in SMEs' in the Indian Ocean region as well as West Africa. The fund was Adenia's third fund, with two previous funds launched in 2003 and 2007 and one successor in 2016. In total Adenia has raised more than EUR 400m of capital. Unlike most other funds, Adenia focuses on controlling positions and on a small number of investments, enabling maximum value addition through heavy involvement with the investee company's management team.

Cauris Croissance II is a closed-end generalist private equity fund with a primary focus on SMEs in Francophone West African region with a focus on Côte d'Ivoire, Mali, Benin and Togo. Cauris was established in 1997 at the initiative of the Banque Ouest Africaine de Développement (BOAD) and was one of the first and sustainable local fund managers in West Africa. Cauris is based in Lomé (Togo) and has a local office in Abidjan (Côte d'Ivoire). Since inception, Cauris launched two funds with aggregate commitments of EUR 22.5. Cauris II was its third fund.

AfricInvest was founded in 1994 and is part of Integra Group, an investment and financial services company. AfricInvest is among the oldest and most experienced private equity investors on the African continent. It employs 75 professionals based in ten offices, with investment teams focused on various regions of Africa. Since 1994, AfricInvest raised USD 1.5Bn across 18 funds and has invested in more than 160 companies across 25 African countries in a variety sectors, including financial services, agribusiness, consumer/retail, education, and healthcare. The firm also is an active promotor of the private equity industry in the region, as it co-founded the African Venture Capital Association (AVCA) as well as the Middle East North Africa Private Equity Association (MENAPEA).

African Rivers Fund (ARF) is an investment fund targeting investments in SMEs in DR Congo and Uganda. The fund is XSML's second fund, after having fully invested its maiden fund, the Central Africa SME Fund (CASF). XSML has offices in both Kinshasa and Kampala where it employs a team of 12 investment professionals, of which 9 are local staff. The fund had its first close in February 2016 at EUR 46 million. The objective of the fund is to achieve sustainable economic development by i) encouraging entrepreneurship in these fast-growing markets; and ii) creating a local manufacturing, services and agricultural base to provide Central African economies with locally produced goods and services. XSML is setting up a successor fund, ARF III, targeted at EUR 67m.