

bio flash

THE BELGIAN
INVESTMENT
COMPANY
FOR DEVELOPING
COUNTRIES



CONTENT – 1st EDITION – NOVEMBER 2007

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THE ALL- NEW BIO SITE

It's up and running!
Our brand new

Internet site is now online and the new
address is www.bio-invest.be.

It was high time that we improved our web presence and made it easier to access key information about our activities. This new site aims to ensure that BIO has a virtual presence that is both efficient and interactive – two essential prerequisites for promoting our financial instruments towards project promoters and entrepreneurs in target countries.

The site is available in four languages (FR-NL-ENG-SP) and is designed to be straightforward, illustrative and concise. It provides direct access to technical sheets, eligibility criteria as well as all the documents that can assist in submitting a financing application. The site is meant to become a key tool for entrepreneurs looking for financial resources and it explains the role that BIO wishes to play in private sector financing by helping to make promising projects come to life.

We hope that this new site lives up to your expectations. Don't hesitate to send us your comments and suggestions!

Dear Readers,

As we mark five years of activity, we are delighted to present you our first newsletter. It will be issued three times a year and made available on our new website (www.bio-invest.be). This newsletter will help us to share our goals and achievements, and aims at raising questions or even leading to new project ideas.

The private sector has a vital role to play in economic growth – and therefore in the fight against poverty. Entrepreneurs and promoters who are looking for ways to create or expand their companies will find in BIO a reliable partner, capable of guiding them throughout their investment cycle. BIO is now a major player in development financing and actively fulfils its catalyst role by mobilizing funding and participating in the development of reliable capital markets in emerging countries.

Our portfolio has increased considerably in recent years, exceeding €100 million of commitments in 2006 and scheduled to reach €125 million by the end of this year. Today microfinance represents 36% of BIO investments whereas the small- and medium-sized company sector accounts for 64% of its portfolio.

BIO has grown rapidly both structurally and in terms of number of applications and projects financed. To date we participate in over 57 projects and are active in almost 60 countries via direct or indirect investments. Moreover, the Belgian government has restated its confidence in BIO by granting additional means, which will be paid-in in several instalments between now and 2012.

Belgium actively contributes to the Millennium objectives. Setting up a global partnership for development and the creation of sustainable, productive employment depends upon establishing financial support for private investment. BIO aims to meet this challenge by encouraging a strong private sector... the vital foundation for sustainable economic growth and welfare of the local populations.

Enjoy the newsletter!

Michel Van der Stichele
President

Hugo Bosmans
CEO



BIO SIGNS A JOINT STATEMENT PROMOTING CORPORATE GOVERNANCE WITH 30 OTHER DFIs

BIO has signed a joint statement with other major bilateral and multilateral Development Finance Institutions that positions corporate governance at the forefront of their sustainable development agenda in developing countries and emerging markets. This is the first initiative of its kind by the DFIs. It highlights the increased role of good corporate

governance as a facilitator of international capital flows to emerging market companies. The signatories recognize that DFIs can play a critical role in promoting good corporate governance practices in emerging markets. They aim to raise awareness, at both the private and public sector levels, of the importance of good governance to sustainable economic development. Institutions that signed the Approach Statement on Corporate Governance cover most emerging markets around the world, including Africa, Latin America and the Caribbean, Asia, Middle East, and Eastern and Southern Europe. Together, they represent assets of almost \$1 trillion. This initiative provides a starting point for further and incremental commitment by the DFI community and the clients they serve. *“This statement shows our commitment to good governance practices and our determination to support entrepreneurs in managing their businesses within a transparent and professional framework. The integration of those principles can help them in staying competitive and attracting additional investors to further develop their operations. The private sector in developing countries could in time pave the way to good governance and become a model for other sectors”*, says Hugo Bosmans, CEO of BIO.

CASEIF II: DEVELOPMENT AND STRENGTHENING OF LOCAL SMES IN CENTRAL AMERICA

CASEIF II is a Risk Capital Fund that targets SMEs in Central America (Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama) and the Dominican Republic. The participation of BIO (US\$ 5 million) in this fund reflects the importance the Belgian Development Cooperation and BIO attach to the Central American region. The contribution of BIO in CASEIF II is more specifically aimed towards the countries of the Dominican Republic, Nicaragua, Honduras, El Salvador and Guatemala. BIO seeks to support new innovative financial instruments to the region which will provide additional financial leverage to growing private businesses in a sustainable way.

Most SMEs in the Central American region face severe constraints in accessing risk capital and it is exactly the mission of this innovative fund to provide long-term financing means to promising SMEs and foster the development of an entrepreneurial business community in the region. Local entrepreneurs are the drivers for economic growth and successful growth is an important tool to create employment, alleviate poverty and generate income for the people in the region. Other investors are: the Multilateral Investment Fund (MIF) - a division of the Inter-American Development Bank (IDB), the Norwegian Investment Fund for Developing Countries (NORFUND),

AS STATED IN THE APPROACH STATEMENT, EACH DFI WILL ENDEAVOUR TO:

1. Develop or adopt guidelines, policies, or procedures on the role of corporate governance considerations in its due diligence and investment supervision operations; these could cover such aspects as: commitment to good corporate governance, the rights and equitable treatment of shareholders, the role of stakeholders, disclosure and transparency, and the composition and responsibilities of the board of directors.
2. Provide or procure training on corporate governance issues to its investment and supervision staff.
3. Encourage companies in which it invests (whether directly or indirectly) to observe local codes of corporate governance in the spirit of best international practice. Engage company management and board members in a dialogue to foster improvement in cases where corporate governance practices are weak.
4. Promote the use of internationally recognized financial reporting standards and encourage investee companies to adopt or align their accounting principles and practices to such standards.



TCX: LOCAL CURRENCY INNOVATION IN DEVELOPING COUNTRIES

BIO recently joined TCX (The Currency Exchange Fund), a unique cooperation initiative launched by FMO – the Dutch development bank – in partnership with global financiers. This fund is created to offer currency and interest rate hedging in (sub)emerging market currencies to international investors. The results: reduced default probability, improved business sustainability and a major contribution to the development of local capital markets. Investors joining the first close have committed in aggregate approximately \$350 million in equity. Initial transaction capacity will reach around \$1.2 billion and will increase with further commitments foreseen in the short term.

TCX will focus particularly on sub-Saharan Africa, which is also a priority region for BIO, as well as microfinance, housing and infrastructure sectors.

Following the last years regional financial crises, many companies in emerging countries have been unable to repay dollar and euro debts which suddenly became excessively expensive. This instability has had a deep and lasting impact on local economies and development in general.

TCX covers the currency risks previously transferred by international financiers to the local entrepreneurs and their local banks, and, by doing so, improves their business sustainability and reduces defaults. Consequently, companies are no longer exposed to currency risks that they cannot manage and systemic risk becomes limited. At the same time, international financiers have a much broader market to address with long-term local currency products.

For BIO, TCX is a powerful instrument for limiting its exposure to currency exchange risks, while also allowing the company to widen the scope of its investments.

SECOSEN: EASIER ACCESS TO DRINKING WATER

The company SECOSEN SA (Société des Eaux de Consommation du Sénégal) was created in Dakar, Senegal, in January 2006. BIO contributed to the project with a loan of €250,000.

SECOSEN produces high-quality drinking water in bags, at lower prices than other types of packaged water. The setting up of this production and packaging unit was clearly justified in view of the structural problem of providing quality drinking water in Senegal – a situation that often leads to outbreaks of cholera and other water-born diseases. Dakar in particular is frequently afflicted by cases of cholera and other diseases caused by polluted water.

The main target for SECOSEN is the 2.5 million inhabitants of the capital and the approximately 2 million people who live in towns within a radius of 100 km from it.

The creation of this company is a direct result of the policy aimed at improving sanitary and food conditions promoted by international organisations and the Senegalese government. It simultaneously stimulates the local private sector and the creation of jobs, thus contributing to the economic situation of Senegal in a sustainable way. It is the first mineral water factory of its kind in the country and it will generate, as it expands, 250 direct jobs in the immediate area and more than 1000 jobs related to the distribution and sales of the product.

Consumers of Barajii water (its brand name) are protected from health risks thanks to the purity of the water and the rigorous application of quality standards throughout the production and distribution processes.

This project is highly successful both from an economic point of view and in terms of tackling the issue of drinking water access.



OPENING UP THE NORTH MOROCCAN REGION

BIO has agreed to co-finance a €89,000 feasibility study requested by Bio Berkhane International. This company, headquartered in Casablanca, replied to a call for tenders from SODEA (Agricultural Development Company) which is currently being privatised in Morocco.

Proposed projects are required to feature an agriculture that respects the environment, adds local value and targets the export market.

The project has been set up in partnership with two European companies from the fruit and vegetable sector specialised in agrobiological.

The activity consists of producing biological fruits and vegetables with high added value that will enhance the local market and exports to Europe, especially Belgium. The potential production area is from 160 to 460 hectares.

This project will contribute to social and agricultural development, as well as opening up the north Moroccan region. It will encourage the transfer of technology, the integration of environmental aspects, the creation of sustainable employment, and will put the emphasis on female labour and the enhancement of local agricultural know-how.

COLOPHON

BIO, the Belgian Investment Company for Developing Countries, favours economic growth in the developing countries as an essential condition to achieving sustainable development and eventually alleviating poverty. A dynamic private sector plays an important role in attaining this goal.

BIO was established in 2001 as a joint initiative of the Belgian State and The Belgian Corporation for International Investment (BMI/SBI). BIO provides both equity and debt financing, and allocates grants for TA (technical assistance) and feasibility studies.

Through its investments, BIO acts as a catalyst by attracting other investors. BIO plays an additional role towards the traditional financing institutions.

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