CDC
Investment works

Making a difference

CDC Group plc
Annual Review 2018

The UK's
development
finance institution

Annual Review 2018

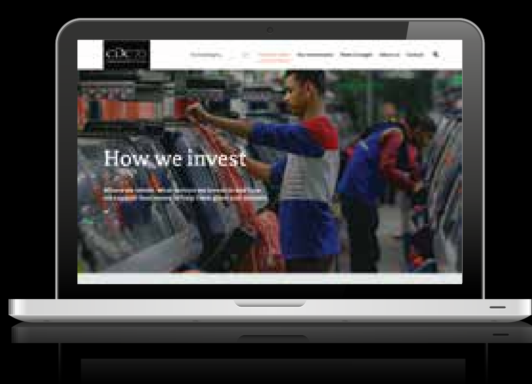
Thriving economies and enterprises are vital for countries to provide opportunity and support for their citizens. Many countries and businesses struggle to attract the level of investment and support they need.

By investing to encourage development, our goal is to unlock potential for individuals, companies and markets – and to make a difference that will improve people's lives.

We are CDC, the UK's development finance institution.

Making a difference

cdcgroup.com



THE GLOBAL GOALS
For Sustainable Development

cdcgroup.com

For more information and to read our Annual Accounts 2018.

Front cover image: 14Trees Malawi.

What's inside

66
We have investments in 66 countries

70%
Of all new commitments are to Africa

1,229
Our investment supports 1,229 businesses

£1,060m
We made £1,060 million new commitments in 2018

Meeting our impact promises

A message from **Graham Wrigley, Chairman**

The five-year Strategic Framework we launched in July 2017 was necessarily ambitious. To meet the UN's Sustainable Development Goals (SDGs) by 2030, we – as well as others – needed to step up. As you will see from reading this report, now 18 months in, we are making real progress.

This review provides an in-depth overview of the impact we seek. To take one example, our work in the power sector aims to tackle the spectrum of challenges that leave more than a billion people without access to electricity and countries unprepared for a low-carbon future. 25 per cent of all commitments we've made in the past two years have been to renewable energy projects, and we have strong ambition for the climate strategy we're now developing. In 2018, we backed new solar energy in Kenya, established a green power company in India, increased our support for off-grid solar home systems, and made significant progress in developing a solution to improve the transmission and distribution of power. The impact we're seeking is broad and deep. It requires a pioneering ambition, and the formation of strong partnerships and dialogues with many stakeholders.

In fulfilling our mandate, one of our most important stakeholders is, of course, the UK taxpayer. Over the past year, we have increased our accountability and transparency by putting more information on our website. We have held regular consultations with civil society, on topics such as our approach to women's economic empowerment. We have also had numerous discussions with UK parliamentarians and other interested parties and worked hard to support the Independent Commission for Aid Impact (ICAI) in their review. The quality and diversity of these interactions has helped guide us to better solutions. I thank every one of you for your contributions.

Diversity has been on the agenda within our organisation too. The publication of our Gender Pay Gap in March prompted us to recognise the work that needed to be done within CDC. We now have regular discussions about diversity and inclusion, and we have initiated a number of changes to how we recruit and support people, and to how we shape an inclusive working environment. Around the Board table, we were delighted to appoint two new Non-executive Directors, Dolika Banda and Andrew Alli who, being based in Lusaka and Lagos respectively, ensure African perspectives continue to be heard in our discussions.

While I am positive about the progress we have made over 2018, I am also realistic about the path ahead. Many of the economies we invest in continue to face volatility and uncertainty. The inherent challenge of our mandate has shown that our financial returns have come down, just as we have forecast in recent years. But as a long-term developmental investor, it is our role to maintain support in challenging economic conditions. We remain as committed as ever to that mandate, and the Board will maintain its strong focus on risk management to ensure we meet it responsibly.

Finally, on behalf of all the Board, I would like to thank Nick O'Donohoe, his management team and our wonderful staff, for their great commitment to CDC and its mission. As we look to 2019 and beyond, we will continue to strive to be an organisation Britain can be proud of, working as a pioneering partner to make a lasting difference to people living in Africa and South Asia.

Graham Wrigley
Chairman

OVERVIEW

A message from **Nick O'Donohoe, CEO**

As I review CDC's activities in 2018, I can point to an organisation that is growing substantially and is more focused than ever on creating a real and measurable difference to people. A difference to their ability to obtain sustainable, high-quality jobs, or to improve their way of life through better access to affordable goods and services.

We focus our investment in Africa and South Asia, and during 2018 those regions presented both great challenges and great opportunities. Five of the ten fastest-growing economies in the world are in Africa, with countries such as Rwanda, Ethiopia and Ghana becoming role models for private-sector-led growth. In South Asia, India and increasingly Pakistan and Bangladesh are also providing more opportunities for development-led investing.

Yet, there is still not enough new investment. In many locations, particularly in sub-Saharan Africa, investment is falling. This means we will struggle to achieve the SDGs, and even within more successful economies, many people are still being left behind.

This means CDC's role, along with that of other development finance institutions (DFIs), is an important one. Our job is to go to difficult places, take risks others would not take, and focus on achieving real development outcomes.

In 2018, we were determined to play a leadership role in where we invest, how we invest, and the difference our investments make to people's lives and well-being. For example, we were among the very first financial institutions to offer desperately needed capital to Zimbabwean companies. Our goal was to be an early supporter when change happens, to go where the risks are greatest, and to signal our intention to be a strong and bold partner to the private sector.

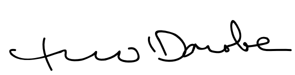
In how we invest, I am particularly proud of our willingness to be innovative in deploying capital. Through our Catalyst Strategies, we have identified areas of significant market failure and thought creatively about how to help address them. In 2018, we launched MedAccess, a company dedicated to underwriting the risk of supplying critical drugs and medical devices to uncertain markets. Through this, we aim to make these products more affordable and more accessible in poorer countries.

Our ultimate focus is on the people and communities in the countries where we invest. In 2018, we took great strides to meet the commitments we made, in our Strategic Framework 2017–2021, to widen our impact focus and improve how we monitor, measure and learn from the impact our investments help create. We appointed our first Chief Impact Officer, and we now have a team of 48 impact professionals working dynamically with our investment teams to maximise impact in every investment. With a team that is bigger and more integrated than any investor of our kind, I'm confident about the difference this approach will make.

Indeed, we are already seeing the difference. We have become a prominent voice on the topic of women's economic empowerment. Our contributions to strategic thinking have been widely welcomed, along with the 2X Challenge, which was launched with other G7 DFIs and aims collectively to mobilise $3 billion for investment in women around the world.

Rounding off the year, we made a $180 million investment in Liquid Telecom to expand broadband connectivity across Africa, connecting Cape Town to Cairo, and expanding into countries such as the Democratic Republic of the Congo and Sudan. By providing vital enabling infrastructure, this investment has the potential to be truly transformational for people right across the continent.

As we marked our 70th anniversary throughout 2018, I was reminded what an enormous privilege it is to lead an organisation with such a rich history and long commitment to supporting development around the world. Nothing we achieve would be possible without the support of our shareholder, the Department for International Development (DFID), the commitment of our Board and all our employees, who come to work every day striving to make a difference to people's lives. I am enormously appreciative and proud of them all.



Nick O'Donohoe
CEO

Making an impact

We have a dual objective: to support the growth that lifts people out of poverty, and to make a financial return, which we use again and again to help more businesses. Our goal is to help create jobs, improve access to goods and services, and help support the economic stability that will enable countries to leave poverty behind.

We focus on achieving impact at three levels: from the macro, such as our work looking at the effects of employment across our portfolio and within the wider economy, to our impact on sectors and local economies, as well driving impact within individual investments. Overall in 2018, our investments made a positive difference to least 16 million people, including by directly employing 852,130 workers, by sourcing from 1.25 million farmers, teaching 358,000 students and treating 9.5 million patients. Our investments in power infrastructure generated 49 terawatt hours of electricity, enough to power Portugal for an entire year.

Sharing learning and knowledge

We're committed to sharing our experience and expertise with others through new strategies, guidance and research. In 2018, we commissioned 11 research studies, and completed four, including on food affordability (see box opposite). We recently doubled our research commitment from ten to 20 studies by 2021.

We have collaborated with partner organisations on a wide variety of initiatives, such as with EMPEA to produce guidance for the investment fund industry on how to contribute to the SDGs and various initiatives with the Global Off-grid Lighting Association (GOGLA) on matters from e-waste in Kenya to consumer protection standards. We were proud to contribute to and be among the first signatories to the Operating Principles for Impact Management, an initiative led by the International Finance Corporation (IFC) to establish a common discipline around the management of investments for impact. We also led a major international initiative with the European Bank for Reconstruction and Development (EBRD), the IFC and DFID to develop good practice in managing the risks associated with modern slavery.

Women's economic empowerment remained a dominant theme with the publication of our new gender strategy in June. At the same time, we launched, together with the G7 development finance institutions (DFIs), the 2X Challenge, a commitment to mobilise $3 billion to invest in the world's women by 2021 (www.2xchallenge.org). We developed new standards to help define 'gender lens' investing and supported the world's first global Gender Smart Investing Summit in London. We also established and chair the Gender Finance Collaborative, bringing together 14 DFIs with the collective goal to support the development of shared financing principles, definitions and methodologies to help integrate 'gender smart' decision-making into our investment processes and operations.

Maximising our impact

One of our commitments was to embed development impact more deeply within our investment decision-making, portfolio management and reporting processes. To achieve this, we have done the following in 2018:

+ Recruited a new team of embedded development impact professionals, who are closely involved in managing investments. At the end of 2018, this included 48 people, up from 19 at the end of 2016.
+ Recruited our first Chief Impact Officer, who joined in 2019.
+ Published impact cases for each new investment on our website.
+ Worked on sector strategies and strategies to deliver against our priority themes, such as gender, climate, job quality, and skills and leadership.
+ Published details of an ambitious new evaluation and learning programme jointly with DFID.
+ Expanded our regional coverage, including opening offices in Kenya and Pakistan.

Find out more about our impact framework and impact data on pages 38-47 of this review.

16m

In 2018, our investments positively affected at least 16 million people by improving healthcare, supply chains, jobs, agri-purchasing and education

Did you know?

We now have a technical assistance facility, CDC Plus, to help realise additional impact opportunities in our portfolio. Find out more on page 36.

Getting protein-rich foods to low-income customers

Zambeef, Zambia
Food and agriculture

8km	Average distance travelled to store on foot in Zambia
Strategic themes:	Nutrition

The affordability of food remains a significant barrier to good nutrition, and low consumption of protein-rich foods is particularly detrimental to physical and mental development. Commercial producers and distributors could help increase access and lower prices but, unsurprisingly, they tend to focus on urban populations, which are easier to reach and have more disposable income. In this 2018 study – conducted with the Southern African Institute for Policy and Research, and one of our investees, Zambeef – we looked at approaches to developing production, packaging, pricing and distribution strategies that would help companies sell more protein-rich foods to low-income customers.

Zambeef is Zambia's largest integrated agribusiness and purchases from over 29,000 smallholder suppliers. Zambeef's shops are spread across the entire country and are often the only place to buy quality meat and animal feed. Their typical customers have an income of $1.30 – $2.30 a day and walk more than 8km to the stores. The study recommends how commercial producers and distributors, like Zambeef, can enhance the affordability of protein-rich foods in Zambia across five important value chains (aquaculture, poultry meat, eggs, beef and dairy). One recommendation across these areas is to aggregate SMEs and traditional producers, for example, through cooperatives or shared collection centres, to increase supply chain efficiency.

We've committed to publishing 20 studies by 2021, providing insights to help our investees, our own work and that of others.

You can find more information about our research programme, including our joint programme with DFID, at *cdcgroup.com*.

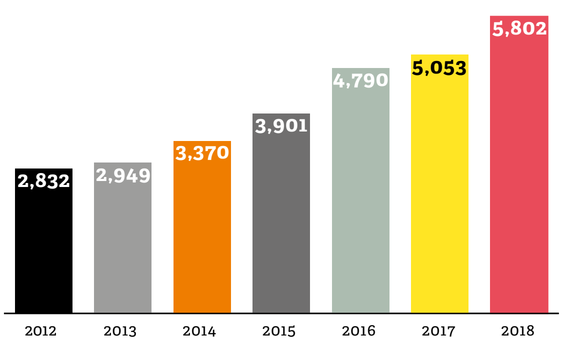
Making a lasting difference

£5.8bn
Total net assets

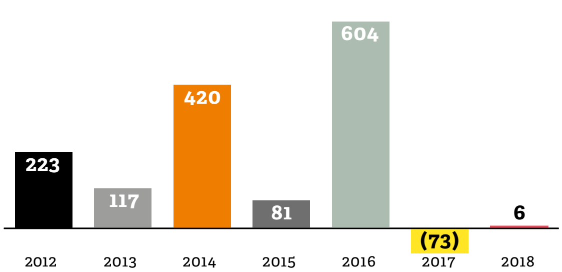
£4.3bn
Portfolio

£1.06bn
2018 new commitments

Total net assets (£m)



Total return after tax (£m)



We invest in businesses to support their growth and to generate impact, so they continue to succeed well beyond our involvement. We recycle our financial returns into new investments to create even more impact.

In 2018, we made £1.06bn of new commitments. We increased our total (net) assets to £5.8 billion (£5.1 billion in 2017) and increased our portfolio to £4.3 billion (£3.9 billion in 2017). Our overall result is a total profit after tax of £6.0 million (compared with £72.8 million loss in 2017), which represents a profit of 0.1 per cent on net assets this year (compared with 1.5 per cent loss in 2017). The average annual return on net assets since 2012 is 6 per cent.

We track our portfolio returns in both Sterling and US dollars, but as most investments are denominated in dollars, it is a more representative measure of underlying financial performance of investments. As the chart opposite shows, in US dollar terms, returns are on a downward trend. The Sterling result has benefitted from currency translation gains, following a decrease in the Sterling to US dollar exchange rate from 1.35 at 31 December 2017 to 1.27 at 31 December 2018.

While we remain on track to continue to meet our financial target, since changing our investment strategy and approach in 2012, underlying returns are reducing in line with our predictions. This is for a variety of reasons, including the changes made to our approach in order to execute our highly developmental strategy since 2012. Under that strategy, we've made new investments only in Africa and South Asia and within those regions we've focused on the most challenging places, while selling down our legacy portfolio in places like China. This means our portfolio is becoming less geographically diverse, and is developing within markets that have, on aggregate, not performed as well as our legacy markets, where returns have been much higher. We've also been making investments with a broader risk appetite.

Our mandate exposes us to high inherent risks. We take steps to manage and mitigate them; however, they can never be eliminated entirely. You can find out more about our approach to risk, along with our full financial performance and disclosures in our Annual Accounts 2018 at www.cdcgroup.com.

Improved logistics helps local exporters

Pristine Logistics , India
Logistics

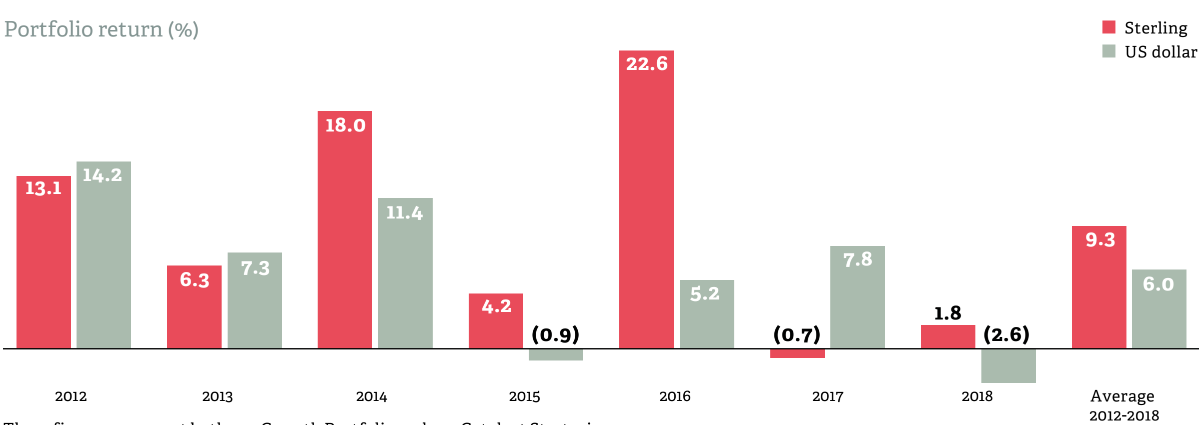
430%	More cargo handled by the company
Strategic themes:	Job quality

India's inefficient logistics network leads to an annual wastage of around $45 billion, and more expensive goods and services. Its rail infrastructure is a main cause of these problems.

In 2015, we invested $24 million in Pristine Logistics to help set up efficient loading, unloading and storage facilities for freight trains. Our goal was to improve access to markets for importers and exporters, and make it easier to move goods. Beyond capital, one of the ways we helped was by supporting Pristine in achieving internationally recognised standards across its operations. These improvements, in areas such as health and safety, not only made a social impact, but also an economic one, by enabling local exporters to supply big international companies, such as Marks & Spencer, that require supply chains to be aligned with international good practice.

We exited our investment in Pristine in 2018, having achieved our desired development and financial impact. Over the course of our involvement, the company handled 430 per cent more cargo, and increased profits by 900 per cent. An example of this success is one of Pristine's customers, a potato exporter, that doubled production because it could access refrigerated reefer containers for the first time.

Portfolio return (%)



These figures represent both our Growth Portfolio and our Catalyst Strategies.


REMJIKS
IRIS

Making a difference to people and communities

Our mission is to make a lasting difference to people's lives. Sustainable, job-creating growth can play a significant role in lifting huge numbers of people out of poverty. And beyond jobs, by investing to improve infrastructure, healthcare and education, or to increase access to other affordable goods and services – such as improving access to finance – we can contribute to the development of strong communities that give people a real stake in their own futures.

8 DECENT WORK AND ECONOMIC GROWTH

Supporting more jobs as a route out of poverty

Since our new strategy in 2012, we've been building a better understanding of the employment impacts of our portfolio, particularly to understand where jobs are created in the wider economy. For the past five years, we've gathered data directly from companies about their employee numbers and used economic modelling to estimate the number of jobs likely to be supported indirectly through the operations of the businesses we invest in. This is important, because sometimes the largest impact successful businesses have on employment comes through their customers and suppliers.

In 2018, our portfolio of businesses in Africa and South Asia provided direct jobs for 852,130 people (in full-time equivalents).

Of these workers, 32,090 were new hires in 2018. This is lower than the five-year average (37,000 new hires), explained in large part by a slow-down in hiring in the financial services sector in South Asia, after several years of rapid expansion.

Over the past five years, our investee businesses have grown their workforce annually by an average of 5.7 per cent. This compares positively to the average growth rate of 3.1 per cent for all employees in Africa and South Asia.

The median firm in our portfolio employed just under 300 workers in 2018, of whom a dozen would be new hires in the year. As our portfolio grows, so do the total numbers of direct workers supported, because we prioritise our investment on labour-intensive sectors.

In terms of wider economic impact, we estimate that in 2018, our portfolio companies' supply chain purchasing supported an additional 2.83 million indirect workers, and the spending of wages supported a further 1.43 million workers.

Electricity supplied by power companies we back supports workers across the economy, supporting an estimated 1.83 million jobs. Finally, we estimate the credit that CDC-backed financial institutions offer to businesses supports as many as 7.74 million workers across the economies of Africa and South Asia.

These indirect job numbers are all estimates, from a model we first developed in 2014 (see box opposite and pages 38–41 for more details).

These results are down to the success of our portfolio businesses; our capital and know-how are only two reasons among many for this success. This is why we don't attribute the increase in job numbers in our portfolio to ourselves.

Modelling indirect jobs

Since 2014, we've been analysing the number of jobs supported and created indirectly through our work by using economic modelling. We've been reviewing and testing the model in real-life situations, and in 2018 we commissioned two independent reviews by economists Professor Fiona Tregenna at the University of Johannesburg and Dr Alex Bowen of the London School of Economics.

Consequently, this year we've made several changes. Some upgrades relate to the timeliness and specificity of the data behind the model, which means we've increased the number of sectors and countries covered. Others relate to how we define exactly what is being modelled. Importantly, we indicate our level of confidence for the different types of indirect jobs modelled, as shown on pages 38–41 of this review.

In last year's Annual Review, we reported on our study with IFC of an Indian bank's loans to small businesses, which generated insight on how loans can translate into new hiring. While the study highlighted that the positive impact of finance on SMEs should not be restricted to a jobs analysis alone, its findings did prompt us to thoroughly explore the relevant literature and survey data on enterprise borrowing and expansion. We are now working with other DFIs to reach consensus on the most robust estimates for the relationship between credit inputs, productivity outputs and subsequent revenue and employment growth. Until we complete this project, we attach a lower level of confidence to our current financial sector jobs estimates.

Improving this evidence base is a priority task, which we'll undertake as part of our commitment to update and upgrade the model continuously. We'll do this working with DFID, other DFIs, and economic modelling experts.

To read the reviews and find out how we've upgraded our model in response, see *cdcgroup.com/about/our-company/how-we-operate*

852,130

Direct jobs supported by businesses in our portfolio in Africa and South Asia in 2018

8 DECENT WORK AND ECONOMIC GROWTH

Working with companies to ensure decent work

Global Goal 8 promotes sustained and inclusive economic growth and decent work for all. We know that, to improve people's lives, providing access not only to a job, but a good-quality job, is vital. This means we work right across the spectrum – from tackling exploitation such as modern slavery through to helping employers create a more motivated workforce by providing, for example, opportunities for employees to progress and work their way further out of poverty.

We always begin by ensuring strong labour rights and good health and safety in all our investments, as defined in our Code of Responsible Investing. Achieving even these standards can be challenging in countries with weak labour and health and safety laws, and where good quality infrastructure and equipment are often lacking. With our investment, support and expertise, we can help businesses overcome these challenges.

Our ambition is to move companies beyond compliance where possible. We promote a more comprehensive approach to job quality by strengthening HR management, improving employee relations, promoting diversity and inclusion, and supporting people to develop and progress.

During 2018, we worked to address some of the more extreme risks present in our markets, as well as supporting those companies who were ready to do more. In particular, we want to help change the way investors and businesses approach decent work practices. We led a major international initiative (with EBRD, IFC and DFID) to develop good-practice guidance to help private-sector companies and investors assess and mitigate the risk of modern slavery in their business and investments. We are also the only DFI on the Financial Sector Commission on Modern Slavery and Human Trafficking, a multi-stakeholder initiative, which will report its recommendations to the UN General Assembly in 2019. The Commission's Secretariat is run by the United Nations University. We've been contributing to the Commission's work to enhance the influence of lending and investment practices, to reduce the risks that might lead financial-sector actors to become exposed to modern slavery.

We also run regular training programmes on environmental, social and governance matters for investors and companies, where labour rights and job quality are a continued focus. In 2018, alongside this programme, we focused on the specific contextual risks in the North Africa region. Supported by the human rights NGO, SHIFT, we conducted research and organised, with DFID, a workshop for companies and investors in Tunis. We discovered that companies in the region particularly valued guidance on matters relating to labour and working conditions, such as wages, hours, discrimination and grievance mechanisms. As a result, we're developing good practice guidance, which we will communicate freely online through our ESG Toolkit (www.toolkit.cdcgroup.com).

As we further develop our approach during 2019, we will look for opportunities to pilot and scale initiatives that encourage companies to recognise how addressing worker concerns and providing them with the potential to progress also enables them to contribute to business success. This includes building on the type of work we undertook in 2018 with Coscharis Farms, a rice farm and an investee of FAFIN, an agricultural investment fund in Nigeria we're invested in. We piloted their first employee survey to help management understand their employees' experience at work and where they could improve.

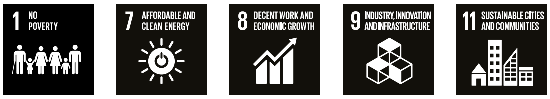
Better skills means better care, and better pay

Portea, India
Health

75	Number of women who have accessed the skills programme so far
Strategic themes:	Job quality Skills and leadership Gender

Portea provides in-home health services in India. In 2018, we sponsored the company to create a pilot training programme to help it expand the range of services it offers, and focusing on increasing its female employees' skills. Its workforce is made up largely of unskilled women on relatively low incomes, and in providing this training, the company displayed a commitment to support them in taking on higher-quality and higher-paid roles.

The Indian care sector experiences high attrition rates among employees, and Portea hopes this approach will help improve retention. So far, the company has trained 75 women, and we're tracking the benefits of the programme to understand how it can be scaled up within Portea and beyond.



Reaching poor and inaccessible communities

Solar transformation

600 million Africans – 70 per cent of the population – currently live without access to electricity. And for many, because they live outside cities and in remote or rural areas, they are unlikely to be connected to an electricity grid soon. One of our Catalyst Strategies is to support the growth of the off-grid solar sector to help bring the benefits of clean, reliable energy to those without electricity. For many poorer households, the cost of solar home systems and other appliances can be prohibitive, so to make the systems affordable, PAYGo solar companies allow customers to pay over time. Once the customer has finished paying for the system, it unlocks permanently and becomes their property.

Over 2.5 million households now have access to electricity thanks to PAYGo companies, but the sector needs more capital to grow. It takes 12 to 36 months for PAYGo companies to be paid by customers in full, but they must pay their own suppliers up front, creating a large and growing financing gap. To help, we've launched an initiative to provide working capital specifically to PAYGo companies. Local currency debt financing is a critical gap in the market – through our initiative, we're making it available both directly and indirectly through partnerships with local banks or specialist debt funds.

We've also recognised the need for strong consumer protection measures in this area. In 2018, through our technical assistance facility, CDC Plus, we contributed to the development of the first industry-wide consumer protection principles under a programme led by the Global Off-Grid Lighting Association (GOGLA), the global industry association.

We've now invested, directly or through investment funds, in eight of the top ten PAYGo solar companies in Africa, including M-KOPA, d.light and Greenlight Planet.

Harnessing innovation

Tech and tech-led disruptive business models have the potential to create a substantial impact in emerging markets, particularly in areas where markets or supply chains haven't yet become fully organised. Many low-paid workers and entrepreneurs, such as smallholder farmers, are trapped in markets that don't serve them well, because they don't have access to products and information that would help them negotiate better terms or take advantage of better ways of working. Supporting such companies often requires a close and deep understanding of the market they're targeting, as well as relatively small amounts of investment capital – so backing local intermediaries is one of the best ways to achieve this support. This is why we're now looking to invest in specialist venture capital funds that can identify, and encourage the growth of, the high-impact businesses of the future.

Through impact funds such as Novastar in East Africa, we've seen how an investment fund manager's support for small, innovative companies can make a big difference. One of Novastar's investees is poa! Internet, which provides wireless broadband in low-income and rural communities in Kenya, including in some of Africa's largest informal urban areas. By delivering the service through a wi-fi network, the company avoids the need to lay extensive and expensive cable or fibre infrastructure, and so can offer a more affordable service to individuals, small businesses and schools.

2.4m

households now have access to solar power thanks to PAYGo companies

Did you know?

Information and communications technology can have a positive impact on the lives of individuals and can help accelerate economic and social development, yet globally 4.4 billion people are still unconnected.

Smart technology improving lives, crops and recycling practices

Aavishkaar, India
Early-stage investment fund

37,000	Tonnes of waste diverted from landfill
Strategic themes:	Job quality Environment Innovation

Aavishkaar invests in early-stage companies that have the potential for a very high impact, particularly in remote and low-income parts of India. Two of its investees, Nepra and ULink AgriTech are showing how the smart use of technology can bring benefits to independent workers, and shape better outcomes in markets and communities.

In India, waste collection and segregation are highly disorganised and unregulated, resulting in both poor waste management and inefficiencies across the many waste pickers, dealers and aggregators. Nepra has built and organised a reliable dry-waste supply chain by connecting generators of waste and waste collectors to recyclers. Through its mobile app, the company offers fair and transparent prices to waste pickers, and a steady supply of segregated waste to recyclers. This has resulted, so far, in almost 37,000 tonnes of waste being diverted away from landfill and into recycling, and approximately $5 million of cumulative payments being channelled to waste pickers. At the end of 2018, the company had more than 2,100 waste pickers in the city of Ahmedabad alone, of which around 800 were women.

ULink AgriTech provides a mobile agri-solutions platform, AgroStar, for Indian farmers. AgroStar enables remote and otherwise disconnected farmers to buy good-quality agricultural supplies, such as crop-protection products, nutrients and seeds. Crucially, it helps them do this at the right time. They can also access good-quality agronomy advice, including through the platform's social network, where users ask or answer farming queries, access curated content, or simply interact with their peers on farm-related matters. Since launching in 2013, it has become the largest of its kind in the country.

So far, the app has been downloaded one million times. And, with around 145,000 monthly active users, it's helping transform the way farmers understand, shape and access their markets.

Towards a low carbon future

Climate change is a severe and growing threat to development and poverty reduction. It affects people's livelihoods, businesses and economic growth. According to the World Bank, climate change has the power to push more than 100 million people back into poverty over the next 15 years. And it will hit communities in sub-Saharan Africa and Asia the hardest.

The work we've been involved in shows that consuming fewer resources and helping companies adapt to climate change helps to build sustainable businesses. At the same time, it benefits both the communities they operate in and society as a whole.

Investing in renewables

Investing in renewable energy is a key part of our approach to helping improve access to power through clean, renewable energy, in support of SDG 7 (affordable and clean energy). For example, during 2018, construction work advanced at Zephyr Power in Pakistan, which meant new wind turbines providing 50MW of capacity could become operational in early 2019.

In November 2018, we announced a €90 million debt investment in the Nachtigal Hydro Power Company in Cameroon. Nachtigal will be one of the lowest-cost producers of power in Cameroon, providing affordable energy to consumers and the Government. It will add 420MW of renewable, low-cost generation capacity by harnessing the hydro-power potential of the Sanaga River. Once commissioned in 2024, it will produce over 2,900GWh of clean energy a year, adding nearly 30 per cent to Cameroon's installed capacity. The construction phase for the project will create more than a thousand jobs, with thousands more expected in the wider economy once Nachtigal is operational.

When we make investments in renewable energy projects, we commit to ensuring that the opportunities created will benefit local communities. We do this by looking at ways we can increase access to energy and create good-quality jobs for people and local communities. For example, at our investment at the Benban Solar Park in Egypt, we've supported improvements to job quality across the workforce, including through traffic management and vehicle safety, training in safe labour and working conditions, and improvements in worker accommodation. We've also worked with the solar park to develop its waste management systems and monitor noise and dust pollution. The 13 projects we've invested in will add 400MW capacity to the park. Other examples are Ayana Renewable Power in India and through the Meridiam Infrastructure Fund in Senegal, where local community engagement and skills training are strong features of our investments.

100m

The number of people that climate change could push back into poverty in just over 10 years

The Sananga River, Cameroon.

Did you know?

Our new Resource Efficiency Facility provides low-cost financing for energy efficiency, water conservation, waste reduction and captive renewable projects that show meaningful climate mitigation and adaptation potential.

The sun's energy brings many community benefits

Meridiam, Senegal
Renewable energy

90,000	Number of solar panels in each of Meridiam's renewables projects
Strategic themes:	Job quality Climate change

Senegal is a front runner in promoting renewables in West Africa, representing 22 per cent of the region's total installed renewable capacity. Despite this, its energy mix continues to depend highly on imported oil, with thermal capacity accounting for 86 per cent of electricity dispatched to the grid. Through the Meridiam Infrastructure Fund, we've invested in Ten Merina and Senergy, two new renewables projects located 50km north-west of Dakar in the town of Mekhe. Each project has over 90,000 solar panels, stretched across 900 metres and 72 rows, together delivering 60MW of generation capacity to the grid.

Meridiam has formed a strong relationship with the local community. During the construction phase, it prioritised local employment and created a recruitment committee to ensure fair selection through an open process. The team also introduced a community engagement committee, which has funded several initiatives for women, including a maternity unit, a micro credit facility and a leadership programme. The committee has also helped bring electricity to nearby schools and villages.

Making a difference companies and local economies

At CDC, we invest to help businesses grow because it's through their activity that we can make a difference to people's lives. To maximise the impact we have, we work hard to ensure that sectors and local economies grow responsibly, through respecting the environment and embracing people's potential.

We also focus on improving local economies by tackling persistent market challenges and cultivating new markets.

3 GOOD HEALTH AND WELL-BEING | 7 AFFORDABLE AND CLEAN ENERGY | 13 CLIMATE ACTION

Innovating to shape new markets

In our Strategic framework 2017–2021, we set out our ambition for innovation to enhance whole sectors or markets, unlocking even greater development impact. We believe that by developing strategies that cultivate new markets where significant barriers have limited growth in the past, we can achieve transformative impact. During the year, we made significant progress advancing our approach: our Catalyst Strategies.

The group of Catalyst Strategies includes generalist strategies that allow us to trial new investment strategies or business models for inclusion, innovation or deeper reach into frontier markets, as well as sector-specific strategies that aim to tackle a particular challenge with more concentrated effort and investment.

One of our Catalyst Strategies is designed with the aim of increasing patient access to life-changing medical supplies in Africa and South Asia. MedAccess, which was established as a wholly-owned subsidiary in 2017, provides guarantee finance to companies that undertake to reduce prices and increase patient access in under-served markets. In June, it formally launched at the 2018 International AIDS Conference, with its first pricing agreement with diagnostic testing manufacturer, Hologic. This aims to significantly reduce the cost of diagnostic testing for HIV/AIDS, hepatitis and cervical cancer virus for millions of people in Sub-Saharan Africa.

Under the agreement, MedAccess underwrites the risk of supplying uncertain markets, and this allows Hologic to introduce viral load testing to national government testing programmes at a significantly reduced rate. We anticipate the agreement will lead to savings by public-sector purchasers of more than $50 million over the next four years and beyond.

Did you know?

Over 9.5 million patients were treated through our healthcare investments in 2018. Find out more on page 43.

Two other Catalyst Strategies address the challenge of access in the power sector. We know that no developed economy has achieved growth without widespread access to reliable and cost-effective power. In many of the countries we invest in, access rates are low and those that are connected are regularly plagued by power cuts. These result in lost output, higher costs and squeezed margins for businesses, which often have to rely on expensive back-up diesel or petrol generators. In sub-Saharan Africa, half of all businesses cite the lack of reliable electricity as a major constraint.

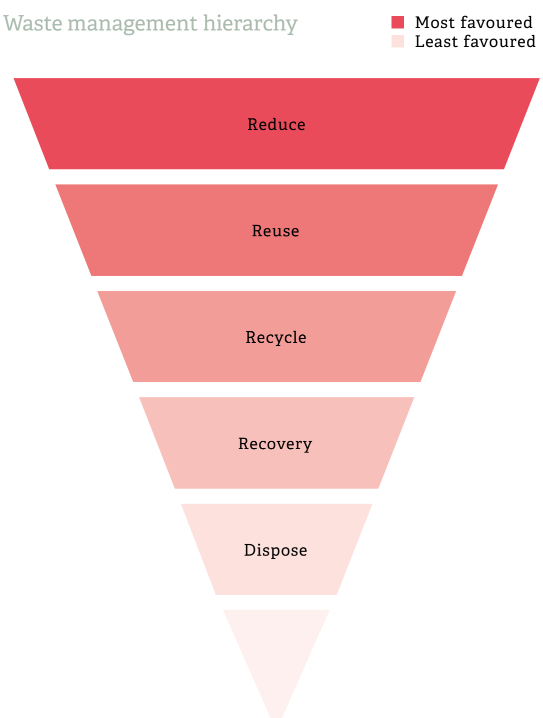
One of these strategies is Energy Access and Efficiency (see page 12) which focuses on providing clean electricity to unconnected homes or businesses, and improving resource efficiency as well. GridWorks is the other, another wholly-owned subsidiary launched in 2019 focused on the wider power infrastructure underpinning economies. Together, they aim to reshape the landscape of access to power in the countries where we invest.

Ensuring good environmental standards

There has been a significant increase in the generation of solid waste in recent years, posing a threat to public health and the environment. Globally, 1.3 billion tonnes of municipal waste are generated every year, and this is expected to increase to 2.2 billion tonnes by 2025. In response, in January 2018, we published a Waste Guidance note, aimed at helping fund managers and companies in sectors such as agribusiness, healthcare, construction and manufacturing to understand and improve their waste management. The guidance encourages companies to look at waste not only as a disposal issue, but also to consider ways to reduce and reuse it.

We've been helping our investees implement improvements (see opposite). And our advice, case studies and decision-making tools – on topics including managing hazardous medical waste, e-waste and plastic waste – are publicly available on www.toolkit.cdcgroup.com for all investors and companies to use.

Waste management hierarchy



Dealing effectively with hazardous waste

SilverStreet Capital, Pan-Africa Agriculture

868kg Recovering one metric tonne of organic waste can save 868kg of CO_2e/t

Strategic themes: Environment

Plastic containers that have been used to store hazardous chemicals, such as agrochemicals, are also normally considered to be hazardous waste. This problem is exacerbated in many of the countries where we invest because of the lack of hazardous waste service providers.

Alongside other measures, such as considering natural or non-hazardous alternatives, agribusinesses can mitigate the problem by either reusing or triple-rinsing containers. SilverStreet Capital is an agribusiness investor that we've been invested in since 2011. It has trained employees across all its agribusiness operations on triple-rinsing and its operations teams are in discussion with agrochemical suppliers to encourage them to share responsibility for disposing of the empty containers, potentially including a supplier take-back scheme.

People and inclusion

Skills and leadership

Quality of leadership is the largest single factor in any company's success or failure. Africa's business environment is at a stage of development where leaders face significant challenges and require greater support.

While business networks are common in developed economies, they are not in emerging markets. The Africa List is a business network, running in five countries at the end of 2018, where business leaders can network, share experiences and access continuous learning and leadership development opportunities.

In 2018, The Africa List introduced more intimate events, where participants could share experiences and learn from each other. Member salons were led by the business communities themselves, through working groups in Addis Ababa, Dar es Salaam, Kampala, Kinshasa and Lusaka. These focused on discussing the most pressing challenges for their members, companies and markets, such as working in a constantly changing environment and finding good local talent.

In November 2018, The Africa List hosted its first leadership retreat, open to members from all the different country networks. The programme explored personal questions, such as – 'Who are you as a leader?' – and the group's overarching responsibility and contribution to the continent, for example, 'How can you positively shape Africa's future?'.

Gender equality and women's economic empowerment

Investing in women is vital for companies and local economies to reach their full potential. Women are underserved, undervalued and underutilised, representing an estimated $28 trillion in missed opportunities in the global economy. We believe that thinking about gender in an integrated way is not only good for society, it's good for business.

Our new gender strategy, published in June 2018, identified where and how businesses and investors can harness women's potential across the value chain:

+ Women's leadership and diversity at the top
+ Female talent across the workforce
+ Supporting women's access to finance and entrepreneurships
+ Identifying market opportunities where women are primary purchasers, influencers, users or beneficiaries

We're now developing services to help investees, where appropriate, achieve these aims including a new gender smart investing masterclass, which we designed in collaboration with the International Center for Research on Women.

One of our ambitions is to help bring about systemic change in the way gender is considered in private sector development. In 2018, we engaged in several new initiatives, highlighted on page 4 of this report, to do just that. These include the 2X Challenge and the Gender Finance Collaborative, which are intended to change and improve the way many different actors approach this issue. And at a portfolio level, we're continuing to help our investees identify ways to support women across their activities as leaders, employees, entrepreneurs, customers and community members.

What stood out in my mind was the opportunity to share information on our own countries, and how we face the same challenges and learned how we overcome them. It was very empowering to see we share the same African vision – it was amazing!'

Teza Bila
Managing Director, Congo Invest,
Democratic Republic of the Congo

Supporting women in the workplace

Miro, Ghana and Sierra Leone
Agriculture

9,800 ha	Miro has 9,800 hectares of standing forest established through its own planting activities
Strategic themes:	Job quality Gender

Miro is a forestry business in Ghana and Sierra Leone. Our work with the company identified that while women were under-represented in their workforce, they were also more likely to stay longer with the company and had lower rates of absenteeism.

In response to these findings, we are working with the company as it introduces new programmes to support its female employees. These include nursery schools in the communities nearby to Miro's operations and a training programme to move women from plantations to more technical roles.

As Miro's ESG Director Stephanie Doig puts it, "Miro is very aware it can do more to empower women not only to move up within the job they're in, but to get women into the workplace where it has traditionally been difficult."

Board placements and senior-level recruitment

Only 14 per cent of board members in Africa are women, despite recent research highlighting how women affect business outcomes positively. A recent Credit Suisse report found that companies where women make up at least 15 per cent of senior managers have more than 50 per cent higher profitability than those with under 10 per cent female representation.

Our new technical assistance facility, CDC Plus, has supported TheBoardroom Africa to help accelerate change. Founded in 2016, TheBoardroom Africa improves women's representation in African boardrooms through its pool of peer-endorsed female leaders from over 45 countries across the region. The company connects these female leaders with CEOs and board directors in search of diverse talent, and its work is supported by partnerships with DFIs, investment and venture capital funds, and other institutions and corporations. It has already made placements within three of our portfolio companies. Our funding will enable TheBoardroom Africa to expand its membership and client base across the continent. It will also support the development of its accredited board training and mentorship programmes tailored to women in the African business community.

cdcgroup.com/gender

We are proud to partner with CDC as we work to expand our network and help more companies recognise that gender diversity brings real social and economic benefits to both business and society.

Marcia Ashong
Founder and Executive Director of TheBoardroom Africa


NAI

Making a difference developing capital markets

Our investment alone is not enough. To help countries develop as nations that can fully support their citizens, we need to encourage more private investment into Africa and Asia. This will only happen if capital markets develop and work well.

To support this, we share our expertise, knowledge and data, and help share the risk with other private-sector investors to encourage more economic activity and to demonstrate the viability of investing in these markets.

17 PARTNERSHIPS FOR THE GOALS

Mobilising commercial investment to build sustainable economies

If we are to achieve the SDGs by 2030, there is a strong need for more commercial investment in Africa and South Asia. With an estimated annual financing gap of around $2.5 trillion to 2030, achieving the goals will require a significant contribution from private investors. And to secure those investors, many African and Asian economies need further support to develop their capital markets.

This is an important way we can support countries in their transition from aid dependency to vibrant trading economies. As they develop, access to grant aid decreases, but an investment gap often remains because many investors remain cautious about the stability of business environments and the perceived risks. We already multiply the impact of our investment by bringing in other investors alongside our own capital, principally by investing through investment funds. However, since the publication of our Strategic framework 2017–2021, we have also sought to increase mobilisation through our debt and direct equity instruments. We regularly help the businesses we invest in to raise capital from other investors. Between 2016 and 2018 we supported one of our investees, Feronia, an agribusiness in the Democratic Republic of the Congo, to raise more than $73 million from other DFIs and commercial investors.

Understanding the barriers and opportunities

During 2018, we've also been assessing how best to secure additional investment into African and Asian economies. We've stepped up our engagement with the investor community in the City of London to take advantage of London's position as a leading centre for emerging markets and frontier finance. We've held roundtable events, including with the London Stock Exchange Group, the Bank of England and ONE. Together we've convened more than 25 institutional investors, asset managers and banks, as well the Financial Conduct Authority and rating agencies to discuss the barriers to, and opportunities for, investing.

Our ultimate goal is to find lasting solutions and ways that we can support. Drawing on the collective expertise of the financial community, we're gaining a huge amount of insight into what additional steps we can take – including where our experience and activity can add value and catalyse further investment.

Mobilising during economic uncertainty

Africa is experiencing a range of macro-economic headwinds, even as higher commodity prices help growth recover for the major commodity exporters. A rapid rise in debt as a percentage of GDP has put several African economies on course for a new period of debt distress and pressure for fiscal austerity.

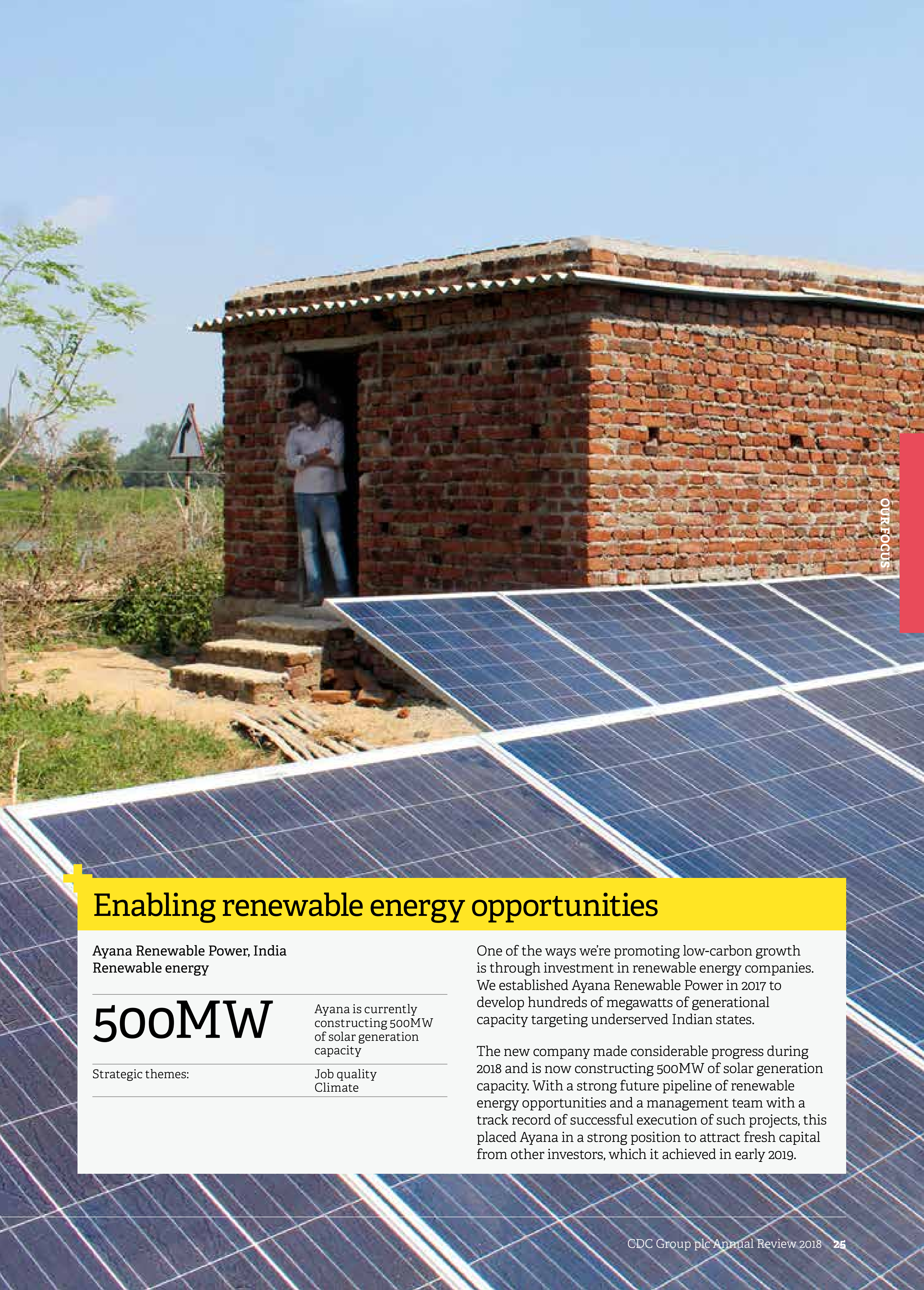
Global pressures, such as the rise of protectionism and US rate increases, also have implications for businesses operating in our markets. For example, Africa has already seen a major drop in capital flows; and while India has been enjoying strong economic growth, the rupee depreciated sharply in 2018.

Encouragingly, foreign direct investment (FDI) to African and South Asian countries has rebounded in 2018, following a significant drop in 2017. But it is still well beneath the levels required to support the SDGs. Our ambition is to mobilise more capital from within the UK, however, latest figures show that FDI outflows from the UK halved in 2018. If this trend continues, along with the economic uncertainties within the markets where we invest, mobilising further investment from commercial investors will remain a significant challenge.

During 2019 we will establish a new team for mobilising more investment into our markets, and plan to play a major role in the UK Government's Africa Investment Summit.

Did you know?

$41 of private sector investment was mobilised for every $100 of our own commitments in 2018. Find out more on page 47.



Enabling renewable energy opportunities

Ayana Renewable Power, India
Renewable energy

500MW	Ayana is currently constructing 500MW of solar generation capacity
Strategic themes:	Job quality Climate

One of the ways we're promoting low-carbon growth is through investment in renewable energy companies. We established Ayana Renewable Power in 2017 to develop hundreds of megawatts of generational capacity targeting underserved Indian states.

The new company made considerable progress during 2018 and is now constructing 500MW of solar generation capacity. With a strong future pipeline of renewable energy opportunities and a management team with a track record of successful execution of such projects, this placed Ayana in a strong position to attract fresh capital from other investors, which it achieved in early 2019.

Strengthening access to finance

Supply chain finance

The impact of international trade on economic development is well documented; it brings benefits such as increased productivity and output, and more jobs. There is a large unmet demand for trade finance in Africa: in 2017, the African Development Bank (AfDB) estimated that Africa's 2014 bank-intermediated trade finance gap amounted to $91 billion.

SMEs in the supply chains of developing countries must often wait long periods (typically 30–90 days) to receive payment for products delivered. To keep their business going while awaiting payment, they often need to provide collateral to borrow short-term funds from their local bank, or borrow funds from family and friends. Many companies struggle to do so, meaning their business growth and production levels are constrained.

We've been looking to create partnerships with local banks to provide a financing 'bridge' that gives suppliers the opportunity to convert their outstanding invoices into immediate cash. This unlocks the trapped capital of a 30–90 day invoice, while enabling buyers in a supply chain to maximise their working capital. This results in improved cash flow for both buyers and suppliers, along with increased transparency and reduced risk across the supply chain.

$91bn

Africa's trade finance gap

$775m

Our total commitments to our trade and supply chain finance programme with four banks: Standard Chartered, First Rand Merchant Bank, Sumitomo Mitsui Banking Corporation and Afrexim Bank

Did you know?

Our trade finance programme has supported a total of $7.5 bn of trade in 1,500 transactions.

Providing trade finance boosts international trade as an engine for inclusive economic growth and is central to achieving the SDGs.

Closing the finance gap in less developed countries

Afreximbank, Pan-Africa
Financial institutions

$100m	Size of the facility with Afreximbank
Strategic themes:	Enabling business Access to finance SMEs

Recent economic crises, regulatory changes and bank deleveraging has led international banks to withdraw from Africa. Afreximbank is an African headquartered multilateral financial institution that provides trade finance and facilitation both within and outside the continent. It has preferred creditor status in more than 40 member countries, and an existing Trade Facilitation Programme, so it's ideally placed to help close the finance gap.

In 2018, we signed a $100 million pan-African Master Risk Participation Agreement to support the expansion of Afreximbank's programme. This includes products such as letters of credit, pre-export finance, payment guarantees, bills of exchange and trade finance loans. Our facility will enhance Afreximbank's ability to reach and support smaller banks, in smaller and less developed economies, such as Mauritania, Zimbabwe, Burkina Faso and Togo.

2018 highlights

A selection of achievements and updates throughout the year.

January

- We formally launch Ayana Renewable Power, a new independent renewable energy company in India. As well as seeking to develop hundreds of megawatts of new power, Ayana has a strong community training programme to facilitate a just transition to decarbonisation.

May

- We mark 70 years of investing for development. Established in 1948, we were the world's first DFI.

June

- We launch our gender strategy and commit to the 2X Challenge, along with our DFI peers at the G7 summit in Canada.
- We co-author, and launch with EMPEA, guidance for investment fund managers on how to achieve the SDGs.

THE GLOBAL GOALS
For Sustainable Development

July

- MedAccess formally launches at the 2018 International AIDS Conference, with its first volume guarantee for viral load testing kits for HIV.
- We establish our new technical assistance facility, CDC Plus, and approve support for TheBoardroom Africa, to improve the representation of women on African boards.

August

- During the Prime Minister's visit to Africa, our CEO Nick O'Donohoe announces our intention to commit $4.5 billion to the continent over the next four years.

September

- Andrew Alli and Dolika Banda join our Board. Both Africans (Nigerian and Zambian, respectively) and experienced in development finance, they bring an African perspective to Board discussions.

October

- Our Chairman Graham Wrigley participates in the International Safeguarding Summit and we publish our commitments to strengthen safeguarding measures within the development finance sector.

December

- We back Liquid Telecom to expand broadband connectivity across Africa from Cairo to Cape Town, and into severely underserved markets like Sudan.

Countries and regions

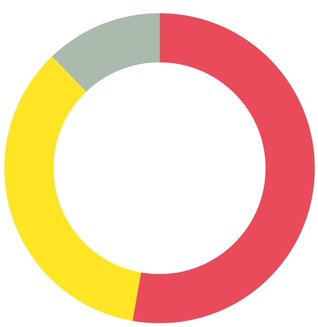
Our aim is to help businesses grow and markets flourish. We invest in Africa and parts of Asia because over 80 per cent of the world's poorest people live in these regions. We focus on investing in countries where the private sector is weak and the investment climate is difficult, and where jobs, essential goods and services are scarce.

At the end of 2018, we had invested in 698 businesses in Africa and 344 in our target countries in South Asia

You can find out more about our portfolio by region and country at *www.cdcgroup.com/our-investments*

Portfolio by region

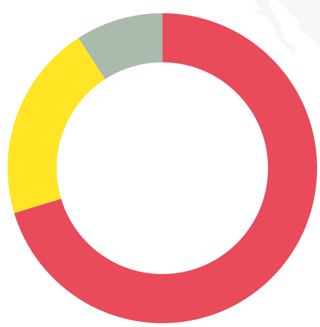
Africa (£2.4bn)	52%
South Asia (£1.6bn)	35%
Rest of the world (£0.6bn)	13%



Please see data disclaimer on page 48.

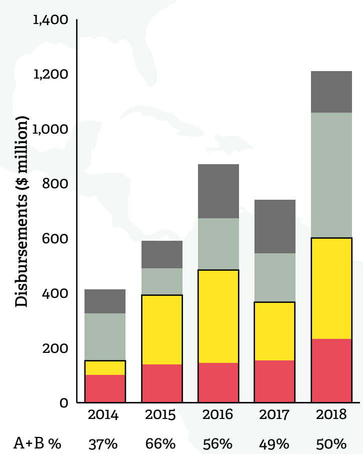
2018 commitments by region

Africa (£751.9m)	71%
South Asia (£217.4m)	20%
Pan-region (£91.1m)	9%



Targeting capital to countries most in need

A B C D
Disbursements to A & B as % of total



This graph represents disbursements made to Growth Portfolio investments made after 2012.

Our development impact grid directs our investments towards more challenging countries. Guided by economists, we have graded each country and defined investment difficulty based on income level, investment in the private sector, difficulty in running a business, and state fragility. There are four grades, A–D, with A representing the most challenging. In India, investment difficulty is calculated state-by-state.

In 2018, we invested in 40 countries classified as having the most difficult investment environment (A and B countries). Half (50 per cent, $600.7m) of our disbursed investments went to such countries. This is in line with last year's results as we have continued to balance our investments in more challenged countries with impactful investments in countries ranked as having less challenging investment environments, such as Bangladesh, Egypt and Kenya.

Our approach to fragile and conflict-affected states

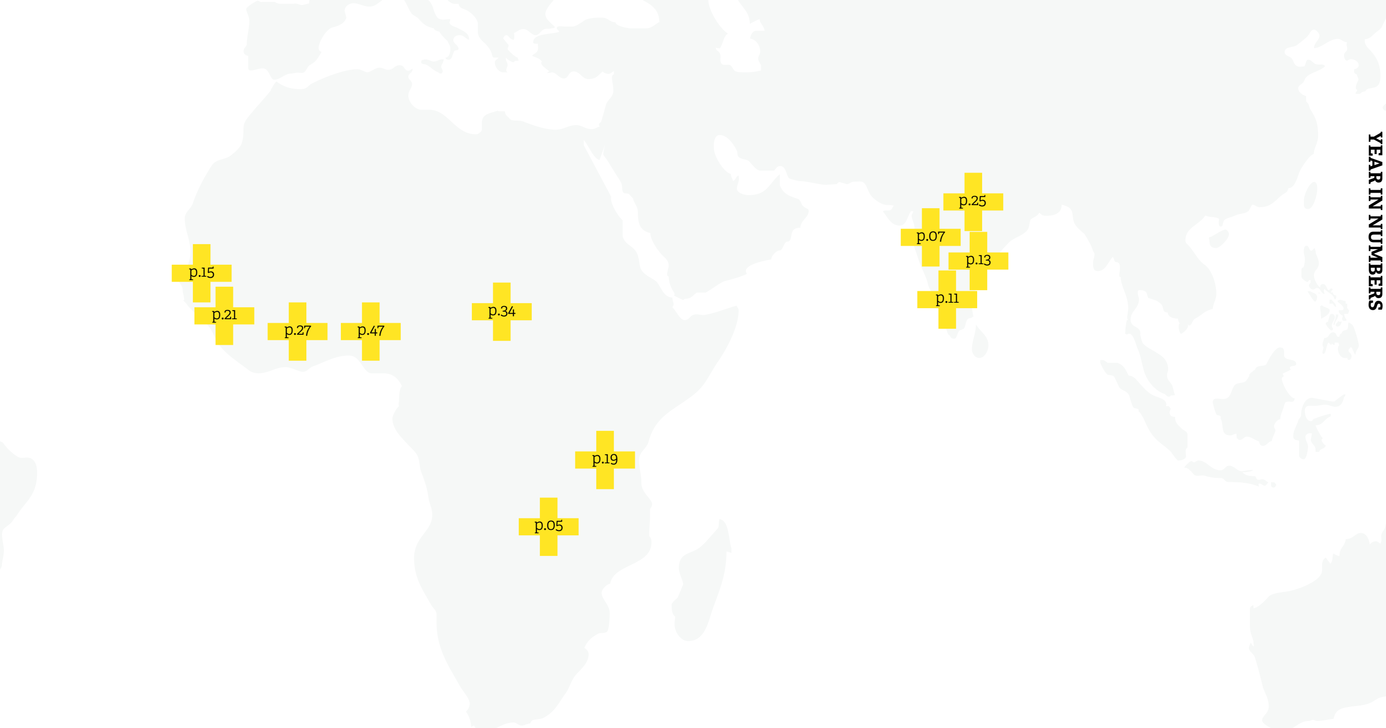
Within the countries where we invest, half of the people live within fragile and conflict-affected states. With population growth in these jurisdictions set to outpace other countries (3.1per cent vs 1.6 per cent), they are home for a growing proportion of the world's poorest people. Finding approaches to invest in these countries is therefore an important part of our development mandate.

Investing in fragile states presents complex challenges. Economies are often much smaller, they have difficult investment environments; the rule of law is weaker and social and labour provisions and practices are often significantly weaker. There are also fewer investible opportunities at scale. Finding local partners who can help navigate local complexities is an important route to success.

In Zimbabwe, a 20-year economic crisis has resulted in an acute economic downturn and hyper-inflation that has wiped out the Zimbabwean dollar. In 2018, we signalled our continued support for embattled Zimbabwean companies by making two important investments: we backed the third fund of Harare-based Takura Capital Partners, which provides capital and support to local enterprises, and we established a five-year risk-sharing facility with Standard Chartered to finance up to $100 million of new loans to help businesses meet their day-to-day financing needs. The situation in Zimbabwe remains unstable and, so far, our facility with Standard Chartered has been unable to make any disbursements, underlining the challenge of doing business in fragile states.

Read more

You can find out more about some of our investments on our website and in this report on the following pages:



Did you know?

We've invested in funds in Myanmar and Afghanistan. They provide businesses with growth capital that would otherwise be unavailable. The fund in Afghanistan is the country's only investment fund.

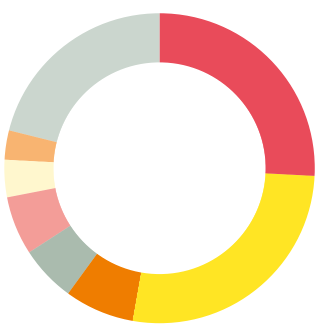
Sectors

At the end of 2018, we had invested in 698 businesses in Africa and 344 in our target countries in South Asia. You can find out more about our portfolio by region and country at cdcgroup.com/our-investments.

You can find out more about our portfolio by sector at *www.cdcgroup.com/our-investments*

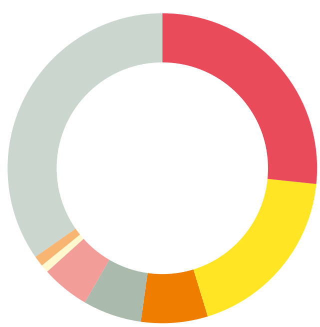
Portfolio by sector

Financial services (£1,196.4m)	26%
Infrastructure (£1,207.9m)	27%
Health (£338.5m)	7%
Food and agriculture (£288.6m)	6%
Manufacturing (£255.8m)	6%
Construction and real estate (£189.2m)	4%
Education (£109.5m)	3%
Other (£950.6m)	21%

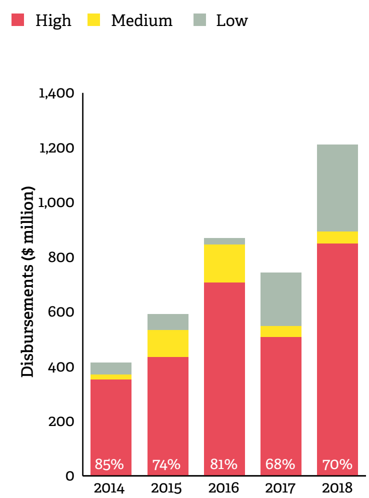


2018 commitments by sector

Financial services (£283.4m)	27%
Infrastructure (£199.3m)	19%
Manufacturing (£78.1m)	7%
Construction and real estate (£59.0m)	6%
Food and agriculture (£57.5m)	5%
Education (£15.6m)	1%
Health (£1.0m)	<1%
Other (£366.5m)	35%



Directing investments to priority sectors



This graph represents disbursements made to Growth Portfolio investments made after 2012.

Please see data disclaimer on page 48.

Our development impact grid directs our investment towards seven priority sectors, which have the strongest potential to create the most jobs for the capital invested and contribute towards many of the SDGs. We continue to make significant commitments in the infrastructure and financial services sectors because these are often cited as barriers to growth in our other priority sectors.

In 2018, the proportion of our disbursed investments to high priority sectors rose slightly to almost three quarters (up from 68 per cent in 2017 to 70 per cent in 2018). This remains lower than historic figures due to increased activity within our trade and supply chain finance portfolio (34 per cent of 2018 disbursed investments) and investments made by generalist fund managers.

Financial institutions

While finance can employ large numbers of staff, its main impact is through its lending and financial support for businesses of all sizes, including personal borrowers for micro-enterprises. Nearly £140 million of our 2018 commitments to the financial sector took the form of guarantees in risk-sharing facilities that support domestic and intra-regional trade.

At the World Bank Annual Meeting we committed to providing a three-year $75 million Supply Chain Finance risk sharing facility to Standard Chartered Bank, which will allow MSMEs to access finance immediately after selling their goods and services, instead of waiting up to 120 days to receive payment. The programme's initial focus is in Nigeria and Ghana, with Uganda, Cameroon and Kenya to follow. So far, the invoices the facility has covered have ranged from $5.74 through to $137,450.

Products

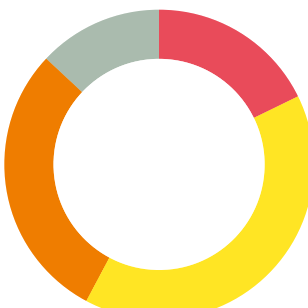
Through our Growth Portfolio, we provide capital and support to companies that will boost development – with the main aim of maximising the impact of those companies on the people and communities they serve. We complement this approach at a market level with our Catalyst Strategies, which aim to tackle persistent market failures and cultivate new markets.

We provide capital in many ways: direct equity and debt, intermediated investments (e.g. funds), guarantees and trade finance. Each product has different benefits, so a flexible approach helps us achieve a wider range of impact objectives, and meet the specific needs of each business.

More information about our financial performance can be read in our Annual Accounts 2018 at *www.cdcgroup.com*

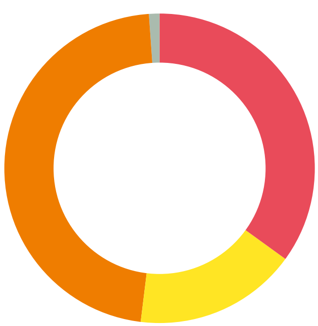
2018 commitments by investment type

Direct equity (£190.8m)	18%
Debt (£423.0m)	40%
Intermediated equity (£310.7m)	29%
Guarantees (unfunded) (£135.9m)	13%



Portfolio by investment type

Direct equity (£1,543.5m)	35%
Debt (£748.3m)	17%
Intermediated equity (£2,037.6m)	47%
Guarantees (£27.0m)	1%



Connecting broadband throughout Africa

Liquid Telecom
Pan-Africa: Infrastucture

70,000km Liquid Telecom has built Africa's largest independent fibre network, approaching 70,000km across 13 countries

Strategic themes:	Enabling business Access to services

Digital infrastructure remains a major problem for Africa's governments, people and its businesses. Improving access to affordable and quality internet is central to Africa's development and economic growth, and a key part of SDG 9.

At the end of the year, we were proud to make a substantial commitment to improving the continent's infrastructure by making a $180m equity investment in Liquid Telecom the largest independent fibre and cloud provider in Africa. Our aim is to enable Liquid Telecom, to expand broadband connectivity to some of the most underserved markets across Africa. It will support the continent's thriving tech start-up ecosystem with high-speed internet and cloud-based services.

With our investment, Liquid will be able to connect, for the first time, Cape Town to Cairo. It will also expand into Central and West Africa, including into places that lack affordable and reliable broadband today, like the Democratic Republic of the Congo and Sudan.

Direct investment commitments

	£m	Location
Growth		
Aavas Financiers Limited	22.5	Asia, India
Afrexim Bank Trade Finance MRPA	78.4	Africa, pan-Africa
ARM Cement	2.8	Africa, Kenya
Bujagali Energy Limited	33.1	Africa, Uganda
Feronia Inc	1.2	Africa, Democratic Republic of the Congo
Future Consumer	22.1	Asia, India
India Infoline Finance Limited	36.3	Asia, India
Inaugure Hospitality Group	24.3	Africa, West Africa
Indorama Eleme Fertilizer & Chemicals Limited	75.2	Africa, Nigeria
Liquid Telecommunications Holding Limited	141.0	Africa, pan-Africa
Malindi Solar Project	37.8	Africa, Kenya
Miro Forestry Company	2.8	Africa, West Africa
Nachtigal Hydro Power Company SA	79.9	Africa, Cameroon
NMB Bank Limited	11.8	Asia, Nepal
Owendo Bulk Port	9.1	Africa, Gabon
SCB Funded Risk Participation – Sierra Leone	12.6	Africa, Sierra Leone
SCB Funded Risk Participation – Zimbabwe	20.7	Africa, Zimbabwe
Standard Chartered Bank Supply Chain Finance	57.5	Global
Trade Development Bank	36.3	Africa, East Africa
UNICAF	4.7	Africa, pan-Africa
Veritas Finance Private Limited	12.6	Asia, India
Sub-total	**722.8**	
Catalyst Strategies[1]		
Narayana Health	1.0	South Asia
Committed, but unannounced[2]	25.9	South East Asia
Sub-total	**26.9**	
Total	**749.7**	

Intermediated equity investment commitments

	£m	Location
Growth		
Africa Forestry Fund II	21.4	Africa, pan-Africa
African Infrastructure Investment Fund III	3.9	Africa, pan-Africa
Ascent India Fund IV	23.5	Asia, South Asia
CardinalStone Capital Advisers Growth Fund	11.7	Africa, West Africa
CX Partners Fund II	18.2	Asia, India
Ethos Mezzanine Partners III	14.5	Africa, pan-Africa
Kotak India Affordable Housing Fund	36.2	Asia, South Asia
Lighthouse III	19.2	Asia, India
Lok Capital Growth Fund	2.1	Asia, India
Meridiam Infrastructure Africa Fund	35.5	Africa, pan-Africa
Momentum Africa Real Estate Parallel Company	22.9	Africa, pan-Africa
pi Ventures Fund I	4.4	Asia, India
Sawari Ventures Fund I	9.4	Africa, North Africa
Stellaris Venture Partners India I	7.7	Asia, India
Synergy Private Equity Fund II	19.1	Africa, West Africa
Takura III	19.6	Africa, Zimbabwe
Sub-total	**269.2**	
Catalyst Strategies[1]		
Africa Food Security Fund I	11.5	Africa, pan-Africa
Anthem Asia SME Venture Fund	7.6	Asia, Myanmar
Novastar Ventures Africa Fund II	11.5	Africa, pan-Africa
Regional Education Finance Fund for Africa	10.9	Africa, pan-Africa
Sub-total	**41.5**	
Total	**310.7**	

1 Catalyst Strategies were labelled 'Market-shaping strategies' in our 2017 Annual Review.
2 The details of this commitment cannot be made public before it achieves regulatory approval from the local authorities.

CDC Plus: technical assistance and support

In addition to investment capital, we administer a pool of resources from DFID that we can allocate to support our pipeline and portfolio companies, as well as the wider market in Africa and Asia.

Building on the Technical Assistance Facility operating under the Impact Programme, we launched CDC Plus in mid-2018 with the objective of making a lasting difference to the lives of underserved groups by increasing economic opportunity, improving standards of living and creating a more sustainable environment.

CDC Plus support is provided to achieve the following aims:

Within our portfolio:

+ Core business support: To provide expertise and capacity-building to investees within our Catalyst Strategies to improve their performance and chances of delivering impact.

+ Catalysing impact: To facilitate more inclusive or impactful business practices across the rest of our portfolio, particularly to reach underserved groups.

Beyond our portfolio

+ Market shaping: To develop and test solutions to address business challenges or uncover opportunities in priority sectors and geographies.

+ Strategic programmes: To shape the private sector's approach to cross-cutting themes such as gender equality, climate change, job quality and human capital.

> CDC Plus is a key tool that will enable us to deliver impact further and faster.
>
> **Nick O'Donohoe**
> CEO

2018 update

During 2018, we approved $4.3 million of CDC Plus funding for 42 projects. To date, within our portfolio, 36 Catalyst investees have used it, mostly for projects supporting business functions such as finance, environmental, social and governance, and human resources.

Beyond our portfolio, funding has been provided for strategic projects including to GOGLA to develop consumer protection standards for the off-grid solar industry (see page 12) and to TheBoardroom Africa to boost women's representation on boards across the continent (see page 21).

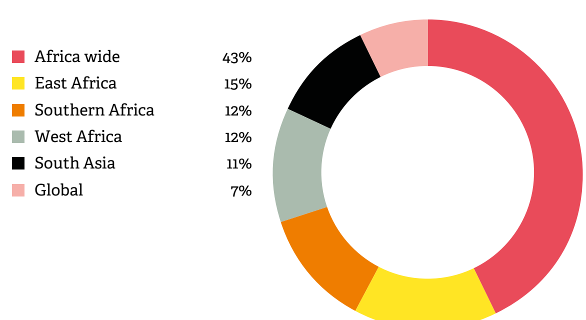
Results

We conducted a survey in early 2018 among companies that had benefitted from 15 projects during 2015 and 2016. All companies agreed the projects had added value to their business and 70 per cent would recommend a similar project to others.

A large majority of the projects had led to business changes ranging from improving company cash flow and product quality to enhanced environmental, social and governance responsibility. Many companies were able to improve their systems and processes, develop or refine their business strategies, and train staff on industry best practices. By the end of 2018, these companies were supporting nearly 2,000 jobs and reaching over 100,000 underserved beneficiaries.

This shows that, if designed well, this kind of support can achieve results, not just reports.

CDC Plus funding approved by geography to 2018



Helping train and build small health businesses

PharmAccess and the Medical Credit Fund
Nigeria; Health

67	Number of participants in the pilot programme.
Strategic themes:	Skills and leadership

With around 200 million people, Nigeria is the most populous country in Africa. But it is also linked to some of the poorest health outcomes, accounting for 14 per cent of maternal and 25 per cent of new-born deaths in the world. Access to quality healthcare services is a major issue.

As the public health sector suffers from chronic underinvestment, many Nigerians turn to private clinics, maternity homes and pharmacies. These health SMEs are typically run by healthcare professionals, who have never been trained to manage a healthcare business.

To address this gap, PharmAccess and the Medical Credit Fund, supported by CDC Plus, developed a Health Management Program with the Enterprise Development Centre at the Pan-Atlantic University in Lagos. The certificate programme aims to build the capacity of health SMEs in areas like leadership, quality, business, finance and inventory management. We supported the development of the curriculum and the first two streams of participants to become champions for the programme.

Since it started in 2018, 67 participants have benefitted from the programme, mostly from health SMEs that serve a broad client base, including lower income groups.

A third cohort begins in June 2019 as part of the mainstream offering of the Enterprise Development Centre.

Summary of our impact

We invest to make a lasting difference to people's lives, in line with our overall commitment to all the SDGs, beginning with Goal 1 on poverty. We target a wide range of global issues, and people experience our impact primarily through: more and better jobs and opportunities (SDG 8); access to basic goods and services such as food, health, education and power (SDGs 2, 3, 4 and 7); and our action on climate change (SDG 13) and gender equality (SDG 5).

Our commitment to improving people's lives requires us to understand and harness the process through which our investment translates into positive outcomes for people and the planet. This report demonstrates the scale of those outcomes. Alongside each of these numbers is a much more detailed consideration of how we achieve this impact in every investment.

Our Impact Framework adopts the Impact Management Project's consensus of over 2,000 practitioners on how to measure and manage impact. Through this approach, we focus on five dimensions of impact – 'What', 'Who', 'How Much', 'Contribution' and 'Risk' – which means we consider the significance of our impact on people's lives, and can

Our new impact management framework

Our contribution

+ **Allocating and managing capital**
+ **Mobilising capital**
+ **Adding value** beyond capital

How we achieve impact

+ **Direct impact of businesses**
+ **Indirect impacts via economic outputs**
+ **Catalysing markets** Indirect impacts via behavioural change

Ultimate impact

+ **What is the impact?** Making a lasting difference to people's lives
+ **Who benefits?** Geography, income bracket, demographics
+ **By how much?** Scale, depth and duration

Risk

track the process of how we achieve that impact. We begin with the capital and expertise we provide to enable businesses to grow, and end with how those businesses enhance people's lives – for example, through jobs or access to goods and services.

Our inputs of capital and know-how, and the private sector capital we help mobilise, are described on the following pages. These inputs operate through growing businesses in the sectors we prioritise, to reshape markets and build successful companies. In 2018, our investments supported 56 million people through financial access, 9.5 million patient consultations through improved healthcare, over two million households using home solar kits, over 600,000 farmers through agri-purchasing, and 358,000 students through education. Many millions more benefitted from our investments through better quality and lower-priced goods and services – from industrial raw materials to more affordable smartphones.

Our involvement in the Impact Management Project helps us recognise not just the extent but also the depth of these impacts on people and the planet – ranging from life-saving cardiac operations to daily enhancements in quality of life through better, cleaner lighting.

Among the ways businesses benefit people living in poverty in Africa and South Asia, providing more and better jobs is still critical. It is central to the SDGs on poverty, decent work and economic growth (SDGs 1 and 8), and to our mission.

Between now and 2030, Africa's working-age population is expected to grow by 40 per cent to one billion people. This means 12 million new jobs are needed each year to prevent underemployment and unemployment from rising. Surveys of public opinion consistently reveal that employment is the top development priority of most Africans. More and better jobs are equally central to development in South Asia.

Since 2014, we've reported the number of jobs supported by the companies we invest in, both directly observed and indirectly estimated, as one of the main measures of our development impact.

As in previous years, these impact results come from the success of the portfolio businesses to which our capital and know-how contributed. While we're proud of our contribution to these impacts, we can't attribute the results to CDC alone.

We regard the provision of more and better jobs as central to our mission and in meeting SDG 8 on decent work and economic growth.

Direct workers

This year, our portfolio in Africa and South Asia employed 852,130 workers (in full-time equivalents). As our portfolio grows, so does the number of workers it supports.

Of these direct workers, 32,090 were new hires in 2018. This means that in the median CDC-backed company with 286 workers, a dozen are new hires during the year. The five-year average annual employment growth in these businesses (controlling for entries and exits) is 5.8 per cent. This compares to a background rate of growth in total employees in our regions of 3.1 per cent over the same period, according to ILO data.

As the chart illustrates, high growth rates in 2016–17 were exceptional. A major cause of this was a one-off surge in employment in Indian financial institutions, because they were staffing up to capitalise on their new banking licences.

In 2018, the rate of job growth in our portfolio reverted to 3.9 per cent. There are two reasons why this performance is only slightly above the background trend. This year, 50 per cent of the firms in the portfolio reduced or maintained their headcounts. Of these, 31 per cent couldn't hire more workers because they were experiencing commercial challenges. On the other hand, 69 per cent did manage to grow their revenues, but still decided not to hire, either through productivity enhancements or outsourcing. This is a trend we expect to see more of in future.

This year, 30 per cent of direct employees are women, down from 32 per cent last year. The reasons for this are various, in part reflecting a broader trend towards lower female participation in the labour force in South Asia.

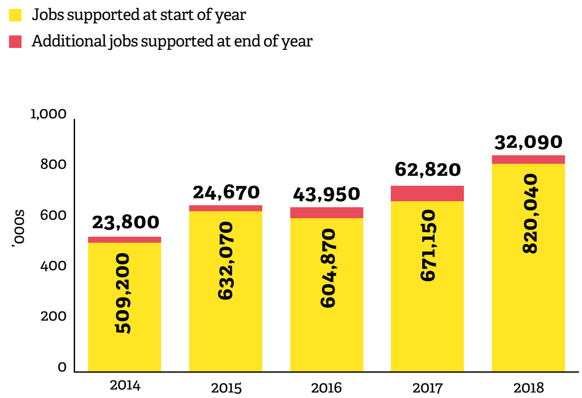
This societal trend affects our portfolio companies, particularly financial institutions. The proportion of female workers in our African portfolio increased – from 31 per cent to 34 per cent – over this period.

Employment numbers are reported to us annually by investee businesses or by fund managers on behalf of their portfolios. We have confidence in the reliability of these numbers, which come from HR departments.

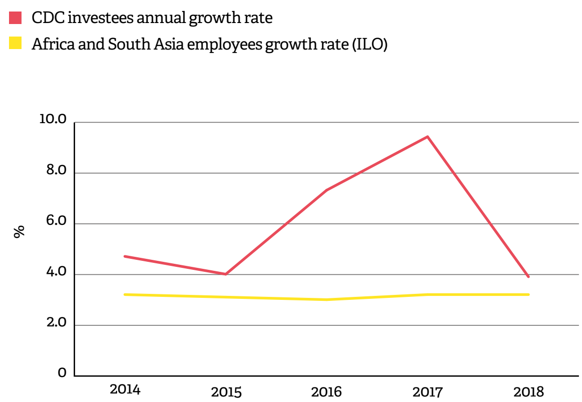
5.8%

Average annual job creation rate over the past five years

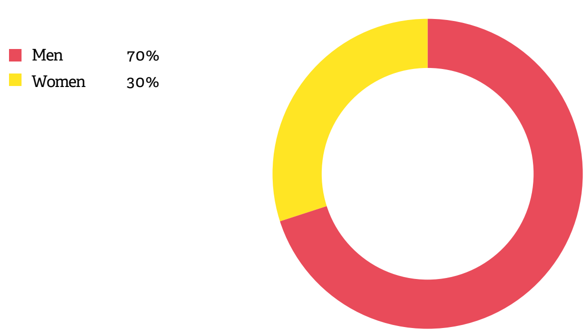
Jobs: direct workforce



Annual job creation rate



Direct jobs supported by gender



Estimated indirect jobs

The job numbers we've reported since 2014 are a combination of direct headcount data from businesses and our estimates of indirect jobs supported in the supply chains of firms, by the wages workers spend, and by productivity increases from the use of loans and electricity.

Jobs supported indirectly by our investments are very important economically. But with a portfolio like ours, of hundreds of companies, we can only estimate the numbers – and with less certainty than the workforce numbers our investee companies report directly.

Last year, we commissioned two independent reviews of our job measurement methodology, as part of a process of continual improvement. Professor Fiona Tregenna at the University of Johannesburg and Dr Alex Bowen of LSE confirmed that our overall approach was broadly appropriate, while identifying several areas where it could be improved.

We responded to these recommendations by making improvements to the model in time for this year's results. We increased the detail of the model in both the sectors and countries covered. We also updated to the latest years of data available, particularly benefitting from improved annual employment data from the International Labour Organization (ILO).

Working with other DFIs, we will complete additional upgrades in time for next year's annual review. These include moving to the latest release of input-output tables from the Global Trade Analysis Project at Purdue University, improving the transparency of the model, trialling a more dynamic ('CGE') model in a given country to compare results, and upgrading the treatment of financial lending.

In the results that follow for indirect jobs supported, we've maintained consistency in the key assumptions of the model and in how the business sample is constructed (controlling for entries and exits) from year to year. Please note that this involves restating data for the previous year so that we can understand the shift between the two years.

We've also indicated our confidence level for each pathway to indirect jobs modelled. We're committed to further research and development in the model, particularly to help us refine our estimates of changes in jobs supported when our investments allow banks and other financial intermediaries to extend credit to business borrowers.

We're also exploring the ability to model more detailed analysis about the types of indirect jobs our investments support, by including important considerations such as formality, skills levels, location (rural/urban) and age profile.

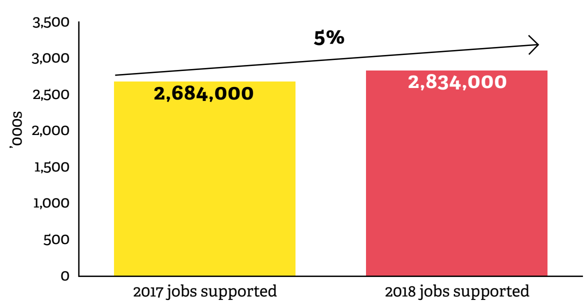
Indirect jobs: supply chains

In 2018, our portfolio businesses spent $19.2 billion purchasing inputs (known as their 'cost of goods sold'). The scale of local purchasing varies from sector to sector – for example, food processing and construction have strong supply chain linkages. The agribusinesses we invest in purchase from over 600,000 smallholder farmers.

Overall, we estimate this purchasing supported 2.83 million workers in supply chains, up five per cent from 2017. In the average business, this suggests that 3.3 jobs in the supply chain are supported for every direct worker. Over time, rising wages in the economy, and increasing outsourcing and automation, will affect supply chain jobs in complex ways.

Because we model purchasing calculated from actual reported revenue from businesses (converted to $ using consistent exchange rates), we have a fair degree of confidence in the input data. We also observe that the ratio of direct to indirect jobs from the model fits well within the range of ratios reported from on-the-ground studies.

Indirect jobs: in the supply chain



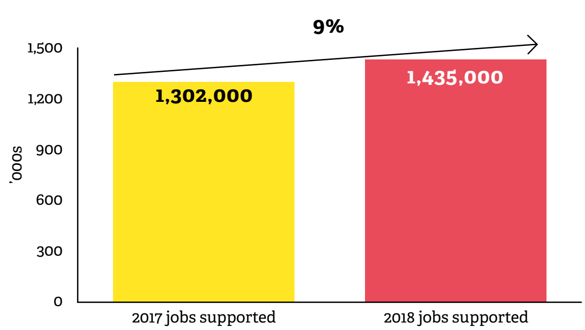
YEAR IN NUMBERS

Indirect jobs: wages

In 2018, our portfolio businesses reported paying $4.5 billion in wages to employees. Against a backdrop of sluggish wage growth in the regions, as reported by ILO in its global wages report, wages per worker in our Kenya investments increased by 12 per cent in 2018.

We estimate that local spending of these wages supported 1.43 million jobs, up 9 per cent on 2017. Based on household expenditure surveys, we know that the majority of wages end up being spent locally, and that poor workers spend up to half their income on food. While the induced effect is a well-established pathway in economic modelling, we have yet to undertake an on-the-ground study to track how African and South Asian workers in CDC-backed companies actually spend their wages. Until we have better evidence on this, we assign only a moderate level of confidence to the wage-induced jobs estimates.

Indirect jobs: wages



Indirect jobs: electricity

In 2018, the utilities and projects we backed generated a total of 49 terawatt hours, equivalent to the entire annual electricity consumption of Portugal. Given the low usage by citizens and businesses in Africa and South Asia, the impact of this electricity goes much further.

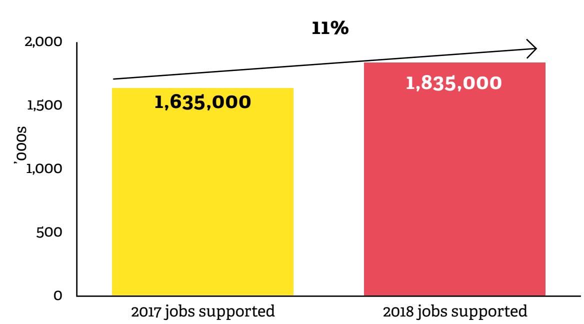
In Bangladesh, for example, an investee of ours produced 862 gigawatt hours of power in 2018. Access to electricity among rural Bangladeshis has improved from 13 per cent two decades ago to 59 per cent today, and while almost three quarters of firms reported frequent outages in a 2013 survey, outages lasting more than 15 minutes in the industrial heartlands around Dhaka are now rare.

Overall, we estimate that the power produced and transmitted by our portfolio of electricity companies supported 1.83 million workers in 2018, up from 1.63 million in 2017. The electricity not used by industry also brings quality-of-life benefits to many millions of households.

The annual gigawatt hours of electricity production (including any transmission increase from reduced losses) is reported to us directly by investee businesses. The model then makes a set of assumptions about how this increased power translates into increased output and then into likely jobs created from firm growth. Until 2017, we based the key assumption in the electricity model on a 2016 study of the Uganda electricity sector. For 2018, we've worked with other DFIs to include assumptions from a further five country studies.

This upgrade gives us moderate confidence in the model, and further country studies would improve this. We don't currently have a methodology for modelling the impacts of infrastructure other than electricity – telecommunications, for example – even though evidence suggests better connectivity improves productivity.

Indirect jobs: electricity



Indirect jobs: lending

In 2018, the banks and other financial institutions we supported lent $89.6 billion to over 72 million borrowers. This is a very substantial financial flow compared to our direct lending and equity investment ($1.5 billion), purchasing ($19 billion), wages ($4.5 billion) or taxes ($3.24 billion). To take a single example, the Trade and Development Bank in Eastern and Southern Africa lent almost US$1 million every day in 2018, in project loans and trade finance.

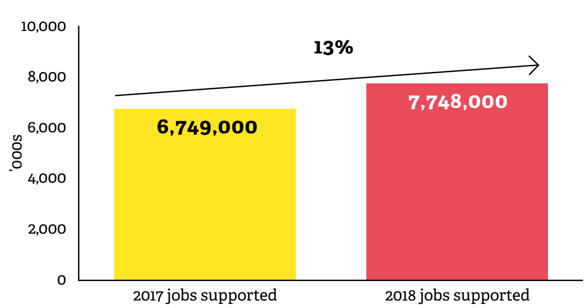
We expect significant employment impacts from the sheer scale of this lending activity. Our model estimates that our 2018 loan portfolio supported 7.74 million workers across the economies of the borrowing companies, their supply chains and through their spending. This is up 13 per cent on 2017, for the same group of lenders.

We are cautious about estimates of financial lending impacts. Last year, we reported that our study with an Indian Bank indicated that loans provided to small businesses led to increased revenue and jobs only in a minority of the borrowers. The remainder used the loans for working capital or other purposes.

This caused us to look closely at the strength of the evidence for the indirect effects of financial lending. There is surprisingly little existing research into the relationship between borrowing, firm output and employment. Within the small number of studies, there is a wide range of findings on the scale of the effects. Evidence from India suggests that loans translate into large increases in output at credit-constrained firms, whereas our research with IFC indicated more modest expansion. The assumptions in our loans model currently lie in between these two.

It's a priority for CDC and other DFIs to expand the evidence base of the impact of credit on firm expansion. For the time being, given the range of possible methods and limited evidence even for a well-understood country like India, we assign a weaker level of confidence to our estimates on jobs supported from lending.

Indirect jobs: lending



Indirect jobs: conclusion

Despite the uncertainties in our current model, we believe it is important to track and report on our estimates, using good quality inputs from our investee businesses, and up-to-date and detailed economic and employment data for the multipliers, and recognising the limitations of key assumptions where there's a lack of evidence. We haven't included in the model some important pathways – economic impacts of government spending of tax revenues, the productivity impacts of better logistics and connectivity, and the impacts of personal loans, mortgages and guarantees – due to a lack of credible methodologies.

In previous years, we aggregated all the estimates for different impact pathways into a single chart. Our independent reviewers advised against this, given the different levels of confidence we have in the results from each pathway.

Impact on companies and local economies

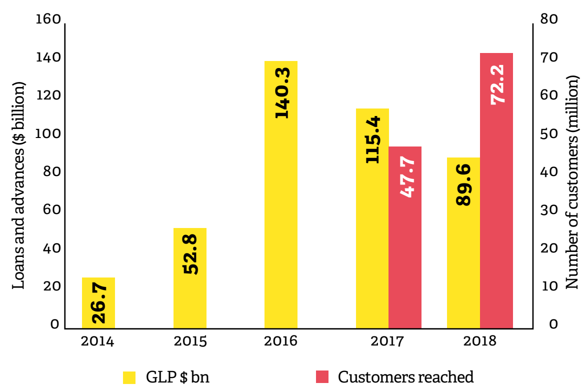
We have continued to report our impact in the same areas as 2017. Some of these datapoints were new for 2017, so we are only able to report two years of data. We are still defining core impact indicators in other areas, and these will be reported in future years.

There is currently no consensus on how to quantify our exact contribution to company, sector and wider economy growth. Since we do not have a robust way to weigh up the factors involved and attribute a portion of the impact to our own activities, we attribute the impact detailed below solely to our investee businesses.

Sector impact: financial services

Our investments in banks and non-bank financial institutions supported 287,050 direct jobs, 29 per cent of which were held by women, in 2018. The main impact of these companies is through providing access to finance for businesses and individuals (SDG 8). The gross loan portfolio of our financial sector investments stood at $89.6 billion in 2018. This was down on 2017, due to our exit from a major Indian financial institution. The number of customers served by the financial institutions in our portfolio reached 72.2 million in 2018.

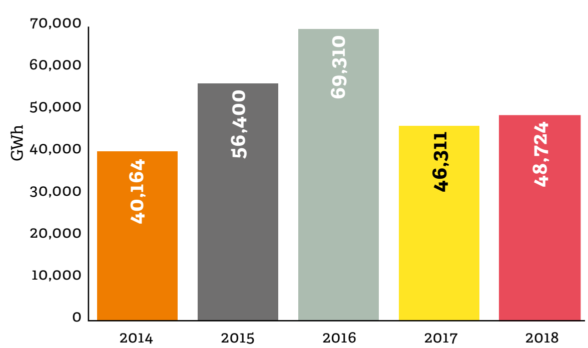
Loans and advances to customers



Sector impact: infrastructure

Our infrastructure platforms and investments in 2018 provided jobs for 71,240 workers, 19 per cent of them women. The major impact of these investments is on electricity usage by households and businesses. In 2018, our electricity investments generated and distributed almost 49 terawatt hours of electricity. Electricity production was up five per cent on 2017 and in line with our five-year average. Of the total power generated and distributed by our investments, 18 per cent was from renewable sources such as solar, wind and hydro. This is down from 30 per cent in 2017, because of our exit from a large Indian renewables business. We expect this number to increase in future as the new renewables projects that we have committed to are completed and come on-stream.

Electricity generated

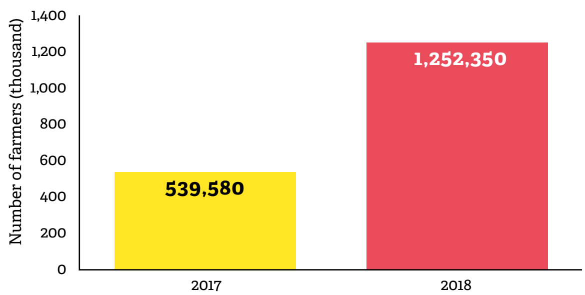


Sector impact: food and agriculture

Agriculture is a major source of income, accounting for 34 per cent of GDP in Sub-Saharan Africa and around 70 per cent of total employment in low-income countries globally. As low-income countries develop, relatively more jobs are expected to be created at later stages in the value chain, such as in food manufacturing rather than in farming. Our food and agriculture investments supported 83,120 workers (19 per cent women). This sector is significant in African and South Asian economies for its impact across the entire value chain, from sustainable sourcing from smallholders, to providing nutrition for consumers (SDGs 2, 3, 9, 12 and 15).

The agribusiness investments in our portfolio sourced from 1.25 million farmers in 2018. We have restated the figure for 2017, as one of our investees provided significant data for both 2017 and 2018.

Farmers reached

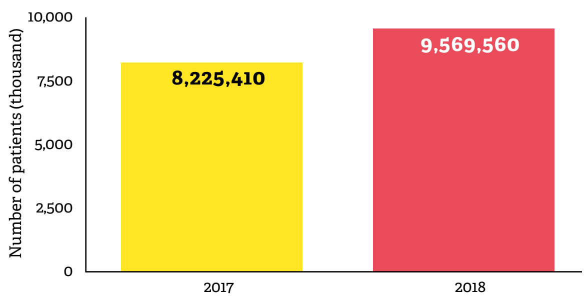


YEAR IN NUMBERS

Sector impact: health

In 2018, our healthcare investments supported 85,620 jobs (34 per cent for women). The major impact is the provision of good health and well-being for patients (SDG 3). Healthcare operators in our portfolio treated over 9.5 million patients in 2018 (a combination of in-patient and out-patient consultation numbers). This does not include 21 million customers of pharmaceutical products.

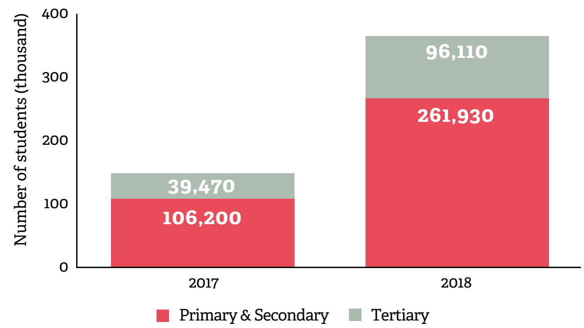
Patients served



Sector impact: education

Our education investments support 51,300 teaching jobs, 47 per cent of them held by women. They also achieve impact by providing quality education (SDG 4) both directly to students and by improving workforce skills. The education providers in our portfolio supported over 358,000 learners in 2018. Of these, more than 261,900 were enrolled in primary and secondary education, and 96,100 in tertiary.

Students enrolled



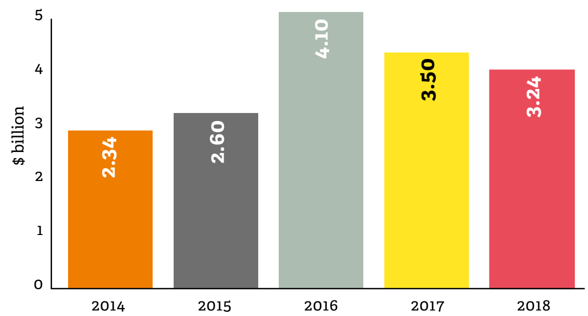
Local economy impact: taxes paid

An economy-wide indicator of impact is the tax payments firms make to the national exchequer. Corporate income tax is an important contributor of domestic financing for the Global Goals, making up 27 per cent of total government tax revenue in India, and an average of 15 per cent for 26 African countries.

In 2018, the businesses in our portfolio reported tax payments of $3.24 billion. A review of a sample of audited accounts shows that these payments were primarily corporation tax.

This figure was down $260 million on the amount reported in 2017, due primarily to our exit from a major financial institution. As in previous years, around a third (32 per cent) of our investee businesses had no taxes to pay in 2018, because they are greenfield projects with no income yet, have tax breaks and exemptions, such as renewable energy companies, or because they made a loss in the year.

Taxes paid



Capital markets impact

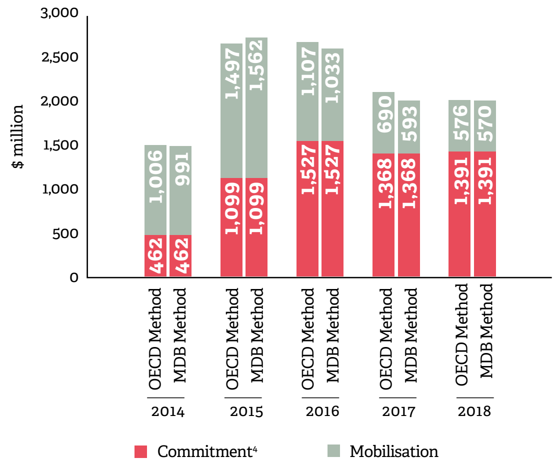
Private-sector capital mobilised

Labour-intensive sectors and countries with difficult operating environments are less attractive to private-sector investors. When we invest, we can bring confidence to these investors, helping to mobilise private capital alongside our investment.

In 2018, $570–576 million of private-sector capital was committed into our investments. This is $41 for every $100 of our own commitments (2017: $41–48 for every $100). The range is because we report using two methods to calculate mobilisation, one led by the OECD[1] and the other from multilateral development banks.[2]

Private sector investment into CDC-backed investment funds was significantly up in 2018, and we also increased our commitments in direct equity, where mobilisation is more difficult. Overall, foreign direct investment (FDI) in 2018 into Africa and South Asia was up by 8.9 per cent on 2017, but conversely 2018 was a year in which UK outflows of FDI more than halved.[3] In this context our ability to mobilise held steady on 2017's figures.

Capital mobilised



1 http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/mobilisation.htm
2 http://documents.worldbank.org/curated/en/495061492543870701/pdf/114403-PUBLIC-PrivInvestMob-Ref-Guide-Aug-14-2017.pdf
3 https://unctad.org/World Investment report 2019 published 12 June 2019
4 2016 and 2017 commitment figures have been restated. This does not affect the capital mobilised figures previously reported.

Glossary of terms

DFI	Development finance institution
DFID	Department for International Development
EBRD	European Bank of Reconstruction and Development
EMPEA	Emerging Markets Private Equity Association
GDP	Gross domestic product
GOGLA	Global Off Grid Lighting Association
GW	Gigawatt
GWh	Gigawatt hours
IFC	International Finance Corporation
ILO	International Labour Organization
IPO	Initial public offering
LSE	London School of Economics
MW	Megawatt
MSME	Micro, small and medium-sized enterprises
NGO	Non-governmental organisation
SDGs	The set of sustainable development goals that UN member states aim to achieve by 2030
SME	Small and medium-sized enterprise
$ / dollars	All are US dollars unless otherwise stated

Data disclaimer

Portfolio by region and sector – The portfolio breakdown figures for sector and region exclude financial adjustments to provide a more accurate reflection of the breakdown of our portfolio. Financial adjustments relate to financial items such as cash or other net assets/liabilities within an investment fund that, as of 31 December 2018, could not yet be allocated to a particular sector or region. For example, cash that an investment fund has drawn down, but not yet invested. This is why there is a difference between our total portfolio figure (£4.3 billion), which must reflect these adjustments and the portfolio total in the breakdown charts (£4.5 billion).

Data on employment, taxes paid, mobilisation and sector metrics has been through CDC's internal data quality procedure, and we have used reasonable efforts to ensure the accuracy of all data used in this report. However, this data has not been audited or independently verified. Data has been received from many, but not all, of CDC's investee businesses in our current investment geographies. We have received this data from our investment partners, including the fund managers that have invested our capital (and the capital of others) in these businesses. Data may be from different points in time but was requested to relate as closely as possible to year end 2018. Employment data may sometimes include contract workers and other non-permanent workers. Tax data should be read as being indicative of magnitude rather than exact amounts of taxes paid.

Photography

All photographs originate from CDC's image library of investee businesses, or have been supplied by investment partners, purchased from stock libraries, or have been taken by CDC employees on site visits. Photographers whose work is used in this publication include:

Samuel Ochai and Harrison Thane (Communication for Development Ltd).

Print

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Consultancy, design and production
www.luminous.co.uk

CDC
Investment works

CDC's mission is to support the building of businesses throughout Africa and South Asia, to create jobs and make a lasting difference to people's lives in some of the world's poorest places.

CDC
Investment works

UK Government

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