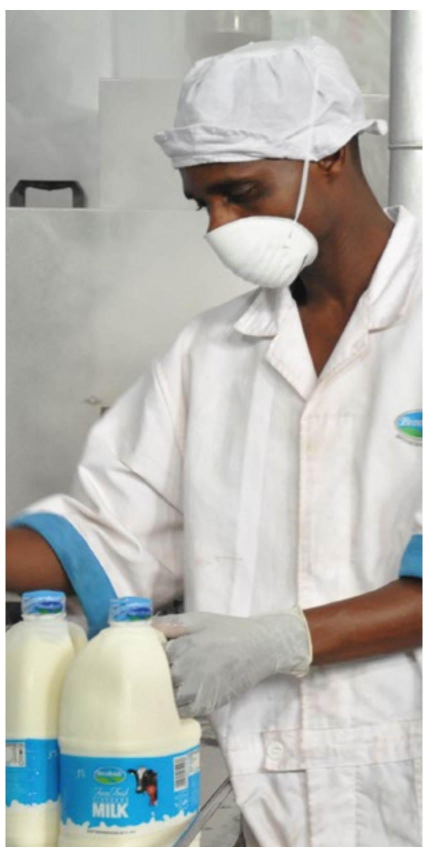
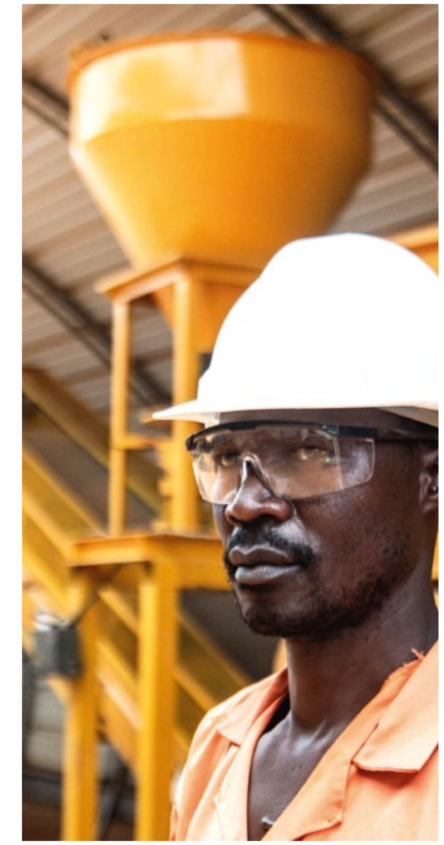
CDC
Investment works

Rising to the challenge





Annual Review 2020
CDC Group plc

The UK's development finance institution

Rising to the challenge

CDC is the UK's development finance institution, with over 70 years' experience of successfully supporting the sustainable, long-term growth of businesses in Africa and South Asia. We are a champion of the UN's Sustainable Development Goals – the global blueprint for achieving a better and more sustainable future for us all.

CDC is funded by the UK Government and has a dual objective – to support business growth that lifts people out of poverty, and to make a financial return. We reinvest all proceeds from our investments in improving the lives of millions of people in Africa and South Asia.

Our goal is to help solve the biggest global development challenges by investing patient, flexible capital to support private-sector growth and innovation.

Here's how we are rising to the challenge.

We have done so much already…

We have direct and indirect investments in almost

1,200

businesses in emerging economies with total net assets of

£6.8 billion

In 2020 we committed

£1.22 billion

…but we have so much more still to do.

In this report

Here is how we are **rising to the challenge...**

What it means to invest for development impact

For over 70 years we've successfully supported the sustainable, long-term growth of businesses

p.04

Our COVID-19 response

We concentrated our response on three areas: 'preserve', 'strengthen' and 'rebuild'

p.08–p.11

This year's impact

Whether transforming lives or having a positive impact on the planet, our investments are making a difference

p.12–p.21

Regional perspectives

Our growing regional teams share their views from Africa and South Asia

p.22–p.24

This year's new investments

A selection of our investments and their expected impact

p.25–p.30

Chairman's introduction

"We had two overarching goals for 2020 – to provide the best response to the economic consequences of COVID-19 in our markets; and to deliver on our current five-year strategy, ensuring the organisation emerges from this crisis ready to support the countries where we invest in the years ahead."

Sir Graham Wrigley
Chairman

2021 sees us enter the last year of our five-year strategy period, and of course, we're doing that at a time of great uncertainty in the countries where we invest. As I enter my eighth and final year as Chairman of CDC, I believe that 2020 has been a year of challenges quite unlike any other we have experienced at CDC.

Those challenges have ranged from addressing the impact of COVID-19 in the countries where we invest, to the difficulties experienced by our employees during the ongoing pandemic. At a Board meeting in April, when the scale of the crisis was becoming clear, we collectively agreed we had two overarching goals for 2020 – to provide the best response we could to the economic consequences of COVID-19 in our markets; and at the same time, deliver on our current five-year strategy, ensuring the organisation emerges from this crisis ready to support the countries where we invest in the years ahead.

You will read about our COVID response in this Annual Review. With an annual commitment of £1.2 billion, at a time when capital retreated from Africa and South Asia, we've provided much-needed, impact-driven, targeted capital and liquidity to our partners on the ground. To achieve this, we needed both a rapid and new approach in the most challenging of times. However, you will also see that we have remained focused on delivering the strategic commitments we have made to our shareholder – whether delivering on our new climate strategy, or addressing gender inequality. We have also worked with our shareholder to review progress against our commitments in the 2017-2021 strategy and started to frame the next 2022-2026 strategy. We look forward to reporting on our achievements against the current strategy and announcing the new strategy later in 2021.

Of course, not everything went to plan. I have consistently forecast that as a result of our developmental strategy to focus exclusively on the most challenging markets of Africa and South Asia, financial returns would reduce over time. In 2020, COVID and the strengthening of sterling have had a significant negative impact on the financial performance of our portfolio. Nevertheless, it is disappointing to record a second year of losses. In the same way we are striving to maximise our development impact, the Board and the management team are focused on financial returns. Given the volatility of our markets, it is important to look across multiple years for trends, and we remain on track to achieve the commitments on long-term financial returns we made to our shareholder in 2012, through to the end of this strategy period.

We are proud of our achievements in 2020, but are very aware that it would not be possible without the help of others. In particular, the support of our shareholder has been fundamental. We are very proud to be part of the UK Government's development offer to the world, and we have continued to benefit from a strong relationship with our shareholder, as it merged to become the Foreign, Commonwealth and Development Office (FCDO) in the latter part of 2020. Of course, we are also very grateful to our partners in Africa and South Asia.

As I reflect on my time as Chairman, I'm enormously grateful for the dedication, the passion and the commitment of the variety of stakeholders I've had the pleasure to work with – from UK parliamentarians to civil society, from London to Lagos. The challenge, quality and diversity of these interactions has helped guide us to better solutions. We continue to welcome this dialogue and scrutiny during the development of our new strategy this year. We've also worked hard to support the Independent Commission for Aid Impact (ICAI) over the last three years, benefiting from its constructive feedback. We were pleased that ICAI's recent review concluded it is content with the progress we have made.

I would like to thank my fellow Board members for their unwavering commitment and continued support over the past year. I am very grateful to Wim Borgdorff and Keki Mistry, who stepped down as non-executive directors after completing their terms, and I am delighted to welcome Krishnakumar Natarajan and Kathryn Matthews, who I know will be worthy successors, and also Carolyn Sims as Chief Financial Officer, to the Board. I have been very fortunate to work with 15 very talented Board members over the years, and I thank them all.

Finally, I'd like to thank Nick O'Donohoe, who has led our outstanding management team with calm ambition and remarkable stamina this year. I also salute each and every staff member at CDC for the personal tenacity, resilience and dedication they have shown throughout the last year, to help CDC achieve its mission of helping solve the world's biggest development problems in some of the world's poorest countries. It has truly been a privilege to serve CDC these last eight years, and I commit to do my very best to support the organisation's inspiring mission until my last day in post.

Sir Graham Wrigley
Chairman

CEO's introduction

> "The countries where we invest do not have the NHS or the same fiscal support schemes that have been provided by our own Government in the UK. As the scale and impact of the pandemic became clear early last year, we knew we needed to act with the same urgency to provide support and to rise to the challenge."

Nick O'Donohoe,
Chief Executive Officer

In previous Annual Reviews, my focus has been on how we've been moving forward, and how we're playing our part to help achieve global development goals. In this extraordinary past year, much of our focus has been on maintaining what has already been achieved, and I expect that to remain the case for some time. The economic impact of COVID-19 has pushed around two per cent of the global population – 140 million additional people – into extreme poverty. Overall, the FCDO predicts the pandemic has reversed progress on fighting world poverty by seven years. The impact of the pandemic will be felt across the world, and particularly in the countries where we invest, for many years.

The countries where we invest do not have the NHS or the same fiscal support schemes that have been provided by our own Government in the UK. As the scale and impact of the pandemic became clear early last year, we knew we needed to act with the same urgency to provide support and to rise to the challenge. We concentrated our response in three areas – to preserve the viability of our current investees to help them safeguard impact and weather the crisis; to strengthen our response to the economic and health challenges of the crisis; and to support economies rebuild, acting as a long-term partner.

Within this, we also asked ourselves three questions – what could we do quickly, what could we do at a scale to make a difference, and what could we do that was relatively simple – to ensure our focus was where we could be most effective. That approach has driven our efforts to help businesses right across the economy. For example, we've found trade finance to be a simple and effective tool to provide the support businesses need to overcome short-term liquidity constraints, and protect jobs, during a crisis. You can find more on our response on pages 08–11.

Over the year, our own staff have faced enormous challenges. Like everyone, their working lives, and their home lives, have been severely disrupted. Being unable to travel has meant it is more difficult to support our investees and to find new companies to invest in, and our teams have had to be creative in meeting practical issues like how to conduct remote diligence on new investments. Their tenacity in rising to these challenges, both to support our investee companies and to continue to invest in the markets that need our capital, has been impressive, resulting in £1.2 billion of new commitments last year. Their care for each other, our partners and our mandate has made me prouder than ever to lead CDC.

I am proud, too, of our investment partners. There have been examples of innovation and determination across our portfolio, with businesses often pivoting to new priorities in the midst of the crisis. For example, mPharma, a Ghanaian healthcare company that uses data and technology to help make the medicine supply chain more efficient and reduce the costs of medicines, found ways to distribute one million testing kits to medical labs in five African countries. iMerit, a cutting-edge AI company in India, is another example of a business both supporting its workforce of almost 3,000 – many of whom are from under-resourced communities and over half of whom are women – and achieving business growth during COVID.

The tools we have put in place over the last few years have worked particularly hard this year. The investments we make as part of our Catalyst Strategies, which allow us to take an even more flexible approach to risk in pursuit of impact, have been a key part of our COVID response. For example, MedAccess – a subsidiary of CDC that provides innovative social finance to enable life-changing medical supplies to reach people in Africa and Asia – responded rapidly to the pandemic. This resulted in a $50 million guarantee to support UNICEF to secure vital COVID-19 medical supplies.

At the same time, CDC Plus, our technical assistance facility, stepped into action, launching two facilities: one to support our investee businesses to adapt or scale up to form part of the response to the pandemic, and the other to develop guidance for companies on how to respond to the crisis. The projects it's supported have ranged from distribution companies delivering basic goods to rural areas, to a company launching a new app to assess COVID symptoms.

This year has not only been about responding to COVID, and we should not fall into the trap of ascribing all injustices to the pandemic. For example, lack of sustainable investment in the countries where we operate is not new, and before the pandemic 800 million people globally lacked access to electricity. Nonetheless, the valuable lessons it has taught us about the challenges we need to address emphasise several areas of our work.

CEO's introduction

"While the last year has been one of our most challenging, it has also shown us what is possible."

First, the impacts of crises are rarely gender-neutral and COVID is no different. This makes the work we have led on championing gender-smart investing as crucial as it's ever been. Over the year, we've led the way for other investors, continuing to be a key member of the 2X Challenge, an initiative by 18 development finance institutions (DFIs) and multilateral development banks (MDBs) to support the economic empowerment of women. Almost $200 million of our investments in 2020 qualified under the 2X criteria, and since the initiative began in 2018, we've invested $430 million that meets that standard.

With our partners, we also invested in the first '2X Flagship Fund' this year – funds that have committed to investing with a gender lens using the 2X criteria.

Second, it's focused attention further on the importance of responding to the threat of climate change – from lockdowns leading to a fall in emissions, to the focus on building more resilient businesses in the wake of the pandemic. For our part, last year saw us launch our Climate Change Strategy, which focuses on three areas – ensuring our portfolio reaches net zero by 2050, supporting a 'just transition' to a low-carbon economy, and strengthening the resilience of communities, businesses and people to the effects of climate change. Over the year, we've been leading the way, alongside other DFIs, in making progress against those three areas. For example, we know that in most countries where we invest, the local markets and businesses needed to adapt to climate impacts are only just emerging. We need greater collaboration to grow these, which is why we've committed, with other organisations, to work together on a range of initiatives on adaptation and resilience.

Third, the use of technology has had a huge impact on the way we have lived our lives through the pandemic. It has emphasised what we already knew to be the case, that finding sustainable and inclusive solutions to reach the UN's Sustainable Development Goals will require technology. That ranges from improving access to the affordable, good-quality internet that is central to development, to providing solutions that have the potential to make a difference to both people and planet.

Our role is to invest in both. First, we've continued to support businesses that are growing the digital infrastructure needed to improve internet access – like Liquid Telecom, the largest independent fibre and cloud provider in Africa, who we invested in for the second time during 2020. Second, under our 'Venture Scale-up Programme', we're investing in early-stage companies that use technology and innovative business models to achieve impact – like CropIn, an agribusiness software specialist that uses technology to monitor crop health remotely, and improves farmers' access to finance and climate resilience tools.

While the last year has been one of our most challenging, it has also shown us what is possible. On a broader level, I am spurred on by the collaboration we have seen between different types of organisation in the race to develop a vaccine, and by the urgency that has been missing from the global response to threats such as climate change. These show us what is possible in tackling global challenges – and I believe that CDC, as a long-term investor in the private sector to tackle some of these challenges, will continue to play an important part in this over the coming year.

Finally, as I reflect on an extraordinary year, I want to take the opportunity to thank all those who helped ensure that CDC continues to deliver on its mission of improving livelihoods in the countries where we invest. That includes all our colleagues at FCDO, our Board and independent Investment Committee members, our investee companies and fund managers, and especially the hard working, committed and very talented team at CDC.

Nick O'Donohoe
Chief Executive

What it means to invest for development impact

We are an investor with **two objectives:**

As a development finance institution investing for development impact, we measure success in two ways. First, we're looking at whether the businesses we invest in have a positive economic, environmental or social impact. Second, we're looking at how commercially sustainable and successful a business is.

These two measures of success, impact and financial return, go hand in hand. To create long-term impact, a business must be financially sustainable, because if a business isn't viable and fails, this can have negative impact consequences for its workers, suppliers, and customers, particularly those that are most vulnerable. That means when we invest, the potential development impact and the commercial viability of the business, as well our ability to make a positive contribution, all need to be aligned.

The second of these measures – financial return – also matters because we can reinvest this to help other businesses grow and generate further impact.

You can read more about the link between impact and commercial success in this article

1. To support the business growth and economic stability that will enable countries to leave poverty behind.

Closing the digital divide in Nepal

In Nepal, WorldLink has grown to become the country's largest private internet service provider, laying over 8,000km of fibre network and connecting hundreds of thousands of households and small businesses to the internet. Armed with our capital, WorldLink has been able to fulfil its ambitious expansion plans. Since our investment in 2019, the company has increased the number of households it reaches by 46 per cent to 477,000. The company's services now reach remote places such as Karnali, the most mountainous and underdeveloped province in Nepal. WorldLink has also been recognised by the Nepali Government as the country's highest taxpayer and largest employer in the IT sector.

Relevant investment: WorldLink, Nepal
Investment type: Catalyst Strategies

2. To make a financial return, which we reinvest to improve the lives of millions of people in Africa and South Asia.

Boosting job creation in India

Ecom Express is renowned in India for its safe and reliable nationwide express delivery services for the e-commerce industry. Reaching over 1.2 billion people daily, Ecom Express' network empowers and connects sellers and consumers, enabling the growth of e-commerce and giving people in harder-to-reach areas access to goods and services they otherwise may not have.

Over the last three years, Ecom Express has tripled its volumes and revenues. The business's growth is helping to meet the high demand for jobs in India: the country needs to create 8.1 million jobs a year to maintain its employment rate. Our investment is helping the company to grow its workforce significantly by creating 23,000 new jobs. The company is also committed to strengthening its gender diversity by prioritising hiring women for jobs across the nation.

Relevant investment: Ecom Express, India
Investment type: Growth Portfolio

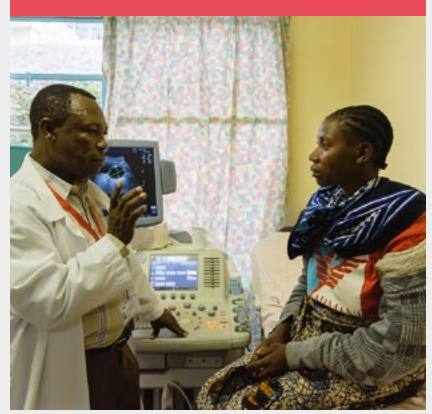
Overview of CDC's impact

Our goal is to support the business growth and economic stability that will enable countries to leave poverty behind.

Overall in 2020, our investments made a positive difference to people's lives by:

Sourcing from
4.08 million
farmers

Treating
14.5 million
patients



Teaching
802,290
students

Investing in power infrastructure to generate
55
terawatt hours of electricity

Directly employing
951,930
workers

Maximising the impact of each investment

Since September 2019, we've produced an 'Impact Dashboard' before making every investment. This assesses the impact we expect to achieve against our 'Impact Framework'; and links the impact of the investment to the SDGs. A recent review of CDC by the Independent Commission for Aid Impact concluded that: "CDC's investment decisions now address development impact throughout the investment cycle and consideration of impact is driving active management of investments." Find out more about the impact of our investments

Sharing our learning

We're committed to sharing our experience and expertise with others. Our Insight reports are a series of practical and digestible lessons on the issues of private-sector investment and development, based on our experiences, knowledge and research. They are aimed at investors, businesses, development professionals and those with an interest in private-sector development.

In 2020, we published six lessons from our portfolio, including the impact of solar home systems in Nigeria, of sustainable farming on smallholder farmers in Ethiopia, of access to finance for healthcare facilities in Kenya, and of connectivity in the Democratic Republic of the Congo. We've published evidence reviews on the impact of investing in power, in food and agriculture, in manufacturing, and in construction and real estate.

We've also published practical guides for other investors on issues ranging from gender-based violence and harassment to the role of environmental, social and governance (ESG) in venture capital.

Find out more about our impact data on pages 31–35.

You can find out more about the advice and guidance we provided to support businesses, investors and financial institutions during the COVID pandemic, on page 11.

Meeting global principles on impact management

2020 also saw us publish our approach to aligning with the Operating Principles for Impact Management. The Principles were launched to harmonise the different approaches to measuring development impact, with the aim of giving a clearer picture of progress globally.

An independent assessment by Tideline Advisors, a certified women-owned advisory firm in impact investing, judged CDC to have 'advanced' alignment with the majority of the Principles.

Overview of CDC's financial performance

We recycle financial returns into new investments.

CDC is a long-term investor, so it is important to look across multiple years for trends, recognising that, in any isolated year, market conditions or events may cause exceptional performance. While we remain ahead of our financial return hurdle (average of 3.5 per cent since January 2012), our underlying returns are continuing to reduce in line with the public statements we have made over several years.

Since adopting a new, highly developmental strategy in 2012, we have indicated that it would lead to lower returns and increased volatility – even before the COVID-19 pandemic. This is due to our narrower geographic mandate, which means that since 2012 we have made new investments in Africa and South Asia only, while exiting our legacy portfolio in other places, like China and Latin America. Second, it is because our developmental strategy challenges us to seek out higher risk.

We remain determined to support the economic stability that will improve the lives of millions of people in Africa and South Asia. We will continue to take a rigorous approach to achieving impact and returns and a balanced approach to managing and mitigating risk within these.

You can read our financial statements in full, and find out more about our approach to risk in our Annual Accounts

£6.8 billion
Total net assets

£5.2 billion
Portfolio

£1.22 billion
Amount committed in 2020

In 2020, we made £1.22 billion of new commitments. This was lower than 2019 (£1.66 billion of commitments) as investment pace was slower due to the impact of the COVID-19 pandemic. Our response to the pandemic has now shifted from an acute response to a lasting one, and as we refocus efforts on the rebuild needed, we expect the pace of commitments to increase in 2021. Our investment pipeline is healthy, but the continuing crisis brings uncertainty to the timing of completing investments.

We increased our total net assets to £6.8 billion (£6.4 billion in 2019) and increased our portfolio to £5.2 billion (£4.7 billion in 2019). A higher pace of disbursements compared with receipts in 2020 was the main reason for this growth.

Our overall result is a total loss after tax of £282.2 million (£371.6 million loss in 2019), which represents a loss of 4.4 per cent on net assets this year (6.4 per cent loss in 2019). The average annual return on net assets since 2012 is £77.1 million.

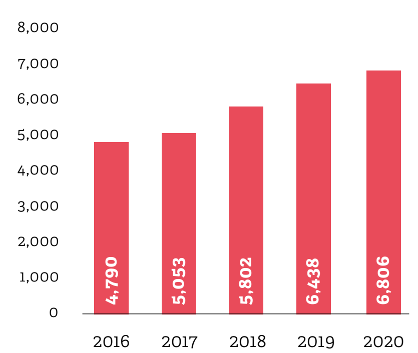
The portfolio generated a £173.9 million loss (£268.6 million loss in 2019), which represents a portfolio loss of 3.7 per cent (6.2 per cent loss in 2019). The average annual portfolio return since 2012 is 6.1 per cent.

There are three main reasons for the lower 2020 portfolio result. First, we track returns in US dollars as most investments are denominated in this currency. Due to changes in the sterling to US dollar exchange rate, the pound sterling result suffered from currency translation losses. Of the £173.9 million portfolio loss in 2020, £121.8 million of that was due to this exchange rate change.

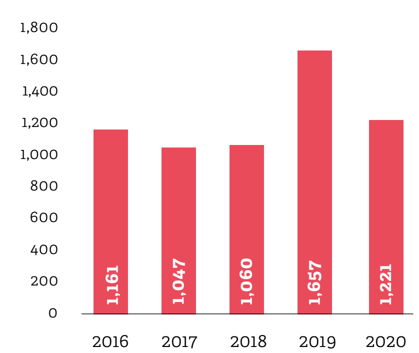
Second, throughout 2020, the pandemic caused extensive disruption to businesses and economic activities globally. The pandemic had a significant detrimental impact on the African and South Asian markets we invest in, reflected in the 2020 portfolio performance.

Finally, the long-term shift in the portfolio since 2012 to focus on investments in Africa and South Asia only has continued to increase the financial risk in the portfolio. The largest contributors to portfolio losses in the year were volatility in Africa and India financial stocks, along with construction and real estate, and investment funds in Africa.

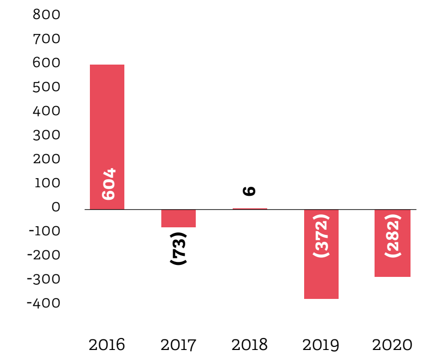
Net assets (£m)



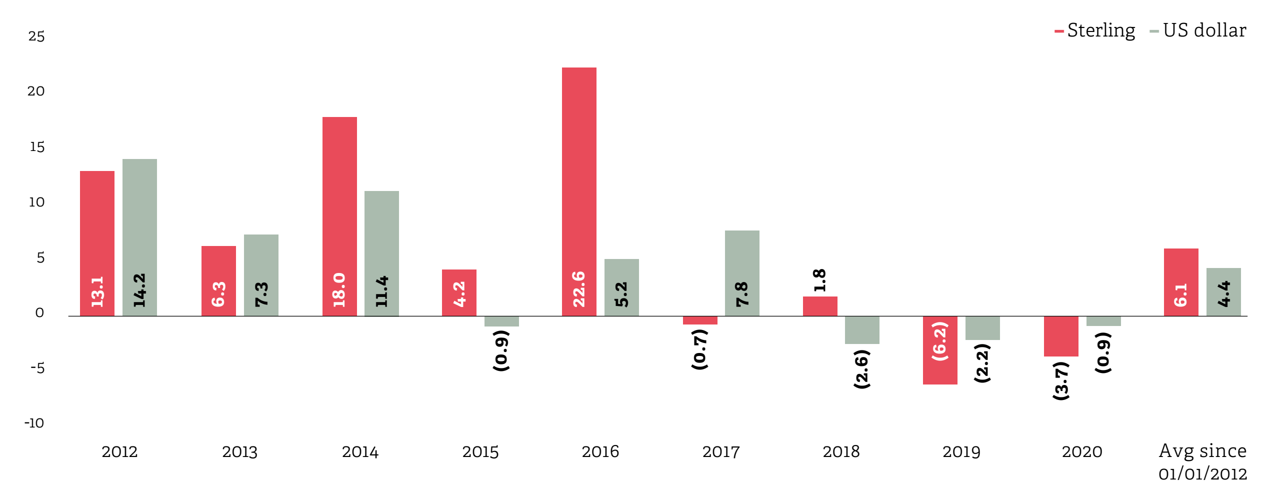
New commitments (£m)



Total return after tax (£m)



Portfolio return (%)



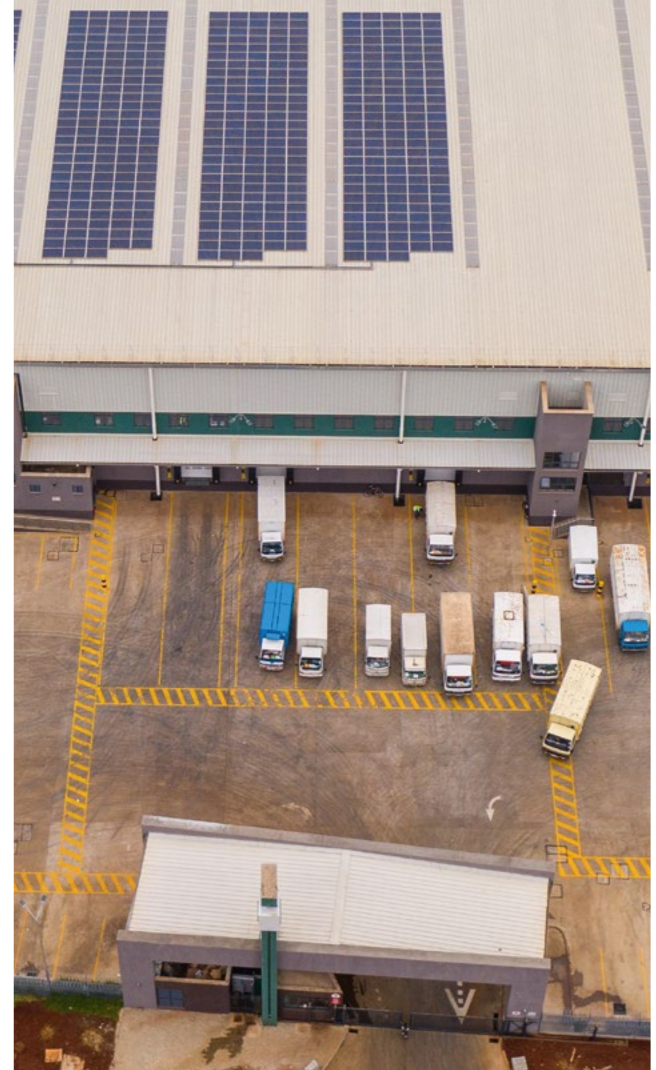
We are rising to meet the challenge

Our COVID-19 response

p.08–11

Impact on people

p.12–p.16

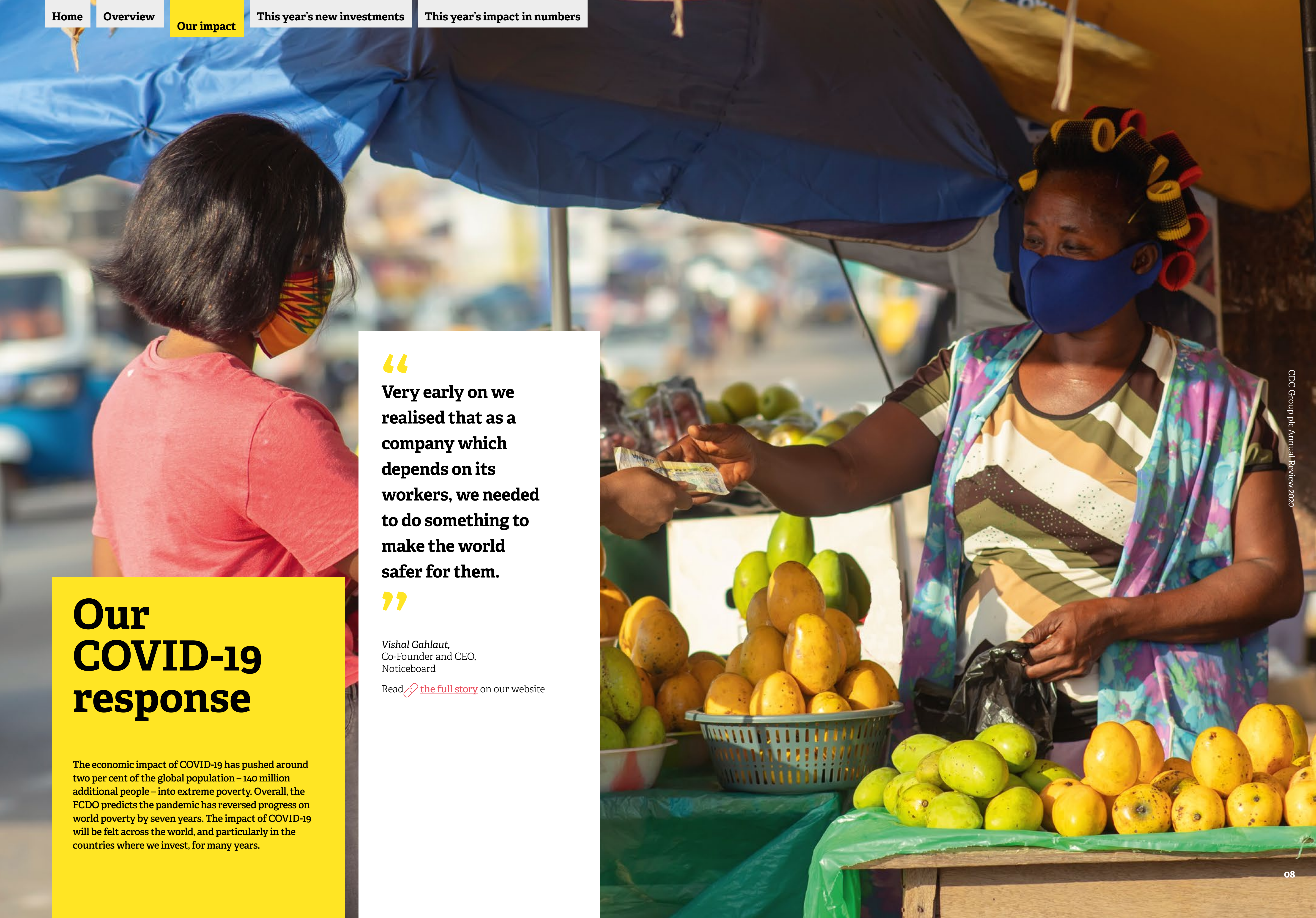


Impact on the planet

p.17–p.21

Regional perspectives

p.22–p.24



Our COVID-19 response

The economic impact of COVID-19 has pushed around two per cent of the global population – 140 million additional people – into extreme poverty. Overall, the FCDO predicts the pandemic has reversed progress on world poverty by seven years. The impact of COVID-19 will be felt across the world, and particularly in the countries where we invest, for many years.

"Very early on we realised that as a company which depends on its workers, we needed to do something to make the world safer for them."

Vishal Gahlaut,
Co-Founder and CEO,
Noticeboard

Read the full story on our website

Our approach

As the scale and impact of the pandemic became clear early last year, we knew we needed to act with urgency to provide support and to rise to the challenge. We concentrated our response on three areas:

1.

Preserve:
helping our partners safeguard impact and weather the crisis
We have direct and indirect investments in almost 1,200 companies in South Asia and Africa employing over 950,000 people. Our first priority was to support our current investee businesses affected by the crisis, whether through providing finance or advice.

2.

Strengthen:
helping businesses respond to economic and health challenges
Beyond assisting our current investees, we also focused on extending our support. That included working with local banks and other financial institutions to provide the working capital that businesses need. It also included making investments that would increase access to healthcare and basic services.

3.

Rebuild:
a long-term partner to the countries where we invest
We know that finance and support from institutions like CDC will be critical to the rebuilding process including economic, social and environmental recovery. Our aim is to support the countries where we invest beyond the pandemic, through to recovery and prosperity, by providing much needed counter-cyclical funding and being one of the first investors to re-enter the market.

Helping businesses respond to economic and health challenges

As part of the 'Strengthen' pillar of our response, we've helped businesses to meet the economic and health challenges of the crisis.

First, that's included channelling much-needed liquidity to local banks to enable them to support their business customers. Companies have needed urgent working capital to survive this period.

Local banks are crucial in providing funding to those companies but, at a time when commercial investors are withdrawing, can only do that if organisations like CDC step forward (see case studies on our trade finance facilities and our investment in the COVID Emerging and Frontier MSME Support Fund, opposite).

Second, it's included supporting those with a direct role in combating the pandemic, investing in businesses providing healthcare or access to basic goods and services. For example, public health systems are severely constrained in the countries where we invest: there's a lack of access to PPE, ventilators are scarce, and, even when they become available, access to vaccinations may be slow (see case study on MedAccess' guarantee to help UNICEF secure vital COVID-19 medical supplies, opposite).

Keeping trade going at times of economic uncertainty

At a time when commercial investors have withdrawn from the markets where we invest, we've been providing liquidity to local banks to enable them to support their business customers. A key part of this has been to ensure the continuation of trade, supporting supply chains, and in turn helping protect economies and livelihoods.

Working with international financial institutions, we've used trade finance to provide businesses in Africa and South Asia with continued access to short-term liquidity to minimise disruption of their operations and supply chains during the crisis. Throughout 2020, we agreed trade finance facilities with four partners, with commitments of £305 million ($385 million). It's playing an important role in counteracting the economic impact of COVID-19.

At a time of crisis, it's been crucial to work with established partners so we can provide finance quickly and at greater scale.

We've also been working with these partners, such as Absa Bank, Standard Chartered Bank and SMBC Bank International, to adapt trade finance to meet the immediate needs of businesses during this period of uncertainty. This involves us taking on a higher share of the risk, so banks feel confident underwriting more trade in priority sectors and countries, where we feel our impact can be greatest.

Although these adaptations are recent, they're already having an effect. Our facilities have financed trade volumes exceeding $1 billion, involving priority sectors such as PPE imports and food supply, and to the least developed countries, including Malawi and Uganda. Despite the crisis, this is a significant increase on the same period in 2019. In some cases, we took on 90 per cent of the risk, the most the terms would allow, and it's unlikely the trades would have taken place without these enhanced terms.

Investment type: Growth Portfolio, Catalyst Strategies
Featured investments: Absa Bank, Standard Chartered Bank, SMBC Bank International

Supporting MSMEs affected by the pandemic

Whereas Government support has been swift in developed markets, it has largely been absent in emerging and frontier markets when it comes to supporting entrepreneurs and setting up effective support and recovery programmes.

Financial institutions provide critical access to financial services for low-income and vulnerable populations across Africa and South Asia. Strained liquidity due to COVID-19 has jeopardised their sustainability and capacity to continue lending. That means they need support to keep financing micro, small and medium-sized enterprises (MSMEs), which provide the backbone of economic growth and employment in developing countries.

As part of our efforts to respond to the economic challenges of the crisis, we invested in Blue Orchard's COVID Emerging and Frontier MSME Support Fund. The fund will provide much-needed loan finance to financial institutions across Africa and South Asia facing strained liquidity due to the impact of COVID-19.

Investment type: Catalyst Strategies
Featured investment: COVID Emerging and Frontier MSME Support Fund, Africa and Asia

Increasing access to vital COVID-19 medical supplies

MedAccess – established by CDC to increase patient access to life-changing medical supplies in Africa and South Asia – responded rapidly to the pandemic. In July, it agreed a guarantee of up to $50 million to support UNICEF in securing vital COVID-19 medical supplies, including diagnostic tests and clinical management supplies, for low- and middle-income countries.

Healthcare workers in both South Asia and sub-Saharan Africa continue to face acute shortages of medical supplies for treating patients as the pandemic continues to spread. Countries whose health systems were already weak before COVID-19 have borne the brunt of supply shortages, making it more difficult for health workers to protect citizens.

The guarantee provided by MedAccess enables UNICEF to secure essential supplies in the fight against the virus. It supports UNICEF's high-volume purchasing orders with manufacturers in responding to countries' demands for medical supplies and diagnostic tests at affordable prices.

Investment type: Catalyst Strategies
Featured investment: MedAccess, Africa and Asia

Providing support beyond investment capital

Using technical assistance to enhance our response

In March, our technical assistance facility, CDC Plus, stepped into action, working with FCDO to gain approval for launching two new initiatives to respond to COVID-19. The first, the 'Business Response Facility', was to support our investee businesses in adapting or scaling up to form part of the response to the pandemic. The second, the 'Emergency Technical Assistance Facility', was set up to develop guidance and provide advice to companies on how to respond to the crisis.

During 2020, CDC Plus approved £5.2 million for 65 COVID-19 technical assistance projects, providing direct support to 84 businesses in our portfolio. These projects affected over four million people in the countries where we invest, through increased access to healthcare, and basic goods and services, as well as helping businesses adapt to weather the pandemic.

Through these facilities, CDC Plus supported:

- Eight projects working with healthcare SMEs in Africa that receive loans from our investee Medical Credit Fund. Combined, these projects are expected to train over 2,500 healthcare professionals, protect over 2,000 clinicians and health workers with PPE, and support clinics that reach over three million patients annually.
- An online healthcare company in India, mFine, which we worked with to accelerate the roll-out of a platform that enables over 2,000 remote doctors' appointments every day, and to launch a new app to assess COVID-19 symptoms and provide guidance that has been downloaded by over 3.5 million users.
- An international microfinance group, Advans, which we worked with to roll out a customer engagement platform, to understand the impact of the pandemic on customers. The platform has been used to directly engage over 450,000 customers. Responding to changing customer needs as a result of the pandemic, Advans launched 26 new financial products, with over 30 per cent uptake by existing clients.
- An Indian tech company, Noticeboard, which enables companies to communicate with non-desk workers without an email account, to convey critical information during the pandemic. Noticeboard's 250 COVID-19 health and safety videos, shared in eight local languages, have provided health guidance to over 1.3 million people.

Providing guidance and advice

Sharing knowledge as swiftly and widely as possible is key to responding to any crisis, especially one that escalates so quickly and with such wide-ranging and long-lasting consequences. Our teams drew on their expertise to produce bespoke advice and guidance to support businesses, investors and financial institutions as the situation evolved, on issues ranging from job protection, customer protection, remote working and returning to work.

We complemented this guidance by hosting webinars for portfolio companies and others when each piece of guidance was published. These virtual sessions focused on how to apply the guidance in practice, as well as troubleshooting issues faced by companies.

You can find a full list of guidance provided on CDCs website

Helping portfolio companies engage and protect employees

As part of our efforts to help our existing investees respond to the various challenges that resulted from the pandemic, we set up a new facility focused on worker engagement and protection, funded by CDC Plus. In total, this has supported 26 companies in our portfolio, which employ over 75,000 workers across Africa and South Asia.

The facility has supported companies in four areas:

- **Job protection:** working with six companies that faced constraints due to COVID-19 and had considered retrenchment or job protection measures.
- **Health and safety:** working with seven companies as they continued operations or returned to the workplace after lockdown.
- **Workforce planning and engagement:** working with four companies on the workforce implications of COVID-19, including revising HR policies, understanding worker needs, and moving the workforce to working remotely.
- **Mental-health support:** working with 11 companies to offer live counselling, webinars, and app-based therapy to their workforce.

Investment type: CDC Plus funded

Impact on people

We invest to make a lasting difference to people's lives, in line with our commitment to the UN's Sustainable Development Goals, beginning with Goal 1 on eliminating poverty.

> **"We've seen that women who are running their own businesses are twice as likely to send their children to school, so there is an intergenerational impact on families."**

Roshaneh Zafar,
Founder and Managing Director,
Kashf Foundation

Impact on people

Investing in workers

One of the reasons we invest is to improve economic opportunities. That might mean making an investment because we believe it will provide more and better jobs, that it will improve incomes, or that it will provide jobs that are inclusive.

In 2020, our portfolio of businesses in Africa and South Asia provided direct jobs for 951,930 people (in full-time equivalents). Of these workers, 33,890 were new hires.

However, the rate of job growth in our portfolio in 2020 is likely to have been negatively affected by the social and economic crisis of the COVID-19 pandemic, falling to 3.7 per cent (compared with a background growth rate of 2.7 per cent). This overall portfolio growth was attributable to a sizeable minority of firms growing faster; around 60 per cent of the businesses in the portfolio were simply maintaining or even reducing their employment.

Over the past five years, the businesses we invest in have grown their workforce annually by an average of 5.9 per cent. This compares with an average growth rate of 3.2 per cent for all employees in Africa and South Asia, according to International Labour Organisation (ILO) statistics.

In wider economic impact, we estimate that in 2020, our portfolio companies' supply-chain purchasing supported an additional 2.6 million indirect workers, and the spending of wages supported a further 1.5 million workers. Electricity supplied by power companies in our portfolio supports an estimated 0.8 million jobs across the wider economy. Finally, we estimate the credit that CDC-backed financial institutions offer to businesses supports as many as 2.6 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. The results are also 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.

We also need to bear in mind that while we ask investees to provide data that relates as closely as possible to the year-end of 2020, most of the data reported here reflects 2019-2020. That means it does not yet fully capture the health, financial and employment impacts of COVID-19, which we predict will be seen more fully in the 2021 data.

Further information about our portfolio's impact on employment can be found in 'This year's impact in numbers' on pages 31–35.

Further information about our efforts to help our investees respond to the challenges of the pandemic, through a new worker engagement and protection facility, can be found in 'Our COVID-19 response' on page 11.

Transforming farmers' incomes

Agriculture in much of Africa and South Asia remains dominated by small-scale farming. Low yields, inefficient practices, and post-harvest losses are common. In India, agriculture represents just under 50 per cent of all jobs – yet 50 per cent of farmers own less than two hectares of land, and 90 per cent of them earn on average less than $2 a day. Smallholder farmers also lack access to formal markets at fair prices due to the structure of supply chains, often dominated by middlemen, as well as lacking market information.

One company using an innovative model to address this issue, helping farmers improve their profit margins and livelihoods, is Osam Dairy. It's a dairy company operating in the east Indian states of Bihar and Jharkhand, procuring milk from over 20,000 small dairy farmers. We invested in the company in 2019, as a co-investment with Lok Capital.

Traditionally, milk would be procured through a network of village collection centres, managed by agents called 'dairy promoters' – but this system affects quality and price transparency, as well as delaying payments to farmers. Instead, the company has piloted a new approach, buying the milk directly from the farmers. It also involves analysing the quality of the milk using a sensor-based machine and collecting this data through a cloud-based system. Farmers (and the company) are then notified directly about the payments due, and these are processed immediately after receiving the milk and paid into farmers' bank accounts within 24 hours.

With this new direct procurement model, payments to farmers have increased by a significant 46 per cent. Farmers are naturally more willing to bring their milk to the company's collection centre, and the new payment set-up has brought them into the formal banking network.

Investment type: Growth Portfolio Featured investment: Osam Dairy, India

Using technology to create rural jobs

Loadshare is an Indian logistics company that uses technology to bring together small and medium logistics companies to create a pan-Indian network reaching local suppliers and rural customers. By bringing together these smaller companies, Loadshare enables them to have better market access, which in turn boosts their growth and creates jobs.

The company now has around 6,000 workers in its network, including staff employed by 'last mile' delivery partners and truck drivers, and over the past four years has expanded across 18 Indian states, with 500 branches. The company has ambitious growth plans to provide up to 90,000 jobs by 2025, propelled by the rapid growth of the Indian delivery market.

To support this growth and to create more jobs, we co-invested in the business in 2020 with Stellaris Ventures as part of our 'Venture Scale-up' Catalyst Strategy. Levels of unemployment are high in the markets where Loadshare operates, and we know that the staff employed by the 'last mile' delivery partners, as well as the truck drivers, are typically low-income workers with limited prior access to formal employment. Our expectation is that these jobs will have a significant positive impact on earnings. Delivery staff also receive training from the company, which can help them progress to other jobs.

Through our technical assistance facility, CDC Plus, we've supported the company to strengthen engagement with its growing workforce. Conducting a worker survey has helped Loadshare to understand the issues workers face and how the business can support workers to overcome them – such as helping people to progress from being self-employed, and providing COVID-19 health insurance.

Investment type: Catalyst Strategies Featured investment: Loadshare, India

Investing in women

Over the year, we've continued to champion gender-smart investing. We've provided resources to encourage other investors to become gender-smart by publishing our; Gender Toolkit and Gender-smart Investing Guide for Fund Managers , and by continuing to be a key leader of the 2X Challenge, an initiative first set up by G7 DFIs to support the economic empowerment of women. Almost $200 million of our investments in 2020 qualified under the 2X criteria, and since the initiative first set up began in 2018, we've invested $430 million that meets that standard.

Since launching in 2018, the 2X Challenge has encouraged more than $6 billion in such investments and increased its membership from seven to 18 DFIs and MDBs. In 2021, it will set an even more ambitious financial target and grow its membership. This year – given the disproportionate impact of the pandemic on women – that partnership has meant working together to ensure a gender-sensitive approach in immediate responses and longer-term recovery solutions to the pandemic.

Increasing diversity in the finance sector

The business case for a gender-diverse workforce is clear – it can lead to higher productivity, lower absenteeism, improved market access and higher retention rates. Recent research also estimates that if financial services firms met the needs of female customers fully, this would generate at least $700 billion of extra revenue a year. Women have historically suffered restricted access to financial services because of difficulties in meeting requirements – for example, 'know your customer' rules often ask for official identity documents and asset ownership that many women don't have. This is harmful not only for women but to wider society, as it limits opportunities for economic participation.

In 2020, we partnered with the Financial Alliance for Women (FAFW), the leading members' network of financial organisations dedicated to championing the female economy, to strengthen gender diversity in the finance sector. Through a partnership funded by our technical assistance facility, CDC Plus, CDC and FAFW are working together on diversity and inclusion to help financial institutions meet the needs of women as customers and employees effectively, and capture the associated business benefits.

Support provided by the partnership includes diversity and inclusion training, online tools, networking and practical guidance for financial institutions. Drawing on FAFW's existing network and peer learning platform, the partnership also provides support to our existing investees and the wider financial sector.

We're also seeing progress at some of the financial institutions we invest in, where we're helping them strengthen gender equality. For example, over the past two years, we've provided guidance and support to HBL, a bank in Pakistan, which has set ambitious targets to increase female employment. We've supported the bank as it has developed a plan to strengthen gender diversity at the firm, and by training 80 of HBL's senior managers on the value of gender-smart banking. Since 2016, HBL has grown its proportion of female staff from 12 per cent, to 18 per cent in 2020.

Investment type: Growth Portfolio, CDC Plus funded Featured investment: HBL, Pakistan

Impact on people

With our partners we also invested in the first '2X Flagship Fund' this year – funds focused on emerging markets that have committed to investing with a gender lens using the 2X criteria. DPI's African Development Partners III Fund was chosen as the first 2X Flagship Fund – affirming its clear and long-standing commitment to advancing women's economic empowerment and promoting gender equity both at DPI and within its portfolio companies in the fund.

We've also provided practical guidance and tools to help others invest in women. A key part of this work is helping to move gender-smart investing from being viewed as niche into the mainstream. The feedback we increasingly hear from companies and funds is that they want to integrate gender into their processes and operations, but often don't know where to start.

For example, although we've seen an increase in gender-smart investing amongst investment funds, many were also telling us that there wasn't guidance for how gender-smart investing should be applied. That's why, in partnership with IFC, we published a new guide for investors to help strengthen gender diversity and incorporate a gender lens into the investment process. We've also created a free-to-use, accessible online toolkit aimed at investors and companies working in our markets. The toolkit brings together resources, guidance and templates that focus on gender-smart investing, gender diversity and inclusion, and gender considerations across a range of sectors.

In 2020 we worked with our portfolio companies to safeguard valuable progress they had made on gender equality, throughout the COVID-19 pandemic. In India, we supported AI business iMerit, which employs 3,000 people, over half of whom are women, in considering gender-related challenges such as increased caring responsibilities, as its workforce moved to working from home. Meanwhile in Gabon, despite challenges posed by the pandemic, we successfully helped logistics business ARISE train 50 women to drive and operate heavy machinery at Owendo Mineral Port and the New Owendo Industrial Port. This has increased the trainees' employment potential and the opportunity to stay within the business.

We're also continuing our strategic partnership with TheBoardroom Africa, which has now become a thriving network of over 1,000 women ready to take on board-level positions across the continent. The company aims to double women's representation in African boardrooms by improving access to board opportunities for women and promoting the benefits of gender diversity in corporate leadership and decision-making.

We also know that the private sector has an important role to play in addressing gender-based violence and harassment. In partnership with the European Bank for Reconstruction and Development (EBRD) and the IFC, we developed guidance that provides emerging good practice in addressing gender-based violence and harassment risks for companies and investors, with an emphasis on emerging markets.

Supporting female entrepreneurship in Pakistan

Pakistan's ranking for gender equality remains one of the lowest in the world, with one of the lowest rates of female participation in the workforce globally. Kashf Foundation is one of the leading microfinance institutions in the country. It promotes female entrepreneurship and has so far enabled more than a million low-income families across Pakistan to improve their standard of living.

The company believes in creating an enabling environment for women micro-entrepreneurs and is committed to creating products and services based on client needs and demands. With a 50 per cent gender ratio at all staff tiers, Kashf Foundation demonstrates best practice in gender diversity and leadership development.

This year, we made a $15 million loan to the company, which qualified for the 2X Challenge. Our investment will support Kashf Foundation as it works to further enhance women's productivity across its network of branches, develop more customised solutions for its clients, and expand its outreach to more female clients.

Investment type: Growth Portfolio
Featured investment: Kashf Foundation, Pakistan

"In terms of economic impact, for women who have been with us for two to three years, over 70 per cent of them report an increase in their income and savings. In terms of social impact, a majority of women tell us that because they run their own businesses and their economic agency has improved, they're able to be more influential in family decision-making. We've also seen that women who are running their own businesses are twice as likely to send their children to school, so there is an intergenerational impact on families."

Roshaneh Zafar,
Founder and Managing Director,
Kashf Foundation

Impact on people

Increasing access to goods and services for businesses and households

Sometimes we invest in businesses and funds with the goal of improving access to goods and services. For example, we invest in power infrastructure because we know that businesses and people in the countries where we invest need better access to electricity. We might invest in a business because it will provide the access to finance that businesses need to grow and succeed. Or we might invest to improve digital infrastructure, because while 3.5 billion people around the world do not have access to the internet, we know that providing this connectivity helps businesses grow and strengthens local economies.

Connecting communities with digital infrastructure

Improving access to affordable, good-quality internet is central to development, strengthening the growth of businesses and local economies, and is a key part of Sustainable Development Goal 9. The World Bank estimates that a 10 per cent growth in people connected to the internet leads to GDP growth of 1.38 per cent.

Developing the infrastructure needed for the internet, such as fibre networks, is essential to improving internet access. This is how Liquid Telecom, the largest independent fibre and cloud provider in Africa, is bringing broadband to some of the most isolated and unconnected places across the continent. We first invested in the business in 2019, to help accelerate the firm's ambition to connect Cape Town to Cairo by fibre network, and to expand infrastructure into Central and West Africa, including to places that lack affordable and reliable broadband, like the Democratic Republic of the Congo.

We provided risk capital at a critical time for the company, and it has repaid our confidence by continuing its rapid roll-out of a fibre network. In 2020, we made an additional $40 million equity investment into the company to support its plan to expand its pan-African data centre business. It's currently estimated that London has three times more cloud computing power available than all of Africa, and Liquid's development of data centres will boost economic activity by reducing costs and offering affordable data storage for companies.

Investment type: Growth Portfolio
Featured investment: Liquid Telecom, pan-Africa

Delivering power to homes and businesses by strengthening electricity networks

Well-functioning electricity transmission and distribution networks are critical to bringing power to the 600 million people in Africa who are still without access. While power generation has seen much private-sector investment in recent years, the networks that carry electricity to customers have been blighted by decades of underinvestment and poor management. Africa's electricity networks are frequently unreliable, forcing users to switch to expensive and polluting diesel. However, while substantial investment is needed, the sector is generally seen as uncommercial, with the risk of high losses.

Trying to change all this is Gridworks, a development and investment platform set up by CDC to address the underinvestment in electricity transmission, distribution and off-grid infrastructure in Africa. It develops new projects and invests in existing utilities, transmission infrastructure and distributed renewable energy companies to help build the infrastructure that makes the wider power sector sustainable and more attractive to private-sector investment.

In 2020, it was announced that Gridworks would lead a consortium that will run the ESSOR A2E programme to build and operate three new utilities serving cities in the north of the Democratic Republic of the Congo using solar-powered mini-grid technology. The project will bring power to hundreds of thousands of customers who do not currently have an electricity connection, which will create jobs and economic growth, improve quality of life and cut carbon emissions through the displacement of diesel generation.

Investment type: Catalyst Strategies
Featured investment: Gridworks, pan-Africa

Impact on the planet

Climate change is a unique global challenge in scale, urgency, magnitude and complexity of action. Our goal is to play a meaningful role in tackling climate change by supporting clean, inclusive and resilient growth in the countries where we invest. In 2020, we stepped up our approach to tackling climate change; we unveiled our commitment to become aligned to the Paris Agreement and launched our ambitious Climate Change Strategy.

> **"Solar technology is not only the most affordable way to provide energy for an off-grid home, it's also significantly reducing carbon emissions. These households are typically burning a kerosene lamp, which produces little light but a lot of carbon emissions. When we replace a kerosene lamp, we're reducing those emissions, and that also means air quality and people's health improves."**

Patrick Walsh,
Co-founder and CEO,
Greenlight Planet

Introduction

Our new Climate Change Strategy is made up of three building blocks that align our activities and investments with the Paris Agreement:

1.

Net zero by 2050: investing for a net zero world, because investment decisions today affect emissions tomorrow.

2.

Just transition: supporting a 'just transition' to a net zero world by keeping the creation of decent jobs and skills development at the forefront of the change.

3.

Adaptation and resilience: strengthening adaptation and resilience of sectors, communities, businesses, people and natural assets to the effects of climate change.

We have already committed more than $1 billion of climate finance over the last four years. Our new strategy, published in July 2020, builds on our achievements to date, including introducing our first climate finance target. Under this target, 30 per cent of new commitments made in 2021 will be in climate finance. In 2020, we've focused on establishing a pipeline of future investments to help us meet that target next year.

The strategy is also aligned to the pillars of the Task Force on Climate-related Financial Disclosures (TCFD), the main international framework for integrating climate change opportunities and risks into the management systems of financial institutions and businesses.

Our reporting of the TCFD can be found in the Annual Accounts 2020

Impact on the planet

Investing for a net zero world by 2050

To achieve the Paris Agreement goal of limiting global warming to 1.5˚C, it's essential all countries reduce carbon emissions to net zero by 2050. Although each country will do things differently, today's investment needs to lay the foundations for this, while helping economies achieve sustainable, resilient and long-term growth.

As well as supporting countries on their individual pathways to net zero, we're ensuring our portfolio reaches net zero by 2050 by reducing emissions across our investments, and investing in new technologies or business models that reduce emissions or remove carbon from the atmosphere.

Over the year, we've been investing to support the net zero transition in our markets. New investments include Greenlight Planet, which provides solar home systems on a pay-as-you-go basis to 11.2 million people across Kenya, Tanzania, Uganda and Nigeria (see case study, opposite). We also invested in Tata Cleantech Capital through our first directed green-lending facility. This will enable the company to provide significant funds to local resource-efficiency businesses that are helping India take steps to combat climate change. This is particularly important as India is the world's third-largest emitter of greenhouse gases and in the top ten water-consuming countries in the world.

We've also been supporting existing investees, for example working with bigbasket, India's largest e-grocery company, and Ecom Express, an e-commerce logistics business, as they move to electric delivery vehicles.
Or there's our work with brick-manufacturing business 14Trees. With support from our technical assistance facility, CDC Plus, we've helped 14Trees pioneer 3D-printing technology in Africa for affordable housing in Kenya. The technology reduces the carbon footprint of building new homes by up to 70 per cent. We've also worked with 14Trees to establish a carbon-credit programme to generate additional revenue and allow the business to expand. Verified by the certification body Gold Standard, the emissions saved during the brick-manufacturing process can be sold as carbon credits and provide additional finance to expand 14Trees' activities.

Another example is our work with Africa Logistics Properties, which creates and manages modern logistics and industrial facilities across East Africa. Its North Logistics Park in Nairobi, Kenya, is one of only 17 warehouses in emerging markets with EDGE certification, a scheme for reducing the environmental impact of buildings. As a result of the measures put in place – including solar panels and reflective paint that reduces energy use – the company is saving over 600 tonnes of carbon dioxide emissions a year. It's also almost halved its operational costs, thanks to savings on its utility bills.

In 2020, we started developing guidance and tools to assess Paris alignment at an individual investment level. This includes new guidance to help us determine whether future investments in our pipeline are 'aligned', 'misaligned' and therefore excluded, or 'conditionally-aligned' with the goals of the Paris Agreement.

Going off-grid to power millions of homes with clean energy

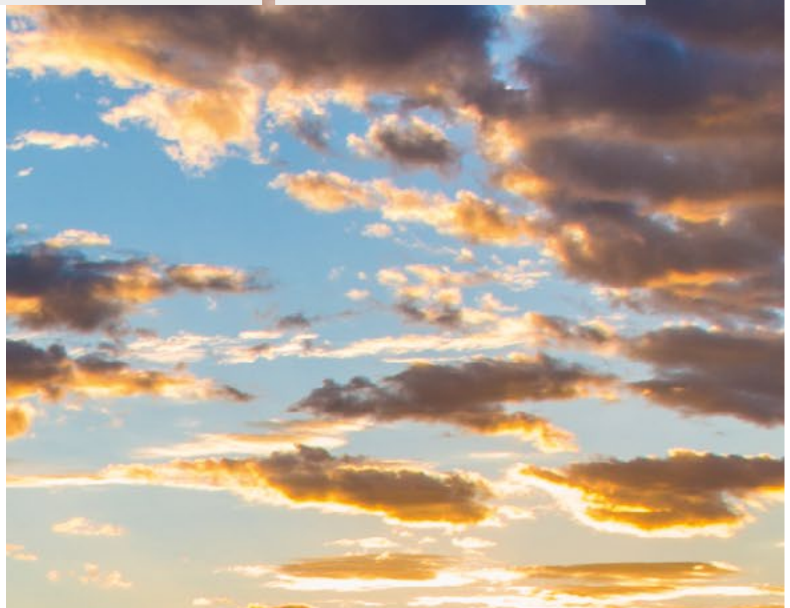
Roughly 600 million people in Africa lack access to electricity. Off-grid energy solutions, such as solar home systems and mini-grids, are the most efficient way to provide renewable and reliable energy to over half these people.

We invest in the off-grid sector to complement our grid-scale renewable energy investments. We're invested in eight of the top ten pay-as-you-go solar companies in Africa. One of those companies is Greenlight Planet, which we invested in during 2020. Greenlight Planet provides solar home systems on a pay-as-you-go basis to 11.2 million people across Kenya, Tanzania, Uganda and Nigeria, where 80 per cent are rural customers.

As well as providing increased access to energy, the company is helping protect the environment – it's estimated to have avoided over 865,000 tonnes of carbon dioxide emissions in 2020. There are also significant health benefits for rural households, who would otherwise rely on kerosene or wood as fuel.

In Nigeria, Lumos is another solar company having an impact through its off-grid solar systems. It has already sold more than 100,000 of its solar home systems to Nigerian homes and plans to increase this tenfold. It's also reaching those on low incomes, who make up 51 per cent of its customers, and in 2020 we published an Insight study exploring Lumos' impact on its customers.

Investment type: Catalyst Strategies
Featured investments: Greenlight Planet, pan-Africa; Lumos, Nigeria



In Africa and South Asia, country pathways to net zero by 2050 will be different to those in developed economies. When we make an investment, we consider the country's pathway to net zero emissions as well as the impact on our portfolio ambitions to reach net zero. In 2020, the UK Government committed to no longer providing any new support for the fossil-fuel energy sector overseas, other than in exceptional circumstances, for example gas power that can be demonstrated as consistent with a country's pathway to net zero emissions. Our new fossil-fuel policy and guidance on natural gas power plants align with this commitment. Under our new fossil-fuel policy, we will not make any new investments across most of the fossil-fuel value chain, and will only pursue investment in gas-fired power stations if it aligns with a country's pathway to net zero emissions by 2050. Our guidance on natural gas power plants helps evaluate whether a given project is deemed consistent with that pathway.

We're also collaborating with partners to inform how we'll reach net zero by 2050. In September 2020, we joined the Partnership for Carbon Accounting Financials, an initiative that helps banks and investors assess and disclose the greenhouse gas emissions of their portfolios. In November, we joined forces with European Development Finance Institutions to announce joint ambitions for climate action.

How we're building a renewable power portfolio to meet climate goals

Over recent years, we've grown our portfolio of investments in renewable energy, committing more than $1 billion to the sector. In relatively developed markets, such as India, we look for opportunities to expand renewable energy provision. In more challenging markets, we provide patient capital and work with developers to get projects off the ground.

However, building a portfolio of renewable energy investments that can impact climate goals takes patience and commitment, because big infrastructure investments take time to become operational – from the concept of the idea, developers need to secure financing, land and permits, and then construct the plant and make it operational. This can take years, particularly in countries where the regulatory structure is unclear or unsupportive. This means there can be a lag between the point of our investment and the point at which those power plants begin to supply power.

For example, in 2017 we invested in Ayana, an independent solar and wind generation company developing utility-scale renewable energy infrastructure in India; in Zephyr Power, a renewable energy company in Pakistan that has developed a 50 megawatt wind-power plant; and in Benban Solar Park in Egypt, the largest solar park in Africa. We're now starting to see the impact of investments like these within our portfolio. Of the total power generated and distributed by our investments in 2020, 29 per cent was from renewable sources such as solar, wind and hydro. This proportion almost doubled from 2019, partly the result of some significant renewables projects becoming operational.

Investment type: Growth Portfolio
Featured investments: Ayana Renewable Power, India; Zephyr Power, Pakistan; Benban Solar Park, Egypt

Ensuring no one is left behind in the transition to a green economy

Supporting a 'just transition' – where the shift to a greener economy is socially inclusive of workers' rights, women and communities – is vital to ensure companies and communities reap the opportunities of the transition to a net zero and climate-resilient economy.

As a DFI which has always considered the importance of decent jobs, we are particularly focused on the economic opportunities for communities and individuals as countries make the transition to a green economy. That means we invest in businesses that provide the jobs of the future for the workers today.

Another important element of the just-transition approach is addressing the negative effects of job losses in highly polluting sectors. This is particularly pertinent in South Africa and India, which are two of the largest coal-dependent emerging economies and vulnerable to the increasing impacts of climate change. Supported by funding from our technical assistance facility CDC Plus, we're the founding member of the 'Just Transition Finance Roadmaps' project in South Africa and India. The project aims to mobilise capital for moving coal regions and communities from these unsustainable economic activities into new activities that create jobs and wider positive social and economic benefits. Through the project, we are engaging the international finance community to support this transition, alongside governments, policymakers, regulators, civil society and local communities.

Tackling both climate change and gender inequality

There is a clear connection between climate change and gender equality. Climate change disproportionately affects women, because it exacerbates existing gender inequalities. Women are more likely to live in poverty and have less social mobility, and are less likely to acquire land or have access to capital – challenges that could intensify in a changing climate. Channelling climate finance towards gender-smart investments means women can address the climate emergency, and unlocks economic and social benefits for whole communities.

That's why, in collaboration with the EBRD and European Investment Bank (EIB), we've set up the 2X Climate Finance Taskforce. The initiative convenes DFIs and multilateral development banks (MDBs) to build expertise on strengthening gender-smart investments for climate adaptation, resilience and mitigation. In the run up to COP26, we're also leading the production of practical, sector-specific guidance to help investors make green investments that reduce gender gaps.

Strengthening adaptation and resilience of sectors, businesses and communities

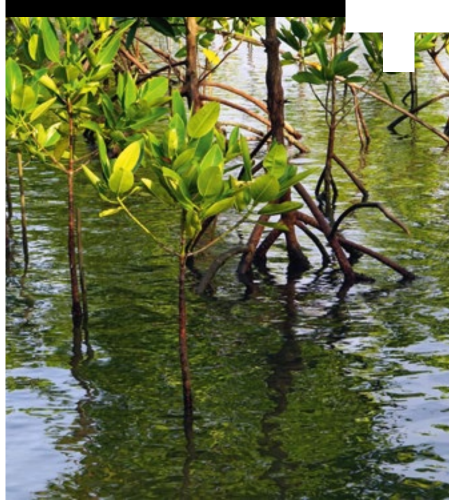
We're working to ensure our investments across all sectors are resilient to climate change. Our approach to this challenge works on two levels. First, we work with our portfolio companies to help identify risks and opportunities, and then implement strategies for those businesses to adapt and be resilient to the changing climate. One example is our work at Zephyr Power in Pakistan, which you can read about in the adjacent case study.

Second, we invest in businesses that provide adaptation and resilience solutions for sectors, businesses and communities. One company rising to this challenge is Roserve, a wastewater treatment and recycling company based in India. Through an innovative pay-per-use model, it provides wastewater treatment solutions to companies facing risk of water stress. Before long, the facility in India is expected to save at least 25 million litres of water a day – and with our support, in 2020, Roserve began expanding into sub-Saharan Africa, where wastewater treatment and recycling is very limited.

Our investment in CropIn, an India-based specialist in software for agribusiness, is another example of an investment offering solutions to the impact of climate change (see adjacent case study).

Lastly, recognising that greater private and public cooperation is needed to accelerate private investment in adaptation and resilience, we partnered with our shareholder the FCDO, the Global Center on Adaptation, FMO, Proparco and AFD, to launch the 'DFIs+ Adaptation and Resilience Collaborative'. The partnership aims to increase collaboration to address barriers to private-sector investment in adaptation and resilience, and to grow the local markets for the business solutions needed to adapt to climate change.

Harnessing the power of nature to protect economies and communities from climate change



In our 2019 Annual Review, we wrote about our innovative project at Zephyr Power, where we're protecting and nurturing mangrove forests to guard against tidal erosion – which is predicted to increase as sea levels rise – and increase prosperity for local communities.

Since then, with funding from our technical assistance facility CDC Plus, we've worked with Earth Security to publish research that sets out how this project could save 20 times the value of the investment, as the mangroves will protect the wind farm's physical infrastructure against coastal erosion. As well as potentially saving up to $7 million over the project's 25-year timeframe, this could double the income of local communities as fishermen see an increased catch.

Investment type:
Growth Portfolio, CDC Plus funded
Featured investment:
Zephyr Power, Pakistan

Building a climate-resilient future for farmers

Climate resilience is particularly important in the food and agriculture sector, which is especially exposed to climate risks such as changes in temperature, rainfall and unpredictable weather patterns.

One company taking a pioneering approach to improving smallholder farmers' resilience to climate change is CropIn, an Indian-based specialist in software for agribusiness. We invested in the company in 2020 as part of our 'Venture Scale-up' Catalyst Strategy.

CropIn uses technology such as satellite images, artificial intelligence and machine learning to monitor crop health remotely, generate weather analytics, make yield predictions, and then pass on these insights to farmers. Armed with the right information, farmers are better equipped to deal with the effects of climate change. Studies show that, on average, climate resilience increases for 92 per cent of farmers in the first year of using CropIn's technology.

In Ethiopia, Perennial Foods Group (PFG) is an agriculture company supplying organic food through its brands GreenPath Food and Kib. PFG encourages farmers to use farming practices that maintain the integrity of their soil, improve water retention, sequester carbon, and improve yields. We're invested in PFG through the fund Novastar Ventures.

In 2020, we published a report looking at the impact of sustainable farming on smallholder suppliers in Ethiopia. 68 per cent of farmers interviewed reported improvements in soil health on their farms as a result of working with PFG, and more than half reported improvements in their water usage and conservation.

Investment type: Catalyst Strategies
Featured investments: CropIn, India; Perennial Foods Group, Ethiopia

Regional perspectives

We continue to grow and strengthen our regional presence across Africa and South Asia, helping to deepen our understanding of the opportunities and challenges in the countries where we invest.

> **"The expertise and insights of our regional teams are critical in guiding our origination efforts, portfolio management and stakeholder relationships, ultimately accelerating the pace and scale we can act at."**
>
> *Tenbite Ermias,*
> *Managing Director, Africa*

A view from Africa

Tenbite Ermias,
Managing Director, Africa

In comparison to global figures, the immediate health impacts of COVID-19 in Africa – apart from in South Africa – have so far been relatively limited. It's the longer-term socioeconomic consequences of the pandemic, however, which stand to significantly affect development across the continent for decades to come.

The economic downturn caused by the pandemic has wiped away precious progress made towards the Sustainable Development Goals. The FCDO estimates that COVID-19 has reversed progress on fighting world poverty by about seven years; and that the number of people living in poverty in Africa will continue to grow, making up 90 per cent of the world's extreme poverty by 2045.

Amid the global uncertainty and economic insecurity, international investors are retreating from Africa, at a time when capital is needed to support the economic activity that underpins jobs and livelihoods. In some African nations, foreign direct investment inflows have reduced by as much as 73 per cent. This has decreased the flow of hard currency to African banks that lend to local businesses to facilitate trade of goods and services, and has weakened Africa's wider trading ecosystems.

In response to this, throughout 2020 we increased the liquidity support we provide in Africa through our established banking partners, such as Absa Bank, Standard Chartered Bank and SMBC Bank International by more than $300 million. Working with established partners means we can provide the finance quickly and at a greater scale. We adapted trade finance to meet the immediate needs of businesses during this period of uncertainty, cushioning the impact the pandemic had on businesses and supply chains that rely on imports.

As committed long-term providers of patient, flexible capital to the private sector, DFIs had a critical contribution to make in 2020. I'm proud that in Africa, CDC committed over $1 billion of investment over the year. This includes investment in Equity Bank to provide much-needed capital to support entrepreneurs and SMEs in Kenya, and a commitment to a first of its kind pan-African pharmaceutical platform, which will deliver affordable and life-saving treatments across the continent.

In 2020 we continued to grow our regional presence on the continent. We deepened our in-country presence in two leading African markets; growing our team in Nigeria and establishing a permanent presence in Egypt. The team's expertise and insights have been critical in guiding our origination efforts and portfolio management, ultimately accelerating the pace and scale we can act at. Continuing to strengthen our regional teams remains a priority for us in 2021, particularly in South Africa, Nigeria and Ghana.

Despite the momentum lost on the Sustainable Development Goals over the past year and the continued risk of new COVID-19 surges affecting individual countries on the continent, Africa's recovery from the pandemic presents a host of opportunities to build back stronger and more resilient economies. This includes an opportunity to increase internal continental trade by increasing export diversification and accelerating adoption of the African Continental Free Trade Area. For CDC's part, we will continue to support businesses and economies through the recovery and beyond.

A view from Nigeria
Benson Adenuga, Head of Office and Coverage Director, Nigeria

Over the last year, Nigeria's economy and trade sector have been heavily affected by the re-emergence of foreign-exchange shortages due to the oil price crash, lower remittances and reversed investment flows. This means businesses have struggled to secure dollars to conduct international transactions, limiting their ability to import machinery or equipment for their operations, or vital goods including medication and food staples.

CDC's trade finance facilities have allowed our partner banks to support supply chains, sustain trade and enable importers to continue operating across the continent, providing a vital lifeline for many businesses in Nigeria, where liquidity is needed.

Strengthening access to finance will remain a priority for CDC's activities in Nigeria throughout 2021, as well as continuing to support our numerous fund managers in Nigeria in navigating their recovery from the pandemic.

A view from Egypt
Sherine Shohdy, Coverage Director, Egypt

Our establishment of a permanent CDC office in Cairo, and my appointment in 2020, are a testament to our long-term mission of supporting Egypt's potential for innovation and growth as an entrepreneurial hub within Africa, which can benefit not only Egyptians but the surrounding region.

COVID-19 had a substantial impact on key sectors of the economy. However, overall, Egypt has dealt well with the economic consequences of the pandemic. Over the next few years we plan to focus on where our capital, technical and operational expertise can make the most substantial environmental and social impact. We will identify opportunities in multiple sectors, including pharmaceuticals, manufacturing, consumables, and infrastructure such as renewable energy and wastewater treatment.

Regional perspectives

A view from South Asia

Srini Nagarajan, Managing Director and Head of Asia

The COVID-19 crisis continues to have a severe impact on lives and livelihoods in South Asia, as several countries, including India, Bangladesh and Pakistan, tackle a surge in COVID-19 cases.

The economic consequences of the pandemic were felt across the entire region in 2020, and all countries experienced a reduction in GDP. The road to recovery for each country will be different, and despite prospects of an economic rebound – the World Bank estimates growth in the region will increase by 7.2 per cent in 2021 and 4.4 per cent in 2022 – growth remains uneven and economic activity well below pre-COVID-19 levels.

The relatively promising economic outlook is in part due to bold and proactive government efforts in 2020. In India and Bangladesh, Government interventions helped to maintain monetary flow to businesses and ensure liquidity in the financial sector. Contrary to the predicted capital flight, foreign exchange reserves in India hit an all-time peak in 2020. In Pakistan, despite outflows by foreign investors, the stock exchange has shown promising signs of recovery. Meanwhile in Nepal – where remittances make up roughly 27 per cent of GDP – remittance inflows have remained stable and will continue to be important for economic recovery.

However, for significant parts of the population, the impact has been severe. The informal sector – which makes up the majority of the labour force in South Asia – has been particularly affected. For example, half of India's population already lives precariously close to the poverty line, so any income and job losses will increase their risk of slipping back into poverty. The pandemic has also exacerbated vulnerabilities of typically excluded groups, such as young people and women.

For our part, we've been working to support inclusive growth and pave the way for a resilient future across the region. In doing this, we are faced with challenges beyond COVID-19, most notably in Myanmar where ongoing instability has meant we've paused investing and are focussing on managing our existing investments.

Elsewhere in the region, in Pakistan, we're encouraging female entrepreneurship through our investment in microfinance pioneer Kashf Foundation. Our commitment will help to support small business owners, who have been disproportionately affected by lockdowns and are dependent on a steady income.

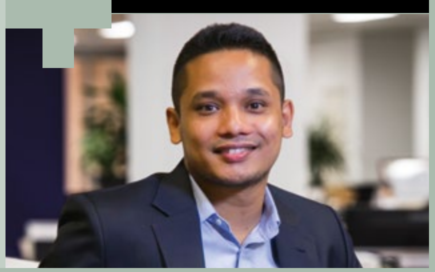
Read more about our investment in Kashf Foundation on page 15.

In Nepal, we've accelerated our commitment to investing more capital, by establishing a regional presence in the country. We're also supporting foreign direct investment into the country through Nepal Invests, an innovative market-building platform we've developed in partnership with FMO, the Dutch development bank, and Swiss Agency for Development and Cooperation, SDC. The first initiative of its kind in Nepal, the platform will support the economic recovery from COVID-19 in several ways: addressing business environment challenges, exploring innovative ways to finance SMEs and increasing the skills and capacity of local investment professionals.

To build back better, it's clear that it is essential for the South Asia region to maintain a strong focus on reducing inequality, as it seeks to implement growth-oriented reforms to get the economy back on track, alongside a speedy roll-out of vaccines.

A view from Nepal

Rabi Rayamajhi, Country Representative, Nepal



High poverty rates and a wide investment gap for being able to meet the SDGs in Nepal presents CDC with a challenging and rewarding opportunity to innovate, shape sectors and unlock the economic potential of the country. Our new market-shaping initiative, Nepal Invests, is a prime example of how we're rising to this challenge.

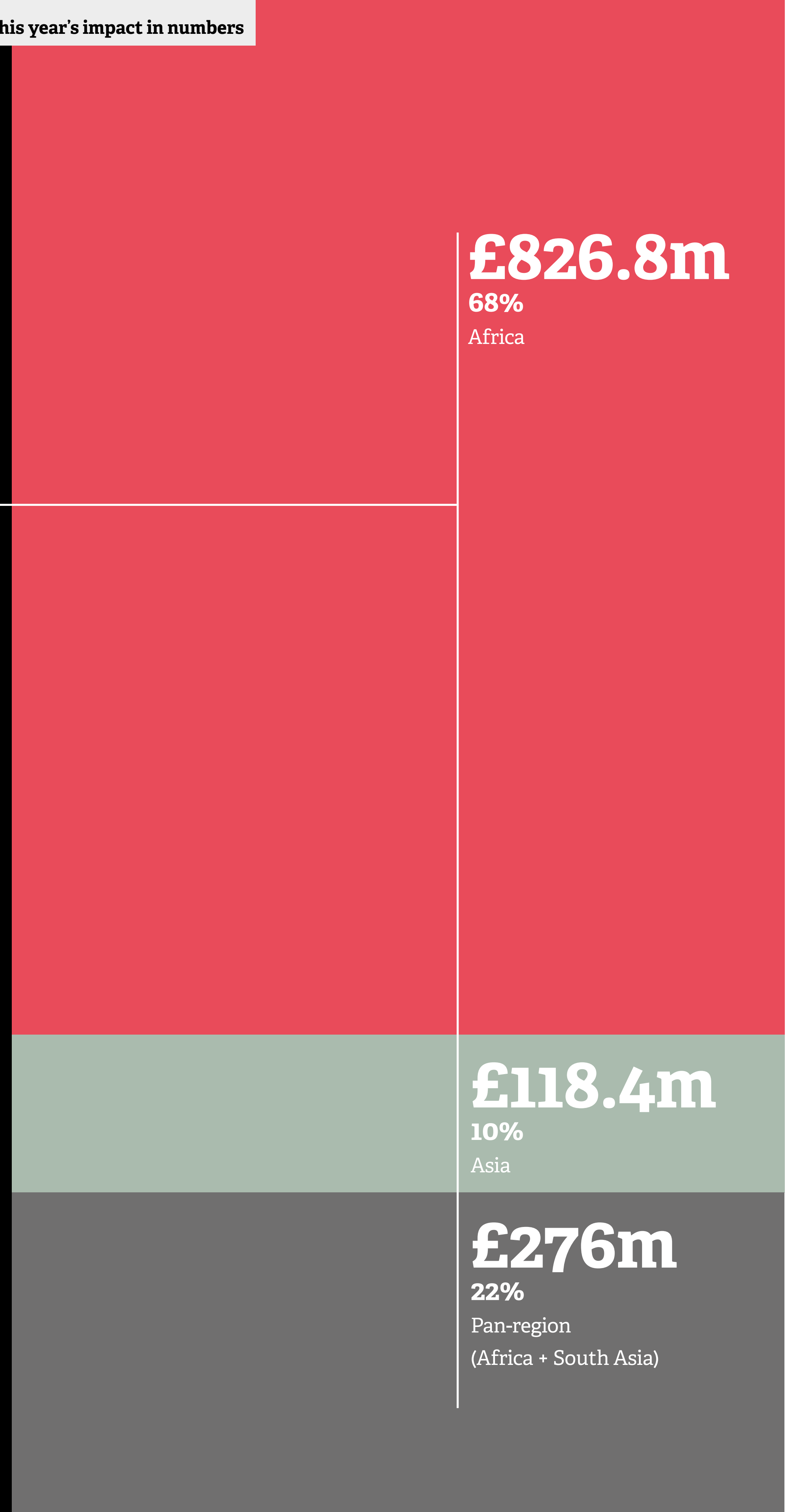
Nepal's young population and rapidly urbanising society have the potential to support businesses in growing, and creating jobs and opportunities. Now I've established CDC's presence in Kathmandu, we'll be focusing on strengthening our relationships with businesses and partners in-country, as well as identifying investments that particularly address the country's development needs – namely focusing on financing SMEs and renewable energy.

This year's new investments

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.

2020 commitments by region:

You can find out more about our portfolio by country and region



At the end of 2020, we had direct and indirect investments in

1,195
businesses

681
in Africa and

410
in our target countries in Asia.

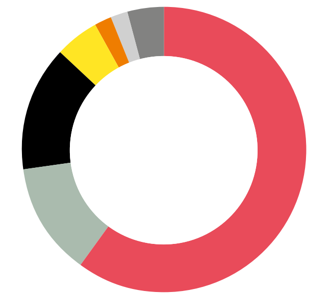
In total, we're invested in
67
countries.

Sectors

Supporting priority sectors

We invest across all sectors, but prioritise those that facilitate further development. Our seven priority sectors are those that have the strongest potential to create the most jobs for the capital invested, and contribute towards many of the SDGs. These sectors are infrastructure, financial services, food and agriculture, health, manufacturing, construction and real estate, and education.

2020 commitments by sector:



Financial services *(£733.2m)*	60%
Infrastructure *(£157.5m)*	13%
Health *(£174.9m)*	14%
Food and agriculture *(£54.4m)*	5%
Education *(0)*	0%
Manufacturing *(£22.5m)*	2%
Construction and real estate *(£27.3m)*	2%
Other *(£51.4m)*	4%

Find out more about our portfolio by sector

Products

A flexible approach to providing capital

We provide capital in many ways: direct equity, debt, intermediated investments (for example 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 needs of each business.

2020 commitments by product:

Direct equity *(£366.8m)*	30%
Debt *(£393.2m)*	32%
Intermediated equity *(£196.7m)*	16%
Guarantees *(£264.5m)*	22%

Find out more about our portfolio by product at

Direct investment commitments

Investment	(£m)	Location
Growth Portfolio		
ABSA Bank Ltd*	100.8	Africa, pan-Africa
Actis Sunrise Development Limited	0.5	Africa, Ghana
Berkeley Energy Africa Ltd	11.3	Africa, pan-Africa
BMCE Bank of Africa	3.7	Africa, Morocco
CDC North Africa Healthcare Limited	73.6	Africa, Egypt
Commercial International Bank	81.0	Africa, Egypt
Ecom Agroindustrial Corp	37.5	Africa, pan-Africa
Ecom Express Private Limited	15.0	Asia, India
Equity Bank (Kenya) Limited	28.1	Africa, Kenya
Feronia Inc	3.5	Africa, Democratic Republic of the Congo
Globeleq Limited	95.6	Africa, pan-Africa
Indorama Eleme Fertilizer & Chemicals Limited	20.3	Africa, Nigeria
KASHF Foundation	11.3	Asia, Pakistan
Liquid Telecommunications Holding Limited	32.3	Africa, pan-Africa
Miro Forestry Company	8.2	Africa, West Africa
RBL Bank Limited	8.8	Asia, India
SMBC Bank International MRPA*	77.4	Africa, pan-Africa
Societe Generale S.A.	47.2	Africa, pan-Africa
Stanbic IBTC Bank Plc	56.1	Africa, Nigeria
Standard Chartered Risk Sharing Facility*	79.5	Pan-region (Africa +Asia)
Supermarket Grocery Supplies Private Limited (Big Basket)	1.4	Asia, India
Trade Development Bank	75.1	Africa, East Africa
TVS Industrial & Logistics Parks Pvt Ltd	26.8	Asia, India
Zanzibar Pharma Limited	81.0	Africa, Egypt and Asia, India
Sub-total	**975.8**	

Investment	(£m)	Location
Catalyst Strategies		
CropIn Technology Solutions Private Limited	2.8	Asia, India
Ergos Business Solutions Private Limited	2.3	Asia, India
Frontiir	2.4	Asia, Myanmar
Greenlight Planet Inc.	8.4	Africa, pan-Africa
Gridworks Development Partners LLP	4.7	Africa, pan-Africa
Loadshare Networks Private Limited	1.7	Asia, India
mPharma Data Inc	1.6	Africa, pan-Africa
Smartpaddle Technology Private Ltd	2.2	Asia, India
Tata Cleantech Capital Limited	22.5	Asia, India
Sub-total	**48.7**	
Total	**1,024.5**	

* Our trade finance facilities with Absa Bank, Standard Chartered Bank and SMBC Bank International include commitments as part of both our Growth Portfolio and Catalyst Strategies (80 per cent commitments under our Growth Portfolio and 20 per cent commitments under our Catalyst Strategies).
Through the portion committed as part of our Catalyst Strategies, we have worked with these established banking partners to take on a higher share of the risk, so the banks felt confident underwriting more trade in priority sectors and countries, where we feel our impact can be greatest.
In 2020, we applied this approach to the facilities mentioned above, as well as existing trade finance facilities originally set up in previous years, which are referenced in previous CDC Annual Reviews (facilities first set up with Absa Bank in 2019, Standard Chartered Bank in 2013, and SMBC Bank International in 2017).

Intermediated equity investment commitments

Investment	(£m)	Location
Growth Portfolio		
African Infrastructure Investment Fund III	12.1	Africa, pan-Africa
AfricInvest Fund IV	40.5	Africa, pan-Africa
Chiratae Ventures International Fund IV	8.1	Asia, India
Growth Catalyst Partners – Annex Fund	7.5	Asia, India
Helios Investors IV	81.0	Africa, pan-Africa
Pravega Ventures Fund I	5.6	Asia, India
Sub-total	**154.8**	

Investment	(£m)	Location
Catalyst Strategies		
Adjuvant Global Health Technology Fund LP	18.8	Pan-region (Africa +Asia)
COVID-19 Emerging and Frontier Market MSME Support Fund	23.2	Pan-region (Africa +Asia)
Sub-total	**41.9**	
Total	**196.7**	

Explaining our 2020 commitments

The new commitments we made in 2020 reflect our urgent response to the COVID-19 pandemic. When the scale of the crisis became clear in April, we focused all of our activities on addressing the economic, healthcare and basic needs required to meet the challenge of the crisis. This meant working with local banks and other financial institutions to provide the working capital that businesses need. As a result, a significant proportion of our investments this year are in this area – including our trade finance facilities with Absa Bank, Standard Chartered Bank, SMBC Bank International, and Societe Generale; as well as investments in funds like the COVID-19 Emerging and Frontier Market MSME Support Fund.
We also made investments with the aim of increasing access to healthcare and basic services, for example, our investments in mPharma and the Adjuvant Global Health Technology Fund.

In 2018 we published our first Gender Strategy and in the same year we launched, along with the G7 DFIs, the 2X Challenge to mobilise investment in women's economic empowerment. As detailed elsewhere in this report, we are now seeing the results of these strategic goals in our investment pipeline, and almost $200 million of our investments in 2020 qualified under the 2X criteria, including those in Kashf Foundation, Greenlight Planet and Chiratae Ventures.

Investments that meet our climate finance criteria this year total $104 million, or 7 per cent of our annual commitments. This is a decrease on last year, largely due to our response to the pandemic, which focused the organisation on tackling liquidity, healthcare and basic services, which do not qualify as climate finance. In addition, our 2020 investments in Tata Cleantech and Greenlight Planet are not included in our total climate finance figure for this year. This is because these investments are part of our Resource Efficiency and Off Grid Solar strategies, which we reported as climate finance when we launched the strategies in 2017. In July 2020, we published our new Climate Change Strategy, which sets a climate finance target from 2021 onwards. Throughout the year we've focused on establishing a pipeline of future investments to help us meet that target.

A selection of our investments

Commercial International Bank
Egypt

CIB is the leading commercial bank in Egypt. We provided Tier 2 capital, which continues to be scarce in Africa. The investment aims to strengthen the bank's capital base, so it can underpin growth and expansion in lending. It also aims to support the bank's lending to exporting sectors of the economy, in line with the Egyptian Government's agenda to develop alternative sources of hard currency outside of tourism. The investment was part of our efforts to support capital markets and banking ecosystems, to enable African economies to weather the COVID-19 storm.

Ecom Express
India

With the high demand for jobs in India, the country needs to create 8.1 million jobs a year to maintain its employment rate. Ecom Express is a leading tech-enabled logistics solutions provider to the Indian e-commerce industry. We first invested in the company in 2019, and in 2020 made a further investment to support the company in its efforts to boost jobs and enhance skills in rural areas. The investment will enable Ecom Express to create 8,000 new jobs in addition to an initial target of 15,000 roles – prioritising employing women for jobs at delivery centres, fulfilment centres and warehouses across the nation.

SMBC Bank International MRPA
Pan-Africa

Global market disruptions have led to major liquidity challenges for banks and businesses, exacerbating the existing pressures on trade finance availability. We agreed this commitment to our existing trade-risk sharing facility with SMBC Bank International plc, to increase the bank's capacity to support trade across Africa. The new facility supports trade lines to local banks, which in turn protects vital trade and jobs, sustaining economic activity and helping accelerate the economic recovery from the COVID-19 pandemic. It will help maintain access for consumers to a range of goods and services by supporting imports of commodities and goods required by manufacturing businesses.

Our commitment also features an innovative mechanism to incentivise trades involving the food, agriculture and healthcare sectors – part of our COVID response to bolster supply chains supporting essential goods and services – as well as investments in our priority countries.

mPharma Data Inc
Pan-Africa

The pharmaceutical market in Africa is large and fragmented, and for patients this frequently results in drugs being out of stock, and high prices even when they are available. mPharma is a company using technology and data to make medicine supply chains more efficient, and to make quality healthcare affordable and accessible to everyone in Africa. The company currently operates in Ghana, Nigeria, Kenya, Rwanda, Zambia and Malawi, serving over a million patients every year through a network of more than 300 pharmacies. By the end of 2021, with the help of our investment, mPharma anticipates adding another 200 pharmacies to its network, and serving over five million patients.

Chiratae Ventures International Fund IV
India

The fund targets companies whose technologically disruptive solutions and scale-up potential can reach large parts of the Indian population, helping to increase economic opportunities and market participation for the next 400 million Indian consumers, employees and suppliers. Our investment in the fund will support the growth of highly scalable, tech-enabled companies in India, with the aim of creating large-scale employment for underserved groups, and increasing the availability, affordability and accessibility of goods and services. The fund is committed to strengthening women's economic empowerment and has qualified for the 2X Challenge.

Adjuvant Global Health Technology Fund LP
Pan-region

The fund is focused on accelerating the development of medical innovations for historically overlooked public health challenges. Its goal is to save or improve millions of lives by bringing urgently needed drugs, vaccines, diagnostics and medical devices to market. The fund has already backed 14 companies developing technologies for high-impact indications ranging from rare conditions to widespread global emergencies, such as COVID-19.

A selection of our investments

Helios Investors IV
Pan-Africa

Helios has one of the strongest track records in African private equity across its three predecessor funds, having invested over $3 billion and created over 11,000 new jobs in diverse sectors ranging from financial services to education and telecommunications. Our investment in this latest fund will be instrumental in accelerating job creation, facilitating sustainable employment, and supporting the recovery from the COVID-19 pandemic by boosting economic growth across the continent. The investment is also aimed at supporting efforts to mobilise capital to African businesses and continued investment in companies across the continent.

Tata Cleantech Capital Limited
India

In 2020, India was the world's third-largest emitter of greenhouse gases and is in the top ten water-consuming countries in the world. Our facility with Tata Cleantech Capital Limited will enable the company to offer loans to businesses across India that focus on e-mobility solutions, water efficiency and wastewater treatment, and energy efficiency, to help mitigate the effects of climate change. The facility will further demonstrate the bankability of resource-efficiency solutions to customers and investors alike, helping catalyse the growth of the market.

Stanbic IBTC Bank Plc
Nigeria

The economic disruption caused by the COVID-19 pandemic has resulted in challenges to cash flow and access to finance for companies in Nigeria. We agreed a long-term debt commitment to Stanbic IBTC, to enable it to continue lending to businesses in sub-sectors of the economy that are important for domestic consumption and exports including food, manufacturing, telecommunications and construction. These sectors all employ large numbers of local staff and support substantial SME supply chains. The funding will ensure businesses in critical sectors can access capital to protect their operations and employees amid the economic uncertainty.

Societe Generale S.A.
Pan-Africa

At a time when there is limited access to international capital for local companies and importers in Africa, we agreed a trade finance risk-sharing facility with Societe Generale, to increase access to finance for local businesses and importers.
The facility allows the bank to extend the limits for local banks, which in turn strengthens its ability to provide critical funding to local importers of essential food and resources, helping these companies through the current economic crisis. Several trades facilitated by our capital are supporting food and agricultural value chains, critical in the COVID-19 response.

Ecom Agroindustrial Corp
Pan-Africa

Ecom Agroindustrial Corp is a commodity merchant and sustainable supply-chain-management company. The company procures from roughly 680,000 farmers across Africa, with over 800,000 farmers in the company's global supply chain. CDC first backed Ecom in 2014, and our new investment will allow it to continue improving farmers' livelihoods by providing them with access to overseas markets, improving farming practices and enhancing sustainable farming through training and access to technology.

Shaping markets for pioneering impact

We invest through our Catalyst Strategies to shape nascent markets and build more inclusive and sustainable economies. Over the last six years, we have been investing in markets where there are few precedents or benchmarks, and we take a flexible approach to risk in exchange for pioneering impact. It's an innovative approach, and we're proud to have been able to continue to extend it over the last year, as well as to have used the approach as a key part of our COVID response. In 2020, investments made as part of our Catalyst Strategies reached more than 40 million people.

We were pleased to approve two new Catalyst Strategies in 2020. The first of these is our Venture Scale-up programme. Through the programme, we invest in early-stage companies that use technology and innovative business models to achieve large transformational impact. We've made several investments as part of this programme over the course of the year, including in the following:

+ A specialist in software for agribusiness, which is using technology to monitor crop health remotely, and improve farmers' access to finance and climate resilience (see page 21).
+ An Indian logistics company that uses technology to bring together small and medium logistics companies to create a pan-Indian network reaching local suppliers and rural customers (see page 13).
+ A company using technology and data to make medicine supply chains more efficient, and to make quality healthcare affordable and accessible to everyone in Africa (see page 27).

The second new Catalyst Strategy approved in 2020 is our Forestry Strategy, which aims to support the African forestry sector in reducing pressure on natural forests, contributing to climate-change mitigation, and having a significant positive and sustainable impact on improving local livelihoods. We look forward to seeing this work develop over the next year.

Our Catalyst Strategies continue to play an important role in energy access. Our Energy Access and Efficiency Facility is supporting companies in the off-grid solar sector, as well as tackling the climate challenge through energy, waste and water-efficiency investments. In 2020, it set up a facility to offer loans to businesses across India that focus on e-mobility solutions, water efficiency and wastewater treatment, and energy efficiency, to help mitigate the effects of climate change (see page 28). It also invested in a company providing solar home systems on a pay-as-you-go basis to 11.2 million people across Kenya, Tanzania, Uganda and Nigeria (see page 19).

They have also played a key role across different sectors and products in our response to economic effects of the COVID-19 pandemic – in particular in our efforts to increase our response to the economic and health challenges of the crisis. On the health side, MedAccess – a subsidiary of CDC that provides innovative social finance to enable life-changing medical supplies to reach people in Africa and Asia – responded rapidly to the pandemic. This resulted in a $50 million guarantee to support UNICEF in securing vital COVID-19 medical supplies (see page 10).

We were also able to use catalytic capital in our response to the economic challenges of the pandemic. As part of our Catalyst Funds, we invested in Blue Orchard's COVID Emerging and Frontier MSME Support Fund, which will provide much-needed loan finance to financial institutions across Africa and South Asia facing strained liquidity due to the impact of COVID-19 (see page 10).

Trade finance has been a key part of our response to tackling the economic challenges of the COVID crisis. Through the approach of our Catalyst Strategies, we were able to work with some of our established banking partners, such as Absa Bank, Standard Chartered Bank and SMBC Bank International, to take on a higher share of the risk, so the banks felt confident underwriting more trade in priority sectors and countries, where we feel our impact can be greatest.

Investments made through our Catalyst Strategies in 2020 are listed on page 26.

Further information visit our individual Catalyst Strategies

CDC Plus

Ensuring further and faster impact through technical assistance

Through CDC Plus, we provide technical assistance to make a lasting difference to the lives of underserved groups. Using our experience as an investor in emerging markets, we identify and create opportunities beyond the scope of returnable capital.

CDC Plus has two main objectives. First, we work with companies within our portfolio to deepen their development impact. One business we've worked with this year is manufacturing firm 14Trees. Our funding is supporting 14Trees to pioneer 3D printing technology to build affordable housing in Kenya with a reduced carbon footprint. Second, we create value beyond our portfolio by designing and managing market-shaping programmes. For example, we have joined with other DFIs and development partners to launch Nepal Invests, an innovative market-building platform aimed at accelerating investment into the country.

In 2020, we approved £7.8 million of CDC Plus funding for 69 projects. Since launching CDC Plus in mid-2018, 110 businesses within our portfolio have used CDC Plus support. To date, CDC Plus-funded investees and projects have affected more than 10 million people in our markets and more than 8,500 businesses. We've also funded high-quality resources including guidance, training and partnerships to accelerate gender equality and ESG standards within the private sector. These initiatives have directly reached and influenced over 4,000 organisations.

CDC Plus also formed a critical part of our COVID-19 response in 2020 through two facilities: one to support our investee businesses in adapting or growing to form part of the response to the pandemic; and the other to develop guidance for companies on how to respond to the crisis. 65 projects were supported through these COVID-19 facilities. Examples include a project to help a Ugandan distribution company deliver basic goods to some of the more remote parts of the country, and another to launch a new app to assess COVID symptoms and provide guidance. Overall, through these projects, CDC Plus funding benefitted more than four million people as the customers and employees of the 84 investee businesses supported.

Read more about the role of technical assistance in our COVID response on page 11.

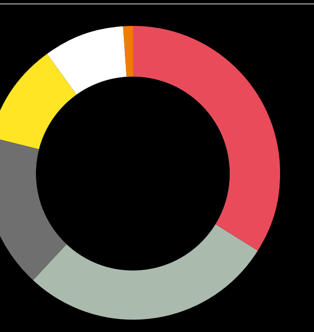
Read more about other CDC Plus-funded projects:

- COVID-19 support to Advans, Medical Credit Fund and mFine (page 11)
- The COVID-19 worker engagement and protection facility (page 11)
- Indian logistics company Loadshare (page 13)
- Partnership with Financial Alliance for Women (page 14)
- Guidance on addressing gender-based violence and harassment risks (page 15)
- Training women in non-traditional roles at ARISE in Gabon (page 15)
- 14Trees carbon credits programme (page 19)
- Just Transition Finance Roadmaps (page 20)
- Mangrove restoration research with Earth Security Group (page 21)
- Market-shaping programme Nepal Invests (page 24)

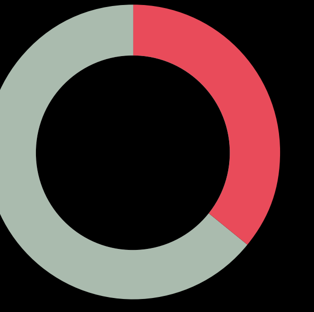
CDC Plus in numbers

In 2020, we approved £7.8 million of CDC Plus funding for 69 projects.

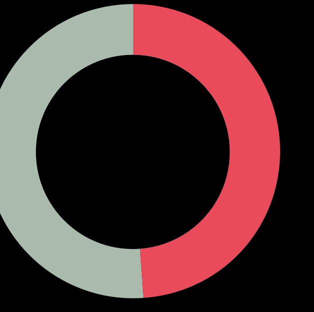
The largest proportion (38 per cent) of CDC Plus' portfolio is in Africa



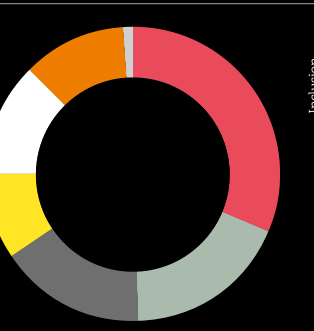
New commitments, including COVID-19 emergency support, increased the proportion of projects focused on our current investees (64 per cent, up from 51 per cent last year)



Project ideas originate roughly equally between within CDC and outside CDC



For those projects focused on our strategic themes, inclusion is the most common theme



This year's impact in numbers

Impact on employment

Direct workers

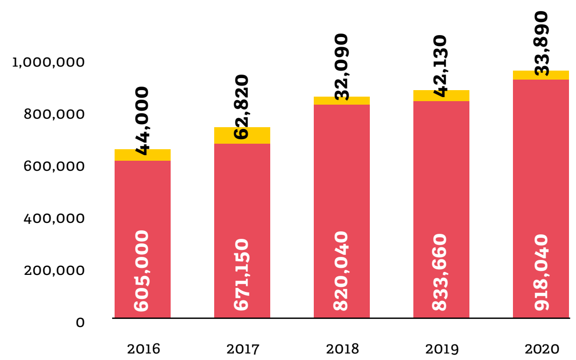
In 2020, our portfolio in Africa and South Asia employed 951,930 workers: 188,530 direct employees in CDC-backed businesses and 763,400 additional direct employees in businesses invested in by CDC-backed funds (all expressed in full-time equivalents). Direct workers in CDC-backed businesses are as defined by the new Joint Impact Indicator (JII) of 'direct jobs supported (operations and maintenance)'.

Of firms supported, both direct and investee firms, 36 per cent are SMEs (fewer than 50 employees), while 59 per cent have over 300 employees and are classified as large enterprises.

Our portfolio businesses made 33,890 new hires in 2020 (net, allowing for entries and exits from our portfolio). While annual employment growth in these businesses fluctuates significantly, the five-year average growth rate is 5.9 per cent. This compares to the background growth rate in total employees in Africa and South Asia of 3.2 per cent over the same period, according to ILO statistics.

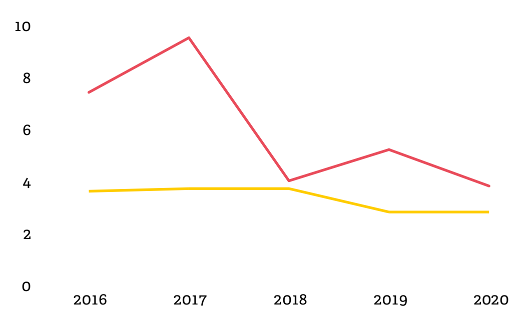
In 2020, the rate of job growth in our portfolio is likely to have been negatively affected by the social and economic crisis of the COVID-19 pandemic, falling to 3.7 per cent (compared with a background growth rate of 2.7 per cent). This overall portfolio growth was attributable to a sizeable minority of firms growing faster; around 60 per cent of the businesses in the portfolio were simply maintaining or even reducing their employment. Further information on the Joint Impact Indicators can be found on the IRIS+ website

Jobs, direct workforce



Key
- Jobs supported at start of year
- Additional jobs supported at end of year

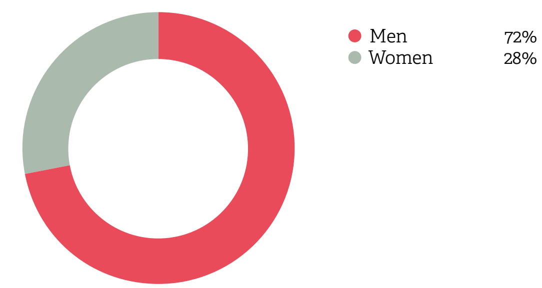
Annual job creation rate



Key
- CDC investees' annual growth rate
- CDC geographies employees' growth rate (ILO)

In 2020, 28 per cent of the workforce were women, consistent with results in 2019. We saw a slight improvement in the Africa portfolio from 33 per cent female in 2019 to 34 per cent female in 2020, while in South Asia rates for women were lower. This is consistent with overall female labour force participation rates; and female participation has also been particularly affected as a result of COVID-19. Across our portfolio, we also supported 41,112 green jobs.

Direct jobs supported, by gender



5.9%
Average annual employment growth over the past five years

Our impact data and the effect of COVID-19

We ask our investees to provide data that relates as closely as possible to the year-end of 2020. Most of the data reported here reflects 2019-2020 and so does not yet fully capture the health, financial and employment impacts of COVID-19, which we predict will be seen more fully in the 2021 data.

Modelling and attributing indirect impacts with the Joint Impact Model

We know that the indirect impacts of business operations can be significantly greater than their direct impacts, whether in generating value added to the economy, supporting additional employment, or generating greenhouse gases.

To help investors understand these indirect effects, we worked with other development finance institutions and researchers to launch the Joint Impact Model, or JIM. JIM uses the latest multi-country economic data from the Global Trade Analysis Project at Purdue University, the International Labour Organisation (ILO), the World Bank Group and the International Energy Agency (IEA).

JIM enables investors with large portfolios to calculate the number of direct and indirect jobs supported and the associated carbon footprint of these activities.

Recently agreed good practice on carbon footprinting is to attribute emissions to an investor using its investment amount as a percentage of the enterprise's total assets. This is the approach we have taken in our TCFD statement, which can be found in our Annual Accounts

CDC and some other DFIs have not sought to attribute jobs supported due to the lack of a comparable agreed methodology. It's also important to bear in mind that claims about impact need to consider what would have happened without the contribution of development finance. In the results that follow, our indirect jobs – and other portfolio impacts – are unattributed, to maintain consistency with previous years. The year-on-year indirect jobs numbers take into account entries and exits from our portfolio, as with the direct workers data on this page. We indicate our level of confidence for different types of indirect jobs modelled.

For further information visit the Joint Impact Model

Impact on employment

Indirect jobs from supply chains

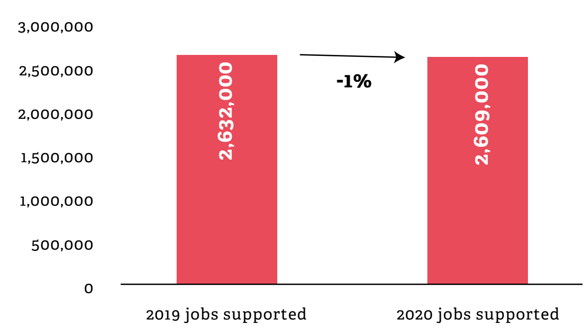
In 2020, our portfolio businesses made $10.1 billion of purchases (the cost of goods sold), slightly less than was purchased by the same firms in 2019. Where supply-chain purchasing is largely domestic, for example in food processing and construction, it can generate substantial knock-on employment impacts.

We use reported purchasing data where possible. If not, it is calculated from actual reported revenue from businesses. We then estimate the percentage of local purchasing derived from sector averages from input-output tables. We are relatively confident in the accuracy of these supply-chain results.

In 2020, local purchasing is estimated to have supported 2.6 million workers in supply chains, down 1 per cent from 2019. This is expected, due to the impact of COVID-19 on our investees.

Across the portfolio, this suggests that 3.3 jobs in the supply chain are supported for every direct worker employed (back down to the level seen in 2018).

Supply chain



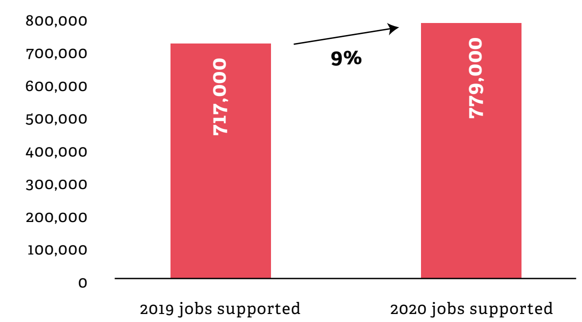
Indirect jobs from electricity

In 2020, the electricity infrastructure we backed generated a total of 55 terawatt hours. Controlling for entries and exits, this was an increase of 9 per cent from 2019.

In the joint impact model, annual gigawatt hours of electricity production are equated to output in electricity-using sectors, which in turn is translated to estimates of the number of workers needed to produce this output. In many developing countries, increased supply of electricity can reduce outages but may not lead to reductions in tariffs, thus limiting the impact of the additional electricity. This is reflected in our modelling, so we have moderate confidence in the accuracy of the assumptions.

In 2020, the power produced and transmitted by our portfolio of electricity companies was sufficient to support economic activity for an estimated 0.78 million workers in 2019, up from 0.72 million in 2019.

Electricity

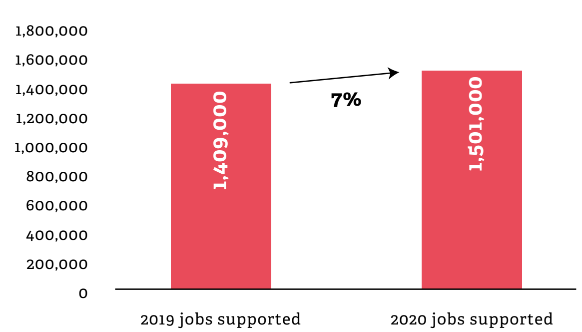


Indirect jobs from consumption via workers' wages

In 2020, our portfolio businesses reported paying $2.9 billion in wages to employees. Wages spent by workers in supply-chain companies also support economic activity. Based on household expenditure surveys, we know the majority of wages in Africa and South Asia are spent on local consumption, with as much as half for some lower-paid workers going on food[1].

We estimate that local spending of wages supported almost 1.5 million jobs through consumption. This is up 7 per cent from 2019. We assign only a moderate level of confidence to these wage-induced jobs estimates.

Wages



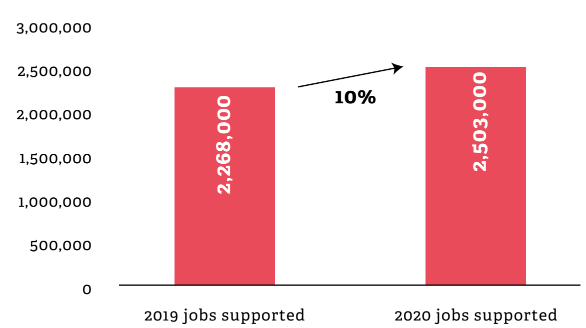
Indirect jobs from bank lending

In 2020, the banks and other financial institutions we backed lent $46 billion to businesses of all sizes (the balance of lending was to individual borrowers, and through other products such as mortgages). The sheer scale of these financial services can be compared to supply-chain purchasing by firms ($10.1 billion), wages paid ($2.9 billion), taxes paid ($2.21 billion) and CDC's own commitments in 2020 of $1.6 billion.

Many businesses use these loans to expand their operations and create knock-on employment effects. Others will use loans to increase productivity through automation, or simply to survive. In 2020, 19 per cent of this lending was by financial institutions dedicated to small and medium-sized enterprises. We are moderately confident of the assumptions on how bank lending on average translates into extra jobs, by keeping a close eye on the latest evidence.

In 2020, business loans from financial institutions in our portfolio supported an estimated 2.5 million workers in borrowing companies and their supply chains. This is up 10 per cent on 2019, for the same group of lenders. Much of this data relates to the financial year ended March 2020, and so predates the impact of COVID-19.

Lending



1 Food Affordability in Zambia, CDC 2019.

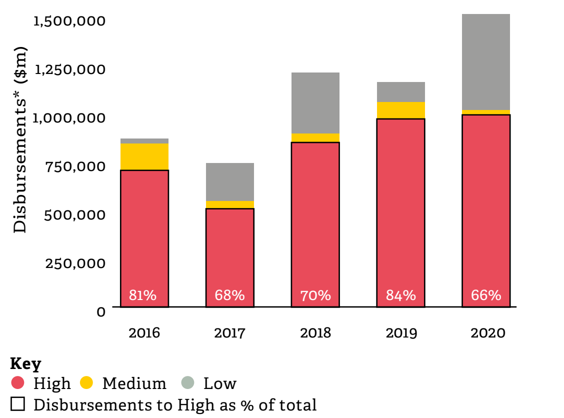
Impact on companies and economies

Sector impact: focusing on priority sectors

Our seven priority sectors are those that have the strongest potential to create the most jobs for the capital invested, and contribute towards many of the SDGs. These sectors are infrastructure, financial services, food and agriculture, health, manufacturing, construction and real estate, and education (these are 'high-priority sectors' in the adjacent chart).

In 2020, we disbursed $992 million to high-priority sectors, with the proportion of total disbursements of 66 per cent. This included substantial investments in infrastructure ($181 million) and financial services ($494 million). The disbursements to high-priority sectors have increased since the previous year. However, as the total disbursement amount is considerably larger, the proportion to such sectors has seen an 18 per cent decrease since 2019. We sometimes invest in sectors that (on average) are less job-intensive, where other positive impacts can be achieved.

Priority sectors



* The graph above represents disbursements made to Growth Portfolio investments after 2012.

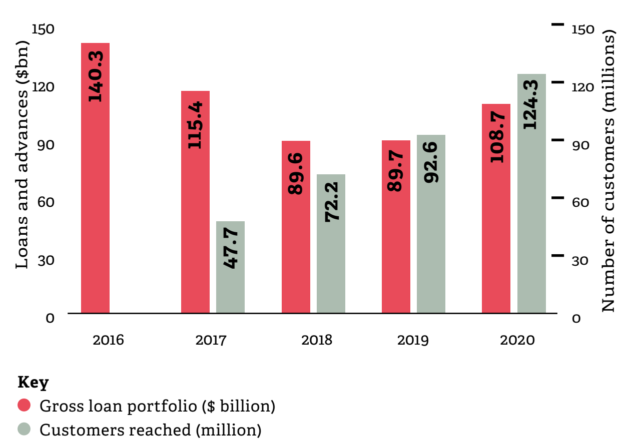
Sector impact: financial services

We invest to promote financial inclusion or improve performance, for example, by extending the range of financial services and products available.

In 2020, the gross loan portfolio (GLP) of our financial sector investments, converted to US dollars, stood at $108.7 billion. The loan portfolio has increased this year after the static results in 2019. The customer base continues to grow steadily, driven primarily by increased loans but also by improved reporting.

Banks and non-bank financial institutions in our portfolio also provided work for 292,320 people, a quarter of whom (24 per cent) were women.

Loans and advances to customers

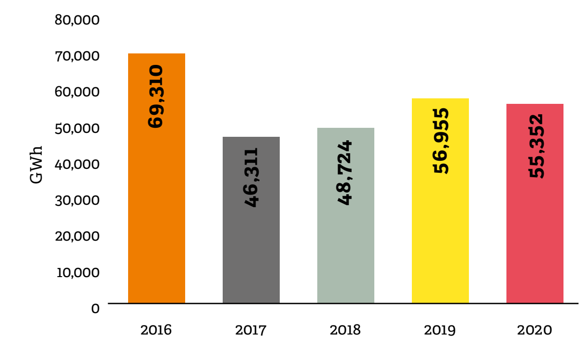


Sector impact: infrastructure

Infrastructure is fundamental to development and is the foundation of any economy. Manufacturing companies need power to operate. Workers need to be able to travel to their jobs. People need communications and clean water. In 2020, our electricity investments generated and distributed over 55 terawatt hours (TWh) of electricity, slightly less than in 2019 due to the sale of several assets in the intermediated portfolio. This is equivalent to 8 per cent of all the electricity consumed on the continent of Africa[2]. In addition to grid electricity, we also supported off-grid solar solutions for 1.66 million customers, as well as many others via ports, telecoms, water and sanitation.

Of the total power generated and distributed by our investments, 29 per cent was from renewable sources such as solar, wind and hydro. This proportion almost doubled from 2019, as a result of exiting a large legacy thermal power station, and some significant renewables projects becoming operational. Our infrastructure investments also provided 53,800 jobs, 19 per cent of them for women, in 2020.

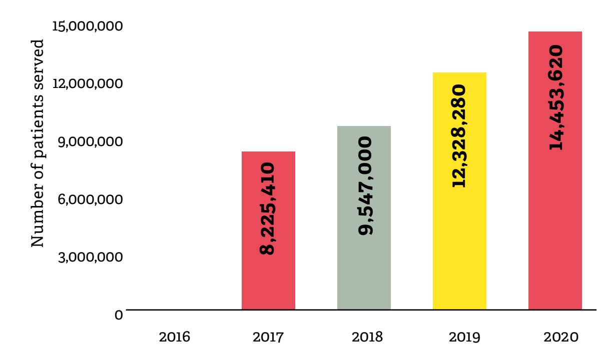
Electricity generated (GWh)



Sector impact: health

Our focus is on developing the sector and improving health outcomes. That means investing in organisations that improve healthcare quality, expand affordability and access, and enhance the workforce. Healthcare operators in our portfolio served 14.5 million patients in 2020. Typically, outpatients outnumber inpatients by nine to one. This does not include many millions of customers for pharmaceutical products made by our portfolio companies or sold by clinics and pharmacies in our portfolio. mPharma, for example, provides access to healthcare and pharmaceuticals for over a million people in six African countries. In 2020, our healthcare investments also provided 86,200 jobs for healthcare workers, 43 per cent of them women.

Patients served



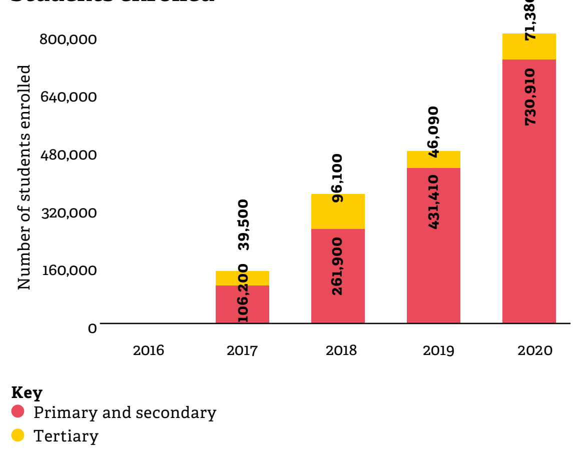
2 https://www.iea.org/fuels-and-technologies/electricity#data-browser, data for 2018.

Impact on companies and economies

Sector impact: education

Our education investments aim to improve learning and life outcomes and to expand access. We also focus on providers who are improving workforce capability and reaching underserved parts of society. Education providers in our portfolio supported 802,290 learners in 2020, having more than doubled since 2018. Of these, 90 per cent were enrolled in primary and secondary education, and 10 per cent at tertiary level. Our education investments also supported 35,820 teaching and support jobs, 44 per cent of them held by women.

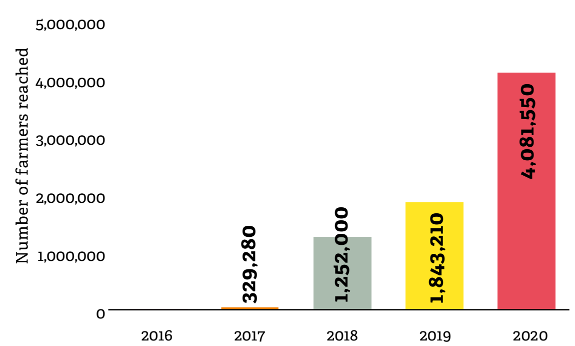
Students enrolled



Sector impact: food and agriculture

Our investments in food and agriculture aim to create economic opportunities; support inclusive and good-quality jobs and livelihoods; improve nutrition and food security; and improve environmental sustainability. The food and agriculture investments in our portfolio reached 4.08 million farmers in 2020, whether as suppliers of crops, livestock and timber, or as customers of inputs such as feedstock. This figure has risen substantially due to the large number of farmers reached via technology platforms which provide data analysis, farm management, pricing information and other services. As more of these types of investments enter our portfolio, we expect this trend to continue in 2021. Our food and agriculture investments also provided jobs for 86,890 workers, 23 per cent of whom are women.

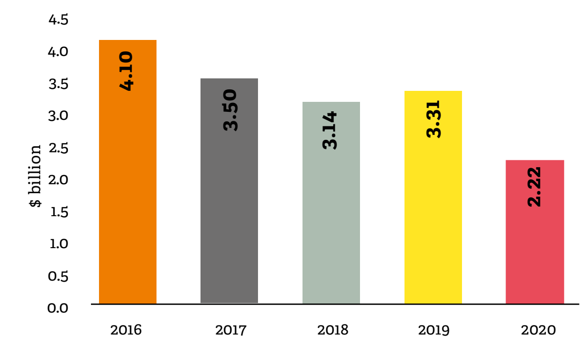
Farmers reached



Local economy impact: payments to government

In 2020, our portfolio businesses reported tax payments of $2.22 billion. This figure is significantly down on 2019, largely because of exiting several major tax-generating businesses. The number is also impacted by somewhat reduced profitability in the remaining portfolio. Companies and projects that are yet to pay tax (e.g. because they are pre-profit greenfield investments) now make up 30 per cent of the total portfolio. Thus, the median tax payment as a percentage of median sales revenues was 2.01 per cent, somewhat down on 2019 (2.05 per cent).

Payments to government

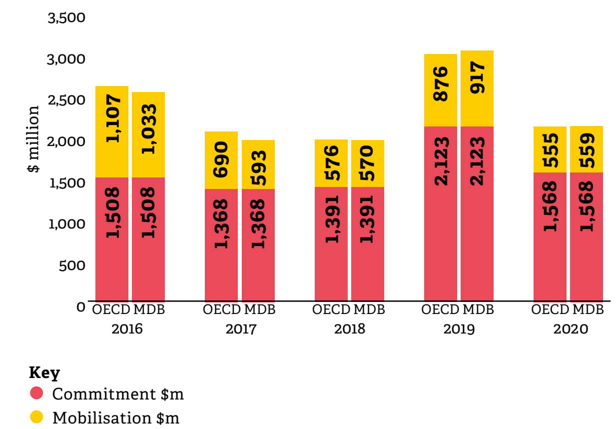


Capital markets impact: private sector capital mobilised

When development finance institutions invest in a project or company, they can encourage private-sector investors to deploy capital alongside the DFI.

In 2020, our capital mobilised $555–559 million of private-sector capital into our investments[3]. This meant mobilising $35–36 from the private sector for every $100 of our own commitments, a rate that has decreased slightly compared to previous years. We leveraged an additional $335 million from our partnerships in short-term trade finance.

Private sector capital mobilised



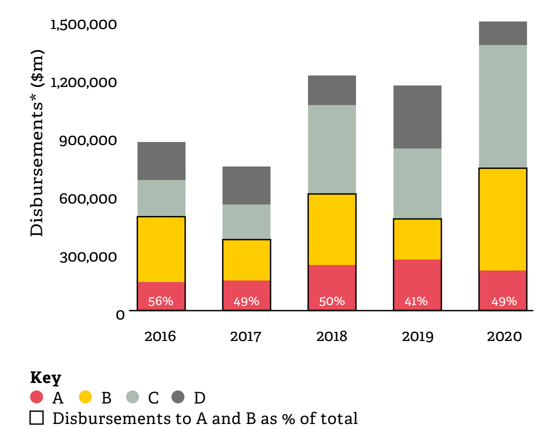
Local economy impact: focusing on countries most in need

Our impact-led investment strategy aims to contribute towards the development of the local economy in fragile countries with low per-capita incomes, low levels of investment in the private sector, and where it is hard to do business.

Guided by economists, we have graded each country and defined investment difficulty. There are four grades, A–D, with A representing the most challenging. In India, investment difficulty is calculated state-by-state.

In 2020, we invested $733.5 million, or 49 per cent of our total disbursements, into the hardest countries and Indian states in our mandate (across 47 countries and 21 Indian states).

Countries most in need



* The graph to the right represents disbursements made to Growth Portfolio investments after 2012.

3 The range is because CDC reports against two methodologies for how to calculate mobilisation, one by the OECD (http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/mobilisation.htm) and one from multi-lateral development banks (http://documents.worldbank.org/curated/en/495061492543870701/pdf/114403-PUBLIC-PrivInvestMob-Ref-Guide-Aug-14-2017.pdf).

Information
Glossary, disclaimer and credits

Glossary of terms

DFI	Development finance institution
FCDO	Foreign, Commonwealth and Development Office
GDP	Gross domestic product
GW	Gigawatt
GWh	Gigawatt hours
IFC	International Finance Corporation
MW	Megawatt
SDGs	The set of Sustainable Development Goals that UN member states aim to achieve by 2030
SME	Small and medium-sized enterprise
$	All $/dollars are US dollars unless otherwise stated

Data disclaimer
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. 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 2020. 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, Harrison Thane, Allison Joyce and Asim Hafeez (Communication for Development Ltd).

Print
This review is produced on Revive 100 Offset paper which contains 100 per cent post-consumer waste. The mill and the printer are both certified to ISO 14001 environmental management system.

CDC
Investment works

CDC Group plc
123 Victoria Street
London SW1E 6DE
United Kingdom

T +44 (0)20 7963 4700
E enquiries@cdcgroup.com

cdcgroup.com

@CDCGroup
CDC Group plc