Early Warning System

FMO-62844
African Rivers Fund IV



Early Warning System African Rivers Fund IV

Quick Facts

Financial Institutions	Netherlands Development Finance Company (FMO)
Status	Approved
Bank Risk Rating	В
Voting Date	2024-03-08
Borrower	African Rivers Fund IV
Sectors	Finance, Industry and Trade
Investment Type(s)	Loan
Investment Amount (USD)	\$ 12.50 million

Project Description

According to the Bank's website, XSML is raising ARF IV to build on the successful strategies of ARF and ARF III. The Fund uses a mix of mezzanine and equity investments to build a diversified portfolio of SME investments. ARF IV will target a portfolio of some 40-50 investees with average target ticket sizes between USD 2-3m. The core geographical focus of the Fund will include Angola, the Democratic Republic of the Congo, Zambia and Uganda.

An investment in ARF IV strongly aligns with FMO's strategy to reduce inequalities and achieve high impact while deepening relationships with existing, strong, and experienced partners. SME financing remains very scarce in the regions where the Fund will operate, and by investing in the Fund, FMO will help empower local entrepreneurs and prove itself a valuable partner for investing in local prosperity.

Early Warning System Project Analysis

FMO categorises this fund investment as B+ based on the risk profile of the pipeline investees and contextual risks in some of the countries of operation. The portfolio companies are expected to focus on site specific environmental and social risk management and are unlikely to be involved in projects that significantly impact land, biodiversity, indigenous communities, or cultural heritage. Therefore, only IFC PS 1-4 are expected to be triggered. XSML has already in place an Environmental and Social Management System (ESMS) broadly in line with FMO requirements and IFC PS, through which it integrates E&S matters throughout the investment process. The Fund Manager remains committed to improving E&S performance further and adapt the ESMS and related practices accordingly.



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Investment Description

• Netherlands Development Finance Company (FMO)

ARF IV will target a portfolio of some 40-50 investees with average target ticket sizes between USD 2-3m.

Total FMO financing: USD 12.50 MLN

Funding: MASSIF

Private Actors Description

XSML manages two existing private equity funds in Central Africa in which FMO previously invested, i.e. African Rivers Fund and African Rivers Fund III. These funds provide scarcely available risk capital to small and medium sized companies that operate in frontier markets such as DRC and Uganda. Currently XSML is raising its fourth fund: African Rivers Fund IV ("the Fund").



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Private Actor 1	Private Actor 1 Role	Private Actor 1 Sector	Relation	Private Actor 2	Private Actor 2 Role	Private Actor 2 Sector
-	-	-	-	XSML Capital	Parent Company	-

Contact Information

No contacts available at the time of disclosure.

ACCESS TO INFORMATION

As part of FMO's ex-ante disclosure (disclosure of transactions before contracting), you can send requests or questions for additional information to: disclosure@fmo.nl

ACCOUNTABILITY MECHANISM OF FMO

Communities who believe they will be negatively affected by a project funded by the Dutch Development Bank (FMO) may be able to file a complaint with the Independent Complaints Mechanism, which is the joint independent accountability mechanism of the Dutch Development Bank (FMO) and the German Investment Corporation (KfW). A complaint can be filed in writing, by email, post, or online. The complaint can be filed in English or any other language of the complainant. The Independent Complaints Mechanism is comprised of a three-member Independent Expert Panel and it can provide either problem-solving, compliance review or both, in either order. Additional information about this accountability mechanism, including a guide and template for filing a complaint, can be found at: https://www.fmo.nl/independent-complaints-mechanism