

Mobilizing Social Impact Investment for Inclusive Economic Growth

Launch of a Senegalese Social Impact Bond to support 5,000 MSMEs

In 2024, Winrock International partnered with Baobab Senegal—a financial services provider supporting Senegalese micro and small enterprises—to launch a **\$35 million Social Impact Bond**, the first of its kind in West Africa, designed to accelerate inclusive economic growth. Structured as a sustainable capital vehicle, the bond mobilizes long-term investment into micro, small, and medium-sized enterprises (MSMEs) operating in environmentally positive sectors such as agriculture, renewable energy, and clean transportation.

KEY FACTS:

- **Instrument:** \$35M green bond
- **Issuer:** Baobab Senegal
- **Target:** 5,000 MSMEs (50% Women-Owned)
- **Focus Sectors:** Agriculture, Renewable Energy, Clean Transport
- **Annual Coupon:** 6.80% (First paid April 2025)
- **Listing:** BRVM Stock Exchange
- **Anchor Investors:** IFC, BOAD, ALCB Fund

Aligning with the United Nations' Strategic Development Goals and the Paris Agreement to the U.N. Framework Convention on Climate Change, this Green Bond offers investors both financial returns and measurable impact, while ensuring Senegal meets national development goals.

INNOVATIVE FINANCE WITH IMPACT

Social Impact Bonds represent a new generation of investment tools that align financial incentives with global environmentally positive development goals — making them well-suited for investors seeking both return and responsibility. Baobab Senegal's Social Impact Bond exemplifies this model by integrating rigorous impact standards into a commercially viable structure. The bond is purpose-built to:

- **Channel capital into pre-screened focus sectors**, including renewable energy, clean transportation, sustainable water management and resilient agriculture. These sectors not only address urgent environmental challenges but also offer high-potential growth for MSMEs in emerging markets.
- **Offer competitive returns**, with a 6.80% annual coupon paid in April 2025 — making it attractive relative to traditional products while appealing to impact-aligned institutional investors.

- **Require independent verification** of environmental and social outcomes to ensure credibility, transparency and investor confidence. Baobab is working with a third-party firm to define and monitor key performance indicators related to emissions reductions, gender inclusion and resource efficiency.
- **Leverage blended finance**, with technical partnership offsetting the high upfront structuring costs that often deter smaller institutions. This de-risked design lowers barriers to entry for investors and enhances the bond's replicability across other markets.
- **Expand access to capital for underserved entrepreneurs**, particularly women-led and rural enterprises, by combining finance with ecosystem-strengthening partnerships. This inclusive approach ensures that impact is not only environmental — but also social and economic.

Through this bond, Baobab demonstrates how innovative finance can serve as a tool for systems change — transforming the way MSMEs grow, how investors assess value, and how development goals are delivered.

SCALING IMPACT AND ADVANCING SYSTEMS-LEVEL CHANGE

Baobab Senegal's Social Impact Bond is a blueprint for how environmentally positive-aligned capital can be mobilized to drive inclusive, resilient growth across West Africa. By linking investor returns to environmental and social outcomes, and embedding environmental adaptation into local enterprise models, Baobab is reshaping how capital flows to underserved markets.

- This demonstrates that **impact-linked finance can be scaled regionally** when anchored in strong local institutions and supported by catalytic partnerships. To accelerate uptake

and replication suggested characteristics include: **Policy incentives** such as VAT exemptions and targeted subsidies to lower the cost of green investments.

- **Sovereign guarantees or public co-investment** to de-risk private capital and crowd in new market entrants.
- **Early-stage investor engagement and co-design of impact frameworks** to align expectations and strengthen accountability.

As governments and investors seek high-impact, environmentally positive finance vehicles, Baobab Senegal's Social Impact Bond offers a replicable, proven model for channeling funds where they matter most — into enterprises and communities building a more sustainable, equitable future.

A PARTNERSHIP FOR DE-RISKING SOCIAL IMPACT INVESTMENT

Winrock International works alongside financial institutions to unlock growth by taking promising but “risky” enterprises and making them investment ready. Drawing on deep local knowledge and decades of experience across Africa and Asia, Winrock builds pipelines of high-impact enterprises and provides the practical, tailored support they need to succeed. Through capacity assessments, targeted enterprise support, and business development services, Winrock reduces investor risk and boosts enterprise performance. The result: more capital flowing to inclusive ventures that deliver real social and environmental returns.

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