



Investing activities
that make a difference

Impact and Environmental, Social and Governance Responsibility Report

Desjardins International Development

A leader in inclusive finance for 50 years

For the past 50 years, Desjardins International Development (DID) has worked to boost the economic autonomy of disadvantaged populations living in developing and emerging countries. How? By promoting financial inclusion and education in order to create sustainable economic opportunities and empower people.

Through our initiatives, we make finance a driver of inclusive and sustainable development.

- **Serving entrepreneurs** so they can grow their businesses and create jobs
- **Serving farmers** so they can adopt more efficient techniques and earn a better income

- **Serving women** so they can exercise their leadership and decision-making power with confidence

- **Serving young people** so they can access the tools and knowledge to make their dreams and goals a reality

We take a comprehensive and inclusive approach to ensure a wider scope and a lasting impact. Our goal is to break down systemic barriers that prevent certain populations, particularly women and young people, from accessing and appropriately using financial services, including digital services.

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25 years of commitment to impact investing

There is growing consensus that traditional development assistance from public and philanthropic sources will not be sufficient to achieve the United Nations Sustainable Development Goals (SDGs): the projected annual funding shortfall is in the vicinity of CAD2,500 billion.

For the past 25 years, DID has used its own financial resources to increase the economic autonomy of people living in developing and emerging countries, thereby increasing the level of development of these countries. In 1996, we carried out our first impact investing operations to support the growth and sustainability of inclusive finance institutions.

Since then, through our investment subsidiary FONIDI Management Inc. and in collaboration with various strategic partners from both the public and private sectors, we have set up and managed several funds that enabled us to support 35 inclusive finance institutions.

Our extensive knowledge of the inclusive finance sector allows us to direct our resources where they're likely to have the greatest possible impact: to small institutions that focus on the sustainable inclusion of disadvantaged populations.

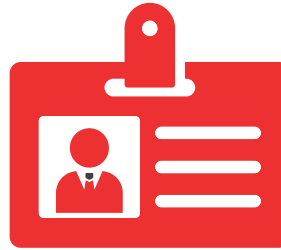
This report presents the results associated with the two FONIDI Management funds that are still active, the Partnership Fund and the Desjardins Fund for Inclusive Finance.

In October 2020, we announced the creation of Aequitas, a new impact investment fund with initial capital of CAD50 million from DID and Desjardins. With this injection of new financial resources, we intend to help offset the shortfall in development financing, support the achievement of sustainable development objectives and provide a meaningful response to support the post-COVID economic recovery.

Highlights 2020

11 inclusive financial institutions

and **2** investment funds financed



6,517

direct jobs created or maintained in the **11** financial institutions supported



201,534

farmers supported

465,250 rural clients

205,149 businesses supported

777,713
loans granted

by supported financial institutions



Average loan of

CAD 1,650

CAD1.3

billion disbursed in total



799,580
active clients, **59%**
of whom are women

One in three directors on the boards of the supported financial institutions are women



«Having access to financial services is rewarding for a woman entrepreneur because she feels supported and guided through the different stages of her business' evolution.»

Houda Bouafia, entrepreneur client of the Entrepreneurs Financial Centre in Tunisia

Our interventions in the world



Desjardins Fund for Inclusive Finance L.P.



17

Number of transactions



16

Number of recipient institutions



14

Countries reached

CAD
21,4 M

Total amount invested

Partnership Fund



39

Number of transactions



25

Number of recipient institutions



16

Countries reached

CAD
39,3 M

Total amount invested

* Cumulative data since the funds were created (1996 for the Partnership Fund and 2012 for the Desjardins Fund for Inclusive Finance)



Our ESG practices

To improve the integration of environmental, social and governance (ESG) considerations into its investment decisions and the assessment of its impact, DID developed a questionnaire aligned with industry standards (IRIS+, ALINUS). This questionnaire is associated with 303 indicators and divided into three main sections:

- 1 The institution's vision, mission and social objectives
- 2 Its social performance governance, including the processes and policies in place to carry out the mission
- 3 The results achieved

Every year since 2014, DID's investment portfolio companies are asked to complete this questionnaire, which is continually fine-tuned based on DID's ESG management experience. In 2020, the 11 institutions who received direct investments from funds managed by DID completed the questionnaire.

Although the 303 indicators do not relate to all institutions, we find that the self-declaration is taken seriously by respondents. Tracking the questionnaire over time allows us to assess the development of their activities.

Our impact-oriented investment policies

The funds managed by DID focus on far more than financial returns. Each fund's impact mission is an integral part of its investment policy, guiding decisions and activities by taking into account the way each addition to the portfolio contributes to impact objectives.

Although each fund has its own mission and investment policy, all funds share the goal of improving access to financial services in developing and emerging countries by making capital available to fund inclusive finance institutions. This capital is aimed at facilitating the development, growth and consolidation of financial institutions and can serve as a lever to attract investments from other national and international institutions.

Our funds offer a long-term commitment, which is necessary for the solid development of institutions in the start-up or growth phase. This commitment also extends to the clients of financial institutions by facilitating access to financial services for less-privileged groups, especially entrepreneurs, and by promoting local and popular shareholding.



Our commitments and alliances

Principles for Responsible Investment

Since 2014, DID is a signatory of the United Nations Principles for Responsible Investment (PRI), an initiative supported by more than 3,800 organizations that are active in responsible investing. The PRI's impact strategy was updated in 2017 to encourage members to adopt significant and lasting changes that support the emergence of sustainable financial markets in order to contribute to a more prosperous world for everyone. DID reviews its investment practices annually as part of the PRI impact assessment process.

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.

5. We will work together to enhance our effectiveness in implementing the Principles.

6. We will each report on our activities and progress towards implementing the Principles.

Global Impact Investing Network

DID is also a member of the Global Impact Investing Network (GIIN), a network dedicated to increasing the scale and effectiveness of the impact investing industry around the world. In addition to organizing events and conducting research, the GIIN provides its members with tools and resources to help them manage and measure the impact of their investments. The GIIN also publishes the IRIS+ catalog of metrics, which lists the various types of standardized indicators to be collected to measure the impact of an investment. DID participated in the GIIN Frontier Finance Working Group.

Social Performance Task Force

DID closely monitors the work of the Social Performance Task Force (SPTF), an organization of more than 4,800 members that are involved in developing and promoting social performance management standards and best practices with the aim of making financial services more secure and more advantageous for clients. The SPTF wrote the Universal Standards for Social Performance Management guide, which helps financial service providers align their policies and procedures with best responsible business practices. The SPTF is also responsible for the development of SPI4, a detailed, standardized tool for assessing social performance, and ALINUS (ALigning INvestors due-diligence with the Universal Standards), another tool that allows investors to add social performance to the factors considered in their due-diligence process.

Canada Forum for Impact Investment and Development

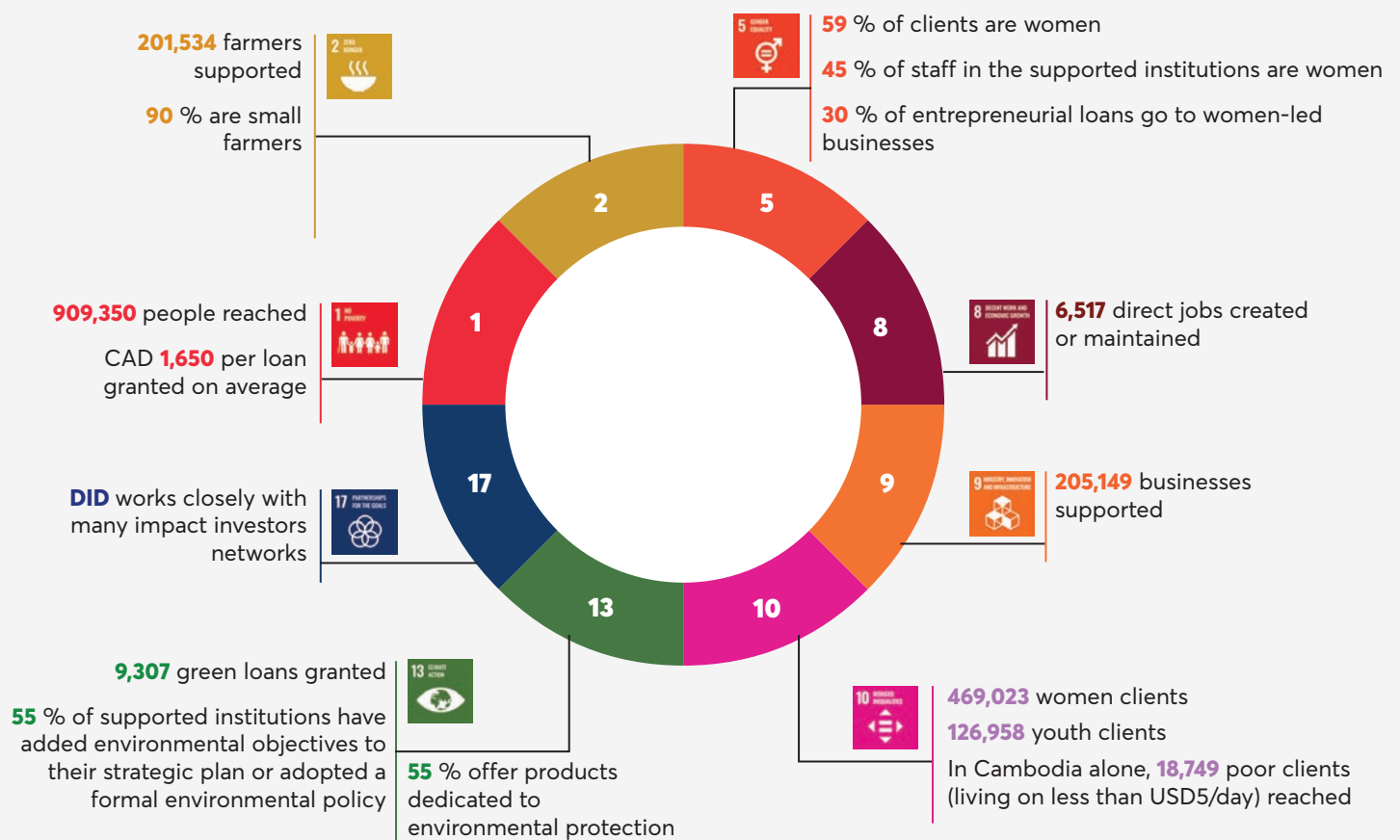
DID is a founding member of the Canada Forum for Impact Investment and Development (CAFIID), a community of individuals, organizations and investors that learn, share and work together to strengthen Canada's contribution to global investing activities. Collectively, CAFIID members have many years of experience collaborating on and engaging in structuring and financing impact investing products, offering technical assistance and promoting sustainable investment ecosystems in developing countries.



Our contribution to achieving sustainable development goals

Our investing activities are aligned with the United Nations Sustainable Development Goals (SDGs). [Achieving the Sustainable Development Goals: The Role of Financial Inclusion](#), published by the Consultative Group to Assist the Poor (CGAP) and the United Nations Secretary-General's Special Advocate for Inclusive Finance for Development (UNSGSA), clearly demonstrates that integrating people into the financial system can be critical to achieving many of the SDGs.

DID-funded institutions contribute directly to 8 of the 17 SDGs by helping their clients integrate into the financial system. By providing the target population with the means to lift themselves out of poverty, these institutions help reduce global economic inequalities.





Focus on a few key themes

Gender equality: A key target

According to Global Findex, 56% of people without a bank account are women. That means that nearly a billion women worldwide are cut out of any banking service. Women with bank accounts do not necessarily have control over their finances, but it is a starting point for financial inclusion. The financial services industry can be both a catalyst for and a barometer of gender equality. Financial inclusion alone does not lead to gender equality, but equitable access to a full range

of needs-based financial services – savings, credit, insurance, payments – and the financial education that goes with them can make a big difference for women’s social and economic empowerment¹.

In our target countries, the gap between men’s and women’s access to financial services (Figure 1) has not changed much overall in recent years and is still significant.

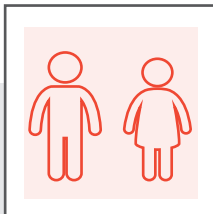
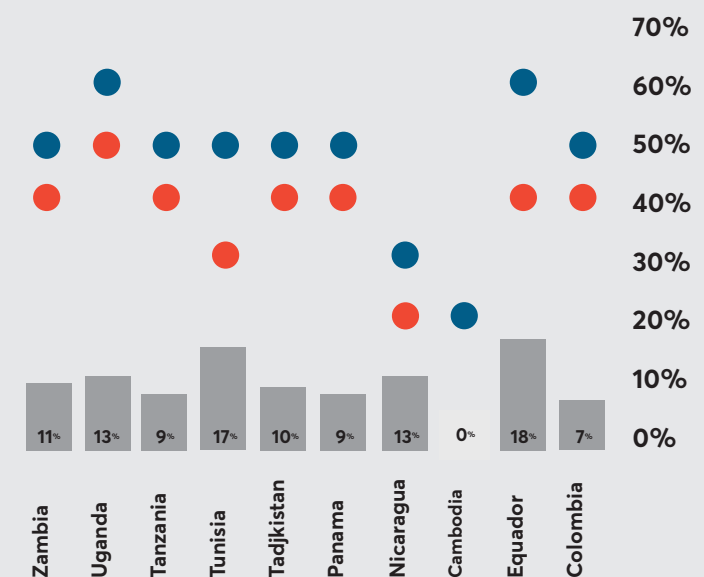
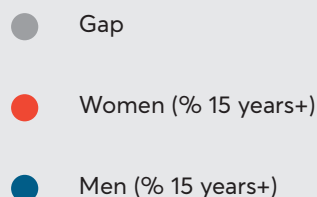


Figure 1 - Access to a Bank Account by Gender



Source : Global Findex

¹ International Labour Organization

To optimize our contribution to gender equality, we track a variety of indicators, such as the percentage of women clients and the percentage of women borrowers (Figure 2), the percentage of women employees and directors (Figure 3), and the difference between the average loans for men and women borrowers, to the extent the data are available (Figure 4).



Figure 2 – Inclusion of Women as Clients and Borrowers

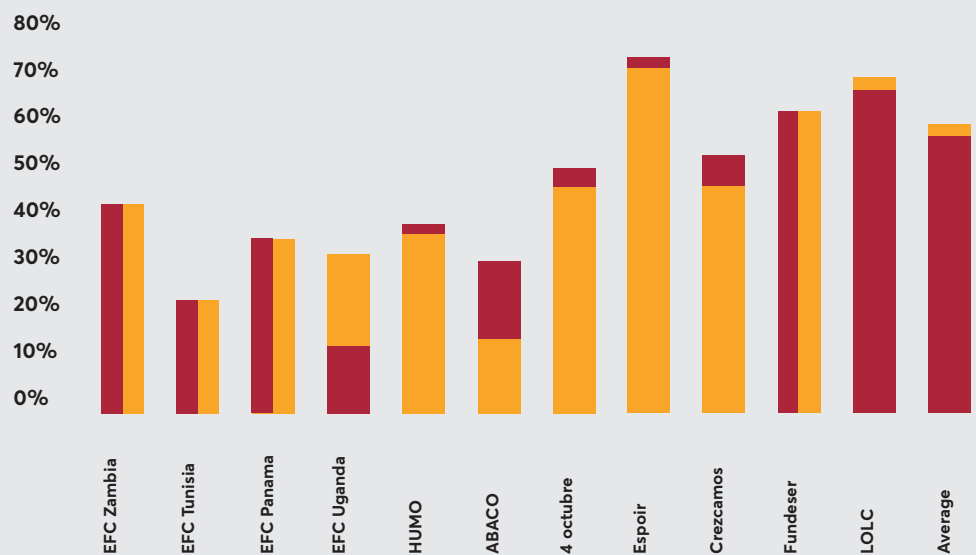
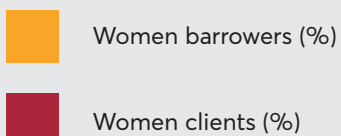




Figure 3 – Representation of Women on Staff and Boards of Directors

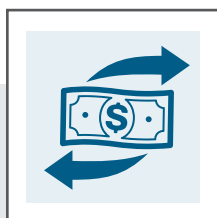
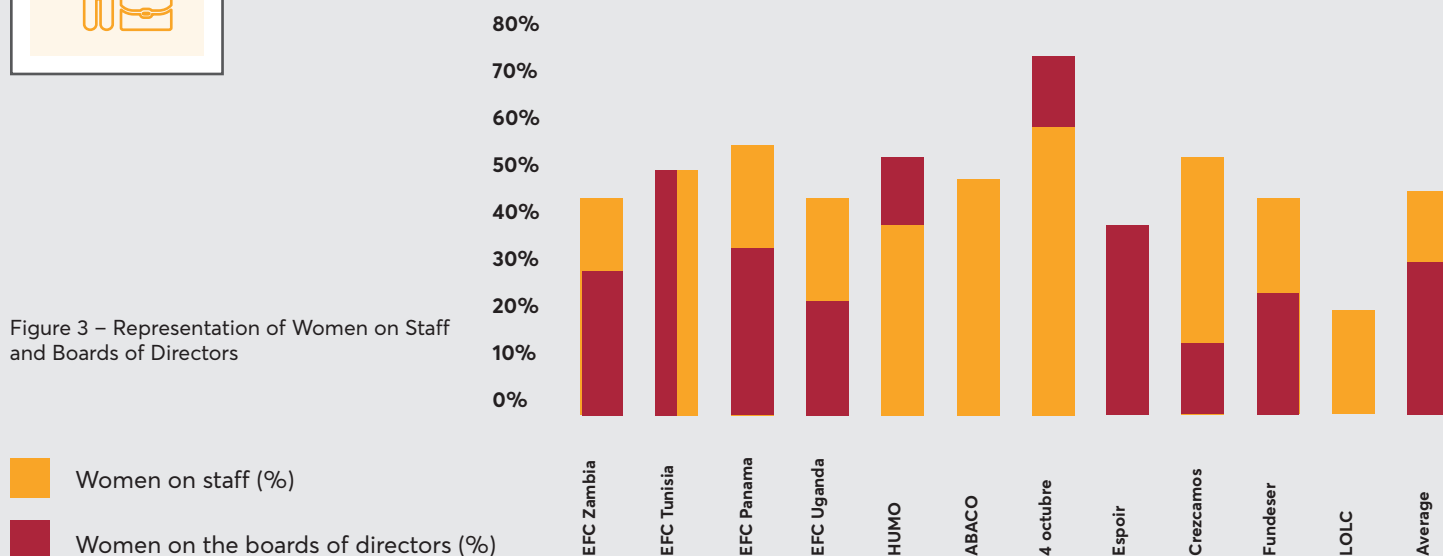
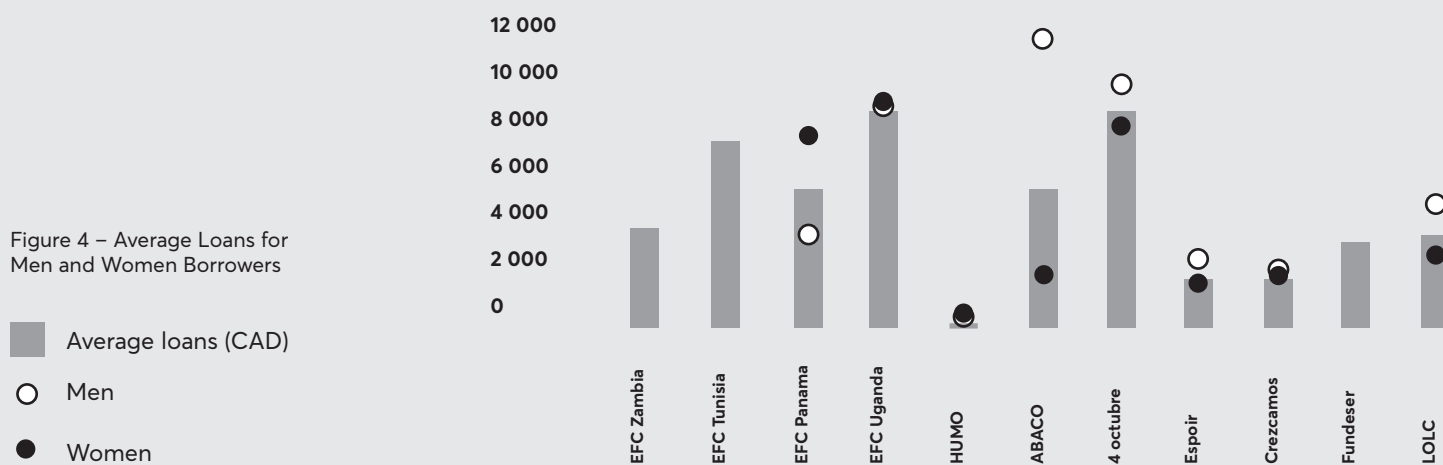


Figure 4 – Average Loans for Men and Women Borrowers



In terms of gender equality, our overall portfolio posts positive results: 59% of clients and 60% of borrowers are women, and nearly one in three (31%) directors are women. According to the MSCI Index, women hold only 13%² of board seats in emerging markets. Even in Canada, this rate is only 20%³.



Reaching rural populations

Most of the institutions we support through our investing activities serve a large rural clientele. On average, loans to rural customers account for 44% of the total credit portfolio of the institutions that have been able to collect this data. This rate is well below the 62% average for

2019. The pandemic and health measures have likely made it difficult to provide rural loans, due to the travel restrictions imposed in many countries.

Some institutions do not measure the percentage of rural customers, as they focus mainly on urban and peri-urban areas.

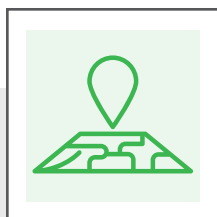


Figure 5 – Distribution of Clients by Geographic Area



² www.msci.com/www/women-on-boards-2020/women-on-boards-2020-progress/02212172407

³ www.blakes.com/insights/bulletins/2021/getting-on-board-with-women-on-boards-continues-to

Encouraging a diversified product offering

Improving access to financial services requires a diversified service offering suited to the needs of the target client groups. Figure 6 shows the diversity of products offered by the financial institutions supported by our investing activities.

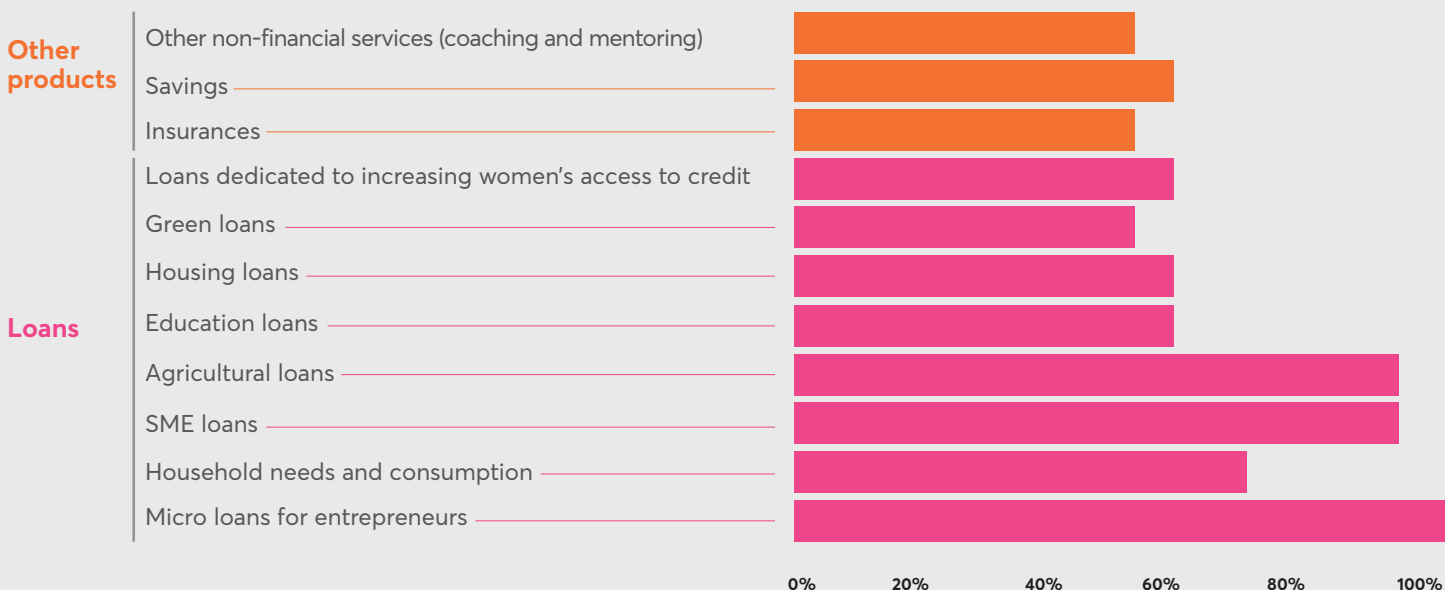


Figure 6 - Products Offered by the Beneficiaries of DID Funds

All institutions supported through our investing activities offer micro-loans to entrepreneurs. Loans for farms and micro and small enterprises (MSEs) are also widely available. Savings and insurance products are less common, due to higher capital requirements and the more complex regulations for these products. Of the financial institutions supported by our

investing activities, 64% offer products to increase women's access to credit.

We also see an increase in the offer of green products: 55% of the institutions offer credit products that encourage the use of renewable energy, energy transition, waste treatment, recycling, water treatment and other environmental protection initiatives.



Figure 7 - Green products offered

Green products	Humo	Abaco	Crezcamos	Fundeser	EFC Tunisia	LOLC
Renewable energy and energy efficiency	✓					✓
Environmentally friendly technologies	✓	✓				
Environmentally friendly activities		✓			✓	✓
Climate change resilience	✓		✓	✓		

The Entrepreneur Financial Centre in Tunisia hired a consulting agency to help develop its green products offering that will be rolled out in 2022. These products are intended for micro and small businesses that are not targeted by public policies, in the energy transition and efficiency sector.

Promoting local ownership

The development of local and collective wealth is an integral part of DID's mission. Having members and clients participate in the ownership of their financial institution is one way to create local collective wealth. There are different forms of local ownership, including membership in a cooperative, local investment by individuals or institutions and shareholding programs for employees and clients.



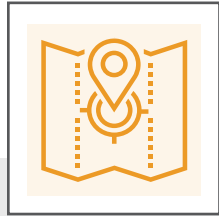
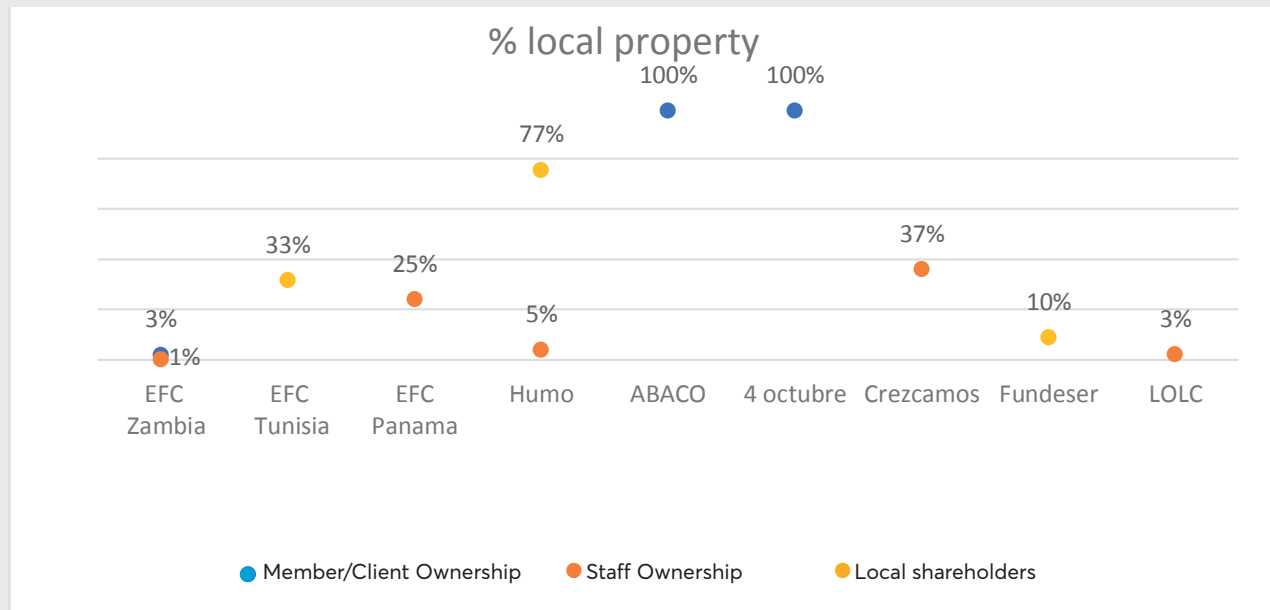


Figure 8 - Percentage of Local Ownership



The institutions that make up the portfolios of our two funds involve different levels of local ownership, mainly through local shareholders. Besides the cooperatives, Abaco and 4 de Octubre, whose members are the owners, other institutions, such as Humo, Fundeser and Espoir (an NGO), are held by foundations that provide local ownership.

In other cases, the institutions are introducing stock purchase systems for staff and clients. For LOLC, 3% of the shares are held by employees. In 2010, the Entrepreneur Financial Centre in Zambia set up a share ownership program for its employees and clients (ESOP/CSOP), who now own nearly 3% of the institution's shares. Humo has introduced a similar system in 2017 for its management team, allowing key employees to jointly acquire 5% of the institution.

Portrait of the financial institutions and funds

Our portfolio at a glance

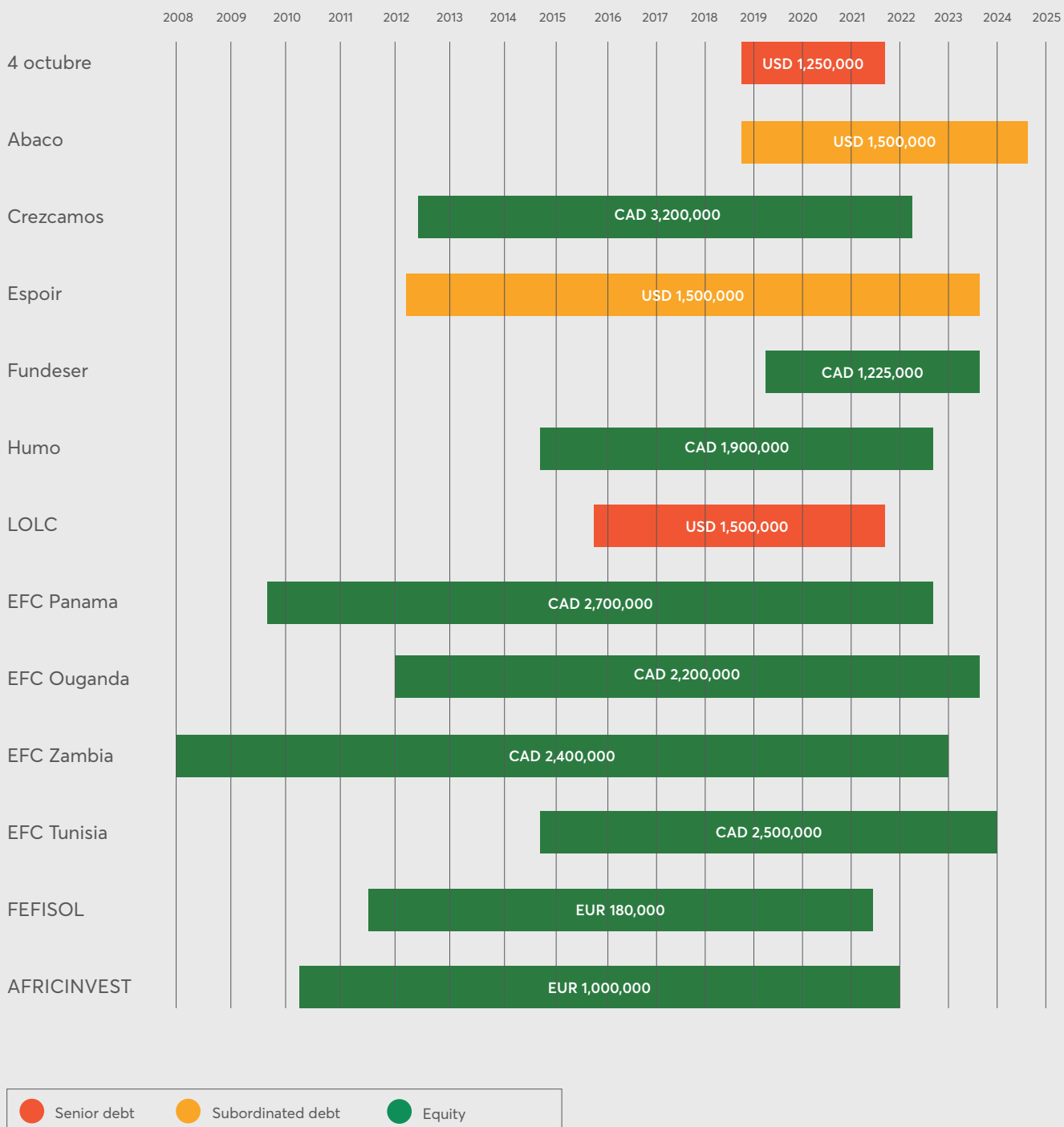


Figure 9 - Portfolio History



Entrepreneurs Financial Centre (EFC) (Zambia)

Type of investment:
Common shares

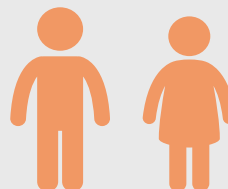
Date of investment:
January 2008

Total value of the
investment:
CAD 2,400,000

Key indicators

20,755

entrepreneurial
clients



42,5 %

of whom are women



In 2010 EFC Zambia established an employee and client share ownership program, which now holds nearly **3%** of the institution's shares



In operation since 2009, Entrepreneurs Financial Centre (EFC) Zambia is a microfinance institution that evolved from Pulse Financial Services Limited (PFSL). The institution is dedicated to financing micro, small and medium enterprises (MSMEs) in Zambia, in cities and surrounding areas. DID established EFC Zambia as a promoter, investor and operator. In 2016, after seven years of operation by DID, EFC Zambia transferred management responsibilities to a local team and has been operating autonomously since then.



Centro Financiero Empresarial

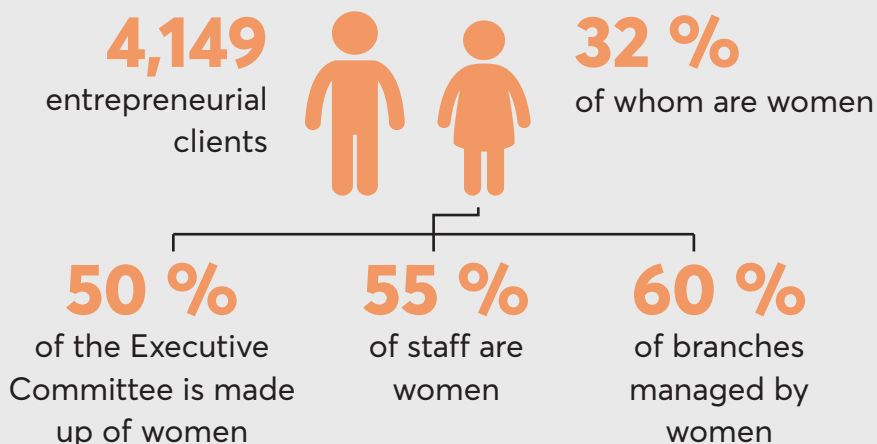
(Panama)

Type of investment:
Common shares

Date of investment:
December 2009

Total value of the
investment:
CAD 2,700,000

Key indicators



In operation since 2009, Centro Financiero Empresarial (Entrepreneurs Financial Centre, EFC) in Panama is a microfinance institution dedicated to financing micro, small and medium-sized enterprises (MSMEs) in the urban and peri-urban centers of Panama. DID created this institution as a promoter, investor and operator. In 2018, after nine years of operation by DID, Centro Financiero Empresarial successfully transferred management responsibilities to a local team and now operates autonomously.

Centro Financiero Empresarial offers equal opportunities to all its staff members based on their abilities and skills. Its executive committee is 50% women, 60% of its branches are headed by women and 55% of the staff are women. To expand its reach with women entrepreneurs, who represent 32% of its clients, the institution has adopted an ambitious five-year action plan. This commitment to gender equality earned it recognition in 2020 by Panama's Gender Parity Initiative (GPI).

In December 2020, Centro Financiero Empresarial adopted the [Women's Empowerment Principles \(WEP\)](#). These principles, established by the United Nations Global Compact and UN Women, are based on international labour and human rights standards and on the acknowledgment that businesses have an interest in and responsibility for gender equality and the empowerment of women.





Entrepreneurs Financial Centre (EFC) (Uganda)

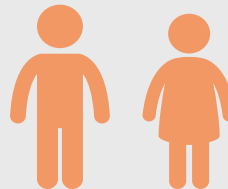
Type of investment:
Common shares

Date of investment:
January 2012

Total value of the
investment:
CAD 2,200,000

Key indicators

8,659
entrepreneurial
clients



34,7 %
are women



In operation since 2012, Entrepreneurs Financial Centre (EFC) Uganda Limited is a microfinance institution dedicated to financing micro, small and medium enterprises (MSMEs) in Uganda, in the cities and surrounding areas. DID established this institution as a promoter, investor and operator. In 2018, after six years of operation by DID, EFC Uganda transferred management responsibilities to a local team and has been operating autonomously since then.



Centre financier aux entrepreneurs (Tunisia)

Type of investment:
Common shares

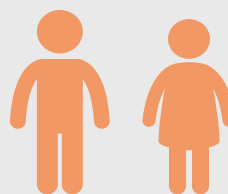
Date of investment:
December 2014

Total value of the investment:
CAD 2,500,000

Key indicators

6,741
entrepreneurial
clients

23,4 %
of whom are women



In 2019, the institution adopted a formal gender equality strategy

In partnership with Réseau Mentorat Québec, the institution offers women entrepreneurs a mentoring program focused on leadership



In operation since 2015, Centre financier aux entrepreneurs (Entrepreneurs Financial Centre, EFC) in Tunisia is a microfinance institution dedicated to financing micro, small and medium-sized enterprises (MSMEs) in Tunisia, in urban and peri-urban areas. DID set up this institution as a promoter, investor and operator. In December 2019, the general management of the EFC was officially transferred to a local manager. EFC Tunisia thus became the fifth and last EFC for which DID successfully transferred management.

EFC Tunisia implemented a process for assessing the social and environmental risks associated with the activities it finances, as well as a business development program.

The institution has 13 service outlets.



In 2019, the Board of Directors of the Entrepreneur Financial Centre (EFC) in Tunisia adopted a DID proposal to enhance its support services for entrepreneurs, especially women, with a view to experimentation and innovation. In 2020, the EFC rolled out an entrepreneur support strategy with three development paths:

- **A support path** to enhance the financial education, financial management and formalization of entrepreneurs
- **A growth path** to guide entrepreneurs toward a wide range of financial and support services based on their needs and profiles
- **A leadership path** to experiment with a support approach focused on the leadership of women entrepreneurs; this path is designed and offered in partnership with Réseau Mentorat Québec and includes a mentoring unit that connects Tunisian and Canadian entrepreneurs.

Entrepreneurship: A family story

Thouraya Ben Farhat, 47, has been working in the women's wear industry for some 15 years and has her own clothing store. In recent years, her sales have decreased due to increased competition. To set herself apart, she wanted to take advantage of growing social networks to create new distribution channels and offer home delivery. Thanks to the two loans granted to her by the Entrepreneur Financial Centre in Tunisia, she was able to increase the inventory in her shop and acquire a vehicle that allows her to travel and make home deliveries. Now she is seeking more funding to launch new development projects.

Fundación para el desarrollo integral Espoir

(Ecuador)

Type of investment:
Subordinated debt

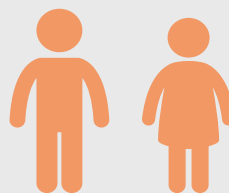
Investment date:
August 2012

End date:
September 2023
(5-year loan, renewed for a 6-year term)

Total investment value:
USD 1,500,000

Key indicators

55,100
clients



68 %
of whom are women

Over
7,000
smallholders
supported

72 %
of the loan
portfolio is granted
to women

79 %
to people living
in rural areas

USD
26,5
million in loans to
women-owned
businesses

Over
40,000
education sessions
offered annually



Based in Quito, Ecuador, Fundación para el desarrollo integral ESPOIR is a foundation whose mission is to contribute to the country's economic and social development and to women micro-entrepreneurs' health. Espoir targets low-income women living in rural and peri-urban areas, one of the most vulnerable and financially isolated groups in the country. The institution provides affordable loans to groups of an average of 16 women.



COAC 4 de Octubre

(Ecuador)

Type of investment:
Senior debt

Investment Date:
October 2018

End Date:
October 2021

Total value of the
investment:
USD 1,250,000

Key indicators

Over
11,000
active clients



66 %
of whom are women

Environmental policy and
objectives formally integrated
into corporate strategy

13 %
of loan portfolio goes
to smallholders



Cooperativa de Ahorro y Credito 4 de Octubre is an Ecuador-based, socially driven credit union that provides a wide range of financial products and services. It actively contributes to improving its clients' quality of life and the economic development of the regions that it serves, specifically the Chimborazo, Pastaza and Napo provinces.

Crezcamos

(Colombia)

Type of investment:
Common shares

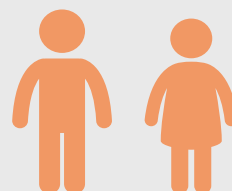
Date of investment:
August 2012

Total value of the
investment:
CAD 3,200,000

Key indicators

21,000

clients are
smallholders



56 %

of internal
promotions go to
women

70 %

of the loan portfolio supports
MSMEs (65,200 clients)

Average loan disbursed:

CAD 1,374



Crezcamos is a microfinance institution that has been operating since 2008. It provides financial services adapted to the needs of Colombian entrepreneurs and their families, particularly those living in rural areas, as well as savings and credit solutions for the agricultural, commercial, service, production and housing sectors. The institution also helps clients plan for the future, including through different kinds of insurance options.



HUMO

(Tajikistan)

Type of investment:
Common shares

Date of investment:
November 2014

Total value of the
investment:
CAD 1,900,000

Key indicators



30 %

supports farmers (17,100 clients)

56 %

of loan portfolio supports
MSMEs (39,500 clients)

2,031

green loans granted,
for a total of

CAD 4,3 M

Average loan disbursed:

CAD 236



Humo was established in June 2008 to provide affordable financial services to low-income and vulnerable populations in Tajikistan. It is now the 3rd largest microfinance institution in the country and provides individual and group loans to over 65,000 clients.

Humo is a socially responsible organization with strong roots in its community. Together with its partners, it is involved in various projects to promote climate change resilience and sustainable agricultural marketing. The institution is recognized by its partners for its valuable contribution to private sector investment in Tajikistan and for its sensitivity to gender and climate issues.

Microfinanciera Fundeser

(Nicaragua)

Investment Type:
**Subordinated Loan/
Common Shares**

Date of Investment:
**Loan made in 2016,
converted to common
shares in 2020**

Total investment value:
CAD 1,225,000

Key indicators

Over
2,300
farmers supported,
representing **21 %** of
the loan



64 %
of clients are women

Over
8,000

rural clients, representing
79% of the loan portfolio



Former foundation turned into a financial institution in 2014, Microfinanciera Fundeser is a regulated, inclusive finance institution in Managua, Nicaragua.

The institution's quality, personalized customer service and financial solutions reflect its commitment to its clients and help micro and small business owners in rural areas—the pillars of Nicaragua's economic development—increase their revenue.

Fundeser grants individual and group loans, mainly in the agricultural and coffee industries.



ABACO

(Peru)

Type of investment:
Subordinated debt

Investment Date:
December 2018

End Date:
December 2024

Total investment value:
CAD 1,500,000

Key indicators

90 %

of loans disbursed are aimed
at businesses



120

employees, **47 %** of whom are women

Abaco

ABACO is a credit union in Lima, Peru that has been operating since 1981. Its goal is to help improve its members' quality of life by providing them with simple, adapted financial products and services, all while contributing to sustainable development.

LOLC

(Cambodia)

Type of investment:
Senior debt

Investment Date:
December 2015

End Date:
November 2021

Total value of the investment:
CAD 1,500,000

Key indicators

79
branches across
the country



280,500
women clients,
representing **69 %** of
the client base

88 %
of the loan portfolio is
directed to people living
in rural areas

35 %
is directed
to MSMEs

More than
151,100
clients are smallholders, representing
33 % of the loan portfolio



Based in Phnom Penh, LOLC is a supervised, non-bank financial institution and member of the Cambodia Microfinance Association (CMA). It offers individual and group loans through a nationwide network of 79 branches distributed in major cities, rural areas and villages throughout the country.

LOLC is the 4th largest microfinance institution in the country in terms of the size of its outstanding portfolio and number of clients reached.

Fighting poverty through financial inclusion

To ensure that its products reach the clients targeted by its mission, our partner LOLC in Cambodia annually assesses its outreach to poor clients using the Poverty Probability Index (PPI), which measures the institution's ability to reach people living in poverty. In 2020, LOLC reached 18,749 poor clients. Figure 10 reveals that the vast majority (81%) of LOLC clients are considered low-income, poor or very poor. These people live on less than USD5/day, and the poorest of them, who account for 4% of LOLC's clientele, live below the national poverty line, meaning they live on less than USD1/day. The PPI also allows LOLC to monitor the financial situation of the clients it serves and track their progress. Figure 8 shows that the financial situation of the institution's clients tends to improve over the years.

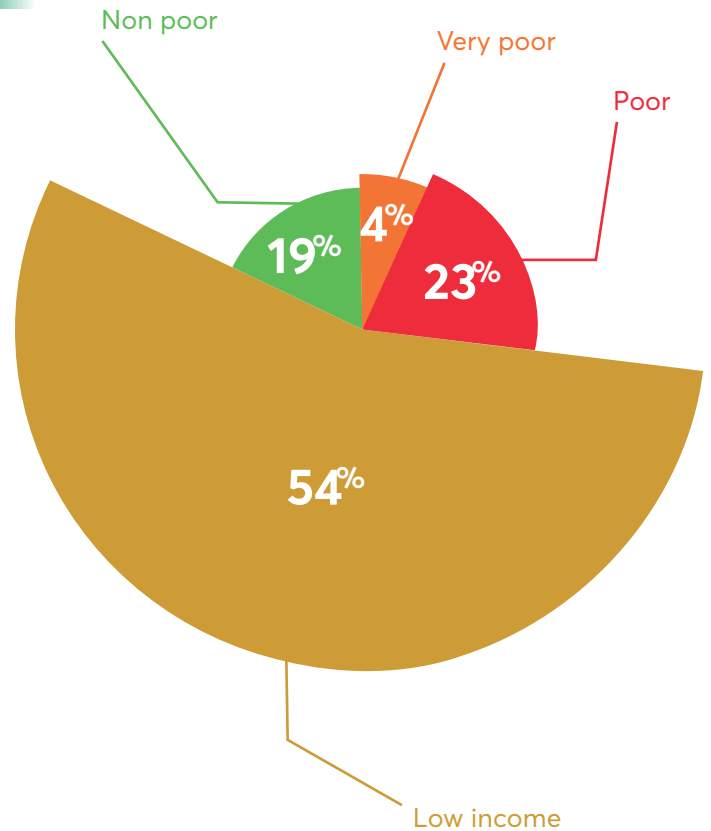


Figure 10
LOLC Client Profile by PPI Category

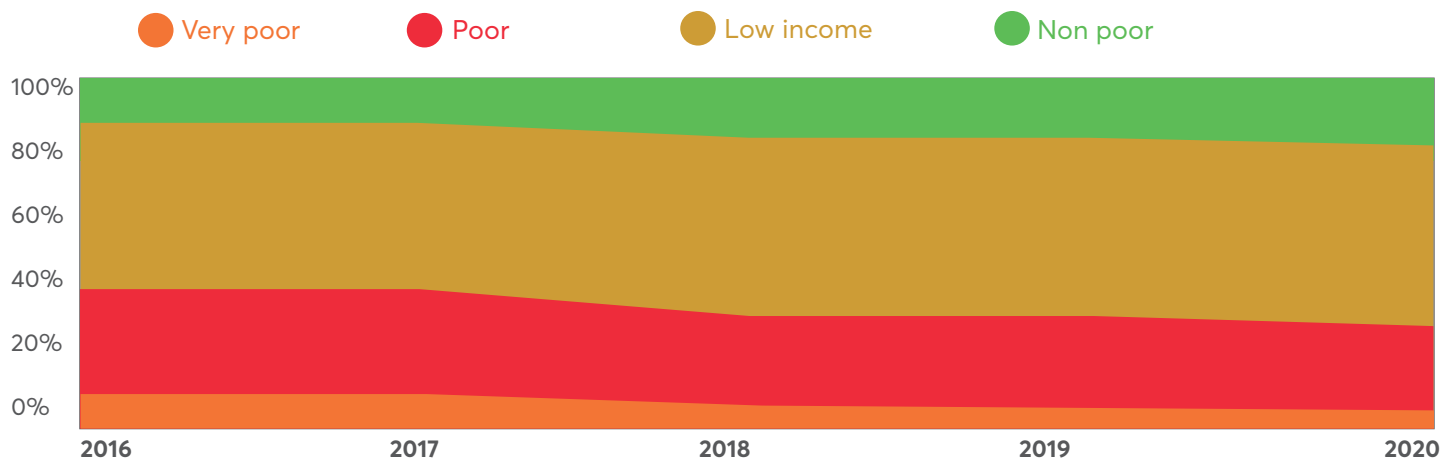


Figure 11
Change in the Poverty Index of LOLC's Clients

AfricInvest Financial Sector Fund II

(Africa)

Type of investment:
Common shares

Date of investment:
2010

Total value of the
investment:
EUR 1,000,000



Created in 1994 by four founders, AfricInvest is one of the largest private equity firms in Africa. It invests in SMEs with high growth potential.

AfricInvest has an ESG team that works to advance environmental and social issues through its funds. The organization integrates ESG concerns into all stages of the investment process and promotes a collaborative approach to supporting ESG initiatives in investee companies, including corporate governance.



FEFISOL

(Africa)

Type of investment:
Common shares

Date of investment:
2010

Total value of the
investment:
EUR 180,000



The European Solidarity Fund for Africa (FEFISOL) is a social investment fund that targets vulnerable populations in Africa, particularly those living in rural areas and deriving their income from family farming.

FEFISOL provides loans to and invests in micro-finance institutions, agricultural and fair trade producer groups.

The Fund has a technical assistance facility that provides customized support services to improve the economic, social and environmental sustainability of the institutions financed. FEFISOL carries out the vast majority of its activities in sub-Saharan Africa.