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***Newsletter* of the**

European Development Finance Institutions

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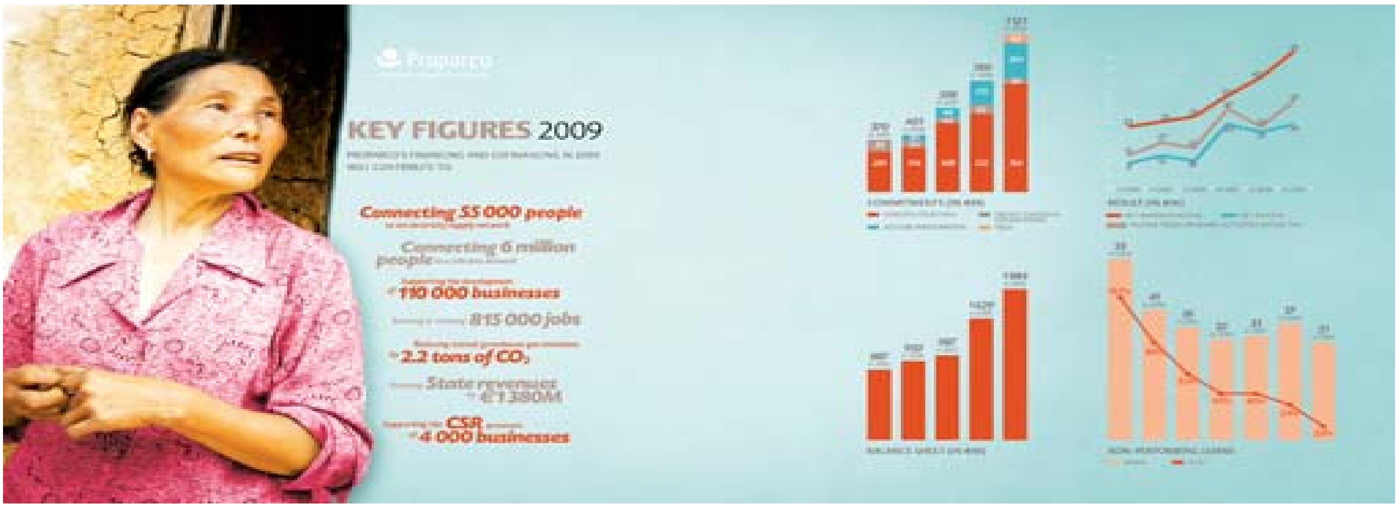
PROPARCO doubles project signatures to €890 mln in 2009



2009: a strong growth of activity for the fourth consecutive year

In 2009, commitments, signatures and disbursements of PROPARCO grew sharply, reaching new historical volumes. Despite the crisis, PROPARCO increased its volume of commitments in 2009 to counterbalance the withdrawal of commercial banks. This effort resulted in a 42% growth of its activity from 2008 to 2009. Commitments rose from €789 mln in 2008 to €1.1 bln in 2009. Projects' signatures doubled to €890 mln, an increase of 80% and almost 70 projects signed in 2009.

PROPARCO's total assets grew to € 2 bln, against €1.6 mln in 2008. Financial results reached €24 mln in 2009 against €21 mln in 2008.

Extension of its geographical scope: PROPARCO is now working on four continents

2009 was characterized by the expansion of the geographical coverage of PROPARCO. Following the G8 summit in October 2008, where member states were asked to use bilateral agencies to contribute to the global economic recovery, the board of directors lifted the restriction on PROPARCO's geographical mandate in emerging countries (Brazil, China, India, Indonesia, Thailand, Pakistan) and extended it to all developing countries (Latin America, Oriental Europe, Balkans.

Implementation of the French initiative for the African growth

The launch of FISEA, an investment fund, was one of PROPARCO's new initiatives in 2009. FISEA is funded by AFD and PROPARCO is managing FISEA's operations. In 2009, 13 projects were approved at a total amount of €62.3 mln: investment funds specialized in SMEs in East Africa, a horticultural company in Kenya, microfinance in Ivory Coast were among the projects supported.

FISEA is one of the main initiatives to promote growth and employment in Africa, launched by the President of the French Republic in February 2008.

Electric Power Transmission in Brazil: FIEX takes a stake in ATE III

As fund manager for the Fund for Foreign Investment, FIEX, COFIDES has taken a 21 % holding in ATE III Transmisora de Energía, for a sum of €29 mln.

ATE III Transmisora de Energía is a company founded to run the concession awarded in Brazil for the construction, operation and maintenance of four electrical substations and three transmission lines:

- Marabá-Itaciaúnas transmission line (39.8 km, 500 kV rated voltage)
- Itaciaúnas-Colinas transmission line (304 km, 500 kV rated voltage)
- Itaciaúnas-Carajas transmission line (110 km, 500 kV rated voltage)

This 30-year concession was awarded under BOOT arrangements in November 2005 by the Brazilian electricity market operator (ANEEL). The total project investment amounts to €250 mln.

The ATE III project stands out for its beneficial effect on local economic development, improving the country's infrastructure and creating an estimated 650 direct jobs. The project is also funded by the Inter-American Development Bank (IDB). This concession forms part of the Accelerated Growth Programme (Portuguese initials, PAC) instituted by the Brazilian Government in 2007. The Programme plans to invest on the order of 504 trillion Brazilian reais in infrastructure, including transport, energy, wastewater collection, habitability and hybrid resources.

Abengoa is an industrial and technology group that engages in solutions for sustainable development, the information and knowledge society and infrastructures. It is headquartered at Seville and operates through its five business divisions: solar, bioenergy, environmental services, information and engineering technologies and industrial construction.

The Group began to conduct business in Brazil four decades ago and has acquired exclusive experience in the construction and operation of Brazilian electric power facilities. ATE III is Abengoa's seventh concession in that country.

In 2007, the ATE I project benefited from Fund for Foreign Investment (FIEX) financing. Under that project, an equity holding was also taken in one of Abengoa's Brazilian subsidiaries to manage electric power transmission lines, specifically the Londrina-Assis-Araraquara lines.

Sistema Azud locates in India with COFIDES financing

COFIDES has granted SISTEMA AZUD, a company headquartered in the Spanish province of Murcia, a loan for €0.5 mln to establish an irrigation system factory in India.

With a total investment of €1.8 mln, the plant will be sited at Bawal Industrial Park, 80 km from New Delhi in the Indian state of Haryana. In addition to creating 85 new jobs, the project is expected to have a beneficial effect on local economic development, in the form of training as well as technology and know-how transfer.

After operating in India for over 10 years through distributors, SISTEMA AZUD decided to build a production plant there in response to the high growth potential of the country's farming market. The new plant's output will be geared to that market.

SISTEMA AZUD, founded in June 1989 at Alcantarilla, Murcia, engages primarily in the manufacture of comprehensive drip irrigation and filtering systems. AZUD presently has subsidiaries in Portugal, Brazil, Mexico, Chile, China, India and Iran. In 2002, AZUD's Brazilian subsidiary was granted a €605,000 joint venture loan drawn from COFIDES, FONPYME and FOMIN resources.

The Spanish Government regards India to be a priority trading partner and in 2009, COFIDES created a facility for financing investments in India. Spain has a Comprehensive Market Development Plan designed by the Spanish Secretariat of State for Trade, which views the strengthening of the presence of Spanish companies in India as one of its strategic lines of action.

IFU INVESTMENTS IN DEVELOPING COUNTRIES REACH AN ALL-TIME HIGH

IFU increased investments to DKK 642 mln (€86 mln) in 2009. This is an increase of more than 40 percent compared to 2008 and a new record. IFU's financial result showed a profit of DKK 90 mln (€12 mln), which is positive in a market hit by the economic and financial crisis.

IFU – The investment fund for developing countries that advises and invests with Danish companies in developing countries experienced increasing demand for its services in 2009. Total investments are significantly higher as IFU only contributes part of the investment. Total expected investments thus amounted to approximately DKK 14 bln (€1.9 bln).

- It has been a busy year, and I am very pleased that we have been able to meet the high demand. It has contributed to reducing the negative effects of the economic crisis in the developing countries and enabled Danish companies to gain a foothold in new markets during a difficult time, says Managing Director Finn Jønck.

Increase in investments in Africa

IFU invested DKK 642 mln in 53 project companies. Just under DKK 500 mln was invested in 35 new project companies, while additional investments in existing project companies amounted to approximately DKK 140 mln.

IFU's investments in Africa increased as well with investments of DKK 277 mln (**€37 mln)**. This is the highest investment level ever in a single year in Africa.

- Danish companies are not queuing up to invest in Africa. Therefore, it is very positive that we have been able to attract interest in Africa. Our biggest challenge is to maintain this level of investment, says Finn Jønck.

Profit of DKK 90 million

IFU financial result for 2009 showed a profit of DKK 90 mln. This is at the same level as in 2008 despite the financial and economic crisis.

- I am happy that we delivered a reasonable profit in 2009. It shows that IFU and Danish companies can make successful business and at the same time contribute to creating economic growth and employment in the developing countries, says Finn Jønck.

For further information, please contact Rune Nørgaard, Head of Communication, tel. +45 33 63 75 60.

MODERN PHARMACEUTICAL PRODUCTION PLANT IN CAMEROON INAUGURATED

First generics production in Central Africa according to WHO standards

On Thursday, 8th April 2010, the pharmaceutical production plant of Cinpharm S.A. in Cameroon was inaugurated. This is the first state-of-the-art facility in Central Africa to produce in compliance with WHO standards. DEG arranged the financing in local currency with a pool of local banks. The inauguration ceremony was also attended by representatives of the governments of Cameroon and neighbouring states, the President of the "Foundation Chirac", which is committed to the fight against inferior drugs, and representatives of the Indian technical partner Cipla Ltd.

"The modern plant enables access to safe and effective pharmaceuticals in Central Africa. As one of the biggest European development finance institutions, we are particularly pleased to be a financial partner in this project and thus to share in the industrial future of Cameroon," said Philipp Kreutz, member of DEG's Board of Management.

Cinpharm is a member of the medium-sized holding Cadyst Invest S.A. (Cadyst), a major flour producer in Cameroon and the market leader for pasta production.

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Modern pharmaceutical production plant in Cameroon inaugurated

Continued from page 3

In early 2006, Cadyst acquired the closed Cinpharm pharmaceutical production plant and modernised it according to international standards. Cadyst's technical partner is Cipla Ltd., a renowned Indian generics producer, who will transfer the required production and processing technology to Cameroon.

DEG has made the investment possible with a guarantee that initiated the long-term local-currency financing of several banks. The DEG risk is approx. €6 million. Moreover, DEG helped place an acknowledged pharmaceutical expert, who made a major contribution to the concept of the plant and accompanies Cinpharm during the set-up of the operational organisation. Furthermore, DEG supports the launch of a risk management system with funds from Technical Assistance.

Cinpharm is the first domestic producer of indispensable generics, among them antimalarials, antibiotics, analgesics and drugs against gastrointestinal diseases. This will help save cost for expensive drug imports and generate net-currency effects to the amount of €40.8 mln a year. In addition, the project will create around 270 new qualified jobs.

The safe access to pharmaceuticals in emerging markets and developing countries is of special concern to DEG. In 2009, DEG has already financed the production of pharmaceutical substances in India and, in 2008, provided the producer of antimalarials in East Africa with a mezzanine loan.

FMO's 40th anniversary

FMO celebrated its 40th Anniversary on April 20, 2010 at the Peace Palace in The Hague, with the conference "Be Social, Make Profit: Financing the Future of Developing Economies".

The „Brainstorm and Action Day" gathered 225 leaders from the business world, the financial world and the development sector together with philanthropists, leading academics and government officials. Lively debates were conducted on shifting paradigms between developed and developing countries, combining social and financial returns of investments, the role of entrepreneurs in climate change issues, inclusive finance and the success of social investments and the role of foundations in development.

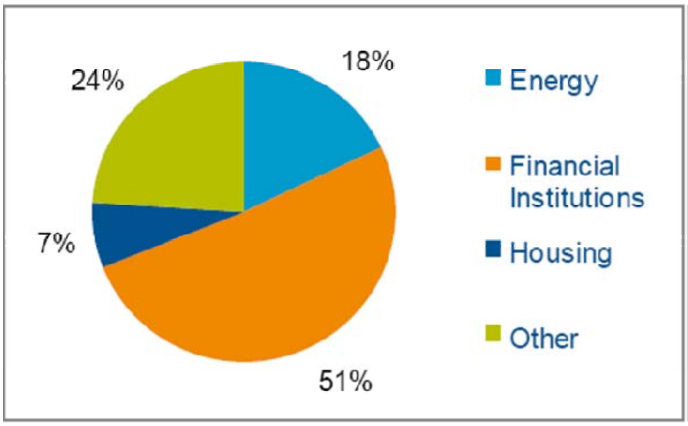
A written report on the conference, pictures, the final participant list and the keynote speeches of HRH Princess Máxima, Minister Maxime Verhagen (Foreign Affairs) and Mr Nanno Kleiterp can be found on:

http://www.fmo.nl/fmo40

FMO's Annual Results 2009

Globally, 2009 was a challenging year, in which FMO's first priority was to be there for its existing clients. 2009 was the first year of implementation of the new strategy, which incorporates sustainability as a cornerstone of what FMO does. FMO also continued to cooperate closely with its partners, aiming to further harmonize the requirements of the clients that are jointly financed. At the same time, significant strides were made in implementing its focus on the financial, (sustainable) energy and housing sectors - these are the key areas in which FMO believes the private sector can create high development impact while ensuring good financial returns.

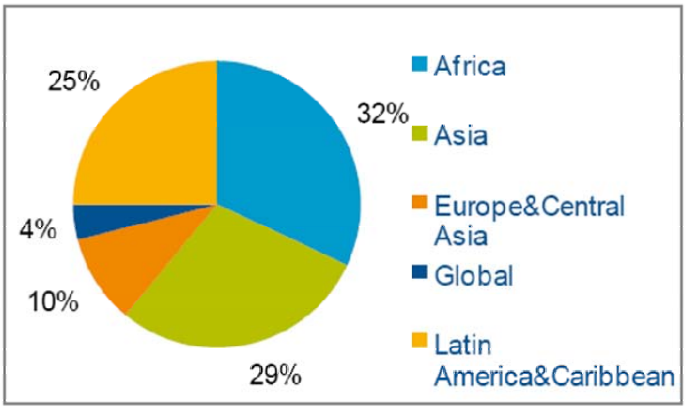
New commitments per sector 2009



During 2009, FMO realized positive results, in terms of both financial returns and development impact. This was particularly gratifying given expectations that the global economic crisis would certainly affect its business. Key results include:

- €911 mln in new in-vestments (2008: €1.3 bln), 50% of which were made in low-income countries;
- The total investment port-folio increased from €4,2 bln in 2008 to €4,6 bln in 2009.
- €60 mln net profit, a 25% growth compared to the previous year.

New commitments per region 2009



For the first time FMO's **Annual Report** is only available online. The Annual Report 2009 will not be distributed in hardcopy and as a result will no longer be sent all across the world. This saves huge amounts of paper and reduces transport, which therefore results in a major reduction of FMO's footprint. You can view the online report at:
http://annualreport.fmo.nl
The **Management Board's presentation** of the results is available at: http://www.fmo.nl/pressroom

FMO signs several cooperation agreements

FMO places great value on cooperation and harmonization with other Development Finance Institutions (DFIs), because it puts the interest of the client first. The beginning of May, FMO together with other European Development Financing Institutions, Agence Française de Développement and the European Investment Bank signed a Memorandum of Understanding for a Climate Change Facility. The parties intend to establish an investment matching facility to invest in private sector climate change projects in Africa, Asia and Latin America before the end of 2010. Through the fund, the organizations will demonstrate the financial attractiveness of climate-friendly projects, catalyze other (commercial) investors promote use of clean technology and provide long term financing for renewable energy projects.

Other cooperation agreements that were signed in May are the USD 850 mln Caribbean Joint Action Plan by Caribbean Development Bank, European Investment Bank, FMO, IFC and PROPARCO, a cooperation agreement with Rabobank and a USD 400 mln Risk Sharing Facility with Standard Bank. FMO also signed a risk distribution agreement with the Asian Development Bank (ADB), which will lead

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FMO SIGNS SEVERAL COOPERATION AGREEMENTS *(CONTINUED FROM PAGE 5)*

to greater and wider support for trade in ADB's developing member countries.

In April FMO signed a Risk Sharing Agreement with BIO (Belgische Investeringsmaatschappij voor Ontwikkelingslanden) to start co-operating and jointly finance infrastructure transactions and early March, FMO signed the Memorandum of Understanding for the African Financing Partnership (AFP) to enhance partnership and collaboration in cofinancing private sector projects in Africa. The AFP is a collaborative, co-financing platform amongst 8 key Development Finance Institutions (AfDB, DBSA, DEG, EIB, FMO, IDC, IFC and PROPARCO) focused on private sector financing in Africa.

AFD, EIB AND EDFI MEMBERS AGREE TO ESTABLISH A CLIMATE CHANGE FACILITY

Interact members, Agence Française de Développement (AFD), the European Investment Bank (EIB) and 12 EDFI members have agreed to establish a joint climate change facility (ICCF).

At the Interact annual general meeting, hosted by BIO in Bruges on May 7, the institutions signed a Memorandum of Understanding confirming their intention to establish an investment matching facility to invest in private sector climate change projects in Africa, the Caribbean and the Pacific, Asia and Latin America. The aim is to have the facility operational before the end of 2010.

The institutions have extensive experience operating across developing countries and emerging markets and share a joint interest in financing climate change and climate efficiency projects with the aim of creating a portfolio of climate friendly private sector investments in target countries.

Partners will seek to demonstrate the financial attractiveness of climate-friendly projects to private sector investors in developing countries and emerging markets and will commit to act as catalyst lead investors to attract additional long-term investments.

The institutions will further promote use of clean technology as an integral part of economic development and provide long term financing for renewable energy projects in countries facing acute energy shortages and restricted energy access, further contributing to economic development.

Funding is expected to be provided by Agence Française de Développement, the European Investment Bank through the Cotonou Investment Facility and 12 EDFI members: BIO (Belgium), CDC (United Kingdom), COFIDES (Spain), DEG (Germany), FINNFUND (Finland), FMO (the Netherlands), IFU (Denmark), NORFUND (Norway), OeEB (Austria), PROPARCO (France), Sifem (Switzerland) and SWEDFUND (Sweden).

The initiative has the twin aim of promoting sustainable development of private sector climate change projects and strengthening meaningful co-operation between European Development Finance Institutions, AFD and the European Investment Bank.

Interact was established in 1973 and consists of the fifteen EDFI members, Agence Française de Développement, the Black Sea Trade and Development Bank, the European Investment Bank and Kreditanstalt für Wiederaufbau. It is a forum for the exchange of views on development topics in working groups which meet regularly and a CEO group which meets annually. The EDFI office in Brussels provides the secretarial services for Interact.

EDEN CHOCOLATES IN SUZHOU (PRC)

Eden Chocolates has been established in 2008 in Suzhou, PRC with a mission to bring premium 'Belgium quality' chocolate products into the everyday life of Chinese consumers at an affordable and fair price. SBI/BMI has co-financed this Belgium venture from its start up and continues to support its promising evolution in the Chinese market.

Worldwide chocolate consumption and trends

Worldwide the chocolate market represents €65 bln and is growing. Western Europe, North America and Australia are the biggest chocolate consumers and their markets have matured. Consumption in emerging markets is relatively low but growing fast. Indeed, as disposable income and awareness grows rapidly in China, its mass market is expanding at high speed and as such, the chocolate market is expected to grow exponentially. After an initial market test under the new brand "Senz", Eden chocolates continued to roll out its brand in China during 2009 ,effectively doubling the volumes and proving that there is a clear potential for a high quality chocolate brand like Senz in China.

State-of-the art facilities

Eden Chocolates has invested a total of €12 mln and now operates a state-of-the art production facility in Suzhou Industrial Park (SIP), China. The factory has a capacity of 4.000 MT per year and is fully operational since June 2009. The plant is equipped with Belgian and German machinery and can produce highly automated chocolate products, both molded and enrobed. A Belgian experienced operations team ensures daily professional coaching and training of Eden Chocolates' employees. Food safety and quality control is applied according to highest international standards (HACCP, BRC, ISF and ISO9001 certifications). Eden Chocolates also produces seasonal chocolate concepts which involve a lot of handwork and hand-made decorations.

IFU APPOINTS NEW HEAD OF REGIONAL OFFICE IN SOUTH AFRICA

IFU has employed Johnny Ohgrøn Hansen, 41, as new head of the Fund's regional office in South Africa and replaces Kim Gredsted, who will return to IFU's head office in Copenhagen after two years in South Africa.

- We are pleased to employ Johnny Ohgrøn Hansen as head of our regional office in South Africa. He has broad experience and knowledge about South Africa, which will be valuable to IFU as well as the Danish business community, says Finn Jønck, Managing Director of IFU.

He has previously worked as a regional manager in the consultancy department of the Confederation of Danish Industry. For the past four years he has run his own consultancy firm in South Africa.

- Opportunities for Danish businesses are great in South Africa, and I look forward to helping even more Danish companies gain a foothold in the country, to strengthen them and to contribute to the economic and social development in South Africa, says Johnny Ohgrøn Hansen.

For further information, please contact: Head of Communication Rune Nørgaard, tel +45 33 63 75 60; Head of Regional Office Johnny Ohgrøn Hansen, tel +27 82 334 7809

Association

EDFI is the Association of European Development Finance Institutions, a group of 15 bilateral institutions which provide long-term finance for private sector enterprises in developing and reforming economies. Since its foundation in Brussels in 1992, EDFI's mission has been to foster co-operation among its members and to strengthen links with institutions of the European Union.

2009 figures

The consolidated portfolio including undisbursed commitments of the EDFI members at the end of 2009 was €18.5 bln in almost 4,000 projects.

In geographical terms, 28% of the global portfolio was in the ACP region and South Africa, 30% in South-East Asia, South-Asia and China, and 17% in South and Central America and 25% in remaining eligible regions.

Members

BIO -Belgium
CDC -United Kingdom
COFIDES -Spain
DEG -Germany
FMO -The Netherlands
FINNFUND -Finland
IFU -Denmark
Norfund -Norway
OeEB -Austria
PROPARCO -France
SBI-BMI -Belgium
SIFEM -Switzerland
SIMEST -Italy
SOFID -Portugal
SWEDFUND -Sweden

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The fifth issue of PROPARCO magazine is now available

Private Sector & Development
PROPARCO'S MAGAZINE

Africa's financial markets: a real development tool?

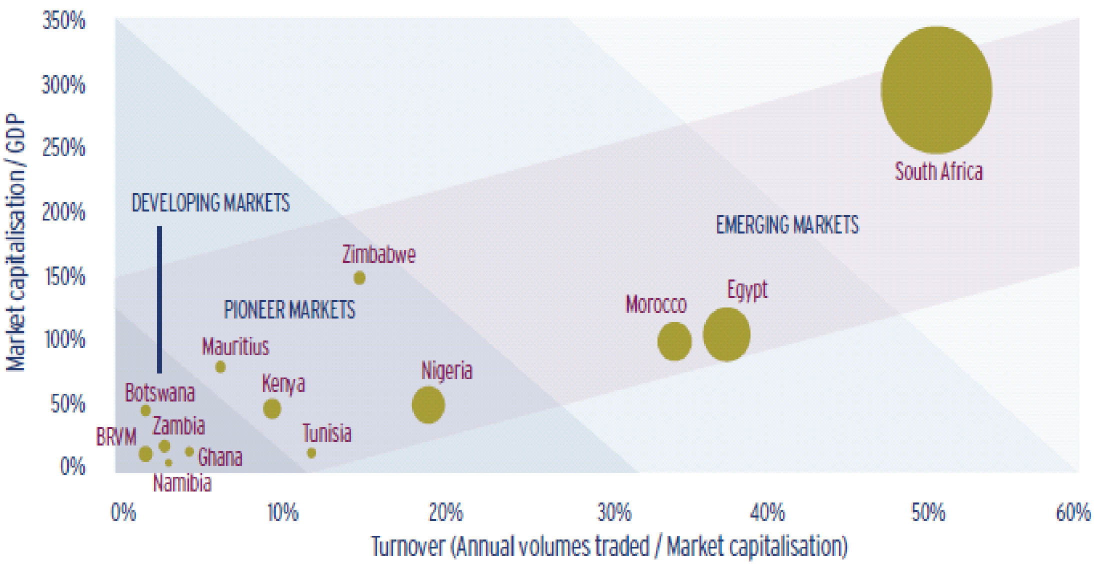
This issue focuses on the role and impact of financial markets in Africa with contributions from Arnold Ekpe (Ecobank), Mahmud Janmohamed (TPS/Aga Khan), Cyrille Nkontchou (Liquidafrica), Thierry Tanoh (IFC), Laurent Demey (Proparco), Thorsten Beck (Tilburg University) and Scott Standley (IMF).

Sub-Saharan Africa's financial sector may be relatively underdeveloped compared to other continents, yet its stock market issues have recently achieved encouraging performances in both numbers and volumes. Indeed, since the late 1980s national and regional stock markets have been increasingly established in Africa and today there is practically continent-wide coverage.

However, great disparities still exist between the handful of major markets like South Africa or – to a lesser extent – Nigeria and newer markets that remain very small and lack liquidity.

It appears that the development of Africa's financial markets is closely correlated with economic development and the size of local banking systems.

Correlation between GDP, market capitalisation and turnover on African stock exchanges (2007)



The bigger the disc the higher the market capitalisation. Source: S&P, IMF, African Union, stock markets websites

Next issue of *Private Sector and Development* will focus on how to boost the clean energy sector in emerging countries, particularly through private equity investment funds.

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