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CONTENT

Cofides supports the Spanish company SOLUTEX to produce essential oils and extracts in India 2 CDC publishes 2010 Annual Review 2 DEG looks back at a successful year 2010 3 DEG: First projects in Iraq 5 Global Water Award 2011 to DEG client 5 FINNFUND: Cape Verde sets the pace for wind power in Africa 6 Norfund: co-hosts the conference New African Connections -Opportunities when Finance, Technology and Health care meet 7 Norfund invests in small scale solar panel company 8 Norfund's SN Power AfricA rebranded to Agua Imara 8 PROPARCO's strong commitment to fighting climate change 8 PROPARCO Commitments raise to €944 mln in 2010 9 PROPARCO's arrival on the carbon finance market 10 PROPARCO Magazine: the 10th issue of is now available 11 SIMEST: 2010 activities and prospects for 2011 growth 11 SWEDFUND invests in the Belarusian wood industry 12 FMO, IFC and AfDB invest in Dibamba Power Company to improve Cameroon's electricity supply 13 FMO signs UNPRI and becomes a GIINmember 13 FMO approves new focus sector 14

COFIDES and FONPYME support a new chemical analysis laboratory in Morocco

SOLEA, a Spanish group created in 1993, specialises in chemical analysis, consultancy and outsourcing services in primarily three areas: agriculture, food and environment. AGQ Labs & Technological Services is the subsidiary that conducts the group's productive businesses.

In the agricultural sector, AGQ, an SME, engages in nutritional monitoring and fertiliser optimisation for fruit (especially citric) and olive orchards and vegetable farms. In the food industry, the group audits production processes and provides specialised counseling on product quality. Its analyses are geared to ascertaining the nutritional composition of food and detect pesticides and other pollutants. Lastly, in the environment industry, the group analyses soil and water, performs environmental quality studies and proposes depollution measures.

At the outset, AGQ was a consultant laboratory specialising in agriculture. The food and environment divisions were created later, in 1996 and 2003, respectively. Its newest division, mining, was founded in 2010 to provide specialised laboratory and consultancy services for that industry.

In addition to this industrial diversification, the group has gradually branched out geographically. At this time AGQ has a productive subsidiary in Chile, which received COFIDES financing in 2008. It also has commercial subsidiaries across a wide range of countries: Argentina, Ecuador, Peru, the United States, Egypt and Morocco.

Having consolidated its commercial presence in Morocco, the group has decided to install a laboratory there. The new laboratory, to be located on the outskirts of Casablanca, will strengthen the group's business in that country, one of the main potential exporters of agricultural products to the European Union. The new facility calls for a total investment of over one million euros and will be equipped with two units, one for organic and the other for inorganic analyses.

COFIDES has granted AGQ Maroc, the group's Moroccan subsidiary, a joint venture loan for 732,000 euros to finance the purchase of laboratory instruments and material. The loan will be drawn from both COFIDES (25 %) and FONPYME (75 %) resources.

The project is expected to generate 30 direct jobs. Similarly, local development will benefit from the technology and know-how transfer implicit in the founding of this laboratory.

COFIDES *SUPPORTS THE SPANISH COMPANY SOLUTEX TO PRODUCE ESSENTIAL OILS AND EXTRACTS IN INDIA*

Since its inception in March 2004, the Spanish company SOLUTEX has maintained its commitment to health, safety and sustainability.

As a company specialising in extraction, concentration and purification using its proprietary FLUTOX technology, SOLUTEX processes natural products renowned for their quality, purity and reliability for the aroma and fragrance, nutrition and pharmacy industries. SOLUTEX divides its activity into two business units: essential oils and extracts, primarily from citric plants, and biolipids with unique functional and nutraceutical ingredients, such as EPA and DHA (omega-3 fatty acid) concentrates.

SOLUTEX has built a production facility in India. The company has founded a joint venture with its local partner, Minerva Flavours & Fragrances Private Ltd, in which the Spanish firm holds 74 % of the share capital.

The Indian plant will produce and market essential oils and extracts and afford SOLUTEX access to the wide variety of prime materials in that country, enabling it to expand its product catalogue. SOLUTEX will likewise have access to one of the world's fastest growing markets. A total investment of 1.60 million euros will be needed to attain these project objectives.

The project will have a positive impact on the local economy thanks, among others, to the creation of around 20 jobs, along with the effects of technology transfer. SOLUTEX's business is basically scientific in nature and the company obtains its products with patented green extraction technology and supercritical CO_2 chromatography.

This being an internationalisation project sponsored by a Spanish SME with a positive impact on the local economy in an emerging country, COFIDES granted a joint venture loan for 500,000 euros to Minerva Flavours & Fragrances Private Ltd. The loan draws from COFIDES (25 %) and FONPYME (75 %) resources.

CDC *PUBLISHES 2010 ANNUAL REVIEW*

CDC has recently published its 2010 Annual Review, a document that gives a combined description of our activities from both a financial and developmental viewpoint. One of the objectives of this combined publication is to demonstrate how financial success and development success are complementary and linked. In 2010 CDC made a £269m total return, and generated £237m of cash from its portfolio for future re-investment in developing countries. These figures alone show that CDC's underlying investee businesses are profitable, successful and sustainable, indicating a strong development impact.

In 2010 a signification part of the Annual Review is devoted to stories from individuals, investors and entrepreneurs who are involved in CDC's portfolio of underlying investee businesses. Each short case study communicates the transformative and positive impact of DFI capital upon lives and livelihoods.

For example, the case of Sri Biotech explains how growth capital has enabled an Indian manufacturer of organic agricultural inputs to increase its dealer network. As a result significantly more farmers in India now have access to effective, fairly-priced crop treatments that don't degrade the environment or deplete the levels of nutrients in the soil.

DEG LOOKS BACK AT A SUCCESSFUL YEAR 2010

New commitments back to pre-crisis level again, positive annual result

DEG looks back at a successful financial year 2010 in terms of developmental effects as well as from an economic point of view. The new commitments of DEG again reached the level they had before the financial crisis: as last in 2008, DEG committed around 1.23 billion euros to finance private-sector investments in developing and emerging-market countries (2009: 1.01 billion euros). The Corporate-Policy Project Rating (GPR) confirmed an average grade of 2.4 for the co-financed projects aimed at private-sector promotion in developing and emerging-market countries. This again represents a slight improvement in quality compared to the previous year (in 2009: 2.5).

After the 2-year global financial crisis, the cooperation with DEG was vital for numerous partners in 2010, mainly because many commercial banks retreated from developing, emerging-market and transition countries. The total commitment of DEG – the portfolio at own risk – increased by 13 per cent to 5.2 billion euros as of 31 December 2010.

An issue which has top priority for DEG is climate protection. This is why DEG has committed almost 230 million euros for climate-friendly investments last year. The climate-protection commitments were thus around 44 per cent above previous year's level.

The major effects of the entrepreneurial development cooperation of DEG concern the creation and securing of jobs, the improvement of the tax income of the investment country and its foreign-exchange account. Together with the companies co-financed in 2010, DEG promoted about 115,000 jobs plus another 220,000 jobs with suppliers of productive companies and end-borrowers in finance sector projects. Moreover, the tax payments of the co-financed companies will contribute to government revenues in the partner countries of more than 490 million euros a year and generate about 2.7 billion euros of net foreign-exchange income.

An additional developmental emphasis is placed by the develoPPP.de programme, which DEG has been running on behalf of the Federal Ministry for Economic Cooperation and Development (BMZ) since 1999. Last year, DEG supported 76 new project with 20.4 million euros from public funds. The private companies contributed another 27.4 million euros.

The operating result before risk provisions amounted to 186 million euros (in 2009: 130 million euros). In the course of the financial year it became clear that an improved business environment in most developing and emerging -market countries made it possible to significantly recoup the provisions for risk, which had been massively increased in 2009. Profit for the financial year was 268 million euros after taxes (in 2009: loss for the financial year amounted to 51 million euros). From its profit for the financial year 2010, DEG will generate appropriated reserves of 10 million euros with the aim of financing accompanying measures to improve the developmental impact of DEG projects. As in previous years, the remaining net retained profits will be contributed to the revenue reserves with a view to strengthening DEG's equity.

With this result, DEG was able to achieve a return on equity before taxes of 6.1% on average for the past three years. "Due to its significantly increased capital adequacy based on profit retention, DEG maintains an adequate risk bearing capacity and a sound basis enabling a further development of its promotional business by own means," emphasised Bruno Wenn, Chairman of DEG's Management Board.

Also for 2011, DEG expects a continuously high demand for its long-term financing and due to promising project proposals, it is again planning new business to the amount of 1.2 billion euros. The focus will be on small and medium-sized businesses, climate-friendly investments and the cooperation with German medium-sized companies.

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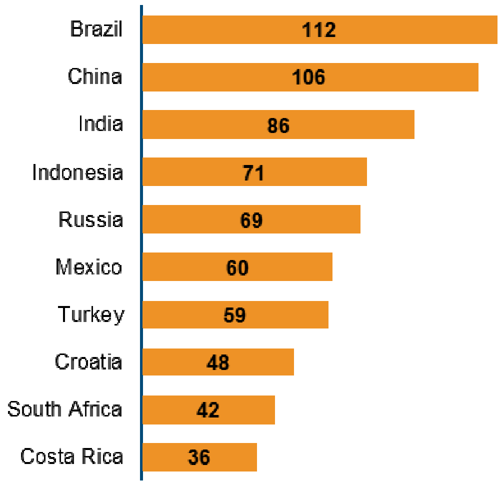
DEG LOOKS BACK AT A SUCCESSFUL YEAR 2010

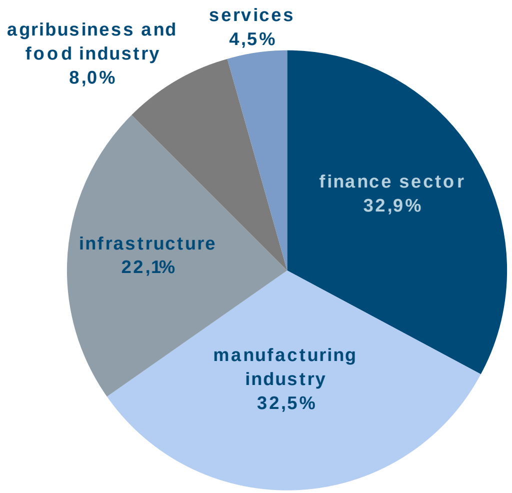
New commitments back to pre-crisis level again, positive annual result *(continued from page 3)*



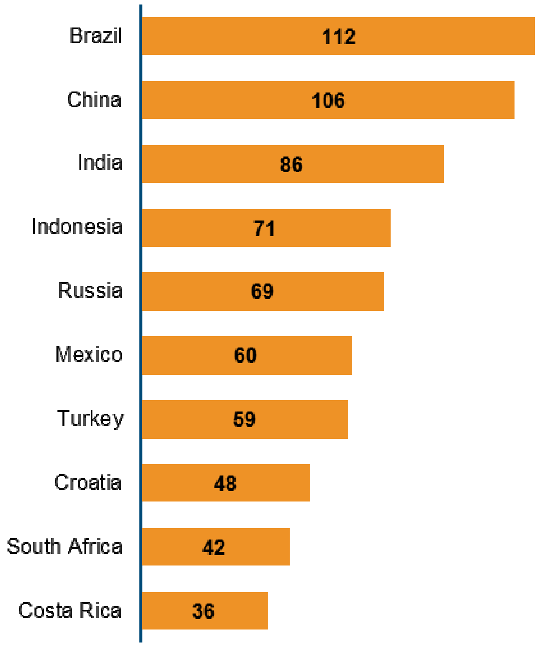
DEG business 2010 in brief +++ After the 2-year global financial crisis, the cooperation with DEG was vital for numerous companies. +++ Financial commitments amounted to EUR 1,226m in 2010 (2009: EUR 1,015m). +++ The investment of risk capital in the form of equity and mezzanine finance amounted to EUR 344m. +++ Disbursements in 2010 were EUR 868m (2009: EUR 729m). +++ DEG invested in 94 projects in 32 countries. +++ Regional distribution in 2010: Latin America: EUR 360m (29%), Asia: EUR 351m (29%), Europe: EUR 259m (21%), Africa: EUR 227m (19%), supraregional projects: EUR 30m (2%). +++ Sectoral distribution in 2010: Finance sector: EUR 404m (33%), manufacturing industry: EUR 398m (32.5%), infrastructure: EUR 272m (22%), agribusiness and food industry: EUR 98m (8%), services: EUR 55m (4.5%). +++

+++ Portfolio EUR 5.2 billion +++

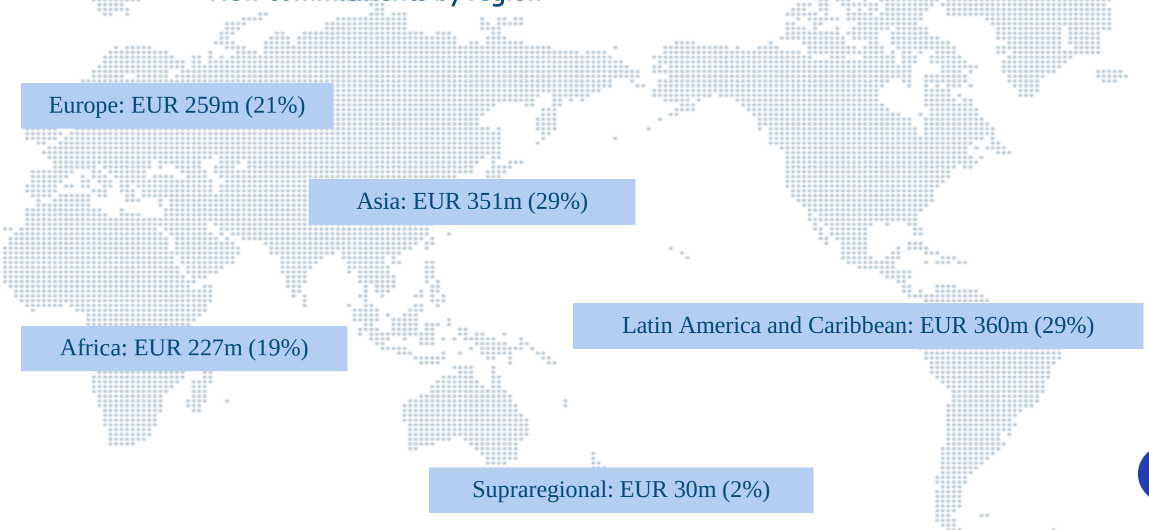
New commitments by sector



The Top 10 of new business in 2010



New commitments by region



FIRST PROJECTS IN IRAQ

Promotion of private infrastructure and reconstruction

After many years of isolation and three wars, Iraq is facing big challenges. The country's rehabilitation also requires capital of foreign financiers. For the extension of the mobile telecommunications network, DEG provided Zain Iraq with a long-term loan of 35 million US-dollars. The financing was part of a tranche of 400 million US-dollars, which was arranged by the International Finance Corporation (IFC), a member of the World Bank Group. Further lenders where Proparco and FMO as well as the credit fund "Infrastructure Crisis Facility" (ICF), which was set up by the German Federal Government and IFC and is assisted and co-financed by KfW.

With this project, DEG makes a contribution to the extension of the telecommunications structure and furthermore sets a signal for further lenders. With Zain Iraq, DEG finances a big, successful Iraqi mobile telecommunications provider. The company is a subsidiary of the Kuwaiti Mobile Telecommunications Company K.S.C. (MTC), a long-time partner of DEG, whose mobile telecommunications investments it has, for instance, co-financed in Madagascar, Malawi and Uganda.

Zain Iraq invested into the extension and qualitative improvement of its telecommunications network in Iraq. Since the granting of the first mobile telecommunications licences in 2003, the number of users has increased from 300,000 to 20 million. The set-up of functioning mobile telecommunications networks offers the opportunity of creating a communications infrastructure also in less developed regions at lower cost than in fixed line networks, thereby making it accessible to wide strata of the population. Small-scale business people like taxi drivers, traders or farmers taking their produce to the market thus improve their communication and by this their business opportunities. The extension, operation, repair and maintenance of the nationwide mobile telecommunications stations will generate a great number of jobs. The trade with mobile telephones and mobile telecommunications cards will create additional job opportunities all over the country. Moreover, licence and tax income of around 400 million US-dollars can be expected. This is an important source of income for the Iraqi government, which also contributes to reducing the sole dependency on the oil sector.

DEG took a step into Iraq in late 2010 within the scope of develoPPP.de, the Public-Private Partnership (PPP) Programme of the Federal Ministry for Economic Co-operation and Development. It supported the German family-run enterprise Knauf, a manufacturer of plaster-based construction materials, with funds from the programme to build a training centre for dry construction in Bagdad.

In the training centre workers, architects, developers and engineers will be imparted theoretical and practical know-how of dry construction technology. Depending on the target group, the curriculum will, for instance, include physical, chemical and structural basics, fitting of ceilings and walls, noise and fire protection and health and safety at work.

Furthermore, Knauf will closely cooperate with Bagdad University with the aim of establishing the subject "Building materials for interior fittings / Dry construction" in the Iraqi building industry. The training centre is planned to be continued in cooperation with the university.

GLOBAL WATER AWARD 2011 TO DEG CLIENT

Bauer Resources GmbH was awarded a distinction for its innovative reed bed water treatment plant

DEG' client Bauer Resources GmbH has won the Global Water Award 2011 in the category "Industrial Water Project of the Year" for its innovative reed bed water treatment plant in Oman. The ceremony took place in Berlin on 18 April in presence of Kofi Annan, who awarded the prize.

The plant of the German company with long years of experience in biological water treatment, purifies contaminated process water from the crude oil exploitation. For the construction of this plant, DEG provided a quasi-equity loan of 37 million US-dollars to Bauer Resources GmbH in 2009.

Crude oil exploitation, which represents one of the most important branches of the economy in Oman, involves considerable environmental risks. Contaminated process water can endanger the quality of groundwater if it is

Continued on page 6

GLOBAL WATER AWARD 2011 TO DEG CLIENT

(CONTINUED FROM PAGE 5)

not being purified. For this purpose, the largely governmental oil company Petroleum Development Oman LLC engaged Bauer to construct the treatment plant. Covering a total area of 235 hectare, it is the largest commercial plant-based treatment facility in the world. It treats at present 47,000 cubic metres of process water a day. The treatment plant was implemented by the local subsidiary of the Bauer Group, Bauer Nimr LLC.

The plant is composed of an upstream oil separator, the plant-based treatment facility, in which micro-organisms bond to contaminators, and a downstream saline. Crude oil to the value of several thousand US-dollars is regained daily. In addition, the treatment process produces biomass that can be used as a source of energy. At the end of the process chain the water is cleaned, leaving the salt, which can be processed to industrial salt. But that's not all: the treatment plant does not even require any additional energy supply.

Water scarcity solutions for drinking water but also when it comes to industrial and agricultural use is a matter of particular concern to DEG. For this purpose, DEG and the environmental NGO WWF have developed a methodology which helps financial institutions and other investors to identify and to evaluate water-related risks of their clients. The "water risk filter" is intended to identify these water -related risks and consider them in investment decisions and to outline possible courses for action in water management. Through that, WWF and DEG want to contribute to strengthening awareness of ecological and economical water risks and to improve water management of the companies.

CAPE VERDE SETS THE PACE FOR WIND POWER IN AFRICA

Cape Verde will soon have Africa's largest concentration of wind power. FINNFUND is involved in the project, which will replace diesel power with renewable energy

Finnfund is a shareholder in the project company that is bringing wind power to the island republic of Cape Verde, off the west coast of Africa. Shares in Cabeólica S.A. are also held by Nigerian-based Africa Finance Corporation and by Infraco, a consortium for African infrastructure development established by the World Bank and five European countries – Austria, the Irish Republic, the Netherlands, Sweden, Switzerland and the United Kingdom.

Other Cabeólica shareholders are Cape Verde's power and water company Electra and its government. Loans for the project are being provided by the European Investment Bank (EUR 30 million) and the African Development Bank (EUR 15m).

<u>Long-planned project</u>
The total costs are 65 million euros. The Cabeólica Wind Farm Project has been under planning for more than ten years but, for a variety of reasons, financing arrangements have not been concluded until now.

The project is due to be complete in December 2011. There will be a total of 30 wind turbines, with a combined output of 25.5 MW. The turbines are being built on four islands, Santiago, São Vicente, Sal and Boa Vista..

Turbine construction is a turnkey project by a Portuguese subsidiary of the Danish wind power specialist, Vestas. Long-term upkeep and maintenance will also be provided by Vestas.

<u>A winter start to construction</u>
Turbine construction began in winter 2011 in Santiago and São Vicente. "On both islands, roads have been built, large foundations have been dug for the turbine masts and the area alongside has been levelled and rein-

Continued on page 7

CAPE VERDE SETS THE PACE FOR WIND POWER IN AFRICA

(Continued from page 6)

forced for heavy cranes," says Finnfund Senior Investment Manager Helena Teppana, who has been following project progress. Casting of the foundations began in mid-March and the first masts and turbines are expected to be installed in June.

"Power production is scheduled to begin in the first two islands in August 2011. When the earthmoving and foundation work is completed there, the team will move to the two other islands," Teppana explains.

A quarter of local electricity needs

Cabeólica will sell the electricity produced to the national grid. It will cost Cape Verde's power company, Electra, less than electricity produced at diesel-powered plants, some of which are Electra's own.

When all the turbines are in operation, they will generate about a quarter of the electricity used in the islands. The project has great significance for this small, poor island republic, which has to import expensive fossil fuel from abroad.

The rest of Cape Verde's electricity is diesel-generated. The project will create wind-diesel hybrid networks on four islands.

Excellent location for wind power

Compared with other parts of the world, the islands offer excellent conditions for wind power farms. "The wind is our oil," the managing director of Infraco, Richard Parry, points out.

Adds Helena Teppana: "Now the people of Cape Verde are finally generating electricity by using their own natural fuel. Judging from a few visits to the islands, they seem to have plenty of it."

The project will reduce carbon emissions and improve the reliability of the power supply. Moreover, the price of electricity from wind turbines will probably be less subject to fluctuations than from fossil fuels.

Potential for more wind power

The government of Cape Verde plans to build more wind farms in the future. By 2020, it wants to generate 50 percent of the power used in the islands from renewable energy sources.

The Cabeólica Wind Farm Project has aroused widespread public interest as the first large-scale wind power project in Africa.

"Cabeólica has good possibilities to enlarge its generating capacity in future years, after the first project has been completed and its electricity sold according to plan," Teppana predicts.

The Cabeólica Wind Farm Project received in March the Best Renewable Project in Africa Award.

Norfund CO-HOSTS THE CONFERENCE NEW AFRICAN CONNECTIONS - OPPORTUNITIES WHEN FINANCE, TECHNOLOGY AND HEALTH CARE MEET

In co-operation with DnB NOR bank, Care Norway and the Norwegian Ministry of Foreign Affairs, Norfund will host the conference New African Connections in Oslo on June 21st -22nd. With a range of high ranked leaders from among other JP Morgan, Telenor, Safaricom, Johnson and Johnson, as well as smaller Norfund-funded players, the conference aims at discussing the potentials of public-private partnerships in the spheres of finance, technology and healthcare. In particular the possibilities of mHealth and mobile banking will be center stage. The conference will be opened by HRH Crown Prince Haakon Magnus, and Kofi Annan, Ted Turner and Gro Harlem Brundtland from the Board of the UN Foundation will kick start the program with a panel discussion on day one.

Norfund INVESTS IN SMALL SCALE SOLAR PANEL COMPANY

With Renewable Energy as the largest investment area, Norfund is happy to announce that the first small scale solar company has been added to the, so far, hydro power dominated portfolio. ToughStuff has developed small, very tough solar panels for household use. The main usage areas are lighting, mobile phone and radio battery charging. Special lamps and batteries are part of the package, in addition to chargers for different phones. So far the company has focused it's activities in Madagascar and Kenya, but are now entering new markets. Emergency kits for crisis areas are also sold to aid organizations.

For a presentation by the founders:

http://www.youtube.com/watch?v=7NWYE6XqOZM

Norfund's SN POWER AFRICA REBRANDED TO AGUA IMARA

AGUA IMARA

To increase renewable energy investment activity in Sub-Saharan Africa and Central America, SN Power AfriCA was established in 2009. The company is now well in place, with a number of hydropower projects in planning. The two main projects being the building of a hydropower plant in Panama and the acquisition of an existing plant in Zambia where production capacity will be greatly increased. To take the next step in strengthening the company, the new name Agua Imara (combining Spanish and Swhili meaning Hydro Power) and the brand was launched on May 25th. The company is owned by Norfund, SN Power and the two regional Norwegian hydropower companies BKK and TrønderEnergi.

Proparco'S STRONG COMMITMENT TO FIGHTING CLIMATE CHANGE

GROUPE AGENCE FRANÇAISE DE DÉVELOPPEMENT

In 2011, PROPARCO continued to deliver on its strong commitment to fight climate change and has financed several "climate-friendly" projects in the developing countries. In order to efficiently tackle climate change challenges, PROPARCO focuses its investments on energy efficiency and renewable energy, as illustrated by the following projects:

Financing renewable energy in Brazil and Turkey.

An EUR 40 mln facility has been made available to Brennand Energy Group, the second largest actor in the Brazilian renewable energy sector, to finance the development of the company's hydropower plants. The construction of eight new small and medium-sized hydropower plants aims to increase Brennand's generation capacity in the context of a long-term sustained growth in electricity demand in Brazil. With an installed capacity of 149 MW, the new plants will also help reduce carbon dioxide emissions by 72.000 tons of CO_2.

In Turkey, PROPARCO has granted a EUR 40 mln loan to EnerjiSA, local power company, to finance the construction of renewable energy infrastructure and a gas-fired combined cycle power plant. The funding is part of a facility totaling EUR 700 mln, including resources from international and local banks, IFC and FMO. With a total installed capacity of 1.095 MW, the future wind farm and the two hydro power plants will contribute to diversify Turkey's energy mix and tackle

Continued on page 9

Proparco'S STRONG COMMITMENT TO FIGHTING CLIMATE CHANGE

GROUPE AGENCE FRANÇAISE DE DÉVELOPPEMENT

(continued from page 8)

energy demand in a country largely dependent on natural gas and coal. More generally, PROPARCO's commitment will help reduce the carbon intensity of Turkey's economic growth.

Supporting energy efficiency in India and Indonesia.

PROPARCO, FMO and DEG have subscribed to an EUR 35 mln foreign currency convertible bond issued by JK Paper, one of India's largest pulp, paper and board manufactures, to finance the company's expansion plan, which includes an environmental and social action plan. The construction of a 55 MW in-house power plant and the implementation of cutting-edge equipment will improve energy, water and chemical efficiency and enhance wood pulp yield. Furthermore, production capacity will double while maintaining the same levels of energy and water currently used in the production process and introducing environmentally friendly chemicals. Moreover, new environmentally safe technologies will allow the company to set an environmental benchmark for the paper industry in India.

Finally, PROPARCO supports energy efficiency plans in the paper recycling industry in Indonesia. The USD 10 mln loan granted to FAJAR PAPER, the leading packaging paper manufacturer in Indonesia, finances the construction of an incinerator that will treat the company's waste and generate 10% of the steam required for its manufacturing process. In a country that has one of the highest deforestation rates in the world, PROPARCO is especially proud to support the largest user of recycled paper. FAJAR PAPER's new equipment will reduce its energy dependence and improve its energy efficiency.

Proparco COMMITMENTS RAISE TO €944 mln in 2010

GROUPE AGENCE FRANÇAISE DE DÉVELOPPEMENT

2010: a fifth consecutive year of strong growth

In 2010, PROPARCO's signed commitments grew by 6%, reaching a new record level. With 70 projects signed, commitments increased from €893 mln in 2009 to €944 mln in 2010.

An African year

PROPARCO invested 45% of 2010 of its commitments, or €420 mln in Sub-Saharan Africa, making 2010 an African year. PROPARCO has become one of Sub-Saharan Africa's leading bilateral DFI. PROPARCO's investments in the continent has increased by 60% since 2009. A large array projects have been supported, in transport infrastructure, telecommunication or microfinance. PROPARCO has financed the Dakar port extension in Senegal as well as the densification and extension of the mobile telephone network in Chad. Highlights of this year include the reopening of PROPARCO's office in Abidjan (Côte d'Ivoire), to cover West Africa.

Launched in 2009, FISEA, a fund dedicated to supporting small enterprises in Africa, is one of the main mechanisms of the French Initiative for Growth and Employment in Africa. FISEA has invested €48 mln in 2010 in 14 projects.

Strong presence in Latin America and the Caribbean

PROPARCO continues to further its ambitions for this region. Only one year after the expansion of its scope of operation to the entire continent, PROPARCO has commited in 2010 27% of its investments in Latin America and the Caribbean, representing €256 mln. PROPARCO aims to support "green and equitable" growth this region, reconciling environmental sustainability and poverty alleviation, with a focus on the energy sector. For example, PROPARCO has financed the extension of a geothermal power plant in Nicaragua, the construction of a wind farm in Mexico and the development of an electricity utility in Jamaica.

Exceptional level of equity investments

2010 has also been characterized by an exceptional level of equity investments. With an all-time record of €204 mln – a 123% rise compared to 2009 – PROPARCO has delivered on its mission to provide long-term capital constant assis-

Continued on page 10

Proparco COMMITMENTS RAISE TO €944 mln in 2010

(Continued from page 9)

tance to Southern entrepreneurs in their own development. Sixteen direct investments were closed during the year, including two sizeable investments (USD 30 mln and USD 35 mln) in a leading Lebanese bank and in the African subsidiary of an international cement manufacturer.

In 2010, PROPARCO invested €120 mln in 19 funds, which in turn have financed the development of 248 companies. This activity allows it to leverage the impact of its financing by supporting a large number of companies in diverse sectors and by training the management teams in the highest governance standards.

Key figures 2010

PROPARCO's financing and cofinancing in 2010 will contribute to:

1. Connect 1.7 million people to a telecoms network.
2. Improve the environmental and social performance of 20 projects.
3. Contribute €210m to States revenue every year.
4. Create or secure 115 000 direct jobs and 170 000 indirect jobs.
5. Reduce greenhouse gas emissions by 1.7 million tons of CO_2 every year.
6. Give 300 000 people access to microfinance.

Proparco'S ARRIVAL ON THE CARBON FINANCE MARKET

On 12th May, a subsidiary of the Caisse des Dépôts created specifically to fight climate change, CDC Climat, signed a partnership agreement with PROPARCO for joint investment in greenhouse gas emission reduction projects in Africa. This partnership marks PROPARCO's arrival on the carbon finance market.

In December 2010, the Cancun Conference decided to mobilize USD 100 billion a year in 2020 to fight climate change in emerging and developing countries. This figure will probably only be reached through innovative financing. In this perspective, carbon finance, despite its weaknesses and uncertainties is already considered as one of the tools that could be most effectively mobilized, not only to bring global additional means but also to help countries and sectors that are in great need of such additional financing.

Being a significant actor in climate change financing, PROPARCO has naturally decided to enlarge its activities to carbon finance. With this move, PROPARCO wishes firstly to enlarge its range of financing and offer its clients a broader and more innovative approach to combating climate change. Secondly, this undertaking also aims to provide a solution for project sponsors in order to allow them to develop their projects more easily and to mobilise carbon finance, which is rarely done in Africa. Thirdly, our aim is mitigate the market tendency to avoid The Mediterranean and African region to focus on "simpler" regions, but also to focus on decentralised projects which are harder to structure but more adapted to Africa.. In so doing, we hope to create an emulation effect and thus play in full our role as a financing catalyst.

To reach this ambition, PROPARCO has decided to develop a threefold approach: by investing in CDC Climat Asset Management, the carbon assets management company created by CDC Climat which has already a great deal of experience in the field of carbon finance. As a second step, we entrusted it with management of two mandates worth a total of €30 mln: that is €15 mln to be invested in Sub-Saharan Africa, and another 15 mln for the Mediterranean zone.

Sub-Saharan Africa and the Mediterranean have been indeed on the sidelines of carbon finance, with 2.8% and 1.4% respectively of the projects recorded on the regulated world market. We are convinced that these two zones contain a large number of projects eligible for the carbon finance mechanisms. We are also convinced that their access to carbon markets can generate additional revenue and make a contribution to their overall economic and social development.

Even if the company does not rule out investing in "voluntary" credits, CDC Climat AM should above

Continued on page 11

Proparco'S ARRIVAL ON THE CARBON FINANCE MARKET

(Continued from page 10)

all be concentrating on acquiring CERs. It will target a variety of sectors such as renewable energies, energy efficiency in the home and in industry, waste management, methane capture and reuse and electricity production from biomass. Through the two mandates from PROPARCO, CDC Climat AM should be able to acquire at least 3.3 MteqCo$_2$.

NB : CDC Climat is a subsidiary of the Caisse des Dépôts set up in 2010 to combat climate change in three areas: investment in carbon assets, development of services for the carbon market and research in the field of climate change economics.

Private Sector & Development

PROPARCO'S MAGAZINE

THE 10TH ISSUE OF IS NOW AVAILABLE

"Cement, caught between ecological responsibility and economic imperatives"

This tenth issue of PROPARCO's magazine focuses on the major dilemma that are facing development institutions. Should they be supporting a cement sector, crucial to development, but that produces such significant amounts of CO_2 when their core mission is to combat climate change? It is a question that is troubling the development world, yet it must be asked – and debated.

The cement sector alone is responsible for 5% of carbon emissions resulting from human activity, a proportion that could well exceed 10% by 2050. For developing economies, any restrictions imposed on cement financing would be tantamount to having their wings clipped in mid-flight. While the cement industry will continue to produce large quantities of CO_2 for many years to come, it can nevertheless reduce its carbon footprint. To do so, it must adopt the most energy-efficient technologies and offer innovative solutions, particularly when it comes to insulating energy-intensive buildings.

The increasingly rigorous criteria imposed by development institutions on cement projects can help in this regard. Most importantly, each project funded by these institutions must be carefully scrutinised to ensure that any negative effects on climate are far outweighed by the project's positive economic impact.

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SIMEST 2010 ACTIVITIES AND PROSPECTS FOR 2011 GROWTH

The year 2010 has definitely not been an easy one for the Italian companies and 2011, unfortunately, has not begun auspiciously in view of the disorders that are still affecting the countries of the southern Mediterranean coast, where Italy has a leading position both in terms of exports and investments.

Despite this, Italian businesses are coping with this situation very well and our companies can rely on the support of SIMEST that with its tools and services, recently renovated, supports their competitiveness on a global scale.

During 2010 SIMEST has introduced some important new financial instruments; in the first place investment activity has been extended to market conditions, both in Italy and the European Union. The goal is to develop productive investments and support technology development programs in companies that invest in innovation and applied research.

Other new features include already existing tools that have

Continued on page 12

2010 ACTIVITIES AND PROSPECTS FOR 2011 GROWTH

(Continued from page 11)

been made more effective and responsive to business needs, such as programmes to break into foreign markets and feasibility studies.

Finally, it was launched a totally new instrument, which is collecting the consent of Italian businesses. It is a loan to improve the financial structure of the exporting SMEs with the aim to enhance their competitiveness in international markets.

Countries in which SIMEST will focus its activities for 2011

The serious crisis affecting the Mediterranean region countries - where SIMEST is supporting a significant number of projects - will cause a certain contraction, at least in the short term. For this reason Italian companies will turn their attention to other areas where, however, they are already present. In particular we refer to Brazil and other Latin American countries, like Peru, Venezuela and Chile which are certainly attractive investments destinations, like China and India but also the United States, in which Italian companies have already seized some interesting opportunities.

Sectors more committed in the internationalization

In 2011 the activity of SIMEST will be promoting the development of enterprises operating in those sectors where the best opportunities lie ahead and namely that ensure to the Italian production system a position of excellence in global markets. In particular, in addition to the traditional sectors such as food, clothing, automotive and furniture, interesting perspective can be forecasted for the fields of infrastructure and renewable energy.

INVESTS IN THE BELARUSIAN WOOD INDUSTRY

Swedfund is boosting its portfolio in Eastern Europe by providing financing to a Belarusian manufacturer of wood products.

Swedfund International AB is providing a MEUR 6.5 long-term subordinated loan to IOOO VMG Industry, a project company established to build and operate a furniture- and particleboard-producing factory in Mogilev, eastern Belarus. The purpose of the loan is to finance the construction of the factory.

The owner of IOOO VMG Industry is Vakaru Medienos Grupe, a Lithuanian producer of wood products and furniture.

There is good potential for growth in the Belarusian wood industry due to plentiful natural resources, a strategic location and an attractive cost base.

"Swedfund is delighted to support IOOO VMG Industry and its owner in this new venture," says Björn Blomberg, Managing Director at Swedfund. "Belarus is also of particular importance to Swedfund and we are keen to continue supporting private sector development."

FMO, IFC and AfDB invest in Dibamba Power Company to improve Cameroon's electricity supply

FMO, IFC and AfDB have invested €66 million in the Dibamba Power Development Company to help it build an 86 megawatt powerplant that will ensure a reliable electricity supply, and improve energy security in Cameroon.

The Dibamba Power Development Company is a subsidiary of the AES Corporation and is 44 percent owned by the government of Cameroon.

IFC, FMO and AfDB are each lending €22 million to the €92 million Dibamba project located near Douala, Cameroon's industrial center. The plant will be connected to the Southern Interconnected Grid via a two-kilometer transmission line, also financed as part of the project. The project will initially be oil-based, but an interest rate reduction has been structured into the design of the long-term debt to encourage the plant's conversion to gas at a later stage.

The Dibamba plant has been developed to avoid imminent electricity shortages and avert an emergency power situation. It will help Cameroon meet its growing demand for power, particularly during peak periods, and provides a much-needed thermal component to a largely hydro based system, which is unreliable in years of poor rainfall.

Dave Smit, FMO's Manager Structured Finance Energy, said, "The power supply from the Dibamba project contributes to diversifying Cameroon's energy mix, improving overall reliability of electricity supply, and will boost the country's energy net supply capacity by around 10 percent. FMO is very pleased to play a part in stimulating Cameroon's development in this way".

FMO signs UNPRI and becomes a GIIN member

In April, FMO signed the United Nations Principles for Responsible Investment (UNPRI). FMO is one of the first development banks to join. "We hope our support will encourage more development banks, and other investors, to sign the UNPRI," said CEO Nanno Kleiterp.

UNPRI provides a framework for investors to incorporate environmental, social and corporate governance (ESG) issues into mainstream investment decision-making and ownership practices, enabling them to better align their objectives with those of society at large.

"As a development bank, FMO places ESG issues at the heart of its investment process," Nanno Kleiterp said. "As true believers it is important for us to support UNPRI, an initiative that promotes incorporation of ESG criteria by the financial sector in the broadest sense. FMO believes the UNPRI initiative will help make sustainable investing more mainstream."

In May, FMO became a member of the Global Impact Investing Network (GIIN), a not-for-profit organization dedicated to increasing the effectiveness of impact investing - for-profit investment made to solve social and environment problems.

This month's 'Investor Spotlight' column on the GIIN website features an interview with FMO's CEO Nanno Kleiterp.

The GIIN supports collabora-

Continued on page 14

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(Continued from page 13)

tion, develops industry infrastructure, and undertakes research and advocacy to foster a coherent impact investing industry. The GIIN's programmatic agenda is rooted in the challenges investors face. It serves as a forum for identifying and addressing the systemic barriers that hinder the impact investing industry's efficiency and effectiveness.

At present the GIIN is a US-dominated group of impact investors, European members being Triodos, SNS, Stichting Doen, UBS and FMO. There is a clear ambition to become truly global and an initiative to promote the GIIN in Europe is on its way.

FMO approves new focus sector Agribusiness, Food & Water

In May, FMO's Supervisory Board approved the business plan for FMO to become active in a fourth focus sector: agribusiness, food & water. At present, FMO is active in the housing, energy and finance sectors.

From a market perspective, there is a strong business case for FMO to be active in the agribusiness sector. Based on food security in relation to global trends, development impact (and (in)direct poverty reduction) and the fact that both local and international commercial banks are not very active in the sector, development banks can play an important role in promoting investments in sustainable agriculture.

In the business plan preparations and through many interviews with partners and stakeholders, it became clear that agribusiness sector risks are relatively high due to risks related to weather, climate, diseases, access to water and environmental and social aspects. However, these agricultural risks are manageable and can, to a large extent, be mitigated based on sector knowledge, improved partner selection, project structuring and risk diversification.

FMO has already built up an agribusiness portfolio of €361 million (6.8% of the total portfolio), largely financed with partners. Despite elevated sector risks, there is a financial business case for FMO to become more active in the sector, since the average risk-return of agribusiness investments is projected to be in line with the overall risk-return of FMO's portfolio.

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 of EDFI stood at €18.5 billion at the end of 2009, invested in 3,968 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, 17% in South and Central America and 25% in remaining regions eligible for investments.

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