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Perspectives on Development Finance

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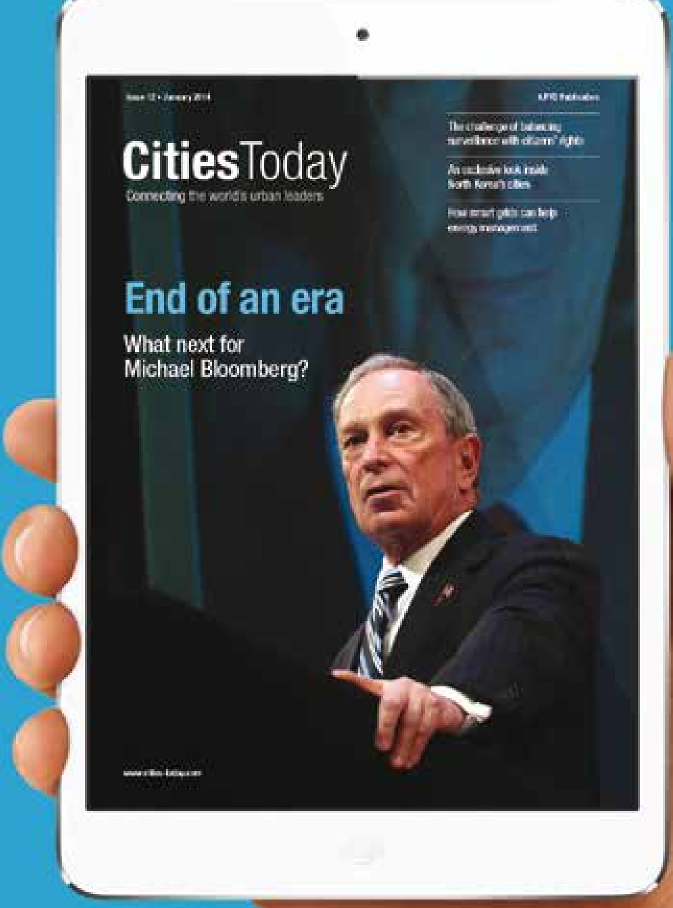

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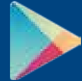

Message from the Chair

Dear reader,

I have the great pleasure of presenting this publication to you in my role as Chair of the International Development Finance Club (IDFC). In the last year, the IDFC has strengthened its position as an important player in the global landscape of development finance while at the same time contributing to the international discussions on ways to improve development finance in practice. I am pleased to announce that the Peruvian Development Bank COFIDE based in Lima as well as ICD, the Islamic Corporation for the Development of the Private Sector (Jeddah, Saudi-Arabia) and PTA, the Eastern and Southern African Trade and Development Bank (Bujumbura, Burundi) have joined the IDFC. With these new members on board, we have again broadened our presence and we hope to continue the success stories of the IDFC and further enhance our role as the voice of national, regional and bilateral development institutions in the global development community.

The IDFC's topics of research and engagement range from harmonising climate-finance tracking principles to sustainable cities and sustainable infrastructure. Organized in working groups, the IDFC's member organizations are collaborating successfully on these various topics. As well as research, the IDFC's impact can be seen and measured in various ways. In 2014, IDFC members provided more than US$100 billion for climate and environmental financing as identified in our 2014 Green Finance Mapping report. Additionally, the first IDFC Climate Finance Forum was hosted by Agence Française de Développement (AFD) in Paris in spring 2015 and brought together a wide array of practitioners to strengthen coordination and share the latest thinking as well as experiences related to climate finance in developing countries. At the Financing for Development conference of the United Nations in Addis Ababa in July 2015, IDFC hosted a very well received side event and provided a position paper on the future role of development banks.

Dr Ulrich Schröder, Chair, International Development Finance Club

In 2015, IDFC has extended its external partnerships with the United Nations and the group of Multilateral Development Banks. Our continuous efforts to jointly shape the development agenda have been underlined by our engagement to contribute to the discussion on Sustainable Development Goals, to proceed in aligning methodologies for measuring climate finance, and by an initial high-level management meeting among CEOs of IDFC and MDBs. We strive to continue our mutual cooperation for the benefit of all.

I thank all the members and partners of IDFC for their continuous and intensive engagement in the interests of the club.

Yours faithfully

Dr Ulrich Schröder
Chair of the International Development Finance Club
CEO of KfW, Germany

Agence Française de Développement

Anna Paugam, CEO

Reconciling the fight against climate change and development is central to AFD's strategy: more than 50 percent of its commitments in developing countries have climate co-benefits.

AFD is a member of the Steering Group of the IDFC and hosted the IDFC Climate Finance Forum, which highlighted the prominent role of the club in the run up to COP21. The Forum also facilitated dialogue between the IDFC and multilateral development banks, and delivered concrete commitments on the integration of climate change within financial systems.

BancoEstado

Carlos Martabit, Chief Financial Officer

This year the bank is celebrating its 160th anniversary. We are very proud of our excellent financial condition–enjoying the best ratings of all Latin American banks by all rating agencies. The increase in capital announcements of US$450 million is very important for the bank and its strategic plan of further developing medium and small-sized enterprises in Chile and trying to make this sector more competitive by increasing their access to financial services and credit. We have just launched a new programme called Banking for Women, taking advantage of our success in microfinance where most customers are in fact women.

Bancóldex

Luís Fernando Castro, President and CEO

Our new corporate strategy is focused on developing our full potential as an entrepreneurial development bank, thus responding proactively to the upcoming challenge to consolidate Colombia as a middle-income country by focusing on company growth and competitiveness.

Under this dynamic context, being part of the IDFC is an invaluable opportunity to learn first-hand how others have approached similar challenges, giving us a wider range of alternatives to create innovative solutions especially when structuring Bancóldex's corporate strategy.

Brazilian Development Bank (BNDES)

Luciano Coutinho, President

BNDES made important progress regarding transparency in 2015: it increased the disclosure of information about its financing operations and published the first report on the effectiveness of its operations. The IDFC had an important role in these achievements, allowing BNDES to exchange best practices with its fellow members from the IDFC.

Banque Ouest Africaine de Développement (BOAD)

Christian Adovelande, President

In 2015, three major events took place: we were assigned investment grade ratings by two agencies Moody's and Fitch; we were granted official accreditation to the Global Environment Facility (GEF); and the bank adopted a new strategic plan for 2015-2019.

Enhanced cooperation with IDFC members will enable BOAD to take up major development challenges such as infrastructure financing, and to address the climate and environmental issues in our sub-region.

Black Sea Trade and Development Bank (BSTDB)

Ihsan Ugur Delikanli, President

BSTDB is a dynamic institution that has established itself as an important option for investors, exporters and financiers active in the Black Sea Region. BSTDB works closely with public and private entities, providing a broad range of products and services to help promote economic development and regional cooperation.

BSTDB's membership of IDFC has resulted in various institutional synergies, improved access to discussions shaping the global development agenda, and engendered very open and direct dialogue with the other club members.

Development Bank of Latin America (CAF)

Enrique García, Executive President

To further support private sector development, CAF Asset Management Corp. (CAF-AM), an independently managed 100 percent owned CAF subsidiary, was established in late 2014 with the objective of mobilising and managing third party funds to co-finance infrastructure projects in the region.

The IDFC is an efficient and influential platform for sharing best practices and deploying new and more collaborative approaches to green finance. CAF has been helping lead the club's efforts to promote a common set of transparent and credible principles for tracking climate-related investment flows.

Caisse de Dépôt et de Gestion (CDG)

Abdellatif Zaghnoun, Director General

The economic model of CDG relies on two important pillars: first, collecting and securing regulated savings, including social security contributions, postal accounts, judicial deposits and consignment accounts; and second, supporting national economic development by channelling long-term savings towards profitable and growth-generating investments. As a full time steering group member of the IDFC, CDG is currently actively taking part in four of the six existing working groups, and has strengthened internal relationships with AFD and KfW for supporting SMEs and urban developing areas in Morocco.

Croatian Bank for Reconstruction and Development (HBOR)

Dušan Tomašević, President

Our mission is to provide support for sustainable growth. The IDFC is a valuable arena for exchanging ideas and insight into the newest trends of development finance. Being a part of IDFC gives us an opportunity to gain valuable knowledge and broaden our capacities to focus on the long-term welfare of the general community achieved through the projects we support.

Islamic Corporation for the Development of the Private Sector (ICD)

Khaled Mohammed Al-Aboodi, CEO & General Manager

The ICD is pleased to be part of the IDFC in order to enhance ICD's strategic partnerships with other development finance institutions, to bring issues of global concern to its member countries, to harness the opportunities of sharing global best practices, and to open up joint business opportunities via co-financing and syndication.

ICD looks forward to sharing its strategic network in 53 member countries with other IDFC members, together with its 15-year experience in developing the private sector in least developed and developing nations and its extensive knowledge of Islamic finance.

Japan International Cooperation Agency (JICA)

Akihiko Tanaka, President

JICA provides technical cooperation, official development assistance loans and investment, and grants amounting to about US$10 billion (Japanese Fiscal Year 2014). Its operations range from disaster relief, volunteer dispatching and peace building to 'quality growth'. JICA, as one of the IDFC co-chairs, has been contributing to the club, particularly through its engagement with the Energy Efficiency and Sustainable Urban Development Working Groups.

KfW Bankengruppe

Dr Ulrich Schröder, CEO

2014 has been a successful year for KfW. With an all-time record volume of international finance and the relaunch of our programme on supporting German entrepreneurship, KfW is successfully supporting domestic and international markets. As a member of the IDFC, KfW embraces the opportunity to be involved in discussions with international partners such as the UN and multilateral development banks (MDBs). As a result of our commitment, KfW has become one of the first accredited implementing institutions of the Green Climate Fund (GCF).

Nacional Financiera (Nafinsa)
Dr Jacques Rogozinski, Director General

Nacional Financiera supports financial and economic projects which promote Mexico's sustainable development. We promote access to financial services for MSMEs, stimulate the financial markets and act as financial agent of the Federal Government. Through the IDFC, we have been involved in sharing knowledge and international best practices on green financing, including participating in the Climate Finance Forum in March this year.

The Eastern and Southern African Trade and Development Bank (PTA)
Admassu Tadesse, President and CEO

IDFC members strive to be an important part of the world's solution to financing sustainable development. In pursuit of this collective mission, PTA Bank works increasingly with several members of the IDFC to advance broad-based economic development and transformation in a manner that takes into account climate change, while promoting job creation and regional economic integration. Through the IDFC, emerging and developing countries will have greater access to development finance and expertise, on the basis of which they can accelerate sustainable development.

Industrial Development Bank of Turkey (TSKB)
Özcan Türkakin, CEO

Founded in 1950 as a privately owned development finance institution, TSKB is dedicated to supporting sustainable development. TSKB is the first carbon-free bank and the first bank to publish a sustainability report in Turkey.

We are proud that the foundation of IDFC dates back to a conference held at TSKB's premises in Istanbul in 2011. As IDFC members are like-minded national and regional development banks, we are able to share international know-how and experience.

Vnesheconombank (VEB)
Vladimir A. Dmitriev, Chairman

VEB celebrated its 90th anniversary last year. Throughout the years, our bank has always been at the centre of all major projects and developments in Russia.

We are honoured to be a part of such an esteemed gathering of development institutions through our membership of IDFC. Since joining, back in 2011, we have greatly benefited from this unique platform, where we are able to exchange our views and experiences on important topics as well as to develop our relationships with major partners in the current, rather challenging, environment for Russia.

COFIDE
Development Bank of Peru

By Jorge Luis Ramos Felices, CEO

At COFIDE we are committed to the sustainable and inclusive development of our country and of all Peruvians, nourishing a culture of innovation and human capital oriented toward management excellence, while being socially responsible.

To foster and promote our country's sustainable development, our strategy aims to increase development on the Triple Bottom Line, looking to positively impact economic, social and environmental fields.

In that respect, COFIDE supports productive investment in infrastructure and the environment, being promoters and strategic partners in the financing of basic infrastructure projects (ports, airports, highways, waterways), which allows us to improve transport and communications between the different regions, encouraging social inclusion and improving competitiveness. This generates connectivity between different areas in the country, while developing and promoting productive business opportunities and thus reducing the infrastructure gap.

We also seek to be leaders in the mitigation of climate change in Peru. We promote, through financial products, the use of ecological, innovative and transformative renewable energy solutions, fostering changes in the energy matrix, generating environmental awareness and communicating the benefits of saving and efficiency in the medium and long-term, while also committing to the reduction of greenhouse gases.

Furthermore, our management is focused on the strengthening of entrepreneurial skills and the financing of micro and small enterprises, as they make up the bulk of the companies in Peru and provide employment to more than 60 percent of the Peruvian population. This allows them to enter the financial system in a more solid and healthy way, with vision for growth and sustainability in the long-term.

It is worth noting that financial inclusion is one of our priorities, and we are looking to empower families located in rural areas through the PRIDER programme. This will enable us to strengthen their self-esteem, instilling values of respect, loyalty, commitment, solidarity, trust and also promote ethics, family unity and a sense of partnership in communities. Through financial training and the development of entrepreneurial skills we promote social and financial inclusion, developing a culture with knowledge of savings, credit and business training.

This is the basis on which COFIDE joined the IDFC, looking for synergies and strategic alliances with various development banks, to share the best and most successful practices for social programmes and financial products and to adapt these to local realities. Through the IDFC, we are seeking to scale up efforts to generate opportunities for disadvantaged populations to improve their quality of life in the short and medium term. Development banks have a shared vision and we should aim to achieve coordination and partnership in our management, in order to multiply the impact of our activities. ◘

PTA
The Eastern and Southern African Trade and Development Bank

By Admassu Tadesse, President and CEO

The Eastern and Southern African Trade and Development Bank, commonly known as PTA Bank, is an African regional development financial institution established in 1985. The bank's mandate is to finance and foster trade, socio-economic development and regional economic integration across its member states. Although PTA Bank is an institution of the Common Market for Eastern and Southern Africa (COMESA), its membership is open to non-COMESA states, non-regional countries as well as institutional shareholders. It offers a broad range of products and services, across both the private and public sectors, including debt, equity and quasi-equity as well as guarantees. PTA Bank's investments cut across agriculture, trade, industry, infrastructure, energy and tourism, among others and are made on a commercial basis and sustainability principles.

Headquartered in Bujumbura, Burundi, with regional hubs in Nairobi, Harare, and Ebene, PTA Bank's current shareholders come from 18 countries. Other shareholders include the African Development Bank, the National Pensions Fund of Mauritius, Mauritian Eagle Insurance Company Ltd, Rwanda Social Security Board, Banco Nacionale de Investimento, and the Seychelles Pension Fund. The Africa Reinsurance Corporation and PTA Reinsurance Company act as institutional shareholders while the People's Republic of China and the Republic of Belarus are non-regional member countries.

The bank is further expanding its shareholder base as it repositions itself as a more inclusive regional development bank serving all countries in or adjacent to eastern and southern Africa–subject to membership–working with the East African Community, the Intergovernmental Authority on Development, the Indian Ocean Commission and the Southern African Development Community, in addition to its founding regional economic community, the Common Market for Eastern and Southern Africa.

A new membership drive is also underway with a view to signing up new prospective shareholders through the approval of an increase in the bank's authorised capital from US$2 billion to US$3 billion and the creation of 220,584 new Class B shares.

PTA Bank has a wealth of experience in driving the development agenda and regional integration process in the African region, an integral quality to its membership of the IDFC. PTA is suitably placed to contribute to the Club's overall mission of advancing development in emerging and developing countries, having joined the organisation in early 2014.

One of the key services that makes PTA Bank an invaluable member of the IDFC is the provision of trade finance. The bank aims to promote development of trade among its member states, by financing projects/transactions designed to make the economies of the member states increasingly complementary to each other. In addition to the provision of finance for both intra and extra regional export and import trade flows, the bank can finance transactions where the direct economic benefit accrues to a Common Market for Eastern and Southern Africa member state.

PTA Bank also targets sectors that have a significant impact on the economies of its member states, specifically agribusiness and infrastructure. The range of financing solutions offered includes project finance, corporate finance and leasing.

As of 2014, PTA Bank's assets totalled a little over US$3.5 billion and have been growing at about 25 percent per annum, a clear demonstration of the bank's commitment to the development agenda, and promotion of regional integration in the African region. ◘

ICD
Islamic Corporation for the Development of the Private Sector

By Khaled Al-Aboodi, Chief Executive Officer and General Manager

The Islamic Corporation for the Development of the Private Sector (ICD) joined the IDFC to bring awareness of issues of global concern to its member countries, and to serve as a channel to address the global issues of the day with climate finance and renewable energy being of particular concern to ICD.

Joining the IDFC allows ICD to market and open up its member countries to the world and to improve cooperation and development on a global scale. The IDFC platform also enables the Corporation to reach out to other non-member countries in furthering its mandate of promoting the development of the private sector as an engine of growth especially in the area of Islamic finance.

ICD will build strategic partnerships and improve cooperation with other development finance institutions to attain mutually beneficial objectives. This is consistent with one of the Corporation's strategic pillars, which is building partnerships to meet the increasing demand of its member countries.

ICD hopes to use the IDFC platform to spread positive developmental ideas and programmes on a global scale through the enhanced outreach and to share its experience in Islamic finance with other IDFC members. The Corporation aims to harness the opportunities from sharing global best practices, access to markets, mutual learning and experience to achieve greater global developmental impact.

The platform also opens up joint business opportunities in co-financing,

syndication and the like in order to boost synergies and the attainment of mutual objectives among development finance institutions.

Being a member of the Club will heighten the ICD's profile, speaking as one united voice alongside other development finance institutions towards bringing about global positive change via Islamic financial instruments that promote sustainable development.

Due to its uniqueness, ICD has a lot to offer the IDFC including how its strategic network in 52 member countries, split over four continents, can serve as an effective tool for driving global agenda.

The Corporation's wealth of knowledge and experience in financing the private sector as its mandate for over 15 years provides ample opportunity to channel global developmental agendas with linkages on private sector partnerships.

The ICD also drives financial inclusion with its core competence in Islamic finance to the previously excluded offerings of conventional finance in Asia, Middle East and Africa (facilitates creation of new financial institutions, commercial banks, mortgage finance companies, leasing companies, investment funds, microfinance banks and other financial institutions).

Through its innovative Islamic financial products and deep knowledge of Islamic finance, the Corporation serves as a source of alternative finance following the recent global financial crises.

ICD is a recognised brand; a solid and stable financial institution with a credit rating of Aa3 by Moody's and AA by Fitch.

The IDFC can leverage ICD's Islamic Development Bank (Group) network support consisting of the Islamic Corporation for Insurance of Investments and Export Credits, International Islamic Trade Finance Corporation, Islamic Research and Training Institute and the Islamic Development Bank itself.

ICD's existing strategic partnerships, such as the Coordination Group with Arab Financial Institutions, African Union Commission and cooperation with other development finance institutions, and its existing affiliations, which include all the financial institutions and companies created by ICD across member countries, all serve as channels through which the IDFC can attain its objectives. ◘

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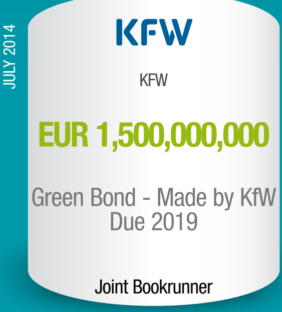

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Development banks adopt common standards on climate finance

In an effort to give impetus to 'greening' the global financial system, a broad and unprecedented coalition of development banks have established common principles to define and measure financing that benefits the climate.

"Multilateral development banks and the IDFC have adopted a common definition of climate friendly development programmes, which marks a major milestone in the fight against climate change," said Ulrich Schröder, Chairperson of IDFC and Chief Executive Officer of KfW Bankengruppe after the common standard was agreed at the Climate Finance Forum, held in Paris in March.

While there are now numerous solutions to provide access to energy, transport, housing, or for industrial and agricultural production, they do not all have the same value in the fight against climate change. This common definition of 'climate-friendly' activities adopted by development banks is a key step in supporting the transformation of economies towards more resilient and low-carbon models.

Following the agreement, several multilateral development banks and members of IDFC including CAF, World Bank Group, AFD, Inter-American Development Bank, Asian Development Bank, African Development Bank, European Investment Bank and JICA set up a pilot group to help establish a basis for common 'greening' practices in the run up to COP21. Such practices involve raising the level of ambition in financing climate-smart investments to support better development results. These include evaluating the impacts projects have on greenhouse gas emissions by taking into account the vulnerability of projects to the effects of climate change, or by integrating a carbon price into the economic assessment of investments.

A key objective of the group is to collate and disclose complete data in new green finance commitments

"In order to better support both development and the fight against climate change, the first thing we need to do is to apply the highest standards to ourselves," commented Enrique Garcia, Vice-Chairperson of IDFC and CEO of CAF. "The mainstreaming of climate change within development banks, already well under way, will be scaled up following this joint work."

Public financing must also promote the mobilisation of private investments. Several financiers who were at the forum are seeking to define, by the time of the COP21, a standard to measure the leverage that public green financing has on private investments. Key financial practitioners involved in green bonds also indicated their intention to build consensus on common impact reporting frameworks for burgeoning markets, with the aim of increasing its credibility and impacts.

"In addition to their core mission of supporting the economic and social development of their partners, development banks also have a major role to play in ensuring that the thousands of billions of dollars of global finance are invested in low-carbon, climate resilient development," added Anne Paugam, Vice-Chairperson of IDFC and Chief Executive Officer of AFD. "Instruments such as climate bonds, for which AFD is playing a pioneering role, can be powerful vehicles for the market and for mobilising savings." ◘

Building the foundations of health: Investing in healthcare infrastructure

In September 2015, international leaders will decide upon a new development agenda, the Sustainable Development Goals (SDGs), to guide efforts and act as benchmarks for global progress. While the global health community has made tremendous strides in enhancing health outcomes around the world, weaknesses in health systems have the potential to undo this progress. The near-total collapse of Liberia, Guinea, and Sierra Leone's public health infrastructure during the recent Ebola crisis has underscored the critical need for heightened investment in health systems to protect against such threats. The international community can benefit from prioritising investments in healthcare infrastructure as a foundational component of the new development framework.

At Janssen, the pharmaceutical companies of Johnson & Johnson, we are committed to protecting and enhancing health for people everywhere. Our Janssen Global Public Health (GPH) group targets some of today's greatest unmet public health needs through innovations in science, access, and policy.

Janssen seeks to implement public health interventions that have a positive, sustainable impact

Health systems strengthening: A long-term approach

As economies continue to grow, countries are experiencing an unprecedented rise in life expectancy, which is in turn resulting in a dramatic shift in the disease landscape towards non-communicable diseases (NCDs) and chronic conditions.

Health systems strengthening is key to ensuring that the gains we have made against infectious diseases are not lost to a new epidemic of NCDs. This is why changing the focus of healthcare investments is critical to improving global health. Wide-ranging health improvements can best be achieved by supporting the development of public health systems broadly. Priority spending should be focused on a toolbox of interventions, including healthcare workforce training, clinical infrastructure, and medicines availability, which can protect health systems against public health emergencies.

To facilitate the ability of national governments to provide on-going, quality care for their populations, we must first help them establish robust healthcare infrastructure and build capacity to ensure medical interventions have the optimal impact on patient health.

Our company is working to bolster functional and effective systems of healthcare. We support grants, medical education trainings, pharmacovigilance measures, and other strategies in high-burden countries to address pressing public health issues. Irrespective of disease area, we seek to design and implement public health interventions that have a positive, sustainable impact in the communities we serve.

Moving forward: A focus on sustainability

The Post-2015 Agenda provides a tremendous opportunity. Every dollar spent must be maximised for the greatest possible impact. Investing in health systems and infrastructure is key to this end.

Working in partnership with other global health stakeholders across sectors, we are committed equally to investing in potentially life-saving R&D as we are to strengthening health systems. Our work in developing robust healthcare infrastructure is in many ways a starting point for a sustainable future, as we build toward a collective goal of a healthier world. ◻

New report reveals IDFC's commitment to green finance

IDFC members have once again made important contributions to global green investments.

In 2014, IDFC members made more than US$100 billion of new commitments to green finance all over the world, according to the pre-publication data from the new IDFC Green Finance Mapping Report.

Due to work in progress of the new report, the following information is extracted from last year's Green Finance Mapping Report, prepared by the World Resources Institute together with energy and climate consultancy Ecofys.

"This report shows that IDFC members are strongly committed to sustainable development and addressing climate change," said Michael Westphal, Climate Expert for the World Resources Institute and advisor to IDFC for the Green Finance Report. "This new information will help assess climate finance flows which is valuable. But tracking finance is not enough, we also need clear metrics for measuring its effectiveness."

> The IDFC Green Finance Mapping Report compiles the activity of IDFC members in 2013 in relation to the financing of mitigation to climate change operations especially in the areas of renewable energy and energy efficiency

The IDFC Green Finance Mapping Report compiles the activity of IDFC members in 2013 in relation to the financing of mitigation to climate change operations, especially in the areas of renewable energy and energy efficiency, as well as adaptation to climate change and other measures for environmental protection.

The report reveals that the largest share of IDFC members' green financing, US$87 billion, was invested in climate change activities with sustainable development co-benefits. IDFC members' climate finance includes US$70 billion to green energy and mitigation of greenhouse gas emissions activities, and US$15 billion to adaptation to climate change.

The report also shows that US$63 billion, or 64 percent of the total green finance for 2013 was channelled to developing countries. This includes finance flows from institutions based in OECD countries to non-OECD countries, which amounts to US$15 billion, as well as US$48 billion from institutions based in non-OECD countries. These figures show the commitment and importance that IDFC members give to assisting green and climate activities in developing countries.

The findings of the report illustrate the financial and technical capacities and experience of IDFC's development banks to mobilise, intermediate, deliver, and leverage large and increasing amounts of green and climate financing at the international and domestic levels. This makes IDFC members capable of "generating and handling increasing amounts of finance to meet environmental and climate change needs", as stated in the report.

With the IDFC demonstrating year upon year its capacity to mobilise increasing volumes of green finance, its members could be suitable contenders to apply for vehicles to channel additional scaled-up climate finance, from international funds such as the soon to be operational Green Climate Fund.

> The findings of the report illustrate the financial and technical capacities and experience of IDFC's development banks to mobilise, intermediate, deliver, and leverage large and increasing amounts of green and climate financing at the international and domestic levels

IDFC's mapping report also contributes to a more defined international methodology and process for green and climate finance tracking, providing consistent and transparent information from a major group of development banks based in OECD and non-OECD countries, representing a considerable share of public financing. In addition, it allows for the mainstreaming of the green and climate change agendas across IDFC members.

"IDFC provides a proactive platform from which to stimulate the sharing of experiences and shape future discussions on further alignment of climate finance-tracking methodologies," states the report. ◘

Modern port infrastructure essential to economic and social development

Modern port infrastructure is an essential component of economic and social development, particularly in economically emerging markets and countries, however current global port and cargo transport infrastructure requires modernisation

At current projected annual growth rates, within six years global container throughput will be approach 1 billion TEUs (20 foot equivalent units), doubling the global throughput of 2007. A significant percentage of the current largest vessels in service require crane and quay upgrades, and as older vessels cascade downward to smaller markets, these too will require infrastructure upgrades to accommodate larger vessels in Africa, Latin America, South Asia and even North America.

Countries have acknowledged that infrastructure investment is a key factor of economic growth and social progress. For many economies, given the significant investment needs over the coming years, facilitating increased private financing and provision of infrastructure will be very important.

Public-private partnerships (PPPs) are an effective and proven model of financing required port infrastructure investment, and APM Terminals, a global leader in port development and operations, with a proven track record in successful PPPs, has been investing in infrastructure in both developed and developing countries.

APM Terminals is a successful participant in several important PPP port investments, including:

• Apapa, Nigeria, where throughput has tripled since APM Terminals' involvement

APM Terminals Algeciras set a new world record on January 26th, 2015 when 18,168 TEUs were loaded aboard the EEE-Class Maersk Mc-Kinney Moller, the most containers ever to be carried on a single vessel

• Nhava Sheva, (Mumbai) India, where APM Terminals Mumbai has become India's busiest, and most productive container terminal

• Izmir, Turkey, where a new deep-water facility will be able to service the largest vessels of any Turkish port.

In 2012, as part of the government of Mexico's plans to double port capacity over the next six years to meet anticipated trade growth, particularly on the transpacific trade lane, APM Terminals signed a 32-year concession contract with the Port Authority of the Port of Lazaro Cardenas (APILAC) for the design, financing, construction, operation, and maintenance of a new specialised container terminal at the port, as part of a US$900 million investment.

When operational in 2016, the terminal will offer a total area of 102 hectares, with 1,485 metres of quay, and water depth along the channel and quay of 16.5 metres. The terminal design reflects the company's focus on safety and sustainability, operating under the most stringent occupational safety standards. The container handling equipment under consideration is eco-friendly, featuring the latest developments in energy efficiency to reduce emissions.

APM Terminals

APM Terminals is lifting global trade with a Global Terminal Network of 20,600 professionals, with interests in 64 current port and terminal operations, and 135 local inland services operations, in 58 countries around the globe. The company designs, builds and operates ports and inland services. The world's leading brands and shipping lines rely on APM Terminals to ensure their supply chains and global network succeed in all markets.

Common principles agreed for climate-finance tracking

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Further discussions will take place over the alignment of adaptation tracking processes through the exchange of experience by multilaterals and IDFC members

A new agreement has been reached that will see a group of Multilateral Development Banks (MDBs) that report on climate finance, to work jointly with the IDFC to develop common principles for the tracking of climate change adaptation finance.

The common principles, to be primarily applied in development finance, are a voluntary joint MDB and IDFC initiative and do not preclude any international mandatory standards under the UNFCCC. Recognising institutional differences, they will not cover, at this stage, aspects related to operations, including quality control procedures.

A key point agreed is that adaptation-finance tracking requires adaptation activities to be disaggregated from non-adaptation activities as far as reasonably possible

The key principles include: addressing current and expected effects of climate change, where such effects are material for the context of those activities; setting out the context of risks, vulnerabilities and impacts related to climate variability and climate change; stating the intent to address the identified risks, vulnerabilities and impacts in project documentation; and demonstrating a direct link between the identified risks, vulnerabilities and impacts, and the activities that are being financed.

A key point agreed is that adaptation-finance tracking requires adaptation activities to be disaggregated from non-adaptation activities as far as reasonably possible. If disaggregation is not possible using project specific data, a more qualitative or experience-based assessment can be used to identify the proportion of the project that covers climate change adaptation

activities. In line with the principle of conservativeness, climate finance is underreported rather than over-reported in this case.

Further discussions will take place over the alignment of adaptation tracking processes where possible, by sharing and exchanging MDBs' and IDFC's experience, thereby increasing capacity and knowledge on the topic. This shared knowledge will inform and improve further versions of the common principles.

The purpose of these principles is to frame the space of activities that can be classified as adaptation-finance tracking in the context of MDB and IDFC developmental work

The banks' understanding will be advanced and work on the main areas of difference identified, taking note of user needs, with the aim of providing increased transparency on areas where differences in tracking approaches continue to exist–in particular on further refinement of definitions for adaptation activities in the context of adaptation finance tracking, on the tracking process of disaggregation in adaptation finance, and on tracking options.

The purpose of these principles is to frame the space of activities that can be classified as adaptation-finance tracking in the context of MDB and IDFC developmental work. As such, it recognises the existence of differing scientific and institutional definitions of adaptation to climate change and does not attempt to define adaptation to climate change in a wider global context e.g. whether to include adaptation to current climate variability or not. However, as a next step the joint MDB and IDFC group will work on further refinement of definitions for adaptation activities in the context of adaptation-finance tracking. ◘

New horizons for a low-carbon model: NAMAs as a tipping point

At this moment of global transition towards low-carbon sustainable development paths, the plans and projects that developing countries are undertaking represent a promising scheme not only to contribute to reducing greenhouse gas emissions but also as a new way to reinforce cooperation among countries. A cooperation that can catalyse financial and technological resources as well as strengthen the involvement of the private sector in generating action in green growth related sectors.

ICEX Spain Trade and Investment (Ministry of Economy and Competitiveness) has initiated a new area of work in this field that deepens its efforts in the promotion of climate change related sectors. In particular, ICEX's objective is to serve as a catalyst to seize the opportunities for public-private alliances through the implementation of NAMAs, Nationally Appropriate Mitigation Actions, that developing countries are undertaking as part of their commitments within the United Nations Framework Convention on Climate Change.

A big challenge ahead for realising NAMAs is overcoming barriers to enabling private investment and leveraging finance from an array of funding sources not only by accommodating the traditional cooperation instruments to NAMA development but especially by designing innovative instruments. Actors working on key sectors for green growth and climate change mitigation need to share their know-how, technologies and collaborate with companies and institutions from other countries.

ICEX is working with the Spanish private sector and national institutions responsible for the design and implementation of NAMAs to connect them with financial and cooperation instruments with the technological solutions offered by companies. Spanish companies are leaders and have a long tradition in most of the climate change related sectors, especially in energy, clean transport, water treatment and more. To this end, ICEX has launched a NAMA Platform as a bridge to strengthen this public-private cooperation following a tailor made approach to analyse the potential cooperation, tools and solutions that could match the NAMA according to its needs. ◘

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Investing in people is key to making agriculture sustainable

By José Graziano do Silva,
Director-General of the UN Food and Agriculture Organization (FAO)

If we want to eliminate hunger and malnutrition in our lifetime we need to increase financing and investment in agriculture to meet the food security needs of the world as well as to increase economic growth and family income especially in rural areas. Our main focus are the poor, the majority of whom are food insecure and live in rural communities. Let's not forget that around 800 million people, or 1 in 9, are still suffering from hunger and 2 billion people are estimated to suffer from micronutrient deficiencies.

Fighting hunger means we need to look beyond measuring food security in terms of gross output and metric tonnes. Instead, we need to adopt a holistic foods systems approach that allows us to examine how finance and investment affect all those in the system from the farmer to the consumer and their communities. We also need to look at the impact on the environment and the impact on the poor.

FAO does not see development finance as a goal or stand-alone activity, but rather as an integral part of the broader development agenda. FAO is actively engaged in promoting sustainable value chains that are inclusive to all, including small-scale farmers, women, youth and disadvantaged households. Appropriate financing instruments and services are important for inclusion of such households into competitive value chains. No one can be excluded from financial resources if sustainable development is going to be achieved.

But financial resources themselves are only a part of the investment needed. The most important investment is in people. We all must invest in people through capacity development, education and social services. For many small farm households, successful use of finance comes only when it is combined with capacity development to improve their opportunities and results of finance and investment for them and those providing financing. This involves management training, production and marketing capacity development and organisational development.

> No one can be excluded from financial resources if sustainable development is going to be achieved

We must also invest in research and technology along with extension programmes to share and apply the learning in order to become or stay competitive in today's world economy.

At the country and regional level, FAO works with its member countries in strengthening the skills of technical officers within the ministries of agriculture, forestry, fisheries and other ministries with regard to formulation and implementation of their agricultural development programmes and in the development of their agricultural investment plans.

We know that small farmers and small and medium agribusinesses lack access to finance. A big part of the problem of financing smallholder farmers is that their economic life is informal, often not competitive and too small to be viable to commercial financing institutions. For that reason we advocate for solutions that build their competitiveness in production and marketing and are adapted to their reality for financing. This involves working with governments, banks and development agencies on several fronts, including:

- technical training such as with Farmer Field Schools;
- development of farmer organisations and cooperatives;
- strengthening management skills;
- moving from traditional financing to a value chain financing approach; and
- identifying and promoting the required infrastructural investment in not only roads, storage facilities and irrigation, but also information and communications technology (ICT) platforms for research and technology.

In using ICT, FAO and the Grameen Foundation have joined forces to

use the Grameen mobile phone platform for agricultural extension and technical advice to small farmers to improve their practices and loan repayment capacity. A big challenge for all of us is to help provide training and capacity development for subsistence farmers to help them operate more competitively. We promote and advocate for building approaches and networks using technologies that make information, training, markets and finance accessible to all households. The future holds a special opportunity and an obligation to reach youth who can benefit the most from ICT.

In agricultural value chain development, we partner with public and private sector agencies to develop 'green' value chains that are environmentally friendly and sustainable while also being inclusive of smallholders. At FAO we have championed approaches and instruments for agricultural value chain finance, which open up new opportunities.

We recognise that financing needs multiple delivery channels to fit the needs of clients and their contexts. For example, often it is not efficient to provide small, single loans for small farmers, but by channelling funds through value chain managers like traders one can alternatively make use of value chain partners. In the case of the Mexican parafinanciera model, the financing goes from the government banking institution of FIRA (Fideicomisos Instituidos en Relación con la Agricultura) to agribusinesses that on-lend to farmers and farmer associations. Much of the lending is in kind through inputs the companies provide. They secure their loans through purchase contracts, close monitoring and technical assistance. For the farmers, this approach is simpler and cheaper and they receive technical support and market linkages.

FAO has worked in agricultural and development finance since its founding in 1945. In 2014, our Investment Centre celebrated 50 years of work with development finance institutions. Through our collaboration with regional and global development banks, such as the Inter-American Development Bank and the World Bank, we co-share the costs of developing financing programmes and research. For nearly 40 years we have also had a technical unit dedicated to rural and agricultural financial services.

The FAO and Grameen Foundation have joined forces to use mobile phones to offer advice to small farmers

Through our investment centre and technical divisions we also promote ways to address collateral constraints for financing. This includes improved warehouse receipt systems, often linked with commodity exchanges as well as the lesser-known crop receipts systems (Cedulade Produto Rural (CPR) as they are known in Brazil.) With a crop receipt, a farmer can access finance and credit for his/her crop being produced. These innovations, generated by pioneering financial institutions and agricultural value chain actors, are being analysed, adapted and disseminated among FAO's partners engaged in the implementation of field programmes across Africa, Latin America and Asia.

However, these types of interventions do not address the lack of long-term financing which is one of the biggest challenges in agriculture and rural development. Investment in reducing the effects of climate change and disaster mitigation is among those major challenges. Such longer term investment requires public and private collaboration in order to address the risks and stimulate the investment needed. Insurance, guarantee systems and investment incentive programmes are required, especially in order to reach the more challenging regions and lower-income rural households. Improving investment and promoting investment in new frontiers and difficult environments is an area where FAO is well placed to provide guidance and support to governments and development finance agencies to develop the appropriate mix of investment incentives and policies to address these challenges. ◘

How governments can lead the payments revolution for financial inclusion

By Judith Karl, Executive Secretary, United Nations Capital Development Fund (UNCDF)

Advances in technology, driven by the private sector, have made digital payments one of the most exciting sectors for promoting economic development. Digital payments can advance financial inclusion and reduce the cost of transactions across the economy, unleashing new efficiencies in other areas that promote development, including health, education, infrastructure and women's empowerment.

The 2008 World Bank report, Payment Systems Worldwide, *A Snapshot, Outcomes of the Global Payment Systems Survey,* found financial inclusion spurs "broader and stronger economic growth by deepening financial intermediation and increasing efficiency of and access to payment, savings, insurance and credit services".

For households, businesses, NGOs and governments, doing business in cash is expensive and inefficient. Cash is extremely vulnerable to theft and loss. It is anonymous and difficult to trace. Cash payments also provide little opportunity for broader access to traditional financial services.

To capture the benefits of the payments revolution, governments are uniquely positioned to lead the way. This is true not only because governments set policy and regulation, but because they also represent one of the largest generators of payments globally with, according to the World Bank, salaries, benefits and pensions representing an estimated US$40 trillion annually.

However, governments cannot undertake the digital shift alone. It will take collaborative action with the private sector, donors and NGOs to realise the development potential of payments. To accelerate this shift, the United Nations Capital Development Fund (UNCDF), the UN capital investment agency for the world's 48 least developed countries, serves as the secretariat of the Better Than Cash Alliance.

The Alliance advocates for digitising payments and provides leadership, resources and technical expertise to facilitate the transition. Launched in 2012 as a collaboration among governments, companies and the development community, the Alliance now has 35 members, is an Implementing Partner of the G20 Global Partnership for Financial Inclusion and is on the World Economic Forum Financial Inclusion Steering Committee.

The benefits of digitising payments

As part of its mission, the Better Than Cash Alliance works with developing countries to agree to strategies for digitising payments, enabling everyone in their economies to share in the benefits. These benefits include:

Economic growth

Integrating digital payments into the economies of emerging and developing nations addresses crucial issues of broad economic growth and individual financial empowerment, according to a new report by the World Bank Development Research Group.

Cost savings

A Better than Cash Alliance study found that the Mexican Government is saving an estimated US$1.27 billion annually or 3.3 percent of its total expenditure on wages, pensions and social transfers after a concerted shift to electronic payment distribution. Other governments have had similar experiences. A study by McKinsey & Co. estimates the government of India could save US$22.4 billion per year by automating government payments.

Financial inclusion

All people make payments. As a result, digitising payments is a fast, cost effective way to expand access to broader financial services. Colombia's *Familias en Accion* programme, for example, resulted in 91 percent of the households receiving digital payments on a card-linked bank account. In Mexico, two studies found that poor households that open bank accounts continued to make deposits into them, while also increasing the frequency

of remittances they received through formal channels.

Speed and security

Unlike cash, which must be carried and shipped, digital payments are instantaneous and less vulnerable to theft or loss. Aid payments made electronically after the 2010 earthquake in Haiti cut delivery time by seven days. Because those transfers were not made in cash, theft fell by 50 percent.

Transparency

Evidence also shows that digital payments are less subject to 'leakage' than cash. In one survey after Argentina's Ministry of Social Development shifted to digital payment cards, recipients who admitted to paying bribes to local officials in order to access their money fell from 3.6 percent to 0.3 percent. In India, social security pension (SSP) payments made digitally on smart cards resulted in a 47 percent lower incidence of bribes demanded.

Women's empowerment

Digital payments can help overcome some of the additional barriers to financial inclusion and economic participation women face. For example, in Niger, digital delivery of a social benefits payment resulted in greater privacy and control of mobile transfers, compared to cash, resulting in intra-household decision-making in favour of women.

Action on digitisation

The benefits of making this shift are clear, but it is challenging to do it effectively. Despite the benefits of a digital payments ecosystem, there are political, policymaking and technical challenges to overcome.

Coordinating effectively between government agencies is among the most critical hurdles. The savings realised by Mexico, for example, only became possible because of a sustained, 15-year effort by the Ministry of Finance and the Mexican Central Bank to centralise as well as digitise payments.

Changing established regulations and procedures is hard in the face of competing priorities. For example, a locally designed risk-based approach to know-your-customer rules for opening bank accounts still has to comply with international standards. In Colombia, the government set a clear vision for both the electronic payment and financial inclusion agenda, which gave the private sector great incentives to innovate and collaborate. However, a tax on formal financial transactions until recently created a disincentive for digitisation among smaller businesses.

There are technical challenges as well. Making digital payments cost-effective for individuals is facilitated by interoperable accounts for mobile phones, ATMs, point-of-sale terminals, and online. It also depends on the ability for people to use the same system to receive government payments and to pay each other, friends and family, schools, merchants and utilities.

Compounding these barriers, governments may have to build financial literacy among citizens and trust in the formal financial systems, all while confronting a lack of experience or expertise within implementing agencies. So there are also great benefits in increasing communication between public and private actors to address these challenges.

The Government of Rwanda is a Better Than Cash Alliance member whose digital transactions are instantaneous and less vulnerable to theft or loss.

Leading the path to digitisation

The Better Than Cash Alliance plays a vital role by helping its member countries to develop and implement strategies for a digital payments ecosystem that works for everyone in the economy. In its unique position hosted by UNCDF, the Alliance can convene stakeholders from government, the private sector and the development community. Digitisation strategies begin with diagnostics to assess the infrastructure, policies and progress in each country, and the Alliance continues to support players throughout the journey to ensure progress.

The Better Than Cash Alliance provides members with a technical toolkit for designing and implementing a strategy, as well as many opportunities to learn from other members, including case studies from transitions with signs of success, such as Mexico's, and peer learning exchanges to better understand the experiences in other regions. The result is a thriving, evolving community of practice that is driving the global transition from cash to electronic payments.

The shift may not be easy. But government leadership and public-private collaboration will make it more successful and allow developing nations to more rapidly achieve the reduced costs, increased transparency, financial inclusion and women's empowerment that can come from digital payments. ◻

The road to Paris begins in Songdo

Formed within the framework of the UNFCCC, the Green Climate Fund (GCF) serves as a mechanism to channel money from wealthy countries to developing countries that are at risk from the effects of climate change. With the Fund set to launch pilot programmes backed by US$900 million to increase country ownership and support small and medium-sized businesses, **Kirsty Tuxford** spoke with Héla Cheikhrouhou, Executive Director of the Green Climate Fund, to find out about the challenges facing the Fund and the progress made to date

Héla Cheikhrouhou, Executive Director of the Green Climate Fund

Is the commitment made back in 2009 at the UN climate summit in Copenhagen to raise US$100 billion per year until 2020 still relevant? Some climate finance analysts estimate that the money required for mitigation and adaptation is four times higher than the US$100 billion per year.
The analytical model continues to improve over time. Now, the most likely figure is actually more than four times the US$100 billion. The extra investment needed per year in developing countries to help them with adaptation and mitigation will be more like US$500 billion.

However, the Fund has been structured to provide support in a manner that can catalyse many more investors and players to come to the table. As the target continues to grow, concessional public finance will be from developed and developing countries.

We are working with a variety of instruments–the board has approved funds from countries, private sector entities, loans, equities, guarantees and so on. We try to be very effective in the way we employ our resources. This means of course that the level of concessional resources going from developed to developing countries per annum has to be continually growing, and the Fund was created to be the main mechanism to facilitate this effort.

The GCF has been the subject of much debate due to the three-and-a-half years it has taken to establish the rules on how donors' money will be collected and disbursed, as well as the rather slow show of initial commitment from donor governments, although this is now gathering speed. One report labelled the GCF as 'an empty shell' Are critics expecting to see too much too soon? Do you think that careful planning at this stage will ensure the longevity of the Fund's success and effectiveness?
If you look objectively at what has happened over the last two years since I joined the Green Climate Fund, we have prepared and opened the headquarters, completed documents on its policies and procedures, and raised, within six months, a record US$10 billion in pledges from 32 countries. This was the fastest and most successful mobilisation of a climate fund, so that makes us the dominant climate fund.

When I look back over the 24 months, there has been tremendous progress. At the Ministerial Session on Climate Finance at COP20 in Lima, there was a positive spirit to the negotiations, [the Fund received additional pledges taking it over the US$10 billion threshold] thanks to the progress made so far by the Green Climate Fund.

When we look towards the 2015 climate talks in Paris, in the run-up to that, the Fund is continually going to be negotiated around the world by developed and developing countries–they all know very well that finance is essential. This is why the road to Paris is a road that goes through Songdo (the district in Incheon, South Korea, where the Green Climate Fund is based). This is the financial arm of the convention on climate change. The convention has been working, looking for a way to have a financial arm, and now we have it, and so this year, in time for the 2015 talks, we have three pacts that we must achieve. First, it's good to have pledges but you have to turn them into contribution agreements–we have to turn more of those pledges into contribution agreements before Paris; second, we are entering into a common partnership with well-established institutions and they will be the ones that use our funds for projects in their countries; and third, we will soon be taking our first group of projects and programmes to the board so that when we go to Paris we can showcase some of the early projects of the Fund. This is of course a lot of hard work; we have worked hard in the last two years, and we must continue in the next 12 months to condense the considerable amount of work required into a much shorter period of time.

Have there been major, unanticipated stumbling blocks that have prevented donors from pledging?

If we were a ship, then I can honestly say that the wind in our sails has been quite favourable. Time is really the main enemy, not only for us at the GCF but also for the world. The clock is ticking. Action today is going to be much cheaper for the world than action tomorrow. We strongly encourage everybody who has promised a contribution, to turn those contributions into actual agreements. So far what we have are pledges, and this year, as I mentioned, our number one priority is to turn those pledges into contributions and make sure nobody walks away from the promise they have already made. Although time is tight, we are hoping to have a good story to tell in Paris in terms of the global efforts.

Regarding accepting contributions from the private sector, are you offering the private sector any innovative financing methods as an incentive to come on board? Can you tell us more about the Fund's Private Sector Facility, which identifies and helps to overcome barriers to investment so that private capital can drive transformational change?

The board has decided that for now, this kind of contribution will only be in the form of non-reimbursable grants. If you look at our balance sheet, there's a side where you raise funding and a side where you use funding. The Private Sector Facility is about how you use funding. As you know, in 2014 we had this extraordinarily fast process where we secured pledges to the tune of about US$10 billion. A significant part of this amount will be invested through private sector entities. That is where we are deploying our full range of financial products, ranging from reimbursable grants, loans, equity and guarantees, because we want to help private entrepreneurs across developing countries have a choice when it comes to climate investment.

There is very solid interest from the private sector to engage with the Fund, whether we are talking about commercial banks, developers or manufacturers, everybody is looking very closely at the development of the Fund and are very keen to see how the fund is going to be flexible and faster than other mechanisms in the private sector.

The European Union (EU) has requested that India and other developing countries contribute to the Green Climate Fund after 2020. India is not in agreement with this idea. What are your thoughts?

Our resource mobilisation effort is ongoing; it has not stopped, and any country that is willing and able to do so is encouraged to come forward and make a contribution. If you look at the list of the 35 countries that have contributed to the Green Climate Fund so far, the sense of ownership towards the Fund within the developing world is very significant.

Pledges have come from Mongolia, Indonesia, Peru, Colombia, Mexico, Panama, Chile, and more. It has been really overwhelming. They do not have an obligation, under the convention for climate change, to contribute because they were not one of those countries involved in the industrialisation era and consequent emission of greenhouse gases into the atmosphere. I guess the developing countries wanted to show symbolically that they are a part of the support and want to contribute to the Fund.

We will continue to work on other non-traditional potential contributors, whether they are governments, foundations, or private entities. The size of the challenge is so significant, and this is a solidarity mechanism; it functions as a compliance mechanism that allows the greatest number of countries to make a contribution.

When we look towards the 2015 climate talks in Paris, in the run-up to that, the Fund is continually going to be negotiated around the world by developed and developing countries-they all know very well that finance is essential

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The headquarters of the Green Climate Fund are situated in the Songdo International Business District, South Korea

The governmental focal point decides on the priorities of the country, and the development and establishment of these networks is moving at a very significant speed. They are the ones who will be giving us the ideas for projects, the concepts regarding which partners to collaborate with, and if needed, support in preparing the bankability of projects

The Green Climate Fund has stated that it is aiming to take projects to the board by the second half of this year. Can you give details on what any of these proposed projects will be? What will be the process with the board in terms of getting them off the ground? The first projects will be crucial as all eyes are on GCF to see how money will be used. Do you think more money will pour into the fund once potential donors see more details on the projects the GCF has planned?

In line with the business model of the Fund, we are working towards the first set of projects in two ways. First, we are making sure that all countries in the developing world have chosen a focal point for the Fund in their government. Right now we have more than 100 countries that have chosen such a counterpart. We need that governmental counterpart to understand what the country priorities are. And second, we will deploy our money through institutions that are in existence–national entities, regional, international, public and private companies. So then we can make a network of institutions that are high performers with stringent environmental and social standards. They are the ones who will be able to access the Fund.

The governmental focal point decides on the priorities of the country, and the development and establishment of these networks is moving at a very significant speed. They are the ones who will be giving us the ideas for projects, the concepts regarding which partners to collaborate with, and if needed, support in preparing the bankability of projects. We need to basically work on 10 or 20 ideas if we want two or four of them to materialise by the end of this year. So

we have to cast the net very wide and then see what it catches.

Simply having the funds to help developing countries deal with climate change is not enough and a key issue for the Green Climate Fund is how to build trust between countries. How are you setting out to achieve this goal?
It's amazing how quickly the whole thing is happening. Mid-last year we asked countries to choose who would be the most fit to be the governmental focal point and already more than 100 countries have chosen. So now there is regular dialogue happening, where we explain the rules of the Fund and how it works. We are creating a network that we hope will also be supported through an online tool that allows countries to share experiences and learn from each other.

The Green Climate Fund will direct 50 percent of funds to adaptation and 50 percent to mitigation. What strategies will be used to ensure this? How much power is given to those on a local level, those closest to the ground who know best where funds are most needed? Can you tell us more about your pilot programme on enhanced direct access and how the GCF is trying to avoid too much of a top-down approach when putting funds to use?
When it comes to the organisations on the ground that will be funding the projects, we launched invitations for entities to apply for accreditation in November 2014, and already more than 40 entities–national, regional, international, public private and civil society–actually, 41 have already submitted full accreditation [20 have been approved]–that's a lot of work. A lot of information. A huge programme.

Is the private sector interested in financing adaptation? What are the barriers?
Climate change is hitting private and public businessmen alike in developing countries. When a typhoon hits a country it does not distinguish whether it hits the private land of a real estate developer or public assets. So dealing with the reality of climate change and adapting to this reality is equally a priority for private and public investors. ◻

Climate change is hitting private and public businessmen alike in developing countries. When a typhoon hits a country it does not distinguish whether it hits the private land of a real estate developer or public assets

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Drought insurance provides first payouts to affected countries

As climate change results in harsher and more unpredictable weather, African farmers are battling the constant threat of drought. **Sarah Marks** investigates how donors are backing adaptation mechanisms to help African states manage their climate-related risks in a more effective and efficient manner

A man sells corn at the roadside near the Rift Valley, Kenya

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An idea suggested by the 2013 Nobel Laureate in Economics, Robert Shiller, to reduce the drastic suffering as a result of drought, has come to fruition: the first-ever drought insurance for African states.

In January, US$26 million was paid out to Mauritania, Senegal and Niger, three of the first African countries to take out policies, which had paid a combined premium of US$8 million.

The drought insurance scheme is operated by the African Risk Capacity (ARC). ARC is composed of two entities: the Agency and a financial affiliate, ARC Insurance Company Limited (the Company). The Agency is a specialised agency of the African Union which prepares countries for membership in the scheme; provides capacity building; approves drought contingency plans and monitors their implementation. The Company is the financial affiliate that carries out commercial insurance functions of risk pooling and risk transfer.

ARC combines early warning elements with appropriate contingency planning and quick access to contingent financing in the event of a drought (through insurance). This allows governments to quickly implement an operational response in the event of a weather shock to protect against losses at the household level. The actual payout to a country is determined based on calculations using ARC's monitoring and loss calculation software called Africa RiskView (ARV), which was developed by the UN World Food Programme. The settings of the software are customised for each country.

ARV translates satellite-based rainfall information into impacts of drought on agricultural production and grazing. With ARV, ARC can estimate the number of people affected by a drought event during a rainfall season and then the dollar amount necessary to respond to these affected people in a timely manner. Due to a significant rainfall deficit in the Sahel in 2014, it was clear that the payout threshold predefined in the drought insurance →

policies in the three affected countries would be crossed. Accordingly, insurance payouts were triggered at the end of the rainfall season.

ARC say their methods help save money. A cost-benefit analysis has shown that for every US$1 spent on early intervention, the ultimate economic impact can be reduced by as much as US$4.50. Without the insurance cover, governments can be forced to divert funds from development projects to manage crises provoked by drought or natural disasters.

"ARC has the potential to transform disaster risk management on the continent," says Dr Richard Wilcox, Founding Director General of ARC Agency. "With the ability to scale to a multi-billion dollar portfolio, ARC could offer coverage to 20 plus countries by 2020."

Prior to payouts being made, an affected country must submit a Final Implementation Plan, which provides detailed and timely information on exactly how the payout will be deployed given the current emergency context. Once certified by the ARC Governing Board's Peer Review Mechanism, the payout can be made. For the three countries concerned, the figures are:

- Mauritania: US$6.3 million to be used for food distributions to families in food insecure areas where livelihoods have been negatively affected,
- Niger: US$3.5 million for conditional cash transfers and food distribution support in drought affected regions of the country,
- Senegal: US$16.5 million to be used for subsidised sales of animal feed and food distribution.

A cost-benefit analysis has shown that for every US$1 spent on early intervention, the ultimate economic impact can be reduced by as much as US$4.50

"For African governments, extreme weather events require significant response capacities and are often associated with large fiscal costs," says Amadou Ba, Minister of Economy and Finance for Senegal. "With the payment of US$16.5 million coming into the Treasury, we are fully convinced that it is possible to move from managing crises to managing risks."

Origins of the scheme

The seed capital to set up ARC Insurance Company came from the UK's Department for International Development (DFID) and the German national development bank, KfW, on behalf of the German Federal Ministry of Economic Cooperation and Development (BMZ). Matching their contributions DFID and KfW provided approximately US$100 million to the Company. The work of the Agency is supported by DFID, Swedish International Development Cooperation Agency, Swiss Agency for Development and Cooperation and USAID.

"There are currently no other government-level insurance schemes operating like this in Africa making this an innovative scheme," says a DFID spokesperson. "ARC can help reduce the economic and social impacts of droughts, floods and tropical cyclones [yet to be offered], which are hugely damaging across Africa."

In May 2014, ARC began by issuing parametric insurance policies valued at around US$130 million to the three beneficiary countries, which have just received payouts, and to Kenya. To cover its risks, ARC has secured reinsurance capacity of US$55 million on the international reinsurance and weather risk markets from commercial insurance companies such as Munich Re and Swiss Re. Thanks to the pooling of risks not only does the cost of reinsurance go down but also the price of insurance for the countries concerned.

Of the €50 million committed by KfW, €46 million is equity capital and €4 million is a grant for consultancy and training measures (see box). While ARC is already engaging the private sector it is expected that the equity participations in ARC by KfW and DFID will mobilise additional private investors although ARC is designed to be majority owned by African states.

"The programme fits very well with the bank's mission and goals," says Susanne Feser, Project Manager, Financial Sector Development, Africa/Regional at KfW. "We provide support and advice for reform processes and investments in developing and emerging countries with the objective of sustainably improving economic and social conditions, reducing poverty, and promoting climate and environmental protection and the financial sector."

Funding for capacity building

€US$4 million of KfW's funding will be utilised for the following:

1. Start-up support: Establish ARC as professional insurance company in line with good governance standards and good commercial market practice (US$1.4 million) e.g. processes, procedures, asset management, insurance manager, corporate administration, legal advice, IFRS accounting, audit etc.)
2. Further development of insurance product offer of ARC (US$1.4 million) e.g. insurance against tropical cyclones
3. Support for (potential) member countries: US$600,000. (Vulnerability analysis, gap analysis, further development of processes and procedures)
4. Support for (potential) member countries in the field of contingency planning (US$500,000)

The insurance not only provides for farmers with failed crops, but also for those with dying livestock. Depending on the country and in which region a drought occurs, the affected country will select its response to the drought. Prior to the payout from ARC, the country will choose from a set of different options, which activities it will use the payout for. Some of the interventions are targeted to crop farmers, some to herders/livestock. Coverage for tropical cyclones and floods will be available in 2016.

KfW and DFID's move to financing drought insurance illustrates a change in global leadership attitudes towards dealing with climate change–donors are now accepting that certain changes are inevitable, and that countries must cope with them, rather than focusing solely on mitigation.

"Since 2008 KFW has started to build up a portfolio of adaptation projects to complement our comprehensive greenhouse gas emissions mitigation portfolio," says Johannes Feist, Division Chief, Financial Sector Development, Africa/Regional at KfW. "In 2014 adaptation contributed €976 million, and mitigation €3.48 billion, to our new commitments in developing countries. We consider this balanced and aligned with the interests of our partner countries. This also reflects the fact that 1.5 degrees Celsius global warming is already a fact, with another 1.5 degrees warming likely to occur by the end of the 21st century. We no longer have the choice between both approaches, we have to pursue them in parallel or simultaneously where possible."

With these innovative insurance schemes, Nobel Laureate Professor Robert Shiller has seen his theories taken up by governments and donors.

"ARC is a breakthrough in disaster risk management in Africa, a win-win for governments and their partners alike," says Shiller. "By putting their political legitimacy and technical skills together, the African Union and WFP have created a game-changer."

Representatives from the African Risk Capacity during a meeting held in Frankfurt at KfW headquarters in September

KfW and DFID's move to financing drought insurance illustrates a change in global leadership attitudes towards dealing with climate change–donors are now accepting that certain changes are inevitable, and that countries must cope with them, rather than focusing solely on mitigation

Funding the infrastructure gap

Quality infrastructure ensures the delivery of goods and services that promote economic growth and contribute to quality of life, including social well-being, health and safety, and the sustainable conservation of the environment. However, infrastructure stocks and service access are relatively low in the developing world.

The OECD predicts that infrastructure investment needs across land transport, telecommunications, electricity and water and sanitation sectors could amount to an estimated US$53 trillion through 2030. The annual investment requirement would equal more than 2.5 percent of world GDP (2006).

Current public spending on infrastructure remains well below even conservative demand estimates. Unless governments drastically shift their fiscal budget priorities or increase taxation, a large infrastructure funding gap will continue to exist. Private sector participation can inject much-needed investment capital, provide the technological expertise and managerial competence to improve operational performance of publicly run utilities, and the end-user benefits of a more competitive market.

However, infrastructure has not yet been clearly recognised and defined as a full asset class, so intermediation of infrastructure transactions remain highly fragmented, resulting in disorganised, highly inefficient and costly intermediation for the industry. Infrastructure as a comprehensively defined asset class–with enhanced visibility and a standardised return profile and risk allocation–would be far better positioned to attract greater private financing.

Holly K. Williams, Executive, Institutional Funding, CAF, leads the Sustainable Infrastructure Working Group

Unfortunately, financing infrastructure projects through domestic savings presents a serious challenge in many developing countries, where bank penetration remains low. At the same time, the global financial crisis will continue to restrain the amount of foreign capital available for infrastructure projects for the foreseeable future, further heightening competition for resources.

The role of development banks

Following the 2007 global economic crisis, more traditional financing sources–such as public expenditure and private bank lending–have had even fewer resources available to devote to infrastructure development. The financial sector is facing a tighter regulatory framework at both the national and international levels, and the heightened focus on short-term liquidity and solvency in Basel III increases the cost of long-term financing.

Even if domestic banks and other financial intermediation vehicles were able to fill the gap, development banks play a uniquely 'additional' role as financial catalysts. These institutions often offer below-market interest rates, longer terms, and repayment schedules that can be more easily adjusted. They can also offer risk mitigation and provide local funding partners with an improved level of creditor status. Development banks can also provide project selection and design additionality, offering a range of aid enhancement instruments, including technical assistance and other tools for capacity building that promote the transparent use of resources, accountability, cost-effective delivery and long-term project sustainability.

> Even if domestic banks and other financial intermediation vehicles were able to fill the gap, development banks play a uniquely 'additional' role as financial catalysts

IDFC members support infrastructure development through a wide range of funding facilities and services. They finance projects ranging from trans-national expressways and sewage treatment networks, to transmission lines, geostationary satellites and submarine fibre-optic cables. IDFC members have identified an array of investment barriers throughout the developing world, and are in a unique position to help address and manage them.

To begin with, public ministries in many developing countries do not provide high quality, long-term transport planning, investment programming or adequate maintenance. Where institutionalised norms and regulations exist, many exhibit weak compliance supervision. IDFC members stress the importance of decentralised transport management, local autonomy over financing, and the inclusion of end-users and customers in the decision making process, particularly in the case of urban transport. Unspecified end-user models, complex and costly legal and administrative requirements and burdensome tax regimes also dilute the transport sector's attractiveness in many emerging countries. Private investments in transport projects are typically constrained by high upfront capital costs, relatively low returns and long investment timelines. Public subsidies are often required to make investments in public transport profitable.

Integrated water resource management and effective policy and regulatory frameworks are essential to ensuring the appropriate and efficient allocation of water use. Yet, the responsibilities between water and environmental ministries and other regulatory authorities in many developing countries are not well defined. Furthermore, these ministries and regulatory bodies often lack qualified staff and require lengthy and complex administrative procedures. Many developing countries also lack the technical competence of well-trained and experienced engineers and technicians to maintain water and sanitation infrastructure. Nevertheless, low financial return is one of the greatest impediments to private interest in the water sector.

Decisions to commit capital to the energy sector in many developing countries are shaped by government policy measures and incentives. Unfortunately, strategies tend to focus on competitiveness issues, such as short-term costs and supply, rather than the long-term benefits of energy efficient cost savings, energy security and environmental performance. Technology inexperience, political instability, institutional weakness and less robust legal frameworks tend to heighten the risk perception and the cost of finance for energy projects. Pricing mechanisms represent a particularly pressing challenge for many developing countries, as market-distorting subsidies often set fossil fuel prices and tariffs too low to cover project development and maintenance costs. Enhanced financial sector expertise and capacity to fund cleaner energy projects that require more advanced technology is also badly needed.

In the ICT sector, many developing countries have legislative restrictions or weak regulatory enforcement that shield public telecommunications providers from competition. Prices are high and diffusion levels are low in countries with limited market deregulation and liberalisation. A combination of competitive market reforms and targeted incentives will be needed to promote affordability and greater inclusion. Rural and remote communities in many developing countries lack the necessary skills to take full advantage of ICT, and appropriate local content remains unavailable.

The IDFC can further support the infrastructure sector by mobilising grant and technical assistance for policy development and national strategies, capacity training and the promotion of best-practices, market research and the design of appropriate payment and financing schemes. As they are aptly suited to absorb more risk than the private sector, IDFC members can also provide more competitive local currency debt financing and back more innovative development approaches and tools, such as public-private partnerships and frontier project finance models. IDFC members can also look to prioritise comprehensive programmes, rather than project approaches, to help attract a wide spectrum of coordinated donors.

IDFC members support infrastructure development through a wide range of funding facilities and services

A realistic infrastructure development strategy should include a clear financing distribution among tariffs, taxes and grant-based transfers. Moreover, as the infrastructure sector is highly interconnected to the health, energy and agriculture sectors, developing countries need to establish effective and integrated policy frameworks and regulatory environments, and a clearly defined division of responsibilities and resources among stakeholders. ◘

IDFC leads global financing for renewable energy

As global financing for renewable energy falls below the levels needed to combat global warming, IDFC members, who together provide the bulk of financing for today's renewable energy projects, are working to create a cohesive approach to promote investment into the sector and to break down barriers to implementation. **By Eleanor Wragg**

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Agence Française de Développement (AFD) is supporting the Government of Kenya to promote low-carbon economic growth by developing renewable energy, namely geothermal energy

Few sectors have as great an impact across social, economic and environmental spheres as access to energy. An estimated 2 billion people in the developing world lack adequate energy services, while the entirety of the global population is affected by greenhouse gas emissions and other related environmental effects of energy use and production.

As the cost of fossil fuels continues to rise and their impact on the environment becomes increasingly hard to ignore, a shift to renewable alternatives has become a key element of a sustainable future, contributing to a myriad of developmental indicators from energy security to poverty alleviation, rural development and environmental quality.

To achieve these goals and to limit global warming, annual investment in renewables needs to double from current levels to US$500 billion by the end of this decade and then again to US$1 trillion by 2030, according to sustainability advocate Ceres. Unfortunately, investment in renewable energy is declining. According to data compiled by Bloomberg, global new investment in renewable power and fuels fell 12 percent to US$254 billion in 2013, after falling over 9 percent the year before.

The IDFC working group on renewable energy hopes to reverse this trend. In 2011, the Club's members committed more than US$36 billion in support of renewable programmes, making it the largest network of renewable energy financiers in the world. To capitalise on this, IDFC member institutions are working on a multi-year programme under the auspices of the IDFC working group on renewable energy to support the growth of renewable energy, with a special focus on overcoming the viability gap between low-emissions and fossil fuel-based energy sources, particularly in emerging and developing countries.

"Although renewable resources show great potential to deliver secure and clean energy, growth has been disappointing," says Christian de Gromard, coordinator of the IDFC working group on renewable energy at the Agence Française de Développement (AFD), which is heading the working group. "Many barriers exist, which slow and even block the expansion of renewables, especially in developing countries."

Drawing on its experience in the field of climate finance, AFD and the IDFC working group on renewable energy have outlined a roadmap.

AFD's Christian de Gromard, Coordinator of the IDFC working group on renewable energy

"There are three major components," explains de Gromard. "The first is to better understand the financial volumes and the different intervention strategies of the various IDFC members in renewable energy. The second, which we focussed on in 2013 and are now wrapping up, is identifying the barriers to increasing investment into renewable energy. Finally, in 2014, the aim was to focus on access to energy services and the expansion of the use of renewable energy and how can we achieve both."

As is to be expected within a group made up of development institutions spanning the globe, IDFC members have a variety of initiatives and approaches underway. They variously support investment in technologies which are now mature such as geothermal, hydropower, wind or bio-energy projects, as well as assisting in developing technologies such as photovoltaic and concentrated thermo-dynamic solar technology.

"We're working to build a snapshot of what different IDFC members are already doing in the field, and trying to identify the challenges and issues that they will need to tackle in the near future," says de Gromard. Despite different approaches, the group has found so far that the challenges and barriers to implementation tend to be the same.

Barriers to implementation

The most obvious barrier is financial. Currently, renewable energy programmes tend to be more costly than fossil fuel-based programmes, particularly given explicit and implicit subsidisation of fossil fuels. IDFC members are uniquely positioned to overcome the high capital cost barrier to renewable energy projects, as their status and credit ratings allow them to provide long-term loans at competitive rates. Furthermore, several IDFC members employ procedural and financial mechanisms to improve the risk profile of projects, such as mezzanine loans that reduce the risk for private co-lenders of →

"We're working to build a snapshot of what different IDFC members are already doing in the field, and trying to identify the challenges and issues that they will need to tackle in the near future"

Christian de Gromard, Coordinator of the IDFC's Working Group on Renewable Energy

a project. This can make projects more attractive than commercial debt.

"Because they are public institutions, IDFC members can also intervene to help overcome project-specific obstacles," says de Gromard. So far, IDFC members have negotiated to obtain guaranteed access to renewable resources lying on publicly controlled land, in the case of biomass resources in public forests, and also worked to ensure the completion of public infrastructure such as access roads necessary for project construction.

A further barrier to implementation of renewable energy projects is unsuitable institutional frameworks, from tariffs to power purchase agreements. "There are also non-financial barriers which relate to regulatory issues, tariff issues, institutional set-ups and the perception of risk by private sector investors and entities," adds de Gromard.

IDFC members, drawing on their experience of the operational needs of renewable energy projects, are lobbying public authorities to adjust these conditions. Working group members have so far lent their support to electricity sector reform, as well as providing technical assistance to regulators.

The group is now working to synchronise the approach of IDFC members to renewable energy, with a particular focus on improving data collection on renewable energy projects to provide more detailed data on investments in terms of both physical capacity and level of investment. The group also wants to move beyond the non-OECD/OECD breakdown to further divide investments into three economic levels: developed countries, emerging countries and less-developed countries. Finally, it aims to harmonise strategies in renewable energy and promote co-financing of projects.

"So far, the IDFC is still a very young club," says de Gromard. "We are starting to get to know each other and there is the feeling that the potential is a lot larger than the one we are currently exploiting. Slowly but surely, this club is also not only becoming a player in the international arena but also within each of the member institutions it is slowly but surely becoming one point of reference."

While fostering investment into renewable energy is challenging, IDFC member institutions are seeking to scale up and accelerate national programmes to increase the use of renewable energy. Today, by sharing their knowledge on working with public and private partners, linking appropriate long-term financing with project-specific accompanying measures, the working group hopes to replicate successes achieved across different countries at different stages of development. ◘

The group is now working to synchronise the approach of IDFC members to renewable energy, with a particular focus on improving data collection on renewable energy projects to provide more detailed data on investments in terms of both physical capacity and level of investment

Case study

Supporting geothermal energy development in Kenya

Kenya has experienced difficulties for some time in meeting its peak electricity demand and has had to resort to the use of emergency production capacity at prohibitive costs. While being entirely dependent on imports for fossil fuels, the country has renewable energy resources more than sufficient to cover its electricity needs, particularly in the field of geothermal energy with the potential estimated at 7,000 MW.

Geothermal power in Kenya remains nonetheless limited because of its substantial investment costs and the very high risks associated with the early stages of development during exploration and drilling. But in 2008, in order to encourage its development, the Kenyan government restructured geothermal activities to fully take care of the risks related with exploration by creating the Geothermal Development Company (GDC), which was to be responsible for steam field development.

Agence Française de Développement (AFD) is supporting the Government of Kenya to promote low-carbon economic growth by developing renewable energy, namely geothermal energy through financial backing for the GDC.

The GDC's core mandate is to develop steam fields and sell the steam to power producers and AFD granted a sovereign loan of €56 million to the Ministry of Energy to allow the GDC to purchase two drilling rigs and improve GDC's prospective capacity. In addition the funding was used to create a National Energy Master Plan enabling a better identification of the potential of renewable energies and planning their development, and developing Kenya's geothermal potential by means of support to the GDC.

A Reservoir Optimisation Study showed that the underground steam resources in the geothermal fields of Olkaria, located in the Rift Valley near Lake Naivasha, are greater than initially estimated. KenGen, the biggest national power producer, developed a project which aims at expanding the available energy supply by 280 MW in the Olkaria I and Olkaria IV power plants. To achieve this, AFD granted a sovereign loan of €150 million to the Government of Kenya, to be on-lent to KenGen for the financing of two additional 70 MW units at Olkaria IV. The total project cost is about €1 billion and the project is funded with co-financing from JICA, the World Bank, KfW and the European Investment Bank.

Sustainable credit key to innovation

By Milton Luiz de Melo Santos, CEO of Desenvolve SP, Development Agency of São Paulo

The constant search for new production models that add value to products and services is a decisive condition for the increased competitiveness of Brazilian companies. The improvement of our economic matrix, however, depends on the increased investment in innovation. To achieve this goal, access to sustainable credit is essential.

Only by making innovative projects a central focus is it possible to ensure the growth and development of companies in the long-term. Brazilian entrepreneurs understand this, but know little about the available channels for investment in innovation.

Today, investment in innovation shouldn't be restricted. There are many ways to find the financial resources required to get projects off the ground. Attracting venture capital investors, for example, is one of the ways to raise the money needed for innovation.

Investors can be individual (an angel investor), large companies or private equity funds. There are also lines of credit, but this credit does not reach sustainable businesses on a significant scale.

One of the premises for the financing of innovation is to offer a combination of long-term payment with low interest rates, which is usually not offered by retail banks.

While a private credit search suits the needs of investment in innovation, the development agencies, financial institutions regulated by the Central Bank and controlled by state governments, appear as an important partner for innovative companies.

Created to act as agents for economic growth, these institutions, for the most part, offer special credit lines with lower interest rates and longer repayment terms.

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Milton Luiz de Melo Santos, CEO of Desenvolve SP

Today, Brazil has 17 development agencies across the country. Desenvolve SP - Development Agency Of São Paulo, emphasised innovation as a strategy to encourage the sustainable economic growth of companies. The 'São Paulo Inova' programme, for example, offers options for businesses of all sizes, from start-ups to large enterprises. In addition, the institution utilises resources from the BNDES (Brazilian national bank for economical and social development) and Finep, a foundation that finances studies and projects, both of them state-owned financial institutions, to support technology companies in the country.

Desenvolve SP also supports the transformation of academic research into products with high added value and innovative companies with economically viable projects. Recently, the institution has also launched a private equity fund called 'Fundo Inovação Paulista' and, in partnership with other Brazilian development institutions and Corporación Andina de Fomento (CAF), is investing more than 100 million reais (US$31.6 million) in innovative companies and start-ups in the areas of IT, nanotechnology, photonics and life sciences.

Companies yearn for new investment channels for innovation. The evolution of development agencies and the strengthening of their roles in entrepreneurship and innovation make these financial institutions important sources for sustainable economic growth, increasing Brazil's standing in the international arena. It is time for Brazil to stop being a country of commodity, and become a country of value-added, knowledge and innovation.

Best practices highlighted in energy efficiency

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The International Energy Agency believes that by 2040, new efficiency efforts could suppress total oil demand growth by an estimated 23 million barrels per day

In the lead up to COP21 to be held in Paris this December, countries are preparing their greenhouse gas reduction targets. These targets are expected to be the basis for a new international agreement on climate, applicable to all countries, with the aim of keeping global warming below 2°C. Among various mitigation measures to promote a low-carbon society, energy efficiency is considered to be one of the important measures, which serves as a critical tool to relieve pressure on energy supply.

In fact, efforts to promote energy efficiency have been made in many countries, and we observe remarkable progress in this field. For example, the World Energy Outlook 2014 issued by the International Energy Agency states that new efficiency efforts will have the effect of suppressing total oil demand growth by an estimated 23 mb/d (Million Barrels per Day) in 2040– more than the current oil production of Saudi Arabia and Russia combined– and measures mainly in power generation and industry will restrict the growth in gas demand by 940 billion cubic metres, more than the current gas output in North America.

In terms of funding for energy efficiency, the report *Promoting Energy Efficiency,* which the International Energy Agency published in 2013, points out that finance needs to increase from US$177 billion in 2020 to US$290 billion in 2035. To respond to these huge financial demands, many institutions provide various types of financial services. As an important player in promoting sustainable development, IDFC members contributed US$23.9 billion to energy efficiency in 2013, a 4 percent increase from US$23 billion in 2012.

In addition to financial contributions, the IDFC organised an internal working group for energy efficiency in 2012, with the aim of sharing experiences, exploring new

financing tools, and identifying concrete measures to strengthen interbank financial cooperation among its members. In 2013, this working group, led by the Japan International Cooperation Agency, produced a working paper on some of the key trends in the world's efforts on energy efficiency promotion and the IDFC members' experience in this area. The working group successfully finalised the paper in October 2014, by adding IDFC members' experience in supporting energy efficiency from the supply-side. (see: https://www.idfc.org/Press-And-Publications/publications.aspx)

The working paper first identifies three major barriers to the promotion of energy efficiency, which are institutional and organisational, financial and economic, and knowledge and information. In tackling these barriers, the paper states that IDFC's members have strength in their ability to provide a comprehensive package composing of financial, technical, and other assistance programmes.

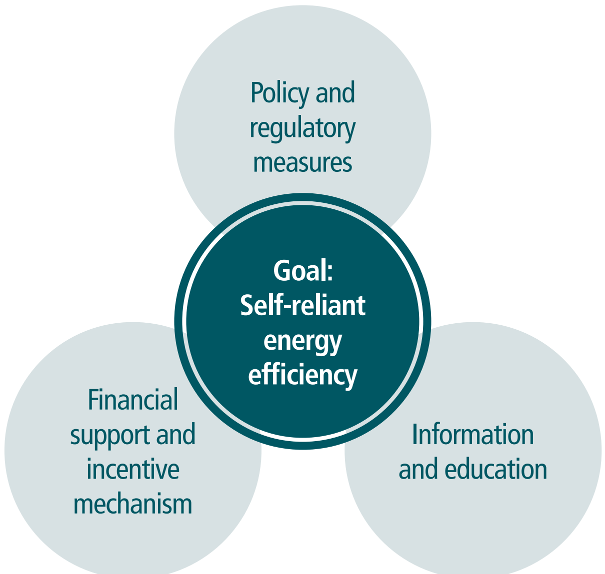
Furthermore, the paper illustrates that IDFC members can create added-value to their energy efficiency programmes, through business models which rely on local private financial institutions, through their ability to provide risk-sharing mechanisms in enlarging access to energy efficiency investments, and through engagement with governments to undertake the necessary policy reforms required to advance energy efficiency. In the paper, the IDFC members' good practices and lessons learnt in energy efficient programmes are presented according to the four areas of measures to promote energy efficiency.

Lastly, the paper presents the challenges which IDFC members need to overcome in order to boost their contributions to energy efficiency programmes. Those challenges include creating mechanisms to scale up energy efficiency financing by mobilising private finance, better support for up-stream energy development planning, and establishing models to strengthen the functioning of the market through minimum public support.

With the COP21 as a turning point, it is expected that the efforts to accelerate energy efficiency will be further strengthened globally.

The IDFC will continue to serve as an ideal forum to facilitate collaboration among governments, financial institutions, and private sector partners to bring further breakthroughs in promoting energy efficiency around the world.

Comprehensive policy package to promote energy efficiency



Measures to promote energy efficiency	IDFC members whose good practices are presented in the paper
Policy and regulatory measures	
Regulation on energy efficiency requirements for consumers and utilities	JICA
Regulation on equipment and buildings	
Financial support and incentive mechanisms	
Pricing Mechanisms including Demand Response (DM)	Bancóldex, CABEI, CAF, CDB, HBOR, IEB/ADB, KfW, KoFC, SIDBI, TSKB
Financing mechanism and incentive	
Energy Service Company (ESCO)	
Information, education and technology	
Information and education, technology	AFD
Promotion of supply-side energy efficiency	
Financing and other incentive/ support mechanism	CDG, AFD, KfW, KoFC, CAF

IDFC study reveals lack of finance for small business

The working group on social and economic inclusion has sought to be a strategic area of collaboration to improve members' knowledge about social and economic inclusion policies. The first position paper, written in 2013, focused on information regarding IDFC members' development concepts, indicators, methodologies and models aimed at social and economic inclusion and poverty eradication. This was followed by a study aiming to understand how members deal with the financing of micro, small and medium-sized enterprises (MSMEs).

Due to their role in economic development, employment generation and innovation, MSMEs are important actors in developing countries' economies. Nonetheless, they have difficulty in accessing financial products, which limits their growth potential.

Access to finance is considered the main obstacle for MSMEs' growth and is mostly associated with problems in dealing with banks, such as paperwork and bureaucracy. There exists a link between banks and collateral requirements that significantly constrain MSME growth. Moreover, MSMEs face many difficulties accessing long-term loans, and so rely on short-term funds, which in turn makes them more vulnerable to macroeconomic changes.

Over the last few decades these facts have pushed some public banks to create new mechanisms to overcome MSMEs financing problems. Our work aims to understand what motivates IDFC members to operate with MSMEs and how they work and address obstacles that exist to finance MSMEs in developing countries.

While profit from the sector is the most important issue for private and foreign-owned banks which seek to work with MSMEs, this issue was less cited by IDFC members. Nonetheless, the difficulty of accessing MSMEs is one of the most important points that negatively affect development finance institutions' involvement with MSMEs.

Access to finance is considered the main obstacle for MSME growth

Regarding the mechanisms used by development finance institutions to deal with MSMEs, all banks use the same pattern of credit analysis, required documentation, and credit limits for lending, no matter the size of the company, and consider that regulatory documentation can even be beneficial for establishing a relationship.

Since one of the main problems development finance institutions have in operating with MSMEs is getting close to them, all members use intermediate financial institutions to offer their loans or equity products, the main types of credit offered by all development finance institutions, although many offer a broad range of products on both, and some even offer types of non-financial support.

The most frequent partners which are used to offer loan products are private financial institutions with a broad branch network throughout the target country, while funds are generally used for equity products. Public financial institutions, consulting or technology institutions operating with MSMEs, and other institutions that work closely with MSMEs like chambers of commerce, associations and public programmes are also used as partners. Most of the development finance institutions avoid expanding their operations by opening branches, a pattern that is only followed by two members. It is national development finance institutions which have reached out to MSMEs in order to improve their operations, while regional banks are not used to doing business with MSMEs.

One of the most powerful attributes of the IDFC is the difference in their members' aims and operation models, allowing for an exchange of different experiences. A better understanding of costs and outcomes of each member programme and of the ones that use an operation model based on branches may be worth disseminating as best practice. ◘

Republic of the Côte d'Ivoire

UNION-DISCIPLINE-WORK

Delegated contracting authority for the National State Road Network

Executive Agency for Public Utility Work

. Our mission in 6 key points:

> Preparation and execution of programming tasks

> Procurement

> Project monitoring

> Network monitoring

> Setting up and management of Road Data Banks (RDB)

> Capacity building

. Our goals for the Ivorian road network

- To safeguard the road network
- To rehabilitate the road network in the mid-term
- To link all major departmental towns with surfaced roads by 2020
- To ensure the network performs for the benefit of national development and effective regional integration

Technical and financial partners

Technical and financial partners

National Institution

Other partners and Associations

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Sponsored Statement

Interview: Tanguy Claquin

Managing Director of Sustainable Banking for Crédit Agricole Corporate and Investment Bank

Why has 2014 been so special for the development of the Green Bond Market?

2014 started with the launch of the Green Bonds Principles co-drafted by Crédit Agricole-CIB and three other banks, which contributed to the standardisation of the main features of Green Bonds: definition of green projects, use of second opinion, proceeds management, reporting. Thanks to these principles and their related governance, market players now have their forum for debate, which is governed by the International Capital Market Association (ICMA).

This clarification in the definition of Green Bonds allowed for a better understanding of the opportunity it represented for investors. Thus, we have seen a diversification of investor base, in such a way that mainstream investors are using Green Bonds as a tool enabling them to implement their ESG (environmental, social and governance) strategies.

As a sign of a market reaching maturity, two new ESG rating agencies, Sustainalytics and Oekom, provided a second opinion on Green Bonds, following the path of others like Vigeo and Cicero. Similarly, new index providers created specific Green Bonds indices.

What role do you foresee development banks playing in the development of the market?

Development banks and public players in general have always paved the way for others on sustainability best practices. They launched the Green Bond market and contributed to its expansion by building curves, providing liquidity but also launchir new features (structured green bond: impact reporting).

Development banks also have a strong role to play in channelling

Tanguy Claquin, Managing Director of Sustainable Banking for Crédit Agricole Corporate and Investment Bank

more funds to finance the energy transition in developing and emerging countries. Opening local Green Bond markets is therefore of primary importance. In order to support this trend, last year we organised conferences in emerging countries such as Mexico and Brazil, and we will keep on doing so in the future.

Is the growth of the Green Bonds market sustainable?

The growth rate of the market amounted to almost 200 percent, compared to 2013, with US$35 billion issued in 2014, however the EIA still estimates that US$850 billion in green investment is required per year. The need for growth is there and will continue. That being said, green is not synonymous with sustainability and the financing of green projects will always require the integration of strong social and good governance criteria in order to be sustainable. Interestingly we are seeing increasing social or sustainability bonds that use the exact same structures as Green Bonds but with 'social assets' underlying the issuance.

Green Bonds have created a link between the bond financing instrument and the 'real economy' by providing investors with transparency on the use and management of proceeds, rebuilding trust within the financial sector.

Do you think that Green Bonds will play an important role in the COP21 in Paris?

The COP21 in Paris this December should lead to a global and binding agreement on Greenhouse Gas emissions reduction framework replacing the Kyoto Protocol. As a French leading financial institution, Crédit Agricole CIB will follow this event closely.

Indeed, during the UN Climate Summit 2014, Crédit Agricole CIB confirmed its commitment on climate change mitigation, especially channelling the funding of US$20 billion in new green projects by 2015. Green Bonds are entirely part of this strategy and we are ready to support our clients and partners in their actions and commitments on their journey to Paris and beyond.

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1. GSK 2013 Annual report. March 2014. http://www.gsk.com/media/325156/annual-report-2013.pdf
2. WHO HIV/AIDS Factsheet #360 Updated July 2014. http://www.who.int/mediacentre/factsheets/fs360/en/
3. WHO World Malaria Report 2013
4. WHO Global TB Report 2014
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VGBU/VAC/0009/14. Prepared 20 November 2014.

The development opportunities of investing in cities

The working group helps development banks identify bottlenecks and propose policy solutions to tackle the common challenges of rapid and growing urbanisation

Cities, home to 67 percent of the world's population by 2050, serve as a double-edged sword in the context of sustainable development. On the one hand, they are important engines of economic growth producing more than 80 percent of national income. On the other hand, cities are vulnerable to a number of social and environmental perils, particularly climate change related risks and other natural disasters.

Some 1 billion people currently live in slums, with limited access to basic services, and this number is expected to rise to 2 billion by 2030. Cities account for the vast majority of global energy use, natural resource consumption, green gas emissions and solid waste. Despite the challenges, well-managed urban development could give rise to cities which are more conducive to economic growth and social inclusion, and more environmentally sustainable and resilient to climate change.

As these views are widely shared, the concept of Sustainable Urban Development (SUD) has been attracting ever-increasing attention internationally. In fact, "make cities and human settlements inclusive, safe, resilient, and sustainable" is Goal 11 of the Sustainable Development Goals proposed by the Open Working Group, which is expected to be incorporated in the Post-2015 development agenda.

In line with these international trends, in 2013 the IDFC created the SUD Working Group, under the leadership of CAF, JICA and AFD. This group has been working intensively to help development banks and other stakeholders identify bottlenecks and propose policy solutions to tackle the common challenges of rapid and growing urbanisation. These efforts materialised in the form of a working paper titled *Investing in Sustainable Cities: Challenges and Opportunities,* published in December 2014.

The paper explains why SUD matters and highlights the ongoing international efforts (by both public and private sectors) to better define SUD and

set common standards. The concept is commonly understood as an approach that stresses sustainability as its main feature, embracing social and economic structures that do not compromise environmental aspects.

The paper also emphasises the importance of multidimensional approaches across sectors in order to achieve SUD, featuring key success factors from IDFC member experiences:

- Policy formulation should be comprehensive, able to adapt to evolving development needs, and incorporate incentives that promote wide-ranging stakeholder coordination and participation.
- Strategies must draw on inter-linkages among different and sometimes conflicting demands. Co-benefit measures that cater to multiple needs through single policy interventions, using minimal resources, should be emphasised.
- Improved service delivery and infrastructure optimisation not only improves community health and safety, but heightens competiveness and generates employment.
- More widespread use of green technologies helps maximise synergies across development sectors, integrating urban activities, increasing access to services and enhancing productivity.
- Initiatives will require innovative financing approaches as global needs are beyond the means of government spending capacities and official development assistance.
- Regulatory and financial frameworks must be appropriately designed to attract private sector investors and ensure the continued flow of resources to SUD projects.

In order to promote effective SUD strategy and policy formulation, the IDFC plans to accelerate and expand its support by scaling up its collaboration with central and local governments, international institutions and private sector actors using its broad partnership network.

The IDFC SUD Working Group has already contributed to international debates on this topic and the CEOs of JICA and AFD made statements, representing the IDFC, in the City Action Platform of the UN Climate Summit held in New York in September 2014. In his statement, Dr Akihiko Tanaka, CEO of JICA, reiterated the ability of the IDFC to mobilise a wide range of financers–both public and private actors–via innovative financial instruments at international and national levels.

The IDFC can also maximise its close relationship with governments to help promote and guide low-carbon and resilient city development. Anne Paugam, CEO of Agence Française de Développement (AFD), emphasised the active support of IDFC members to resilient cities and announced the engagement of AFD, along with several IDFC members including, JICA, CAF-Development Bank of Latin America, and the Banque Ouest Africaine de Développement to the new Cities Climate Finance Leadership Alliance. This is a multi-stakeholder initiative that aims at improving synergies among international and national financial actors and city networks in order to address the bottlenecks that affect climate investments. The aim of the Alliance is to optimise financial flows towards climate-friendly urban investments, to engender a major increase in climate financial flows well beyond official development assistance capacities.

Looking ahead to the coming important milestones on SUD, including COP21 in Paris and UN Habitat III in Quito, the IDFC will continue to strengthen its engagement in this field and support cities playing a key role in the Lima-Paris Action Agenda launched at COP20 in Lima. ◘

Three pillars for SUD

Sustainable cities

Social development

- Education and health
- Food and nutrition
- Green housing and building
- Water and sanitation
- Green public transportation
- Green energy access
- Recreation areas and community support

Economic development

- Green productive growth
- Creation of decent employment
- Production and distribution of renewable energy
- Technology and innovation (R&D)

Environmental management

- Forest and soil management
- Waste and recycling management
- Energy efficiency water management (including fresh water)
- Air quality conservation
- Adaptation to and mitigation of climate change

Urban governance

- Planning and decentralisation
- Support of local, national, regional and global links
- Strengthening of civil and political rights
- Reduction of inequities

Source: IDFC working paper *Investing in Sustainable Cities: Challenges and Opportunities*

IDFC sets up new framework for member cooperation

Brazil has sought triangular cooperation with countries and agencies for the development of biofuels

Collaboration among development partners has become common as financing becomes more focused, budgets are more carefully scrutinised and partners aim to get more development impact from their investments. Deepening cooperation within the development finance sector has become an important tool to ensure that value is added to existing relationships and the impact of the investment is quantifiable and positive to the recipients.

In 2015, the IDFC has focused on the following working groups: Sustainable Infrastructure, Renewable Energy, Energy Efficiency, Social and Economic Inclusion, and Sustainable Urban Development.

In order to streamline the IDFC's work over the year, the cross-cutting Triangular Cooperation Working Group has determined each member's individual experience with various models of cooperation as well as members' experience of intra-IDFC models of cooperation, which have emerged since the inauguration of the IDFC in 2011. The Triangular Cooperation Working Group is led by the Development Bank of Southern Africa with the assistance of the Caisse de Dépôt et de Gestion (CDG -Morocco), Bancóldex (Colombia) and Japan International Cooperation Agency (JICA).

The working definition for triangular cooperation was shared among the members and after some discussion the following definition was agreed:

The IDFC engages in Cooperation for Development in the areas of knowledge sharing, capacity building and technical support. These partnerships are based on sharing knowledge, experiences and best practices among members for mutual benefit or for the benefit of additional parties who might be members. The cooperation can be a single event collaboration within a particular sector, for example, energy generation, or a multiyear programme across a number of sectors. Cooperation for Development connotes the nature of collaboration among members and/or third parties with the objective of deepening development and partnerships with likeminded institutions.

Triangular cooperation has taken many forms within the IDFC. The Japan International Cooperation Agency has brought together the Zambian Investment and Trade Promotion Agency with the Malaysian Investment Development Authority and the Malaysian Trade Promotion Authority to exchange lessons learnt

in and ideas from Malaysia through technical transfer to Zambia. A second example is the collaboration between JICA, Brazil and Mozambique in the agriculture sector through the Japan-Brazil Partnership Program, where JICA has facilitated the transfer of Brazil's expertise in agriculture to a Lusophone African country with a growing agricultural sector.

One existing example of financial collaboration within the IDFC is the Mutual Reliance Initiative established by the European Investment Bank, KfW Bankengruppe and Agence Française de Développement. A concrete example of the operations of the Mutual Reliance Initiative is evident in the Infrastructure Investment Programme for South Africa where the Development Bank of Southern Africa (DBSA) manages the fund provided through their relationship with the European Union for the development of infrastructure in South Africa and the rest of Africa. The DBSA has been appointed as manager of the Infrastructure Investment Programme for South Africa due to its extensive expertise in programme management particularly the management of partner funds.

In addition to Brazil's triangular cooperation with JICA, the country has triangular relations in the biofuel sector with India and South Africa as members of the IBSA Dialogue Forum; with Mercosur members in an agreement to cooperate in the biofuels sector and production technologies; with the Asia Pacific Economic Cooperation Biofuels Task force, UNIDO and the African Union; and the European Union and Africa on Agriculture. Brazil's experience has been in technical and knowledge transfer and institutional capacity building as one of the leaders in the biofuel sector. The European Union and the US have been brought in to facilitate triangular cooperation with the assistance of Brazil.

The Industrial Development Bank of Turkey, European Bank for Reconstruction and Development and International Finance Corporation agreed to co-finance the establishment of a hydropower plant project of 86MW, totalling US$157 million on the Paravani River in Georgia in 2011. The project sponsor was a special purpose vehicle company formed by a Turkish industrial group with purchasing agreements from both sides, from Turkish and Georgian electricity distribution companies.

In 2009, the African Development Bank, JICA and the Export-Import Bank of Korea agreed to co-finance the construction of 350 kilometres of road and related activities in Mozambique from Nampula to Cuamba totalling US$158 million. The project was also the first co-financed Japan-Korea Overseas Development Assistance project.

The Triangular Cooperation Working Group will continue to develop a particular model of cooperation for the IDFC, based on the members' experiences. The draft report from this working group will guide further discussion at member level and lead to a refinement of the model of engagement.

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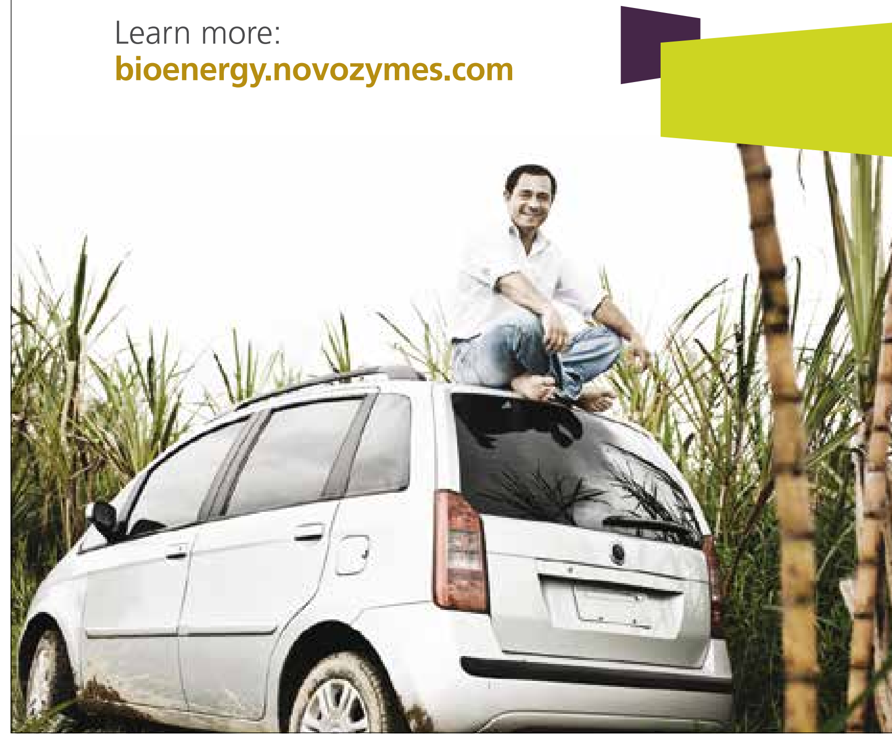

Role of development banks highlighted in Addis Declaration

IDFC's side event took place during the Third International Conference on Financing for Development in Addis Ababa

At a side event during the Third International Conference on Financing for Development in Addis Ababa in July, the IDFC discussed the vital role development banks can play to promote sustainable development and help transition to low-carbon climate-resilient development pathways.

Development banks have a critical role to play in financing projects but also in finding ways to leverage the private sector. Sharing experience among banks and playing a more effective role in financing development has been considered of great importance. Additionally, harmonisation of regulations is critical in order to adapt and replicate a framework that enables intraregional trade.

"Development banks should provide concessional loans where possible, support female and SME success and prepare bankable projects to allow the private sector to decide to what extent they want to be involved," said Patrick Dlamini, CEO of Development Bank of Southern Africa and Vice-Chairman of the IDFC. "African countries unfortunately face a number of hampering elements including, weak tax administration hampering domestic revenue collection capabilities, dependency on donors, and weak utilities needed to drive development."

2015 is a critical year as the international community negotiates the shift from the Millennium Development Goals to the Sustainable Development Goals (SDGs) as well as the international agreements that will help the world address the urgency of limiting the global average temperature increase to 2°C above pre-industrial level. Investment needs are immense, estimated at around US$5 to 7 trillion per year.

With their medium and long-term vision, their field experience in financing development, and their capacity to leverage private investment, development banks are uniquely positioned to provide supportive signals and contribute to the convergence of expectations for sustainable development within and across economic systems.

"The appreciation of the role of national, regional and bi/multilateral development banks is highlighted in the Addis Declaration, which incorporates a paragraph on their importance and more specifically their counter cyclical role," said Dr Felix Povel, Senior Project Manager,

Development Strategy for KfW. "The key question however is when, how and where are development banks supposed to finance projects?"

Dr Povel explained that the three dimensions of the SDGs where development banks can play a role are economical, climate change and social. Development banks are able to foster economical development by tackling market imperfections/ failures, such as helping SME's access finance, and innovation, which commercial banks would not necessarily appreciate. Additionally development banks should set standards and are not limited to only funding projects. Studies and technical assistance (feasibility studies etc.) could improve projects, making them bankable, and therefore more appealing to the private sector.

Domestic resources from the public as well as the private sector are pivotal for development in poorer countries. Local resources from taxation as well as fee incomes for the provision of public services are essential in order to mobilise the necessary public domestic resources. While public finance is a key mechanism to initially support, stimulate or incentivise areas of development, private sector funds need to be mobilised for financing infrastructure projects wherever feasible.

Investing in sustainable infrastructure is essential for reaching many of the SDGs and there is a need for a new impetus to all international, regional and national development banks to help mobilise sufficient financing for infrastructure at the trans-national, national, sub-national and local levels.

"Infrastructure investments are long-term investments and generally lack the direct interest of the private sector and always will need some sort of public sector support," said Jose Antonio Ocampo, Director Economic & Political Development Concentration at Columbia University. "The same applies to investments in climate change, science and technology/innovation."

Ecuador successfully bets its economic future on innovation

Change is the clear intention of the economic policies outlined by President Rafael Correa's government. The goal is to change the structure of Ecuador's society through the support of equality, cohesion, diversity and social and territorial integration.

It is change through the improvement of citizens' capabilities and potential, improving people's quality of life, guaranteeing environmental protection, and establishing a sustainable and solid social-economic system with fair and dignifying jobs. These are the objectives for Ecuador as it seeks to improve the quality of life of all its citizens.

Correa's economic reforms have been highlighted by international organisations such as the Economic Commission for Latin America and the Caribbean (ECLAC). This entity announced last December that the 2015 growth forecast for the Ecuadorian economy would reach 3.8 percent, well above the 2.2 percent average that is estimated for the rest of the region.

Three days before the release of these forecasts, Correa announced incentives for Ecuador's productive system for the year 2015 that aim to take advantage of the opportunities found in the productive matrix in order to secure a sustainable solid and self reliant economy.

To help financially propel these revolutionary reforms, the 50-year-old National Financial Corporation (CFN), the largest Ecuadorian public development bank, has financed more than US$4 billion in loans over the last seven years.

CFN's strategic financing is focused on prioritised sectors such as fresh and processed food. For this matter, in 2014 more than US$220 million was lent–translating into thousands of new jobs, selective import substitution and improvements in the entire production chain with the purpose of boosting exports. All of it stemming from an innovation focus.

The sectors of biotechnology, petrochemical, environmental services, agroforestry chains, hardware and software, dressmaking and shoemaking, transport and logistics, renewable energies, tourism, pharmaceutical, construction, metallurgy and automotive are prioritised sectors for the consolidation of such a transformation of the productive matrix. CFN expects to provision thousands of millions of dollars more for this to be achieved.

www.cfn.fin.ec

Meetings and events

Spotlight: COP21

30 November – 11 December 2015, Paris, France

The 21st session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC), or COP21, will bring together around 40,000 participants. One key objective of the COP21 is the mobilisation of US$100 billion per year by developed countries, from public and private sources, from 2020. This commitment, made in Copenhagen, should enable developing countries to combat climate change while promoting fair and sustainable development. Some of these funds will pass through the Green Climate Fund, which has received initial capital of US$10.2 billion, including almost US$1 billion from France. According to the UN, COP21 needs to guide economic and financial stakeholders towards redirecting their investments in order to launch the transition to low-carbon economies.

Although there is currently no approved operational definition of 'climate finance', the COP bodies, bilateral and multilateral development banks and the OECD are working to harmonise their methods in order to facilitate the identification of the public, private, bilateral and multilateral funds, including innovative funding sources, which could be counted as part of the US$100 billion. This work should be finished in 2015 and will be crucial in order to guarantee the traceability of climate finance, which is one of the main concerns voiced by developing countries.

External meetings

The World Bank Group and the International Monetary Fund
2015 Annual Meetings
9-11 October 2015, Lima, Peru

Europen Bank for Reconstruction and Development
INTRANSLAW - 1st International Transport and Insurance Law Conference
15-16 October 2015, Zagreb, Croatia

COP21
United Nations Climate Change Conference
30 November-11 December 2015, Paris, France

Asian Development Bank
49th Annual Meeting (2016)
4-5 May 2016, Frankfurt, Germany

Inter American Development Bank
57th Annual Meeting
March 2016, Nassau, the Bahamas

Internal meetings

Sherpa meeting
14-15 September 2015

Steering Group Meeting
11 October 2015 (location to be announced)

Annual Meeting
11 October 2015 (location to be announced)

Sherpa Meeting
February 2016 (date and location to be announced)

Steering Group Meeting
April 2016 (date and location to be announced)

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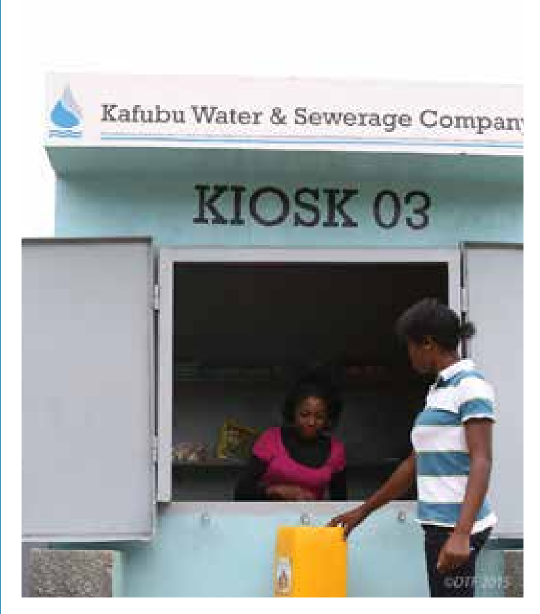

The Devolution Trust Fund (DTF) was established by National Water Supply and Sanitation Council (NWASCO) as per the provisions of Water Supply and Sanitation (WSS) Act No. 28 of 1997.

The objective of DTF is to assist WSS utilities to improve service delivery particularly to the low-income population in the peri-urban and low-cost areas of Zambia as well as support operational efficiency in the utilities.

The DTF has been operating as a multi-donor basket fund since 2006.KFW, DANIDA, EU-Water facility and AusAid including the Zambian Government have contributed to the basket.

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The members of the IDFC represent decades of work in the field of global development. The club's mission reflects and conveys its members' experience, hope, commitment and belief in a better life for everyone.

The IDFC believes that in a changing world there is an increasing role for national and sub-regional development banks and that like-minded development banks should collaborate to face global challenges. By joining forces in funding capacities, local and international experience, and market and product know-how, the club aims to complement each member's needs and objectives.