Best Practices in Development Finance

Agence Française de Développement
Bancóldex
BancoEstado
Brazilian Development Bank
Banque Ouest Africaine de Développement
Black Sea Trade and Development Bank
Central American Bank for Economic Integration
Development Bank of Latin America
China Development Bank
Caisse de Dépôt et de Gestion
Development Bank of Southern Africa
Croatian Bank for Reconstruction and Development
Indonesia Eximbank
Japan International Cooperation Agency
KfW Bankengruppe
Korea Finance Corporation
Nacional Financiera
Small Industries Development Bank of India
Industrial Development Bank of Turkey
Vnesheconombank

IDFC international development finance club

Best Practices in Development Finance

IDFC
international
development
finance club

IDFC Secretariat
KfW
Palmengartenstraße 5-9
60325 Frankfurt
Germany
E: sebastian.spannenberg@kfw.de
www.idfc.org

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Editor: Jonathan Andrews
Staff writers: William Thorpe, Kirsty Tuxford, Eleanor Wragg
Sub-editor: Nick Michell
Production editor: Richard Boal
Publisher: Peter Warren
Partnerships Director: Willem Fast
Managing Director: Richard Forster

PFD Publications Ltd
5 St John's Lane
London EC1M 4BH
United Kingdom

T. +44 203 286 6654
F: +44 207 526 2173
E: info@pfdmedia.com
www.pfdmedia.com

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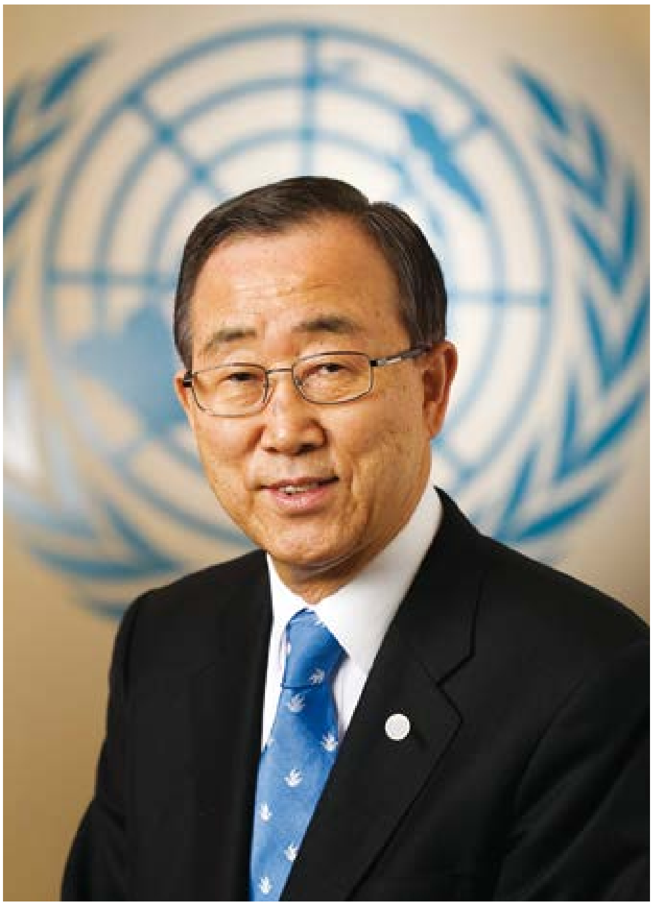
Remarks of the UN Secretary-General to the Second Annual Meeting of the IDFC



Thank you for your invitation. I am pleased to join you for your second annual meeting – and I thank you for your commitment to promoting social, economic and environmental responsibility in the global marketplace.

You may be aware that I returned just yesterday from a visit to Europe and Asia. I am here today because I firmly believe that a stronger strategic partnership between the International Development Finance Club and the United Nations will greatly benefit both our organisations and build a better world for all.

We come together as the world sets its sights on the year 2015—an historic opportunity in our shared work. 2015 is when UN member states have pledged to achieve the Millennium Development Goals, adopt a new development agenda and complete a global agreement on climate change. Eradicating extreme poverty is at the heart of this effort. So is holding global temperature rise below 2 degrees Celsius. These are mutually reinforcing goals and they are achievable goals.

But doing so will require significant change and restructuring of the global economy. Our main challenge is to ensure that the discussions about a post-2015 development agenda and a new climate agreement will move sustainable development from the margins to the mainstream. Our new development vision should encompass the three integrated pillars of sustainable development – the economic, the social and the environmental. Our agenda should be transformative. And it should be universal, applying to all countries while allowing for differing levels of development.

Discussions are well under way. Based on the past few weeks of diplomacy during the opening of the General Assembly, I am encouraged by our progress and the political will to adopt an inspiring agenda that can capture the public imagination.

But one big cloud hangs over the horizon: climate change. Climate change is the single greatest threat to sustainable development. Yet too often, one important fact gets lost amid the fear: addressing climate change is one of our greatest opportunities. With enlightened action, we can create jobs, improve public health and protect the environment.

Nor do we need to wait for the breakthroughs of tomorrow; the technologies, policies and practices in our hands today can help us speed up and scale up mitigation and adaptation action at every level. To help set us on this path, next September I will host a Climate Summit that will bring together not only Heads of State and Government from around the world, but also global leaders from business, finance and civil society. Our goal is mobilise political will for the negotiations, deliver concrete new com- →

mitments and spark a race to the top in climate action. Ladies and gentlemen, your engagement in this work is vital.

Today I want to highlight three areas where the development finance community and the financial sector are at the heart of tackling climate change and forging solutions. First, and perhaps most obviously, that is where the money is. Large amounts of capital are needed for the rapid development of low-carbon infrastructure. Progress is happening and I commend your commitment to unlock clean energy investments and close the viability gap between low-emissions and fossil fuel-based projects.

Over the past six years, development banks within the IDFC have provided impressive green finance commitments, including US$79 billion in climate financing in the last year alone. At the same time, we must do more, especially given the clear and growing economic impact of climate change. I hope you will collectively use the 2014 Climate Summit to reach the goal of US$100 billion-a-year for new climate finance commitments. I also encourage you to double your portfolio of adaptation financing.

A more balanced allocation between adaptation and

Development banks have proven that smart public financing can spur local and international private sector investments and meet the growing demand for energy and climate resilience

mitigation commitments by development banks will help make your economies and financial institutions more climate-resilient. It will also inspire other financial actors to follow suit. Development banks have proven that smart public financing can spur local and international private sector investments and meet the growing demand for energy and climate resilience. I urge you to do even more at the global and national level: by helping to open new markets, facilitate new business models and support entrepreneurs in the developing world where demand for clean investment solutions is greatest.

That leads me to the second point. The global response to climate change must match the scope of the problem – and that means tapping into the potential of all actors to achieve the large-scale transformation we need. Institutional investors have an important role in decarbonizing and transforming our global economy. Pension funds, insurance companies and sovereign wealth funds are already owners and creditors of large and predominantly high-carbon segments of the global economy. Yet only 1 per cent of pension fund assets were invested in infrastructure projects. A transition to a green economy will be virtually impossible if this enormous financial asset class does not itself transition towards low-carbon assets.

That will require new investment vehicles and bankable projects that can tap new sources of capital. I am interested in your views on proposals such as the creation of a secondary bond market for low-carbon assets with the help of your best performing projects. Transaction costs and lack of understanding of investment opportunities are also key barriers. We look to your thoughts on how development banks can make low-carbon projects more attractive to institutional investors. In the coming months I will reach out to different groups of institutional investors, and I count on your expertise and leadership.

My third and final point is about the Green Climate Fund. The GCF cannot be expected to act as the exclusive conduit of climate finance, but it will be an important part of a public-private framework. For the GCF to fulfil its potential, it is essential for it to promote a stronger role for developing country institutions – such as national development banks – in supporting readiness activities. I welcome your dialogue with GCF Board Members to operationalise the Fund. I also encourage you to continue your cooperation with experts in the UN system to ensure that developing countries have the institutional capacity to access climate finance.

We need to scale up our efforts and our ambition. The climate clock is ticking. The longer we delay, the greater the costs – to communities, to businesses, to economies and to the planet. Your partnership is critical to the UN's work.

Together we can rise to this existential challenge and build a better, more secure world for future generations.

I thank you for your engagement and partnership to help build a life of dignity for all.

Thank you.

Ban Ki-moon
UN Secretary-General

Washington DC, 13 October 2013

Message from the Chairman

Dear reader,

I have the great pleasure of greeting you in my role as chairman of the International Development Finance Club (IDFC). Since the foundation of the club two years ago, the IDFC has advanced from a newly initiated network to an established and important player in the global landscape of international development finance. The 20 national, bilateral and regional development banks of the club unite a profound and extensive knowledge and experience in the field of development finance. The members of the club interact during their day-to-day business in bi- or multilateral cooperation–a key principle on which the IDFC is based.

Development finance, as the facilitator of development in all regions of the world, constitutes a key role in enabling growth of developing and emerging economies. Although there is still a long way to go, there has already been success in decreasing global poverty, especially extreme poverty. But social and economic inclusion and sustainable growth remain fundamental for the world's future and constitute the central scope of action of the IDFC. Coordination of action in an aligned network of development finance practitioners is thereby crucial for success.

The IDFC is an outstanding example of international cooperation of institutions, sharing the same interests and goals. Covering six continents, the regional diversification of the IDFC provides for in-depth knowledge and allows for complete coverage of development financing around the world.

Social and economic inclusion and sustainable financing are core areas of activity of the IDFC. The advancement of green energy and climate-resilient infrastructure are decisive to help building sustainable economies. The members of IDFC are characterised by extensive engagement within these major fields of work. Cross-fertilisation and the continuous advancement of these issues are a key goal of the club's work. In 2012, IDFC members provided US$95 billion for climate and environmental financing, of which US$59 billion was provided to developing and emerging economies. A detailed description and noteworthy case studies are presented in this publication.

The success of the IDFC can be seen from different perspectives. Since its foundation, one new member has joined and several show serious interest in joining. Politically, the recognition of the IDFC by the UN Secretary General as the association uniting the voices of development banks and the emergence of a working cooperation between the UN and the IDFC is particularly noteworthy. In the field of climate protection, the IDFC presented its annual Green Finance Mapping Report at the Conference of Parties meeting in Warsaw in December 2013. These and forthcoming milestones such as the UN Secretary General's Climate Summit in September 2014, this year's IDFC Green Finance Mapping Report and further events with special presence of the IDFC, or its members, demonstrate the club's dynamic momentum.

Yours faithfully,

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

The IDFC vision–collaborating for the common good

The members of the International Development Finance Club (IDFC) share a similar background and view of their role in the world. They have agreed on key principles, which characterise their actions both as individual development banks and as a cooperative association.

The IDFC brings together like-minded development banks of national and sub-regional origin. Members operate within the framework of the development policies of their respective countries, assisting governments in fulfilling their national and international commitments and within the framework set forth by the members' constitutive documents. They do so by acting as financier, advisor, partner and implementer to mobilise finance and expertise for development projects in emerging and developing countries.

IDFC members share a long history of collaboration; they have built trust and now aim to further enhance relationships. Member institutions share a similar vision to support sustainable improvements in economic, environmental, social and human development. Members have a similar understanding about the global challenges facing everyone.

The IDFC brings together like-minded development banks of national and sub-regional origin. Members operate within the framework of the development policies of their respective countries, assisting governments in fulfilling their national and international commitments and within the framework set forth by the members' constitutive documents

A commitment to global development

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 (funding capacities, local and international experience and market and product know-how), the club aims to complement each member's needs and objectives.

Mission and vision statement

The IDFC brings together financial institutions, which are experienced in structuring and financing complex projects with a combined balance sheet of over US$2.2 billion. The IDFC seeks to contribute to, and help shape, the international development and green finance agendas. Partnership and joint objectives of sustainable and inclusive development foster efficient cooperation within the IDFC towards mutually agreed goals.

Members share a similar vision to support environmental, social and human development © Energetica

Global development and climate agendas

Shifting weights in the world economy and the international development agenda (Millennium, Post-2015 and Sustainable Development Goals, Development and Climate Finance Architecture) are setting the political, environmental and social framework within which the IDFC operates. Persist-

The IDFC recognises that climate-resilient infrastructure is decisive to help build sustainable economies © deep-in-thought (flickr)

Persisting poverty and inequality, and increasing pressure on the environment, climate and natural resources, requiring an agreement on Post-2015 Development Goals, but also convergence with universal Sustainable Development Goals

ing poverty and inequality, and increasing pressure on the environment, climate and natural resources, necessitate an agreement on Post-2015 Development Goals, but also convergence with universal Sustainable Development Goals.

IDFC role and positioning

The IDFC incorporates a new, global perspective and adds a substantial voice to these debates, until now largely shaped by UN institutions and multilateral development banks, by: (i) integrating local practitioners' expertise with experience in regional and international cooperation; and (ii) building on and further increasing through shared experience, the knowledge base of its members. Responding to climate change and development challenges, IDFC members advocate the promotion of responsible green finance for a low-carbon and climate-resilient future, while continuously pursuing poverty reduction, economic and social development and a fair and equitable design of the globalised economy. IDFC members contribute expertise in financial structuring and the mobilisation of public, capital market and private resources at significant scale both at the international and domestic level. In line with national development policies, IDFC members support governments in facilitating policy reforms to create an enabling environment for further investments. With decades of experience in development finance and innovative leadership in climate finance, IDFC members aim to contribute to aligning the global development and climate agendas. ◘

IDFC objectives

Origin of the IDFC

Following a first meeting of development bank chiefs in 2010, several participating institutions suggested formalising their cooperation. They confirmed the need for a regular exchange and decision forum at a CEO level that could help national and sub-regional development banks strengthen their voice in an environment dominated by multilateral financing institutions.

The formalisation of the IDFC constitutes a deepening and extension of existing business relationships between members and provides the chance to identify and develop future topics, markets and areas of cooperation. Through the network, members benefit from each institution's local depth and competency, therefore providing the opportunity to better position national and sub-regional development banks in global decision-making processes.

Objectives of the IDFC

The primary objectives of the club reflect the accumulated experience of its members and are the first such attempt to define and address the major obstacles facing development finance today.

These objectives are therefore primarily strategic in nature. They are designed less to radically alter the global agenda than to focus it for greater cohesion and long-term benefit.

The IDFC objectives are:

- Agenda setting by joining forces and networking on issues of similar interest.
- Identifying and developing joint business opportunities.
- Sharing know-how and best practices for mutual learning.

The members of the IDFC are committed to pooling their know-how and best practices on strategic topics of mutual interest, including climate finance, infrastructure finance, social development, poverty reduction, green banking and innovation finance. These objectives further the vision and mission of the IDFC in providing a practical framework for the IDFC's work programme.

The second Annual Meeting of the IDFC took place in Washington in October 2013 in the presence of UN Secretary-General Ban Ki-moon © UN Photo/Eskinder Debebe

Structure and governance

Transparent governance

The IDFC is an association of development banks with a distinct legal personality, yet membership carries no legally binding obligations, other than those expressly stated in the IDFC charter. Members operate within the framework of development policies of their respective countries and within the framework set forth by their constitutive documents.

Streamlined for success

The organisational structure of the IDFC has been kept simple on purpose. In this way, the club can better focus its efforts on its mission to achieve its goals, without exhausting valuable resources.

The Annual Meeting is a meeting of all members of the club, each represented by its CEO or designated representative. The Annual Meeting convenes on the occasion of the Annual Meetings of the International Monetary Fund and International Bank for Reconstruction and Development, and decides (among others) on:

1. Any modification of the charter;
2. The admission and exclusion of a member;
3. The appointment and the removal of the Chairperson and the Vice-Chairpersons;
4. The determination of the powers and authority of the Chairperson and the Vice-Chairpersons;
5. The determination of the power and authority of the Steering Group;
6. The annual work programme of the club;
7. The execution of specific projects of the club sponsored by the members or any other material business or subject;
8. The passing of declarations on subjects of mutual interest; and
9. The dissolution of the club.

The Steering Group is comprised of the Chairperson and the Vice-Chairpersons. It is elected from among the members for two-year periods and is responsible for preparation and follow-up of the Annual Meeting and any other business. It convenes at least twice annually.

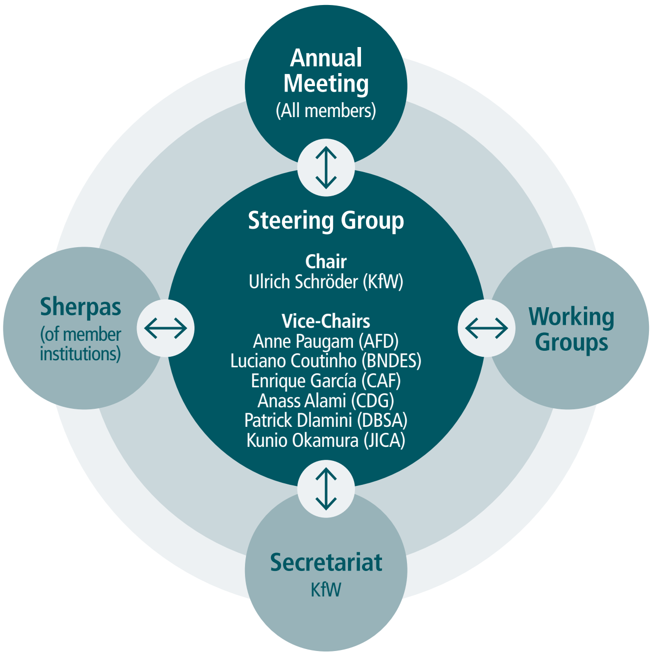
The Secretariat is appointed by the Chairperson and is hosted and funded by the member whose CEO is the Chairperson. The Secretariat is responsible for communication on behalf of the club upon request of the Steering Group. The Secretariat organises and administers the work of the club and coordinates the implementation of decisions made at the Annual Meeting.

Sherpas are appointed by each member to serve as transmitter contacts between the Secretariat and the member institutions. They are responsible for all communication and exchanges with the Secretariat.

The organisational structure of the IDFC has been kept simple on purpose. In this way, the club can better focus its efforts on its mission to achieve its goals, without exhausting valuable resources

Working Groups are appointed by the Annual Meeting on an ad-hoc basis to research and prepare specific topics that currently engage the club and to develop relevant information and documentation. The working groups include sustainable infrastructure, renewable energy, energy efficiency, social and economic inclusion and sustainable urban development. ◘

IDFC governance



Global challenges local know-how

In 2012, IDFC's 20 members had total assets of more than US$2.2 billion and members' total financing commitments amounted to approximately US$430 billion. In terms of development finance, the IDFC and its members have the potential to ensure that the global development agenda focuses on what is best for the planet as a whole, as well as for its inhabitants in their local contexts.

Sustainable development needs dependable backing

IDFC members finance a wide range of projects, focused on development, climate and clean energy, from poverty alleviation to global integration, from environmental investments in sustainable infrastructure and habitat protection to social investments in services such as education, health, and public transport.

IDFC members promote family agriculture and basic sanitation as well as providing vital loans to small and medium-sized private businesses. In short, the members are active around the world to support individuals, groups and regions with tailor-made financial instruments and sound business advice.

Central and South America

1. Central America Region (Location: Honduras): Central American Bank for Economic Integration (BCIE/CABEI)
2. Mexico: Nacional Financiera (Nafinsa)
3. Central and Latin America Region (Location: Venezuela): Development Bank of Latin America (CAF)
4. Colombia: Bancoldex S.A.
5. Brazil: Banco Nacional de Desenvolvimento Econômico e Social (BNDES)
6. Chile: BancoEstado (BE)

Africa

7. Morocco: Caisse de Dépôt et de Gestion (CDG)
8. South Africa: Development Bank of Southern Africa (DBSA)
9. Togo: Banque Ouest Africaine de Développement (BOAD)

Europe

10. Black Sea Region (Location: Greece): Black Sea Trade and Development Bank (BSTDB)
11. France: Agence Française de Développement (AFD)
12. Croatia: Croatian Bank for Reconstruction and Development (HBOR)
13. Germany: KfW Bankengruppe
14. Turkey: Industrial Development Bank of Turkey (TSKB)
15. Russia: Vnesheconombank (VEB)

Asia

16. India: Small Industries Development Bank of India (SIDBI)
17. Indonesia: Indonesia Eximbank
18. China: China Development Bank (CDB)
19. South Korea: Korea Finance Corporation (KoFC)
20. Japan: Japan International Cooperation Agency (JICA)

IDFC members promote family agriculture and basic sanitation as well as providing vital loans to small and medium-sized private businesses © FAO News

Europe

Black Sea Region (Location: Greece)

Black Sea Trade and Development Bank (BSTDB)
BSTDB is a financial institution established by Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, Russia, Turkey, and Ukraine, to support economic development and regional cooperation.

France

Agence Française de Développement (AFD)
A public institution and the central figure in France's development assistance system, AFD finances projects on five continents with primacy given to Africa, which receives two-thirds of AFD commitments, and overseas France.

Croatia

Croatian Bank for Reconstruction and Development (HBOR)
HBOR is the development and export bank of the Republic of Croatia with the main task of promoting the development of the Croatian economy. HBOR builds bridges between entrepreneurial ideas and their accomplishment.

Germany

KfW Bankengruppe
KfW is a German government-owned development bank with KfW IPEX Bank GmbH, KfW DEG and KfW Development Bank predominantly active in the international arena.

Turkey

Industrial Development Bank of Turkey (TSKB)
TSKB is a publicly-traded, quasi-governmental bank that provides services in the areas of corporate lending, project finance, investment banking, corporate finance, capital markets brokerage, leasing and portfolio management.

Russia

Vnesheconombank (VEB)
VEB is commonly called the Russian Development Bank. It acts on behalf of the national government to support and develop the Russian economy, as well as to manage state debts and pension funds.

Central and South America

Central America Region (Location: Honduras)

Central American Bank for Economic Integration (BCIE/CABEI)
CABEI is the largest financial institution in Central America. Founded in 1960 by Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua, its members now also include Argentina, Colombia, the Dominican Republic, Mexico, Panama, Spain and Taiwan.

Mexico

Nacional Financiera (Nafinsa)
NAFIN promotes the overall development and modernisation of the industrial sector, stimulates the development of financial markets and acts as financial agent in the negotiation, contracting and management of credits from abroad.

Central and Latin America Region (Location: Venezuela)

Development Bank of Latin America (CAF)
With 18 member countries from Latin America, the Caribbean, and Europe, the bank is one of the region's main sources of multilateral financing, with the mission of stimulating sustainable development and regional integration. →

CAF has assisted Panama in the development of new types of capital structures and public-private financing arrangements © CAF

Colombia

Bancóldex S.A.

Bancóldex is associated with Colombia's Ministry of Commerce, Industry, and Tourism, and offers products and services that address market gaps as well as the financial and nonfinancial needs of Colombian companies and citizens.

Brazil

Banco Nacional de Desenvolvimento Econômico e Social (BNDES)

BNDES is a federal public company associated with Brazil's Ministry of Development, Industry and Foreign Trade–and one of the largest development banks in the world.

Chile

BancoEstado (BE)

State-owned BE provides wholesale and retail banking services to large- and medium-sized companies and government entities, as well as individuals, small businesses, and micro-enterprises, primarily in Chile.

Africa

Morocco

Caisse de Dépôt et de Gestion (CDG)

CDG is active in virtually all areas of Morocco's national economy and is the country's largest institutional investor in infrastructure and government treasury securities.

Southern Africa (Location: South Africa)

Development Bank of Southern Africa (DBSA)

DBSA is a development finance institution dedicated to promoting economic growth, human resource development, institutional capacity building, and development projects throughout the region of Southern Africa.

Togo

Banque Ouest Africaine de Développement (BOAD)

The West African Development Bank (BOAD) is the common development finance institution of the member states of the West African Monetary Union (WAMU). It was established by an Agreement signed on 14 November 1973, and became operational in 1976. Member States include: Benin, Burkina, Côte d'Ivoire, Guinea Bissau, Mali, Niger, Senegal and Togo.

Asia

India

Small Industries Development Bank of India (SIDBI)

SIDBI was established in 1990 as "the principal financial institution for the promotion, financing and development of industry in the small scale sector", as well as to co-ordinate the functions of other institutions similarly engaged.

Indonesia

Indonesia Eximbank

As an Indonesian export financing institution, the bank has the objective of improving national exports through low-cost loans, guarantees, and micro financing to Indonesian exporters and foreign importers of Indonesian goods.

IDFC members advocate the promotion of responsible green finance for a low-carbon and a climate-resilient future © Ruby Mangunsong / World Bank

China

China Development Bank (CDB)

CDB is a financial institution in the People's Republic of China under the direct jurisdiction of the State Council. The bank is the second largest bond issuer in China, as well as the country's largest foreign currency lender.

South Korea

Korea Finance Corporation (KoFC)

As a policy arm of the Korean government, KoFC is an integrated policy-based financial institution established to assist small and medium enterprises as well as to supply and manage funds required for the growth of the national economy.

Japan

Japan International Cooperation Agency (JICA)

JICA is an independent agency that coordinates development assistance for the government of Japan, with a role in providing technical cooperation, capital grants and yen loans.

IDFC Steering Group

Chair
Dr. Ulrich Schröder
KfW Bankengruppe

Vice-Chair
Enrique García
Development Bank of Latin America (CAF)

Vice-Chair
Anne Paugam
Agence Française de Développement (AFD)

Vice-Chair
Luciano Coutinho
Brazilian Development Bank (BNDES)

Vice-Chair
Anass Alami
Caisse de Dépôt et de Gestion (CDG)

Vice-Chair
Kunio Okamura
Japan International Cooperation Agency (JICA)

Vice-Chair
Patrick Dlamini
Development Bank of Southern Africa (DBSA)

The FPI—25 years of financing industrial development in the Democratic Republic of Congo

Constantin Mbengele K. Thamuk, Managing Director, FPI

Origin and Creation

Following a major business survey undertaken at the end of the 1980s in cooperation with the United Nations Industrial Development Organisation (UNIDO), the crisis in Congolese industry was attributed to not only the general economic decline at that time but also the lack of suitable financial support adapted to the needs of industry.

The implementation of a plan based on the promotion of nine priority sectors (wood, textiles, glyceride, grain, starchy foods, public works and construction materials, livestock and fisheries, metals, maintenance and packaging) led the Congolese government (formerly the state of Zaire), following the recommendation of UNIDO, to create the Fund for the Promotion of Industry (FPI) in 1989 to promote the rapid expansion and consolidation of Congolese industry.

Legal status

The FPI which was created by law number 89-171 of 7 August 1989 and recognized as a public body by decree number 9/12 of 24 April 2009 is a financial and economic authority with its own legal personality.

Mission, vision and strategy

The mission of the FPI is:

- To promote new industries while making sure there is a balance between them at a national level.
- To promote small and medium-size enterprises.
- To promote industrial consolidation especially between small and large entities and to set up production facilities for semi-finished products.
- To promote research to encourage the development and advancement of the industrial and commercial sectors.

The managerial vision of the FPI is to develop industry in the Democratic Republic of Congo by financing at least one industrial unit in each territory of the country depending on the potential for development.

The two strategic vectors through which this vision is articulated are the pre-servicing and servicing of zones for production and the financing of the creation, growth and

EDC project: an electricity production plant in Tshikapa

The managerial vision of the FPI is to develop industry in the Democratic Republic of Congo by financing at least one industrial unit in each territory of the country depending on the potential for development

modernisation of industrial units of small and medium-sized enterprises to enable the emergence of a middle class of Congolese business owners.

Financial Instruments

The FPI can supply short-term credit for working capital and mid and long-term credit to finance equipment.

25 years of work

Thanks to the resources provided by the `Government through the tax system and recycling of loans, the FPI has financed more than nine hundred (900) projects and working capital facilities. These range from large to small enterprises, both public and private, and from the agricultural to the manufacturing sector via the energy sector.

The FPI with the aim of improving living conditions for people has provided subsidies for health, education and basic services.

The FPI also contributes to the cleaning up of the socio-economic environment of companies by financing construction and rehabilitation projects where companies are operating.

As well as the tangible impacts of these projects on the socio-economic environment, the following has also been achieved:

- From 1989 to 2013, more than 25,000 jobs have been created or maintained;
- The projects financed by the FPI have provided taxes for the state and had a real impact on public finance; and
- They have provided added value to the economic activity of the country.

Strategic plan 2013-2017

The FPI has been acting as a catalyst for industrial development for 25 years acting as a dynamic funding institution in the DRC.

Taking into account the strategic direction of the government and the opportunities to invest in agriculture, the FPI through its Strategic Plan for 2013-2017 has diversified its support to three areas:

➔

PEKA project: a poultry farm in Kinshasa

1. Financing the development of basic infrastructure in rural areas including finance for motorized vehicles for logistics.
2. Financial support for agriculture, fishing and livestock breeding including agricultural production.
3. Financing the acquisition of power plants and providing financial support for innovations in renewable energy produced locally.

This strategic plan encompasses the provision of financial instruments for agribusiness.

The FPI is a member of the Association of African Development Finance Institutions (AADFI). Through this, it has progressively applied prudent financial standards in its management.

As a development finance institution, the FPI participates in:

- The Annual Meetings of the World Bank and the International Monetary Fund.
- The Annual Meeting and forums of the AADFI.
- The Forums of the European Market Research Centre on agribusiness.
- The review of the environmental standards imposed by the World Bank in their financing with a view to their adoption by businesses.

With regard to the convergence between business and innovation and the integration of the supply and value chain, the FPI has signed a co-financing partnership with the Development Bank of Southern Africa. The latter is aiming to increase the capacity of the FPI, to improve competition, and to finance innovation.

CIVAK project: a facility for the processing and conservation of agricultural produce in Kimpese

Congo Store project:a production unit to produce packaging materials in Kinshasa

IDFC programme

The IDFC provides further support to international climate change negotiations through its concerted efforts in mobilising green growth potential in its members' countries © UN Climate Change

Dedicated to a better future

Right from its inception, the IDFC has lost no time in defining strategic issues. In fact, the work programme for 2011/2012 has led to significant results. For 2013 / 2014, IDFC members agreed on a work programme including environmental, climate and social development topics. The club assesses the topicality and importance of its work streams each year and is updating and enhancing its programme on a regular basis.

IDFC's work programme for 2013 / 2014

The emphasis is on clean energy and sustainable development. IDFC has five major working groups alongside Green Finance Mapping, which is one of the most notable and substantial reports of the club. In 2013, members agreed to work on the following topics:

- Sustainable Infrastructure
- Renewable Energy
- Energy Efficiency
- Social & Economic Inclusion
- Sustainable Urban Development

In 2011 and 2012, the IDFC began with climate finance as its initial work programme, since financing access to clean and sustainable energy is at the top of the development agenda.

As international climate negotiations of the United Nations Framework Convention on Climate Change (UNFCCC) struggle to strike a balance between improved energy access and clean energy supply, the IDFC strives to make a concerted contribution by mobilising green growth potential in the countries in which its members are active.

In 2011 and 2012, the IDFC began with climate finance as its initial work programme, since financing access to clean and sustainable energy is at the top of the development agenda

Planning for the future

Building on climate finance and sustainable development, the IDFC focuses on the financing of environmentally friendly (green) infrastructure and social development. Each topic and working programme entails a variety of activities, such as the general promotion of the topic, the development of a statement and strategy briefs, the collation of best-practice programmes and training, and concrete measures to strengthen interbank financial cooperation.

Plugging the gap
The IDFC working group on sustainable infrastructure

Quality infrastructure ensures the delivery of goods and services that promote economic growth and contribute to a better quality of life, including social well-being, health and safety, and conservation of the environment. The IDFC working group on sustainable infrastructure, led by the Development Bank of Latin America (CAF), is collating best practices to assist countries to reach their infrastructure requirements. **By Jonathan Andrews**

The successful light rail development in the industrial city of Bursa, Turkey, has helped contribute to the city's sustainable development © Bombardier

Holly Williams, Executive, Institutional Funding, CAF © CAF

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

Development banks can play an important role as financial catalysts to help plug this requirement. 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. Even if domestic banks and other financial intermediation vehicles were able to fill the gap, development banks can draw private capital into large, long-term projects in countries and sectors where significant development results are likely, but the market perceives high-risk.

"As part of the sustainable infrastructure working programme, IDFC members collaborate on a variety of activities," explains Holly Williams, Executive for Institutional Funding at CAF. "This includes the development of a position paper on leveraging public and private funds for sustainable infrastructure projects, and collating lessons learned and best practices from IDFC members. Members also explore and promote innovative tools and mechanisms for infrastructure planning and development, and advance knowledge sharing initiatives and inter-bank financial cooperation to further support infrastructure development and repair."

Spending on infrastructure development has been significantly constrained, particularly in Europe and the US, as governments have implemented austerity measures to combat the financial crisis. Despite government spending on infrastructure tending to be higher in the developing economies of Asia, the pace of this allocation is expected to decline over the long-term, says Williams.

"In fact, the incremental investment needs in infrastructure across emerging markets and developing countries are estimated at around US$1 trillion a year more than what is currently spent," Williams adds. "IDFC members see a prime opportunity for private investors to plug the gap, particularly in developing countries where new systems and networks are badly needed to keep pace with growing populations and rapid economic expansion."

IDFC members support infrastructure development through a wide range of funding facilities and services. In the transport and water and sanitation sectors, the club finances projects ranging from transnational expressways and rapid urban transit to water kiosks and sewage treatment networks. Through their experience as financiers, advisors, partners and resource mobilisers, 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.

Spending on infrastructure development and repair has been significantly constrained, particularly in Europe and the US, as governments have implemented austerity measures to combat the financial crisis

According to the IDFC, 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. The working group emphasises the importance of decentralised transport management, local autonomy over financing, and the inclusion of end-users and customers in the decisions making process particularly in the case of urban transport.

"IDFC members commonly stress the importance of local autonomy over financing, and the inclusion of customers and community members in the decision making process to promote more service oriented reform and widespread public support for development projects," says Williams. "Local governments are more accountable for their

Training and a tram-driving simulator were provided to enable the new staff to operate and maintain the system. Accompanying measures consisted of restructuring an urban bus system as feeder buses and taking 600 private taxis out of operation in the service area of the LRT system

own development when the funds are raised locally, rather than at the national level."

The downside to this, says Williams, is that many local and municipal governments in developing countries struggle to obtain long-term financing due to low credit quality, currency risks and underdeveloped domestic financial markets.

"As they are aptly suited to absorb more risk than the private sector, development banks play a key role in mobilising resources for local governments," she adds. "This is done by offering risk insurance and guarantees, providing competitive local currency debt financing and backing more innovative development finance approaches and tools, such as PPP [public-private partnerships] policy framework reforms and frontier project finance models. They can also structure pooled financing schemes that help support domestic credit markets by providing local funding partners with an improved level of creditor status."

Furthermore, IDFC members also support the infrastructure sector by mobilising grant and technical assistance for policy development, and by promoting regulatory reform and capacity training for local government entities to help improve their creditworthiness and attract more private sector investment.

"IDFC members participate and support a wide variety of international forums and networks related to sustainable infrastructure development," says Williams. "The club is always open to collaboration among members and with outside entities to promote knowledge-sharing and support capacity building initiatives. The IDFC also strives to mobilise resources and facilitate the development of potential business opportunities with other like-minded development institutions."

Case study

KfW supports the Bursa Light Rail System in Turkey

The light rail system of Bursa Metropolitan Municipality, Turkey was built in the 1990s by Bursa Metropolitan Municipality with the financial support of German development bank KfW. KfW extended a combined financing amounting to €126.5 million (development loan/promotional loan) to the Turkish Treasury to be on-lent to the municipality. In addition, training measures were supported in the start-up phase and the first two operating years at a total cost of €1.69 million were financed from grant funds. All these efforts towards the initial set-up of the system resulted in a succesful light rail system for the citizens of Bursa.

The KfW financed project which encompassed the construction of 17.4 kilometres of light rail track (LRT), 17 stations, the purchase of 48 light rail vehicles from Siemens, construction of a vehicle storage facility, a workshop for maintenance with office building and operation management facilities began in 2002. Training and a tram-driving simulator were provided to enable the new staff to operate and maintain the system. Accompanying measures consisted of restructuring an urban bus system as feeder buses and taking 600 private taxis out of operation in the service area of the LRT system. The implementation of this first phase light rail system was the first step by the municipality to establish an efficient public transport system with light rail as the backbone.

The private companies involved in the BursaRay Light Rail System Section I A were Siemens AG, Siemens A.S., Simko A.S., Güris A.S. Tüvasas (as the contractor and supplier) and Yapi-ICF Kaiser A.S. (as the implementation consultant).

Following the efficient results achieved with the initial section, BLRS Section I B (5.5 kilometre including six stations) financed by a €55 million European Investment Bank (EIB) loan under the guarantee of Turkish Treasury was constructed. The private companies involved in the BLRS Section I B were Siemens AG, Siemens A.S., Tekfen A.S. (as the contractor and supplier) and Yapi-ICF Kaiser A.S. (as the implementation consultant).

This followed by BLRS Section II which comprises of extension lines of 8.9 kilometres to the existing light rail system, eight stations and purchase of 30 LRT vehicles from Bombardier. BLRS Section II was financed by a sovereign-guaranteed loan from the European Investment Bank (€100 million) and a sub-sovereign loan from the European Bank for Regional Development (a total of €70 million) accompanied with a technical assistance. The private companies involved in this BLRS Section II which was prepared by Optim Obermeyer Proje A.S were Yapi Merkezi A.S., Tewet GmbH and Bombardier GmbH (as the contractor and supplier) and Kaiser Consultancy A.S. (as the implementation consultant).

According to a study launched to identify carbon potential of the BLRS II, average expected emission reductions of the BRLS II are 14,689 tonnes of CO_2 per year.

The project has contributed to the sustainable development of the industrial city of Bursa in various ways: (i) it has improved the living standards of the population with a comfortable, fast and safe transport system; (ii) it has reduced traffic jams, pollution and accidents; (iii) it has generated new residential and business areas; and (iv) it has created job opportunities. ◘

Interview: Jorge Luis Ramos Felices,

CEO of COFIDE

COFIDE's core business is lending to financial institutions, yet it also plays a role in developing entrepreneurial skills in Peru. How do you achieve this without direct lending to SMEs?

COFIDE is very clear that the economic development of our SME's does not only come about by offering suitable financial products. The sustainability of a business model that generates value to the economy has other more important aspects such as economic inclusion, business management, set-up and access to markets. Over recent years COFIDE has actively participated in changing the perspective of Peruvian companies that no longer consider financing to be the key element to business success and that other competitive elements that are generated within the company are necessary, such as quality, productivity and market intelligence.

Therefore, COFIDE very much supports these improvements in performance by Peruvian companies through PRIDER (the rural programme of inclusion and economic development), the SME Training Programme for Entrepreneurs, COFIDE Voluntary Agents (voluntary support to entrepreneurs), web portal 'Connection and Business' (a social network for commercial contacts between business) and the programme of company start-ups, among others. All of these are products that are not taken into account by a direct loan and yet have a direct impact on the national economy.

What steps do you put in place to ensure sustainable development in the projects you carry out?

We advocate that suitable due diligence is carried out which allows a balance to be maintained in economical, social and environmental aspects. On the other hand, we are also interested that the projects we finance respect cultural diversity and include the area's human capital as additional sources of work. All of this advocates improving the quality of life of the population involved in the project together with an environment that is sustainable in the long-term.

The bank provides financing through Peru's financial institutions, including commercial banks, municipal and rural banks, credit unions, and entities specialising SME financing. From which of these are you seeing the most demand?

At this time the demand from financial institutions that deal with the SME sector is mainly concentrated into three segments: financial entities, municipal savings banks (CMAC) and banks, which together represent more than 85 percent of the lending by COFIDE. The most important segment is financial entities, with 55.87 percent, followed by CMACs with 20.96 percent and finally the banks (solely represented by Mibanco) which take 9.05 percent. The remaining lending is distributed between rural savings and credit banks, the SME development agency and cooperatives.

What is Peru's economic outlook for 2014 and in what ways is COFIDE helping to create growth?

Peru is consolidating itself as one of the most dynamic economies in Latin America thanks to good macroeconomic management; GDP growth of between 5 and 6 percent is expected in 2014 and low inflation of no more than 3 percent. There is also a portfolio of projects to be implemented amounting to more than US$16 billion.

COFIDE, in its role as development bank, has a track record of participating in the financing of concessions for roads, ports and airports, as well as electrical energy generation plants and electrical power lines, among others. Similarly, the work of COFIDE consists of supporting the closure of the infrastructure gap (estimated at US$80 billion in 2010) by financing priority infrastructure projects for the country. It is planned to approve operations amounting to US$454.8 million in 2014.

On the other side, SME support also constitutes one of the pillars of the Strategic Plan of the Corporation, by supplying resources for the financing of this sector through financial intermediation as well as through business development services.

Corporación Financiera de Desarrollo S.A
Augusto Tamayo N°160 | San Isidro - Lima 27 - Peru
Ph. (511) 6154000 | F. (511) 442-3374
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“We are **Perú’s** development bank. We are committed to **sustainable and inclusive development** in our country promoting an innovative and **human capital** culture oriented to the excellence in management and being socially responsible.”

COFIDE

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**

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

© IBM Research - Africa

Few sectors have as great an impact across social, economic and environmental spheres as access to energy. An estimated two 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 to 2015. "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 is 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.

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

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 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.

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. ◘

Why energy efficiency is key to meeting our energy demands

The International Energy Agency (IEA) estimates that the global demand for energy will increase 35 percent by the year 2035. A key way to ensure that demand is met is to increase energy efficiency, yet many countries are not fully exploiting the potential of energy efficiency measures. **By William Thorpe**

As a combined total, IDFC members contributed US$23 billion to energy efficiency in 2012 © GE

According to the World Bank and the Inter-American Development Bank, US$16 billion of investment in energy efficient technology and equipment in the Latin American and Caribbean countries alone would reduce power consumption by 143,000GWh. This would bring savings of US$53 billion in terms of investments set aside for the construction of conventional thermal power plants.

The IEA states energy efficiency would not only greatly contribute to moderate the future energy demand but would also foster sustainable economic growth and provide the most cost-efficient mitigation measures against climate change.

"Energy efficiency is one of the most efficient measures for sustainable resource management and climate mitigation," explains Masayuki Karasawa, Head of the Office for Global Issues and Development Partnerships at

Three barriers to energy efficiency

1. Institutional and organisational barriers
- Lack of policies, legal and regulatory frameworks and enforcement
- Limited institutional capacity (both in public and private)
- Fragmentation in energy consumption (split among a diverse range of end-users and users), business models (focusing on either supply or demand side), and supply chains

2. Financial and economic barriers
- Energy prices
- Unfavourable or mal-functioning market structures
- Insufficient finance available
- Lack of financial incentives/ split incentives

3. Knowledge and information barriers
- Low awareness of the value of energy efficiency
- Lack of information, education and training
- Lack of energy efficiency technologies available
- Lack of infrastructure

To further address the three barriers, the IDFC report lists different financial instruments that can be used to address the main challenges. These include debt financing (the most common), guarantees, bonds, equity finance and subordinated debt financing

the Japan International Cooperation Agency (JICA), which is the lead member in the IDFC working group. "However, there is a wide range of obstacles, notably the three barriers of policy, finance and information." (See box).

The IDFC working group on energy efficiency highlighted the need for finance to be scaled-up in the first ever report on energy efficiency by bilateral/sub-regional development finance institutions. Entitled *Promoting Energy Efficiency* the 2013 report says that energy efficiency finance needs to increase from US$177 billion in 2020 to US$290 billion by 2035.

"The financial strength of IDFC members means they are well positioned to promote energy efficiency," says Karasawa. "This is underpinned by strong backing from their governments, so they can cover risks associated with energy efficiency projects, which stands as the largest constraint on investment."

As a combined total, IDFC members contributed US$23 billion to energy efficiency in 2012. A common business model by members of lending through local private financial institutions has proved useful for delivering energy efficiency financing. This has made it possible to mobilise local financial resources, to tap large segments of the market, and ensure the sustainability of the investment. It has also helped to develop the capacity of local private financial institutions for energy efficiency investments, enhancing those countries' financial infrastructure.

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"Successful energy efficiency requires a combination of measures to address the three barriers," says Karasawa. "Depending on a country's needs, besides financial assistance, members deploy their technical resources to support policy reforms and awareness-raising activities. The IDFC's ability to mobilise and integrate local practitioners' expertise with experience in regional and international cooperation is also an asset that makes it possible to provide effective solutions to create and enable policy and institutional frameworks to formulate bankable projects."

Not only can energy efficiency assist in cost reductions and climate change mitigation but as the IDFC stresses, it is strategically important in achieving sustainable development. From a macroeconomic viewpoint, the working group report estimates that investments in energy efficiency would further boost global economic growth by US$18 trillion by 2035. Implementing energy efficiency measures also will not have a long-time drag effect in achieving results.

Global investments in energy efficiency can ease pressures for new oil discoveries and development but can also be offset in reductions in fuel expenditures.

"On the one hand, general economic development and energy demand in developing countries is often more dynamic than the development of an adequate energy supply, and hence improvements in energy efficiency are required for general energy access on a macroeconomic level," says Karasawa. "Yet, on the other hand, even if crucial long-term decisions of moving towards a more renewable energy supply system are not yet taken or implemented, energy efficient investments are useful at any time."

For 2014, the working group will be adding supply-side energy efficiency experience to its 2013 report, which focused on members' experience in demand-side energy efficiency. The updated report will then be distributed at international conferences including the Post-2015 process, the UN Climate Summit in September 2014 and the COP20 meetings in December 2014.

"The whole report will provide a solid base for IDFC members to exchange our best practices and identify opportunities for co-financing to scale-up our efforts for energy efficiency on the ground," adds Karasawa.

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NAANOVO
Naanovo Energy Nigeria Ltd.

Brief Background

Naanovo currently manages a complex array of over a dozen clean energy projects around the world at various stages of development. This is also the case in Nigeria where projects are at planning and financing stages in Bayelsa, Kaduna, Kano, and Calabar, Cross River State where we have partnered Nigeria Export Processing Zones Authority (NEPZA) to build a – 42 MW WTE plant to power the Nigerian premier Free Trade Zone.

Naanovo's modular Waste – to – Energy (WTE)/Maax systems are recognized as the most cost effective and energy efficient (electricity per ton of waste) WTE solution in the world today. Most WTE plants convert only 25 - 30% of their thermal energy into electricity. Naanovo WTE plants will achieve 40 - 50%, each module will combust 180 tons of MSW to generate 7 MW of electricity. With this advantage, together with the ability to produce large quantities of potable water and cinder blocks, Naanovo WTE plants are more than just your average WTE plant.

Projects Executed

Naanovo and its technical partner – SEMCO Maritime have executed several high profile power projects in various countries including Germany, France, China, Greenland, Brazil, Guatemala, Panama, Pakistan, Iraq, Turkey, Tanzania, Egypt, Dom. Republic & Vietnam.

Funding

Subject to provision of enabling environment by our technical partners, which would include but not limited to provision of suitable land for the project, granting relevant permits and licenses, we are able to fund our projects 100% relying on the expertise of our financial advisors – New Frontier Capital Advisors.

Construction Duration

We are capable of delivering our power plants in record time, subject to the technology preferred by our local partners; our power plants can be delivered within a range of 12 - 24 months.

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Because we are aware of the growing unemployment level in some developing countries, we are able to include in the design of our power plants and the ancillary plants substantial numbers of job opportunities as our contribution towards helping governments to overcome the challenge posed by unemployment.

Nigeria Office Address
Suite 207, 2nd Floor, Garachi Plaza,1965,
Conakry Street, Wuse Zone 3, Abuja F.C.T.
Nigeria

Ben Alabi
Tel.: +234 8103 38 7250 | +234 8093 76 9964
benalabi@naanovo.co.uk | benalabi.ba@gmail.com
www.naanovo.com

The working group recognises that increased energy efficiency can foster sustainable economic growth © EPB

The IDFC recognises that efforts to promote energy efficiency and attain inclusive and sustainable development need to be accelerated. The club believes that through further collaboration, however, it is well positioned to scale up financing, better support up-stream energy development planning and to establish models to strengthen the market through minimum public support.

“Collaboration with the UN began last year and will remain one of the priorities for the IDFC work programme for 2014,” adds Karasawa. “We look forward to working with them and other actors such as multilateral development banks and governments. The promotion of energy efficiency requires the involvement of the private sector. The IDFC should be encouraged to make full use of its financial and technical resources to engage the sector in energy efficiency.”

Case studies

India: bringing energy efficiency to residential housing

With KfW’s decade long experience in financing energy efficient residential buildings in Germany and the current construction boom in India which has led to increasing energy consumption and greenhouse gas emissions, cooperation between Germany and India is both logical and timely. KfW Entwicklungsbank of Germany has extended a line of credit up to €50 million to the National Housing Bank (NHB) of India and offered technical assistance for the promotion of energy efficiency in residential buildings under the Promotional Programme for New Residential Housing.

> The programme aims at improving the electricity consumption of housing by providing soft loans for energy efficient apartments

The programme provides financing for new apartments through the refinance window of the NHB. To date, €14 million has been disbursed to NHB for on lending to Housing Finance Corporations and banks to finance energy efficient buildings. Under KfW’s guidance, The Energy and Resources Institute (TERI) based in Delhi and the Fraunhofer Institute for Building Physics have jointly adapted an assessment software tool for calculating, opti-

The Indian programme reduces household electricity consumption by providing soft loans for energy efficient apartments © Chris Smith mising and certifying the energy efficiency of residential buildings. The tool is used to determine the eligibility of buildings for receiving financing under the programme. On average, the buildings refinanced under the programme need 30 percent less electricity than a standard Indian apartment building.

The programme aims at improving the electricity consumption of housing by providing soft loans for energy efficient apartments. It rewards efforts such as the use of improved design and orientation in building architecture, the use of innovative and energy efficient building materials and the application of energy efficient building technology–in cooling, water heating and lighting. Close cooperation with the supply (builders and developers including government housing boards and development authorities) and demand side (providers of housing finance at the individual level) is expected to develop the sector and contribute to the policy development for the promotion of energy efficiency.

Korea Finance Corporation's support for energy efficiency in the Korean car industry

The Korean government enacted the Framework Act on Low-Carbon Green Growth in 2010, laying the foundation for a balanced development between the economy and the environment while using environmental technologies and industries as a new driver of growth. During the Eighth Meeting of the Presidential Committee on Green Growth in July the same year, the Korea Finance Corporation (KoFC) was designated by the government as a leading institute in green finance. Since then, KoFC has implemented various measures to support Korea's green growth efforts including projects to enhance energy efficiency via direct and indirect loans, investments and funds.

Of the many tools KoFC has at its disposal, on-lending is an advanced and market-friendly financing scheme where KoFC leverages its intermediary financial institutions network to extend funds to end-users. The intermediaries, which cover the entire commercial banking sector in Korea, can benefit from cheap and stable funds that KoFC raises based on its strong credit. In November 2010, KoFC extended a 50 billion Korean won (US$48 million) on-lending loan to Hyundai Commercial, an affiliate of the Hyundai Motor Group whose business consists of industrial, corporate, and investment financing. The loan was then used for Hyundai Commercial to provide facility capital to transit bus operators to replace their old diesel-run buses with environmental-friendly vehicles that run on compressed natural gas, electricity, LPG and bio-fuels. KoFC's competitive financial resources combined with Hyundai Commercial's capacity as a leader in Korea's commercial vehicle finance market have proved effective in promoting the purchase and distribution of environmentally friendly vehicles among public transit operators, contributing to enhancing energy efficiency of the industry as a whole. ◘

Tackling social and economic inclusion

As economic growth drives poverty levels to all-time lows, IDFC members are now looking to maintain this momentum by tackling challenges related to social and economic inclusion, with the objective of lifting a further section of the global population out of poverty. **By Eleanor Wragg**

Supporting agriculture, like cashew cultivation, is one area that the lead bank BNDES has generated employment and income for communities © Rancho Vignola

Over the past two decades, the global community has reduced poverty at a faster rate than expected: to the surprise of many, the Millennium Development Goal of halving extreme poverty between 1990 and 2015 was reached five years ahead of time. Unfortunately, not everyone is reaping the benefits. Economic and social exclusion has seen entire groups across the globe locked out of opportunities.

The US National Intelligence Council's *'Global Trends: 2025'* report predicts that if social and economic exclusion is not addressed in the years ahead, "increasing interconnectedness will enable individuals to coalesce around common causes across national boundaries, creating new cohorts of the angry, downtrodden, and disenfranchised." To avoid this, and to maintain momentum in poverty reduction, many urgent and complex challenges must be overcome.

The IDFC working group on social and economic inclusion led by the Brazilian Development Bank (BNDES) aims to take decisive steps to tackle this issue. "We want to engage in discussions not only among IDFC members but also with the government and the private sector to identify ways that actually work to tackle the inequalities we see everywhere," says Daniel Vivas, Administrator for International Organisations in BNDES' Institutional Funding and International Relations Department.

Recently rocked by protests over multiple issues regarding public services, infrastructure, education and health care, Brazil probably understands better than any country the importance of social and economic inclusion. Historically marked by social, economic and cultural inequalities, the country has made great strides in eradicating poverty in its favelas as part of President Dilma Rousseff's ambitious plan, 'Brazil without Poverty', in which BNDES is a partner. This social programme, which works to decrease marginalisation through the expansion of basic services, follows on from the successes of former President Lula's *Bolsa Familia* campaign, which provided cash transfers to families conditional on their children attending school.

As a result of its experience within the framework of these plans as well as its role in combatting marginalisation, BNDES is working to identify best practices, drawing a picture of how IDFC as a group tackles social and economic inclusion problems to find the similarities and differences in how each institution tackles issues ranging from lack of access to labour markets, financial institutions and credit; social transformations, such as migration, urbanisation or demographic changes including youth bulges and ageing populations; as well as discrimination based on gender, ethnicity and age.

"Our objective so far has been to identify the best practices among the institutions and come up with an agenda to disseminate these practices. We will then issue a paper for the international community on how the IDFC members tackle social and economic inclusion objectives," says Vivas.

The group has found so far that IDFC member institutions have an extremely broad range of activities and initiatives in place. "There are a variety of activities, such as microcredit initiatives and empowerment initiatives," says Daniel. As lack of capacity and infrastructure severely restricts programmes aiming to extend rights to basic services particularly in low-income countries, this is also a focus for IDFC members. "Improving public services is also regarded as quite an important measure to promote social and economic inclusion not just in infrastructure but also in health, education, housing and sanitation," says Daniel. He also highlights investment in food security, culture and access to entertainment. "There are several ways in which you can include people socially," he adds.

At the 1995 UN World Summit for Social Development in Copenhagen, social inclusion was hailed as one of the key objectives of development and the aim of social inclusion was to create "a society for all". By harmonising the approach of development institutions across continents, the IDFC working group has made the achievement of that goal more feasible.

So far, the group has outlined its objectives, the key topics that it wishes to study further and the role that development institutions can play in fostering social and economic inclusion. The eventual aim is to develop a set of instruments capable of mobilising planning, development and financing, as well as new ways of living and production, solving regional inequalities and expanding and improving public services for social development.

"What we want is to share good ideas," explains Claudia Amarante, Manager for International Organisations in the Institutional Funding and International Relations department at BNDES. "Perhaps a programme that was a success in, say, Morocco could be done in India; or what works in India could be done in Brazil. By sharing what each group is doing, the working group becomes a forum for technical discussions."

'Brazil without poverty' is supported by BNDES © Ana Nascimento/MDS

BNDES and the Banco do Brasil Foundation (FBB) signed an Agreement on Technical and Financial Cooperation in September 2009, for the structuring of supply chains, the application of social technologies and the promotion of territorial development for a five-year period

To build on the knowledge base shared by IDFC member institutions, the working group is now considering including other experts in the discussion, as well as holding workshops and technical seminars to disseminate information.

"One of the beauties of IDFC is that we have the chance to exchange our experience among different economies," adds Amarante. "We have both developed and emerging markets' development banks represented, and it is very fruitful to have discussions with countries that are at a different level of development."

The FSB project helps ensure access to clean water, increasing the quality of life for local people © Gates Foundation

Case study

BNDES in partnership with Banco do Brasil Foundation

BNDES and the Banco do Brasil Foundation (FBB) signed an Agreement on Technical and Financial Cooperation in September 2009, for the structuring of supply chains, the application of social technologies and the promotion of territorial development for a five-year period. Both institutions draw up an annual generic investment plan, called the Tactical Joint Action BNDES - FBB Plan (PTAC), to define their focus and guide operations. For the execution of each plan, the transfer of resources from BNDES is made through the provision of non-repayable financial assistance agreements between BNDES and FBB. The importance of this partnership derives from the fact that BNDES would not be able to support many of these projects directly because the beneficiaries are not able to offer collateral.

For the 2009, 2010, 2011 and 2012 plans, BNDES and FBB supported the implementation of 247 projects, totaling 169.5 million reals (US$72.3 million), 41.4 percent from BNDES, 50.4 percent from FBB and 8.8 percent from other partners, as shown in Table 1.

Beyond the quantitative aspect, it is worth highlighting the diversity of projects being supported, which include solid waste, beekeeping, cashew cultivation, cassava cultivation and aquaculture. A facility for the processing of cashew nuts, for example, has been developed by the Brazilian Agricultural Research Corporation (EMBRAPA) in Bahia, which generates employment and income in the cashew supply chain and enables a high quality of production to supply the domestic and the international market.

Social technology

The Joint Action Plans have also funded social technologies such as PAIS (integrated agro-ecological sustainable production), anaerobic digestion septic tanks (FSB) and technology for small milk producers (BC).

The social technology concept comprises products, techniques or replicable methodologies developed in the community to produce effective processing solutions. Examples include:

Beyond the quantitative aspect, it is worth highlighting the diversity of projects being supported, which include solid waste, beekeeping, cashew cultivation, cassava cultivation and aquaculture

1. PAIS

This technology replaces conventional vegetable garden cultivation techniques using a drip irrigation system and organic fertiliser supplied by an associated chicken coop. The project aims to improve the quality of life and income generation for the rural population and implementation cost is about 12,000 reals per unit.

2. FSB

This technology targeted at rural communities treats human waste and produces organic liquid fertiliser, eliminating the need for a cesspit and avoiding any groundwater contamination. Developed by the Brazilian Agricultural Research Corporation (EMBRAPA), the technology won the

Table 1: Consolidated Results of Joint Action Plans (PTAC) 2009-2012

PTAC 2009, 2010, 2011 and 2012

PTAC	No. of Projects	Support Value (US$ Million)				No. of Beneficiaries
		BNDES	FBB	Other Partners	Total	
2009	53	19.7	10.1	4.3	34.1	7,532
2010	72	23.8	21.6	1.4	46.8	15,760
2011	77	22	19.4	2.1	43.5	19,927
2012	45	20	19.1	6	45.1	9,849
Total	**247**	**85.5**	**70.2**	**13.8**	**169.5**	**53,068**

The working group will develop a set of instruments capable of mobilising planning, development and financing, for greater social and economic inclusion © Anglo American Plc

FBB Award for Social Technology in 2003. The project implementation cost is about 1,500 reals per unit.

One example using the technology is the Peruaçu project. This project aims to build water, sanitation and environmental protection systems, which ensure access to clean water and safe production and processing for food increasing the quality of life for local people. It will contribute to the creation of a sustainable development model in rural communities located in an environmental protection area in Southeast Brazil. The project supports 140 families, distributed in 13 rural communities and who are organised into seven small farmers' associations. This population is used to self-sustainable production, with almost no surpluses for trade but the region is dry and suffers from a severe water shortage, with poor infrastructure for roads and sanitation.

Under the scheme, 100 polypropylene cisterns for human consumption and 40 reinforced concrete tanks for food production will be installed. For the sewerage system, 100 units of anaerobic digestion septic tanks are to be deployed and sustainability of the water supply will be enabled through erosion control and the construction of 200 small dams. Finally, environmental education, and action to restore forests will also be undertaken.

3. BC

BC involves the transfer of technology to small milk producers, comprising intensive production techniques and instruments of managerial control, which can achieve a significant productivity increase for small farmers. For the More Milk for MS project, the goal is to bring this technology to 80 farmers in three municipalities in the midwest of Brazil. Technicians will be selected to support producers through regular visits and four demonstration units will be built to help disseminate knowledge and success stories of the BC methodology.

INTERNATIONAL VACCINE INSTITUTE

The International Vaccine Institute: discovery, development, and delivery of vaccines for developing nations

Immunisation has long been recognised as one of the most cost-effective tools for preventing death and disability in developing countries. However, every year, 24 million children, mostly in developing countries, are still not vaccinated against common but deadly diseases.

For the past 16 years, the International Vaccine Institute (IVI) has been tackling infectious diseases that disproportionately affect the poor. IVI is a non-profit international organisation hosted by the Republic of Korea. With 35 countries and the World Health Organization (WHO) as signatories to its charter, IVI is the only international organisation with the mandate of making vaccines a reality for the world's poorest populations.

IVI's mission is to "discover, develop, and deliver safe, effective, and affordable vaccines for developing nations." What makes IVI unique is its in-house capacity in basic research and product development, and technology transfer to developing country vaccine manufacturers to ensure availability and access. Finally, IVI conducts studies to better define the magnitude and distribution of diseases in communities and early testing of new products in 'real-world', resource-poor situations to facilitate vaccine uptake.

This comprehensive approach has resulted in the development of a new low-cost oral cholera vaccine. The vaccine, which is licensed and WHO-prequalified, is being used to control epidemic and endemic cholera in several developing countries worldwide. Critical to its success was a public-private partnership, in which philanthropic and public sector resources from the Bill & Melinda Gates Foundation and from the governments of Korea and Sweden financed a partnership among IVI and other public- and private- sector organisations in India, Vietnam, Korea, and Sweden. Through a similar paradigm, IVI is currently developing a new typhoid vaccine and is accelerating the development and introduction of new dengue vaccines.

IVI recognises that in order to develop and introduce vaccines that are impactful, safe, affordable, and programmatically feasible, leveraging collaborative partnerships are essential. In doing so, IVI is not only spearheading global vaccine efforts but is also contributing to the innovation necessary to help realise the aspirations of the UN Millennium Development Goals and of the Decade of Vaccines.

www.ivi.int

The role of international finance in controlling malaria

The 2013 *World Malaria Report* from the World Health Organisation revealed that international disbursements to malaria-endemic countries increased from less than US$100 million in 2000 to US$1.6 billion in 2011 and were estimated to be US$1.94 billion in 2012 and US$1.97 billion in 2013. This article looks at trends in malaria funding and compares the roles of international assistance and domestic funding

In 2012, the Global Fund financed US$519 million for the replacement of long-lasting insecticidal nets © Gates Foundation

Increases in international funding [for malaria control] have slowed in recent years, falling to an average of 4 percent per year between 2009 and 2013, compared to an average increase of 43 percent per year between 2005 and 2009. A lower level of funding in 2011 was mainly due to lower levels of disbursements from the Global Fund [a public-private partnership set up in 2002 to fight malaria as well as AIDS and Tuberculosis].

The Global Fund is the largest source of funding for malaria control globally; it accounted for 40 percent of the estimated total disbursed funds in 2011 and 50 percent in 2013. In 2011, the Global Fund announced the cancellation of Round 11 of grant awards. A transitional-funding mechanism was established to ensure continuity of programmes in countries due for grant renewal in Round 11; however, this mechanism did not allow for further scale-up of programmes, and it covered only the continuation of previously funded services. In 2012, the Global Fund launched an interim new funding modality that included US$519 million for malaria, with a particular focus on replacement of long-lasting insecticidal nets (LLINs). In 2012, the Global Fund Board approved a new funding model that will be fully launched by March 2014, and will provide funding for the years 2014–2016. To make financing more predictable, countries will be assigned an indicative amount of funding according to their malaria burden and ability to pay for malaria control. At a global level, it is expected that malaria programmes will, in aggregate, be allocated 32 percent of the total amount of funds disbursed by the Global Fund initially. However, the final amounts allocated for malaria control may vary from this proportion, and they are subject to change according to priorities set by a country. Thus, proportions allocated to malaria control may be reduced if countries do not articulate a strong case for investment in malaria control.

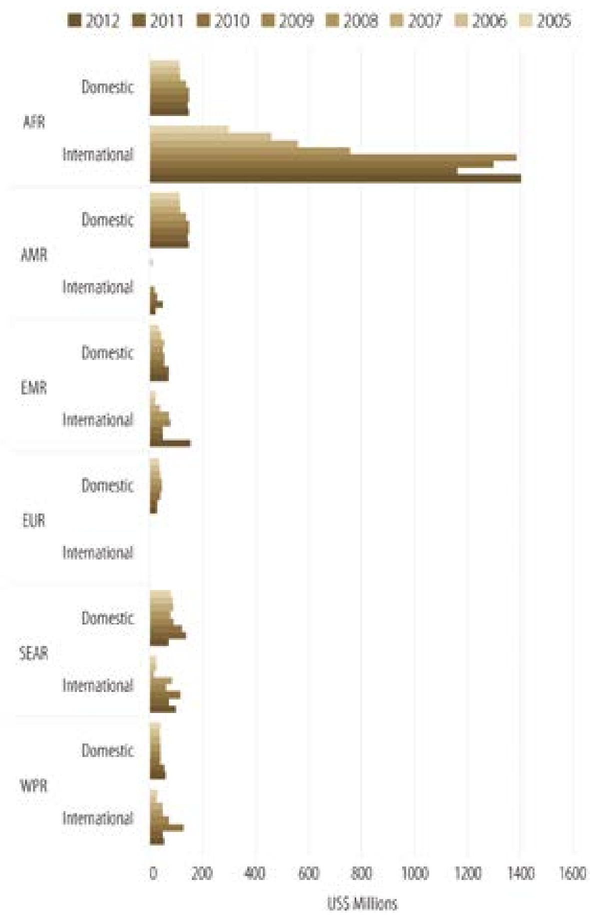
Funding from the United States President's Malaria Initiative (PMI)/US Agency for International Development (USAID) showed increases year on year between 2004 and 2011, but levelled off in 2012, when PMI/USAID funding accounted for 29 percent of international funding. Disbursements from the United Kingdom of Great Britain and Northern Ireland's Department for International Development (DFID) increased by more than threefold between 2008 and 2011, when it accounted for 7 percent of global international funding. The Canadian Government also markedly increased its spending on malaria control from 2008 onwards, through the Canadian International Development Agency (CIDA), which is now incorporated into Foreign Affairs, Trade and Development Canada.

Estimates of the funds available for malaria control between 2012 and 2015 are projected from formal commitments made by funding agencies or, if data are not available, from previous trends in financing (see box). If the funding assumptions given in the box are accurate, then international funds available for malaria control can be expected to increase to US$2.3 billion per year between 2014 and 2016. However, to avoid disruptions in malaria control programmes and resurgences in disease, the Global Fund's new funding model needs to become fully operational early in 2014, and countries need to be able to access funds promptly.

Domestic financing of malaria control

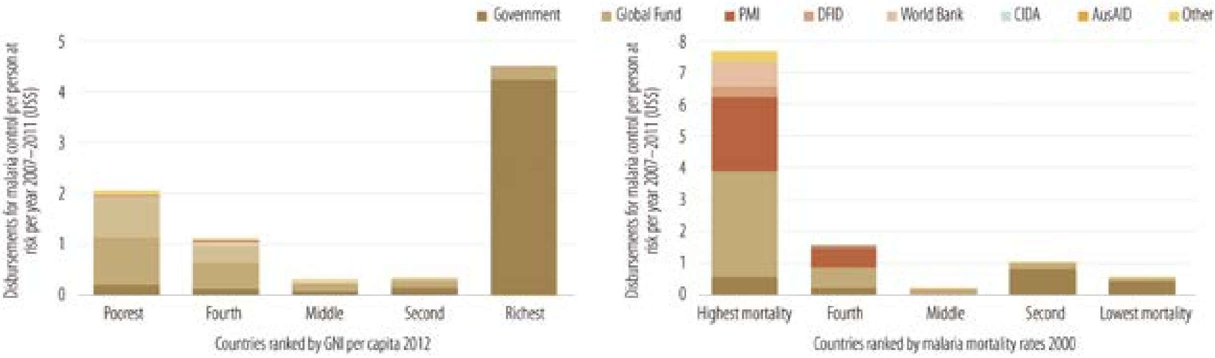
Reported data suggest that global domestic financing for malaria increased over the period 2005–2012, from US$436 million in 2005 to US$522 million in 2012. A decrease between 2011 and 2012 was mainly due to lower reported expenditures in India–down from $US99 million in 2011 to $US47 million in 2012–which appears to be due to differences in the way in which data are reported rather than necessarily a real decrease in malaria funding. If India is excluded from global totals, then domestic government malaria spending rose at a rate of 3 percent per year between 2005 and 2012. However, the increase in absolute totals does not consider population growth and inflation, which generally exceeds 3 percent for malaria endemic countries. →

Figure 1. Domestic and external disbursements by WHO region, 2005-2012



AFR – Africa, AMR – Americas, EMR – Eastern Mediterranean, EUR – Europe, SEAR – South East Asia, WPR – Western Pacific

Figure 2. Domestic and international disbursements per person at risk for malaria, 2007–2011, according to: (a) GNI per capita, and (b) estimated malaria mortality rates, 2000



Comparison of resources available and resource requirements

Global resource requirements for malaria control were estimated in the 2008 Roll Back Malaria (RBM) Global Malaria Action Plan (GMAP) to exceed US$5.1 billion per year between 2011 and 2020. In Africa alone, the resource requirements estimated by GMAP were, on average, US$2.3 billion per year during the same period. Combining both domestic and international funds, the resources available for malaria control globally were estimated to be US$2.5 billion in 2012, leaving a gap of US$2.6 billion. Available projections of both domestic and international resources indicate that total funding for malaria control will reach about $US2.85 billion between 2014 and 2016.

Distribution of available funding by WHO region

Figure 1. shows domestic and external disbursements in 2005–2012 according to WHO region. Funding trends are dominated by the large increases in international disbursements to the African Region between 2005 and 2012, with that region accounting for 38 percent of total malaria funding in 2005, and 62 percent in 2012. However, the African Region experienced successive decreases in international funding in 2010 and 2011. Funding levels recovered in 2012, although the effects of this increase on programme implementation may not be realised until 2013.

Although total funding for malaria control is highest in the African Region, the highest rates of funding per person at risk are seen in the European Region. Funding in this region has decreased in recent years–from more than US$40 million per year in 2008 and 2009, to US$22 million in 2012–mainly because of reductions in spending in Turkey, although Turkey's spending remains the highest per person at risk for malaria in the world. The lowest rates of spending per person at risk are seen in the Southeast Asia Region and the Western Pacific Region, potentially because these regions contain countries with large populations at risk that may be over-estimated. In particular, if populations at risk are defined at a comparatively high administrative level (e.g. at the province level), all of the population may be classified as being at high risk, even if the risk is actually confined to a limited part of the administrative area.

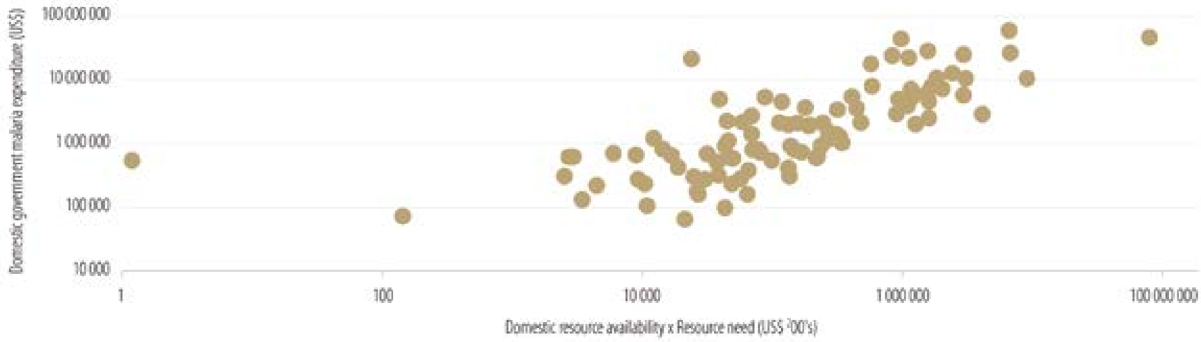
Funding sources vary among WHO regions. In the European Region and the Region of the Americas most malaria funding (88 percent) in 2012 was from domestic governments. In other regions, domestic funding represents a less significant source of funds (ranging from 10 percent of total funds available for malaria control in the African Region to 52 percent in the Western Pacific Region). In the African Region PMI and other donors contribute significant shares of malaria funding in addition to the Global Fund, whereas in other WHO regions the Global Fund is the principal source of international financing.

Distribution of available funding by disease burden and national income

Figure 2. shows domestic and external disbursements in 2005–2012 according to: (i) gross national income (GNI) per capita, and (ii) estimated malaria mortality rates. Countries in the highest quintile of GNI per capita invest a great deal more of their own money per capita on malaria control than countries in other quintiles. These wealthier countries have lower malaria burdens (accounting for just 0.6 percent of estimated cases in 2012 and 0.3 percent of deaths), and they include seven countries that spend more than US$5 per capita per year on malaria programmes (Argentina, Azerbaijan, Costa Rica, Malaysia, Mexico, Suriname and Turkey).

The high expenditures are partly related to the drive towards elimination of malaria in some countries. International assistance is focused on countries that are in the lowest two quintiles of GNI per capita and that generally have the highest malaria mortality rates. Countries in the middle-income quintiles appear to have fewer resources for malaria control because domestic investments in malaria control are low and these countries are receiving little international assistance.

Figure 3. Government malaria expenditures 2012 in comparison with the product of resource availability and resource need

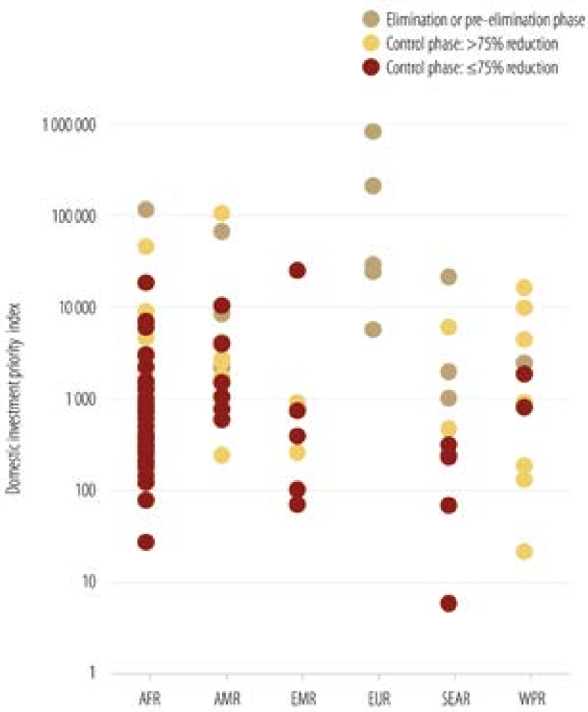


Endemic country's willingness to pay for malaria control

International assistance is critical if reductions in malaria cases and deaths are to be achieved. Nonetheless, domestic governments of malaria endemic countries have a significant role to play in financing malaria control. Domestic government expenditure on malaria might be expected to increase in line with the total government budget or the total revenue available. In other words, bigger or richer countries are likely to spend more. The expenditure on malaria might also be expected to be more in populous countries where the disease burden is higher. More specifically, the level of government spending should reflect the amount of resources required to provide preventive interventions to populations at risk, diagnostic testing and treatment to those who have malaria, and the management systems necessary to run a malaria control programme. These two assumptions imply that malaria expenditure should rise with the total government budget, and with the resource need or, in practice, with the product of the two. Indeed, the product of resource availability and resource need appears to be largely correlated with actual government expenditures (Figure 3).

Total funding for malaria control, including treatments, will reach about $US2.85 billion between 2014 and 2016

Figure 4. Malaria programme progress by DIPI within WHO regions, 2012



Increases in international funding have slowed in recent years, to an average 4 percent per year between 2009 and 2013, compared to average of 43 percent per year between 2005 and 2009

By comparing this product with actual government expenditure, it is possible to construct an index of a country's willingness to pay for malaria control; that is, it is possible to construct a domestic investment priority index (DIPI). The DIPI scales the level of domestic spending, to reflect the available revenue in the government budget and for the degree of burden represented by malaria. Countries with a low value for the DIPI index might be thought of as showing a low priority for malaria control, whereas countries with a high value are demonstrating a high priority.

Figure 4. shows the DIPI by WHO region, first by phase of programme and then–for those countries in the control phase–by whether or not the countries achieved a >75 percent reduction in malaria case incidence rates between 2000 and 2012. In general, countries in the pre-elimination or elimination phase show higher values of the DIPI (median 7,400, interquartile range [IQR] 2,400–41,000). Countries that are on track to achieve a 75 percent decrease in malaria

Total funding for malaria control is highest in the WHO African Region © Gates Foundation

Sources of information on international and domestic funding for malaria control

The Global Fund supplied information on disbursements for malaria control to WHO up to October 2013. Disbursements for 2013 were annualised by multiplying by 1.2 (i.e. 12/10). At the time of publication of this report, the results of the Global Fund Fourth Replenishment were unknown. It is assumed that, of the US$12 billion pledged by donors at the Fourth Replenishment, 32 percent will be allocated to malaria and that funds will be dispersed evenly over 2014–2016. Information on funding from PMI is based on the commitments in the PMI's operational plans. For the calendar year 2012, PMI funding is recorded as US$555 million, and is assumed to remain at that level until 2015. For other development agencies, information on disbursements is available up to and including 2011, through the OECD Development Co-operation Directorate database on official development assistance. DFID funding to endemic countries for malaria control, excluding the funds it provides to the Affordable Medicines Facility–malaria (AMFm), is projected to increase from US$103 million in 2011 to US$226 million in 2015, in line with previous funding trends. Funding from the PMI and DFID are subject to annual legislative review. For the World Bank, future funding is assumed to remain at 2011 levels–the latest year for which data are available–at US$82 million. This assumption is also made for agencies falling into the 'other' category of Figure 1. AMFm disbursements between 2010 and 2013 totalled US$384 million. Support for private sector case management has now been rolled into general Global Fund grant applications; hence, it is not shown separately beyond 2013. Projected disbursements from the Australian Agency for International Development (AusAID)–now absorbed into the Australian Government Department of Foreign Affairs and Trade (DFAT)–include US$100 million (AU$100 million) pledged in November 2012 over the course of four years, starting in 2013.

WHO obtains information on domestic financing from data submitted by national malaria control programmes (NMCPs) for the *World Malaria Report.* Such reports include malaria-specific expenditures incurred by NMCPs for commodities, programme supervision and management, training, and behavioural change interventions. However, they exclude general health systems spending such as the cost of health workers, hospitals, clinics and other infrastructure for the treatment of malaria, which are typically provided by the national governments or supported by nongovernmental organisations (NGOs). Where data from NMCP were unavailable for a specific year, data from neighbouring years were used to impute a value (in cases where this was not possible, information on domestic spending contained in Global Fund grant applications was used).

case incidence by 2015 have also given higher priority to domestic investment in malaria control (median 1,800, IQR 680–5,600) than other countries in the control phase (median 470, IQR 260–1,400). In the African Region, this partly reflects a lack of data on disease trends, governments that show a greater investment priority for malaria also tend to have stronger data systems.

Conclusions

International disbursements to malaria-endemic countries have increased markedly, from less than US$100 million in 2000 to US$1.60 billion in 2011, and an estimated US$1.94 billion in 2012. Increases in international funding have slowed in recent years, to an average 4 percent per year between 2009 and 2013, compared to average of 43 percent per year between 2005 and 2009. Domestic financing for malaria was estimated to be US$522 million in 2012. Combining both domestic and international funds, the resources available for malaria control globally were US$2.5 billion in 2012. Global resource requirements for malaria control were estimated to exceed US$5.1 billion per year between 2011 and 2020 in the GMAP of 2008, leaving an annual funding gap of US$2.6 billion.

Projections of available domestic and international resources indicate that total funding for malaria control will reach about US$2.85 billion between 2014 and 2016, which is still substantially below the amount required to achieve universal access to malaria interventions.

The Global Fund will implement a new funding model for the years 2014–2016. Countries will be assigned an indicative amount of funds according to their malaria burden and ability to pay for malaria control. At a global level, it is expected that malaria programmes will be allocated approximately 32 percent of the total amount of funds disbursed by the Global Fund. The amounts allocated for malaria control at country level may vary from this proportion, and they are subject to change according to priorities set by a country. To secure appropriate levels of financing, countries will need to present a strong case for investment in malaria control.

International investments in malaria control are targeted to countries with higher mortality rates and lower national incomes, particularly those in Africa. Domestic government investments are highest in wealthier countries and lowest in countries with the highest malaria mortality rates; the low rates of domestic spending seen in countries with higher disease burdens is mainly because these countries have lower national incomes per capita. Nonetheless, domestic governments with similar levels of resource availability vary in the priority they give to malaria control. Countries that display greater commitment, as measured by a domestic investment priority index (DIPI), have shown greater success in reducing malaria case incidence between 2000 and 2012 than countries with a lower DIPI. ◘

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Outside top semicircle, 3rd image: BMC St Jude; inside semicircle top image: Sandra Duffy, Griffith University and inside circle bottom image: Sally-Ann Poulsen and Brett Schwartz, Griffith University.
Right page: bottom: Séverine Pillet from Swiss Malaria Group photo contest 2013 - Top: Maud Majeres Lugand (MMV)

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Fighting malaria
Opportunities for sustainable development

By Dr. Fatoumata Nafo-Traoré, Executive Director, Roll Back Malaria (RBM).

Dr. Fatoumata Nafo-Traoré © RBM

The International Development Finance Club (IDFC), established in 2010, reflects a new era in development. By the end of 2015, the international community will begin to work towards the Sustainable Development Goals, a holistic and ambitious set of targets that capitalise on the connections between health, human development, and greener economies to create better opportunities for all. Achieving the Millennium Development Goals by 2015 and eventually the Sustainable Development Goals by 2030 will require the participation and financial contributions of an ever-expanding community of current and new development partners. The IDFC, whose broad-based membership includes development bank CEOs from traditional donor countries, emerging economies, and West African and Baltic states, provides an excellent forum to strengthen the voice and involvement of alternative actors, promote wide collaboration, and thereby encourage fresh ways of thinking and resolving problems.

Today, development institutions have an unprecedented opportunity to solve many development problems with a single investment. Indeed, the fight against malaria has witnessed enormous progress over the last decade, but the job still needs to be completed. In its latest update, the World Health Organisation reported that malaria control efforts have saved the lives of 3.3 million women and children since the turn of the millennium. In May 2012, World Bank economists demonstrated that Kenya had been seeing a drop in child mortality of more than 8 percent a year. If this rate is sustained, child mortality in Kenya will be cut in half within a decade. Furthermore, fighting malaria catalyses positive change across a wide range of sectors. With malaria control, you get more than what you pay for: not only do children survive malaria and a host of other diseases, they attend school; their parents keep their jobs; household and government expenditure on health decreases; and malaria elimination boosts tourism and foreign investment.

But, much more must and can be done. Many hundreds of thousands of mothers and children still die every year from this preventable and treatable disease. The greatest challenge is to fill the funding gap in Africa, which bears the heaviest burden of death and suffering. Recent results showed that with only 50 percent of the resources required, there was a 49 percent reduction in mortality rates in Africa since 2000. Imagine what could be achieved if the US$2.6 billion per year malaria funding gap were closed !

In addition, development banks are uniquely situated to stimulate dialogue and cooperation among a range of individuals and organisations working in the areas of health, education, agriculture, labour, migration, land use, urban development, and housing. Development banks can help to mainstream malaria control in development projects, and thereby achieve progress in health across many sectors with a more efficient use of resources.

Some decisions are zero-sum–meaning that gains for some lead to necessary losses for others. But there is nothing difficult about the decision to invest in health–it benefits individuals, households, communities, governments and businesses alike. Not only is investment in human health and development morally imperative and economically productive, it's also smart in that it allows us to take a first step towards securing more just and safer societies, as well as a more equitable distribution of power within the international community. Development banks, donors, malaria endemic countries and other actors in the private and public sectors just need to make the right choices, and they can set us on a trajectory towards a future that is fairer, more prosperous, and malaria-free. ◘

> Today, IDFC members have an unprecedented opportunity to solve many development problems with a single investment

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International opportunities to support agricultural mechanisation

Can individual African smallholder farmers own tractors within a decade? **Tokida Kunihiro,** Senior Advisor, Japan International Cooperation Agency* reveals how it is possible to mechanise agriculture in Africa but this requires a drastic change that Africa be converted from importing to exporting food

Smallholder farmers often lack market access and they are often forced to practise low-input and low-output subsistence agriculture © FAO News

Agricultural mechanisation in sub-Saharan Africa faces plenty of constraints. Even if the price of agricultural commodities is attractive to farmers, it is not an advantage unless African farmers can earn more from selling extra products. Many African farmers are at or near subsistence level producing various kinds of plants for food in small rain fed holdings, and this restricts African farmers from earning a good income from agriculture.

The main preconditions to promote agricultural mechanisations are:

- Stable economic growth that is ahead of the population growth rate
- Continuous reduction of the rural population
- Maintenance of a reasonable price level of major food crops
- Increase in crop production and markets for cash income

African farmers and entrepreneurs are investing heavily in the sector, although it may not be at an adequate level to generate sustained growth in productivity and income. The incentive for private investment in agricultural innovations is greatly enhanced by two factors, namely, secured output markets and the low level of costs incurred while investing in innovations. Smallholder farmers often lack market access and they are often forced to practise low-input and low-output subsistence agriculture. Technological success in Africa depends on assured output markets.

Mechanising farming in sub-Saharan Africa

Many projects and pilot activities have been implemented to mobilise agricultural mechanisation in sub-Saharan Africa. These past actions and experiences include:

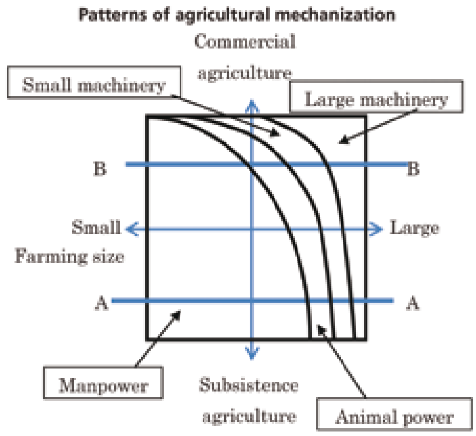
- Importation of agricultural tools, implements and powered machines with tax exemptions
- Promotion of tractor hire services
- Repair and maintenance by machinery dealers and entrepreneurs
- Research and development of machines with locally available materials
- Development and production of simple tools and machines
- Education and training of engineers, technicians, extension workers, operators and farmers
- Provision of commercial financing and soft loans
- Regulatory work and standardisation

Technology options

Custom hiring services are an alternative to promote mechanisation as a profitable business as seen in box at end. It is necessary to have entrepreneurs like Mr Kingangi with good management skills and the capacity to operate businesses.

Mechanisation options may be selected by considering the farmers' situation based on two major criteria i.e. commercial vs. subsistence agriculture, and farm size as shown in Figure 1. For mechanised farming, there are four options for ownership, i.e. individual ownership, group ownership, commercial custom hiring service, and community hiring service if government ownership and hire services are excluded.

Figure 1.



Individual ownership is the foundation of mechanisation to form a farmer owner-operator situation. If the machine has extra capacity and when it is not needed for work on the owner's farm, it can be utilised on neighbouring farms to generate income. If the farmer increases the service provision the operation could be considered to be a community hiring service. Group ownership is not an option unless all the group members have a strong sense of cohesion or clear responsibilities under their own rules and regulations. Empirical data show that the timing of farm operations frequently occurs simultaneously for all members and so it is not easy to share a machine used for the same purpose. There is no single scenario that can be applied to all sub-Saharan Africa countries. Thus a set of different scenarios should be considered for different socio-economic conditions as well as ecosystem and technical conditions. There are basically two major approaches to promote mechanisation: one is the importation of powered machinery, and the other is local manufacture of simple machines and implements.

As the main driving force of farm mechanisation, large-scale commercial farms are encouraged to have a programme of regular machinery replacement to reduce down time and ensure continuity in the production process. This scenario would be expected to provide more business opportunities for local importers and distributors. In addition, the second-hand machinery market will be stimulated, and more opportunities are open to maintenance services. This is an agricultural supply chain approach that makes more investment possible in agriculture. The local manufacture of machinery may focus on various models and types of machines suitable for local conditions. This is an activity led by local industry and encompasses not only simple hand tools but also simple implements and equipment for smallholder →

farmers who have little capital to access and own more expensive engine-powered machines. Individual machine prices should not be excessive when taking into consideration the purchasing power of smallholder farmers, but the number of users can be large enough to make a profit and to generate employment in the small industry sector.

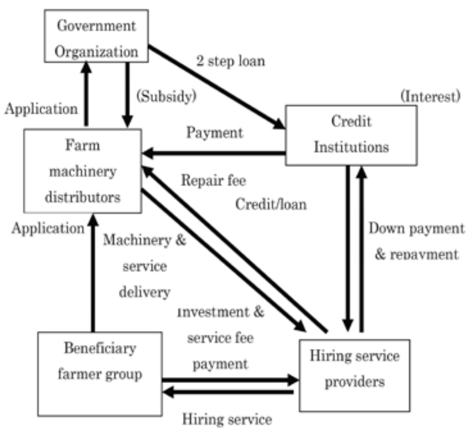
Institutional innovations and investment opportunities

The success of agricultural mechanisation in Japan was made possible by an increase of farmers' capital and by government subsidies for farmers purchasing modern machines. New Growth International (2009) conducted a study on technology transfer to smallholder farmers, and concluded that the public roles in agricultural innovation systems should be based on providing incentives for welfare-enhancing private-sector investment.

Traditionally approaches to agricultural technology development depended on the public sector based on one-way information flow. Today the private sector has come to be considered a major source of innovation and communication in the agricultural sector. Interactions of public and private partnerships and collective initiatives are considered crucial to agricultural innovation and diffusion. However, actual outcomes depend on the performance of stakeholders concerning development and diffusion of agricultural innovation under given contexts.

Figure 2.

Proposed mechanisms to promote hire service for smallholder



A better business opportunity should be given to hire service providers who, as well as large commercial farmers, are key promoters of agricultural mechanisation for smallholder farmers. The difficulty of collecting service fees from farmers can be a bottleneck to the expansion of this kind of business.

Soft loans are only available for farmers with collateral, such as larger farms with land title. A mechanism to promote hiring services is proposed in Figure 2. This is based on the farmer-owner-operator situation that is believed to be a key for success in mechanisation

The beneficiary farmer group could make a contract with a hiring service provider by investing a certain amount based on the area of farms to be serviced. A cooperative can select an innovative farmer member as a service provider as well as a machine operator. Although the selected farmer should be able to invest more on shelter for farm machinery and initial running cost of machines. The group can apply for machine purchase to a farm machinery distributor through a facilitating arrangement of the government and a finance institution. The collected investment from beneficiary farmers and the service provider's own capital can be used as a down payment for the acquisition of the selected machinery. After completion of the repayment, ownership of the machine is transferred from the distributor to the hire service provider. It may be much easier to collect the service fees if a trader becomes a hire service provider or a financial institution in some cases. The possible application of such a scenario will be site specific as the confidence of the beneficiary group to make such an investment will depend on the characteristics of each community.

Public sector and donor led interventions

Basic requirements for the public sector

Ideally a government should have a clear policy on agricultural mechanisation that promotes continuous private investment not only in agricultural machinery but also in agriculture as a sector. It will generally not be possible to have investment in agricultural mechanisation without profitable agriculture. Direct intervention in financial support to farmers may distort the market economy and this is especially true with regard to gifts distributed as political gestures. Such retrograde interventions should be eliminated to encourage private sector participation in the sector.

The policy should be based on a long-term vision for agricultural development and the strategy should be reviewed periodically to reflect the economic situation to maintain profitability in the sector. The stages of development of agricultural mechanisation can be expressed by a curve as shown in Figure 3.

As a sector moves from one stage to another, the agricultural mechanisation policy should be reviewed. The government is required to select options for promoting agricultural mechanisation with clear criteria. All actions should have appropriate budgetary support for timely implementation. Human resource development is an important role of the government. The traditional education system may not be suited the current world situation.

There may be enough engineers to come up with agricultural innovations but the innovations may not be diffused to farmers because the relevant socio-economic aspects have not been taken into consideration. A solution could be to form a multi-disciplinary team to solve the technical, socioeconomic and environmental problems. It is, however, necessary to nurture inter-disciplinary compliant people if we seek a real synergy effect from a multi-disciplinary team. There are job categories of engineers, technicians and artisans in some countries, but such rigid classification can cause poor agricultural innovation. The farming community, as potential users, needs to be involved from the outset and its innovative talent harnessed to produce more acceptable technical solutions.

Enabling environment to promote agricultural mechanisation

For sustainable agricultural growth, investment in the agricultural sector is a fundamental requirement. Eyo reported on a Nigerian study that showed how macroeconomic policies that reduce inflation, increase foreign private investment in agriculture, introduce favourable exchange rates and provide agricultural credit, can have a significant effect on agricultural output growth and would be an invaluable government investment in the sector to ensure growth in agricultural output.

Improving agricultural production is only an initial action. It is important for farmers to recover their investment in agriculture by securing output markets. A lack of basic infrastructure such as roads and bridges from farm to markets may prevent access to output markets. In the case of land-locked countries, the international border may be an obstacle to the import of materials and export of agricultural products. The flower export business in Kenya shows that a possible viable solution for high value-products can be exported by air.

From the supplier's point of view, it is necessary to investigate the potential demand. This means how many machines can be purchased by farmers, operators, farming business communities and others. It is not worthwhile to export machines to a country with a small market. For long-term profitability, suppliers are obliged to provide services such as operator training, repairs, supply of spare parts, and after sales service. Establishment of a distribution network is a kind of fixed cost and the total number of potential sales is crucial to determine the sales strategy.

A reduction of the risks associated with businesses is an important factor in the promotion of foreign investment. Transaction costs should be kept under review and control: how many days are required to issue a Letter of Credit? How much is the tax on sales? These are aspects where the government plays an important role. If suppliers add these costs on to the sales price (which they must), farmers are obliged to buy more expensive agricultural machinery.

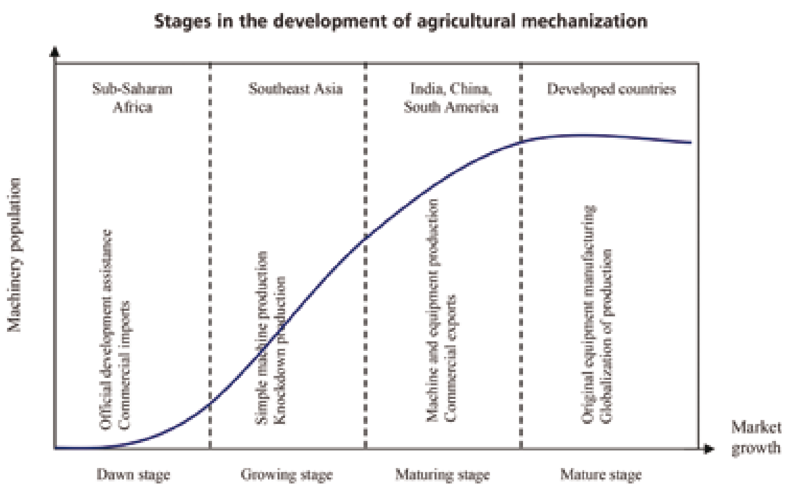
Provision of low interest loans or smart subsidies can stimulate agricultural machinery purchase, but a more important aspect is the formulation of a stable policy to promote appropriate agricultural mechanisation. Economic change is always a risk for investors, but political and social risk should and can be avoided by maintaining peace and order and rooting out corruption.

Rural development is critical if smallholder farmers are targeted for agricultural mechanisation. As mentioned previously, extending direct subsidies for vulnerable farmers is not usually the right solution. A participatory approach to developing the vulnerable smallholder farmer sector is necessary to empower rural people and to capture their innovative talents. There must be a mechanism to include disadvantaged farmers in the target population, perhaps by forming self-help groups to develop their capacity or as a channel to build partnerships for development. It is basic responsibility of the government to improve the human security of rural people.

Support from the donor community

Donor interventions to agricultural mechanisation in particular developing countries have often been partial and have not always been well organised. In particular, technical design interventions have not been adequate if the private sector is not fully involved. Donors used to provide grant aid for farmers as a subsidy to avail themselves of new machines. This may distort the market economy and prevent a sound promotion of agricultural mechanisation. Donors are required to provide →

Figure 3.



channels for private investors from developed countries to farm machinery industries and agricultural businesses.

Donors always expect positive results from their development cooperation projects. Experience has taught that unexpected negative impacts often appear after the official termination of projects. Negative impacts are difficult to anticipate because detailed previews or assessments are not fully employed as they constitute additional budget lines in cooperation activities. This lesson can be applied to agricultural mechanisation projects. One subsidised programme to procure farm machinery may cause difficulties for others trying to operate a competitive machinery supply situation. Donors should be required to pay more attention to a thorough assessment of the effect of agricultural mechanisation on rural society as well as on supply chains. On the other hand, beneficiary countries should control and regulate donor programmes as well as governmental programmes. Without initiatives on the part of the beneficiary countries, no programmes can be properly operated. Donor communities need to find partnerships when working with beneficiary countries.

The need for profit for all

Agricultural mechanisation is not possible unless it is profitable for all stakeholders, namely farmers, machine owners, machine operators, machine suppliers, and manufacturers. Difficulties exist and they can't be solved by the private sector alone; governments have important roles to play to lead the promotion of agricultural mechanisation.

As a conclusion, human resources have to be enhanced to interact with all stakeholders for the promotion of agricultural mechanisation. African countries have contributed less to global warming and climate change than other regions but they have been suffering from the most severe consequences.

The global financial depression seriously hampers efforts to encourage private enterprises to expand their activities. Africa will face perilous challenges in the years ahead, but it is a region of vast promise and potential prosperity. It is hoped that African people will revitalise agriculture in the continent and one tool that they have is the stimulation of agricultural mechanisation that will lead to sustainable food security and will help to reduce poverty. ◘

Efficient tractor hire service in Kenya

Mr Gideon Gitungo Kingangi is a very talented provider of tractor hire services, and he is also a nine-seater van tour operator. His home is located in Kabete near Nairobi in Kenya where he owns a field of about two acres. He purchased a new 80 hp 4WD tractor with a disc plough (3 x 660 mm) and a harrow (24 x 560 mm) using credit provided by a tractor distributor in April 2009. The total cost was about US$42,000 and a 30 percent down payment was required. The remainder is to be paid back in two years at an annual interest rate of 15 percent.

The hiring service starts in Kabete to plough and harrow for maize from November to January the following year. The tractor then moves to Nyahururu, one of the granary areas in Kenya for wheat and maize. He needs to transport his tractor and equipment over 700 kilometres by hiring a lorry to Lamu for the maize crop. Then he asks the operators to drive from Lamu to Taveta near Mt. Kilimanjaro for beans and maize. The harrow is pulled by the tractor and the disc plough is mounted on it. The tractor works continuously in Oloitokitok nearby Taveta from June to August. The long season is ended in Kabete in September for maintenance work. The hire service is provided to farmers if they pay half of the service fee when signing the contract. The remaining 50 percent is collected on completion of the job. He charges 2,000 Kenyan shillings (US$25)/acre for ploughing and 1,000 Kenyan shillings/acre for harrowing. He estimates that the capacity of the tractor is 10 acres/day for ploughing and 15 acres/day for disc harrowing. He employs two qualified (over five-years experience) operators and pays them 10 percent of the hire service fee for their work. Additionally he provides them with meals and accommodation during field trips.

He believes that he is able to pay back the credit with interest in two years. The critical issue is an incentive for operators to increase the volume of hiring work. There are no problems of spare parts supply and maintenance service, he says. He is willing to purchase a lorry to transport his machines as well as transport hay as a new business.

Estimated gross annual income: 2,000,000 Kenyan shillings (US$25,600)
Sales: 20,000Ksh/day x 250 days/year = 5,000,000 Kenyan shillings
Fuel cost: 80Ksh/litre x 8litre/acre x 10 acres x 250 = 1,600,000 Kenyan shillings
R&M cost: 500,000 Kenyan shillings. Operator cost: 750,000 Kenyan shillings.
Other costs: 250,000 Kenyan shillings

* The views expressed in this publication are those of the author and do not necessarily reflect the views or policies of the Food and Agriculture Organisation (FAO) of the United Nations. This article originally appeared in the FAO publication *Integrated Crop Management Vol. 20-2013, Mechanisation for Rural Development: A review of patterns and progress from around the world.* It is reprinted here with permission.

DEVELOPMENT BANK OF RWANDA
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BRD
We empower you

Development Bank of Rwanda

The Development Bank of Rwanda (BRD) is a public limited liability company limited by share, with a share capital of RWF 7,808,931,000, and was incorporated on August 5, 1967.

The company code is 1000003547 with its headquarters in Kigali, Rwanda.

BRD provides long term and medium finance and significantly facilitates the emergence of different productive enterprises in the private sector.

BRD Vision

"The Leader of productive investment and the most profitable Bank at the service of poverty reduction"

BRD Mission

"To become the Government of Rwanda's investment arm by financing the nation's development objectives with a focus on the priority sectors of the economy"

With regard to its vision, mission and objectives, BRD in its 2013/14 strategic plan outlines six objectives consisting of:

- Mobilizing financial resources to drive Rwanda's development
- Developing special financing programs for export oriented sectors
- Fostering the development of Microfinance services
- Expanding BRD's product portfolio to meet customer needs
- Engaging and supporting key customers and partners
- Increasing BRD's effectiveness through reconfiguration and training

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- To maintain sound banking principles
- To be additional to other funding sources
- To leverage strategic alliances and
- To focus on socio-economic development

The Bank plays a triple role of:

- Lender
- Advisor
- Partner

Sectors of Operation

Development Bank of Rwanda operates in all sectors of productive investment which generate added value and create employment. In its credit policy, priority is given to the new technologies and export oriented projects.

The bank's priority fields of intervention cover the following:

- Agriculture & livestock
- Industries & Services
- Hotels &Tourism
- Housing (Real Estate & Individual Houses)
- Social Infrastructures (Health & Education)
- Micro Finance Institutions
- Water and energy
- ICT
- Transport and related facilities

Products & Facilities

Development Bank of Rwanda provides a wide range of products mainly investment financing in form of short, medium or long term loans. These Products are:

- Loans
- Leasing
- Equity
- Refinancing
- Capacity Building
- Advisory

In addition, BRD also offers the following facilities:

- Savings and Current accounts (ONLY to existing clients)
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- Policy research, analysis & support
- Public / Private sector facilitation

Development Bank of Rwanda (BRD)
Boulevard de la Révolution
P.O Box 1341 - Kigali, Rwanda
Call Toll free number: 3288 | Fax: (250) 252 573569
brd@brd.rw

Targeting agriculture to alleviate poverty in Mozambique

By Lynette Chen, CEO at NEPAD (New Partnership for Africa's Development) Business Foundation

NEPAD has developed a module, which helps foster agricultural entrepreneurs through teaching and training © NEPAD

Agriculture is a major contributor to the African economy and is a critical sector to the continent's growth trajectory. This sector employs over two-thirds of the continent's population and has the ability to significantly affect and improve livelihoods and living standards of people. Timothy Taylor, an American economist who is the editor of the *Journal of Economic Perspectives* has argued that if there were a way to measure subsistence farming in Africa and its contribution to the Gross Domestic Product (GDP) of the continent, the African economy would be notably higher than the current estimate figures of US$3 trillion.

Out of the member countries in the Southern African Development Community region, the NEPAD Business Foundation (NBF) identified Mozambique as a priority country for intervention in agriculture improvement. We considered Mozambique because of its immediate need for economic growth. The country has a population of over 25 million and the standards of living are extremely low in comparison to other countries in the neighbourhood. Mozambique has an estimated 801,590 square kilometre land area which has vast potential for agriculture and, according to Geohive statistics, over 90 percent of the rural population practises subsistence farming. In this environment, our efforts would have the highest potential to positively affect a large part of the population.

As a membership-based and funded organisation operating under the mandate of the African Union's New Partnership for Africa's Development (NEPAD) initiative through our affiliation to the NEPAD Agency, we have been able to coordinate and mobilise resources and work in partnership with government bodies, private sector and donors to the beneficiation of subsistence and smallholder farmers in Mozambique.

Between July 2010 and December 2013, our efforts in agriculture development extended to the implementation of transformative projects and programmes and the involvement of local organisations and people. This was achieved through the Removing the Barriers in Agriculture (RtB) programme which functions under the NBF's Agriculture and Food Security focus area. To date we have successfully implemented three projects in Mozambique, focusing on the capacity building of small-scale farmers and the mechanisation of subsistence farming to boost production.

NBF intervention

To initiate intervention, we conducted a study in Mozambique to ascertain the investment and trade to transformative agriculture development. The findings indicated that two areas required immediate intervention: subsistence farmers had no access to finance and they also needed to mechanise their farming in order raise their standards of living. The findings also indicated that capacity building of smallholder farmers was necessary in order to, improve business skills; cultivate an entrepreneurial spirit; increase efficiency; develop comprehension of supply chains and agriculture value chains and to teach farmers the value of cooperation in order to meet the requirement of large scale buyers of farm produce.

The findings of the report also showed that best way to achieve greater impact and yield higher results from our intervention was to formulate programmes and projects with rural women. Because of the country's history and the societal structure, the support of women in agriculture would result in spill over effects that would benefit the family units and the communities at large. We coordinated with local organisations, the Foundation for Community Development (FDC) and the African Women in Agriculture (AWIA) to find suitable candidates for the initial DUAT (Direito do uso e aproveitamento de terra or Right of use of land) programme. This programme was designed to assist rural women in the Manica province as a way to facilitate their connection to the market. This tool is of vital importance to subsistence farmers who fail to expand their agricultural endeavours because they lack access to finance, funds which can get them better seed varieties, enable them to employ basic mechanisation and to buy fertiliser. Our rationale was that if the Mozambican government could allow rural farmers to have the DUAT documentation, they could use them as collateral to access microfinance loans to increase agriculture production. With the support of our local partners the FDC and AWIA we succeeded in obtaining the first batch of DUATs, this was the first time such assistance has been rendered to smallholder farmers in Mozambique. There are future prospects for microlending using this system though regulations around the land titles and the funding legislation may require some work.

Our second project focused on capacity building as a means to attain sustainable income for the smallholder farmers. Our primary objective was to demonstrate to agricultural students in Mozambique that agriculture is 'bigger' than only on-farm activities. There is indeed job and business opportunities in providing inputs (suppliers of seed and fertiliser) to farmers and on the output side from farms (processing, warehousing, cooling, marketing and more). To achieve

Out of the member countries in the Southern African Development Community region, the NEPAD Business Foundation (NBF) identified Mozambique as a priority country for intervention in agriculture improvement

this, we developed a module, which focuses on teaching and training entrepreneurial and value chain management skills to college students in agriculture studies. We collaborated with the Institutio Superior Politecnico de Monica (ISPM) and Commerce Edge, a subsidiary of Imperial Logistics, to incorporate the inaugural module into the learning programme in agriculture and business studies. We developed this module with the vision of creating a new cadre of supply chain entrepreneurs and linking them to larger businesses.

After the integration of the module into the qualification, we organised internships for students with local agri-businesses. Upon finishing the coarse the NBF, with the support of its private sector membership base, will assist graduates incubating business ideas, accessing funding and connecting them to networks of business mentors and advisors. When the first alumni and alumnae graduate from the programme, we plan to expand the programme to other learning institutes in the country and develop a new generation of agriculture entrepreneurs. This is an investment into the future of the industry and the first fruits will be realised after an elaborate period, however it is encouraging that learning institutions and college students are welcoming the module with great enthusiasm.

Our third project involved rural farmers from the Angonia district, situated in the northern part of the Tete province. For a long time these farmers had experienced inhibited growth in production output of soya beans. A situation, which has hampered the development of rural farmers and has been an impediment to accessing finance for the purchase of farming equipment. We secured funds from our private sector members and the United Nations Development Programme to assist in the mechanisation of farming in the district by assisting 2,450 identified farmers.

The NBF collaborated with the Angonia Farmers Association to increase the production capacity for soya beans in the district. The Angonia Farmers Association is an organisation made up of a collective of agricultural cooperatives namely the Nsuzumire, Timbilique and Domune Asscociations. This collective has a membership base of over 5,000 famers who produce an output of 9,000 tonne of soya beans annually, which is only half the market demand.

This programme can make a significant impact on the agricultural industry in the area and has the ability to give critical mass to the soya bean market and boost the income earned by these farmers.

The NBF is committed to the creation of sustainable livelihoods and to business enterprise, which takes into account regional development and local benefits.

Lynette Chen (r), CEO, NEPAD, with a student from NEPAD's agricultural learning programme

Contacts
henri.minnnar@thenbf.co.za
(NBF - Agriculture and Food Security Programmes Manager)
terrence.mutuswa@thenbf.co.za
(NBF - Regional Marketing and Communication)
www.nepadbusinessfuondation.org

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EUROPEAN FUND FOR SOUTHEAST EUROPE

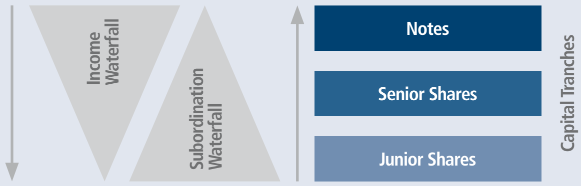
Leveraging public-private partnerships to achieve social and economic inclusion

There are many ways to promote social and economic inclusion, and the need for it is indisputable. But how do we get there? Which way is the most efficient? Public funding is scarce and the global financial crisis has compounded the problem, leading to a decrease in official development aid. That is also one of the reasons why the long-standing discussion of development finance experts on how to leverage scarce public funding and mobilise private sector funds for development objectives is gaining momentum again. As a parallel development, we have seen increased interest from investors–also triggered by the financial crisis–in investing responsibly and in taking social and environmental aspects into account in their investment decisions. Public-private partnerships (PPPs) are proving an effective way towards achieving development goals with assured returns for both investors and donors, while ultimately improving the situation of those in need.

The European Fund for Southeast Europe (EFSE; www.efse.lu) is a public-private partnership in the truest sense of the term. Initiated by KfW in 2005 with the financial support of the German Federal Ministry for Economic Cooperation and Development (BMZ) and the European Commission, the EFSE was the first privately managed fund in development finance to leverage private funding for micro, small and medium enterprise (MSE) finance. In 2009 the Fund came first in the G-20 SME Finance Challenge Award among more than 700 PPP models from around the world.

Investors in the EFSE can choose between different classes when acquiring shares: junior shares, senior shares and notes. Public investors who hold junior shares in the EFSE build up a risk cushion for additional investors–they take the first losses in case of defaults in any of the Fund's investments (i.e. loans to financial institutions in the Fund's target countries). At the other end of the spectrum, there are private investors who hold notes and are last in line when it comes to taking losses (subordination waterfall). Positioned between notes and junior shares, mezzanine capital and senior shares are generally subscribed to by international financial institutions.

With regard to profits disbursement, note holders, i.e. private investors are the first to receive their returns, while public donors come last (income waterfall). Overall, this concept guarantees private investors a market-oriented yield combined with a high degree of security.



As an additional component of the PPP concept, the day-to-day operations are outsourced to private asset managers specialised in the field of development finance such as Oppenheim Asset Management Services or Finance in Motion in the case of EFSE. These operate under the oversight and guidance of a Board of Directors comprised of nominees from development finance institutions and the public sector.

This concept has proven to be very successful in many respects. Since its inception, the Fund has been able to attract numerous additional investors, from the public sector, including local governments from the target region, development finance institutions, such as IFC, EBRD, EIB, FMO and OeEB, and also a substantial number of private institutional investors, not only from the social impact field but also truly commercial investors.

This PPP model is now widely accepted as a blueprint for development funds, such as RegMifA, SANAD, MEF, GCPF and GGF, with KfW spearheading the development of new fund initiatives at the international level. Given its flexibility, further funds are currently projected for finance in areas as diverse as preserving biodiversity, fair trade or enhancing education.

Ultimately, the PPP model is about leveraging scarce public funding to the benefit of all: investors, donors and above all–those to be economically included by given access to finance.

KfW
Monika Beck
Palmengartenstr. 5-9
60325 Frankfurt am Main
Germany
T. +49 69 7431 4069
monika.beck@kfw.de

How microfinance can provide sanitation in urban slums

In December 2013, Sanergy won the global award at the FT/Citi Ingenuity Awards for its sanitation scheme operating in the slums of Kibera in Nairobi, Kenya. As **Kirsty Tuxford** reveals, the scheme is not only providing jobs and access to sanitary facilities in Nairobi but it has the capacity to be extended globally to other cities

Fresh Life operators run the toilets under a franchise scheme

Agnes Kwamboka lives in a slum in Nairobi, Kenya. She's widowed with eight children. In order to earn money to support her family, she sold *chang'aa*, an illicit alcoholic liquor, for 16 years. The consequences of this work were severe for Agnes–she had to deal with drunk and dangerous people, she feared being raped because customers would come to her house and assume she was a prostitute, and she had to pay daily bribes to the police so they would allow her to continue selling the illegal brew. Her children stole to help supplement her meagre income and the family's life was constantly stressful.

But her fortunes have changed. A simple idea to allow residents in informal settlements to operate sanitation facilities has brought hope to Agnes and potentially thousands of other slum dwellers worldwide.

Agnes is now a proud operator for Fresh Life Toilets, an idea devised by the start up organisation Sanergy to make waste disposal a profitable business for the residents of Kenya's slums. Fresh Life Toilets are purchased and operated by slum residents who make a business out of manning and cleaning their own set of toilets. Not only does the installation of a toilet provide a legal job for Agnes but it also provides decent sanitary facilities for the whole community and employment for people trained to collect the waste. Additional benefits are that the waste is converted into organic fertiliser, which is sold at very competitive prices to local farmers and, in the future, it will also be converted into electricity.

Since Agnes became a Fresh Life Toilet owner, she has peace of mind and no longer worries about the threatening visitors she used to receive at her house. "Since I put up a Fresh Life Toilet, I am happy and my children are happy," she says. "The Fresh Life Toilet is helping me and the money I make is not going to bribes, it's just for me and my family. I keep all my profits and I'm able to provide for my family and also pay off my debts."

How it works

The toilets are pretty simple: the waste falls into a container and is collected on a daily basis by local people employed by Sanergy. They use wheelbarrows as well as vehicles to remove waste as many paths and roads are unpaved in the informal settlements. There's no need for connection to a water supply as sawdust is used in the tub where the waste falls, which stifles the odour and keeps flies away.

"We designed the toilet and waste collection system with simplicity in mind," says David Auerbach, Co-Founder of Sanergy. "We wanted the facility to be simple to pre-fabricate, install and maintain. We also needed to think about the conditions of the informal settlements–water is relatively expensive and there is almost no sewerage. Therefore, we conceived a waterless toilet with two 30-litre cartridges underneath that capture the waste safely."

The toilets are designed for about 100 uses per day. The operators have to purchase water for people to wash their hands. "It costs about three shillings [US$0.04] for 20 litres; that's plenty for 50 people," explains Auerbach. "And because the Fresh Life toilets are clean, safe and offer privacy, residents are willing to pay the five shilling fee to use them–and that's how the operators and other Sanergy employees (90 percent of whom are locals from the informal settlement) earn a living."

Sanitation: fast facts

Two and a half billion people in the developing world do not have a clean toilet to use, and 1.6 million children die annually from sanitation-related diseases – it's the second-leading cause of disease throughout the developing world. In Kenya, eight million people in urban slums lack access to hygienic sanitation, and four million tonnes of waste (90 percent of the country's waste) gets dumped into waterways causing environmental damage and a major health risk.

Sanergy has employed 350 people so far including the operators, the teams involved in making and installing the toilets, and the people employed at the waste conversion plants

Sanergy has employed 350 people so far including the operators, the teams involved in making and installing the toilets, and the people employed at the waste conversion plants. "We have 135 staff, 161 operators, and the operators have hired an additional 70 people as Fresh Life attendants," says Auerbach. There are 308 Fresh Life Toilets in operation with over 5 tonnes of waste collected per day.

To give an idea of how Fresh Life Toilets are improving access to adequate sanitation, consider that residents of the informal settlement Mukuru in east Nairobi pay to use unhygienic shacks that give privacy but funnel untreated waste directly into a river. When these toilets are closed, people use 'flying toilets' whereby people defecate into plastic bags and later throw them away in public areas. With Sanergy's solution, people can use a clean toilet, which not only ensures that all the waste is safely removed from the area but also helps protect peoples' dignity and offers a bona fide way to earn a living.

The toilets have also reduced the risk of sexual attacks on women. According to a study by Amnesty International, women in Africa do not want to walk more than 100 metres to go to a toilet at night because the risk of sexual assault and rape is too high. A lavatory in the neighbourhood mitigates this risk.

Award-winning idea

With the power to change lives, it's little wonder that Sanergy's scheme was awarded the global prize at the FT/Citi Ingenuity Awards in New York in December 2013. The prize recognises organisations with groundbreaking solutions

Re-use and recycle

Waste from the toilets is mixed with sawdust and converted into organic fertilizer within three to four weeks. It's safe to be used on flowers and vegetables and it replenishes mineral-depleted soils. The price of fertilizer farmers used until now was so high that they could only afford to purchase 9kg/hectare of fertilizer compared to the 206kg/hectare used in the industrialised world.

Sanergy's fertilizer is currently being distributed to 10 Kenyan farms and with extremely positive results. One partner, Komaza, cited a 25-30 percent increase in yield in their sorghum crops.

Meanwhile, biogas production is still at the pilot stage – you need quite a lot of waste. Once Sanergy has about 1,000 toilets, they will have the capacity to produce between 0.5-1MW of power, which will make the company an independent power producer.

to meet the changing needs of their citizens, and brings global and local recognition for Sanergy, further boosting the morale of those who have worked hard to bring the idea to fruition, and also potentially attracting international interest. "This is incredible recognition of our work by some very impressive and great people and organisations," says Auerbach. "This award brings publicity to us and so we will be able to recruit more people to join our teams."

David Auerbach, Co-Founder, Sanergy © Sanergy

Sanergy addresses the entire sanitation value chain. "Our goal is to develop a highly replicable model that works in informal settlements around the world," explains Auerbach. "When working in slums though, the scarcity of land and nebulous property rights make it really challenging to expand rapidly. We strive to find ways to work with local governments and local communities to ensure we scale successfully."

So far the toilets are catching on thanks to a successful marketing strategy that makes people want to use Fresh Life and the education of residents is important. Paramount though is making the purchase of a Fresh Life Toilet an affordable option. The costs are 45,000 Kenyan shillings (US$525) for one toilet or 70,000 Kenyan shillings for two.

"The sale of the Fresh Life Toilet covers most of the marginal operating cost to provide hygienic sanitation services," says Auerbach. "We're working on exciting new revenue-generating activities, such as advertising in the toilets and selling other products such as water filters. As we grow, the sale of the fertiliser will not only cover costs, but should enable us to expand rapidly."

Sanergy are working with several partners to help micro-entrepreneurs gain access to capital. "Kiva, the online micro-lending platform, has launched a 0 percent interest loan package for our micro-entrepreneurs and the result is that since the launch of our programme, over 50 percent of our entrepreneurs have taken up that option," adds Auerbach.

Sanergy itself has been funded with grants and private capital with partners from the public and private sector. "Our partners provide all sorts of support for us ranging from financial to operational to pure mentorship and we recognise that it really does take a village to build a successful social enterprise," says Auerbach.

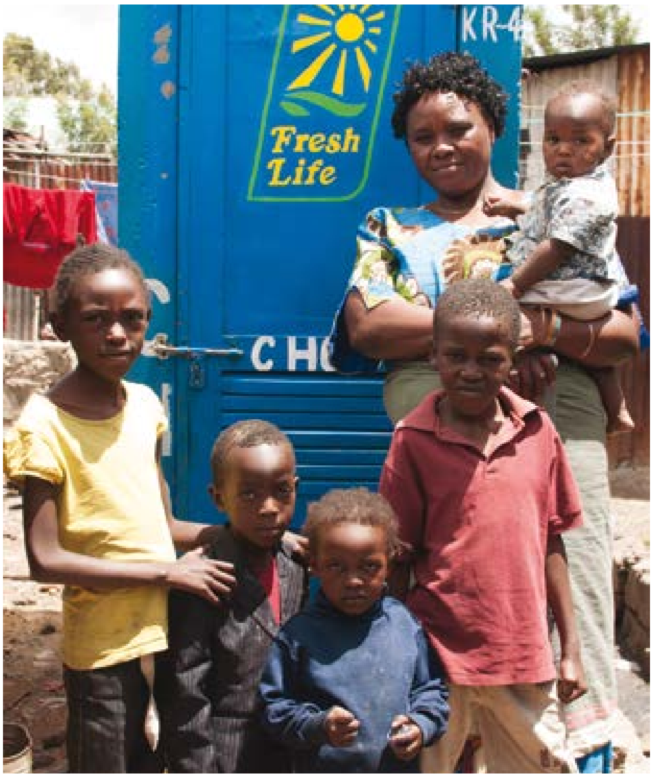
The goal is to reach 1,000 toilets and at this point Sanergy will be a profitable company. "We now have 300 toilets up-and-running," he says. "We're building a sustainable model to provide hygienic sanitation. As we prove this out, the model becomes both high-impact and scalable, and that then positions us to expand throughout Kenya, East Africa and around the world."

Local community support

It's not uncommon for slum residents to shun outside help to improve sanitation. In the Military Heights settlement in Cape Town, residents turned their noses up at government portaloos because they thought they were unhygienic and degrading. In Kenya, Sanergy has successfully gained the trust and respect of the community it strives to help.

"Fresh Life Toilets are owned and operated by residents from the community and if the operators did not believe that the community would use Fresh Life Toilets, then they would not make the investment in the first place," explains Auerbach.

The operators keep all the revenue that they generate from running the facility as a business and thus have



Operating a Fresh Life Toilet can provide a family with a stable, legal income © Sanergy

the incentive to keep the toilets clean. "At the same time, as with any franchise model, we provide benefits such as training, marketing, branding and business support for our operators," adds Auerbach.

The local police no longer get to make 500 Kenyan shillings a day by bribing people like Agnes but due to Sanergy's diplomatic approach and the way that they have involved the whole community, the police and government have been largely supportive of their work. Residents are "tremendously willing" to pay for access to hygienic sanitation close to their homes and there are currently 50 users per day, per toilet.

Old habits die hard, though, and one of the Fresh Life operators has reported some difficulty stopping open defecation in the area, because people don't always want to pay for services.

"We focus on aspirational branding so that people demand our products," says Auerbach. "We believe that this is the key way to inspire change. At the same time, we have to keep listening to our customers and non-customers because if we meet their demands, they will pay for our services."

Managing a Fresh Life Toilet has totally changed Agnes' life. Not everyone realises the far-reaching positive effects that decent sanitation can have on impoverished communities.

"The lack of access to affordable, hygienic sanitation is a root cause of poverty," says Auerbach. "By providing this service, we know that people will become healthier and more productive. This, in turn, will enable people like Agnes to have a brighter future." ◘

Towards a common methodology for mapping green finance

Methodologies for climate finance reporting differ within organisations, countries and regional bodies. In a bold move to set a uniform standard, the IDFC is developing a more defined international procedure for green finance mapping. **By Jonathan Andrews**

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

Since 2010, IDFC members have been mapping their green finance (including climate finance) contributions in an effort to align the collation and transparent reporting of these financial flows. A key objective is to collate and disclose complete data for new green finance commitments.

The Development Bank of Latin America (CAF) is the IDFC lead bank for the green finance mapping working group. "CAF understands that green and climate finance is an issue of top priority for the international development world," explains Ubaldo Elizondo of the Environment and Climate Change team at CAF. "We recognise that tracking and reporting is relevant to show the transparency and commitment of development institutions which can give the IDFC a significant role in helping shape the future in green infrastructure and climate finance."

IDFC members contributed a total of US$95 billion in 2012, an increase of US$6 billion over the previous year, or 64 percent of the global total for climate finance from public sources. Considering the tough environment for sourcing new funds for climate change this is an achievement the group is keen to highlight.

"Available funding is more scarce and for that it is important to be as transparent and efficient as possible in the use of climate finance," adds Elizondo.

Most new commitments have been directed to green energy and the mitigation of greenhouse gases (see above map), with renewable energies and energy efficiency projects gaining the most attention. Under adaptation most funds have been directed to water preservation projects.

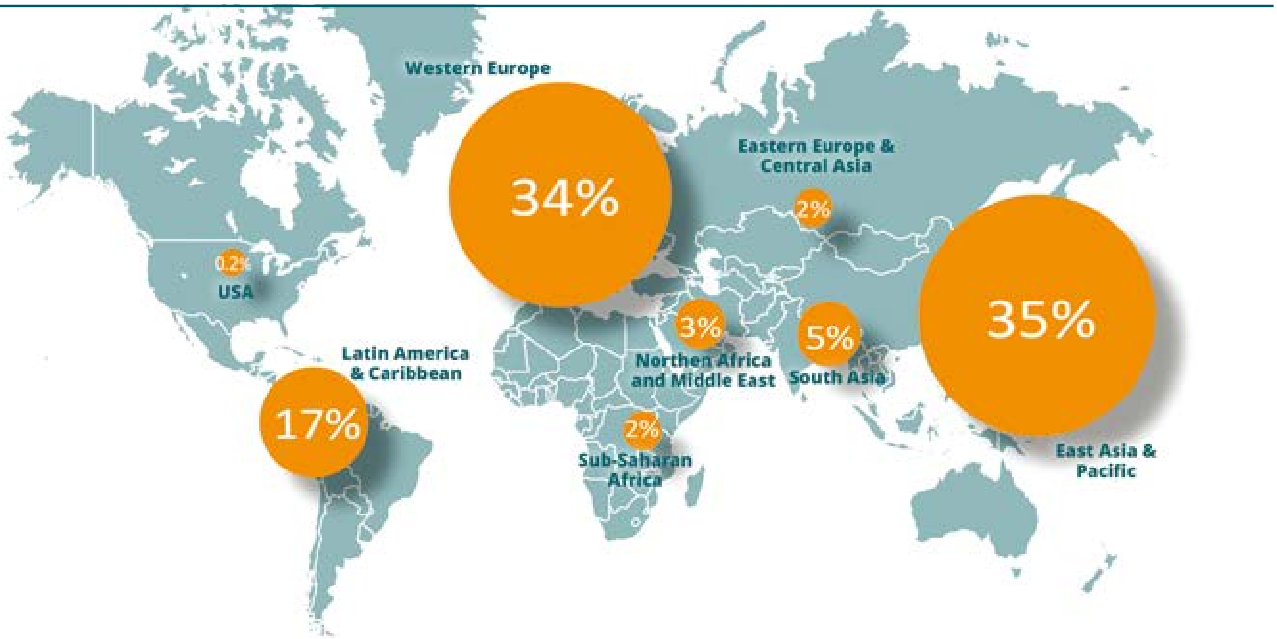
Concessional loans still dominate as the main financial instrument although the IDFC is also focusing on providing grants, equity investments, capacity building for policy implementation and leveraging funds from the private sector to further influence green investments.

Development banks remain the key

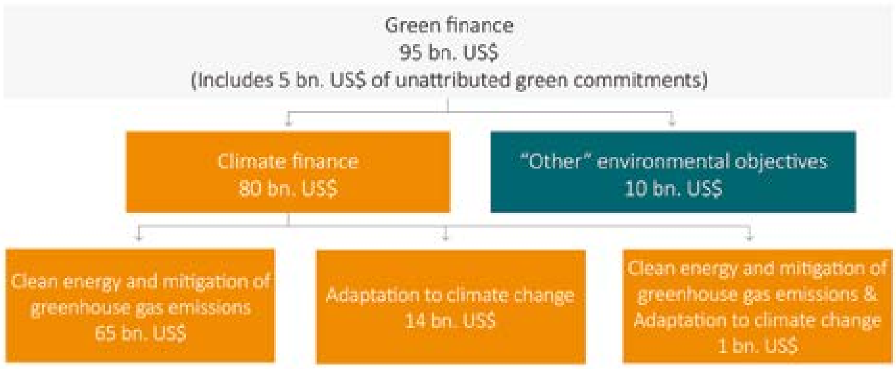
The IDFC believes that beyond the climate finance flows provided by governments, UN agencies and international financial organisations, it is the national, sub-regional and international development banks that play a major role in providing climate and green finance.

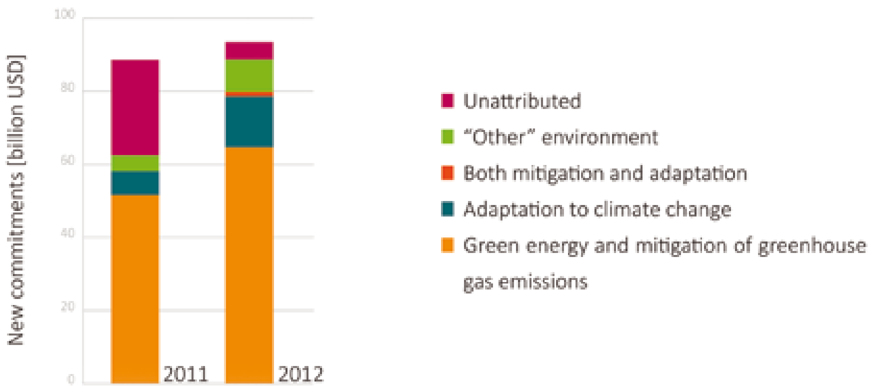
Representing a unique mix of bilateral, regional and national development banks the IDFC provides a platform for exchanging best practices and experiences. The knowledge of member banks on the implementation of mitigation and adaptation activities locally allows them to effectively combine technical assistance with financial packages. This is particularly so in developing countries where US$59 billion of IDFC green finance for 2012 was channelled to developing country projects.

Elizondo says that a new report on green finance commitments for 2013, which will be published for the September 2014 UN Climate Summit in New York, will provide a more in-depth analysis of instruments and the increased possibility of leveraging private finance.



The distribution of financing by target region with the latest recipient of green financing being East Asia & the Pacific (35 percent), followed by Western Europe (34 percent) and Latin America and the Caribbean (17 percent)


Green finance
95 bn. US$
(Includes 5 bn. US$ of unattributed green commitments)
Climate finance
80 bn. US$
"Other" environmental objectives
10 bn. US$
Clean energy and mitigation of greenhouse gas emissions
65 bn. US$
Adaptation to climate change
14 bn. US$
Clean energy and mitigation of greenhouse gas emissions & Adaptation to climate change
1 bn. US$


New commitments [billion USD]
100
80
60
40
20
0
2011
2012
Unattributed
"Other" environment
Both mitigation and adaptation
Adaptation to climate change
Green energy and mitigation of greenhouse gas emissions


Institutions bases in OECD countries US$ 50 billion
US$ 2 billion
US$ 33 billion
US$ 15 billion
Projects in OECD country (other than Home country of institution)
Projects in OECD country (Home country of institution)
Total
US$ 94 billion [1]
Projects in non-OECD country
Institutions bases in non-OECD countries US$ 44 billion
US$ 44 billion
Projects in non-OECD country (Home country of institution)

An updated version of the report will be presented during the UN Climate Summit, New York, in September 2014

© IDFC

The IDFC believes that beyond the climate finance flows provided by governments, UN agencies and international financial organisations, it is the national, sub-regional and international development banks that play a major role in providing climate and green finance

"With every yearly exercise we have noticed an increased interest and participation of IDFC members in the mapping report, and we hope for this year's report we have 100 percent participation," he adds. "Our reports show which regions are receiving more finance from IDFC members. It can be seen as a graphic representation to help IDFC define the regions in which it needs more presence."

Remaining challenges

According to the working group, future mapping exercises will also seek to address the key methodological challenges in green finance mapping. These include: eliminating the risk of double counting, confidentiality issues, lack of data, consistency of data, and aligning climate change initiatives through further cooperation.

"Communication has been established with other working groups that also do similar mapping of climate finance to ask them to start comparing methodologies for a possible future harmonisation," adds Elizondo. "These include the Climate Policy Initiative, OECD, The Standing Committee on Finance of UNFCCC [United Nations Framework Convention on Climate Change] and the group of Multilateral Development Banks."

Elizondo is quick to admit that further work is needed to improve the reporting and tracking of green and finance flows, including a more coordinated effort to agree upon project categorisation activities and finance flows that count towards delivered finance. But he believes that the IDFC is in a good position to steer the initiative to achieve these.

"We need a clear tracking methodology from all IDFC members to help reduce the reporting of 'unattributed' green financing, which we have noted has been decreasing with every mapping exercise," says Elizondo. "IDFC members are active agents in the development of the new climate finance infrastructure. This proactive attitude will ensure that future tracking practices will move towards a global unified methodology." ◘

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Also, COFIDES has signed agreements with the International Finance Corporation (IFC), the Development Bank of Latin America (CAF) and other international financial institutions.

Its aim is to contribute, dependent on profitability criteria, as much to the development of the recipient country as to the internationalisation of the Spanish economy and companies.

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Headquarters
C/ Príncipe de Vergara, 132 | 28002 Madrid, Spain
T. (+34) 91 562 60 08 | (+34) 91 745 44 80
cofides@cofides.es | www.cofides.es

Eugène Kassi N'da, CEO, BNI

When Côte d'Ivoire showed its focus on the future towards 2020, the BNI confirmed it would play a decisive role

Born in 1963, Eugène Kassi N'da is a chartered accountant who qualified under the US system in the state of Michigan on the way to obtaining his qualification as a business evaluation expert.

He is a Certified Internal Auditor from the Institute of Internal Auditors in the US and a graduate of Abidjan Business School in Côte d'Ivoire.

He began his auditing career in Africa and in France in 1986. As Audit Manager in a national firm then Senior Audit Manager for Coopers & Lybrand and PwC in Côte d'Ivoire, Eugene Kassi N'Da was responsible for planning, supervising and finalising audits and consulting.

In his role as Audit Manager, he worked in several sectors such as business, agribusiness, finance and banking, including commercial, business and investment banking.

He joined BNI, the former CAA, on 1 February 1999 as Director of Finance and Administration with his strong background in banking audits. At the same time, he assumed the responsibilities of Director of Human Resources (until the end of 2001) and was responsible for the Treasury Department, for Portfolio Analysis and for financial management of Sectional and Social Funds.

As well as his role as Administrative and Finance Director, Eugène Kassi N'da has been manager in two companies in which BNI has a financial interest. He has also been the representative of the bank at the World Bank, IMF and at the Association of African Development Finance Institutions.

Since April 2011, Eugène Kassi N'da has been Managing Director of BNI.

Well versed in financial matters, he has already got to know the major projects of the bank, which is the oldest and most important national bank, by making clear his values of quality, convenience and professionalism.

When Côte d'Ivoire showed its focus on the future towards 2020, the BNI confirmed it would play a decisive role. Managing Director Eugène Kassi N'da has fully understood the new challenges and has initiated reforms to support the effective development of the country.

This determination to build a strong institution led to Eugène Kassi N'da receiving the Award for Leadership for African Managers from the International Council of African Managers. The institution itself was recognised twice in 2013: in July, it was given the International Award for Business Excellence in Madrid by the Global Trade Leader's Club and in November in Geneva, it received the Majestic Five Continents Award of Quality and Excellence from Otherways International Research & Consultants.

The National Investment Bank: an overview

Created in 1959 under the name Caisse Autononome d"Amortissement, the National Investment Bank (BNI in French) of Côte d'Ivoire changed its name in 2004 to reflect its new strategic priorities.

It has four principal roles: investment, refinancing, advice, and asset management.

A bank focused on individuals…but also for business

The BNI offers a varied range of products and services for private clients including accounts, financing schemes, insurance, savings options, distance banking, VISA and pre-paid credit cards and money transfers.

Equally, the bank is open to companies from all sectors in support of productive investments. Over 452 billion Central African francs (US$948 million) were injected into the Ivorian economy from 2011 to 2013 for both major infrastructure projects and diverse businesses such as agriculture, food processing, construction, services and small and medium-sized enterprises.

A bank for the future geared towards client satisfaction

Faithful to its vision and values, the BNI is extending its network of branches and ATMs throughout the country. In 2010, it adopted a new approach, which focused on listening to clients better and improving the quality of the services and products on offer. Thanks to its efforts in recent years, the bank has reached a level of performance, which has won numerous international business awards.

Management of state funds

The bank manages 14 sectional funds on behalf of the state of Côte d'Ivoire, which enables the government to manage the running of priority sectors with more flexibility and focus as regards to the needs of the population.

Subsidiaries

To support its activities in terms of being an advisory bank and for managing assets, the BNI has created two subsidiaries:

1. BNI Finances SA (Created in January 2004)

In its role as financial arranger, the bank has mobilised 629 billion Central African Francs on behalf of the Treasury of the state of Ivory Coast. BNI Finances manages a portfolio of four

City of Abidjan © Guillaume Mignot

The mission of BNI Gestion is on the one hand, to promote a stockholding culture in the Ivory Coast and sub-Saharan Africa and, on the other, to facilitate access by international investors to the west African financial markets through products which are dependable, suitable and high yield

million shares worth 44 billion Central African francs and is the depositary for three mutual funds. BNI Finances seeks to provide assistance to the Treasury for the mobilisation of resources, to manage outstanding debts and to advise on parastatal and decentralised structures among others.

2. BNI Gestion (Created in May 2008)

BNI Gestion is the asset management company of the group, which is striving to become the leading provider of investment solutions in sub-Saharan Africa. It specialises in the creation and management of undertakings for collective investment in transferable securities, which bring together mutual funds and investment companies with variable capital.

The mission of BNI Gestion is on the one hand, to promote a stockholding culture in Côte d'Ivoire and sub-Saharan Africa and, on the other, to facilitate access by international investors to the west African financial markets through products which are dependable, suitable and high yield.

Interview: Eugène Kassi N'da, CEO of BNI

With which development banks do you work closely and how do they support you?

BNI has a privileged relationship with international financial institutions such as Afreximbank, Industrial Development Corporation (IDC), Commerzbank and BHF Bank.

Our institution has acquired an expertise in mobilising credit lines with some International Financial Institutions and Export Credit Agencies on behalf of customers. This type of structuring has enabled Ivorian company clients at BNI to access financing at a lower cost.

From which sectors are you seeing the greatest demand for your products and services?

Our strong presence in the north of the country has positioned us as a preferred partner in the financing of the cotton and sugar value chain. The rubber cultivation sector is not far behind in which we offer our network of agencies and facilities to factory owners to pay farmers.

In the agro-industrial sector, BNI has invested in the development of activities, in both routine operations and investments. In the southwest, BNI has invested in the production and marketing of palm oil. The bank also invested in setting up a soap factory and contributed to operating a soft drink manufacturing facility.

The bank historically has invested in the electrification of urban and rural areas through financing direct operations, and through financing companies awarded contracts for the expansion, modernisation and maintenance of the electricity distribution network.

The bank has also supported the mass market retail sector by providing credit lines. BNI actively invests in the oil industry by supporting the Ivorian Refining Company (SIR) and has helped secure the supplies to SIR of crude oil and ensured the distribution of oil products.

In the service sector, BNI has set up a mechanism involving international industrial and financial structures to make it easier for SOTRA [the Abidjan Transport Company] to completely renew its bus fleet and to be free from the problems associated with fuel disruptions of fuel and the supply of spare parts.

Through its involvement in the financing of national infrastructure, the bank has also been active in pushing public-private partnerships.

What are the processes that have been implemented to ensure sustainable investment and development?

The bank aims to support productive sectors which are too often ignored. In its capacity as a National Bank for Investment, it has a role towards society, particularly in the development of an economy respectful of the environment. Therefore two types of actions are carried out within the framework of sustainable development:

- A contribution to global efforts in the form of operating structures, with a greater focus on being accessible to all types of companies.
- Actions related to the banking activity and financing of the economy that seek economic stability in the long-term, as well as social responsibility and respect for the environment.

Also, the bank set up a Department for Sustainable Development to take into account the social and environmental dimension of its investment projects.

How does the bank support local businessmen to achieve their goals?

Financing in the form of syndication and interventions backed against refinancing with some sub-regional and international financial institutions has improved dramatically.

The bank is working with legal and accounting professionals to help the business community by offering a more standardised approach to the small and medium-sized enterprise (SME) sector in Côte d'Ivoire. To help create a more structured environment, risks associated with dealing with these companies can be better understood, which in turn can help reduce interest rates on loans and promote investments in domestic companies.

How do you see the investment climate in Côte d'Ivoire in 2014?

Although the use of banking services by most Ivorian people is still relatively low (at 15 percent), growing businesses are increasingly demanding safe and effective financial services. Our role as a development bank owned by the State is to participate in capital increases through two main pathways:

- The first is to promote banking across the nation, not just with services in Abidjan, but to expand the bank throughout the country.
- The second is to promote banking activity with individual customers and companies.
- Our business today, especially with SMEs and larger companies, will help improve the capacity and reliability of the accounts of these companies and as a result will help develop the economy.

Focus on IDFC members

Anne Paugam

CEO of the Agence Française de Développement (AFD)

Anne Paugam © AFD

Biography

Country of birth: France

Education: Paris Institute of Political Studies, ENA (French National School of Administration).

Date began as CEO: 2013

Previous employment:
- She joined the Inspectorate General of Finance in 1993.
- In 1997, she joined the World Bank in Washington where she held positions related to strategic management, then operational functions. She was in charge of public sector reform projects at the World Bank's office in Rabat.
- From September 2001 to May 2002, she was technical adviser and subsequently Deputy Chief of Staff for the Minister for Cooperation, Charles Josselin.
- Paugam first joined Agence Française de Développement in 2002, where she held responsibilities in strategic management, and then in operations (as Director of the Education and Health Department). She was later appointed Secretary General and member of the Executive Committee responsible for budget, resources, finance and risk.

What were the bank's reasons for joining the IDFC?
At AFD, we have had a long history of collaboration with national and regional development banks. We joined immediately when the IDFC was launched three years ago. We are indeed convinced that it is the right place to promote the role played by national and regional banks in financing sustainable development. IDFC brings together development practitioners who share a common vision of global challenges, beyond national interests and the north-south divide. It is a welcome new source of debate and ideas on strategic issues for development, and it was natural for us to be a part of it.

How has AFD benefitted from joining?
Simply put, we are stronger together than we can ever be alone. Before, AFD or other IDFC members could voice opinions, but there was always the possibility that these opinions would be perceived as tainted by a national agenda. Today, the club includes 20 banks and represents more than 40 countries: when we agree on the course to follow, our voice is heard clearly. This is evident when you consider how the remarkable work done by the club on the green climate fund has been taken up. The visit of the UN Secretary-General Ban Ki-moon during our last annual meeting is a sign of IDFC's weight and credibility.

What are the bank's main objectives in terms of development finance?
Agence Française de Développement has been entrusted with a mandate by the French national authorities: it is the main operator of France's development policy. Our 2,000 employees are based in Paris and Marseille, and we have a network of 70 agencies and representations in developing countries and the French overseas provinces.

Our goal is to contribute to a more sustainable and shared economic growth, improve living conditions in the poorest regions and countries, contribute to preserving the planet and help stabilise fragile or post-conflict countries. We carry out this mandate by combining financing with expertise, research, training and capacity building, which we provide to both public and private stakeholders.

The AFD has an extensive network of employees at home and abroad. What are the key benefits of having employees on the ground in the countries the bank finances?
Our network of agencies is obviously an asset. With enhanced reactivity and availability, we can ensure that the projects we finance are managed and implemented in the best possible conditions by our national partners. But it goes beyond good project management. With teams on the ground, we can identify key actors of national development, who we can rely on and support. Besides, through our field offices, we are engaged in a close working relationship with our partners that gives us a better sense of the challenges they face. With that insight, we can provide more relevant contributions to public policy dialogue, and adapt our interventions.

In 2013, AFD committed over €7.8 billion to more than 60 developing countries. What is the bank's financial ambition going forward with regards to committing funds to development projects?
AFD receives public resources (grants and interest subsidies) from the Ministry of Foreign Affairs, the Ministry of Finance and the Ministry of Interior. The bulk of our financing comes from the international financial market. A recent decision by the French prime minister in support of an increase of our capital base will free up resources for us to further intervene in regions where we had reached prudential exposure limits. Our business model has been strengthened and we expect our activity to grow by 9 percent in the next three years.

The AFD supports a diverse range of projects across many sectors. In which sectors would you say that the bank's expertise lies? Which sectors have seen your most successful projects?
We do have a large portfolio of sectors and solid experts in each of them. AFD's know-how is also about the how-to i.e. the methodologies, practices and modalities, from the strategic design of a project or programme to its implementation and post-evaluation, which are all key to achieving the desired impact in the field. AFD is for instance, well known for its expertise in 'financial engineering', climate finance, agriculture, water, social inclusion, urban development and so on. In this last area, we lent about US$250 million to the city of Medellin, Colombia. The project includes the financing of an environmentally and socially sustainable transport system, comprising a 4 kilometre-long tramway and two metro cable lines. Today, 400,000 inhabitants benefit from improved access to transport but also to other urban public services. It is an example of how we combine social and economic integration with environmental concerns.

What kind of financial tools does the bank offer to assist developing countries?
AFD Group–including its subsidiary for the private sector Proparco–provides a wide range of financial tools: concessional or market-rate loans (sovereign and non-sovereign), guarantees, grants, equity or quasi-equity. Our ambition is to offer solutions tailored to the needs of our partners. In the poorest countries we mainly operate through grants. In middle-income countries, we allocate soft loans and provide technical assistance, which strengthens our counterparts and develops cooperation on common challenges. In emerging countries, AFD offers market-rate loans along with expertise, to finance projects and programmes aimed at a more sustainable and inclusive growth with a specific focus on the climate change agenda. ◘

AFD
Fighting for balanced growth and a sustainable future

As a major player in the international sustainable development finance arena, Agence Française de Développement has a wealth of valuable experience to share. Here, the bank presents its principal initiatives and projects in the field of climate change and sustainable development

Fifty percent of AFD's financial commitments to developing countries are to be set aside for projects and programmes with climate change co-benefits © AFD/Denis Daudin

Climate change poses an unprecedented challenge to development: it has now become necessary to balance the development needs defined by the Millennium Development Goals with climate change, which is one of the major threats to the achievement of these goals. The adoption of drastic objectives to reduce greenhouse gas emissions by developed countries and of low fossil-fuel modes of development by developing countries, particularly emerging countries, has become a major goal for both the global fight against climate change and the sustainable development of countries. At the same time, it is vital to support the poorest and most fragile countries, so that they can adapt their economies and social services to the inevitable and already present effects of climate change.

Over the past 20 years, development agencies have made the requirement for more sustainable development a focus for their strategic guidelines. This is the case for Agence Française de Développement, which is concerned about the conditions for the long-term development of its partners and which has a long-standing interest in social and environmental issues. Today, the three dimensions of sustainable development–economic, social and environmental–are considered together and not separately or in sequence. This approach also applies to AFD's climate change strategy and action plan.

In this context, AFD adopted in November 2011 a strategy and action plan for 2012-2016 based on three core pillars (with components tailored to different geographical areas):

1. An objective of allocating 50 percent of AFD's financial commitments to developing countries and 30 percent of the commitments of Proparco, its private sector financing arm, to development projects and programmes with climate change co-benefits;
2. A systematic measurement of the carbon footprint of funded projects using a robust and transparent methodology; and
3. A policy of selecting projects according to their climate impacts, taking into account the level of development of the countries in question.

Climate finance scaled up

In 2012, AFD Group allocated €2.4 billion (US$3.27 billion) to climate-related development projects and budget support (€1.85 billion to mitigation, nearly €150 million to adaptation projects and another €470 million as budget support).Total climate commitments for the period 2009-2012 reached €9.4 billion, making AFD one of the main donors in this area, since it contributed roughly 10 percent of international public climate finance for developing countries.

A new selection criterion for financing

Beyond the amounts pledged to combat climate change, AFD seeks to measure the impact of the projects it finances. To achieve this, since 2007 it has tested and developed a method that makes it possible–right from the start of the project appraisal phase–to assess greenhouse gas emissions from projects and the potential amount of reduced emissions. AFD is one of the first donors to have taken this step.

This tool is also used to make a robust classification of AFD Group's climate change mitigation projects. In addition, AFD is testing a method to assess the vulnerability of the projects it finances to the effects of climate change. The aim is to provide an appropriate response during the project appraisal and cycle.

Funding allocated by AFD between 2009 and 2012 has allowed projects to be implemented that are expected to reduce or avoid annual emissions of 17.6 million tonnes of CO_2 over the next 20 years, and adaptation projects that will have significant impacts on the resilience of the most vulnerable communities and economies.

Thanks to its financial tools, AFD can support innovative projects and provide a response to the widely varying situations encountered in the fight against climate change. It uses a wide range of products, from sector budget support for climate plans to market conditions tools (equity, mezzanine finance, loans and guarantees), including a range of soft loan instruments.

The following are some examples of AFD's experience in financing climate-focused projects:

Supporting renewable energy development

AFD is supporting the Moroccan Solar Plan (MSP) and has contributed financing to the first development phase of a 500 MW solar power complex about 10 kilometres northwest of Ouarzazate. The MSP aims to develop a power generation capacity using at least 2,000 MW of solar power by 2020, mainly to meet local needs. In addition to reducing the country's energy dependence and the negative impact of fossil fuel imports on the state budget, this project is helping to promote the creation of a new solar power industry in Morocco and to greatly reduce the country's greenhouse gas emissions.

Supporting local banks in funding SME climate projects

In Kenya, AFD has allocated a credit line to two partner local banks to finance small- to medium-sized renewable energy power generation units (0.5 MW to 0.8 MW), built by Kenyan agro-industrial corporations and independent energy producers. This credit line will promote sustainable economic development through greater private sector involvement in the development of renewable energy sources and Kenya's energy efficiency systems.

Supporting national policies to combat climate change

AFD has contributed to financing the different phases of the climate plans of Indonesia, Mauritius, Mexico and Vietnam. Indeed, together with other bilateral and multilateral donors, AFD has initiated an innovative approach involving budget support to countries that decide to adopt a nationwide target of integrating the climate into their development strategies. The overall financing of national or regional climate plans aims to support progress in public policies toward the fight against climate change. →

AFD in China

AFD has been operating in China since 2004 under a partnership with the Chinese Ministry of Finance (MOF) and the National Development and Reform Commission (NDRC). Its activities aim to develop cooperation in the fight against climate change and the promotion of sustainable development, which are priority sectors in the Sino-French strategic dialogue.

Considering the major environmental challenges in China, AFD's objective is to contribute to the country's efforts to transition towards a low-carbon, environmentally friendly economy. It meets this objective by implementing exemplary and replicable projects to:

- Mitigate the environmental footprint of cities by developing adequate urban infrastructure and services.
- Promote low-carbon development by improving energy efficiency and developing clean energy.
- Conserve natural resources and biodiversity and assist Chinese local authorities in integrating ecological considerations into their territorial planning programmes.

More precisely, AFD supports sustainable urban development in China, through the improvement of energy efficiency in buildings and urban services, the development of infrastructure for sustainable public transport, and effective water and sanitation services.

For example, AFD supports innovation in district heating networks in three cities: Jinzhong and Taiyuan (Shanxi Province) and Jinan (Shandong Province). These operations have identified substantial energy-saving potential, reduction of local pollutant emissions, contributed to the adoption of innovative, high performance technical solutions and brought about remarkable improvements in project design.

In Wuhan, capital of Hubei province, which was designated as a pilot city for the implementation of a cooperation agreement to promote sustainable urban development, AFD is funding two demonstration projects relating to housing and transportation.

Energy rehabilitation of public buildings: The rehabilitation of public and administrative buildings owned by the municipality of Wuhan aims at reducing greenhouse gas emissions through a more effective control of energy consumption in buildings. An energy performance contract (EPC) mechanism is included in the project in order to ensure that the initial energy-saving objectives are achieved.

Multimodal Transport Hub: This project aims to promote intermodality in Greater Wuhan by encouraging the use of public transport. It involves the construction of a multimodal transport hub that coordinates different modes of transport (subway, train, urban buses, taxis, private cars and flights) and optimises transfers.

Promoting new technologies in water and sanitation projects

With 21 percent of the world's population but only 7 percent of its water resources, China faces strong growth in water demand combined with severe pollution of its surface water and groundwater. France, with its specialized companies and organisations in this sector, enjoys renowned expertise and know-how, as well as numerous international references. In this sector, AFD aims to:

- Promote advanced solutions in water treatment, wastewater treatment and sludge management;
- Recover greenhouse gas emissions from wastewater treatment and organic residues;
- Reduce energy consumption in drinking water and sanitation services; and
- Preserve ecosystems and biodiversity by reducing pollutant discharges.

Energy saving and clean energy development

In China, AFD supports projects to improve energy efficiency in the industrial sector and develop clean energy sources, such as biomass. AFD has granted loans totalling €180 million through two Green Credit Lines, in partnership with Shanghai Pudong Development Bank, Huaxia Bank and China Merchants Bank. At the end of 2012, these two credit lines had financed 55 energy efficiency and renewable energy projects in 20 Chinese provinces.

Conservation of natural resources and biodiversity

AFD supports China's public policies by implementing pilot projects in rural areas. The projects financed by AFD in the provinces of Hunan and Yunnan aim to contribute to economic development in rural areas and to the fight against climate change by rehabilitating forests and planting new forest areas. They include capacity building activities for local partners, as well as the application of forest carbon credits on the financial market.

AFD: Financing cities' sustainable development strategies

The Agence Française de Développement (AFD) supports the urban planning strategies launched by certain major cities and metropolises, which meet sustainable development criteria. One example is the strategy initiated by Curitiba (Brazil) for its urban transportation policy where AFD has participated in financing the construction of a section of a Bus Rapid Transit (BRT) line along a former highway, which has been reclassified as an urban boulevard. AFD has significant experience in the financing of mass urban public transportation sector: suburban railways in the suburbs of Algiers; light metro and rapid rail network in Tunis; the Rabat tramway in Cairo; Santo Domingo and Hanoi metros; and the metrocable in Medellín to name but a few projects.

AFD is assisting China deal with rising water demand © AFD/Nadine Goupille

AFD has significant experience in the financing of mass urban public transportation sector: suburban railways in the suburbs of Algiers; light metro and rapid rail network in Tunis; the Rabat tramway in Cairo; Santo Domingo and Hanoi metros; and the metrocable in Medellín to name but a few projects

Partner to African cities

AFD is taking action alongside African cities to tackle evergrowing challenges such as urbanisation and decentralisation by supporting the elaboration of local development strategies and offering a wide range of financial tools, tailored to the realities of each city.

The bank embodies a comprehensive approach to addressing urban challenges. It promotes a strategic and organic vision of the city, based on an integration of all the urban functions: living, getting about, working and consuming. This vision replaces the traditional sectoral approaches, which are more restrictive and do not ensure effective regional coherence and a balanced and efficient allocation of resources.

Together with African local authorities and their public and private partners, AFD's actions aim to promote the model of a sustainable city that not only integrates economic, social, climate, environmental and heritage issues, but also the protection of global public goods. AFD's financing aims to improve living conditions and urban productivity on the basis of four key city functions:

- To provide widespread access to essential services: water, sanitation, waste management and lighting;
- To promote decent housing conditions by reducing unsafe housing;
- To foster urban mobility; and
- To support economic activities and local employment.

Defining and implementing urban strategies and projects
In many African cities, the levels of human resources and instability of public finances make it difficult to implement territorial projects.

AFD's operations aim to support local politicians in their decision-making and management of these territorial projects, based on a dialogue and partnership with the local authorities, their partners and their ministries.

In this context, capacity building activities for the management and steering of urban public policies can be financed, sometimes in partnership with the decentralised cooperation of French local authorities.

Since 2000, AFD has been constantly scaling up its financing to support urban development in developing countries, particularly in Africa, as well as in the French overseas territories. The bank offers a wide range of financial tools tailored to the specific needs of each city. Such tools include direct lending to municipalities, without sovereign guarantees – something few international financial institutions can actually provide.

Balancing development and the fight against deforestation

AFD has financed a project in the firewood sector in Mali, led by the NGOs Geres and Good Planet. The aim is to reduce deforestation, desertification and greenhouse gas emissions in the south of the country by using biomass more efficiently and providing alternative energy other than firewood through biogas production in rural family units.

This project, which will mobilise carbon finance for the benefit of a rural community, is fully in line with the operations AFD has launched in the forestry sector, particularly in Congo Basin countries. These operations aim to use international financial mechanisms to support sustainable forest management and economic development in forest regions, particularly REDD+ (Reducing Emissions from Deforestation and Forest Degradation in Developing Countries).

With AFD's support, Medellin in Colombia has pioneered the use of cable car systems to link low-income neighbourhoods in hilly areas © The Gondola Project

The projects financed by AFD in the provinces of Hunan and Yunnan aim to contribute to economic development in rural areas and to the fight against climate change by rehabilitating forests and planting new forest areas

With 220 million hectares of tropical forest, the Congo Basin constitutes the second most important forest area worldwide after the Amazon. It is outstanding within Africa for its biodiversity. Shared between six central African countries, about 80 million people live in the Congo Basin and use the forest as a source of energy and food.

Even though the Congo Basin has been relatively well preserved up until now, it is facing a number of threats with regard to its conservation as a whole and as a habitat for fauna and flora, including: population pressure, agriculture, mining, urbanisation and deforestation. Until the mid-1980s, national forest policies had not paid any attention to the real value of the forest's capital and allowed for forest exploitation at low cost, thereby causing waste and destruction of forest resources and the environment.

The economic development of Central African Countries inevitably must consider the use of their natural resources, including their forests, which constitutes one of their major assets. Moreover, the preservation of the forests of the Congo Basin is an essential part of global efforts to fight against climate change.

The challenge consists in reconciling the preservation of the environment and the promotion of economic development, in order to pave the way for the sustainable management of these forest resources. The second Summit of the Earth, held in Johannesburg in September 2002, made some commitments and recommendations in this direction by creating the Partnership for the Forests of the Congo Basin (PFCB) with the double objective of protecting, preserving and sustainably managing the natural resources of the Congo Basin and facilitating economic and social development in the region.

The double objective of the PFCB calls for a new approach going beyond the traditional conservationist policies. Strict conservation will be needed in certain areas and zones of particular importance and vulnerability in terms of biodiversity (so called 'hotspots'), but it cannot constitute a credible and reasonable management response at the scale of several millions of hectares, with the above mentioned socio-economic dimensions at stake.

AFD opts for a participatory, pragmatic and innovative approach that considers forest protection and sustainable management–including its economic use–as complementary instead of exclusive. AFD's approach relies on principles and best practices of integrated resource management combining economic use and ecologic balance, which fully associates public administrations, forest operators and industrial partners, financial institutions as well as the local population in the management of the territory.

AFD-funded projects cover about 12 million hectares or 20 percent of the forest area of the Congo basin managed by private forest management through concessions (55 million hectares), but more importantly about 40 percent of the concessions that are actively managed (31 million hectares). After two pilot projects in Central African Republic and Gabon, AFD has put in place several financing mechanisms for sustainable forest management building on local champions and mutual training and learning. AFD financing covered Gabon, Central African Republic, Congo and Cameroon, and totalled about €100 million between 2000 and 2013. Overall, 15 forest enterprises benefitted from the operations all over the region.

Promoting sustainable agriculture

AFD promotes the dissemination of agro-ecological techniques (conservation agriculture, agro-forestry, and integrated disease and pest management) in many of the geographical areas where it operates, such as Burkina Faso, Cambodia, Cameroon, Lao PDR, Madagascar, Mali, Tunisia and Vietnam.

Conservation agriculture combines a non-tillage production process with biomass management (crop residues and hedgerow intercropping for cover crops) and the practice of crop rotation. This type of farming greatly reduces greenhouse gas emissions compared with conventional soil tilling practices.

Enhancing water resource management

The bank has made a big contribution to improving the management of the River Niger's water resources, by helping the Niger Basin Authority to develop supervision and management tools. The authority is faced with the critical issue of mobilising resources, which is exacerbated by climate change, leading to a significant reduction in run-off and a sharp increase in the needs and uses of a rapidly growing population.

The bank has made a big contribution to improving the management of the River Niger's water resources, by helping the Niger Basin Authority to develop supervision and management tools

Changing actions and partnerships

In view of the challenges and financial amounts that rapidly need to be implemented, the future international climate financial architecture will, beyond traditional international development assistance actors, clearly need to rely on all professional, financial and technical actors working at the international and local levels. It is particularly essential to recognise and give an increasingly important role to national and regional Development Finance Institutions, which are both powerful and legitimate actors for a coherent implementation of the climate and development agendas of their countries and of the international community.

AFD aims to strengthen its strategic and operational partnerships with an increasing number of both traditional and new actors in the financing and implementation of climate change-development policies, including within the IDFC network.

AFD is also actively involved in the construction of a European architecture for visible and coherent development and climate finance, particularly via collaboration tools and the implementation of financing with the European Commission and other European financial institutions.

AFD is today a major and innovative actor in climate finance at the international level, both in terms of quantity and quality, particularly regarding the methods and financial instruments that are implemented. Thanks to the critical mass of its operations, its flexible and comprehensive tools, its knowledge of the field and its recognised experience, AFD enjoys major comparative advantages enabling it to continue to scale up its actions, both for the implementation of France's climate change commitments towards developing countries and for the implementation of European and international climate resources or mandates. ◘

Luis Fernando Castro

President and CEO of Bancóldex

Luis Fernando Castro

Biography

Country of birth: Colombia

Education: An industrial engineer he studied at Columbia University, New York (USA), graduating with an MBA from Universidad de los Andes in Bogotá, Colombia. He also studied Economic Development at Harvard University's Center for International Development.

Date began as CEO: 2013

Previous employment:

- He has led logistic and trade companies related to the food industry, and has also participated actively in the creation of new businesses in the agricultural industry (palm oil), infrastructure industry (road concessions) and construction industry (steel prefabricated buildings).
- Amongst his achievements as CEO of the Barranquilla Chamber of Commerce, a regional development agency, was the design and implementation of its corporate and competitive strategy, that allowed this regional think-tank to create and propose key projects related to regional development through private and public alliances.

Why was joining the IDFC a good choice for Bancóldex?
Bancóldex was invited to join the club in 2011. The idea and vision of the IDFC's goals and the institutions joining this project, made it an appealing initiative and an important opportunity. This early perception was proven correct from the first moment we started working with the member institutions, building together the projects we were going to achieve, and the principles and main subjects we wanted to establish, in a very democratic, trustful and friendly context.

How does being a member of the IDFC help your bank achieve its sustainable development goals?
National development banks are now facing important challenges in a changing world that reinforces their important role in promoting development and economic growth and Bancóldex is fully aware of that reality. In recent years, Colombia has substantially improved its economic indicators; GDP per capita has increased, foreign trade and foreign direct investments (FDI) have increased. There is fiscal policy soundness, inflation has decreased according to the Central Bank's policy strategy and a better sovereign risk perception has led to a growth in local investment. In terms of the internationalisation of the economy, the Colombian government has negotiated different Free Trade Agreements as a strategy to migrate to a more open economy. These important changes during the last decade have definitely generated huge challenges for Colombian companies.

As the business development bank of Colombia, Bancóldex is taking strategic action to strengthen its role in mobilising the private sector to promote Colombia's sustainable development and competitive environment.

In this dynamic context, being part of this group is an invaluable opportunity to share best practices and lessons from other institutions in countries around the world. Getting to know first-hand how others have approached similar challenges, gives us a wider range of alternatives to create innovative solutions. This club also lets us share experiences with others, such as climate finance initiatives, a subject that has been of special relevance and interest to all member banks. Bancóldex has made a great effort to create a social and environmental management model that helps us promote sustainable projects and encourage the Colombian private sector to undertake green challenges.

> In terms of the internationalisation of the economy, the Colombian government has negotiated different Free Trade Agreements as a strategy to migrate to a more open economy

The IDFC's dynamic participation in the world's development scenario provides us with the possibility to be a part of projects that we would not reach as an individual institution. The club has decided to work as a whole on such global matters and a great advantage of being a member is that participation is very efficient. Joint voices acting with a common purpose to strengthen the role of development finance institutions in the development agenda is one of the key advantages the IDFC offers to a national bank such as Bancóldex.

The same goes for the increased opportunities to undertake joint projects. The IDFC has allowed us to get to know and better understand our partners and their objectives, which increases the possibility of identifying projects of mutual interest.

How would you define your bank and its mission?
As a business development bank, Bancóldex offers different instruments and provides full support to Colombian entrepreneurs during each of their growth stages. The bank designs and offers new financial and non-financial instruments aligned with its strategy to promote competitiveness, productivity, growth and development of micro-, small-, medium- and large-enterprises in Colombia, including both export and national market companies.

Furthermore, Bancóldex oversees special programmes for the Ministry of Industry and Trade, dedicated to boosting innovation and high impact entrepreneurship (Innpulsa Colombia), as well as the productive transformation of Colombian companies (Programa de Transformacion Productiva) and the financial inclusion of the lower income population (Banca de las Oportunidades).

These programmes, together with the bank's services, have enabled Bancóldex to consolidate a complete range of tools to promote Colombian competitiveness and growth in a moving and challenging global context.

What are Bancóldex's plans in terms of the number and type of projects it would like to finance?
Bancóldex will continue to be committed to the enhancement of the Colombian economy by fostering competitiveness and productivity through a better understanding of the business community and regional economies.

There will be important challenges for enterprises over the next few years and Bancóldex will be able to anticipate these challenges and design financial products and services that will allow entrepreneurs to successfully face up to such challenges. Improvements in productivity, based on the diversification and sophistication of the current productive structure, will generate the need to invest in new technologies in order to modernise companies. In that sense, Bancóldex will offer medium- and long-term credits on a competitive basis that match the needs of the different regional clusters and sectors of the economy.

Bancóldex will also intensify its actions in relation to the promotion of high impact entrepreneurship, innovation and sustainable development, as an essential element to foster more competitive Colombian enterprises with high growth potential. ◻

Bancóldex
The Colombian Business Development Bank

With SMEs now constituting a major driving force behind the Colombian economy, Bancóldex recognises the importance of ensuring access to finance for entrepreneurs

Bancóldex offers financial and non-financial products and services to enterprises, focusing particularly on SMEs. The bank specialises in offering credit to enterprises through commercial banks to finance different needs:

- **Working capital:** Provides resources for financing operational expenses and other liquidity needs of companies for their functioning and development. Such funds also allow enterprises to carry out a liabilities restructuring process, decreasing short-term debt concentration and transferring it to a longer term with payment intervals adjusted to the business cycle, hence improving the company's cash-flow.

- **Entrepreneurial modernisation:** The purpose of this credit line is to address investment needs in fixed or deferred assets of micro, small, medium and large enterprises for developing projects oriented towards increasing productivity and competitiveness, acquisition of new technologies, restructuring of production capacity, environmental protection and other expansion plans, both at national and international levels.

- **Special credit lines – agreements with territorial entities and strategic allies:** Bancóldex has alliances with entities such as ministries, departmental governments, mayoralties, international cooperation agencies, and others in order to finance different entrepreneurial segments, according to their geographical location, company size or the destination of their resources, under preferential financial conditions. This strategy helps to support special conditions in order to develop segments, sectors or regions in a strategy aligned with public policy.

- **Sustainable development:** Alternative financing directed to micro, small, medium and large enterprises of all economic sectors that carry out investments in measurement, control and monitoring systems, focused in mitigating and adapting to the negative effects of entrepreneurial activity on the environment. The objective of this credit line is to promote an entrepreneurial approach for the sustainability of the businesses, increasing productivity and competitiveness in markets demanding high environmental standards, and including goods and services with added value in the portfolio, in terms of protection and care of the environment.

Since 2003, Bancóldex has focused on micro, and small and medium enterprises (SMEs) to create new products and services in order to consolidate the transformation process from 'Ex-Im Bank', as the bank was originally created, to business development bank.

Micro and SMEs make up almost 99 percent of the total enterprises registered in Colombia and are the main engine of the Colombian economy and the most important source of job creation. This group of businesses face specific challenges when striving to be more competitive and sustainable, and when attempting to grow in the international market. Thus, Bancóldex exists as a partner to promote competitiveness, productivity, innovation and sustainable development.

In the last decade Bancóldex has focused its efforts on filling a market gap regarding the availability of long-term credit. The bank has endeavoured to extend loan terms and strengthen the use of credit to help modernise companies.

Short-term credit is for up to one year; medium term, from one to three years; and long-term credit is for more than three years.

"Development banking should be geared towards the efficient channelling of financial resources," says Luis Fer-

Since 2007 the bank has helped strengthen the management skills of 66,000 Colombian entrepreneurs

nando Castro, President of Bancóldex. "And through the development of tools that help overcome the existing barriers to projects, to promote environmental and social benefits."

Bancóldex carried out an impact analysis on the performance of enterprises between 2000 and 2009. The study focused on the effects of modernising credit lines and the results showed that the those companies using Bancóldex's funding increased production by 24 percent, raised employment by 11 percent, and grew investment and productivity by 70 percent and 10 percent respectively.

In addition to credit lines, Bancóldex has developed different products and services to promote the development of enterprises depending on their growth stage.

Bancóldex offers workshops, e-learning courses, and entrepreneurial support services for micro, small and medium enterprises, contributing to the improvement of management, performance and competitiveness skills

Microinsurance

Bancóldex has designed and implemented a microentrepreneur insurance programme known as 'Futurex – Microseguros Vida y Daños' to reduce the social vulnerability of business owners and their families.

Since 2008, Bancóldex has formed alliances with important insurance companies and international re-insurers to implement the programme, which represents an effort by the public and private sectors to help small business owners by providing low-cost insurance that reduces the social vulnerability of entrepreneurs and their families. Futurex comprehensive coverage not only protects the entrepreneur's property and their families' welfare in case of death, but also protects the credit risk tied to loans granted by microfinance institutions to entrepreneurs. Currently, the sums insured by Futurex are about US$130 million and more than 63,000 microentrepreneurs have taken insurance under these policies.

"In 2014 Bancóldex will work with the Consultative Group to Assist the Poor (CGAP) in the implementation of a study on microinsurance in Colombia called *Customer Knowledge: Knowledge Acquisition and Micro-insurance,* which focuses on developing a better understanding of some aspects of the marketing of micro-damage insurance products through microfinance institutions in Colombia," says Jose Alberto Garzón, Legal Vice-President and Secretary General at Bancóldex.

Entrepreneurial training programme

Bancóldex offers workshops, e-learning courses, and entrepreneurial support services for micro, small and medium enterprises, contributing to the improvement of management, performance and competitiveness skills.

"Since 2007 when the bank began the Entrepreneurial Training programme to train, update and strengthen the management skills of Colombian entrepreneurs, about 66,000 people in 84 cities and municipalities have participated in the training activities offered by Bancóldex," says Fernando Esmeral, the bank's Chief Commercial Officer. "The subjects covered include financial management, foreign trade, corporate governance, environmental management, innovation and corporate social responsibility among others."

Private equity and venture capital investment programme

Convinced of the importance of increasing the available capital for entrepreneurs, the bank created the Bancóldex Capital programme in 2009 to promote the development of the Private Equity (PE) and Venture Capital (VC) industries in Colombia.

The programme has two components: financial support, investing in funds as a limited partner; and non-financial support, contributing to the industry through training programmes, promotion of regulatory changes and encouraging the application of best practices for investors, fund managers and enterprises.

The objectives of the programme are:

- To provide new long-term financing sources for Colombian enterprises, through the injection of capital from equity funds;
- To promote the funds industry for private and entrepreneurial capital; and
- To attract new local and foreign investors to participate in the capital funds industry in Colombia.

"Outsourcing services, information technology, biotechnology, clean energy, digital animation, tourism, power generation and logistics are some of the sectors supported by Bancóldex's investments in funds," explains Mauro Sartori, Chief Risk Officer at Bancóldex. "A total of 33 companies have been backed and 23 of them are based in Colombia. We have already had one successful exit in the biotech and information technology sector."

Venture Capital Funds are also being developed as an early-stage financing tool. Since 2011 a technical assistance programme has been carried out to develop the Venture Capital and Private Equity industries with the purpose of strengthening fund managers and institutional investors, connecting enterprises with capital and promoting capital fund investment in Colombia.

"The resources invested by Bancóldex in capital funds equate to 12 times the resources initially spent by the bank, which means that for every Colombian peso provided, companies received 8.3 times that amount," explains Mauro Sartori, Chief Risk Officer.

Encouraging innovation

The bank also manages trusts dedicated to innovation and high impact entrepreneurship, productive transformation and financial inclusion:

- INNpulsa Colombia is a unit that promotes high impact business growth through innovation and entrepreneurship. The programme has three main tasks: (1) to cultivate a mindset and culture around business growth; (2) to contribute to closing market gaps such as financing for growth and to connect supply and demand; and (3) to build capacity around the design and implementation of a strategy towards promoting high impact business growth.
- The Productive Transformation Programme (PTP), is a public-private partnership designed to transform Colombian industry to make it more competitive by promoting strategic sectors with export potential. All of this is achieved by promoting dialogue with companies, their employers and the associations in their sectors, as well as with government agencies of all regions around the country.
- Banca de las Oportunidades (The Opportunities Bank) promotes financial inclusion for Colombia's low-income population, aiming at reducing poverty, promoting social equity and stimulating the economic growth of the country.

Re-thinking the social and environmental development role

With regard to Colombia's environmental agenda, Bancóldex sees its role as establishing synergies with international institutions, government entities and local actors. The bank is focused on developing intervention mechanisms to solve market failures related to climate finance for either financial intermediaries or the entrepreneurial sector.

Despite the fact that Colombia is considered to be one of the most bio-diverse countries in the world, its characteristics and location mean that it is also one of the most vulnerable. Due to its geographic location and tropical latitude, the climate sensibility of different sectors such as agriculture and infrastructure, and the difficulty of protecting the country against the increased number of natural disasters such as floods, droughts and landslides, Colombia is effected by the same challenges in sustainability as other countries. Environmental disasters are one of the reasons why investments in sustainable projects must be encouraged in order to work for the protection of the environment and the responsible use of resources.

Although Colombia has not contributed in a significant way to climate change, with emissions of greenhouse gases lower than 0.4 percent, the country

One aim of INNpulsa is to to cultivate a mindset around business growth © Bancóldex

INNpulsa Colombia is a unit that promotes high impact business growth through innovation and entrepreneurship is fully committed to solving this worldwide problem. Colombia has realised that a reduction in greenhouse gases is not a barrier to development but a requirement for it to fully happen. The country has a Low Carbon Development Strategy that aims to untie economic growth from an increase in emissions.

As a development bank, Bancóldex, in line with the government's environmental policies, has worked on different strategies to support sustainable economic growth.

"The bank has incorporated environmental variables into the Colombian banking system and has mobilised the financial sector on these issues," says Fernando Esmeral Chief Commercial Officer. "In this context, Bancóldex has promoted (along with UNEP and the biggest Colombian commercial bank) the application of a Green Protocol. This initiative encourages financial institutions to integrate sustainability into their operations, including eco-efficiency practices, the design of new products to support projects with social and environmental benefits, and the management of the environmental and social risks of their portfolio. Eleven commercial banks and two other development finance institutions have joined this protocol."

"As a result of this protocol, Bancóldex has developed training sessions for financial intermediaries focused on the identification and evaluation of banking opportunities to finance projects with a high potential for reducing greenhouse gas emissions," explains Luis Fernando Castro, President. "This training has opened up new opportunities in an area that was relatively unexplored by Colombian commercial banks, and that was considered a barrier to project funding."

Additionally, Bancóldex has produced a Climate Change and Carbon Market Guide for its stakeholders. The guide covers climate change, its international dimension, commercial aspects and the financing of mitigation projects.

Over the last year, Bancóldex has promoted the adoption of social and environmental risk management in commercial banks, not only through the design and implementation of its own risk management model, but also through a training process offered to the commercial banking staff involved in credit processes.

As a resource mobiliser, Bancóldex has worked on the design of specialised green products that seek to move the market into financing projects dedicated to mitigating the negative environmental impacts of production, bio-commerce, construction and transport, giving priority to projects that reduce the negative impact on the environment.

Bancóldex has also worked on the design of better structured instruments that fill the market gap in terms of climate finance. "Bancóldex is designing, with IDB's (Inter-American Development Bank) support, a financial instrument that helps reduce the supply-demand gap in energy efficiency investments, with the purpose of increasing productivity and competitiveness in the sector," explains Fernando Esmeral, Chief Comercial Officer. "This instrument allows for a collaboration between our clients, an Energy Services Company – ESCO, and the financial sector, and brings in participation of a national entity that validates the ESCO's track record, the project, the investment made on the project and the measurement of the energy savings generated by the project."

This is an innovative model of financing designed to encourage energy efficiency investments by building trust between the client and the ESCO. Financial resources are provided under a contract that establishes performance indicators, and an insurance policy is used to support any breach of the contract. There is also a neutral entity, which evaluates the ESCO's technical capacity, and its performance indicators according to the contract, and settles any differences between the ESCO and its client.

The bank has helped small business owners by providing low-cost insurance for entrepreneurs and their families © Bancóldex

Energy saving percentages are established in the contract as performance indicators so the ESCO will work to fulfil its promise to the client. Also, the contract stipulates a figure the client will pay the ESCO according to its achievements in energy savings.

If the ESCO fails to achieve the established indicators for any reason, the client will keep the amount corresponding to the unsuccessful savings from the figure stipulated in the contract. In the case that the figure is not enough to pay the client, the insurance policy will assume the difference.

It is important to highlight that there are a wide range of opportunities where the banks can and must be involved, especially Bancóldex as a development bank. Even though there has been significant progress at a national level, there are still many barriers to overcome, where Bancóldex will always have a role to play. ◘

Carlos Martabit

Chief Financial Officer, BancoEstado

Carlos Martabit

Biography

Country of birth: Chile

Education: Graduated in Economics and Administration – MBA in Finance & Economy - Universidad de Chile

Date began as Chief Financial Officer: 2000

Previous employment:
- Current Chairman of the Board of the Insurance Brokerage Subsidiary of Banco del Estado de Chile
- Current Chairman of the Chilean Bankers' Association Finance Committee
- Member of the Advisory Council of BLADEX, a supranational bank specialised in foreign trade in the Latin American region
- BBVA - Banco BHIF: Manager Treasury and Funds Management; Director of the following BBVA subsidiaries: Mutual Funds, Housing Finance, Investment Funds, Home Leasing, Financial Advisory Services and Stockbrokers
- Republic National Bank of New York, Santiago: Manager, Finance
- Banco de Santiago: Deputy Manager, Finance
- Central Bank of Chile: Economist, Open Markets Department and Direction of Financial Policies

BancoEstado is seeking to broaden the country's banking system, to continue improving services with national coverage and to integrate Chileans into the process of development and improve their quality of life by facilitating access to financial services

What were the reasons for BancoEstado to join the IDFC?
Joining the IDFC is an opportunity for BancoEstado to develop and strengthen long-term relationships with the different banks in this important group. We think the opportunities to exchange experience and information and cooperate in areas related to economic and social development will assist us to unite our efforts in these fields.

In what way has membership assisted the bank?
Being a member has helped the bank to exchange views and experiences with other members of the IDFC and to understand the different realities of different banks and discover areas of cooperation in matters that are related to banking and financial inclusion.

BancoEstado is rather unique within the IDFC as it operates in commercial and development banking activities. In what way do you bring a different perspective to the IDFC?
The different perspective and edge we bring to the IDFC is to promote social inclusion through *bancarización*. Being a commercial bank gives us the opportunity to have a direct relationship with the final customer and also allows BancoEstado to have an impact in a positive way on the lives of millions of Chileans by providing payment methods, transactional banking, debit cards and mortgage lending, together with insurance products, that are very traditional for the bank yet still relevant today.

In the field of development finance, how is the bank assisting the sustainable development of Chile?
We believe that part of our mission is to ensure full access for all the population to a wide range of financial services. Reaching all Chileans by having an extensive geographic network is the best way of assisting sustainable development in Chile. We provide a wide range of financial services, not only credit but payment services, debit cards and insurance. BancoEstado has over 2.5 million customers in the insurance segment that represent many retail, microfinance and developing areas customers.

In Chile from which sectors are you seeing the greatest demands for finance?
The Chilean economy has been growing in a stable manner for many years and each day more production lines and services are being incorporated into the formal economy. BancoEstado serves as the initial connection to the system for many players. In the corporate sector we are seeing strong financial demand in energy, mining and infrastructure. With regards to the retail sector, areas that are developing rapidly include consumer finance and mortgage lending.

In general, developing one specific sector, product and then fulfilling needs that ensure a social role with a market solution is the trademark BancoEstado has been able to forge throughout its history.

The bank has undergone many changes in its history, yet has remained committed to providing financial access (including branch facilities) to most citizens across Chile. Is this a key component of its success?
Without any doubt promoting financial inclusion by making financial services available to most Chileans is the most important role for Banco Estado. Geographic reach has been a priority for the bank and not only through normal branches but also through mini branches including correspondence banking and joint ventures with small shops (Caja Vecina) and also a network of service centres (Servi Estado). Banco Estado has also developed many distribution channels related to technology including internet banking with almost a million users and mobile banking which is growing rapidly. The bank has tried to integrate all Chileans into the formal system. BancoEstado has a market share of over 40 percent in debit cards showing how important integration and *bancarización* is for the bank. Microfinance is very important as well for BancoEstado, we started many years ago developing this segment in Chile and today 50 percent of the customers in this segment are customers of the bank.

Is there still a place for state-owned banks operating in the commercial banking sector? Or are state resources better placed in banks that focus wholly on development finance?
The existence of underserved sectors of the economy with financial products has created a real need to have a player like BancoEstado that can provide integration and participation in the formal system to so many Chileans. All the bank activities are performed taking special consideration and importance to the asset quality of the bank. BancoEstado enjoys a very strong credit rating from the three rating agencies, (Aa3, AA- and A+).

What are the priorities for the bank in 2014?
BancoEstado is seeking to broaden the country's banking system, to continue improving services with national coverage and to integrate Chileans into the process of development and improve their quality of life by facilitating access to financial services. ◘

BancoEstado
Financial inclusion for all

A key remit of the bank is to promote entrepreneurship and financial inclusion © BancoEstado

BancoEstado is one of the oldest financial institutions in Chile, with our predecessor starting operations in 1855. We are wholly owned by the Republic of Chile, with the purpose of providing banking and financial services aimed at fostering the development of Chile's economic activities. Our goal is to be the bank for all Chileans, combining commercial success with our commitment to provide banking services to clients from all socioeconomic sectors.

BancoEstado's position in society is based on close, deep and long-lasting relationships with customers; on delivering competitive quality services; on its commitment to promote entrepreneurship and social inclusion; on its role as a state-owned bank that supports and is committed to public policies of sustainability, and development; and on its contribution to a more competitive financial system with high standards.

As a universal bank, we are relevant not only in providing financial solutions for supporting high-impact projects, but also in promoting home-ownership and a major penetration of banking services for the population. For this purpose we have the most extensive network in Chile, with locations in every Chilean *comuna* (county).

BancoEstado: commercial management with a high social impact

BancoEstado is an institution dedicated to financial services, whose vision is to be a bank of excellence based on commercial management with high social impact. With a history of 158 years, BancoEstado is an autonomous state-owned company, whose management is governed by the Organic Law of the Bank as stated in Decree Law Nº 2.079 of 1978, legislation that is complemented by other provisions governing the work of the banking industry in Chile. It is subject to the supervision of the Superintendence of Banks and Financial Institutions, and communicates with the Government of Chile through the Ministry of Finance.

As the sole public bank in the country, the main objective of BancoEstado is to reach all Chileans with a diversity of high quality products and services, in particular those who do not have access to the financial system. BancoEstado is known for delivering a competitive quality service and for its commitment to the promotion of entrepreneurship and financial inclusion. It is a bank that supports and is committed to the public policies of the country.

Ensuring prosperity for all Chileans

Through its subsidiary BancoEstado Microempresas (BancoEstado Microfinance), BancoEstado has become a pillar of local entrepreneurs, contributing actively to the development of small businesses. All of this is done with the purpose of promoting economic and social integration for all Chileans. Thanks to this subsidiary, more than 460,000 entrepreneurs have joined the financial system, which represents 62 percent of the market share in the field of microfinance.

In order to contribute to banking and to generate opportunities for economic development at the local level, BancoEstado has implemented over 11,000 CajaVecina points to be used by clients at a point of sale, bringing the bank to persons who live in remote areas or in densely-populated districts. The CajaVecina point is a device that is installed to work online with the bank in small stores and shops. Customers can make a number of banking transactions in their own neighbourhoods without the need to travel huge distances. The relevance of this innovative service is that it has extended the coverage of BancoEstado to every district throughout the country. This has had a huge social impact, since the bank has been able to reach remote and difficult areas allowing people to experience true integration into the financial system and a positive impact on their quality of life.

BancoEstado has the most extensive service network in Chile through 359 branches distributed throughout the country, plus a branch in New York, US, that was established in 2005. Through the various BancoEstado channels, customers make more than 100 million transactions every month, with 93 percent done through automated channels.

The rapid increase in transactions is also reflected in the financial system. This way, when comparing the first semester of 2013 with a similar period in 2010, banking transactions at cash machines increased by 90 million and those made with RedCompra increased 137 million–in annualised terms–of this increase, 74 percent and 49 percent, respectively, corresponds to transactions made by customers of BancoEstado, which indicates the impact of financial inclusion by the institution.

It is also worth mentioning that BancoEstado is the main supplier of debit cards at a national level. This has been possible through the Cuenta RUT, a one-person account which can be accessed by all Chileans, for men over 14 and women over the age of 12, who hold an account number which matches the National ID number of each individual. The Cuenta RUT card also has a chip that can be used to pay for public transport in the capital city, Santiago.

Currently, there are 6.4 million active Cuenta RUTs, with a stake exceeding 43 percent of all cards issued by Chilean banks. As such, it is expected by the end of 2016, there will be nine million Cuenta RUTs.

As for mortgage credits, BancoEstado is the leader in products aimed at low and middle income segments. By December 2013, BancoEstado had issued 511,000 mortgage credits, which represent 49 percent of mortgage loans in the system.

The history and management of the bank have been recognised by various local and international organisations. For the second consecutive year, BancoEstado was acknowledged in 2013 by *Global Finance* magazine as the safest bank in Latin America, which confirms its strength and economic stability.

BancoEstado works constantly to generate impact, ensuring the preservation of the business and creating value for its employees, clients and stakeholders. This management becomes a reality as four essential points representing the institution's Corporate Social Responsibility: Financial Education, Environment, Community and Volunteerism, points from which various programmes are created.

Over 11,000 CajaVecina points can be used by customers to access banking facilities in local stores © BancoEstado

BancoEstado has the most extensive service network in Chile through 359 branches distributed throughout the country, plus a branch in New York, US, that was established in 2005

For BancoEstado Corporation, the welfare of its more than 13,000 workers is essential, so it is always innovating to improve labour practices. In 2013, BancoEstado and its subsidiaries occupied 33rd position in the ranking of the best companies to work for in Chile, a ranking undertaken by the Great Place to Work Institute (GPTW), making BancoEstado the only public company to be recognised on a country level. Also, the subsidiary BancoEstado Microfinance was placed first in the national ranking and second in Latin America.

BancoEstado is a public institution which is socially oriented, modern, efficient and cost-effective. It depends on this for its sustainability over time and the ability to generate resources for the implementation of social programmes of the state, objectives to which the bank is deeply committed.

Luciano Coutinho

President of the Brazilian Development Bank (BNDES)

Luciano Coutinho

Biography

Country of birth: Brazil

Education:
- Master's and a PhD in Economy from the University of Cornell (US) and is a guest lecturer at Unicamp. He was a visiting professor at the University of Paris XIII, in Texas, at the Institute Ortega y Gasset, as well as at USP, and was a full professor at Unicamp.
- He graduated in Economics from USP, and during the course, he received the Gastão Vidigal award for best student of Economics in São Paulo.

Date began as President: 2007

Previous employment:
- Between 1985 and 1988, he was the Executive Secretary of the Ministry of Science and Technology.
- In 1994, he coordinated the Competitiveness Study on Brazilian Industry, the work of almost 100 specialists who mapped out the Brazilian industrial sector.
- Prior to taking over the presidency of the BNDES, he was a partner at LCA Consultores, acting as a specialist consultant in competition law, international trade and macroeconomic and market forecasts.

Why did the BNDES choose to become an IDFC member?

Constituting the IDFC was something quite natural for institutions that already shared a similar background and a similar view of their role. Its 20 members are like-minded development banks of national and sub-regional origin, operating within the framework of development policies of their respective countries, assisting their respective governments in fulfilling their national and international commitments. In this context, the BNDES believes that there is an increasing role for national and sub-regional development banks and we have been taking advantage of this environment in order to collaborate and face up to global challenges.

How does being a member of the IDFC help your bank achieve its sustainable development goals?

As a matter of fact, the IDFC is the formalisation of the cooperation that had already been taking place among development banks. Therefore, the IDFC constitutes a deepening and extension of long existing business relationships between members and provides the chance to identify and develop future topics, markets and areas of cooperation. The BNDES benefits from the depth of each institution's local experience and competency, and contributes to the group from its own experience.

How would you define your bank and its mission?
The BNDES is the main financing agent for development in Brazil. Since its foundation, in 1952, the bank has played a fundamental role in stimulating the expansion of industry and infrastructure in the country. Over the course of its history, its operations have evolved in accordance with the Brazilian socio-economic challenges, and nowadays they include support for exports, technological innovation, sustainable socio-environmental development and the modernisation of public administration. It has a mission to foster sustainable and competitive development in the Brazilian economy, generating employment while reducing social and regional inequalities.

The BNDES has three integral subsidiaries: FINAME, BNDESPAR and BNDES Limited. Can you provide an overview of the roles of each of these subsidiaries?
Together, these companies, that work under the same administrative structure, comprise the BNDES Group. FINAME's resources are earmarked for financing purchase and sales operations and exports of Brazilian machinery and equipment. BNDESPAR is a business corporation that carries out capitalisation operations of undertakings controlled by private groups, while abiding by the BNDES' plans and policies. The subsidiary is responsible for contributing to the strengthening of Brazil's capital market by expanding the offer of securities and democratising the ownership of company capital. BNDES Limited, which opened in London in November 2009, represents one more step in the institution's expansion efforts outside Brazil. The purpose of the subsidiary is to increase the bank's visibility in the international financial community and effectively support Brazilian companies undergoing the internationalisation process or those searching for opportunities in the international market.

The BNDES focuses on supporting Brazilian companies' work at home and abroad. What tools do you offer companies who want to achieve stronger exports and establish themselves on the international market?
Since 1990, the BNDES has been part of the successful efforts towards maintaining a market-based, competitive environment for Brazilian exporters. BNDES-Exim provides Brazilian producers of goods and services with an important source of financing for trading with the rest of the world. Pre-shipment tools finance the production of internationally competitive companies established under Brazilian law; post-shipment ones finance the trade of goods and services abroad by refinancing the exporter, or through the buyer's credit category, in accordance with international standards. Also, the BNDES has a specific line for internationalisation: the bank offers Brazilian businesses located abroad the financial instruments for fair and successful undertakings, offering competitive conditions for the internationalisation of Brazilian companies. The purpose is to encourage the entrance and the strengthening of companies in the international market by supporting investments or projects to be carried out overseas. The bank can also support the internationalisation of companies by raising the capital of companies, through the subscription of bonds and securities. Investments eligible for support include those related to building new branches, purchasing, expanding or modernising installed plants and equity investments, as well as working capital needs (to be defined during analysis), provided they are associated with these investments.

Can you provide more information about the financial support mechanisms you offer?
The BNDES offers its clients: i) Financing: for investment projects, isolated acquisition of new machinery and equipment, exports of Brazilian machinery, equipment and services and the acquisition of goods and production inputs; ii) Non-reimbursable resources: investments of a social, cultural (education and research), environmental, scientific or technological nature, which need not be financially reimbursed to the BNDES; iii) Subscription of securities: the BNDES may participate as a subscriber of securities in publicly listed companies, in public or private issuances, or in companies that may join the capital market in the short or medium term, through a private issuance. In some specific cases, financial support may be provided in a mixed manner by means of financing to part of a project and through the subscription of securities to another part of it.

BNDES Limited, which opened in London in November 2009, represents one more step in the institution's expansion efforts outside Brazil. The purpose of the subsidiary is to increase the bank's visibility in the international financial community and effectively support Brazilian companies undergoing the internationalisation process or those searching for opportunities in the international market

Who can come to the BNDES for financial support?
The bank has made access to credit more and more universal, and thus contributes to fostering the advance of the economy and, consequently, to generating jobs and income. Clients can be private companies with headquarters and administration in Brazil, as well as individual entrepreneurs in specific cases (cargo carriers, rural producers or microentrepreneurs). Public administration is also entitled to financing. Requests can be made directly with the BNDES or with an agent institution. ◘

The BNDES
Leading Brazil's green economy

A dynamic institution that aims to support green and sustainable projects whilst meeting the needs of society, the BNDES has 61 years' experience and is still mapping the way forward by taking on new green finance challenges

The Amazonas state project run by the State Secretariat for the Environment and Sustainable Development (SDS) © Ana Paula de Aquino

The Banco Nacional de Desenvolvimento Econômico e Social (BNDES), the federal government's leading player in financing investments for projects related to developing the country, ended 2013 with disbursements to the tune of R$190 billion (US$81 billion) up 22 percent on those posted in 2012. Of this total, projects aimed at regional development are expected to surpass R$35 billion, while those associated with the green economy will exceed R$25 billion, and funds to encourage social development reached close to R$17 billion.

The bank's efforts, however, encompass much more than the mere amounts disbursed. They incorporate a modern vision for development, which is to associate economic growth with social well being, innovation, quality and environmental preservation. These are all concepts employed by the bank when analysing projects that seek financial support.

"The BNDES believes that fostering sustainability along with social and environmental responsibility are inherent to its role, and these concepts are clearly expressed in the bank's mission, values and its code of ethics," says Luciano Coutinho, President of the BNDES.

The results of such a policy can be measured in numbers. As a bank aimed at long-term financing, it has helped the Brazilian economy sustain the expansion of investment, leveraging core growth ahead of GDP. Responsible for close to 24 percent of the country's investments, which contributed to creating or preserving more than five million jobs in 2013, the BNDES has recently incorporated new targets into its priority agenda.

The mission of promoting the sustainable and competitive development of the Brazilian economy and creating jobs and reducing social and regional inequalities, has resulted in socio-environmental sustainability policies, support for companies' social investment, micro-credit programmes, sanitation, infrastructure, decentralising and regional development. These are all demands made by Brazilian society which have been met with growing injections of resources.

The BNDES has historically been the largest financier of industrial, infrastructure and agribusiness projects in the country, serving institutions of all sizes, from the private and public sectors, as well as NGOs, including, more recently, new courses for investment. Highlights include the more than 20 programmes targeted at innovation, with a total loan portfolio that surpasses R$25 billion. Emphasis has been given to developing sustainable technology; financing the ethanol and biofuels industries; electric public transport; railway and waterway cargo transport; energy efficiency projects; acquiring and producing high-technology machinery; social and production inclusion, as well as support for Brazilian culture.

Regional financing increased

The territorial scope is a permanent challenge for a country with such economic, social, cultural and environmental diversity as Brazil, not to mention the sheer magnitude of the country. With this in mind, the bank has increased its financing for projects in Brazil's north and northeast; regions that are in more need of social infrastructure and investments. Over the last five years, the portion of the bank's total disbursements that went to these two regions rose from 13 percent in 2008 to 21 percent in 2013.

"The growth of financing from the BNDES to the north and northeast denotes the importance of the GDP in these regions when calculating the national GDP," explains Coutinho. "The BNDES understands that the regional dimension of industrial development has to take into account the decentralisation of large-scale projects."

Stimulus and support for projects focused on regional development, covering health, education, production inclusion and companies' social responsibility, has increased over the last few years and can now be translated into a better Human Development Index (HDI) in those regions. Examples of relevant projects are a pulp and paper plant in the state of Maranhão, the São Gonçalo do Amarante airport in Rio Grande do Norte and, in the state of Pernambuco, the expansion of the automotive industry and the Industrial Complex in the Port of Suape.

The Arpa Project run by the Brazilian Biodiversity Fund © Rogério Faissal

Developing a green economy

Financing related to the green economy, which helps reduce the negative effects of climate change, followed the same path and posted growth of more than 60 percent when compared with figures from the last five years. The green economy concept incorporates projects in areas such as public passenger and cargo transport; water, sewage and solid waste management; forestry; agricultural improvements; adapting to climate change; as well as renewable energy and energy efficiency.

"The right of developing economies to growth requires new paradigms, including more efficiency and social development," says Coutinho. "If we do not face up to the social aspects, we will pay a high price in terms of the envi- →

ronmental impacts. Inclusive growth is an essential part of environmentally sustainable development, and Brazil, with its experience, can make a relevant contribution."

In electricity alone, over the last 10 years, the bank has provided financing in the region of R$101.2 billion, which is equivalent to 43,1 GWh. Of this total, close to 90 percent is related to renewable generation, which helps consolidate the sustainability of Brazil's power grid. Currently, 78 percent of the energy generated in Brazil comes from renewable sources.

Concerning wind power generation, a sector that the BNDES deems a priority, the bank's growing support has also stimulated companies to increase their social investments, targeting workforce training, improving local infrastructure, as well as environmental programmes to raise awareness in the communities that surround the wind farms.

Such initiatives have become even more important due to the fact that most Brazilian wind farms are located in the semi-arid region of the northeast, where the Human Development Index is below the national average.

The BNDES has also encouraged international manufacturers of wind-power generators to set up plants in Brazil by increasing national content requirements to receive financing. The presence of more suppliers in the Brazilian market has increased competition, bringing about an important reduction in costs for each installed MW.

The large-scale infrastructure projects financed by the bank have, over the last few years, intensified the inclusion of programmes that bring about social and environmental benefits. Hydroelectric power plants and wind farms have been planned so as to minimise environmental impact resulting from construction, while boosting the potential of those benefits stemming from implementation by efforts that stretch far beyond the legal requirements.

Projects for electric energy have incorporated specific policies for each region. Through this the bank is able to operate more broadly and inclusively in areas where undertakings receive financing from the BNDES. Thus, the bank supports social investments that can help foster sustainable territorial development and that also encompass local government and society.

Since 2011, when these policies were consolidated, the BNDES, specifically in the electrical energy sector, was already providing support for projects surrounding the large hydro plants, including Estreito, in the state of Tocantins, Santo Antônio e Jirau, in the state of Rondônia, and Belo Monte, in the state of Pará which are all still being implemented.

The bank's involvement with the Belo Monte plant, which is the third largest hydropower plant in the world, incorporates financing for investments in environmental and social efforts. Such investments are equivalent to 11.2 percent of the total resources earmarked for the plant, which is the largest amount the bank has ever approved for these kinds of initiatives.

Most Brazilian wind farms are located in the semi-arid region of the northeast © BNDES

The BNDES has also encouraged international manufacturers of wind-power generators to set up plants in Brazil by increasing national content requirements to receive financing

The bank is also helping to invest in the regions surrounding projects, to encourage the economic and social development of the areas that are directly or indirectly affected by the hydroelectric plant, which extends across 11 municipalities in the Xingu region.

Each environmental impact has been countered with measures to control, monitor, mitigate or compensate. Such measures have given rise to a wide array of programmes, resulting in the Basic Environmental Project, which includes 117 environmental projects, 49 social and economic programmes, 11 land-title efforts and 57 projects related to people.

"Belo Monte has the same ratio between the flooded area and the energy generated in a small hydroelectric power plant," explains Nelson Siffert, Deputy Managing Director of the BNDES' Infrastructure Division. "It could have a larger reservoir to assure a higher level of energy, but that would mean more serious environmental impact. The Brazilian federal government was against this, seeking not only to supply enough energy to boost the economy, but also to establish a balance between energy supply and socio-environmental sustainability."

Assessing environmental impact

Internally, the bank has improved the methodology it uses to assess companies, so as to include intangible assets, such as socio-environmental capital and the level of company commitment to Social and Environmental Responsibility. Projects are classified according to their environmental impact.

Based on this information, the bank's Credit Committee has discussed socio-environmental recommendations that should be adhered to during analysis, aiming at socio-environmental compliance and fostering sustainability in projects receiving support.

The BNDES has instruments to help teams analyse projects, such as inquiries into social and environmental practices related to the undertakings seeking financing. Analysis also covers the impacts that result from implementing projects, for example the generation and maintenance of jobs and income for people, as well as the social and economic boost to areas that surround projects.

A set of socio-environmental guidelines, with courses of action and specific requirements for projects to be approved in sectors, has been put together by the bank. These guidelines cover activities such as cattle-raising and sugar cane-based ethanol and soybean production. Companies must comply with the socio-environmental procedures in order to obtain financing from the bank.

The BNDES also uses statistics to help assess how aligned companies are in terms of sustainability. The decision was made to join statistics from the Global Reporting Initiative (GRI) with indicators produced by the bank itself, such as those concerning the green economy. These indicators will help the BNDES establish partnerships with national and international institutions that can boost the bank's ability to promote sustainable development.

Investment in REDD initiatives

In the environmental area, the BNDES' initiatives go well beyond concerns for mitigating negative impacts, so much so that the environment is seen as an investment opportunity. As manager of the Amazon Fund, one of the most significant international REDD (Reducing Emissions from Deforestation and Forest Degradation) initiatives, the bank has managed to provide support for 92 projects aimed at combating deforestation, as well as the conservation and sustainable use of the region.

To reach its goals, the Amazon Fund provides support to initiatives in specific areas, such as managing public forests and protected areas; environmental control, monitoring and inspection; sustainable forest management; economic activities developed through sustainable use of the forest; ecological-economic zoning, land-use planning and land-title regularisation; conservation and the sustainable use of biodiversity; and recovering deforested areas.

The importance of the fund has been instrumental in mobilising non-reimbursable resources, which have come from donations. These resources have then been earmarked for the Amazon region directly and used by states, city councils, NGOs and universities. Donations have been made by the Norwegian government, Germany's KfW and Brazil's own Petrobras.

Among the projects approved are those aimed at supporting production activities focusing on sustainable use of resources from the region, as well as those that help bring about deeper change in the development model in the region, improving the standard of living for locals. These include training courses and innovation, such as adding value to forest products and services.

With this, the fund has provided support for academic research on issues such as biodiversity, the biochemical properties of the açaí berry, the ecology of the mangroves, and the territorial occupation processes, bringing together academic know-how and traditional knowledge.

The importance of the fund has been instrumental in mobilising non-reimbursable resources, which have come from donations

National Climate Change Fund

As one of the main agents implementing the federal government's policies, the bank also acts as a financial agent for the National Climate Change Fund (Fundo Clima), which is one of the government's principal environmental instruments.

Created in 2012 with the purpose of supporting investments related to reducing greenhouse gas emissions, the programme finances initiatives to mitigate and adapt to climate change and its effects. Its focus is on investments in projects for sustainable cities, native forests, renewable energy, efficient transport, and carbon services and management.

With the Climate Fund, the BNDES is seeking to increase investments in technology that produce lower greenhouse gas emissions, and encourage investments that can help Brazil reach its emission reduction targets and prepare the country to compete in a low-carbon economy. ◻

The BNDES has offices in four Brazilian cities, Rio de Janeiro, São Paulo, Brasília and Recife, and three in other countries, Uruguay, England and South Africa. The BNDES has achieved an important position among the world's development banks, with a credit portfolio that surpasses R$560 billion, some R$745 billion in assets, nine-month-profit of R$4.9 billion, in September 2013, and one of the lowest default rates in the Brazilian financial system, sitting at 0.02 percent.

Protecting your bank deposits

The NDIC -Nigeria Deposit Insurance Corporation, is an independent agency of the Federal Government of Nigeria established in 1988 by the NDIC Decree No 22 of 1988 as a body corporate with perpetual succession and a common seal. The decree was repealed and replaced by NDIC Act 16 of 2006.

Corporate Vision
"To become one of the leading deposit insurers in the world."

Mission Statement
"To protect depositors and contribute to the stability of the financial system through effective supervision of insured institutions, provision of financial and technical assistance to eligible insured institutions, prompt payment of guaranteed sums and orderly resolution of failed financial institutions."

Public Policy Objectives
- Protecting small, uninformed and less financially sophisticated depositors;
- Contributing to the financial system stability; and
- Enhancing public confidence and systemic stability.

Functions of the Corporation
i) insuring all deposit liabilities of licensed banks and such other deposit-taking financial institutions operating in Nigeria within the meaning of the Act so as to engender confidence in the Nigerian banking system;
ii) giving assistance in the interest of depositors, in case of imminent or actual financial difficulties of banks particularly where suspension of payments is threatened;
ii) guaranteeing payments to depositors, in case of imminent or actual suspension of payments by insured banks or financial institutions up to the maximum amount as provided for in the Act;
iv) assisting monetary authorities in the formulation and implementation of banking policies so as to ensure sound banking practice and fair competition among banks operating in the country; and
v) pursuing any other measures necessary to achieve the functions of the Corporation.

Governance
The Corporation has a twelve-member Board of Directors appointed by Nigeria's President; they are responsible for policy formulation and oversight of its affairs.

Core Values
- Honesty
- Respect and fairness
- Discipline
- Professionalism and teamwork
- Passion

Funding
Most funding comes from the periodic premium paid by insured institutions. The operations of the Corporation are solely financed from the interest earned from the investment of the DIF in government securities.

Membership
Membership of DIS is mandatory to all deposit-taking financial institutions, which includes deposit money banks, microfinance banks and primary mortgage institutions.

Level of Coverage
The types of deposits covered include: current account deposits, savings account deposits, time & term deposits and foreign currency deposits. NDIC covers the balance in

NDIC MD / CEO, Umaru Ibrahim, mni, FCIB

L-R: Chairman, NDIC Board of Directors, Amb. (Dr.) Hassan Adamu, Chief Judge of the Federal High Court, Hon. Justice Ibrahim N. Auta and MD/CE NDIC, Umaru Ibrahim discussing a point at the NDIC Sensitization Seminar for Judges in Abuja

NDIC MD / CE, Umaru Ibrahim (front row, 6th from the left) with delegates at the 12th Annual General Meeting and Conference of the International Association of Deposit Insurers (IADI) in Buenos Aires, Argentina where he was elected as Member of the IADI Executive Council

each depositor's account up to the maximum legal limit of ₦500,000 (US$3,040) for depositors of DMBs and ₦200,000 for depositors of PMBs and MFBs. However, NDIC insurance does not cover money invested in the equity of insured institutions.

Mandate and Powers

The deposit insurance scheme (DIS) mandate being implemented by the NDIC was designed as a risk minimiser. The mandate is as follows:

Deposit Guarantee

NDIC guarantees the payment of deposits up to the maximum limit in the Act so as to promote public confidence in the banking system. The cumulative amount of insured deposits paid to 528,295 depositors of the 48 DMBs in-liquidation was ₦6.7 trillion as of 31st December 2013.

Banking Supervision

The NDIC carries out its supervisory activities of insured institutions in collaboration with the Central Bank of Nigeria (CBN). In 2009, the NDIC commenced the adoption of Risk-Based Supervisory (RBS) approach. The joint special examination conducted by the NDIC and CBN in 2009 revealed the near systemic distress in the sector, which saw the introduction of various banking reforms.

Failure Resolution

The NDIC has adopted the following resolution options: open bank assistance, depositor payout and liquidation, purchase and assumption and bridge bank mechanisms.

Bank Liquidation

The NDIC continues to play its role as liquidator of the closed insured banks through asset realisation and payment of liquidation dividends to un-insured depositors and other eligible claimants of the closed insured banks.

NDIC Re-branding Project

The Board approved a rebranding project, which entailed an overhaul of the Corporation's public image, people and processes in order to achieve higher quality service delivery.

Process and System Enhancement

The Corporation has automated many of its processes with a view to enhancing efficiency and effectiveness in the discharge of its mandate.

Public Awareness

The NDIC carries out a number of public enlightenment programmes aimed at sensitising the public and stakeholders on its activities. Some of the initiatives include: Workshop for Business Editors' and Finance Correspondents Association of Nigeria (FICAN); distribution of publications such as Handbook on Basic Knowledge on Banking and Deposit Insurance; press briefings by the MD/CEO; Radio and TV jingles; and a TV documentary programme "NDIC Calling".

NDIC Contact Addresses

The Corporation has its Head Office in Abuja and a sub-head office in Lagos. In addition, it opened eight Zonal Offices in Kano, Bauchi, Sokoto, Yola, Ilorin, Enugu, Benin and Port Harcourt.

Head Office
Plot 447/448 Constitution Avenue
Central Business District
P.M.B. 284
Abuja Nigeria
T. 09 - 460 1380 - 9 | 09 - 617 1380 - 9
F. 09 - 628 5717
info@ndic.org.ng
www.ndic.org.ng
Toll-free Help Desk: 080063424357

Lagos Office
Mamman Kontagora House
23A Marina
P.M.B. 12881
Lagos Nigeria
T. 01 - 264 7810 - 847
F. 01 - 264 7848

Christian Adovelande

President, Banque Ouest Africaine de Développement (BOAD)


Christian Adovelande © BOAD

Biography

Country of birth: Benin

Education: Holder of a masters' degree in economics and a post-graduate degree in finance and banking.

Date began as President: 2011

Previous employment:
- He joined BOAD in 1978, where he served for 24 years at different levels of responsibility at the bank.
- From 1995 to 1999, he held the positions of Deputy Secretary General of GARI S.A. (Guarantee Fund for Private Investments in West Africa), then, from 2000 to 2002, Chairman & CEO of CAURIS MANAGEMENT S.A., and CEO of CAURIS INVESTISSEMENT S.A., a venture capital company.
- In 2002, Mr Adovelande was appointed President of ECOWAS Bank for Investment and Development (EBID).

What were the reasons for BOAD joining the IDFC?
The reasons are manifold. First, BOAD fully supports the IDFC's vision and mission. Second, BOAD would like to share with other members its experience gained as a development bank in sub-Saharan Africa, and to learn from other members from different continents.

And lastly, BOAD is convinced that in view of the prominent role played by IDFC members in sustainable development, sharing experiences and best practices, as well as forging partnerships are major opportunities for IDFC members as they seek to achieve their individual and collective objectives.

As a newly joined member it is too early to assess but rather we need to focus on how best to participate and contribute to the club's deliberations. However, it is obvious that joining a club of renowned institutions provides greater visibility for BOAD

BOAD is a specialised institution of the West African Economic and Monetary Union in charge of development financing. As clearly provided by its Articles of Association, BOAD seeks to foster economic integration within West Africa

How has IDFC membership benefited your bank so far?
As a newly joined member it is too early to assess but rather we need to focus on how best to participate and contribute to the club's deliberations. However, it is obvious that joining a club of renowned institutions provides greater visibility for BOAD.

As a large regional development bank, what experience and advantages has BOAD brought to the IDFC?
As with other IDFC members, BOAD has a history, a track record, ambitions and challenges that could enrich discussions within the club. However, given that it joined the club not long ago, this input will happen over time.

How is the bank achieving greater integration of the West African Economic Monetary Union (WAEMU)?
BOAD is a specialised institution of the West African Economic and Monetary Union in charge of development financing. As clearly provided by its Articles of Association, BOAD seeks to foster economic integration within West Africa.

BOAD is the financial arm of the Union in charge of financing regional projects and programmes. In this respect and together with other institutions and bodies of the Union [WAEMU Commission, Central Bank of West African States (BCEAO) and the Regional Council for Investments and Capital Markets (CREPMF)], it contributes:

(i) to various regional consultative frameworks including a high-level ad hoc committee on financing WAEMU member countries' economies, a high-level committee on food security, the WAEMU Joint Secretariat, and others;

(ii) to the preparation, implementation and monitoring of regional development projects and programmes including the Regional Economic Programme (PER), Regional Initiative for Sustainable Energy (IRED), Special Programme for Food Security, SME Development Programme, Cotton Agenda, Multi-purpose Water Improvement Programme, among others.

In addition to these major programmes, BOAD has set as a priority the financing of integration-prone projects, which involve several countries of the Union. These mainly include projects in the areas of transport infrastructure, agriculture, power interconnection or telecommunications. As of 31 December 2012, 40 percent of its loans related to regional integration.

What are some best practices the bank has achieved in financing sustainable development?
Examples include the following:
- establishment of an environmental management and sustainable development unit at BOAD;
- ongoing formulation by BOAD of an environmental and climate strategy;
- promotion of Clean Development Mechanism (CDM) projects through the establishment of a regional collaboration centre;
- promotion of climate change adaptation projects, particularly in the Sahel countries, with the support of development partners such as KfW;
- conclusion of an environmental partnership agreement with AFD; and
- the evaluation of the environmental and social dimensions of projects which are being financed.

How does BOAD collaborate with smaller international and national development financial institutions that are active in West Africa?
Just like any regional institution, BOAD is guided by the principle of subsidiarity in its relations with domestic banks. It complements and supports these banks. In this regard, BOAD is generally involved in projects of a certain size and for much longer maturities. Thus, BOAD does not intervene directly in the area of small and medium-sized enterprises (SMEs), which is the preferred focus for domestic institutions. It lends support to the banking sector by making available to them refinancing facilities for SMEs.

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What are the key priorities this year in finance for the West Africa region?
Key priorities which are in line with the challenges facing member states, include:
- accelerated economic growth (through diversified production and improved value chains);
- combating poverty and inequalities;
- promotion of food and power security;
- environmental protection;
- enhanced regional integration;
- financing infrastructure through the Regional Economic Programme; and
- support to the private sector, mainly SMEs/SMIs. ◘

BOAD takes action on food security in West Africa

The Banque Ouest Africaine de Développment (BOAD) has introduced two special programmes to promote food security in a region where food produce represents two-thirds of all imports

One root cause of low agricultural production in the sub-region includes low development of irrigation in the face of climatic vagaries © BOAD

In the West African Economic and Monetary Union (WAEMU) region, the agricultural sector employs 60 percent of the active population and contributes about one-third to regional GDP. Between 60 and 80 percent of the entire population in the region live in rural areas where 70 percent of the poorest groups are found. Agricultural raw materials account for the greatest proportion of exports in the Union's member countries and imports of food produce represent two-thirds of all imports of the Union.

Despite significant efforts made by the Union's member countries and institutions in the area of rural development and subsistence agriculture in particular, the supply and availability of grain has continuously declined since the 1960s on account of low agricultural production.

The root causes of low agricultural production in the subregion include population growth, rural depopulation, low development of irrigation in the face of climatic changes, difficult access to quality fertilizers and seeds, low level of mechanisation of production systems, difficult access to credit, poor functioning of domestic markets in the region, and lack of visibility of national strategies for agricultural development.

Facing the recent food crisis of 2008, which accelerated inflation in the Union and generated significant socio-political and economic turmoil, the governments of the WAEMU member countries developed strategies and actions to mitigate the effects of price increases through tax exemption on a number of prime commodities, salary increases, subsidies on fuels and agricultural inputs, implementation of productive agricultural projects, development of irrigation and implementation of a special agricultural project administered by BOAD.

However, in spite of efforts made by member countries and development partners, agricultural production has not improved to an adequate level. Hence, cereal production in the Union for the 2011/2012 crop year (18,873 tonnes) declined by 16 percent compared to that of 2010/2011 (22,374 tonnes).

BOAD'S initiatives in the Union's agricultural sector

The Union's agricultural sector is one of the priority areas for intervention by BOAD. Since its inception, the bank has provided a total amount of €489 million for funding 115 agricultural projects.

Since the food crisis of 2008, BOAD has increased its financial support in this area, mainly in the area of food security. As such, BOAD received a mandate from the Union to implement two regional programmes. In addition, the bank has carried out its action thanks to lines of credit received from key financial partners.

In February 2009, BOAD adopted its intervention strategy for agricultural and rural development in the WAEMU member countries following the resolutions adopted by the Special Meeting of the WAEMU Council of Ministers held on 23 April 2008 in Abidjan, Côte d'Ivoire, which focused on the high cost of living in the Union member countries and the measures required to mitigate the effects of price increases.

With respect to achievements, BOAD had lent significant financial support to projects in member countries in the area of rural development and food security. The bank's total commitments in this area over the 2009-2013 period stood at €451 million for 40 projects, representing 16.4 percent of total resources extended to member countries by the bank.

Emergency Support Programme for Food Security (PUASA)

The Special Meeting of the Council of Ministers held on 28 April 2008 in Abidjan, Côte d'Ivoire, decided, in response to the food crisis in the Union, to embark on an emergency food security programme for the benefit of member countries in order to mitigate the effects. As a result the bank extended a total amount of €20 million in the form of loans. As of 31 December 2013, the amount of €20 million extended to member countries, was fully disbursed, representing an overall disbursement rate of 100 percent.

Such loans made it possible to place foodstuffs of an adequate quantity and quality in the market from farms producing shorter season-crops.

Special food security programme

The special meeting on 23 April 2008 also gave a mandate to the Union to further deepen reflections on the effective implementation of community policies and programmes →

Cereal production in the Union for the 2011/2012 crop year declined by 16 percent compared to the previous year © BOAD

The bank has provided a total of €489 million to fund 115 agricultural projects © BOAD

The special meeting on 23 April 2008 also gave a mandate to the Union to further deepen reflections on the effective implementation of community policies and programmes in the agricultural sector

in the agricultural sector. In order to substantially increase loans in the Union's agricultural sector, the meeting authorised BOAD to raise, on an exceptional basis, €152 million of capital in the regional market with a view to leveraging funding in an amount of €457 million for agricultural projects over the medium term.

In pursuance of this decision, BOAD was able to mobilise €152 million in the regional capital market in the form of bond issuances intended to increase the supply of food products in the Union's member countries. These resources further made it possible to start the implementation of the Special Food Security Programme (PSSA) as of March 2009.

In 2013, after four years of the programme, loans extended by BOAD through special bonds authorised by the Council of Ministers stood at €139 million, representing a completion ratezz of 91.2 percent. These resources made it possible to finance 17 projects involving a total amount of €410 million for a target of €457 million, representing a completion rate of 75 percent. Public projects were financed to the tune of €126 million for 14 projects, accounting for 91.2 percent of the total amount committed, while private projects received €12 million for four operations, or 8.8 percent. The amount of disbursed resources stood at €26 million, representing a disbursement rate of 15 percent.

The 17 projects approved are all in disbursement stage and the bank has encountered no major problems in their implementation.

In the area of infrastructure development, implementation of the programme should make possible the improvement and rehabilitation of thousands of hectares of land, the development of rice fields, the erection of storage warehouses and water points, as well as the rehabilitation of rural feeder roads. In terms of production, it should help increase the production of rice, diverse cereals, maize, market gardening and fishery production.

Second food security programme

In addition to the implementation of regional programmes, BOAD increased its action in the area thanks to its own resources and lines of credit received from key partners.

BOAD's financial support to projects includes rehabilitating and extending existing irrigated perimeters © BOAD

Thus, since 2008, the bank has provided, in addition to the emergency programme and the special programme, funding to the tune of about €131 million over 14 agricultural projects.

Currently, BOAD is seeking to implement the second phase of the food security programme. As with the first programme, the overall objective is to contribute to food security and poverty reduction in the project areas. The specific objectives are to:

- increase agro-pastoral and fishery production;
- contribute to improved income and living conditions of the populations in the project areas;
- build capacities and strengthen the organisation of producers;
- contribute to reduced rural depopulation by creating income-generating job opportunities in rural areas; and
- contribute to environmental protection and rehabilitation and optimum use of natural resources.

In this connection, BOAD's financial support to projects will be oriented, but not limited, to:

- Pumping free gravity-fed irrigation (run-of-river improvements, flood control perimeters, downstream of dams);
- rehabilitation and/or extension of existing irrigated perimeters and improved agricultural intensification;
- improvement and development of lowlands; and
- construction and rehabilitation of agricultural product processing, storage and conservation units.

Andrey Kondakov

President of the Black Sea Trade and Development Bank (BSTDB)

Andrey Kondakov © BSTDB

Biography

Country of birth: Russia

Education: PhD in Development Economics, Moscow State University.

Date began as President: 2010

Previous employment:
- In 1988 he joined the Ministry of Foreign Affairs, Department of International Economic Relations and held positions in Moscow and abroad before becoming Director of the Department in 2002.
- As of 2006, he became a Member of the Collegium of the Ministry of Foreign Affairs (Ministerial Board). Kondakov served as a Russian G8 Foreign Affairs Sous-Sherpa and a member of the Governmental Commission of the Russian Federation on the Accession to the WTO and OECD.
- From July 2007 to July 2010 Kondakov served as the Vice President of Banking at BSTDB.

Why did BSTDB join the IDFC?

Initially, BSTDB became involved in the IDFC because it was invited to the inaugural meeting. I can confess to you now that in the beginning we were unsure how the idea would evolve. At the time, it seemed like yet another of a multitude of newly established forums that have arisen in recent years which seek the attention and participation of international financial institutions. As a development institution focused on cooperation, our bank is certainly open to new ideas, and we believe that they should be approached with an open mind, especially when they seek to promote cooperation in specific areas of interest. Nevertheless, staff and monetary resources are finite and thus one needs to be selective. Furthermore, our bank focuses primarily on its dual mandate of promoting economic development and regional cooperation. Green finance is not central to our focus, although it is an area of growing importance and we actively seek opportunities with member country public agencies and private firms on a project oriented basis.

That said, the club has quickly proved its worth. In contrast to the vast majority of the others, the IDFC showed that it could provide genuine value for its participants by helping them to coordinate a common position on the Green Climate Finance Initiative. Its success in helping transform the agenda on the initiative really demonstrated the potential of IDFC, giving it a critical early impetus upon which it has built.

While its track record is still short and its potential large, it is apparent that the club fills a niche in the global development architecture, bringing national development banks and smaller sub-regional development banks from all over the globe together in order to discuss and promote issues of common interest. Prior to the IDFC, no such body had existed.

What are your expectations for the club?

Our expectations have evolved, from uncertain at the outset to seeing the club become a very useful forum for like-minded institutions to meet, discuss issues of common interest and exchange ideas on any number of issues–operational, institutional and global. The true strength of the club is its set-up, not being a legal body and lacking any sort of an institutional apparatus other than the secretariat. This means that the IDFC remains purely voluntary and members participate because they wish to be there. They 'vote with their feet' in a positive sense.

It also means that the club is extremely flexible. The lack of institutionalisation mitigates against the development and ossification of vested interests, which often bedevil bodies that take on a more formal and structured set-up. Instead, it can focus on whatever issues of common interest its members have–in this sense it is truly member driven. Its participants can opt in and out and participate to the extent that they so wish. Perhaps because of the lack of requirements and obligations, this has given the IDFC a refreshing openness that has been embraced by members, generating a lot of good faith, which is the real driving force of the club's work to date.

While its track record is still short and its potential large, it is apparent that the club fills a niche in the global development architecture, bringing national development banks and smaller sub-regional development banks from all over the globe together in order to discuss and promote issues of common interest

The IDFC has already demonstrated its ability to help shape important issues on the global agenda, with respect to the Green Climate Fund. It is a network that allows all its members to listen and learn from each other. While there is great value in the work done by global institutions such as the World Bank, it is also important to have access to, and learn from, more locally based and focused bodies that are undertaking creative and very useful initiatives in other corners of the world in which an institution such as ours would not normally be present. Thus the information exchange and knowledge sharing component is extremely high, and from this global network, IDFC members have also strengthened their bilateral relationships, especially where geographic coverage and sectors of interest overlap.

As a regional bank that includes 11 countries, how has BSTDB assisted regional cooperation?

BSTDB has a wider focus than its commercial counterparts. Due to its developmental role, BSTDB takes into consideration factors other than maximising profit, concentrating on regional and sectorial points that might not seem financially attractive at first sight.

Most importantly, the bank has carved out a niche by actively supporting operations with high developmental impact, preferably with benefits accruing to two or more countries of the region and which further promote economic growth and employment. Among the bank's projects with the highest regional cooperation impact are those for regional infrastructure development, which have led to economic integration between two or more member countries. Some examples are: the Trans-Balkan Gas Pipeline bringing Russian gas to Turkey through Moldova, Ukraine, Romania and Bulgaria; participation in equity funds such as the Trans-Balkan Equity Fund and Balkan Accession Fund; the BSTDB trade-finance programme (which provides credit lines to local banks to finance intra-regional trade); loans to national companies expanding their production capacity in other member countries for example Greece's Olympus Dairy Industry expanding in Romania, Russian company RUSAL's construction of an aluminum facility in Armenia, and Turkey's Kurum International setting up steel production facilities in Albania.

What advantages are there in being a smaller international financial institution (IFI)?

The financing needs of the Black Sea region are large and BSTDB can only undertake a small part of the financing needs of the region. What is really important about our bank is that, because of its size, it is able to process 'small' projects, under the US$5 million limit normally applied by other IFIs. This allows the bank to work directly with smaller companies –a characteristic of many of the economies of our region. In addition, our bank has a trade finance programme that focuses attention on promoting trade within the region and helping improve the competitive position of regionally based exporters. This was an area of activity that was not covered by IFIs, which were more focused traditionally on investment projects. One collateral benefit of the creation of BSTDB is that larger IFIs have acknowledged this gap and have established trade financing and trade facilitation programmes across the globe. While this increases competition for our bank, if one takes a very narrow minded and self-centered approach, it is actually a classic case of a demonstration effect, leading to the development of new programmes and the mobilisation of substantial resources for this previously overlooked but crucial area of economic activity.

Another important advantage of being a smaller IFI with a clear but operationally flexible mandate, is that as the conditions in the market change and requirements evolve, our bank is well placed to change direction and adapt accordingly, entering new sectors of activity, or introducing new and more sophisticated products, so as to generate value for both the public and private sectors.

The BSTDB believes in 'complementarity'. Its strategy is not to compete with large IFIs or with the commercial banking sector, but to develop synergies that foster growth and employment, and fill market niches that are not adequately served by larger IFIs or commercial banks.

While there are disadvantages to being a smaller size in terms of resource base and the ability to define and influence the policy agenda, there are the very significant advantages of flexibility and quicker adaptability. Invariably, smaller IFIs are more project focused than research and policy oriented. Since their resources are fewer and their ability to generate economies of scale more limited, they are →

practically not in a position to compete, and that is perfectly acceptable, since (i) it implies that a given area is already covered, and (ii) in any case there are always other areas, activities and sectors in which they do have much to offer.

What are some key initiatives your bank has achieved in sustainable development finance?

As an international development finance institution, BSTDB takes sustainable development very seriously. At the outset of every project, the bank conducts an ex-ante assessment to make sure that only sustainable development projects will be financed. In other words, those projects should be designed to cover the needs of the present, without compromising the ability of future generations to meet their own needs. This requires explicitly balancing multiple, often competing, needs with a devotion to the environmental, social and economic limitations in our region. The bank is fully aware that if development is driven by one particular need, without fully considering the range of direct and indirect future impacts, it will not be sustainable.

As an international development finance institution, BSTDB takes sustainable development very seriously. At the outset of every project, the bank conducts an ex-ante assessment to make sure that only sustainable development projects will be financed. In other words, those projects should be designed to cover the needs of the present, without compromising the ability of future generations to meet their own needs

As sustainable development is not just about the environment, our projects go well beyond that, to ensure that they meet the current and future dynamic needs of the societies in our region. Therefore, BSTDB reflects the diverse needs of the people in existing and future communities, supporting not just economic growth and well being, but also social cohesion, inclusion, and facilitating better access to opportunities and resources.

Our ex-ante assessment of sustainable development is complemented by a rigorous independent ex-post evaluation of every project. This ensures both learning and accountability, devoted to our efforts to meet the challenges of development finance and discuss openly our performance, in order to improve it. Upon completion, each project is assessed according to sound international methods and standards, in order to reveal its relevance towards our mandate, as well as its effectiveness, efficiency and last but not least–its sustainability. These assessments are regularly discussed by management and the board to ensure we learn and move forward, based on our experience and best international practice. Despite the challenges in our region, we consistently meet the goal of at least 70 percent of all completed projects to be rated ex-post as excellent or very good in terms of sustainable development. Our current figure in this respect is 72 percent.

Which sectors will be central to the bank throughout 2014?

No dramatic changes are foreseen to the bank's activities in 2014. It represents the fourth and final year of implementation of the bank's Medium Term Strategy and Business Plan 2011-2014 which emphasises managed growth of the portfolio with an emphasis on quality. While growth is both good and necessary for a development institution to retain its relevance, a small sub-regional development bank, like BSTDB, needs to be prudent and selective, since it lacks the inherent geographic diversification that larger, global development banks enjoy.

Financing to small- and medium-sized enterprises will remain a core activity, more often than not via intermediate financial institutions in member countries through general purpose credit lines or more focused trade financing facilities. These enterprises are the backbone of many of the economies in the Black Sea region and as such a driving force of both economic growth and employment creation. Support through local financial institutions not only allows access to a broader, and often smaller, range of small- and medium-sized enterprises than the bank could access directly, it also helps the growth and maturation of the partner financial institutions. In addition to the financing provided, the bank: (i) ensures that partner institutions have sound corporate governance (and helps promising banks to upgrade accounting standards and other governance related activities where gaps are identified); (ii) helps them develop a track record of working with international institutions; (iii) signals to co-financiers that partner institutions meet standards of quality and creditworthiness; and (iv) assists them in networking with other banks and firms active in the Black Sea region.

Promoting regional cooperation is also important for BSTDB, and there is always room for improvement. Therefore, increasing operations with cross-country participation and benefits–either private or public–is an ongoing priority for the bank. In addition, BSTDB intends to focus greater attention on sub-sovereign entities–regions and municipalities–to help them develop their significant infrastructure needs. These projects often directly address key bottlenecks for further growth especially in areas like transport and energy or they generate significant developmental and public health benefits for communities.

The Black Sea Trade and Development Bank

While BSTDB is younger and smaller than other international financial institutions active in the Black Sea region, it has a portfolio of €800 million for which it projects steady annual growth of 7 to 10 percent in coming years

The 11 member countries of the BSTDB have diversified economies with a solid industrial base, robust services, and growing levels of sophistication © AJ Artemel

The Black Sea Trade and Development Bank (BSTDB) is an international financial institution, established upon the initiative of the 11 countries, which founded the Black Sea Economic Cooperation (BSEC). It is headquartered in Thessaloniki Greece, with a dual mandate to promote economic development and regional cooperation in the Black Sea region.

BSTDB operates in an area stretching from the Adriatic across the Black to the Caspian Seas, at the nexus of Europe and Asia. The bank's member countries exhibit great variations in terms of history, levels of development, geography and demography. The region contains resource rich countries including major energy exporters as well as smaller developing economies, which are generally resource poor and economically less advanced, and dependent on external transfers. The countries have relatively diversified economies with a solid industrial base, robust services, and growing levels of sophistication.

"Diversity of structure does not necessarily mean diversity of performance and although the Black Sea region was among the areas hardest hit by the economic recession and ensuing risk aversion in the aftermath of the 2008 global financial crisis, it recovered swiftly," says Andrey Kondakov, President of BSTDB. "Moreover, a number of external factors have challenged the region including volatility in the commodity markets especially for food and energy, monetary turbulence, uneasy capital markets, and above all, the Eurozone crisis and the protracted sluggishness in the European

Union, which is the principal trade partner and source of foreign direct investment (FDI) and financing for the region."

Yet, while post-crisis rates of growth have been more modest, it is a testament to the resilience of the Black Sea region that most countries have not only posted positive growth but also maintained solid underlying macroeconomic indicators rendering them relatively resistant to overheating, with low inflation, declining fiscal deficits and prudent public debt levels.

Nevertheless, the region faces challenges in seeking not only to sustain growth but to make it more diversified and inclusive. Structural reforms are needed to liberalise markets further, increase competition, and improve efficiency. The existing state of infrastructure is poor and is a potential bottleneck for growth. Fiscal capacity remains limited, with public investment levels as a whole subdued since 2008. In addition, the aftermath of the global crisis has rendered the buoyant financing of the previous decade a distant memory, creating both availability concerns and much higher costs for firms.

"Here is where international financial institutions such as BSTDB play a critical catalytic role," says Kondakov. "Since initiating activities in 1999, banks and firms active around the Black Sea have found great value in the ability of our bank to provide long-term financing, country risk mitigation, networking benefits, access to broader resource mobilisation, and an upgrade in profile from working with international financial institutions."

The bank has followed a strategy of managed growth with an emphasis on quality, responsiveness to customers, and adaptability. The success of the bank's focus on portfolio quality and conservative risk management is reflected in its credit ratings. Both ratings (A- from Standard and Poor's and A2 from Moody's) are higher than the ratings of all the shareholder countries, and approximately six notches higher than the average for the region. This in turn permits the Bank to access financing on better terms than most banks and firms in the Black Sea region, and then to pass on savings to clients on terms which permit investments to develop and generate strong returns.

As the sophistication of firms in the region has grown, the bank has broadened the array of financial products offered, providing longer time horizons and accommodating more complicated structures. In addition, it has extended its outreach to so-called 'second tier' firms–less well established or known firms–possibly outside major urban areas or with a smaller track record but which show growth promise, management quality, and vision. And it seeks to increase its outreach to public and quasi-public sector entities, including utilities, municipalities and regional authorities, as well as public private partnerships and other types of concessions.

"Since its establishment, BSTDB has been committed to the promotion of its member-countries and the Black Sea region," says Kondakov. "An essential parameter of the bank's activity involves partnership with other major financial institutions, the coordination of strategies and activities, and the harmonisation of procedures and indicators for the benefit of public and private sector clients."

So far, BSTDB has provided over €2.5 billion in direct financing in over 220 projects, and indirectly has mobilised a far greater multiple of financial resources from other participants and co-financiers. It has helped clients improve corporate governance and social responsibility; upgrade accounting standards; undertake stock market initial public offerings; access previously unavailable international sources of financing; achieve environmental, health and safety improvements; and, enhance risk profiles while helping to generate hundreds of thousands of new jobs either via indirect financing of small and medium enterprises, or direct financing of larger firms. The bank has also supported strategic infrastructure investments across the Black Sea region, essential for the improvement of the overall economic, social and business environment.

BSTDB has helped generate hundreds of thousands of new jobs via indirect financing of small and medium enterprises © BSTDB

So far, BSTDB has provided over €2.5 billion in direct financing in over 220 projects, and indirectly has mobilised a far greater multiple of financial resources from other participants and co-financiers

Despite ever-present challenges, the risk of external shocks, and the ubiquitous post-global financial crisis climate of uncertainty, the prospects for the Black Sea region are favourable, and it should be an attractive prospect for a wide range of investors in coming years.

"Where financing limitations and country risk concerns represent key constraints to the undertaking of economic activities, BSTDB will be there to play a facilitating role," adds Kondakov. "By promoting regional cooperation and supporting the economic activity so necessary for sustained development and growth."

Dr. Rischbieth Gloë

Executive President, the Central American Bank for Economic Integration (CABEI)

Dr. Rischbieth Gloë © CABEI

Biography

Country of birth: Honduras

Education: Bachelor's Degree in Economics from Rice University in Houston, Texas; a Master of Business Administration from Washington University in St. Louis, Missouri; and a PhD in Finance from the Institute of Money and Capital Markets of the University of Hamburg in Germany.

Date began as Executive President: 2008

Previous employment:
- Before joining CABEI, Dr. Rischbieth worked as Vice-President of Debt Capital Markets, and previously, in the International Financial Markets Division at Dresdner Bank AG in Frankfurt, Germany, specialising in countries in Asia and Oceania.
- Dr. Rischbieth has a long service career at CABEI. He started his duties in 1995 as Treasurer; in 2003 he was named CFO and at a later date he was promoted to Executive Vice President of the institution. In 2008, the Board of Governors selected Dr. Rischbieth for the position of Executive President as a result of a merit process among citizens selected from all the bank's member countries. In December 2013 his term was renewed for a further five years.

From CABEI's perspective, why is the IDFC a good group to be a part of?

We became a member of the IDFC in 2011 with the objective of strengthening our existing partnerships and establishing new ones. We believe that our mandate in bridging the development gap in Central America can only be done effectively through mutual cooperation; thus being a part of the IDFC is pivotal for us. Our more than 50 years' of experience of working in Central America can enhance the discussions on current important development issues.

Our participation in the IDFC compliments our present Institutional Strategy, which seeks to increase competitiveness and integration as well as social development in Central America through collaboration with actors who share our vision. As a strongly committed member of the international development community, CABEI is aligned with the most important items on the development agenda today, such as climate change, risk management, gender, poverty reduction and renewable energy. The IDFC, being a specialised forum, can tackle such important issues from a financial development institution's perspective.

How does IDFC membership help CABEI achieve its own sustainable development goals?

The institutional strategy of CABEI 2010-2014 seeks to address the most prevalent issues in Central America through six focal areas; all these have sustainable development as a keystone component.

Our commitment to the development process in Central America must be tailored to initiatives that are inclusive and have beneficiary ownership, thus assuring sustainability over time. In this regard, the experiences of other members of the IDFC have recognised that inclusiveness and beneficiary ownership of programmes and projects are fundamental for effective cooperation.

Our membership of the IDFC can help our mandate by incorporating best practices and solutions in development that could be replicated in Central America. Lastly, the emphasis of the club in following the activities of member institutions will enable CABEI to strengthen its partnerships, and collaborate with the knowledge base in development interventions.

What is CABEI's key mission?

CABEI was founded in 1960 during an integration movement that sought to decrease the differences in development among the Central American nations. This objective is very much alive today, considering that our members are still at comparably different levels of development. As an institution whose primary focus is to promote the economic integration and the balanced economic and social development of Central American countries, we participate in projects that have high economic integration impact. Historically, we have supported infrastructure, such as roads, electricity, and telecommunications, in efforts to increase the participation of the Central American region in the world economy. Our mandate has broadened to areas of development focused on infrastructure and more destined towards human development; this follows our vision of being a strategic partner for improving the quality of life of Central Americans through the sustainable development of its land and resources.

CABEI is involved in many projects to help children. Can you provide an outline of some of these projects and their successes?

Over the years we have continuously supported a vast amount of projects in education and health with children in mind. In Honduras, we recently supported the Bono 10,000, a social initiative that focuses on nutrition, health and the education of school children nationwide. By 9 October 2013 there was a reduction of 3 percent in poverty statistics (according to NORC at the University of Chicago on the release of the first evaluation on the impact of this programme), covering more than 247,542 homes with an investment of approximately US$39.8 million in the last quarter of 2013.

Moreover, we have participated in the Education Infrastructure Enhancement project, also in Honduras, which consists of the construction, enhancement, and enlargement of 291 educational facilities for elementary schools– the improvement of educational facilities relates to their capacity to achieve positive learning results.

In collaboration with the WFP (World Food Programme), CABEI has supported the School Lunch Program, which consists of securing meals for school children in remote rural areas, as well as in some urban areas.

And what programmes have your introduced in terms of support for small and medium-sized enterprises (SMEs)?

One of the most successful stories of our bank has been our involvement in supporting micro-, small-, medium-sized enterprises (MSMEs). In 2000, in partnership with Spain's ICO [the state finance agency], CABEI began to work with local financial institutions to promote products geared towards supporting MSMEs. This bottom of the pyramid development approach has achieved important milestones throughout the last 13 years. One of these important milestones is a partnership with KfW of Germany to support efforts to protect the climate and environment in the MSME sector through CABEI's financial intermediaries (banks and non-banking financial institutions).

The Green MSME Initiative (GMI) is a joint effort between CABEI, KfW and the European Union through its Latin American Investment Facility (LAIF).

KfW's participation involves a €30 million loan granted to CABEI (its third MSME-related loan to the bank) and additionally it manages €3 million in grants provided by the European Union. For its part, CABEI is responsible for the execution of the initiative and for funding the operating expenses necessary for its implementation.

The Green MSME Initiative focuses on two reimbursable aspects: renewable energy and energy efficiency. The renewable energy facility enables loans of up to US$5 million per project with a maximum energy generation capacity of 5MW. The energy efficiency approach allows for funding for projects with at least 15 percent in energy savings.

Regarding non-reimbursable facilities, the green MSMEs initiative facilitates grants for technical assistance to financial institutions, energy audits, and energy studies (feasibility, environmental and final designs).

Can you provide more information about the financial support mechanisms you offer?

CABEI is active in concessional public sector blending mechanisms, guarantees, funding for feasibility studies, project finance, and financial intermediation as well as other tailored solutions for development. We have been involved in the most important projects in the region, with innovative solutions such as guarantees and donor-supported financings.

The bank supports regional banking and non-banking systems with several initiatives focused on micro-, small- and medium-enterprises. This support entails not just loans for commercial purposes, but also for renewable energy, energy efficiency, agriculture, and education.

It's important to mention that CABEI maintains an investment grade rating of A- (by the major rating agencies) and is granted preferred creditor status in our member countries. Our solid financial position allows us to support projects and programmes with competitive funding.

Who can come to CABEI for financial support?

We seek to improve the lives of the Central American people by financing projects and programmes that have a high impact on their quality of life, therefore we seek to foment those initiatives that come from entities who share this vision.

Traditionally, we have supported public sector programmes and public sector enterprises in their investment plans. Also, we are proactive in supporting the private sector in projects that are in line with our institutional strategy and internal guidelines; most of our interventions in the private sector take the form of project finance, energy being the most significant.

Another important channel for those who seek financial support from CABEI, is through our extensive network of financial intermediaries, who have existing facilities with CABEI and can support smaller operations with the considerations they require. ◘

Towards a new era of cooperation in Central America

The Central American Bank for Economic Integration's (CABEI) work in Central America has faced challenges due to reduced aid following the global financial crisis but the bank is working hard to build regional and international cooperation with a view to making progress on the Millennium Development Goals

Headquartered in Tegucigalpa, Honduras, CABEI helps Central American member countries achieve their MDGs © Top Safari

The 2008 financial crisis has fundamentally changed the way donors and international financial institutions work together. Budget constraints on major donors, and newcomers in the cooperation agenda, as well as the nearing deadline for achieving the Millennium Development Goals (MDGs) in 2015, have driven the international community towards cooperation through partnerships. In the International Finance Corporation's (IFC) recent 2013 annual report, CEO Ji-Yong Cai, stated: "By helping companies overcome obstacles to sustainable growth, we help them create opportunity and improve lives. We enlist them as partners in the global effort to end extreme poverty and promote shared prosperity."

Naturally, multilateral development institutions must play a leading role in initiatives that will help the world's countries achieve the MDGs, and must do so in a coordinated manner with partnerships playing a pivotal role. In the case of CABEI, such a challenge is central to the bank's mandate to 'promote the economic integration and the balanced economic and social development of its founding countries'; a broad definition that allows the institution to tackle the disparity in development within its member countries.

CABEI's member countries are Guatemala, Honduras, Nicaragua, El Salvador, Costa Rica, Panama, the Dominican Republic, Republic of China (Taiwan), Argentina, Colombia, Spain, and Mexico (with Belize as a beneficiary member). Since 2010, CABEI's institutional strategy of competitiveness with integration and social development has focused on helping the member countries reach their MDGs, thus bridging the gap between countries such as Guatemala, Honduras, Nicaragua, El Salvador and Costa Rica. However, such a task cannot be completed by CABEI alone; filling the gap requires extensive cooperation and partnerships between the active donors and development institutions in the region.

The capacity of donors to achieve their commitment levels was gravely affected by the financial crisis of 2008 and its following events. Large donors, such as Spain, have decreased their budget to support development assistance, but are concentrating their efforts in ongoing successful programmes such as Fondo del Agua.

In addition, Central America is in unique circumstances. Recently a study by the Economic Commission for Latin America and the Caribbean (ECLAC) noted the deepening differences between the region and the natural-resources endowed South America, alluding to the growth rate that the South American countries have achieved in the last decade and the lacklustre growth that Central American countries have experienced. Yet, since the financial crisis, aid to Latin America (and subsequently Central America) has decreased, just at the time when it was most needed.

The most affected members of CABEI have been the Heavily Indebted Poor Countries (HIPC)-Initiative countries, Honduras and Nicaragua, though after debt relief initiatives and successful public policies, these countries improved their standing with regard to the MDGs. Social and human development programmes that can improve the lives of the most vulnerable, still require flows of concessional lending. With decreasing aid and lower growth, the capacity of the region to sustain their progress in the MDGs has been hindered.

Where aid is volatile or unpredictable, recipient governments are less able to plan expenditures effectively. This raises the costs of financial management and can worsen the composition of government spending (e.g. divert resources from capital investment towards recurrent expenditure). However, it should be noted that not all volatility in aid is necessarily negative; volatility in aid can be associated with aid shortfalls and aid windfalls.

In the case of CABEI, which is majority-owned by countries in Central America, the challenge has been to continue investing in its member country's programmes, in efforts to dilute the effects of decreasing aid. Since 2010, the bank has approved projects, programmes, and financial intermediation for a total amount of US$7.278 billion. In 2013 alone, the figured reached US$1.368 billion. In addition, CABEI consolidated its standing in the region, focusing on projects of high priority for the governmental authorities.

Innovating existing cooperation

Due to the bank's shift towards supporting the regional government's initiatives in reaching the MDGs, the way in which the cooperation takes place with other institutions has also shifted. Since 2005, CABEI has been an active participant in official development assistance (ODA) forums, especially related to global aid architecture and effectiveness – having participated in the Accra Agenda for Action and the Busan Fourth High Level Forum for Aid Effectiveness.

In 2011, CABEI became eligible to administer European Commission funds, having successfully passed an exhaustive Pillars Assessment. Efforts to work closely with the international community have paid off, and projects co-financed with donors and other international financial institutions have been able to increase their scope and area of coverage.

The ODA landscape has changed markedly over recent years in relation to how much aid is provided, by whom, to which countries, and through which modalities, as well as the purposes it is used for. In 2010, net official development assistance from members of the Development Assistance Committee (DAC) of the OECD reached US$128.7 billion, the highest real level of ODA ever (OECD-DAC 2011). Since 2000, ODA from OECD-DAC members has increased from US$53.9 billion (current prices), an increase of almost two and a half (OECD-DAC 2010). However, while the headline ODA figure suggests substantial increases in aid over the last decade, this masks the extent to which relatively little aid actually reaches recipient countries overall. Some sectors (such as social sectors) have seen larger increases in aid than others (such as agriculture and the productive sectors). The evidence shows that a lot of aid has had little meaningful impact on development outcomes and the MDGs. Also in the last three years there has been a slowdown in develop- →

ment cooperation funds from so-called traditional donors, this is indicative of the fragility of international aid and of internationally agreed promises to increase it.

In 2010, total ODA to Latin America and the Caribbean stood at US$10.812 billion, and as of December 2012, the total ODA stood at US$8.64 billion, a nominal decrease of 21 percent. Interestingly though, new partners have joined the ODA framework, such as the Russian Federation, which increased their ODA from US$100 million in 2004 to US$513.9 million in 2011. Such changes in the development assistance paradigm have led to new partnerships for CABEI, such as a recently executed Memorandum of Understanding with Vneshenconombank of Russia. Other newcomers to the region, such as India, have collaborated with irrigation projects in Honduras. Also, South-South cooperation from Colombia, Brazil, Argentina, and Chile has flourished in recent years.

Traditional cooperation from large donor countries is still present and active in the region, and CABEI works closely with donor countries on their initiatives. German development institutions have been fundamental in setting the agenda in terms of initiatives on climate change; the bank manages a large portfolio of loans destined towards renewable energy and energy efficiency, having approved US$406 million in financing related to that area. The European Union has become an important partner for the region, under the EU-Latin America Investment Facility (LAIF) Initiative through which the bank has been able to co-finance a series of projects with European development finance institutions, along with a grant element from the LAIF initiative.

Investing in the needs of the Central American people

Since its foundation in 1960, CABEI has given support for some of the most important projects in Central America. Central American countries still vary in their levels of development, thus CABEI has evolved to support the particular needs of every country.

Two of CABEI's members are HIPC initiative countries, requiring financial support with grant elements of 35 percent. However, Costa Rica, Guatemala and El Salvador are not under this programme and still have development areas that need addressing.

Costa Rica has been at the forefront of sustainable development by enacting a National Climate Change Strategy, and seeking to become the world's first carbon neutral country. CABEI has used its global reach in partnerships to support some of the most important climate change projects in Costa Rica. The most notable has been the participation of the European Investment Bank in the Reventazon Project, through the Central American Climate Change Facility. CABEI's approvals from 2010-2013 for climate change initiatives were US$1.664 billion, which positions CABEI as the leading partner for climate change mitigation in Central America. All these initiatives where made possible by partnership support from the Japan Bank for International Cooperation, the Nordic Investment Bank, KfW, and UNDP, demonstrating that CABEI has a predominant advantage in channeling resources and technical assistance towards the Central American countries.

In 2012, CABEI formalised a Cooperation Agreement with UNDP in an effort to establish a partnership conceptually and operationally focused on the sustainable human development paradigm and achievement of the MDGs. This agreement is developed on a non-exclusive basis, in areas of common interest such as technical, financial, and programmatic areas oriented to poverty reduction, sustainable development and strengthening of the integration in Central America.

Coffee is the most important crop for the agricultural sector in the region, generating more than US$1.75 billion a year in foreign exchange © Feed the future

In 2013, in partnership with Taiwan ICDF, CABEI launched a strategy to combat the Coffee Rust plague. Coffee is the most important crop for the agricultural sector in the region, generating more than US$1.75 billion in foreign exchange per year and more than 1.5 million jobs in rural areas. According to estimates from the International Regional Organisation for Plant and Animal Health (OIRSA), 35 percent of the region's coffee has been affected, with Guatemala and Honduras the worst hit. The US$80 million pilot initiative seeks to recover lost crops, improve new production through technical assistance, and increase lending to small farmers.

New horizons of cooperation in Central America

The new rise in cooperation is shaping the policies and initiatives the bank is focusing on. Horizontal cooperation is a relative newcomer in the ODA framework. What differentiates horizontal cooperation from traditional cooperation is the commitment of middle-income countries to resolving issues important to cooperating countries, through an inclusive perspective, in a joint endeavour, with shared resources. Horizontal cooperation has two defined approaches: South-South cooperation, a bilateral approach, and Triangular cooperation, where a bilateral approach is enhanced by cooperation from a traditional donor.

Nicaragua, Honduras, and Costa Rica, have greatly benefited from cooperation from Brazil, Argentina and Chile, in terms of technical assistance. This knowledge-sharing aid, while differing from the strictly financial support of traditional ODA, is becoming more prevalent in the region. Newcomers to international cooperation, such as Uruguay, have developed successful development models in cooperativism that has shown impressive results in social housing and social participation.

A recent collaboration effort in El Salvador has shown how public services can be improved by horizontal cooperation when the public energy producer Comisión Hidroeléctrica de Rio Lempa (CEL), benefited from technical assistance by Argentina's ORSEP to diagnose proper operation and possible risks associated with current hydroelectric dams operated by CEL. This assistance offered by Argentina is especially important for CABEI, given that CEL has been an historically important recipient of loans. In 2012, CABEI and KfW approved funding for the expansion of the '5 de Noviembre' hydroelectric facility, which received a grant from the EU-LAIF. From a lender's perspective, actions which can better enhance the supervision and security of existing dams are welcoming.

While these examples of cooperation may not demonstrate traditional aid value, they do constitute an alternative for the region to access knowledge gained by other countries in relevant areas, without incurring the costs of hiring specialists or consultants. Moreover, some of the countries involved in South-South cooperation have developed advanced techniques in the fields of agriculture, coffee production, cattle production and so on. These techniques, if implemented with further support, can bridge the enormous gap between rural and urban communities in Central America.

Within the current framework of development assistance, the dominance of private and civil society foundations have demonstrated effective capacity to deal with their mandated initiatives. In 2013, private foundations approved grants of US$4.3 billion towards international initiatives; 8 percent of the amount was for Latin America as a whole. Most of the contributions of private foundations have been grant approvals by the Gates Foundation towards health, which accounts for 31 percent of total grants. A majority of cross-border funding was received by Africa and Asia. CABEI sees an opportunity to be an efficient partner in development for foundations that are active in the region and those who have yet to realise projects in Central America.

Challenges ahead

Central America has advanced towards achieving the MDGs in 2013. The SISCA Advancement Report on ODM in Central America and Dominican Republic cites noteworthy achievements in eradicating extreme hunger, providing universal primary education without gender bias, reducing child mortality, combating viral diseases such as HIV/AIDS, malaria and other diseases, increasing safe drinking water and providing sanitation, reducing populations living in risk prone areas, and increasing access to information technology and telecommunications.

It is unlikely, under current trends and conditions (and due to the knock-on effect of the financial crisis), that all countries in Central America (and the Dominican Republic) will meet the 2015 MDGs deadline. Nonetheless, there have been important strides made by the donor communities to increase coordination and cooperation towards common goals through effective partnerships. CABEI considers this an important milestone for future interventions, and as has been demonstrated, results on ongoing projects should yield equal or better results than in the pre-crisis era.

From the standpoint of a sub-regional development institution, it is imperative that new concepts on cooperation, such as horizontal cooperation, and additionally frameworks, such as the work of the Alliance for Vaccination and Immunisation (GAVI), be implemented in the near term. Further, such new concepts must be built upon the groundwork of the inclusive nature of modern cooperation, taking into account the ownership nature of beneficiaries, and the stakeholder support for mandated initiatives. CABEI has continued its support for projects that can both mobilise economic activity and have the capacity to accommodate further cooperation activities. Our support will continue on major infrastructure projects such as hospitals, roads and energy, as well as human development projects, in the case of agricultural irrigation, cooperative housing, and education.

Enrique García

Executive President, the Development Bank of Latin America (CAF)

Enrique García © CAF

Biography

Country of birth: Bolivia

Education: He holds a B.S. and an M.A. in Economics and Finance from St. Louis University, USA, and doctoral studies at the American University.

Date began as Executive President: 1991

Previous employment:

- He was Bolivia's Minister of Planning and Coordination and Head of the Economic and Social Cabinet between 1989-1991. Prior to this, he was Vice Minister of Planning and Coordination and a member of the Board of Directors of the Central Bank of Bolivia. In the private sector, he has occupied the position of Manager of Operations at Banco Industrial S.A. and sat on the Boards of several industrial and financial institutions.
- At an international level, he occupied senior positions at the Inter-American Development Bank (IADB) for 17 years, including that of Treasurer of the Institution after having held other managerial positions.
- He acted as Bolivia's Governor at the World Bank, the Inter-American Development Bank, and the River Plate Basin Development Fund (FONPLATA), and represented Bolivia, Chile, Argentina, Peru, Uruguay and Paraguay as a member of the IBRD and IMF Development Committee.

As a large regional bank what were the reasons for joining the IDFC?
For CAF, the IDFC presents an opportunity to take advantage of a long and fruitful history of collaboration with development banks from all over the globe in a more formalised network that enhances our ability, both individually and as a cooperative association, to confront the common challenges of economic, environmental and social development.

Joining forces with the IDFC allows CAF to help shape and advance policy positions that impact the international development finance community. The club also fosters the development of more innovative financing mechanisms and products, and amplifies CAF's ability to mobilise resources and better serve our client countries in fulfilling their development objectives.

What do you hope to achieve from the membership?
The formalised association of 20 development banks helps position members like CAF at the forefront of the global development agenda. It helps drive a more comprehensive discourse on how best to overcome the obstacles to achieving inclusive and sustainable economic growth, and combat climate change, among other challenges.

The club also provides members like CAF with venues and opportunities to share knowledge and experiences with other like-minded development banks, and facilitates the development of other value-added services and potential business opportunities.

CAF ensures the environmentally and socially responsible administration of all its operations

As your main role is financing large infrastructure projects in Latin America, in what ways do you include environmental protection measures and provisions to deal with climate change and poverty reduction?
CAF ensures the environmentally and socially responsible administration of all its operations. The bank's Environmental and Social Management System monitors the application of standards and safeguards ranging from pollution and disaster risk prevention, habitat protection and water conservation to the promotion of community consultation and cultural heritage preservation. The System includes not only a set of essential environmental and social safeguards, but also methodological approaches, procedures, instruments, and resources to be incorporated at every phase of CAF's project approval and credit administration process.

In relation to climate change specifically, CAF not only takes into account climate impact assessment and mitigation measures during project development and evaluation, but also provides technical assistance and special financing for operations that help reduce greenhouse gas emissions and vulnerability to changing weather conditions.

Latin America has not experienced an economic downturn like Europe and North America but in what way has the global economic crisis affected development finance in the region?
Latin America weathered the global economic crisis much better than many other emerging regions, and has rebounded faster from the downturn than most advanced economies. Anti-cyclical fiscal policies, improved solvency and higher levels of international reserves made the region more economically stable, and able to increase public spending in important sectors such as infrastructure, in order to counteract a decline in commodity export demand from developed countries suffering from low growth following the crisis. Although many countries in Latin America have received credit upgrades allowing them improved access to international capital markets, development bank financing has remained an important source of funding for social, economic and environmental initiatives in the region.

What are some key areas CAF would like to take a lead within the IDFC?
Currently, CAF participates in all five of the IDFC's Working Groups, including Sustainable Infrastructure, Renewable Energy, Energy Efficiency, Social and Economic Inclusion and Sustainable Urban Development. CAF leads the Sustainable Infrastructure working group, and co-leads the Sustainable Urban Development team with the Japan International Cooperation Agency.

In regard to the Sustainable Infrastructure Working Group, a publication highlighting the importance of infrastructure development for long-term growth and poverty reduction is being finalised. The paper examines some of the club's best practices in financing sustainable infrastructure projects and emphasises innovative mechanisms for leveraging public and private sector funds.

CAF also co-leads with the Agence Française de Développement (AFD) and the German development bank (KfW) the Special Interest Group that developed the IDFC's Climate Finance Mapping Report and participates in the club's special interest group dedicated to supporting and promoting access to the UNFCCC Green Climate Fund.

Which sectors will be central to the bank in 2014?
In 2013, roughly 80 percent of CAF's portfolio was directed towards public sector operations. An estimated 34.2 percent and 28.1 percent was concentrated in the infrastructure and energy sectors respectively, while the area of social development was 16.9 percent. CAF's concentration in these fields in 2013 reaffirms the strategic interest of the institution to improve competitiveness in the productive sectors and support disadvantaged segments of the population, especially through the provision of basic services like transport, energy, and water and sanitation. CAF plans to continue focusing on these strategic sectors throughout 2014. ◻

The Development Bank of Latin America (CAF)

Guayaquil, Ecuador has received US$515 million for projects that form part of the city's new urban development model © CAF

CAF is a supranational financial institution established in 1970, whose mission is to support sustainable development and regional integration in Latin America. Its shareholders include Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Jamaica, Mexico, Panama, Paraguay, Peru, Portugal, Spain, Trinidad & Tobago, Uruguay, Venezuela and 14 private banks within the region.

CAF serves both the public and private sectors, providing a variety of products and services to a broad portfolio of clients, including shareholder states, private companies and financial institutions. The institution provides loans, guarantees, equity investments, financial advisory services, investment banking, and treasury services as well as grants and technical assistance. Social and environmental benefits are at the core of the institution´s management policies, and it strives for eco-efficiency and sustainability in all its operations.

As a financial intermediary, CAF channels resources from international markets to parties in Latin America, promoting investments and business opportunities. CAF plays a catalytic role in counter-cyclical financial policies, and has become the main source of financing for infrastructure and energy projects in South America and an important generator of knowledge for the region. Based in Caracas, Venezuela, CAF has country offices in Bogotá, Brasilia, Buenos Aires, La Paz, Lima, Madrid, Mexico City, Montevideo, Panama City, Port of Spain and Quito.

CAF's 'Ciudades con Futuro' (Cities with A Future) Programme is a high social impact initiative aimed at improving the quality of life of urban populations through integrated multi-sectoral interventions. The programme has four major components: 1) inclusive urban development, 2) productive transformation, 3) environmental sustainability, and 4) institutional strengthening and public safety. The first phase of the programme covers five major Latin American cities, including Guayaquil, Quito, Panama City, Fortaleza and Lima.

Guayaquil

From 1996 to 2012, CAF provided almost US$515 million in funding for the completion of a variety of critical transport and water and sanitation projects that form part of the city's new urban development model. Another US$297 million in financing originated from the municipal government and private sector entities, for a total of US$813 million to date. One of the major transport projects included the modernisation of the Metrovía rapid-transit system, a deal structured to transfer costs and operational risks to the private sector through a competitive concession process, and based on competitive user fares without government subsidisation. CAF also provided 55 percent of the financing for a new sewage system covering several marginalised areas of the city, with the municipal government and a private water and sewage utility coving the remaining 45 percent of the necessary funding.

CAF's comprehensive urban regeneration programme has not only represented a profound beautification of the city of Guayaquil, but has also provided employment for thousands of workers, accelerated the national and local economy, boosted tourism, and improved the quality of life and overall welfare of the city's inhabitants.

Panama City's first metro line was built with CAF financing © CAF

Panama City

From 1998 to 2012, CAF provided roughly US$1 billion in funding for critical energy, logistics, transport and water and sanitation projects in Panama City. Notable among these initiatives is the expansion of the Panama Canal, a project aimed not only at increasing logistical capacity and efficiency, but also decreasing water use and helping mitigate climate change by reducing global maritime C02 emissions caused by larger ships being required to take alternate longer transit routes. CAF also served as the principal source of external financing (about 32 percent of the total cost), including US$1 million in grant assistance and US$600 million in loans for the construction of Panama City's first metro line. Other international financiers include the Compañía Española de Seguros de Crédito a la Exportación (CESCE), Compagnie Française d'Assurance pour le Commerce Extérieur (COFACE) and the Multilateral Investment Guarantee Agency (MIGA), which issued a guarantee to cover a loan arranged by Citigroup Global Markets. The company responsible for the majority of the engineering, procurement, and construction, Line One Consortium (CLU), is a jointly-owned enterprise of Construtora Norberto Odebrecht S.A of Brazil and Fomento de Construcciones y Contratas S.A. of Spain. The contract with CLU uses a factoring payment scheme in which the contractor utilises private commercial bank interim financing, with prior approval of the Ministry of Economy and Finance (MEF) of Panama. The development of these types of new capital structures and public-private financing arrangements make funding long-term infrastructure projects more viable while also optimising funding costs.

The canal and metro projects will have a positive impact on the welfare of Panama City residents, reducing vehicle and maritime operating costs and travel times, decreasing greenhouse gas emissions, and stimulating economic growth with greater access to jobs, services and trade. ◻

Hu Huaibang

Chairman and Executive Director, China Development Bank (CDB)

Hu Huaibang © CDB

Biography

Country of birth: China

Education: Phd in Economics, Shaanxi Institute of Finance and Economics.

Date began as Chairman: 2013

Previous employment:
- Hu has served as Chairman of the Bank of Communications since 2008.
- Chairman of the Supervisory Board of China Investment Corporation from September 2007 to September 2008.
- Director-General of the Supervisory Boards Office and Commissioner of Discipline Inspection of the China Banking Regulatory Commission from July 2003 to September 2007.
- He also held various positions with the People's Bank of China (PBoC) from June 2000 to July 2003, including Vice-President of PBoC Chengdu Branch, President of PBoC Xi'an Branch and Provincial Administrator of the State Administration of Foreign Exchange in Shaanxi.

Why did CDB join the IDFC?

The IDFC is a communication and collaboration platform for development banks around the world. Joining the IDFC will strengthen our position in the interaction and collaboration with these development institutions. We share the business principles of the club, such as green development and sustainable growth, as they conform to the mainstream ideas of economic growth today. We also share the same view of strategic business development, especially in climate issues, infrastructure, social development, poverty reduction, green banking, innovative finance, and environmental protection. Hence, we joined the IDFC in 2011 on the invitation of KfW when the club was established.

How has the bank benefitted since joining the club?

Since the IDFC was set up, it has always been dedicated to enhancing its presence in major international events and conferences, and seeking a voice in the Global Green Foundation, the Doha COP 18 on global climate change and other platforms. The ideas it advocates, including promoting climate finance, green infrastructure and poverty reduction conform to the needs arising in the world. Since CDB joined the IDFC in September 2011, we have been in close contact with the club's senior management, actively participating in the advocacy activities such as conferences and academic research on the topics of green financing and sustainable growth. These activities have facilitated information exchange and the sharing of resources.

While we share our experience and practices from development finance, we also get the opportunity to learn from other institutions and discuss the topics in which we have a common interest. At the same time, the member institutions respect the differences among members, and recognise their relative strengths and weaknesses. Based on this, experiences were shared and collaboration was enhanced; we were particularly inspired and motivated by the IDFC's ideas on environmental protection and green financing.

How is the bank implementing and encouraging sustainable development?

We have made investments in and provided financing for power plants, water resources, transport, and other mid- to long-term major infrastructure projects. We have given special attention to the environmental and ecological implications of these infrastructure projects, and set the following sustainable growth objectives as important preconditions for providing support to the projects. They must: (1) improve and protect the ecological environment; (2) properly explore and utilise resources; and (3) reduce poverty and facilitate a balanced growth model among regions and between rural and urban areas.

We have made a continued effort to promote well-balanced growth among regions and support industrial transformation and upgrading. Also, we have encouraged the integration of technological innovation and development finance, promoted economic growth led by technological innovation, and enhanced the quality of development and the benefits it has brought.

We have also improved financing mechanisms at the county level, eased major constraints in agriculture development, and promoted rural area growth and farmer-related issues. We have established a multi-dimensional collaboration mechanism with local governments, financial institutions, local companies and farmers, and directed social funding to county-level economies. The loans we have issued cover infrastructure construction such as power grids, roads, sewage and garbage treatment systems in rural areas, as well as the industrialisation of the agriculture sector.

The bank has placed a special focus on mid- to low-income households and provided support in their housing, education, SMEs, healthcare and other basic needs that closely relate to people's livelihoods, and helped people fulfill these needs through a grassroots financial programme.

We have actively advocated environmental protection, energy savings and emissions reduction, and constantly increased investments in green loans and business innovation.

In collaboration with other international financial institutions around the world, we have shared professional knowledge and experiences, helped partner countries improve infrastructure, promoted the growth of modern agriculture, created job opportunities, and enhanced their capabilities to achieve internal growth and sustainable development.

The bank has placed a special focus on mid- to low-income households and provided support in their housing, education, SMEs, healthcare and other basic needs that closely relate to people's livelihoods, and helped people fulfill these needs through a grass-roots financial programme

In the last decade the bank has financed significant projects in Africa. Is the continent still key for the bank in the coming years, or will it diversify its approach?

Africa has always been one of our key areas for international collaboration. We have been actively participating in the Sino-Africa mutual development initiative since 2006, delivering a financial bridging function to the region, and diligently fostering business with African countries. As of the end of June 2013, our business covered 54 countries in several sectors, including agriculture, forestry, husbandry, fishery, water resources, power, manufacturing, resources exploration, telecommunica- →

We will employ different financial instruments including loans, bonds, leasing and various transfer and deposit certificates to further transfer the competitive advantage of production to Africa, to help African countries with their industrialisation process, and to enhance economic development and trade collaboration between China and Africa

tions, roads, airlines, ports, urban infrastructure, and sectors closely related to people's well-being. We have established a diversified investment and financing mechanism covering international planning and collaboration, loan business, and equity investments. We have been promoting solid collaboration with African countries, direct investments, loans, and SME loans for specific projects that have stimulated investment of Chinese companies in Africa, and effectively helped Africa's employment and social development.

Following comprehensive reform, China's robust economic growth and social development will continue, and the collaboration between China and African countries will deepen. In the future, CDB will further improve its strategic planning, focusing on the key regions and fields of investment, support Chinese companies investing into Africa, and help African countries develop. We will employ different financial instruments including loans, bonds, leasing and various transfer and deposit certificates to further transfer the competitive advantage of production to Africa, to help African countries with their industrialisation process, and to enhance economic development and trade collaboration between China and Africa.

Within China the bank is focusing on developing the western and northwest provinces to reduce economic disparity. How is this progressing?

In order to narrow the regional disparity in economic growth within China, CDB has used mid-to long-term investment and financing to facilitate the transfer of companies to midwest China in order to speed up the growth of this region. As of the end of the third quarter in 2013, CDB's loan balance to the midwest region was among the highest in China's banking industry, with funding mostly directed to constructing infrastructure and improving people's livelihoods. Specifically, CDB has participated in the construction of the Datong-Qinhuangdao railway, Nanning-Kunming railway, and highway projects in Sichuan and Shanxi. The bank has also participated in the building of several welfare housing projects. All these projects have brought material benefits to local people.

As well as the regions, which sectors does CDB view as key areas of financial demand?

Development finance institutions need to play a bigger role in the process of China's industrialisation, informatisation, urbanisation, and agricultural modernisation. Therefore, CDB will continue to concentrate on areas including infrastructure, core industries, people's livelihoods, and international collaboration.

Specifically, in the area of infrastructure and core industries, CDB will continue to support areas including railway construction, highway and power grids, the upgrade and transformation of power, steel, coal and other energy sources, technology innovation at company level, the development of manufacturing and cultural sectors, as well as environmental protection, energy savings, emission reduction and new energy development.

In the area of people's livelihoods, the bank will focus on constructing low-income housing, building modern agriculture facilities such as water projects and rice production bases. In addition, CDB will continue making sufficient SME loans and student loans.

In the area of international collaboration, CDB will actively support infrastructure construction and SME development in developing countries and regions and will support Chinese companies "going global".

What are the main challenges facing the bank in 2014?

We will face significant internal and external difficulties and challenges in 2014. From the global perspective, the world economy could still face some turmoil, and macroeconomic conditions are increasingly difficult to predict. The US economy is gaining strength but its monetary policy remains uncertain. In Europe, the most difficult time for the debt crisis seems to have passed, but its impacts still linger. In Japan, the economy has started to rebound, but Abenomic policies have caused the government to sit on high debt levels, and structural issues remain unsolved. In emerging markets, economic growth has slowed and the financial markets remain volatile.

Short-term liquidities have flowed in and out. The uncertainties brought about by QE tapering will be the major external risk emerging countries need to face. Internally, China is in a transition period from high-speed to mid- to high-speed growth. The increase in local government debt will remain under control as the economic structure goes through a series of transformations and upgrading. Excess capacity needs to be digested, and interbank competition is increasing. All these factors will pose challenges to our future growth. The progress on the RMB exchange rate reforms and interest rate liberalisation, especially for the interest rate on deposits, may have some impact on our business operations and management. ◘

Hippo Water Roller Project

Helping communities improve access to water
90 litres at a time

DAILY STRUGGLE

- Millions of women and children struggle daily to carry water to their homes
- Water is carried in traditional 20 Litre buckets balanced on the head
- Water collection points are often located far away from their homes: 2-10 km
- It is a time consuming task requiring multiple trips per day: 3-9 hours
- Carrying water is strenuous causing long-term neck and spinal injuries

SIMPLE SOLUTION

- The Hippo Water Roller is an appropriate technology for collecting large amounts of water by simply rolling it along the ground
- Carries 90 Litres, is designed to last many years even in difficult terrains, and needs no maintenance

CONTACT US:

admin@hipporoller.org

SOCIAL IMPACT BENEFITS

- Reduced suffering; Improved hygiene & health; More time for education and economic activities; Empowerment of women & children
- Benefits are experienced immediately

PARTNER WITH US

- Your organisation can make a difference by helping communities in need.

hipporoller.org

China Development Bank

CDB headquarters in Beijing © CDB

China Development Bank (CDB), established in 1994, is one of China's primary banks in medium- to long-term financing. Its mission is to enhance national strength and to improve people's well being. Backed by the state government, CDB issues financial bonds and guides the flow of capital from the whole of society. The bank supports key areas and strengthens weak links in China's economic and social development.

As well as making a great effort to improve people's well being and to enhance international cooperation, the bank has also made positive contributions to China's urbanisation, industrialisation, and the country's 'going global' strategies. Now CDB has become one of the irreplaceable and important forces in China's overall social and economic development.

CDB operates 37 1st-tier branches and two 2nd-tier branches in mainland China. The bank has also established a branch in Hong Kong, and has representative offices in Cairo, Moscow, and Rio de Janeiro. The bank's four subsidiaries–CDB Capital, CDB Securities, China-Africa Development Fund, and CDB Leasing–combine five primary functions including investment, lending, bond issuing, leasing, and securities, which enables CDB to achieve the goal of comprehensive operations and synergistic development. The bank employs over 8,000 people globally.

As well as making a great effort to improve people's well-being and to enhance international cooperation, the bank has also made positive contributions to China's urbanisation, synchronised industrialisation, and the country's 'going global' strategies

As of the end of 2013, CDB's total assets had surpassed 8 trillion RMB (US$1.3 trillion), and the bank's non-performing loan ratio has remained below 1 percent for 35 consecutive quarters. Moody's, Standard & Poor's, and Fitch have assigned CDB ratings on a par with China's sovereign ratings.

CDB is China's largest bank in medium- to long-term loans and development financing accounting for 18 percent of market share in yuan-denominated medium- to long-term loans, which puts it at the forefront of the country's banking industry. The bank's accumulative lending for urbanisation stands at around 7 trillion RMB which accounts for 61 percent of its total accumulative yuan-denominated loans. CDB's loans for low-income housing projects (such as shanty town upgrading projects) stands at 589.4 billion RMB, over 50 percent of market share, With an amount of foreign currency denominated loans approaching US$270 billion, CDB is China's largest bank providing investment and financing to foreign parties

benefiting nearly 25 million low-income people. In addition, through lending out 55 billion RMB in student loans, which accounts for over 80 percent of market share, the bank has helped nearly 10 million students.

CDB is one of China's largest bond issuing banks with 9.5 trillion RMB worth of bonds issued, which makes it the second largest bond issuer after the Ministry of Finance.

With the amount of foreign currency denominated loans approaching US$270 billion, CDB is China's largest bank providing investment and financing to foreign parties. Its business spans over 100 countries and regions around the world. Apart from establishing a banking consortium with the Shanghai Cooperation Organisation, CDB has also led the formation of a China-ASEAN banking consortium and has strengthened the cooperation mechanisms for BRICS countries, so as to build bridges for multilateral financial exchange and cooperation.

CDB is a bank of social responsibility, and has integrated this idea into the bank's overall development strategies, business processes, and corporate culture, and it provides comprehensive support to sustainable economic and social development. CDB has been working hard to explore feasible means of facilitating economic and social sustainability through financial services. Through mid-and long-term investment and financing, CDB has supported infrastructure, basic industries and pillar industries, promoted the balanced development of various regions, spurred industrial upgrading and

CDB has spurred industrial upgrading and urbanisation such as the Harbin shantytown redevelopment © CDB

urbanisation, improved people's living standards with inclusive finance, and facilitated social development. CDB has followed a sustainable development path powered by development finance.

CDB has actively participated in international cooperation to tackle global challenges facing the world. As China's first state-owned bank to join the United Nations Global Compact, CDB provides financial support to China's most urgent developing areas, and makes great efforts towards poverty and disaster relief as well as charitable donations, which give the bank high societal recognition. CDB has been honoured with the People's Social Responsibility Award from the *People's Daily Online* for eight consecutive years, and has won awards including Best International Cooperating Bank, Best Bank in the Contributions of Low-Income Housing, Best Bank in Water Conservation Construction, and Best Bank Supporting New Urbanisation. ◘

The Three Gorges Project © CDB

Anass Alami

Director General, Caisse de Dépôt et de Gestion (CDG)

Anass Alami © CDG

Why did CDG join the IDFC?

CDG is a public financial institution established in 1959 to protect institutional savings–the bank has evolved over time to meet national development challenges.

CDG channels long-term savings towards profitable, growth-generating investments that are carefully selected in sectors that catalyse further private investment by developing core infrastructure, generating spillovers and exhibiting investor confidence.

As one of the major institutional development actors in Morocco, CDG is committed to investing in an important number of projects that support sustainable development in the country.

Thus, CDG decided to join the IDFC in 2011. By joining this club, CDG was willing to become part of a community of international development banks committed to placing their expertise and experiences at the service of global sustainable development.

As a member of the IDFC, CDG has been able to share and benefit from other international members' experiences and expertise on issues of common interest, especially when it comes to sustainable infrastructure and renewable energy

Biography

Country of birth: Morocco

Education: Studied at Mohammedia Engineering School (EMI) in Morocco, and then went on to gain an MBA in Finance and International Affairs from the Stern School of Business, at the University of New York.

Date began as Director General: 2009

Previous employment:
- In 1993 he founded the Upline Group, which today is one of Morocco's leading players in the banking and financial services industry.
- In 2005 he became Chairman of the Supervisory Board of the Casablanca Stock Exchange Company and a year later, in 2006, Director General of Barid Al Maghrib (Poste Maroc).

Our work with savings and social security management has seen us successfully integrate several standard operating environment internal pension funds, and we have gained international recognition for our high-quality standards

How does being part of the IDFC help CDG to strengthen its voice?

As a member of the IDFC, CDG has been able to share and benefit from other international members' experiences and expertise on issues of common interest, especially when it comes to sustainable infrastructure and renewable energy.

Throughout the regular group meetings and one-to-one sessions, CDG has had the opportunity to network with hundreds of professionals and meet with eminent key speakers in a number of different countries who have been airing their views on the future of sustainable development in the world.

During those meetings and seminars, CDG was able to benefit from fantastic advice from other members, share know-how and best practice experiences, as well as offer some excellent support and information for people interested in the Moroccan market.

How is CDG helping to achieve sustainable development in Morocco?

CDG is a diversified group spanning a broad spectrum of activities that are strategically aligned with national development objectives and policies.

The bank is the largest financial investor in Morocco, leading financial innovations, developing capital markets, energising the private equity industry and acting as the gateway to foreign investors in Morocco.

Furthermore, CDG contributes to national pension system reform, and actively supports the government's sectorial policies: Plan Emergence, Morocco's industry strategy, Plan Azur; Morocco's tourism strategy; and Plan Maroc Vert, Morocco's agriculture strategy.

CDG plays an important role in contributing to the economy in Morocco. Can you summarise some key investments and projects that have benefited the economy?

We conduct high-impact projects to catalyse change and accelerate Morocco's economic transformation. Within the field of regional development we have developed, and manage Casanearshore, which is an offshoring and outsourcing park in Casablanca–it's the largest offshoring park in Morocco, generating more than 200,000 jobs.

On the outskirts of Casablanca, CDG is building an ambitious new smart eco-city called Zenata Eco City, which is aiming to accommodate 300,000 residents.

Within banking and finance, CDG has provided equity financing to Renault Tanger to build the largest car factory in Africa, producing 400,000 cars a year. The bank was also instrumental in developing securitisation in Morocco by supporting the government in laying out the legal framework, as well as pioneering transactions.

Our work with savings and social security management has seen us successfully integrate several standard operating environment internal pension funds, and we have gained international recognition for our high-quality standards: RCAR, a pension fund managed by CDG, was granted second prize in the United Nations Public Service Awards in 2012.

What do you see as CDG's role within the IDFC?

Through its membership in the IDFC, CDG contributes to the development of the club's network in Africa. Thanks to its active participation in the club's meetings and workshops, CDG has been sharing its best practices and experiences in the sustainable development area, thus providing the club with additional input from an emerging country's perspective. And last but not least, CDG aims to raise other members' awareness to the issue of sustainable development in Africa.

Does CDG offer any financial tools to help SMEs?

Through its subsidiary CDG Capital Private Equity, CDG has been offering financial tools to help SMEs. CDG Capital Private Equity, through its pioneering role and leadership in investment capital in Morocco, has been supporting Moroccan entrepreneurs for almost a decade, helping them realise their business projects and actively add value.

CDG Capital Private Equity currently manages four investment funds dedicated to local and foreign institutional investors. These funds cover the main alternative investment activities of seed funding, growth funding and late–stage funding.

CDG Capital Private Equity is therefore structured into the following three business lines:

- **Growth/late stage**
  - Accès Capital Atlantique Maroc (ACAMSA)
  - CapMezzanine
- **Seed funding/risk capital**
  - Sindibad SA (FSSA) fund
- **Carbon trading**
  - Fonds Capital Carbone Maroc (FCCM)

CDG Capital Private Equity is currently the only management company of capital investment funds in Morocco offering funding for the different growth stages of Moroccan companies. ◘

CDG Capital
Sourcing sustainable solutions

Caisse de Dépôt et de Gestion (CDG) is a public financial institution established in 1959, with the primary objective of receiving, safeguarding, and managing savings that require specific security. Over the years, CDG has grown to become a major player in the Moroccan economy and a partner in public development policies

CDG is helping finance the new Zenata eco-city on the outskirts of Casablanca

CDG is engaged in Morocco's largest structuring projects. Today, it is the leading institutional investor in the country and one of the major actors in the national economy. The bank's ultimate ambition is to play an active role in the economic and social development of the country.

CDG has undergone many changes since it was established mirroring the evolution of Morocco's financial sector. The bank's role as both a guardian of savings and pension funds, and as an investor in the Moroccan economy, has become more important. CDG works to achieve a positive social impact as a result of its investment activities, and has served as a co-investor in mega-projects such as Renault's manufacturing facilities (see box).

CDG Highlights

Renault Tanger: CDG provided equity financing to build the largest car factory in Africa (400,000 cars/year).

Securitisation: CDG was instrumental in developing securitisation in Morocco by supporting the government in laying out the legal framework, as well as pioneering transactions.

Savings and social security management

Pension funds management: CDG has successfully integrated several SOE internal pension funds.

International recognition for high-quality standards: RCAR, a pension fund managed by CDG, was granted second prize in the United Nations Public Service Awards in 2012.

Efficient long-term savings mobilisation and allocation in development projects is the central mission of CDG Group. Morocco needs large investments in many areas, including infrastructure, energy, utilities and communities, and so CDG Group creates special investment instruments.

"CDG is both an investor and developer," says Hamid Tawfiki, Executive Director. "The bank seeks both efficiency and effectiveness and CDG positions itself as a gateway for foreign investors."

Investment in developmental projects includes working with financial markets, investment in infrastructure, territorial development, corporate financing and investment in housing.

Many subsidiaries of the bank operate across several areas: banking, finance and insurance; deposits and consignments; provident and pension funds; and territorial and sustainable development.

Sustainable development

CDG Développement is a wholly-owned subsidiary of Caisse de Dépôt et de Gestion. It was set up in 2004 with the aim of undertaking the territorial development strategies of CDG Group.

With 32 million inhabitants and an urbanisation rate of around 60 percent, Morocco adds about 500,000 new urban residents each year. At this rate, nearly 25 million people will reside in urban areas by 2030, and will generate a need for housing, activity spaces and equipment estimated at about 2,500 hectares per year.

In 2004 the Moroccan state committed to an ambitious programme to build 11 new towns by 2020. The main objectives are to ease the pressure on cities to reduce substandard housing in the market and to offer a habitat to meet the needs of different social strata.

CDG is playing an important role in helping the government achieve these objectives and has a leading role in the development of Africa's first eco-city, Zenata. "The new coastal city of Zenata is part of an urban policy that tries to steer the population away from congested Casablanca to a new urban area," explains Tawfiki. "This city of 2,000 hectares is being built along 5.6 kilometres of Atlantic coast, eastward of Casablanca, to balance the demographic pressure on the city. It will combine logistics activities and amenities such as a congress centre and commercial and entertainment areas and it is poised to be a successful new city, because of its connectivity to major infrastructure with a highway and a 30-minute drive to the international airport of Casablanca."

Zenata will be home to almost 300,000 inhabitants by 2030, and will provide social housing and mixed-income housing projects for the rising middle class households. It will also establish an economic activity zone with a logistics centre, a retail park and a health-care facility, in order to build economic competitiveness. And it will be easily accessible and feature an extensive public transport system (tramway and overland suburban train) and pedestrian-friendly streets. Around 100,000 jobs will be created by the project over the next 15 years.

"CDG is involved as an institutional investor and a developer as we operate a holding company, CDG Dev, devoted to territorial development and including real estate, infrastructure and urban services to municipalities," says Tawfiki. "We have set up a special purpose company to supervise and plan the city project. CDG is striving to make Zenata sustainable in every land-use planning aspect, striking the balance between urban development and environmental protection. Priorities include preserving sand dunes, collecting rain water for agricultural use and fostering the use of renewable energies in public lighting and real estate. Zenata is a foothold for Morocco to build its first green city."

It is also noteworthy to point out the role CDG is playing to develop the city from an investor perspective. "It is reflecting an important trend in our country; with local authorities delivering regularised and serviced land plots and private actors and para-statal agencies (such as the urban holding

→

Zenata will be Africa's first eco-city © CDG

Al Omrane) developing the land into new towns, economic zones and affordable housing. As I said, CDG has created a dedicated private entity the Société d'Aménagement de Zenata, and committed an investment amounting to 7.2 billion Moroccan dirhams (€654 million)," says Tawfiki.

CDG Capital is playing the key role of financial advisor in structuring the transaction and liaising with banks, investors and operators. This approach has enabled the government to successfully achieve its Cities Without Slums programme and to reduce the slum population by 65 percent between 1990 and 2010. Under this programme local authorities service the land and private companies develop social housing units.

Moroccan economy

Morocco has benefitted from stable economic growth over the past 10 years. Growth has been consistent at around 5 percent per annum and the economy is less volatile with less dependence on the agricultural sector, higher sector diversification, and strong internal demand.

Compared to its peers, Morocco is the only country in the region to show a relatively high growth rate, with controlled inflation and public debt, in addition to a favourable business environment.

There are several structural reforms aimed at boosting the country's development and strengthening the financial sector. Morocco is actively promoting its preferential tax regimes, sector plans and market stimulation, and infrastructure development programmes, in order to encourage investment in infrastructure.

The government has initiated major strategic plans, such as the Tourism Vision 2020, which includes the development of six mega-tourist stations requiring US$9 billion in investment. The goal is to reach 20 million tourists by 2020, with 200,000 new beds and 600,000 new jobs. The target for tourism GDP is US$14 billion by 2020.

Agriculture is also receiving a financial boost. In the Green Morocco plan, the aim is to add US$10 billion to agriculture GDP through a US$15 billion investment (1,506 projects), which in turn will create 1.5 million new jobs.

> Zenata will be home to almost 300,000 inhabitants by 2030, and will provide social housing and mixed-income housing projects for the rising middle class households

Investing in urban development

As a government-owned corporation, CDG is helping implement the government's plans. "Limited government financial resources call for new solutions," says Tawfiki. "Firstly, domestic capital markets need to deepen and mature, to enable the emergence of new financial instruments, such as swaps, project bonds and hybrid debt instruments. The second need is the development of public-private partnerships (PPP). Morocco has significant experience in concessions, but we need to go beyond this stage of development of private participation." In 2013, new legislation on PPPs was brought in by the government and this will hopefully develop into successful policy as it is implemented.

"We also need to attract long-term investors both national and international," adds Tawfiki. "Institutional investors such as sovereign wealth funds and pension funds are, in theory, ideal investors in sustainable cities. They need investment opportunities at scale, they have the resources and time horizons necessary to be sources of patient capital for long-term investment strategies, and for many, their large portfolios reinforce their need for investments that support positive rather than negative externalities."

Investment in sustainable cities offers a number of advantages. Cities offer the potential for large-scale investments in sustainable infrastructure and real estate, creating opportunities for market development and also to address the real risks of climate change. Investments can mature over long periods, supporting the time horizon of the funds themselves.

Funds, and their beneficiaries, can benefit from sustainable investment strategies that support economic development and encourage market development for the transition to a low-carbon economy.

"Of course, cities themselves are not the object of investment – large institutional investors will work through intermediary investment funds, or occasionally through direct investment in large-scale infrastructure projects, that invest in certain pieces of the built environment, and that typically diversify their portfolios across a range of cities," says Tawfiki. "While the market for sustainable urban investment remains relatively new, there are a range of existing and developing products across asset classes that suggest how large investors can begin to integrate sustainable cities as targets for their investment strategy. Green infrastructure requires green financial instruments."

Green financial tools

CDG offers several different green finance instruments:

Fixed income: Sustainable fixed income instruments issued by municipalities, national governments, international finance institutions, or other entities have a clear place in institutional investment portfolios concerned with climate change. These bonds may support a variety of activities including energy efficiency and alternative energy generation projects, waste and water treatment projects, sustainable transit initiatives, and more.

Venture capital and private equity: Private equity investments have received considerable attention, especially in the venture capital space, for the development of new technologies for energy generation, storage, and efficiency. Specialised funds have developed targeting clean technologies and a number have attracted institutional investment. Private equity investments are in waste and water management companies.

Infrastructure is also an asset class with substantial opportunity for growth in sustainable investment. There is potential for greening cities through programmes around public transport and infrastructure for electric vehicles and land use patterns, integrated waste management and more efficient water use and waste management systems, that are a natural fit for public-private partnerships in infrastructure investment.

CDG Développement aims to fulfil the following objectives

- Territorial development
- Community interest
- Profitability

Intervention philosophy

- Help local governments realise their ambitions
- Create innovative territorial concepts
- Provide value-oriented offers for territorial development
- Trigger partnership dynamics
- Develop emblematic projects

Major activities:

- Incubation, design and planning
- Development
- Service management
- Hotel management and operation
- Wood industry
- Territorial projects
- Mixed corporations (SEM)

But cities themselves are not objects of investment–rather, projects and funds that contribute to sustainable cities attract investment. In this way, sustainable cities are most attractive to investors only to the extent that public policy and civil society are engaged in ensuring that a variety of investments and other activities coordinate to support the development of sustainable urban places. Investors alone cannot do this. For sustainable cities to become real objects of investment, multi-stakeholder dialogue and coordination is necessary to deliver on their promise. ◘

CDG has created a dedicated private entity to invest 7.2 billion Moroccan dirhams (654 million) into Zenata © CDG

Patrick Dlamini

CEO and Managing Director, the Development Bank of Southern Africa (DBSA)

Patrick Dlamini © DBSA

As one of the younger development banks in the club what can you bring to the table of the IDFC?

The DBSA is regarded as one of the leading development finance institutions on the continent of Africa. Through our investments in large-scale infrastructure programmes, we seek to improve the quality of life of people and to support economic growth and regional integration. The bank focuses on sustainable social and economic infrastructure development finance and given the impediment that a lack of project preparation funding typically places on accelerated infrastructure development, we also focus on leveraging funds for this purpose. Hence, given the DBSA's track record in structuring sustainable infrastructure development finance solutions in Africa, coupled with its experience in direct project implementation support, and in managing funds for project preparation, I believe we are in a position to add substantial value in respect of all of the planned activities of the IDFC, including in efforts to mobilise resources for climate resilient projects and programmes.

What were the reasons for the bank to join the club?

The DBSA recognises the importance of the development of strategic partnerships, since it is fundamental to delivering the bank's strategic goals and objectives, and provides a vital impetus for the effective execution of our mandate. The IDFC provides this unique opportunity for the bank to engage and leverage multiple-level partnerships toward overcoming its

Biography

Country of birth: South Africa

Education: Mr Dlamini studied at the University of Durban-Westville and graduated with a Bachelor of Commerce degree. He completed the Executive Development Program (EDP) through the University of the Witwatersrand's Business School (WBS). He is about to complete his Masters of Business Administration (MBA) degree through the University of Wales.

Date began as CEO: 2012

Previous employment:
He served as CEO of Air Traffic and Navigation Services (ATNS) Company of South Africa. He also worked for South African Airways (SAA) as the Executive Vice President and General Manager responsible for Cargo, as well as the Transnet Limited Business Unit Executive.

own challenges around sustainable development financing, particularly in light of the global financing constraints.

What sets the DBSA apart from other development finance banks in southern Africa?

The DBSA is one of the larger development finance institutions in the region and supports cross-border infrastructure development and regional integration. In implementing our mandate, the bank plays a pivotal role in delivering catalytic infrastructure in South Africa and the Southern African Development Community (SADC) region by providing funding solutions to both social and economic infrastructure projects and programmes. At the same time in response to the growing demand for early stage project preparation finance, we have been actively engaging our development partners with a view to pooling resources towards closing this critical gap. Already we have had major success in these endeavours. Furthermore, the bank is unique in that it is wholly owned by the South African government and yet operates across the member countries of the SADC, with a recent mandate review expanding the scope of its operations to cover all the territories of Africa.

What benefits has the bank enjoyed since joining the IDFC?

The DBSA has always sought to partner with institutions with shared mandates or objectives in order to maximise its own development impact and reach. Membership of the IDFC has afforded the bank a much broader exposure to international development finance institutions including many that it would not encounter through its normal business operations in Africa. As can be expected, this has fostered a diverse wealth of networking opportunities to collaborate and share best practice initiatives within the development-financing arena and has paved the way for the bank through shared experiences and knowledge to build on its own in sculpting innovative development finance solutions going forward.

In 2012 the bank initiated a new strategy to enhance its developmental impact and optimise its reach and activities. What has this involved and what has been achieved since?

Over the years, the DBSA has sought to grow its infrastructure financing support domestically and in the region while also expanding the nature and extent of its non-recoverable developmental expenditure. While the bank as a regional development finance institution has striven to play the counter-cyclical role expected of it, it has not been immune to the impacts of the deteriorating economic environment, and more so given its dependence on wholesale debt funding.

The DBSA has also supported South African government departments extensively in accelerating the implementation of a number of programmes through the provision of project management and implementation support in key priority sectors critical to the achievement of various national development objectives. Consequently, the bank's growing financial commitments to these programmes ultimately resulted in an erosion of capital necessary to support debt-funded growth while retaining the bank's conservative capital structure. Hence, during 2012, the shareholder and the DBSA Board agreed to refocus and restructure the bank's activities to focus on project preparation, core infrastructure financing, and selected project implementation support. Various non-core activities were discontinued, including research and policy development support work unrelated to the core focus areas of the bank. At the same time the shareholder support for the bank and its development agenda was explicitly demonstrated through a capital injection aimed at enhancing the growth capacity of the bank within the constraints of its conservative regulatory gearing cap.

Although the restructuring was only finalised during 2013, the early impact is already being experienced, for example through improvements in operational efficiencies and the strengthening of core capabilities especially in the key areas of new business development and project structuring.

The DBSA has always sought to partner with institutions with shared mandates or objectives in order to maximise its own development impact and reach

Will infrastructure be a large component of the bank's activities in 2014 and what steps does the bank take to ensure sustainability when providing finance?

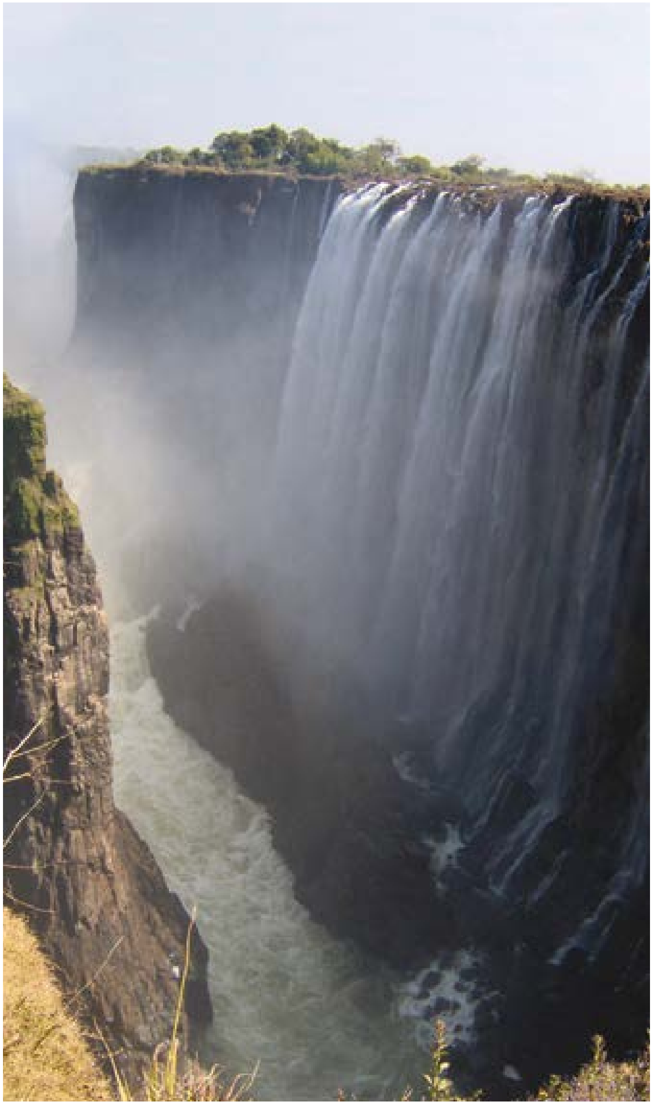
Infrastructure finance remains the core of the bank's operations. In fact, given our belief that infrastructure development is critical to integrated and inclusive social and economic development, the focus going forward for the DBSA will be on sustainable infrastructure development finance in the core sectors of energy, transport, health, education, and ICT.

Environmental and sustainability considerations and practices at the DBSA are founded on the bank's environmental sustainability strategy, environmental policy, the environmental management system, and the bank's environmental appraisal procedures. These policies and guidelines combined form the bank's environmental management framework. The DBSA environmental management framework is aligned with international best practice and serves as the structure that ensures the DBSA's operations, programmes and projects are socially responsible, environmentally sound and in line with stringent government legislative and regulatory requirements.

In addition, during 2013, the DBSA also became a member of the United Nations Global Compact (UNGC). As a result, the DBSA Annual Report will henceforth be aligned with both the integrated and sustainability reporting requirements of the Global Reporting Initiative's Sustainability Reporting Guidelines, and the UNGC's ten universally accepted principles addressing the areas of human rights, labour, environment and anti-corruption.

The Development Bank of Southern Africa

Wholly owned by the government of the Republic of South Africa, the Development Bank of Southern Africa (DBSA) operates across the member countries of the Southern African Development Community, focusing on infrastructure development finance and, to a lesser extent, direct grant-funded capacity building



The Zambia-Namibia interconnection involved the construction of a 230-kilometre 220kV transmission line from the Victoria Falls in Zambia, to Namibia

© jundy848/flickr

Founded in 1983, the DBSA underwent a major transformation in 1997 when it was reconstituted as a national and regional development finance institution, following the country's transition to democracy in 1994. The DBSA has made a significant contribution to development in the region since, and through its support of the Southern Africa Development Community (SADC) Regional Infrastructure Development Master Plan (RIDMP) among others, has contributed to regional integration beyond its financing operations. In South Africa, as the single largest lender to municipalities, the bank has played a focal role not only in accelerating municipal infrastructure development, but through its lending activities and products has also contributed to developing the municipal debt market. Further, through the capacity building and project implementation support operations of its Development Fund, the DBSA has played a crucial role in assisting under resourced municipalities to create the platforms for the delivery of basic services to their communities.

Africa's infrastructure backlogs remain colossal however, with the continent's infrastructure funding gap, after allowing for the redressing of existing inefficiencies, estimated at an annual US$31 billion, some 76 percent of which resides in the power sector (Source: World Bank).

Renewable energy

It is within this context that the bank has placed particular emphasis on maximising its contribution to meeting the energy requirements of the continent, given the sector's significance as an economic development and growth imperative. Within South Africa, the last few years has seen the DBSA play a pivotal role in supporting government in creating an enabling environment for investment from independent power producers (IPPs) in particular in the area of renewable energy, as part of the government's goals of reducing the country's energy deficit through increasing generating capacity by some 40,000 MW by 2030.

Close to 42 percent of this added generation capacity is targeted to come from renewable sources. From zero generation entering the national power grid from these sources a year ago, already this programme has seen investment in renewable energy generation projects with aggregate capacity of 2,459 MW commence implementation, with projects with capacity totalling a further 1,456 MW due to reach financial close by mid-2014. In addition to its key supporting role in enabling the rollout of this important infrastructure programme the bank has thus far committed project funding to select projects from the first three rounds of the programme totaling 9.3 billion rand (US$865 million). Projects financed include concentrated solar power, wind, and solar photovoltaic.

Green Fund

The DBSA has also been appointed by South Africa's national environmental affairs department to manage the country's Green Fund, a fund established to support initiatives in the country's transition toward a low-carbon, resource efficient, and climate resilient development path. In addition to its commitments to the country's renewable energy programme, the DBSA in 2013 acted as a joint mandated lead arranger for, and co-financed the construction of two open cycle gas turbine facilities with a combined capacity of 1,005 MW for the production of peaking power, a transaction for which it was recently the recipient of *Project Finance* magazine's 2013 'Overall African Deal of the Year' award.

Given Africa's sizeable and growing infrastructure funding gap, the DBSA considers it crucial to leverage to the maximum, partnerships with global institutions of similar disposition. In this vein, and recognising the impediment to infrastructure development posed by a lack of access to project development funding, the bank has partnered with a number of international development finance institutions active in Africa in order to supplement its own resources in the establishment of project preparation and feasibility facilities aimed at unblocking these constraints to redressing the continent's mounting infrastructure backlogs. In this respect facilities have been established jointly with Agence Française de Développement (AfD), the European Investment Bank (EIB), as well as with the SADC Secretariat.

Flagship projects implemented following early stage preparation funding from these facilities co-financed and managed by the bank include the Eastern Africa Submarine Cable System (EASSy), the Kariba North Power Generation project in Zambia, and the Zambia-Namibia power interconnection. Owned by a group of 16 African and international telecommunications operators and service providers, EASSy is a 10,000-kilometre submarine fibre-optic cable system deployed along the east coast of Africa and connecting South Africa with Sudan via landing points in seven other countries, to provide for the voice and data services needs of this region. The Kariba North Bank generation project involved the extension of the existing Kariba North Bank Power Station located on the Zambezi River through the construction of an additional 360 MW hydropower station, while the Zambia-Namibia interconnection involved the construction of a 230-kilometre 220kV transmission line from the Victoria Falls in Zambia, to Namibia.

Following on from its successes in the administration of these joint facilities and other third party funds, the DBSA was appointed to manage a €100 million Infrastructure Investment Programme in October 2013 as part of the European Union's seven year strategic programme for South Africa IIPSA. The funds are intended to finance a combination of project preparation, capital grants, guarantees and insurance premiums, and interest rate subsidies for qualifying infrastructure projects in South Africa and the SADC region.

In recognition of its key role in the development of the southern African region the DBSA was in 2013 invited as only the second African entity after the African Development Bank Group to join the Infrastructure Consortium for Africa (ICA)

Cooperation

With the admission of South Africa into the BRICS (Brazil, Russia, India, China, South Africa) fold in 2011 the DBSA was nominated by the government as the country's representative bank in the BRICS Interbank Cooperation Mechanism (ICM). Consisting of the key development finance institutions in the respective member countries, the ICM was established by the BRICS leadership to, among others, strengthen cooperation in financing and other mechanisms to support projects falling within the mandates of member banks. The ICM has since 2011 concluded a number of multilateral interbank cooperation agreements aimed at paving the way to concrete cooperation and co-financing endeavours consistent with the forum's objectives as set out in its founding documents. Key among these and consistent with the DBSA's approach to gearing offshore capital and other resources towards closing the continent's infrastructure gaps, were agreements concluded on sustainable development and on infrastructure co-financing in Africa, respectively.

In recognition of its key role in the development of the southern African region the DBSA was in 2013 invited as only the second African entity after the African Development Bank Group to join the Infrastructure Consortium for Africa (ICA). Launched at the 2005 G8 Summit in Gleneagles, the ICA aims to improve the lives and economic well-being of the people of Africa through promoting increased investment in infrastructure on the continent. Other members of the ICA include the →

The Jobs Fund seeks to create jobs through co-financing expansion of existing, self-sustaining programmes and piloting new and innovative approaches to job creation in among others, enterprise development, infrastructure development, and institutional capacity building

G8 countries, the World Bank Group, the European Commission, the UK's Department for International Development (DFID), and the European Investment Bank. The ICA provides support to the African Union's Programme for Infrastructure Development in Africa (PIDA). The DBSA in this respect plays a lead role, together with key development partners, in unlocking and preparing projects under the North-South Corridor, a PIDA programme led by South Africa's President as part of the NEPAD Agency's Presidential Infrastructure Champion Initiative (PICI). The essence of the initiative is to unlock obstacles to key cross-border and regional infrastructure projects, and by selectively employing risk capital from the Bank and its development partners, structuring sustainable development finance solutions to crowd in the levels of private sector financing necessary to meet the vast requirements.

The DBSA considers infrastructure, like hydroelectric dams, a crucial ingredient to inclusive and sustainable development © DBSA

Until recently housed in the DBSA Development Fund, a large part of the bank's operations consisted of grant-funded capacity building and institutional support services, together with the management and administration of third party agencies and funds with concurring development goals. In acknowledgement of its experience in facilitating socio-economic development and in managing projects and programmes on behalf of both national government departments and international donor agencies, the bank was appointed by the South African Finance Minister in 2011 to manage the government-funded Jobs Fund. The Jobs Fund seeks to create jobs through co-financing expansion of existing, self-sustaining programmes and piloting new and innovative approaches to job creation in among others, enterprise development, infrastructure development, and institutional capacity building. As at the time of writing the Jobs Fund had committed to co-financing 66 projects with private sector investment of 3.5 billion rand (US$325 million) leveraged, and projected to create 101,000 new permanent jobs over the next three years.

Restructuring

In continued efforts to maximise the development impact of its operations a more recent and comprehensive reorganisation of the bank's operations finalised in 2013 saw the transfer of the DBSA Development Fund into the bank, and a refocus of the business strategy on core and sustainable infrastructure development finance solutions, both in the SADC region, and following a concurrent expansion of its geographic mandate, the broader African continent. Already the bank is participating in the preparation and structuring of a range of high impact infrastructure projects and programmes across the continent, with an expanding pipeline of projects destined to reach financial close in the near to medium term. Select capacity building and support operations previously managed by the bank's Development Fund continue as part of the bank's operations, while the Development Fund's large scale dedicated programme to capacitate under-resourced municipalities has been taken over by the relevant national government departments.

The DBSA considers infrastructure a crucial ingredient to inclusive and sustainable development and as part of its revised strategy will focus going forward on infrastructure finance solutions in the key sectors of energy, transport, water, education, health, and ICT, while continuing to provide project implementation support to select social infrastructure projects and programmes. The bank further recognises the crucial role of local authorities in infrastructure development and service delivery critical for socio-economic development. Within South Africa therefore, an area of particular focus for the Bank will remain the smaller and generally under resourced municipalities where development and service delivery are typically impeded by persistent and systemic skills shortages in the requisite disciplines. For this reason, dedicated support structures have been created within the bank to partner with the affected municipalities in ongoing efforts to remedy their specific deficiencies.

In this review and restructuring of its operations, the DBSA has therefore ensured that it is optimally positioned for its growing role as a lead development finance institution in South Africa, the SADC region, and with its expanded geographic mandate, the broader continent. ◘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Anton Kovačev

President of HBOR, the Croatian Bank for Reconstruction and Development

Anton Kovačev © HBOR

Biography

Country of birth: Croatia

Education: University of Split, Faculty of Economics

Date began as President: 1993

Previous employment:
- 1992 – 2000: Member of Parliament of the Republic of Croatia
- 1995 – 2000: Member of the Finance and State Budget Committee, Croatian Parliament
- 1992 – 1995: Vice-President of the Economy and Reconstruction Committee, Croatian Parliament
- 1992 – 1993: General Manager, Split Airport

Why did HBOR join the IDFC?

HBOR continuously strives to provide a complete service to Croatian entrepreneurs. In this respect, we see challenges and opportunities in the future not only in climate finance, but also in infrastructure and innovation finance. We share the same values as other club members. Consequently, I believe that HBOR, through the exchange of knowledge and experience in this area can contribute to the development of project finance and to social development, not only in Croatia but also in the region. After all, our mission is to serve as a benchmark for the success of similar institutions in the region by encouraging renewable development of the wider community.

Legislation on environmental impacts is becoming more rigorous. Given that on a global basis, development in this area is slow, I believe we need to further strengthen and develop initiatives like the Montreal and Kyoto Protocols or the Stockholm Convention. According to WWF data, the use of natural resources at current rates is not sustainable. Therefore, the necessity of these initiatives and the need to strengthen the legislation is not in doubt. On the other hand, we must be aware that all of these initiatives and demands slow down countries' economic development, which is a particularly sensitive issue today. They also represent a challenge to the development and innovation of new technologies and products, to the more efficient use of non-renewable resources, to the use of renewable energy sources as well as environmentally friendly technologies and products. We believe that, together with our partners at IDFC, we can contribute to the development of sustainable finance, for example, through reaching a common position on the Green Climate Fund Initiative.

What do you hope the new club will achieve?

Being a member of the IDFC and participating in IDFC's activities is a great honour for HBOR. Taking into account the overall strength of the members of this club, the geographic coverage, knowledge and experience, as well as the synergies that we expect in our joint work, I believe we can contribute to the removal of barriers to development finance and to raise important issues globally, especially in respect to the Green Climate Fund. Additionally, we see the chance to simplify procedures and the possibility of co-financing and joint financing of projects with a development component. Our joint work can strengthen the global position of the club by creating mutual standards and procedures in development finance. This way each member can actively contribute to policy-making in their national development plans.

Is being a small country member a benefit or a hindrance?

As one of the smaller members of the club we do not find it to be a hindrance. Moreover, small peripheral economies are proven to have a key role in the stability of economic and social development. Not only do we as a development bank in a smaller country have the main role in the development of and changes in our economic cycle, but we also have a positive influence on development banks in the region.

HBOR holds multiple roles in Croatia being a development bank, an export bank and an export-credit agency. The wide range of our activities gives us a better view of our clients' progress and needs thus enabling us to adjust our activities and services to their needs and to provide a 'tailor-made' approach. We cooperate with a large number of commercial banks and, due to excellent long-term relationships with special financial institutions and development banks, we can provide favourable funding for our development programmes.

In Croatia from where are the greatest demands coming for finance?

The development of new technologies and a single market as well as global competition accompanied by the need for sustainable growth and environmental protection are just some of the challenges facing entrepreneurs in all countries, Croatia included. In this respect, Croatian entrepreneurs have strong support from HBOR.

Within the framework of HBOR's business activities, we are primarily focused on long-term financing of investments targeted at raising the level of production, exports, employment and market competitiveness of the Croatian economy. However, just like other development banks in the region, in order to overcome the difficulties in the economy, while safeguarding the operations of Croatian entrepreneurs and existing jobs in a period of economic and financial crisis, HBOR intensified its activities in terms of financing working capital in 2008, to help overcome liquidity problems. Although the consequences of the financial and economic crises were reflected in the reduced capacity of entrepreneurs to make new investments, in the last two years we have witnessed a significant increase in the share of investment loans in HBOR's overall credit activity. I believe that the measures we introduced in order to encourage entrepreneurs to undertake new investments (a longer repayment period, lower interest rates and new loan programmes) had a positive impact on these results.

Financing the activities of small- and medium-sized enterprises is one of our core activities. Together with our partners from international finance institutions, we continuously work on developing new schemes, which provide easier access to finance for small- to medium-sized enterprises and in particular for microenterprises and innovators.

Moreover, bearing in mind the growing rate of unemployment, through our programmes and favourable conditions we try to encourage self-employment and start-ups. This sector, although the riskiest, is essential to boosting the competitiveness and development of the 'knowledge based' economy.

Through assisting Croatia's reconstruction in the last 20 years, what advice can you provide to other development banks?

In 1992, when HBOR was founded, Croatia was in the middle of the Balkan war. The original aim of the bank was to reconstruct and rebuild war-damaged areas creating the economic and social conditions for the return of the resident population. Taking into account the history and success of KfW, HBOR was founded on the same model.

Following progress in reconstruction activities and the return of displaced people to their areas, the role of our institution has changed and our activities have widened. Today, having combined the roles of development bank, export bank and export credit agency, HBOR contributes to the strengthening of competitiveness and the balanced and sustainable development of all areas of the Republic of Croatia. I am proud to say that today, after supporting 50,000 projects, the representatives of development banks from Macedonia, Bosnia and Herzegovina, Albania, Montenegro and Georgia, and even the representatives of development banks from EU countries such as Latvia, Slovenia and Bulgaria, have come to HBOR to ask for training and information about our business models and loan programmes, just like we used to do with KfW.

Taking into account the different experiences and circumstances of each of these countries, we not only present what we have done but take the opportunity to learn something from our guests. In this way, we create long-term friendly relationships and widen the basis of data and contacts which can help us to contribute more intensively to the development of entrepreneurship in the Republic of Croatia.

In what areas would you like to see the bank take a more active role in the next five years?

Our role is primarily sustainable economic development and HBOR or any other development bank should not be expected to make major shifts in their way of conducting business. Our role is to be stable and conservative in the good times, and in times of crisis we need to provide additional support in areas where commercial banks are not responsive.

Sustainability of the projects that we support has been essential to our activities. In future, we anticipate funding more projects that will bring certain innovations and contribute to the greater competitiveness of the Croatian economy. We also believe that the promotion of an entrepreneurial spirit is a critical step towards improving the quality of life and society in general. These are the areas HBOR will focus on promoting in the future. ◘

HBOR
The Croatian Bank for Reconstruction and Development

HBOR supports systematic, sustainable, economic and social development of the Croatian economy. In its activities HBOR pursues the strategic goals of the Republic of Croatia, promotes environmental protection, covers market gaps and acts as market developer in underserved niches with the objective of financing the reconstruction and development of the Croatian economy

The bank has helped finance renewable energy projects in Primorje-Gorski Kotar County © HBOR

Within the Croatian banking system, HBOR plays the role of a development and export bank, as well as export credit agency. Since its establishment in 1992, HBOR has supported more than 50,000 projects through loan programmes, guarantees and export credit insurance.

HBOR was founded and is entirely owned by the Republic of Croatia. The Republic of Croatia guarantees the obligations of HBOR unconditionally, irrevocably and on first demand, without issuing a separate guarantee instrument.

Main activities:

1. financing the reconstruction and development of the Croatian economy;
2. financing infrastructure;
3. promoting exports;
4. supporting the development of small and medium-sized enterprises (SMEs);
5. promoting environmental protection; and
6. insuring the exports of Croatian goods and services against non-marketable risks.

HBOR was founded and is entirely owned by the Republic of Croatia. The Republic of Croatia guarantees the obligations of HBOR unconditionally, irrevocably and on first demand, without issuing a separate guarantee instrument

HBOR as the national development bank

The bank is very active in the field of infrastructure development and particularly with regard to the promotion of environmental protection, the use of renewable energy and enhancing investments in energy efficiency projects.

Throughout its loan programmes HBOR promotes agricultural development, the implementation of new technologies and innovations, investments in the tourism sector and also the utilisation of EU funds.

The bank pays special attention to the establishment and development of small and medium-sized enterprises (SMEs) as the main driving force of the development of a modern economy. Favourable terms and conditions of finance provided for the growth and development of SMEs make this sector the one with the highest lending volume.

HBOR as an export bank

As an export bank, HBOR has developed a number of programmes intended for exporters with the objective of enabling their equal competition in the international market.

HBOR supports exporters in all stages of an export process, starting from the negotiation to the final payment of an export transaction.

Export projects bear a number of risks that may not be always obvious and may be reduced by appropriate collateral. As the Croatian export credit agency, HBOR introduced a number of export credit insurance instruments enabling exporters to reduce and share risks.

Beside the programmes intended for exporters, HBOR offers the possibility of export credit insurance to commercial banks and financial institutions.

HBOR Group

HBOR is the owner of Croatian Credit Insurance J.S.C. (HKO), a company that is specialised in the insurance of short-term receivables (up to 1 year) related to the selling of goods and services in Croatia and abroad.

HKO set up a subsidiary, Poslovni info servis Ltd. (PIS) for the purposes of providing analysis, credit risk assessment and information on creditworthiness.

Name	Role within the Group	% of participation	Headquarters	Business activities
HKO J.S.C.	Subsidiary company, direct equity participation	100% HBOR	Republic of Croatia	Insurance for company's foreign and domestic short-term receivables.
PIS Ltd.	Subsidiary company, indirect equity participation	100% HKO J.S.C.	Republic of Croatia	Provision of analysis, credit risk assessment and information on creditworthiness

Mission

HBOR's mission as the development and export bank of the Republic of Croatia is to provide support for the creation of new values on the basis of knowledge, cultural heritage and natural resources for the purpose of enabling the sustainable and equitable development of all regions of the Republic of Croatia.

HBOR's vision is to serve as a benchmark for the success of development and export banks in the region by encouraging, through our borrowers and employees, renewable development in the general community.

Best Practices

Energy efficiency: The Institute of Economics, Zagreb

The Institute of Economics had sought an investment to increase the energy performance of its office building in the centre of Zagreb. The office building was built in 1957 and is made mostly of energy draining brick walls and partly of reinforced walls and columns.

The investment would aim to decrease annual gas consumption by almost 17,000 m^3. This would come from constructing a new façade with 14 centimetres of thermal →

The Institute of Economics building in the centre of Zagreb © HBOR

The kindergarten building will provide good thermal insulation in the outer walls, floors and roof, and will be fitted with "IZO" glass and will rely on renewable energy resources (with solar collectors and photovoltaic panels), through which the kindergarten will achieve the highest energy efficiency class

insulation and the reconstruction of the existing flat roof by adding 20 centimetres of thermal insulation. Energy consumption would be reduced and an Energy Performance Indicator (EPI) of 50.65 percent would be the target. The projected CO_2 savings are 35.74 tonnes per year.

HBOR is financing 57 percent of the project value, while the owner and the Fund for environment protection and energy efficiency are financing the rest.

Green building: Kindergarten Rijeka

In 1995, the City of Rijeka made a decision to merge eight pre-schools into a single pre-school institution under the name Kindergarten "Rijeka". The investment relates to the construction of a kindergarten in the City of Rijeka with a total surface area of 1,253 m^2 and the capacity for five pre-school education groups, or 105 children.

The kindergarten building will provide good thermal insulation in the outer walls, floors and roof, and will be fitted with "IZO" glass and will rely on renewable energy resources (with solar collectors and photovoltaic panels), through which the kindergarten will achieve the highest energy efficiency class.

Ninety percent of the investment was financed out of an HBOR loan, which covered funding costs, construction works and the costs of purchase of equipment. The remaining amount will be financed from the investor's own funds and relates to the costs of initial funding and purchase of land.

Renewable energy resources: REA Kvarner

Rea Kvarner d.o.o., Rijeka was established in 2009 as a 100 percent-owned company for the implementation

How the new Rijeka kindergarten will look once fully retrofitted © HBOR

The photovoltaic solar systems in Primorskogoranska County © HBOR

of energy efficiency projects in Primorje-Gorski Kotar County. The main goal and role of the company is promoting and encouraging regional sustainable development in the energy sector through the utilisation of renewable energy resources and the introduction of energy efficiency measures.

The goal of the project is to utilise the potential of public buildings for the installation of photovoltaic solar systems for electricity production. Photovoltaic systems will be built on a secondary school on the island of Krk, a health centre in Crikvenica, a primary school on the island of Cres, and in the settlements of Čavle and Novi Vinodolski.

Ninety percent of the investment has been financed from an HBOR loan, and the loan will be utilised for initial funding costs, construction costs and the costs of the purchase of equipment.

Photovoltaic systems will be built on a secondary school on the island of Krk, a health centre in Crikvenica, a primary school on the island of Cres, and in the settlements of Čavle and Novi Vinodolski

Infrastructure–environmental protection: City of Kastav

This investment relates to the construction of a wastewater sewer system for the 10,500 inhabitants of the City of Kastav. The construction of a modern wastewater sewer system is intended to encourage the elimination of uncontrolled discharge of wastewater into the environment and to protect the environment. The total length of the sewer network will reach 3,751 metres.

Implementation of the investment will have several positive effects including the connection of households to the sewer network, elimination of uncontrolled discharge of wastewater into the environment, and a reduction in the number of pollution sources.

HBOR is financing the total amount of the project value and the project has also been approved for the EU pre-accession programme IPARD for the Enhancement and Development of Rural Infrastructure.

I Made Gde Erata
CEO of Indonesia Eximbank (EIB)

I Made Gde Erata

Biography

Country of birth: Indonesia

Education: He completed his doctoral education at Vanderbilt University, Tennessee, USA in 1987

Date began as CEO: 2009

Previous employment:
- From 2001-2003, he was the Director of Value Added Tax and Other Indirect Taxes, at the Directorate General of Taxation, for the Rebuplic of Indonesia's Ministry of Finance.
- Expert Staff for the Minister of Finance in the State Revenue Sector from 2003-2008.
- 2007-2008, also within the Finance Ministry, he was the Acting Head of Agency for Finance Education and Training, a position which became permanent from 2008-2010.

What prompted Indonesia Eximbank to become part of the IDFC?

As a government agency that has a mandate to foster national export growth, Indonesia Eximbank is part of a group of agencies that support the development of Indonesia. To perform its mandate, the bank provides financing, guarantees, insurance and advisory services on export activities, including the development of infrastructure to support exports, such as ports, airports, power plants, and other infrastructure projects that relate to export. Indonesia Eximbank also partners with the government to deal with issues such as global warming, with a focus on the financing side.

Given the EIB's aims, the bank believes that becoming a member of the IDFC will provide enormous opportunities to share ideas, experiences, discuss potential projects and collarobate with members that have the same vision and backgrounds.

How does being part of the IDFC help Indonesia Eximbank to achieve its sustainable development goals?

By joining the IDFC, we believe that our institution will gain various advantages. Firstly, we can benefit from access to current information related to global issues, such as sustainable infrastructure projects, renewable energy, energy efficiency and social economic inclusion. Secondly, we believe that in the future our institution will be able to cooperate with other members in many areas such as co-financing, technical assistance, joint reasearch, and so on. Last but not least, by becoming a member of this prestigious organisation we gain leverage in front of our stakeholders, domestically and internationally.

Given the EIB's aims, the bank believes that becoming a member of the IDFC will provide enormous opportunities to share ideas, experiences, discuss potential projects and collarobate with members that have the same vision and backgrounds

What defines the bank and its mission and vision?

Lembaga Pembiayaan Ekspor Indonesia (Indonesia Eximbank) was established in 2009 and officially commenced operations on 1 September that year, in line with the vision of the Minister of Finance of the Republic of Indonesia to finance and facilitate Indonesia's export trade bank. Before that, we existed as PT Bank Ekspor Indonesia (Persero), a state-owned commercial bank established in 1999.

EIB is working to become a leading and reliable Eximbank/ECA (Export Credit Agency) with a mandate (as stipulated under National Export Financing guidelines) to support national export programmes. The bank has many advantages that do not exist in other financial institutions–such as its status as a sovereign entity, *sui generis,* and the fact that it is fully supported by the government and therefore not subject to the provisions of the Act of Insolvency. The bank also has the authority to implement a very broad spectrum of activities that include financing, guarantees, insurance and consulting services.

Part of EIB's role is to support the government and help it achieve targets for sustainable development, and so we add weight to projects that have both commercial and environmental purpose

How is Indonesia Eximbank helping to achieve sustainable development in Indonesia?

Part of EIB's role is to support the government and help it achieve targets for sustainable development, and so we add weight to projects that have both commercial and environmental purpose. We also support National Interest Account (NIA) projects in collaboration with the central and local governments. Our institution also provides technical assistance and consultation services for small and medium-enterprise businesses (SMEs) to help leverage their business capacity and broaden their knowledge about global challenges in climate change.

Indonesia Eximbank plays a unique role in financing non-bankable exporters and foreign infrastructure projects. We also maintain close collaboration with regulatory bodies at the Ministry of Finance, Ministry of Trade, and other government institutions. We believe these relationships will help us to achieve our development goals.

Indonesia Eximbank assists Indonesian entrepreneurs. What tools do you offer and how is your assistance in line with sustainable development goals for the country?

The bank has cooperated with foreign consultants to create a Technical Assistance Unit (TAU) designed to enrich customer knowledge with regard to climate changing financing–for example, energy efficiency and emission reduction projects. TAU will regularly audit customers' projects, conduct frequent visits, and have comprehensive discussions about potential and current problems regarding the implementation of climate change projects.

What do you see as Indonesia Eximbank's role within the IDFC?

The bank plays an active role in every IDFC event and discussion. We are also proactive in introducing our institution to other member banks and exploring potential projects that fit within a climate-change framework. ◘

Indonesia Eximbank
Building Indonesia’s economy

Although relatively new to development finance, Indonesia Eximbank is proving its strengths in many areas, inlcuding sustainable infrastructure and energy. The bank aims to support the import-export industry in Indonesia and is careful to assess the sustainability of each project to which it grants finance

Renewable energy, like hydropower, is increasingly being financed by the bank to help overcome the country’s energy shortfalls © Hadi Tjia

Benefits of joining the IDFC

As a government agency with a mandate to support Indonesian exports, Indonesia Eximbank actively participates in many aspects of development in Indonesia. Through its main activities such as financing, guarantees, insurance and advisory services, the bank plays a pivotal role in boosting Indonesian exports, which consequently contributes significantly in driving the economic growth of the country. In view of this role, Indonesia Eximbank proudly joined the IDFC when it was established in 2011.

As a member of the IDFC, the bank's objective is to become a global player in the field of development finance. Being part of the group allows the bank to learn from the experience, capacity and knowledge of the network of members. As a new player in development finance, Indonesia Eximbank has a lot to gain from the activities of the organisation.

Key projects

Indonesia Eximbank (EIB) can also contribute its own experience, capacities, knowledge and network connections to IDFC members. As part of its commitment to the IDFC, the bank is developing, and involved with, programmes related to: sustainable infrastructure, renewable energy, energy efficiency, social and economic inclusion, and green finance mapping. The bank's work in these fields includes the formation of policies and strategies, and also takes the form of more concrete activities.

As a member of the IDFC, the bank's objective is to become a global player in the field of development finance, along with the other members

Sustainable infrastructure

One of the fundamental problems that has hampered the potential economic growth of Indonesia is lack of infrastructure. To address this issue the government has developed a Master Plan for the Acceleration and Expansion of Indonesia's Economic Development (MP3EI). The government has adopted MP3EI to ensure that economic growth reaches an advanced and sustainable level. The master plan identifies six growth centres, or economic corridors, to boost economic development: Sumatra, Java, Kalimantan, Sulawesi, Bali (Nusa Tenggara and Papua) and the Maluku Islands. The strategy is to strengthen national connectivity throughout the archipelago, as well as strengthening human resource capabilities, science and technology.

"One of the main focuses of this master plan is to develop infrastructure that ensures connectivity among the corridors, and the bank is actively participating in this task, as infrastructure is one of the priority sectors for the bank when allocating finances," explains I Made Gde Erata, CEO at Indonesia Eximbank. "Indeed, the infrastructure that can be supported is limited to that which is related to export activities. Indonesia Eximbank's portfolio includes sea ports, industrial electricity, industrial estates, road haulage and so on."

Renewable energy

The government of Indonesia promotes the utilisation of renewable energy to support demand. One of the big players that buys this kind of energy is the state owned enterprise, Perusahaan Listrik Negara (PLN). By regulation PLN has to buy electricity generated from renewable energy at the premium price. This has boosted the renewable energy industry, especially hydro power.

The sustainable infrastructure master plan identifies six growth centres, or economic corridors, to boost economic development including around Jakarta © Bas Vredeling

"Indonesia Eximbank see this as an opportunity to support development as well as to boost business," says Made. "This industry is one of the most feasible in terms of receiving financing from Indonesia Eximbank; the bank considers the renewable energy industry as one of its target markets."

Energy efficiency

The bank has a very specific agenda on this issue. There are two programmes: Industrial Efficiency and Pollution Control Phase II, and the Energy Efficiency Project Finance Programme. The Industrial Efficiency and Pollution Control Phase II Program has been developed in cooperation with KfW Germany.

"Basically, it is a financing programme dedicated to assisting SMEs with projects focused on increasing efficiency in energy production or pollution control," elaborates Arifin Indra, EIB's Senior Managing Director. "It is small programme, which amounts to €4.5 million, and it has been fully utilised."

"Another similar programme is the Energy Efficiency Project Finance Programme (EEPFP), which was developed in cooperation with the Asian Development Bank. It is a US$30 million two-step loan programme to finance investments in energy efficiency," he adds.

Social and economic inclusion

The bank is also commited to expanding its financing activities. To achieve this, it has a Key Performance Indicator designed to ensure that 10 percent of the bank's loan portfolio goes to SMEs. Based on this Key Performance Indicator, Indonesia Eximbank set up a dedicated division that manages these SME loans.

An additional programme functions to advise potential entrepreneurs by offering training, capacity building, technical assistance, and guidance on how to develop capacity when accessing financing from banks.

Green financing

The demand for sustainable energy is rising significantly, but supply is decreasing and this is creating concerns over energy efficiency. Many countries try to formulate actions to reduce energy consumption in order to secure the needs of future generations. To ensure energy efficiency, involved stakeholders have to explore the resources at their disposal to enable them to create energy efficiency projects. One such stakeholder is the banking industry, including national development banks, multilateral agencies and export credit agencies.

While the government already executes some programmes to encourage the implementation of green financing, the banking industry is still considering the best way to roll out such financing and whether or not these green financing strategies can fit with their business models

Green financing is still a new concept in the Indonesian banking industry. While the government already executes some programmes to encourage the implementation of green financing, the banking industry is still considering the best way to roll out such financing and whether or not these green financing strategies can fit with their business models.

Indonesia Eximbank plays a key role in promoting and supporting the development of green financing in Indonesia. "The bank has committed a portion of funds to be distributed to various sectors that can potentially support the protection of the environment," says Made. "While considering the best fit for the green financing scheme, the bank has already executed several loans that can be categorised as green financing." These projects include:

Investment loan to the food processing industry

The bank recently signed a loan agreement with an established food and beverage company under the Energy Efficiency Project Finance Program (EEPFP) in cooperation with the Asian Development Bank. Some of the company's food and beverage products are exported to the USA, UK, Australia, Korea and Japan, as well as to countries with food deficiency problems such as Iraq, Pakistan, Bangladesh, and Myanmar.

"We have committed to disbursing investment financing to help the company become more energy efficient," says Dilan Sawalius Batuparan, Head of the EIB's International Division. "Our financing has supported lighting retrofits, the installation of new insulation, temperature controls, and variable speed drives (VSDs), as well as a boiler system retrofit (through the installation of condensing economisers) and reconfiguration of the condensation return system. It is estimated that from these projects, the company can save approximately 6.3 billion Rupiah [US$541,000] in annual energy costs, resulting in a three and a half year payback period."

The bank worked with its customer and the ADB on the energy efficiency financing programme. A Memorandum of Understanding was signed between the bank and the food and beverage company, and this was then followed with an Investment Grade Audit (IGA). The bank's loan department then developed a credit proposal, which was reviewed by a risk analyst, and approved by the credit committee.

The unique features of this financing are the involvement of the energy consultant and the Investment Grade Audit (IGA) process. The customer authorised Indonesia Eximbank to have its consultancy team commence an IGA process to verify potential savings and the cost of the energy efficiency projects. The consultant also evaluated the feasibility of the various projects and reported the result to the bank. The IGA must meet these criteria:

a. Description of major equipment, technologies, design, impact on facility operations and required maintenance, along with supporting calculations for the savings and related capital cost estimates;
b. Minimum annual savings with simple payback period;
c. Savings Measurement and Verification methodology that complies with International Performance Measurement and Verification protocol; and
d. Loan proposal details consisting of a percentage of financing and repayment criteria.

The consultant appointed by the ADB will help Indonesia Eximbank to create an Investment Grade Energy Audit based on the project concept, and to provide a comprehensive analysis of energy efficiency potentials in the facility and financial evaluation of the measures using International standards and protocols. The IGA is provided for free if the IGA result shows potential for positive cash flow and the customer proceeds with the loan application.

Project to finance a hydropower plant

Indonesia has one of the highest populations in the world (reaching nearly 248 million) with a Gross Domestic Product (GDP) that reached 2,367,928,7 Rupiahs at the end of 2013. The state-owned Perusahaan Listrik Negara (PLN) predicts that the increase in electricity comsumption will reach 1.3 times GDP value. Overwhelming demand exceeds the supply available from PLN and is causing an electricity deficit. About 30 to 40 percent of the Indonesian population still lacks access to electricity supplies.

Industries also suffer due to the insufficient electricity supply. The power company tries to provide additional capacity to support the electricity consumption of industries, and the government through PLN, has also implemented a 10,000 MW acceleration programme to solve the deficit. The government has also introduced alternative fuels to replace fossil fuel, such as liquid gas, coal, hydro and geothermal.

"Renewable energy is part of the bank's green financing programme," says Yudhi Trilaksono, Head of the Corporate Financing Division. "We give investment financing to the energy infrastucture developer (customer), an established hydro power plant in North Sumatra. The customer agrees to supply electricity to the state-owned Perusahaan Listrik Negara (PLN) power company through a Power Purchase Agreement (PPA). These electricity supplies support export-oriented industries, such as rubber and crude palm oil, which are prime commodities in North Sumatra."

For the project, the company employs the Clean Development Mechanism (CDM), which is a mechanism based on the Kyoto protocol. The purpose of this mechanism is twofold: to help developed and developing countries to reduce greenhouse gases, and to help developing countries to create emission reduction projects and produce tradable carbon credits.

A company successful in promoting projects based on the Kyoto protocol will be awarded with a Certified Emission Reduction (CER) certificate. It is a certificate published by the United Nations Framework Convention on Climate Change (UNFCCC) that shows the prevention of one tonne of CO_2 emissions.

"The customer was appointed by the Government of Indonesia, through the Independent Power Producer scheme, to build and operate a 180MW hydro power plant project in North Sumatra," says Yudhi Trilaksono. "The hydro project was based on the Power Purchase Agreement between the company and PLN with a tenor of up to 30 years from the Commercial Operation Date. At the end of the project PLN has the option to buy the project when the contract terminates."

Such Build-Operate-Transfer (BOT) agreements are usually effective in encouraging companies to become involved in sustainable power production, as the project works as a public-private partnership, which spreads the risk by utilising the financial stability of the government combined with the technical expertise of the private sector.

Help for entrepreneurs

The bank is also committed to assisting entrepreneurs' financial development in Indonesia. "The bank offers an advisory service to entrepreneurs, especially those who are involved in export or indirect export activities," says Tri Utami, Head of the Advisory Services Division. "We help people develop skills in basic financial management, production and capacity, and basic marketing."

The bank can also provide consulting and technical assistance when necessary. The customer learns how to leverage their knowledge in finance and the export-import process, and trade finance-related products.

Barriers to energy efficiency

Since Indonesia's president set a 26 percent emission reduction target, there has been significant improvement in the country's energy efficiency policy. Laws have been introduced to regulate energy consumption. One such regulation states that companies with energy consumption above 6,000 Tonnes of Oil Equivalent (ToE) must appoint an energy manager, design an energy conservation programme, conduct regular audits, implement a recommendation of audit process, and also report energy conservation figures.

Despite the government's regulations on energy efficiency, it is rare that a company will take up energy efficiency measures due to limited access to financing, a lack of qualified energy audit professionals, and a history of limited success with such projects in Indonesia. Energy efficiency projects are perceived as risky because there is no collateral arrangement and no performance or technological guarantee issued by an Energy Services Company (ESCO) in Indonesia. Thus, banks and financial institutions are reluctant to join energy efficiency projects and nobody is prepared to make the first move because of the perceived risks.

> To promote energy efficiency financing, the bank has developed the Energy Efficiency Project Finance Program (EEPFP) in collaboration with the Asian Development Bank (ADB)

"Besides the downsides, there is some potential for change," says Arifin Indra. "The regulation push to implement energy efficiency management in companies has the power to increase potential energy efficiency projects. Companies must now have energy efficiency management and take measures to conserve energy. Another solution is to cooperate with development agencies to share financial risks. Agencies can also give technical assistance, guarantees and capacity development, especially in the energy audit field.

"Indonesia Eximbank provides financing, guarantees, insurance, and also consultations for non-bankable clients, in order to leverage the client's export capacity. Moreover we are also committed to supporting government policy on climate change, such as providing financing to companies that promote investment in reducing greenhouse gases and promoting energy efficiency," adds Arifin Indra.

Energy Efficiency Project Finance Program (EEPFP)

To promote energy efficiency financing, the bank has developed the Energy Efficiency Project Finance Program (EEPFP) in collaboration with the Asian Development Bank (ADB). The ADB provided a Non Sovereign Loan Facility in which some of the portions must be dedicated for energy efficiency financing. To fullfil the commitment, Indonesia Eximbank must distribute the funds to clients that can set up energy efficiency projects.

The EEPFP financing facility requires firms to implement six energy efficiency measures © Indonesia Eximbank

The programme will benefit customers in terms of cost savings, increased competitiveness, and a reduced carbon footprint. Indonesia Eximbank as the handling institution also benefits from the creation of new loan products and consequently can attract multilateral agencies to grant or lend more. This is structured as a long-term fund with competitive pricing from the ADB.

In March 2012, a manual for energy efficiency was ratified in order to cement policy infrastructure and standard operation procedures for energy efficiency financing. Energy efficiency financing is different from conventional corporate financing because energy savings from the Energy Efficiency Project that count as a primary source of financing are excluded from the general cash flow of the firm. Another different characteristic of energy efficiency financing is the Investment Grade Audit (IGA) process, which is intended to provide comprehensive analysis of the financial and environmental aspects of potential energy efficiency projects. The IGA process is funded by an appointed consultant for the first five to 10 projects.

To help develop energy efficiency competencies, the ADB provides Technical Assistance grants and consultants for hire. The consultant helps Indonesia Eximbank to evaluate potential projects and build a strong pipeline in line with the quality of Invesment Grade Audits (IGA).

Indonesia Eximbank has promoted its Energy Efficiency Project Finance Program (EEPFP) to internal and external stakeholders. Internally, and in cooperation with the ADB, the bank has conducted energy efficiency training to help lenders analyse potential clients that fit energy efficiency requirements. Also, the bank's planning division has created a special manual for the Energy Efficiency Program. The bank also converses with a consultant to get a comprehensive IGA analysis for each potential client. Indonesia Eximbank has also explained the benefits of the EE Program to external stakeholders.

So far the EEPFP has been promoted to the textile, food, cement, crum rubber, and steel manufacturing industries. Constraints in implementing the project include low recognition in clients' minds about the programme's benefits, the availibility of internal infrastructure (manual and standard operating procedure) in providing energy efficiency financing, and also the need for internal capacity building in analysing projects.

Industrial Efficiency and Pollution Control Phase II

The Industrial Efficiency and Pollution Control Phase II project in collaboration wih KfW aims to reduce pollution and encourage the efficient use of natural resources. Other targets are to establish long-term financing instruments for capital expenditure by industrial enterprises. KfW provides long-term financing to Indonesian small and medium enterprises through two-step loan schemes while Indonesia Eximbank acts as a handling institution which distributes the loan directly or indirectly.

"The programme was very beneficial for our customers in terms of its availability and interest rate," explains Dilan Sawalius Batuparan. "The availability of funding is for a very long tenor. The interest rate from KfW is also very low and fixed for the whole period of financing."

"Despite its strengths, though, there are some drawbacks to the programme: a currency mismatch–the demand was in Rupiah and US dollars, while the available funds were in Euros; and the target customer for this programme was only SMEs and the amount of financing per customer was not very significant. Moreover, the portion of the working capital loan that can be financed, at the first stage of the programme, is not very flexible. The amount of the loan that can be financed for working capital purposes was then changed to 40 percent of the total."

The bank delivers funds by channelling them through public and private local banks. Various industries have received funds, including the textile, wood and furniture, metal, agro, printing, food, and poultry industries. ◘

Interview: Emma Sri Martini,

President Director PT Sarana Multi Infrastruktur (Persero)

Which development banks do you work closely with and how have they assisted your reach throughout Indonesia?
We work closely with several development banks, including the World Bank, the Asian Development Bank (ADB), and the Korean Development Bank (KDB).

In collaboration with the ADB, the International Finance Corporation, and Deutche Investitions-Und Entwicklungsgesselschaft mbh, PT SMI has established a subsidiary company, PT Indonesia Infrastructure Finance. The World Bank and ADB have provided loans to support the mission of the new subsidiary to be able to provide long-term financing to Indonesia's infrastructure projects.

What were some key projects you helped facilitate in 2013?
Our infrastructure financing activities have continued to register significant progress whereby our project portfolios were distributed throughout Indonesia. We participated in 14 strategic projects in 2013 with total project cost of 38.9 trillion Indonesian rupiah (US$3.3 billion) and representing an 8.7 times multiplier effect from our loan participation.

Through the preparation of PPP projects such as SPAM Umbulan (water project in East Java), the Soekarno Hatta International Airport Rail Link PPP Project, and Batam Municipal Solid Waste Management Project, PT SMI is actively participating in the development of PPP projects in Indonesia.

You have just stepped into the field of infrastructure advisory, what progress are you seeing in this new area for the company?
With advisory services becoming a pillar of PT SMI, we are able to provide a complete solution for infrastructure development and meet stakeholders' needs in financial, investment and transactional advisory services, as well as training and capacity development services.

In addition, the Advisory Division is central in establishing cooperation with various institutions, both nationally and internationally.

In the future, the Advisory Division will increase its involvement in its financial advisory activities that will include managing funds and assistance for renewable energy development in Indonesia as well as the development of strategic projects both at national and regional levels.

A key remit for PT SMI is to foster PPPs in Indonesia, what successes and growth have you seen in this area?
PT SMI has been involved in several major PPP projects in infrastructure. In 2013, a total of 21 projects were tendered. Nonetheless, we understand that PPP project preparation requires strong commitment and coordination among all stakeholders including local government agencies. Therefore, PT SMI has developed capacity building programmes to increase the awareness and knowledge of local government authorities regarding PPP projects. In relation to the government's plan in forming a Public Private Partnership Unit, we are optimistic that PPP projects will become key to infrastructure development in Indonesia.

What is the outlook for this year for PT SMI?
PT SMI obtained 'AA+ (idn)' National Long Term Rating with a Stable outlook and (BBB-/Stable) international ratings from Fitch Ratings. This achievement reflects that PT SMI is performing well and has a positive outlook. Going forward, we believe that PT SMI will carry out more strategic and important roles for Indonesia's infrastructure sector.

PT Sarana Multi Infrastruktur (Persero)
Wisma GKBI Building, 8th Fl, Jl. Jend. Sudirman No.28,
Jakarta 10210, Indonesia
Tel: (62-21) 5785 1499 | Fax: (62-21) 5785 4298
www.ptsmi.co.id

Kunio Okamura

Senior Special Advisor, Japan International Cooperation Agency (JICA)

Kunio Okamura © JICA

What were the reasons for joining the IDFC?
Given the increasing complexity of development issues and diversification of actors, enhancing collaboration with other development partners is becoming ever more important in order to address development issues more effectively. In this context, JICA considers the IDFC's significance from the following aspects;

Impact: With global and local expertise, and total assets of more than US$2.1 trillion, the IDFC impacts significantly on global development. Further enhancing the quality of the members' operations and development impacts through mutual learning and influencing international debate by speaking in one voice that would contribute greatly to the global good. JICA has a strong track record in its innovation and success in areas such as climate change and environment. Sharing these experiences, JICA would like to contribute to the IDFC's work.

JICA has a strong track record in its innovation and success in areas such as climate change and environment

Biography

Country of birth: Japan

Education:
Bachelor of Law, Faculty of Law, Tokyo University

Date began as Senior Special Advisor: 2012

Previous employment:
- In his early career he was involved with Japanese official development assistance loans mainly to Africa, including several years as Chief Representative in France.
- He led the Operations Strategy Department as Director General at JICA from 2005 to 2012. From the integration of Japan Bank for International Cooperation (JBIC) and (former) JICA from 2008 to 2012, he supervised the overall strategy and operations of the new JICA at the Operations Strategy Department.

Members: The IDFC is a like-minded but diversified group, composed of national and sub-regional development financial institutions from both emerging and developed economies. We believe their strength–global expertise and local know-how in policy and technical matters, and strong capability in mobilising domestic and international financial resources–can be further exploited to pursue sustainable development at the global level.

Focus of activity: The IDFC has a clear focus on sustainable development such as climate change issues, which requires urgent global action. This focus coincides with JICA's priority, to which it can create added-value, building on its abundant field experiences.

What have been some benefits in JICA joining the club?
JICA has been benefiting from the club in a number of ways; (i) by deepening mutual learning through activities such as the publication of Green Finance Mapping and thematic reports; (ii) by benefiting from enhanced collaboration among members; and (iii) by jointly contributing to the development of the international framework for sustainable development by providing inputs to important international discussions such as the establishment of the Green Climate Fund and Post-2015 Development Agenda, and collaborative work with the UN for the Climate Summit 2014 based on the UN Secretary General's proposal.

What different insights can you bring to the IDFC?
JICA's strength is its ability to support developing countries in enhancing their institutional and human capacity, undergoing policy reforms and scaling up infrastructure development so that they can address diversified development issues in a self-sufficient manner. In particular, capacity development and the establishment of a comprehensive legal and institutional framework through policy dialogue and hands-on technical cooperation are critical for developing countries to realise sustainable development. JICA's experience in this area would be beneficial to other IDFC members and can be utilised as a platform for their enhanced collaboration.

A large part of JICAs programmes involve providing 'human security'. What does this mean and is it compatible with development finance?
As defined in the UN General Assembly's Resolution, Human Security is an approach to address widespread and crosscutting challenges to the survival, livelihood and dignity of people. It is a notion that encourages human-centred efforts that benefit all individuals, and should be used as a guiding principle for any support including development finance.

Building on the concept of Human Security, JICA sets out principles for its programme and project implementation. JICA's programmes aim to: (i) target freedom from fear in a comprehensive manner; (ii) involve thorough consideration for the socially vulnerable, emphasising the benefits for them; (iii) establish mechanisms to both protect and empower people; and (iv) address global risks. All the JICA assistance programmes (be it loans to large-scale infrastructure programmes or grants to social sector development) are designed in line with the principles, contributing to the realisation of Human Security through enhancing the livelihood of the poor and vulnerable, and the improvement of access to basic social services.

JICA's strength is its ability to support developing countries in enhancing their institutional and human capacity, undergoing policy reforms and scaling up infrastructure development so that they can address diversified development issues in a self-sufficient manner

Within JICA how much emphasis will be placed on climate change and poverty reduction?
The two issues are both important in achieving sustainable development. They strongly correlate with one another, and therefore need to be addressed in a holistic manner. We've seen a phenomenal increase in natural disasters at the global level. The population exposed to such threats is estimated to double and exceed 1.5 billion by 2050 and those who suffer the most are often the poor and vulnerable. Building resilience against natural disasters in various aspects–economic and social resilience–is an issue of great importance.

The international community needs to scale-up efforts to combat climate change. It is necessary especially for emerging and developing countries to take a co-benefit approach, where climate change mitigation and adaptation measures are embedded into poverty reduction and economic development, in order to mainstream and effectively undertake measures against climate change.

What will be the main priorities for the bank in 2014?
JICA will remain strongly engaged in the health and education sectors whose progress under the current Millennium Development Goals are lagging behind. At the same time, it will focus on quality aspects of growth and development–inclusiveness, resilience and environmental sustainability–that are not fully covered by the Goals. In this respect, it will work to realise universal health coverage and sustainable urban development under the Post-2015 development agenda.

In terms of country and thematic focus other than those mentioned, priority will be given to Myanmar and Africa, and gender issues as a cross-cutting issue. ◘

The Japan International Cooperation Agency (JICA)

As the development institution of the government of Japan, JICA is dedicated to reducing poverty through inclusive growth, improving governance, achieving human security and tackling the global agenda, which includes environmental degradation and climate change

Figure 1. JICA's Vision, Mission and Strategy
There are many issues in the world that must be addressed not by individual countries but by the international community. In dealing with such issues. JICA has defined four missions to be achieved through four main strategies. JICA's cooperative operations are implemented under this vision.

Mission 1
Addressing the global agenda
Addressing the global agenda, including climate change, water, food, energy, infectious diseases and financing

Mission 2
Reducing poverty through equitable growth
Pursuing sustained poverty reduction through inclusive and equitable growth

Vision
Inclusive and Dynamic Development

Mission 3
Improving governance
Strengthening policies, institutions, organisations and human resources as foundations for development

Mission 4
Achieving human security*
Protecting people from threats and building societies where they can live with dignity

*The Commission on Human Security's defini- tion of human security is to protect the vital core of all human lives in ways that enhance human freedoms and human fulfillment. Human Security Now, Commission on Human Security, 2003, New York.

Strategy 1
Integrated assistance
- Combining policy support, institution building, human capacity development, infrastructure development
- Cross-border and cross-sector assistance

Strategy 2
Seamless assistance
- Speedy and continuous aid delivery from emergency relief to rehabilitation/reconstruction and peace-building
- Meeting development needs flexibly according to a specific development stage from least developed countries to middle income countries

Strategy 3
Promoting development partnerships
- Promoting public-private partnerships
- Applying technologies and know-how
- Strengthening partnerships in the international aid community

Strategy 4
Enhancing research and knowledge sharing
- Enhancing research on development by drawing on JICA's abundant field experience
- Sharing research findings and leading discussions on international development assistance

In order to address the diverse needs of developing countries, JICA provides a combination of technical cooperation, concessional loans and grant aid, the total for which exceeded US$10 billion in 2012 across a wide range of sectors from peace-building to sustainable economic and social development. Its activities also include support to governments in initiating policy reforms through policy dialogue and setting up legal and institutional frameworks. With 90 overseas offices, JICA works together with developing countries to provide and co-create solutions to diverse development challenges.

Examples of JICA's achievements include providing 28 million people with access to safe water with 14,000 water supply engineers trained from 2007 to 2011. In the same period, JICA's programmes assisted with the construction and rehabilitation of 4,300 kilometres of highways and 13 ports, and provided 200,000 teachers with training and 2 million children with 34,000 classrooms.

JICA works closely and develops partnerships with a variety of organisations, from civil society and the private sector, through policy dialogue or joint operations in the field including co-financing in order to maximise development impact.

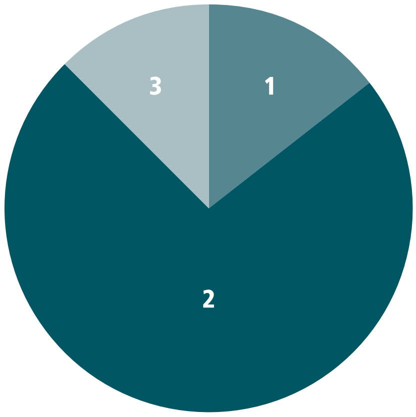
An enabling framework for development

In order to realise sustainable development in the Post-2015 era, mobilisation of sustainable development financing and its effective use is a key issue. This requires good policies, capacity for their implementation, and credible institutional frameworks so as to utilise a wide range of resources for sustainable development. As a development financial institution, JICA provides a combination of financial, policy and technical support to developing countries in order to enhance their institutional and human capacity, assist policy reforms and scale up necessary infrastructure development. This support has proven to be effective especially in sectors with high-risk exposure, such as in climate change mitigation and adaptation and renewable energy, where private investment is constrained. JICA helps governments invest in infrastructure through the provision of financial assistance (concessional loans and grants), and the setting up of institutional and legal frameworks to promote private sector investment through a combination of policy dialogue and financial and technical assistance.

Climate change in Indonesia

The Climate Change Program Loan (CCPL) is a prime example of JICA's intervention that can help developing countries with climate change policy reforms covering numerous sectors and ministries. In the case of Indonesia, JICA provided concessional loans that totalled around US$900 million. The Indonesian Government set up policy actions that were categorised into three main areas: (1) key and cross cutting policy issues; (2) mitigation; and (3) adaptation. The implementation of these actions are monitored and facilitated through policy dialogue among the government and donors, together with financial and technical assistance.

Figure 2. Fiscal 2012 JICA's Operation Scale



1. Technical Cooperation*1 ¥167.8 billion
Technical Cooperation expenses excluding management expenses

2. Loan Aid*2 ¥864.6 billion
Amount of Loan Aid distributed

3. Grant Aid*3 ¥141.6 billion
Amount of concluded Grant Agreements. However, for projects running over several fiscal years, the maximum amount allowed for each fiscal year is counted for that fiscal year.

Holistic approach to support energy efficiency in Vietnam

The promotion of sustainable energy development requires an all-inclusive approach ranging from the establishment of policy and regulatory frameworks to taking measures to create a favourable investment climate. JICA has provided a holistic approach to promoting energy efficiency and conservation in Vietnam. From 2008 to 2009, the Master Plan Study on Energy Conservation and Efficiency Promotion was implemented to develop a roadmap in promoting energy efficiency, leading to the enactment of the Law on Energy Efficiency and Conservation in 2011. The roadmap and the law established an important foundation for the Vietnamese Government to pursue energy efficiency policies through the best mix of obligations and incentives. Implementation of the energy efficiency law was backed up by technical cooperation in particular to establish an energy management and audit system and to set up standards and a labelling programme.

This was followed by assistance through low interest loans under the Energy Efficiency and Renewable Energy Promoting Project. The project provides financial incentives to end-users' energy efficiency and renewable energy investments through the Vietnam Development Bank (VDB) and so far the credit line reached is US$40 million. →

JICA at a Glance

JICA Activities in Numbers

43,315 people

The cumulative number of JICA volunteers who have been sent to developing countries (as of March 31, 2012). Volunteers have been assigned to 88 countries. All of these activities are made possible by the voluntary participation of ordinary people in Japan. These grassroots activities have earned the gratitude of the many people who benefit from these programs.

Tonga: A science and mathematics teacher who belongs to the Japan Overseas Cooperation Volunteers (JOCV) teaches a physics experiment. [Photo by Kenshiro Imamura]

4,170 km

The total length of highways that were constructed or rehabilitated with JICA's cooperation between fiscal 2007 and 2011 (five years). This is approximately equivalent to building a highway from Tokyo to Bangkok, Thailand.

Viet Nam: The Saigon East-West Highway [Photo by Koji Sato]

13 ports (airport/port)

The number of airports and ports that were constructed or rehabilitated with JICA's cooperation between fiscal 2007 and 2011 (five years). This includes support for Noi Bai International Airport in Viet Nam, Mombassa Port in Kenya, and Kabul International Airport in Afghanistan.

Sri Lanka: Port of Colombo North Pier Development Project [Photo by Shinichi Kuno]

580 million doses

The number of vaccine doses given to infants and small children thus far in 64 countries. In addition, JICA has constructed or rehabilitated 1,391 healthcare facilities in 54 countries.

Mali: Le projet de renforcement du système de vaccination

417.52 million people

The number of eligible voters in countries that have received election assistance from JICA. Since 2000, JICA has provided cooperation for the elections of 14 countries by sending experts and providing training.

Elections took place in Egypt. [Photo by Shinichi Kuno]

40 countries

The number of countries that have received support from JICA for peacebuilding. In fiscal 2011, JICA contributed to the promotion of peace and prevention of conflicts in 31 post-conflict and conflict-affected countries.

South Sudan: Project for Improvement of Basic Skills and Vocational Training in Southern Sudan Phase 2 [Photo by Shinichi Kuno]

28 million people

The number of people who were supplied with safe water during the past five years due to wells and other water supply facilities constructed in 48 countries. JICA also trained 14,000 water supply engineers during this period.

Cambodia: Capacity Building for Water Supply System in Cambodia [Photo by Kenshiro Imamura]

34,000 classrooms

The number of elementary and junior high school classrooms established in 47 countries since the 1980s. About 2.1 million children have studied in these classrooms and training has been provided to as many as approximately 200,000 teachers.

Benin: Projet de Construction des Ecoles Primaires

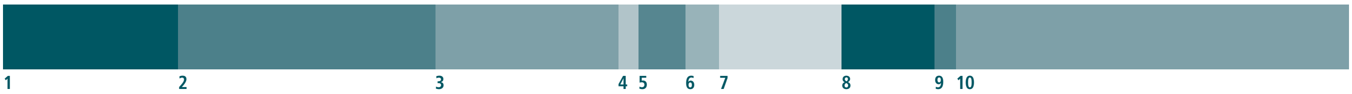
16.6 million tons

Soybean production has increased from 430,000 tons in 1975 to 16.6 million tons by the agricultural development of Brazil's tropical savannah (the *Cerrado*) through a joint program of Japan and Brazil. Furthermore, this experience will be extremely valuable for agricultural development of the tropical savannah in Mozambique, a project conducted jointly by Japan and Brazil.

The *Cerrado* region of Brazil

Figure 3. Fiscal 2012 JICA's Operation Scale

Technical Cooperation*[1]



1. Planning and administration 13.0% (21.8) | 2. Public works and utilities 19.1% (32.1) | **3. Agriculture, forestry and fisheries 13.6% (22.8)**
4. Mining and industry1.5% (2.6) | **5. Energy 3.5% (5.9)** | 6. Business and tourism 2.5% (4.3) | **7. Human resources 9.1% (15.3)**
8. Health and medical care 6.9% (11.5) | **9. Social welfare 1.6% (2.6)** | 10. Others 29.2% (49.0)

ODA Loans*[2]

1. Electric Power and Gas 15.1% (185.2) | 2. Transportation 41.7% (511.5) | **3. Communications 1.0% (11.7)**
4. Irrigation and flood control 1.8% (22.4) | **5. Mining and manufacturing 3.7% (45.1)** | 6. Social Services 16.2% (198.7)
7. Commodity loans, etc. 20.6% (252.1)

Grant Aid*[3]

1. Planning and administration 2.1% (2.9) | 2. Public works and utilities 56.2% (79.5) | **3. Agriculture, forestry and fisheries 6.0% (8.4)**
4. Energy 12.0% (16.9) | **5. Human resources 10.5% (14.8)** | 6. Health and medical care 10.3% (14.6) | **7. Social welfare 2.4% (3.5)**
8. Others 0.6% (0.9)

*[1] Expenses that include expenses required for dispatching volunteers and Japan Disaster Relief Team.
*[2] Amounts are based on newly concluded loan agreements (L/A basis).
*[3] Amount of concluded Grant Agreements. However, for projetcs running over several fiscal years, the maximum amount allowed for each fiscal year is counted for that fiscal year.

While implementing these projects, the possibility of collaboration with Japanese business groups such as the Japanese Business Alliance for Smart Energy Worldwide has been sought in order to facilitate cooperation between the public and private sectors in both countries. Through dialogue among related stakeholders, key milestones of these projects have been selected for policy action, and their implementation is facilitated by a programme loan (budget support to the government), through the Support Program to Respond to Climate Change, which has been co-financed with other development banks and the World Bank since 2009.

In summary, the following approaches taken under the programme have proven to be effective in addressing the barriers to energy efficiency:

1. Assisting with policy and regulatory arrangements through support for drafting energy conservation laws and roadmaps, and support for policy implementation through technical assistance, including the Project for Establishment of Energy Management Training Center and financial assistance.
2. Providing financial support and incentives through soft loans granted for energy efficiency investments through the Vietnam Development Bank; and
3. Creating demand through the development of a prototype energy database, the promotion of energy auditing and awareness raising activities. ◘

> The promotion of sustainable energy development requires an all-inclusive approach ranging from the establishment of policy and regulatory frameworks to taking measures to make a favourable investment climate

Dr. Ulrich Schröder

CEO of KfW Bankengruppe

Dr. Ulrich Schröder © KfW

Biography

Country of birth: Germany

Education:
- Business Administration and Law at the University of Münster
- University of Illinois, M.C.L. degree
- Doctorate in law at the University of Münster

Date began as CEO: 2008

Previous employment:
- Current board member of Deutsche Post AG, Bonn and Deutsche Telekom AG, Bonn
- Chairman of the Managing Board of NRW.BANK, Düsseldorf/Münster
- Member of the Managing Board of NRW.BANK, Düsseldorf/Münster
- Head of Chemicals/Life Sciences unit

What were the reasons for joining the IDFC?
In 2011, KfW with a few other partners had the idea of creating this global network of like-minded national, bilateral and regional development banks. In sharing ideas and visions with long-standing partner institutions in development finance around the world, the IDFC is a productive and effective network to align the ideas of international development finance with a wide range of global players. We have built and intend to further strengthen a unified club of national, bilateral and regional development banks to positively influence the international development and climate finance agenda. Our partners in finance, politics and of course development cooperation, appreciate that we articulate the joint positions of development banks from north, south, east and west in the ongoing international discussions.

What do you foresee for the club in the short-term?
The club has emerged as a global network for cooperation, bringing together the experience of 20 national, bilateral and regional development banks. We share our experience in development finance and align our work programme in the club according to the major topics of the international development agenda such as sustainable development and climate change.

The forthcoming changes with the Post-2015 Development Goals, the new methods of sustainable development financing and the intense focus on climate-resilient infrastructure are exciting and formidable challenges to be faced by the banks of the IDFC and the club itself.

The very positive feedback received for the IDFC's publications and public positioning encourages us to maintain our path of successful collaborative work.

As one of the oldest development banks in the world, celebrating its 65th anniversary last year, apart from a wealth of experience, what else has KfW been able to bring to the club?
Apart from our long-standing knowledge and strong track record in development finance both with institutional partners and with the private sector, KfW has a wide range of financial expertise. Commercial project and export financing complete the international outreach of KfW. The domestic financing of SMEs, local authorities and private households with loans for projects in the field of energy efficiency and renewable energies represent a core activity of KfW.

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Since the very beginning in 1948, our role as a partner of the German government for the financing of the aforementioned pillars, and our political interaction and cooperation with various institutional bodies–both at home and in the international context - are an important part of KfW's competencies.

KfW can bring to the IDFC its expertise in development and domestic green finance, and its experience in implementing economic policy initiatives via sustainable and market-oriented investment programmes.

From reconstructing Germany in the 1950s to assisting the country's reunification in the 1990s, what are the core projects of KfW today?

The variety of KfW's mandates and the sectors the bank covers create a diverse field of operations for the bank and one of the main tasks is to address current developments within each specific area of action of the bank.

KfW's development finance activities will depend on the negotiations on the Post-2015 Development Goals and the relating sustainable financing framework. The intense economic growth of different regions in the world has an enormous effect on our financing activities, so the need for innovative customisation and effective advancement of our portfolio of products is a necessity.

Regarding KfW's domestic activities, the financial execution and support of the government-backed transition from CO_2-intensive energy generation towards renewable energies represents a challenge for KfW. In general, sustainable development is at the core of KfW's activities and the increasing demand for finance for renewable energy and energy efficiency emphasises the vital role of KfW in this regard.

The bank also considers globalisation and demographic change as major influential forces on our society and economy, and KfW provides suitably adapted financial products to strengthen the German and European economies in the light of these challenges. Cooperation in particular with the European Union, the European Investment Bank and European national development banks is strong.

How has sustainable development become a key component of the bank's lending?

The environmental footprint has always been a key factor behind KfW's actions. The bank recognises the importance of sustainable development in formulating clear-cut goals for the provision of environmental and climate-oriented financing to ensure and institutionalise the impact of KfW's work. During recent years in particular, KfW's strategy has explicitly required that at least 33 percent of annual commitments is directed towards climate and environmental activities.

KfW is Germany's leading bank and a pioneer in green investment in particular for renewable energy and energy efficiency. To reduce the carbon footprint now and for future generations is a major task KfW is dedicated to.

KfW was named as the world's safest bank by *Global Finance* magazine out of the world's 500 largest banks. What is the secret behind this success?

The success and credibility of KfW is to a large extent due to our owner, the Federal Republic of Germany, which provides a full-scale guarantee for our obligations. KfW plays an important role in ensuring the stability and strength of the German economy. Where the market has either experienced failures or is limited due to risk-aversion, KfW steps in to fill the gap.

Together with the strong foundations of the institution, the bank's professionalism, its excellent employees, and its strategic vision to be able to react to shifts in the economy, are key to KfW's success.

What do you foresee as the main challenges for KfW this year?

The Post-2015 Development Agenda and the determination of a sustainable financing framework will be of great importance to KfW's role in development finance.

In addition, promoting European economic stabilisation and the crucial role of the German economy in that will remain a key challenge which KfW will continue to tackle.

The continuation of support for the German transition towards sustainable energy generation remains a core project and results to date confirm the effective role of KfW in this regard.

In all its activities KfW has had to recognise the somewhat reduced role of commercial banks in long-term financing due to regulatory pressure and tightening capital and liquidity endowments. KfW, like other promotional banks, sees a particular importance in upholding access to long-term investment finance, alongside new partners like insurance companies and institutional investors.

Besides these external challenges, the continuous process of modernisation to deliver even better customer service and efficiency and the adoption and integration of broader regulatory requirements is an internal exercise in which KfW is heavily engaged. ◘

KfW provides access to energy in Uganda

The first power station, Nyagak I, started operation in 2012 © KfW

The Ugandan capital, Kampala, is as far away geographically as the West Nile is from modern life. The West Nile region lies in northwestern Uganda, enclosed by the neighbouring countries of the Democratic Republic of Congo and the Republic of South Sudan. More than 800 kilometres of African countryside separate this extremity from the capital and being so remote has its consequences. The West Nile region is still not connected to the national electricity grid with the electrification rate less than 1 percent, well below the already low country average of 14 percent.

Yet Uganda is one of the most fertile countries in the African continent. Not without reason Winston Churchill once spoke about the "pearl of Africa" and the western part of the country is no exception. It is fertile and economically promising and cotton and tobacco plants could be more widely and productively cultivated or exported if only there were more energy produced on a reliable basis.

People need energy to irrigate the fields, to dry the harvests, for warehouses, to maintain the offices of a small sales business, or simply for daily use in their homes. Instead, more than 60 per cent of the people in the West Nile region live in abject poverty. Under these miserable conditions they grow what they can for themselves and for their energy needs but nothing more. They have barely enough for themselves and their families and certainly not enough to sell or to export. But that is precisely what is needed to boost the economy.

Waiting for an electricity connection

Until 2012, getting access to a reliable power supply in the West Nile was difficult. The existing small isolated grid was simply not big enough and, in addition, it was susceptible to power cuts. A fuel-oil generator provided power to the grid, supplying just over 3,100 consumers yet at least 2,000 more customers, including numerous microentrepreneurs, were waiting desperately to be connected but the private West Nile Rural Electrification Company was unable to meet any new requests. But thanks to a comprehensive electrification programme the situation is now gradually improving. On behalf of the German Federal Government, KfW is financing this programme with roughly €28 million combined with €3.2 million by the European Union.

Two small hydroelectric power stations have expanded supply and the grid has enlarged considerably. Due to the construction of close to 300 kilometres of medium voltage lines, numerous new villages will be supplied with power. The first power station, Nyagak I, started operation in 2012 and its capacity of 3.5 MW has already made the heavy oil generator unnecessary.

The second power plant, Nyagak III, with a capacity of 4.4. MW will be connected to the grid in the next few years. Together, these two hydropower stations will serve the rapidly growing energy demand in the West Nile region in an environmentally-friendly manner. In addition, prepayment meters are being introduced. This will encourage consumers to use electricity sparingly and allow for constant cost control. The private power providers also benefit as the use of such meters ensures that the electricity is actually paid for thus improving the economic viability of the suppliers.

The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) is running various complementary programmes to increase the investment impacts. It is, for example, helping families to apply for a household grid connection, training technicians to install new electricity connections, and delivering programmes on the effective use of energy.

Once the grid network has been expanded, the second power plant is operating and the switch to prepayment meters has been finalised, around 60,000 people in six cities and 40 commercial centres will have access to electricity. New power connections will promote the development of small businesses and make the region generally more productive. The West Nile may still be far removed from the capital but it will be a lot closer to modern life.

Woong-Seob Zhin

President and CEO, Korea Finance Corporation (KoFC)

Woong-Seob Zhin © KoFC

Biography

Country of birth: Korea

Education:
- M.A. Graduate School of Economics, State University of New York at Buffalo, New York, USA
- Graduate School of Public Administration, Seoul National University, Seoul, Korea
- B.A. College of Law, Konkuk University, Seoul, Korea

Date began as President and CEO: 2014

Previous employment:
After passing the 28th National Higher Civil Service Examination, he served in various key government positions including Director General of the Public Fund Oversight Committee, Spokesperson for the Financial Services Commission (FSC), Director General of the Capital Market Bureau at FSC, and Commissioner of the Korea Financial Intelligence Unit, during the course of which he attained extensive experiences and expertise related to policy finance.

What were the key motivations behind KoFC's decision to join the IDFC?

KoFC is the sole institution in Korea to have joined the IDFC and we believe forming a partnership network with key development finance institutions around the world will provide an effective platform for sharing knowledge on important development topics such as green and infrastructure finance. We also expect that our active participation in various IDFC activities will create multilaterally beneficial opportunities for business collaboration with other IDFC members. This will in turn help us better support our clients with their overseas businesses, which is one of our core operational areas.

How does being a member of the IDFC bring benefits to KoFC?

The various communication channels the IDFC offers on both a regular and irregular basis such as CEO and sherpa meetings are excellent opportunities for us to form a close partnership with other members, which provide new business opportunities useful for our mandated missions and roles. We are learning substantially about the financial systems and know-how of different parts of the world from the working groups KoFC participates in and through the establishment of development agendas that are closely linked to our mutual interests. We are also benefiting from the increased international profile as a member of the IDFC in our overseas operations such as capital market funding and loan syndication.

What is KoFC's mission as a development finance bank?

KoFC's mission as a development finance institution is contributing to Korea's sustainable growth by actively identifying and supporting areas essential for development– small and mid-sized companies, new growth industries,

The various communication channels the IDFC offers on both a regular and irregular basis such as CEO and sherpa meetings are excellent opportunities for us to form a close partnership with other members, which provide new business opportunities useful for our mandated missions and roles

infrastructure, and balanced growth across all regions of the country. They are not necessarily attractive from a commercial point of view but nevertheless crucial for sustainable growth. To help us better achieve this mission, we established a long-term goal last year of becoming Korea's financial leader that creates new growth drivers. From that point on, we have been concentrating our support to provide strategic assistance to small and mid-sized companies, laying a platform for the creative economy, maximising the potential of new and innovative industries, and enhancing the stability of our financial markets. These efforts will continue as we strive to achieve the mission in our everyday operations and, in the process, we plan to enhance cooperation with different development finance institutions including IDFC members, to provide a higher quality of financial services for our clients.

Which sectors does KoFC primarily support?
KoFC targets a wide range of areas including small and mid-sized companies, green and new growth industries, infrastructure and regional development projects. Of these, KoFC's primary support area is small and mid-sized enterprises. To help this crucial economic segment, we leverage diverse financing instruments of which on-lending is our flagship product. It has now become one of the most reliable sources of long-term and low-interest funding for small and mid-sized companies in Korea. We have also designed different themed on-lending products to accommodate the various needs raised by our clients, such as foreign currency and ship financing schemes. Other channels of support include setting up and investing in funds and providing a comprehensive financing package for promising enterprises selected as KoFC Frontier Champs.

KoFC focuses on supporting Korean companies operating abroad. Do you foresee this sector achieving substantial growth over the next decade? What mechanisms do you provide to help such companies?
Over the past five years, Korean companies have experienced an annual growth of 9.7 percent in the number of international contracts they have signed. The pace is growing strongly as seen by their market share in global construction and manufacturing with shares in 2011 of 5.7 percent (seventh globally) and 12.6 percent (third globally) respectively. Thus far, Korean enterprises have focused more on simple construction projects, but recently we are seeing more and more of them taking part as financial investors and sponsors by forming partnerships with local companies in resource-rich countries. Given their growing experiences in international investment and development projects, KoFC forecasts that Korean enterprises' overseas expansion will further increase in the future. To support our companies, KoFC plans to step up its debt financing including loans and guarantees for projects where Korean companies participate as investors, EPC contractors, O&M, off-takers, and so on. In addition to these, KoFC aims to become more involved in equity financing by facilitating Private Equity Funds (PEFs) to invest in international projects.

Can you give details of funds you have invested into new and renewable energy projects?
As a means for developing new growth momentum and to tackle global warming, KoFC has been making the timely provision of loans, investments, and other diverse financial products for the overall green industry. The new and renewable energy sector, in particular, including solar, wind, and bio energies require consistent and sustained policy assistance since immature markets and long payoff periods tend to keep private investments away. As Korea's key development finance institution, KoFC provided a total of 0.8 trillion Korean won (US$745 million) to the sector by 2012, which was distributed evenly across the entire new and renewable energy supply chain from basic materials to the actual power projects. We are also expanding our business to financial advisory and arrangement. As a result of these efforts, KoFC was selected by the Korean government in 2012 as a 'Leading Institution in Green Finance', a role we intend to further develop in the future.

KoFC targets a wide range of areas including small and mid-sized companies, green and new growth industries, infrastructure and regional development projects. Of these, KoFC's primary support area is small and mid-sized enterprises

What financial support mechanisms do you offer?
KoFC provides both direct and indirect financing schemes accompanied by a broad spectrum of instruments including loans, investment, and project finance. Of these, on-lending is KoFC's main financing tool. By leveraging the nationwide branch networks of commercial and provincial banks in Korea, on-lending is designed to let the banks decide their own clients, providing an effective and market-friendly means of funding. On-lending loans specifically target small and mid-sized companies with strong growth potential. For those with weak credit but clear signs of potential, KoFC operates a risk-sharing scheme with the banks to facilitate funding. KoFC is also the first development finance institution in Korea to have introduced a fund-based support programme to reinforce industries and sectors important for national development. Funds set up under the programme are managed by private professionals and are being utilised as a long-term and reliable channel of investment capital for companies. ◘

KoFC
Shaping a new development finance landscape in Korea

Korea Finance Corporation (KoFC) was established in October 2009 to become Korea's leading institution for development finance. Since then, KoFC has emerged as a reliable and accessible source of financing for Korea's sustainable growth, channeling funds where private capital remains scarce

KoFC hosting a seminar with the World Bank Group on promoting private sector investment to developing countries © KoFC

"Korea has long passed the era where the government was the key player in development," says Woong-Seob Zhin, President and CEO of Korea Finance Corporation (KoFC). "We need a new development paradigm that will strengthen the economic fundamentals for more sustainable growth."

From day one of its establishment, KoFC has strived to evolve and build upon the old development paradigm of the 70s and 80s that saw what many know as 'the miracle on the Han River'. From one of the poorest countries in the world following the Korean War, with no infrastructure for growth whatsoever, the strong government-led development programmes were the catalyst for what the nation is today–the 15th largest economy in the world. The growth was dramatic and unpredictable but the commonly held belief is that this miracle of rapid development was down to the strictly planned and centralised development policies.

Though Korea certainly flourished under that model, it now faces very different needs. "There were times when such a development model worked, but not any more," adds Zhin. "Korea is a different country now, whose economy has become far more advanced and sophisticated." This is why, as the newest government-run development finance institution in the country, KoFC endeavors to create an advanced and market-friendly development finance paradigm that does not distort, but reinforces the functions of the market.

On 28 October 2009, KoFC was established to provide development finance for the continued growth of Korea, but most of all, to render the greatest benefit to the economy and its financial industry. As Zhin rightly pointed out, the country is now, more than ever, in need of a development financial system that not only leads national development, but also underpins growth potential, sustainability, and stability through sophisticated and innovative means. In response to the demand, KoFC has set out as an integrated financial institution with clear goals of strengthening national competitiveness, promoting job creation, and contributing to the sound growth of the economy and its financial markets.

These goals, in turn, serve as the basic guideline that sets the scope of KoFC's operations, which are broad and development-focused: KoFC aims to stimulate financing for SMEs by leveraging the intermediary function of financial institutions; expand infrastructure for more balanced development across the country; develop new growth industries that can sustain Korea's growth into the future; and promote stability within Korea's financial markets. Though it has only been four years since it was established, KoFC plays a prominent role in Korea's development finance field, especially in the areas of green industry and supporting the development of small and medium-sized enterprises (SMEs).

KoFC's core strength: financing SMEs through on-lending

Among the wide spectrum of areas KoFC finances, SMEs represent the biggest and most important target. For 2013, KoFC allocated more than two-thirds of its budget, or 7.6 trillion won (US$7 billion), to SMEs. During the first half of the year, roughly 5 trillion won have been financed, 3.8 trillion won of which was distributed through the on-lending loan programme, KoFC's signature SME financing vehicle. Not only is on-lending an effective means of support but it also represents a new and market-friendly technique involving commercial banks as partners, not competitors. Under this mechanism, KoFC provides funds to the banks that act as KoFC's intermediary institutions and they, in turn, select their own SME clients deemed qualified. Since it is the banks that are at the forefront of the whole transaction, selecting and making loans at their own financial discretion, on-lending doesn't distort the market as some development financial practices have done in the past. Rather, it serves to reinforce the market as on-lending specifically targets SMEs that fall under B to BBB on the Korea Financial Supervisory Services Standard Credit Rating System–companies that are fundamentally competitive but face difficulties accessing commercial loans due to their early development stage, weak collateral, or other barriers. The more established and credible companies rated A and higher are left to the commercial financial sector.

KoFC aims to stimulate financing for SMEs by leveraging the intermediary function of financial institutions; expand infrastructure for more balanced development across the country; develop new growth industries that can sustain Korea's growth into the future; and promote stability within Korea's financial markets

Since the launch in 2009, on-lending has continued to expand its financing volume, recording 3.2 trillion won in 2010, 4.3 trillion won in 2011, and 5.2 trillion won in 2012, becoming one of the most sought-after financing channels for domestic SMEs. In 2012 alone, roughly 20 percent of the new loans made to SMEs by Korean banks were taken up by on-lending. Of the various reasons SMEs opt for on-lending loans, low interest and long maturity top the list. In fact, the average interest rate on KoFC's on-lending loans since its launch till 2012 was 62 basis points lower than that on commercial loans. Moreover, since more than 85 percent of KoFC's on-lending loans have maturities of three years and longer, with roughly half of them being used to finance long-term facility investment, SMEs can benefit from greater room to manage and plan their budget. On-lending loans are also offered in both domestic and foreign currencies to assist companies that are sensitive to external economic downturns.

In serving its clients, KoFC doesn't simply wait for them to come but actively analyses their needs and tries to come up with innovative solutions. Furthermore, in addition to responding to their needs as best and as efficiently as they arise, KoFC seeks to identify and create areas where development finance can generate the greatest benefit for the end-user

"We attribute the success of the programme to its competitiveness, a result of our sustained effort to constantly monitor the market, the end-users, and the intermediaries to reflect their needs on our products," explains Tae Hwan Jeong, General Manager of the SME Finance Department at KoFC. "At the same time, we made it our goal to identify and support promising SMEs for the development of the Korean economy."

From a development perspective, KoFC serves to reinforce SMEs located in provincial areas of the country that tend to be more limited in terms of accessing finance than their counterparts in metropolitan areas. Around 52.2 percent of KoFC's on-lending loans as of October 2013 were made to provincial SMEs whereas the portion was only 41.6 percent for commercial banks. KoFC also offers to share up to 60 percent of the credit risk with the intermediary banks, compared to 50 percent for ordinary SME borrowers, as part of its effort to encourage commercial banks to take on more provincial borrowers while easing their burden. This helps stimulate local economies and ultimately promote balanced development across the whole country.

In serving its clients, KoFC doesn't simply wait for them to come but actively analyses their needs and tries to come up with innovative solutions. Furthermore, in addition to responding to their needs as best and as efficiently as they arise, KoFC seeks to identify and create areas where development finance can generate the greatest benefit for the end-user. In line with this, KoFC has developed a string of different on-lending packages that are tailored to the various needs of its clients. For instance, companies with strong technological know-how and

KoFC's senior management at Korea Aerospace Industries Ltd.

skill but which lack collateral and access to the capital they need, KoFC offers the Special On-Lending for Technological Competitiveness Scheme while the Green On-Lending Scheme supports energy efficiency projects carried out by SMEs.

Investing for sustainability

Another market-friendly tool KoFC leverages is investing in funds. Similar to on-lending, KoFC does not appear at the forefront but stays behind, acting as a fund contributor and limited partner. Once a fund is established, KoFC selects qualified fund managers from the market to become fully responsible for distributing and managing the investments. Even though the funds are fully managed and operated by the managers, KoFC sets the guidelines as to where the investments should focus. In this way, KoFC gets to take full advantage of the market expertise and experiences while achieving optimum efficiency for the target ventures and SMEs. At present, KoFC has helped establish 48 funds to promote the growth of SMEs and ventures, nine of which are dedicated to stimulating job creation, 30 for facilitating new growth industries, and five to enhance corporate financial structures. These funds together cover companies in all growth cycles including start-up and early development phases where timely and sufficient investments are crucial in determining success. As KoFC becomes more involved as a key investor in Korea's venture capital and PEF markets, it not only contributes to channeling the necessary investments for development purposes but also helps the growth of these strategic markets.

"KoFC's commitments to various customised funds total 10 trillion won so far but what's more important than volume is the fact that KoFC's funds represent patient capital−money that waits for SMEs through good times and bad times," says Kyung Hoon Min, Manager at KoFC's Investment Finance Department. "Commercial banks tend to retrieve their investment when the economy is down and this is a stumbling block for companies, especially SMEs."

One of the best examples of KoFC's investments serving important development objectives is the Shared Growth Fund for Large Enterprises and SMEs. The growing gap between Korea's large enterprises and SMEs has long been a serious social and development issue. The fund aims to address this imbalance and promote shared growth between the two. KoFC, together with large companies that participate in the fund, makes contributions to invest in SMEs. Since large enterprises participate as limited partners and mostly invest in equity and/or equity-linked securities of SMEs, the fund provides access to finance with no burden of repayment for SMEs. To date, three Shared Growth Funds have been set up with a total size of 400 billion won, of which KoFC has committed 180 billion won. In addition to the financial support, the SMEs can also receive benefits that would otherwise not be available, such as the opportunity to access human and infrastructural resources in large companies. More specifically, the Non-Financial Shared Growth Initiative co-operated by big companies and fund

KoFC's senior management visiting one of KoFC's SME client sites © KoFC

managers offers opportunities for technology transfers, joint R&D, and so on. If the fund yields profit beyond a predetermined guideline, part of the excess return gets redistributed to the SMEs for their own use. Furthermore, if an SME decides to expand its business abroad, it can leverage the already-existing global networks of large enterprises to aid its successful globalisation.

Strategic ally of Korea's growth

Though KoFC's key strength lies in supporting the growth of Korea's SMEs, it also focuses on maximising the economy's potential by reinforcing the new growth industries and the green sector, which are also the government's priority areas. "KoFC has managed to provide cheap and reliable sources of financing for key sectors of the Korean economy despite the rapid changes in the global financial and industrial environments," says Zhin. "We will continue to remain a steady force behind Korea's growth and stability by assisting not only small and mid-sized enterprises but also the new growth drivers."

Celebrating its third anniversary in 2012, KoFC has put forth a new mid-term goal of 'becoming Korea's financial leader that creates new growth momentum'. This signifies KoFC's determination to become more than a reliable source of capital but a leader in Korea's development finance that offers a comprehensive spectrum of services for its clients both at home and abroad. "In step with this, KoFC intends to further strengthen its cooperation with various partners around the globe including the ones within the IDFC network," says Zhin. As one of the major development finance institutions in Korea, KoFC believes it can offer substantial opportunities of mutual benefit to its clients and partners alike. "KoFC looks forward to leveraging its strengths to further develop the potential of the economy while also serving the needs of its partners through innovative means of cooperation," says Zhin.

Dr. Jacques Rogozinski,

General Director, Nacional Financiera (Nafinsa)

Dr. Jacques Rogozinski, © Nafinsa

Biography

Country of birth: Mexico

Education: Bachelor's Degree in Business Administration from Instituto Tecnológico Autónomo de México (ITAM), and a Master's Degree and a PhD in Economics from the University of Colorado.

Date began as General Director: 2013

Previous employment:

- General Manager of the Inter-American Investment Corporation (IIC)
- In mid-1993 he became President and CEO of Mexico's national public works bank Banco Nacional de Obras Públicas (BANOBRAS). He later served as President and CEO of Mexico's national trust fund for tourism development Fondo Nacional de Turismo (FONATUR)
- Among his previous positions, he served as Director-in-Chief of the Office of Privatisation of State Industries in Mexico. In this capacity, he was in charge of divesting state-owned enterprises, including TELMEX, the Steel Industry (AHMSA and SICARSA) and Mexicana de Aviación.

What were the reasons for joining the IDFC?

We believe that we can complement each other's banking needs and objectives within the IDFC by sharing our experience, funding capacities, and market and product know-how.

We are also convinced that through collaboration with other member banks of the IDFC, it will be easier to formulate policies on global issues like climate change.

As a development bank, besides supporting small and medium-sized enterprises (SMEs), our mission is to implement and prioritise sustainable projects for the Mexican Government and the private sector and to encourage private investment in energy efficiency and renewable energies.

We share with other members of the club a similar vision to support sustainable improvements in economic, environmental, social and human development.

What have been some benefits of being a member?

We have exchanged and used information about sustainable projects, including environmental and social policies, which have been supported by the Inter-American Development Bank.

Also, we have shared experiences with other members of the club, including KfW, on projects related to energy efficiency in SMEs.

Nafinsa was honoured to host 19 members of the IDFC in August 2012. The discussion topics included:

- The core identity and main principles of the club;
- The IDFC's image and communications that were to be adopted by the group;
- Spreading the word about the IDFC at upcoming international forums; and
- The importance of issues relating to infrastructure and SMEs.

As a development bank, besides supporting small and medium-sized enterprises (SMEs), our mission is to implement and prioritise sustainable projects for the Mexican Government and the private sector and to encourage private investment in energy efficiency and renewable energies

Nafinsa is the most important funding source for banks and non-bank institutions that offer microcredit in the Mexican open market. As of October 2013, Nafinsa had provided US$964 million that year to support more than 1 million microenterprises

Within these topics, a major issue for 2013 was green finance together with two smaller topics, green infrastructure and SMEs, which complement the successful work of the IDFC on green finance.

Apart from the new and additional priorities, like infrastructure, SMEs and leveraging private finance, we will of course continue to improve the international climate finance architecture and we are supporting the emerging Green Climate Fund (GCF).

What success stories have you had in microfinance and entrepreneurial financing?

Nafinsa is the most important funding source for banks and non-bank institutions that offer microcredit in the Mexican open market. As of October 2013, Nafinsa had provided US$964 million that year to support more than 1 million microenterprises. During 2012, the bank, in partnership with the Secretariat of Economy, launched the Endorsement to Households Microcredit Programme that consists of offering microloans and providing other non-financial services, such a life insurance or breast cancer insurance, to improve the well-being of households. Through this programme, Nafinsa has supported 169,175 women, with loans of more than US$80 million since its inception.

In coordination with the Ministry of Economy, the bank has also assisted with finance for entrepreneurs, by launching a funding programme in 2011 for small projects for amounts of up to US$115,000 backed by a Nafinsa standard warranty for technology projects. To date 473 projects have been supported with US$7.6 million in loans.

How does Nafinsa's guarantee programme work?

The guarantee programme's objectives include generating financial access, removing credit access boundaries, improving the financial conditions for SMEs, increasing financial intermediaries' participation, financing working capital and equipment, extending our network of branches and customer service points, and diversifying our products for SMEs.

To facilitate access and improve financing conditions for SMEs through the guarantee programme, Nafinsa participates in financial intermediaries' portfolios. If an SME defaults, the bank pays up on its guarantee and the financial intermediaries continue with recovery efforts.

Which sectors have shown the most interest in this programme?

Auction guarantees have aroused great interest in the business sector. We observed that guarantee auctions work efficiently in high volume programmes, since knowledge of the estimation and distribution losses are determining factors in the auction process. Sectors such as the automotive and transport industries are clear examples.

How successful has it been to date?

The guarantee programme has proven to be a powerful tool in improving access and provinding better conditions for SMEs. The programme offers a range of over 100 products aimed at financing companies. Banking and various non-bank intermediaries are participating and the value of credits in the enterprises portfolio of the Nafinsa Guarantee Program totals US$9.5 billion dollars. Fifty-five percent of this portfolio has a Nafinsa guarantee and it has substantially improved the rates charged to SMEs.

What are the biggest barriers to providing finance for sustainable development?

The most significative barriers to renewable energy development in Mexico are institutional, economic and financial. The country's energy planning is based on methodologies that evaluate only the short-term economic cost of power generation. Also, since energy planning is based on the lower short-term economic costs of generation technology, one of the main barriers to the development of renewable energy is related to the high cost of some non-fossil fuel technologies and the payback time.

The most significative barriers to renewable energy development in Mexico are institutional, economic and financial

What will be the main focus for this year?

At the beginning of this year, the bank unveiled a new political vision for Mexico's future through which it is prepared to participate actively in new ways to drive growth; to extend opportunities for other economic actors; to promote innovation; to support license creation; to launch technological development; and to complement and to encourage private finance. In summary, to support intergral entrepreneurial management.

Nafinsa is also paving the way for new schemes to broaden entrepreneurial credit and to encourage financial inclusion; to foster new entrepreneurial qualification programmes and technical assistance; to furnish major industrial projects not only with loans but with capital and to remain a fundamental actor in Mexico's financial markets. ◘

Nacional Financiera (Nafinsa)

State-owned development bank, Nacional Financiera (Nafinsa), is engaged in a range of financial and technical services to assist the development of small and medium-sized enterprises (SMEs) in Mexico

Over 13,000 old VW taxis have been replaced in Mexico City helping improve the air quality of the city © Nick Russill Photography

One of Nafinsa's objectives is to promote the overall development and modernisation of the economic sector via financing and assisting microbusinesses, as well as small and medium-sized enterprises. Part of Nafinsa's mandate is to contribute to the development of strategic sectors as well as supporting high potential regional activities taking place in Mexico. Also, its role is to stimulate the development of financial markets and to act as a financial agent to the federal government in the negotiation, hiring and administration of loans from abroad.

"Social and economic inclusion is one of many areas that Nafinsa operates in," explains Dr. Jacques Rogozinski, General Director at Nafinsa. "Additionally, renewable energy and transport modernisation are sectors where the bank is taking a greater role."

The old pollution pumping green Volkswagen taxis of Mexico City, renowned throughout the world, have gradually been replaced by efficient units due to financing from Nafinsa

The bank's strategy has evolved from solely providing finance to the business sector through wholesale lending, focusing on activities neglected by commercial banks, to guaranteeing commercial banks' loans in order to stimulate higher levels of lending rather than funding.

"Now, the bank is well equipped for profiting from the recently proclaimed financial reform," adds Rogozinski. "The new reform places greater emphasis on granting more credit, directly or through guarantees, at lower rates and longer terms to the productive sector which, according to the Mexican Ministry of Finance, could double the funding level."

The main sources of Nafinsa's funding come from securities in the domestic markets as well as loans from international development institutions such as the International Bank for Reconstruction and Development, the Inter-American Development Bank and credit lines from foreign banks.

As the main supporter of SMEs, the bank has undertaken very successful programmes that contribute to increasing these enterprises' levels of productivity. Some examples are:

Education

The education model supports risk-sharing between partners including universities, intermediaries and the bank. It has helped 3,294 students with 30 universities participating along with four financial intermediaries to award credit lines totalling US$27.4 million.

Transport

The old pollution pumping green Volkswagen taxis of Mexico City, renowned throughout the world, have gradually been replaced by efficient units due to financing from Nafinsa. Noted as one of the most successful financing programmes of the bank, 13,600 taxis have been taken off the streets since 2008, and converted to scrap, helping improve the air quality of the city and the health of its citizens.

Since 2012, five corridors that run through Mexico City have seen rapid progress in transport modernisation. The Subsitution Programme for Public Transport Vehicles of Mexico City has meant that more than 1,000 buses have been retired and sent to the scrap heap, including minibuses, and been replaced by 450 newer, more modern, comfortable and efficient buses. The financing of US$462 million helped the city achieve this, and similar programmes are being implemented in Oaxaca and Queretaro.

Energy

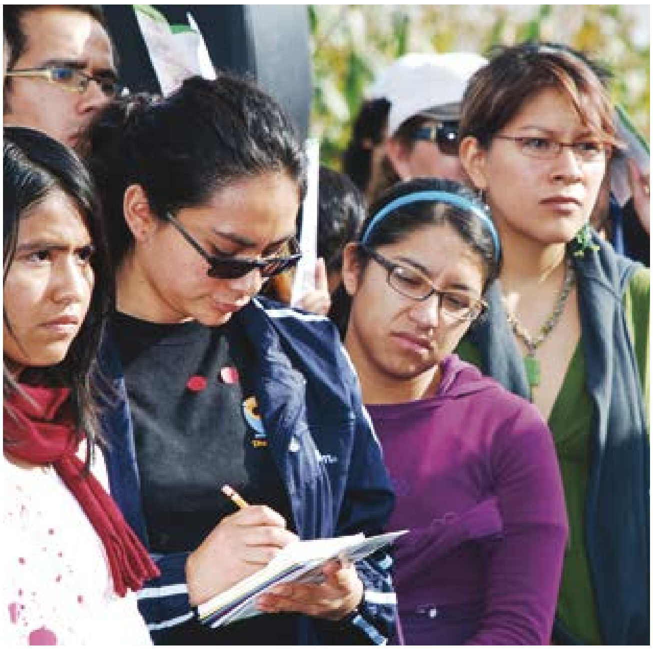
Boosts to the national energy grid are required to ensure supply meets the ever-growing demand for electricity. Huge investments are needed to build new power sources and to consolidate the existing infrastructure in transport systems, storage and distribution.

Diversifying the energy matrix is key to looking toward new renewable and clean sources, and natural gas availability. Nafinsa is also identifying investment opportunities to ensure efficient use of the available energy.

Nafinsa has gradually developed expertise since working on a couple of energy projects on a syndicated-loan basis, where the bank has mainly provided debt financing and played the role of lead arrangers in some transactions. The bank's participation in strategic projects has boosted international bank confidence, where they see an important financial ally in the Mexican Government.

One of these projects is a gas pipeline in the northern border of Mexico, where a Mexican company (sponsor) is the debtor, and it is the first Mexican company to have a contract of this type awarded by the Comisión Federal de Electricidad. This pipeline has a planned capacity, without compression, of 260 million cubic metres per day, and will account for a big proportion of Mexico's 1.5 billion cubic metres per day of national consumption. Of particular note the commission will eventually require all of the capacity of the pipeline to meet the needs of both its own fleet and independent power projects.

"By assuming the risk in long-term structures and providing solutions to the local Mexican market, the bank is opening the way for more projects in the renewable energy sector in Mexico," says Rogozinski. "And this sits comfortably with its sustainability mission."



The bank has helped 3,294 students through awarding credit lines totalling US$27.4 million © Xochiquetzal Fonseca/CIMMYT

Recent strategies incorporated by Nafinsa include:

- To relaunch its development function and to develop new products and services taking into account client needs;
- To employ technological instruments to boost market access for SMEs;
- To intensify regionalisation and to rebuild the institutional sales network; and
- To support the development of the financial markets, designing new products, modernising institutional financial foundations and adopting new methodologies for measuring risk.

Navin Kumar Maini

Deputy Managing Director, Small Industries Development Bank of India (SIDBI)

Navin Kumar Maini © EMRC

Biography

Country of birth: India

Education: He graduated from St. Stephen's College, Delhi and holds a degree in law from Delhi University. He also holds a post-graduate qualification in management studies from the Management Development Institute (MDI), Gurgaon and a qualification in International Trade from the Indian Institute of Foreign Trade (IIFT), Delhi, besides being a Certified Associate of the Indian Institute of Banking and Finance (CAIIB)

Date began at SIDBI: 1990

Previous employment:

- Navin Kumar Maini has more than three-and-a half decades of experience in the commercial and development banking field. He started his career in the banking sector in 1977 with UCO Bank, and then with IDBI Bank. He also held the position of the Chief Executive Officer of the Credit Guarantee Fund Trust for Micro and Small Enterprises.
- Over the years he has served on the boards of various national-level organisations, state financial corporations, Venture Capital Funds, Micro Finance Institutions (MFIs) and industrial concerns.

Why did SIDBI decide to join the IDFC?

SIDBI is the principal financial institution in India for the promotion, financing and development of the micro, small and medium enterprises (MSME) sector and for the co-ordination of institutions engaged in similar activities. As a development finance institution, SIDBI strongly believes in the IDFC's vision of 'collaborating for the common good'.

Just as other IDFC members have a sharpened focus on climate finance and sustainable development, SIDBI, over the past few years, has taken steps to encourage energy efficiency investments by MSMEs, creating a separate business to focus exclusively on energy efficiency financing as well as sustainable development in MSMEs, through the adoption of cleaner technologies, renewable energy, and so on. This has been supported by lines of credit from international agencies.

Therefore, in order to meet common objectives and to foster the vision of positive collaboration between global development banks/financial institutions and their work on sustainable development initiatives in economic, environmental, social and human development activities, SIDBI has decided to join hands with the IDFC.

SIDBI is the principal financial institution in India for the promotion, financing and development of the micro, small and medium enterprises (MSME) sector and for the co-ordination of institutions engaged in similar activities

Does being a member of the IDFC help SIDBI to reach its goals in terms of investing in sustainable development projects?

Definitely yes–we can gain by sharing knowledge on international best practices, which helps us with regard to sustainable developmental projects for Indian MSMEs. The focus on sustainable development projects has resulted in investments of 43 billion Indian rupees (US$716 million) as of 31 March 2013, for more than 6,000 MSMEs that are promoting energy efficiency and cleaner production.

The bank was set up as the principal financial institution for MSMEs in 1990, and will continue to remain focused on the MSME sector. SIDBI has also assumed a lead role in promoting microfinance in India

Sustainability is the underlying philosophy in several new business and policy initiatives at all levels of SIDBI that has given the bank an edge over other lenders in MSME financing and development in India.

Apart from SIDBI's own experience, collaboration with the IDFC has helped in assimilating international best practices and experimenting with interventions at field level before disseminating them for adoption/replication and scaling up by the banking fraternity and MSMEs.

What is SIDBI looking to achieve as a development finance bank? Will the bank's focus remain on the MSME sector? How rapidly is this sector growing in India?

SIDBI's mission is to facilitate and strengthen credit flows to MSMEs and to address both financial and developmental gaps in the MSME ecosystem. The bank was set up as the principal financial institution for MSMEs in 1990, and will continue to remain focused on the MSME sector. SIDBI has also assumed a lead role in promoting microfinance in India.

As a development finance bank, SIDBI aims to address the challenges faced by the MSME sector. Though the MSME sector contributes immensely to economic growth, as well as entrepreneurship development, regional dispersions, financial inclusion and employment creation in the country, it is beset with a number of challenges such as the lack of availability of adequate and timely credit, limited access to equity capital, delayed payments, procurement of raw materials at a competitive cost, lack of access to global markets, inadequate infrastructure facilities, a low level of modern technology, and a lack of skilled manpower for manufacturing, services, marketing, and so on.

In order to address the varied problems of the MSME sector, SIDBI aims to fill the gaps in the MSME eco-system. Some of the niche financial gaps being addressed are risk capital/equity assistance, sustainable finance, factoring and reverse factoring and services sector financing. The direct finance to these niche areas is supplementing and complementing the efforts of the banks and financial institutions to meet the varied credit needs of the MSMEs.

MSMEs across the world, including India, are the vehicles for faster, sustainable and overall inclusive growth. In India, the MSME sector is a founding pillar of its socio-economic structure. With more than 44.7 million enterprises, this sector generates more than 101 million jobs making it the second-largest sector after agriculture. It also contributes 40 percent towards the total of industrial manufacturing and accounts for 43 percent of India's total exports. There are over 6,000 products ranging from traditional to high-tech items, which are being manufactured by the MSME sector. In addition, MSMEs provide a wide range of services. The latest figures show that the MSME sector's gross output showed a growth rate of 6.5 percent in FY 2011-12.

SIDBI aims to be the go-to bank for MSMEs seeking finance. What kinds of financial support mechanisms do you offer?

Financial support to MSMEs is provided by way of (a) refinance to banks and non-banking finance companies, for onward lending to MSMEs and (b) direct assistance to MSMEs in niche areas such as risk capital/equity, sustainable finance, factoring and reverse factoring, service sector financing, through the bank's network of 84 branches. Some of the financial support mechanisms offered by SIDBI include direct credit by way of term loan, bank guarantees, working capital, equity support, receivable finance and microfinance.

How does SIDBI provide support to MSMEs to improve energy efficiency and cleaner production?

SIDBI has been operating focused lending schemes for energy efficiency and cleaner production using Lines of Credit from various multilateral and bilateral agencies, including the Japan International Cooperation Agency (JICA), Agence Française de Développement (AFD) and Kreditanstalt fur Wiederaufbau (KfW). The main objective of these schemes is to reduce energy consumption, enhance energy efficiency, reduce CO_2 emissions and improve the profitability of the Indian MSMEs in the long run. Under the auspices of these lending schemes, there have been numerous projects, including the installation of energy-saving equipment for industry, loans for CNG taxis and CNG auto rickshaws, and microloans for solar lanterns. The initiative has helped control pollution and promotes clean technology. More than 8,500 microenterprises have benefited through the solar lantern scheme alone.

How does SIDBI help women?

The greatest impact on women has been made by the bank through its microfinance initiatives. SIDBI works with and through a large number of micro finance institutions (MFIs) who have been nurtured, incubated and strengthened through a comprehensive range of financial and non-financial assistance. The cumulative disbursements (including loans, equity and quasi equity) under SIDBI's microfinance initiatives up to 31 March 2013, were 74,044 million Indian rupees (US$1.2 billion). The outstanding microcredit portfolio of the bank stood at 18,109 million Indian rupees (US$292 million) on 31 March 2013. The number of MFIs assisted by SIDBI and having loans outstanding with the bank on 31 March 2013, stood at 102. The assistance through SIDBI has benefited around 32.2 million disadvantaged people, most of them being women. ◘

SIDBI
Making life easier for micro, small and medium-sized enterprises (MSMEs)

The primary initiatives of the Small Industries Development Bank of India (SIDBI) centre on finding solutions to the key challenges faced by the MSME sector. Foremost among these initiatives are setting up a credit guarantee institution for collateral free lending, addressing the delayed payment problem through reverse factoring and carrying forward a responsible microfinance agenda

The Reserve Bank of India has established microfinance regulations to lending practices and corporate governance © Paulo Pinto oneyearabroad.com

In the year 2000, the Ministry of Micro, Small and Medium Enterprises (MSME), the Government of India, and the Small Industries Development Bank of India (SIDBI), established the Credit Guarantee Fund Trust for Micro and Small Enterprises or CGTMSE, to implement the Credit Guarantee Scheme (CGS) for Micro and Small Enterprises (MSE) for facilitating credit by banks/financial institutions to MSEs without collateral or third party guarantees. Both, existing and new units are eligible to be covered under the scheme.

Over time, several changes have been made in the Credit Guarantee Scheme (CGS) to cater to the requirements of the MSE sector as well as to meet the expectations of the member lending institutions. Some of the major developments are:

- A gradual increase in the ceiling on coverage under the scheme from 1 million Indian rupees (US$16,000) at the time of inception of the scheme to 10 million Indian rupees in January 2009.
- During the period of financial crisis beginning in September, 2008, the Government of India announced a number of stimulus measures including a reduction of the lock-in period to 18 months, an increase in the guarantee coverage to 85 percent for loans up to 500,000 Indian rupees and an increase in guarantees of assistance eligible under the cover. All these measures have been implemented by the Trust.

Further, the Trust has been providing guarantee cover on concessional terms for women, microenterprises and units in the northeast.

In order to spread awareness about the Credit Guarantee Scheme, the Trust has organised 3,372 training workshops, seminars, exhibitions and other meetings.

The Trust's operations have had a positive impact on the economy in terms of turnover, exports and employment of credit guaranteed MSEs. As of 31 March 2013 the cumulative turnover of guaranteed units reached 4,000 billion Indian rupees and export by guaranteed units reached 51.22 billion Indian rupees and employment generated was around five million.

The coverage under the scheme has gained momentum over the past few years with 131 banks plus other lending institutions registered with the Trust as member lending institutes. Cumulatively, since October 2013, guarantee approvals were extended by the Trust to 1.3 million proposals covering credit assistance of 633 billion Indian rupees.

Year-wise performance under the scheme has shown a significant growth both in terms of number and size. The number of guarantee approvals increased from less than 1,000 in 2001 to more than 16,000 in 2006, in excess of 53,000 in 2009 and over 280,000 in financial year 2013.

Receivable Finance Scheme

A delay in being paid is one of the major challenges of the MSME sector. In order to help MSMEs achieve quicker realisation of their receivables, SIDBI has designed a scheme called the Receivable Finance Scheme under which, exposure limits are approved for well-performing purchaser companies and MSME bills are discounted. SIDBI, through this scheme, helps to mitigate the problem of delayed payments to MSMEs in respect of their credit sales to large purchaser companies by offering them finance against bills of exchange / invoices arising from such sales. The outstanding portfolio under the scheme, as of March 2013, has increased by 63 percent to 44.99 billion Indian rupees from 27.66 billion Indian rupees at the end of the previous financial year.

In order to further simplify the process and ensure faster benefit to the MSME vendors, an e-discounting module has been developed in-house which will replace the manual discounting process. Once rolled out, the module is expected to enhance coverage and improve utilisation.

In order to spread awareness about the Credit Guarantee Scheme, the Trust organised 3,372 training workshops, seminars, exhibitions and other meetings

Another initiative for electronic discounting is already running with support from the National Stock Exchange. Operations under the initiative are also being scaled-up to improve efficiency in operations, besides bringing in additional checks and balances.

The Government of India took a major initiative by passing the Factoring Regulation Act, 2011. With the passing of the Act, the government has created a favourable legal environment for undertaking factoring activity. In order to create awareness among the MSMEs, the bank conducted awareness seminars at 12 centres in different parts of the country.

Furthermore, action has been initiated by the bank to give effect to the budget announcement of setting up of a Credit Guarantee Fund for Factoring with an initial amount of 5 billion Indian rupees.

Equity / risk capital

With a view to ameliorating the problems faced by the MSMEs in accessing equity capital and facilitating the extension of the bank's finance to MSMEs, SIDBI has started providing risk capital assistance to MSMEs directly as well as through its Fund of Funds operation (i.e. through Venture Capital Funds). The risk capital assistance, unlike conventional loans, is offered on the backing of future cash flows of the unit rather than asset coverage and collaterals.

SIDBI started the risk capital operations in 2009 under the MSME Risk Capital Fund with a committed amount of 20 billion Indian rupees. An amount of 10 billion Indian rupees has been drawn out of the fund so far. Subsequently, the India Opportunities Venture Fund with 50 billion →

Indian rupees was set up following the announcement in the Union Budget for 2012-13 and was operational with effect from 1 August 2012.

During 2012-13, with a view to channelling growth capital and equity to the MSMEs in the information and communication technology sector, SIDBI entered into a Memorandum of Understanding with The National Association of Software and Services Companies. The arrangement decreed that the association would screen eligible enterprises within its pool of members and refer them to SIDBI for evaluation under risk capital and other schemes of SIDBI. Both the organisations would also explore and work on various avenues related to entrepreneurship like policy advocacy, and structuring of new products to create an enabling ecosystem for fostering entrepreneurship and development of MSMEs.

Furthermore, SIDBI played an important role in co-ordinating and facilitating the opening of 'smallB' branches by various commercial banks to focus on start-up financing. SmallB branches were set up to extend venture debt to angel-invested entrepreneurs, thereby fostering innovations by MSMEs. SIDBI has been providing initial handholding to these branches in terms of the conceptualisation and the formation of schemes, guidelines, screening of proposals, training and so on. In 2012-13, 10 such branches were set up by commercial banks.

SIDBI also contracted a Line of Credit from KfW, Germany under the KfW Innovation Finance Programme, to foster a conducive environment for the development and diffusion of innovation; particularly, relating to clean technologies, thus contributing to ecologically sustainable development in India and also global environmental and climate protection.

Responsible microfinance

Microfinance comprises small savings, credit, insurance and other services extended to socially and economically disadvantaged sections of society. The NGOs providing savings banks and other financial services to the poor have grown to become microfinance institutions and have created mechanisms that serve increasing numbers of the poor and also offer profits without subsidies.

In line with its mandate for promotion, development and financing of the MSME sector, SIDBI started its microfinance intervention by way of extending small loans and grants to different agencies involved in various developmental activities including microcredit.

SIDBI's microfinance programme is a 'credit plus' programme. Ensuring sustainability of the entire sector has been the main objective of SIDBI. Besides, SIDBI provides customised needs-based packages of loans, grants and equity to assisted microfinance institutions to develop them into large and sustainable institutions.

The cumulative disbursements (including loans, equity and quasi equity but excluding India's microfinance equity fund) sanctioned under SIDBI's micro-finance initiatives up to 31 March 2013 were 74.04 billion Indian rupees.

Responsible lending has been one of the top priorities of SIDBI and it has been playing an active role in impressing upon its assisted microfinance institutions the need to adopt and practise fair means of managing microfinance operations

Of late, issues such as the lack of central regulations, linking the purpose of such lending with income generation, transparency in conduct of microfinance institutions, issues of high interest rate, multiple lending, and insufficient suitable grievance procedures have caught the attention of the regulators with concerns being raised about the governance structure of the institutions, accounting practices, and the adequacy of the risk management within them.

In view of the recent fluctuations in the sector and also to address concerns of various stakeholders in the sector, the Reserve Bank of India and the government have come up with a set of regulations in the form of a microfinance bill for the lenders. These aim towards creating a regulatory framework for healthy and orderly development of the sector while leading to an affordable interest rate regime, transparency, responsible lending practices and better corporate governance.

Responsible lending has been one of the top priorities of SIDBI and it has been playing an active role in impressing upon its assisted microfinance institutions the need to adopt and practise fair means of managing microfinance operations. The next growth impetus requires responsible financing, which needs specific plans for the financial inclusion of low-income groups, treating it both as a business opportunity and as a corporate social responsibility.

Assuming the role of a pioneer, SIDBI has created a consortium of lenders called the 'lenders' forum', wherein all the major lenders of microfinance have agreed to work together to impress upon themselves the need to implement responsible lending through a common set of loan covenants. SIDBI is actively involved in the development of a Code of Conduct Assessment Tool, which applies to the provision of credit services, recovery of credit, collections and so on, to assess the degree of adherence by microfinance institutions to the voluntary Code of Conduct formulated by them.

The socially motivated efforts of SIDBI have also been strengthened by the setting up of the India Microfinance Equity Fund of 1 billion Indian rupees (US$16.67 million) with SIDBI. The fund is being utilised for providing equity to smaller MFIs, which will help them maintain growth and achieve scale and efficiency in operations. Under IMEF, a sum of 1.05 billion Indian rupees (US$17.50 million) has been sanctioned up to March 31, 2013 out of which 0.74 billion Indian rupees (US$12.33 million) stands disbursed as of March 31, 2013.

MSME spotlight

A few of the MSME's that SIDBI has assisted are highlighted below.

Mrs. Bectors Food Specialties Ltd. The empowerment of women is critical to the achievement of sustainable economic development and poverty reduction. One remarkable story is that of Rajni Bector of Mrs. Bectors Food Specialties Ltd, a first generation woman entrepreneur from Ludhiana. Starting from an investment of just 20,000 Indian rupees (US$333) for a home-based venture for making ice-cream, she has transformed her business into a thriving 4 billion Indian rupees business empire that today employs over 5,000 people. The group has multiple units engaged in manufacturing food products that are exported to several countries.

Her association with SIDBI started with a loan of 2.5 million Indian rupees, which has multiplied several times over the last 16 years. Bector's company has now graduated from the MSME sector; however, new MSME vendors of the company have been getting benefits through the bank's receivable finance scheme.

Rajni Bector has been awarded 'Outstanding Woman Entrepreneur' by SIDBI.

The association of Nalli Trust with SIDBI goes back to 1994 © Nalli

Nalli is a well-established and reputed Indian brand, known particularly for silk saris which it has been producing for more than 80 years. Nalli Trust, which began its journey by sourcing silk saris from thousands of small and unorganised weavers from Kancheepuram near Chennai, now sources goods from over 10,000 micro-entrepreneurs from across the country, and markets them in both local and international markets. Thus, Nalli has created effective and sustainable linkages between village industries and urban India.

The association of Nalli Trust with SIDBI goes back to 1994. From 1994-2009, it grew its turnover from 120 million Indian rupees to more than 2.3 billion Indian rupees, providing direct employment to over 1,000 people compared to a mere 50 in 1994.

Dr. Nalli Kuppuswami Chettiyar, the patriarch of Nalli Trust, was honoured with the title of 'Padmashri' by the government of India in the year 2001, and Nalli has been given awards for its outstanding performance in marketing village, artisan and microenterprises' products.

Obeetee, established in 1920, specialises in the manufacturing of hand-knotted woollen carpets and dhurries (Indian carpets). The company exports its products to several developed markets and has played a key role in putting Mirzapur, a small town in the north, on the world map as a carpet-manufacturing centre. Obeetee carpets also adorn certain iconic buildings in India such as the Rashtrapati Bhawan, the Supreme Court of India and Vigyan Bhawan. Obeetee has been a trendsetter in the carpet industry for adopting the technology changes for carpet designing and manufacturing processes and also for setting social standards.

SIDBI has been a partner of Obeetee since 1995. Obeetee has since increased its turnover from 200 million Indian rupees to more than 1.60 billion Indian rupees. Obeetee has also shown a phenomenal increase in the number of its employees and artisan beneficiaries from 300 employees and 400 artisans in 1995 to more than 1,100 employees and around 25,000 artisans now, in the district of Mirzapur in eastern Uttar Pradesh.

Obeetee has received countless national awards for being the country's largest and most reputable exporter.

Shree Saraswati Industries is located in Delhi and is involved in the tyre and tube manufacturing business. It caters to both national and international tyre markets.

The company originally used conventional pressing machines to manufacture tyres. Rubber was injected into the mould of the tyre and then high-temperature steam passed through it, in order to heat the rubber and enable it to take its final shape. The process of tyre manufacturing through this conventional pressing machine consumed a lot of energy and was time consuming. Thus, the plant's production was low (400 tyres a day). To overcome this difficulty, SIDBI (under the JICA Energy Saving scheme) assisted in the installation of an energy efficient Roto-cure machine, which requires less time to heat the rubber and thereby increases the production rate (500 tyres per day). Energy usage was also cut and tyre quality improved.

The project has made an annual electricity saving of 14,370 kWh, and a diesel saving of 22,500 litres per annum, plus a reduction in greenhouse gas emissions to the tune of 72.25 tonnes per annum. ◘

Özcan Türkakın

CEO of the Industrial Development Bank of Turkey (TSKB)

Özcan Türkakın © TSKB

Biography

Country of birth: Turkey

Education: Masters degree in Economics, Bogaziçi University.

Date began as CEO: 2013

Previous employment:
- He started his professional career at TKSB as an Economist in the Economic Research and Planning Department in 1984.
- He was appointed to the bank's Capital Markets Department as an Assistant Manager in 1992 and as Group Manager in 1995.
- He became General Manager and was appointed as Deputy Chief Executive of the bank in 2002.

What is the mission of the Industrial Development Bank of Turkey (TSKB)?

Founded in 1950, TSKB is a unique bank in the sense that it is a privately owned development finance institution. The bank also provides investment banking services. TSKB is dedicated to supporting the sustainable development of the economy. Within the scope of financing sustainable development and combatting climate change, the bank has provided substantial finance to renewable energy and energy efficiency projects. Currently, a third of our outstanding loans are in renewable energy and 7 percent in energy efficiency. TSKB is the first carbon-free bank in Turkey and the first bank in Turkey to publish a sustainability report.

What kind of financial tools does the bank offer for Turkish businesses?

On the lending side the bank provides medium- to long-term investment and working capital loans. Medium- to long-term lending to finance fixed asset investments is the major business on the lending side. Lending is realised through corporate loans and project finance deals.

TSKB also provides investment banking services to businesses. The bank is active in IPOs, SPOs, mergers and acquisitions, issuance of corporate bonds and treasury management.

TSKB is especially focused on climate friendly projects. What are some of the renewable energy projects that the bank has supported?

TSKB has been actively financing renewable energy projects in Turkey. During the course of the past decade we have financed around 100 renewable energy projects in various parts of the country. Our portfolio in renewables comprises hydropower plants, wind farms, geothermal plants and biomass plants. This year we financed our first ever solar project. With the cost of technology coming down we will be financing more solar projects in the near future. One innovative project worth mentioning is a plant producing energy from methane gas in Ankara. The company produces energy from the landfill of Ankara municipality. Apart from producing energy from the existing landfill, the plant deploys innovative technologies in increasing the pace of the decomposition of garbage.

TSKB is Turkey's first carbon-free bank. How has the bank achieved this?

TSKB has adopted sustainable banking practices. Environmental Management Systems were set up in 2005. After an audit at the end of 2006 we received an ISO 14001 Certificate in Environmental Management Systems (EMS), the first Turkish banking institution to do so. Within the scope of the EMS we started measuring our carbon footprint and decided to erase it through purchasing emissions certificates from the voluntary market. In 2009 we erased our carbon footprint for the year 2008. We have been continuously erasing our carbon footprint since that year.

What have been the key milestones in the bank's history?

The milestones in TSKB's 63-year history are numerous. Looking back at the recent past I can mention a few. In 2002 we merged with a sister bank SYB which was engaged in similar activities and had a similar shareholding structure to TSKB. The merger created synergy. In 2008-2009 and 2010 TSKB was chosen as the Sustainable Bank of the Year in Eastern Europe at an event jointly organised by the *Financial Times* (FT) and the International Finance Corporation (IFC). In 2009 we became Turkey's first carbon-free bank.

In 2010 we were the first bank in Turkey to publish a sustainability report in an internationally certified format. Our sustainable philosophy was again recognised when in 2013 we were shortlisted for the Sustainable Bank of the Year award in Europe organised by the IFC and FT.

In 2010 we were the first bank in Turkey to publish a sustainability report in an internationally certified format. Our sustainable philosophy was again recognised when in 2013 we were shortlisted for the Sustainable Bank of the Year award in Europe organised by the IFC and FT

What does TSKB get from being a member of the IDFC?

The foundation of the IDFC dates back to a conference held at TSKB's premises in Istanbul in 2011. The club was formally launched during the World Bank/IMF meetings in Washington DC in the autumn of the same year. TSKB was proud to host the meetings that laid the foundations for the club.

The IDFC members are like-minded national and sub-regional development banks. We collaborate with other members to face global challenges. The collaboration includes, but is not restricted to, joining funding capacities, sharing local and international experience, and market and product know-how.

Does the IDFC as a whole reflect TSKB's goals? What are these goals?

The major goal of TSKB is to support sustainable development. The bank gives special importance to the fight against climate change. Financing of renewable energy and energy-efficiency projects are among our top priorities. We are happy to see that the goals of the club as a whole are in line with our goals.

The focus of the members of the club on green finance is a reflection of this. In 2012, the members of the IDFC committed a record US$95 billion towards green finance. ◻

Setting a green example

The Industrial Development Bank of Turkey (TKSB) is an award-winning zero-carbon development finance bank. Its forward-thinking policies have long ensured that the bank only finances sustainable projects. The IDFC therefore provides the perfect platform for TKSB to share its best practices

The Istanbul based TKSB is a privately owned development finance institution © TSKB

Founded in 1950, the Industrial Development Bank of Turkey (TSKB) is a unique bank in the sense that it is a privately owned development finance institution. As a non-deposit collecting bank TSKB secures the overwhelming majority of its medium- to long-term funding from international and supranational development finance institutions such as the World Bank, International Bank for Reconstruction and Development, European Investment Bank, Council of Europe Development Bank, KfW, International Finance Corporation, Agence Française de Développement, European Bank for Reconstruction and Development and the Islamic Development Bank. As well as providing development finance, TSKB is also active in investment banking activities including IPOs, SPOs, M&A, privatisation consultancy and bond issues for corporates and financial institutions. The bank is committed to supporting the sustainable development of the Turkish economy.

> The beginning of TSKB's journey towards sustainability dates back three decades. Long before the establishment of any environmental legislation in Turkey, TSKB started to include environmental due diligence as a part of its project appraisal activities in the early 1980s

TSKB's sustainability approach is structured as follows:

- Measuring environmental risks arising from lending activities;
- Defining, controlling and reducing environmental impacts arising from operational services;
- Emphasising products and services on sustainable banking: financing renewable, energy efficiency and environmental investments;
- Informing employees and stakeholders on a continuous basis and encouraging them to actively participate in the processes;
- Preparing sustainability reports according to the Global Reporting Initiative standards to be presented to the stakeholders of TSKB; and
- Calculating and periodically purging the carbon footprint of the bank and operating on a carbon-neutral basis.

The beginning of TSKB's journey towards sustainability dates back three decades. Long before the establishment of any environmental legislation in Turkey, TSKB started to include environmental due diligence as a part of its project appraisal activities in the early 1980s. Today, the bank has developed an in-house rating model to measure the environmental and social risks of the projects to be financed. The Environmental Risk Evaluation Tool defines the environmental and social impact analysis and its methodology. The tool categorises projects into levels of risk: A (very high), B+ (high), B- (medium), and C (minimum). The tool, which provides a method for rating environmental risk under 36 separate headings, takes both existing and future aspects, potential environmental impact and legal and financial liabilities into account. In situations where a project's environmental risk is deemed to be above average and/or too high, the bank works with the customer to formulate a plan whereby the environmental impact may be monitored and mitigated. The results are disclosed periodically both in the sustainability reports and on TSKB's website. TSKB's environmental methodology is above and beyond the Turkish official environmental and social requirements.

Green credentials

Within the last decade TSKB has covered substantial ground with regards to sustainability. The bank prepared its environmental management system (EMS) and put it into practice towards the end of 2006. An ISO 14001 certificate on EMS was obtained at the beginning of 2007. TSKB started to measure its greenhouse gas (GHG) emissions in 2008 after which it began to erase its carbon footprint. The bank erases its carbon footprint through purchases of emission certificates from the voluntary market. TSKB was the first bank to receive an ISO 14001 certificate in EMS and still is the first and only carbon-free Turkish bank. The bank purchases all of the electricity it consumes from a utility provider that produces electricity solely from renewable sources, and this has had a favourable effect on its carbon footprint. TSKB published its first sustainability report in 2010 which was the first of its kind for a Turkish financial institution. And the bank is a member of UNEP FI and has signed the UN Global Compact. TSKB's environmental policy, which was approved by its board of directors in 2006, has evolved and the bank adopted its sustainability policy and guidelines at the end of 2012. TSKB also received a GHG Certificate in 2012.

"TSKB follows its sustainable banking mission not only in resource allocation but also in projects that aim to raise social responsibility and social awareness," says Özcan Türkakın, CEO. "Our efforts on environmental protection and switching to a low-carbon economy are of great importance to Turkey's sustainable development.

"Through integration of sustainability into its business strategy and decision-making processes, TSKB supports environmentally and socially responsible projects, innovative technologies and sustainable enterprises," he adds. "TSKB is a sustainable bank, and a role model for its competitors in Turkey."

Within the scope of its sustainable banking practices TSKB is committed to financing projects that have a positive effect on climate change. TSKB has identified energy, and more specifically, the renewable energy sector as a priority sector and has been actively financing projects aiming to produce electricity from renewable sources. →

During the course of the past 10 years, the bank has financed 98 renewable energy projects and is the leading bank in the country in terms of the number of projects financed. The total installed capacity of these plants is 3,540 MW. It is estimated that with the conclusion of these projects, Turkey's greenhouse gas emissions will be reduced by more than 6 million CO_2 equivalent tonnes. TSKB's portfolio in renewables includes small to medium-sized hydropower plants, wind farms, geothermal plants and biomass plants.

Despite having very high potential, Turkey's current installed capacity of solar energy is at a negligible level.

TKSB is focusing on improving energy savings across the country © TSKB

Though reduced equipment costs and the improvement of the regulations in solar energy have increased the investments in this area. TSKB closely follows the progress of solar energy in Turkey and financed its first ever solar power project in 2013: a rooftop solar power plant project with an installed capacity of 500 kW.

Working as part of the IDFC

As a bank focused on creating sustainable value for all of its stakeholders, it is very important for TSKB to be a part of the IDFC, an organisation that carries out comprehensive efforts towards sustainable improvements in economic, environmental, social and human development.

Being aware that the proper understanding and management of sustainability issues is a prerequisite to global development and growth, TSKB will continue to join forces with the other 19 leading development banks of the IDFC to create long-term value for the world.

TSKB is conscious of the fact that Turkey's energy consumption is high (50 percent higher than the OECD average). There is substantial potential for energy savings in high-energy intensity sectors of the industry such as iron and steel, cement, pulp and paper, ceramics, petrochemicals and textiles. Saving potentials in the building sector are also very high. A recent World Bank study estimates the energy savings potential in the industry and the building sector at 15.1 million Tonne of Oil Equivalent (ToE) per annum. Thus, TSKB has actively begun to promote energy efficiency projects by securing funds from many international financial institutions as well as renewable energy investments.

In the course of the past three and a half years, TSKB has financed 57 energy efficiency projects from various sectors. The total amount of the loans allocated to these energy efficiency projects is more than US$361 million. As a result of these investments, CO_2 emissions have been reduced by 1,115,000 tonnes per year and an energy saving of 1,950,000,000 mega calories has been obtained. The savings amount to the electricity needs of a city with a population of 800,000. The expected savings are also equal to erasing the carbon footprint of 200,000 people. Additionally, TSKB has also been trying to increase awareness about energy efficiency through presentations and seminars, cooperation with universities and through a website which was developed solely for the promotion of energy efficiency.

TSKB has targeted energy intensive industries for energy efficiency projects to be financed. Cement production is one of the highest energy intensive sectors in the Turkish manufacturing industry and energy costs account for 55 to 65 percent of total production costs. This sector is aware of the importance of energy efficiency since the cost of energy has a direct impact on the competitiveness of the companies in both the domestic and export market. Cement sector professionals already had experience of developing energy saving investments under the gamut of modernisation but not energy efficiency projects.

TSKB has initiated the financing of energy efficiency investments in cement plants that mainly incorporate waste heat recovery power generation systems. These investments are mainly based on the utilisation of the energy of waste gases resulting from the electricity production process. Once the investment is completed, plants can produce 20 to 30 percent of the electricity consumed. TSKB, so far, has five projects within this scope. The share of electric-

TSKB has targeted energy intensive industries for energy efficiency projects to be financed. Cement production is one of the highest energy intensive sectors in the Turkish manufacturing industry and energy costs account for 55 to 65 percent of total production costs

ity produced in total consumption varies from 23 to 29 percent, the total installed capacity is 48 MW and annual CO_2 reduction is in the region of 150,000 tonnes per annum.

"The bank's main role in this respect should be conducting activities to increase awareness of existing credit options, favourable feasibility analysis, best practices, and environmental benefits," explains Türkakın. "The main goal for every beneficiary here is to find a high return on investment projects while having some environmental gains."

Prioritisation of renewable energy and energy efficiency is reflected in the loan portfolio of the bank. Currently, renewable energy projects have a share of 33 percent in the overall loan portfolio. After having integrated the energy efficiency concept into its portfolio in 2009, the share of energy efficiency projects in the total loan portfolio increased from negligible levels in 2009 to 7 percent in 2013.

TSKB received The Company with the Highest Corporate Governance Rating Score Award in 2013 © TSKB

Internal goals and achievements

TSKB pays special attention to gender equality. Currently the share of female employees in the bank overall stands at 49 percent. In core banking the share stands at 55 percent, and in mid to senior management it is 52 percent. Corporate governance plays a significant role in the bank's culture.

Having adopted fair, transparent, responsible and accountable corporate governance practices since the first day it was established, TSKB received The Company with the Highest Corporate Governance Rating Score Award in

TSKB has managed to integrate sustainable banking principles into its banking practices. As a privately owned development finance institution, the bank's balance sheet is sound and its operational results show healthy profitability

2013. TSKB is among the three highest-scoring companies every year, and has received the highest corporate governance rating twice.

Risk management is an ongoing development process for TSKB. TSKB was a pioneer when it undertook a voluntary risk management review, supported by the World Bank in the early 1990s. Since then, TSKB has continually developed its risk management systems, parallel to the domestic and international regulations and advances in risk measurement and management methodologies. In this context, TSKB developed an internal rating model in 2003 and reformed it in 2008. The model has been in use since that time, primarily in credit decision and monitoring credit risk in the loan portfolio. Parallel to the Basel II regulations, the bank intends to measure its credit risk and legal capital requirements according to the internal ratings-based approach, and to use related measures in its credit pricing and limit system in the near future.

Building relationships

TSKB also attaches special importance to cooperation with universities. The major aim of this cooperation is to share the bank's experience in industry with university students. Within this framework, workshops were conducted at TSKB's premises in 2013 which were attended by a number of the bank's staff, representatives from the industry and third and fourth year university students. The theme of the workshops was the assessment of sustainability.

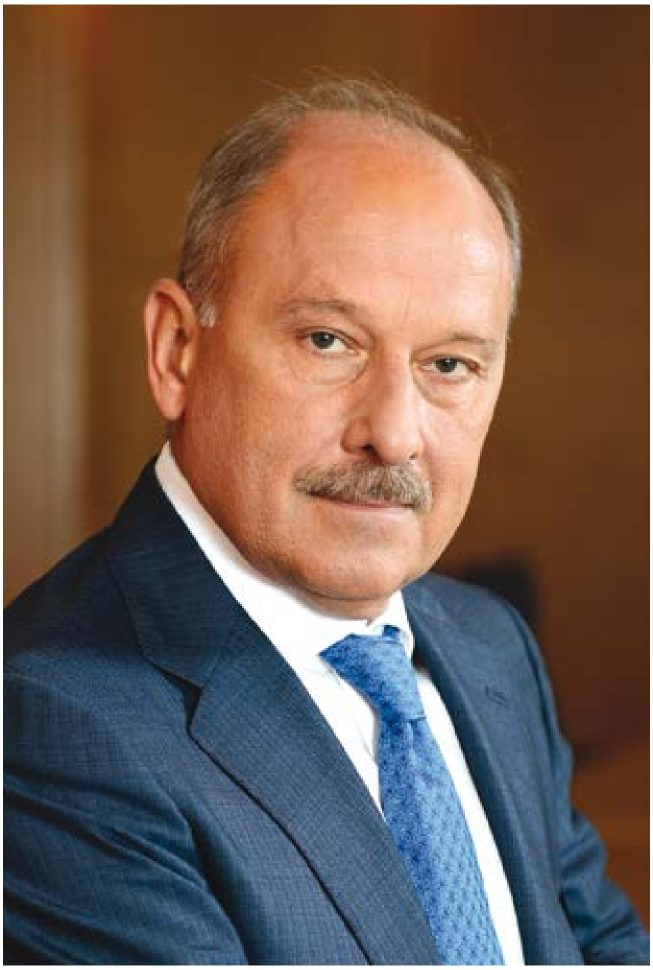
After an introduction to the theme, students were presented with real life cases and asked to assess projects related to energy efficiency. Additionally TSKB staff lecture in universities on subjects that are in the bank's area of competence. These include project evaluation and asset valuation.

"TSKB aims to share its experience in the banking sector and sustainability with students who are candidates for future leader positions, through cooperation with the leading universities of Turkey and various activities including case studies, workshops on sustainability, economy and banking presentations and sponsorships of university clubs," explains a spokesperson for TSKB's university collaboration.

TSKB has managed to integrate sustainable banking principles into its banking practices. As a privately owned development finance institution, the bank's balance sheet is sound and its operational results show healthy profitability. TSKB is a very good example of how sustainability and profitability can be compatible. ◘

Vladimir A. Dmitriev

Chairman, Vnesheconombank (VEB)



Vladimir A. Dmitriev © VEB

What attracted VEB to the IDFC?

We strongly believe in the importance and viability of the activities carried out by IDFC and we deem the experience of club members to be very important for VEB in securing sustainable development. We very much appreciate the opportunity to have a platform for joining our efforts in developing instruments for long-term finance and other major tasks of development banks. Having a global network that helps us share each others' experiences and best business practices in such important tasks as infrastructure finance, green finance, urban finance and so on, is truly an invaluable asset.

What are the advantages for VEB of being a member of the IDFC?

Being a member of this club helps us broaden our knowledge and horizons in relation to our international activities and agenda. The IDFC is rapidly gaining weight and a solid reputation in the development finance market. Therefore, membership of this organisation, in

Having a global network that helps us share each others' experiences and best business practices in such important tasks as infrastructure finance, green finance, urban finance and so on, is truly an invaluable asset

Biography

Country of birth: Russia

Education: In 1975, he graduated from the Moscow Finance Institute, having specialised in the subject of International Economic Relations. He is a Doctor of Economics and a member of the Russian Academy of Natural Sciences.

Date began as Chairman: 2007

Previous employment: He has worked as First Secretary at the USSR Embassy of the USSR Ministry for Foreign Affairs; Deputy Chief Executive Officer at the Russian Finance Ministry Department; First Deputy Chairman at the Bank for Foreign Economic Affairs of the USSR; Deputy President and Chairman of the Board at the Bank for Foreign Trade of the USSR (OJSC) and Chairman of the Bank for Foreign Economic Affairs of the USSR.

my opinion, gives Vnesheconombank a unique chance to publicise its activities amongst national and multinational institutions and become one of the active players in this market. The bank celebrates its 90th anniversary in 2014 and is well known in the international community, however, we consider it a great privilege to be associated with the high profile development institutions of the IDFC and to be able to voice our views and proposals for further improvement in international development finance. Close partnership relations with the global financial community are in place.

What is the role of Vnesheconombank in developing the Russian economy?

Functioning as the national bank for development, Vnesheconombank (VEB) occupies a unique niche in the structure of the Russian economy. Obviously, our business practices are comparable with the competences and tasks undertaken by our colleagues and partners in other countries. Primarily, our peers include the CDB in China, BNDES in Brazil and KfW in Germany. The targets and priorities set by the state for VEB comprise the implementation of major investment projects aiming to modernise infrastructure and industries, development of high-tech technologies, support for Russian industrial exports and SMEs, as well as the removal of imbalances in the development of Russia's regions.

The bank serves as the primary vehicle of the state in resolving the challenges of economic diversification, overcoming infrastructure constraints and ensuring a multiplier effect for growth in various industries, regions and territories. Vnesheconombank's activities are regulated by federal law. The prime minister of the Russian government acts as the head of the bank's supervisory board, with the key vice-premiers of the Russian government acting as the supervisory board members. Such high-ranking representation and the high status of the bank help it to fully respond to the scope and scale of the tasks it is called to accomplish i.e. meeting the challenges of developing the Russian economy.

Now, the bank possesses the right potential to effectively perform its missions. The VEB Group of subsidiary banks has been established and the subsidiaries specialise in realising the key competences of the bank for development, which range from support for industrial exports and SMEs to providing high-tech expertise and evaluation of investment projects. This enables VEB to benefit from unique networking opportunities and the delivery of major investment projects.

Which instruments in your opinion can contribute to economic growth?

Russia's economy requires financial resources more than ever before and development institutions are so far the main source of this money; in particular Vnesheconombank and its subsidiaries. The Russian Direct Investment Fund (RDIF) has proved itself to be an effective mechanism for raising financial resources from the largest foreign funds. When RDIF was being established, a number of meetings were held with the management of the world's largest investment institutions including sovereign funds and direct investment funds that manage funds worth trillions of US dollars.

Since its foundation RDIF has invested more than US$3.5 billion out of which US$850 million is owned by the Fund and US$2.8 billion was invested by international investors. Thus, for each dollar invested, RDIF raised more than US$3 worth of foreign investment. During the two years of its operation, RDIF has raised a total of US$9 billion worth of foreign capital for the Russian economy through establishing long-term strategic partnerships with China, Abu Dhabi, Japan, Korea, Kuwait, France and Italy.

Another line of activity is to set up a national industrial exports support system. I'd like to stress that I mean industrial exports rather than oil and gas exports. VEB's Export Financing Department, EXIAR, VEB-Leasing company and Roseximbank, an agent bank responsible for extending government guarantees, are involved in this line of business. This activity is designed to make it possible for any exporter irrespective of its size and the products it exports, to gain access to a range of the state's support products. As of December 2013, VEB's exports funding portfolio was more than 120 billion rubles (US$3.3 billion). Last year, the amount of export financing increased by almost 2.5 times, the loan portfolio increased almost six times and the guarantee portfolio increased by nearly 2.3 times.

The services offered by the Export Insurance Agency of Russia are really needed by our enterprises. Our range of sectors are expanding and now include agriculture, energy, transport, mechanical engineering, metals, aircraft construction, the automotive industry, the instrument building industry and the chemical industry. The list of export countries is also growing. ◘

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Vnesheconombank
Developing Russia

Vnesheconombank (VEB) is a state corporation that functions as a development bank. It operates to diversify the Russian economy, boost its competitive edge and encourage the inflow of investments

The Tobolsk-Polymer project is one of the largest investment projects in the Russian petrochemical sector supported by US$1.8 billion from VEB © VEB

Long-term credits form the basis of the bank's loan portfolio. In a number of cases credit tenure periods are 10 to 15 years. As of late December of 2013, more than 100 projects worth 2.9 trillion rubles (US$81 billion) are going through expert examination (VEB's expected share is 1.4 trillion rubles). A third of these projects are for infrastructure.

VEB funds major investment projects aimed at removing economic growth infrastructure restrictions. The bank does not compete with commercial credit institutions and participates only in those projects that are not capable of receiving private investors' financing. Under the memorandum of the bank's financial policies, VEB extends credits and guarantees for projects with payback periods that exceed five years, and where the total value is more than 2 billion rubles.

The bank has several other objectives:

- participates in funding investment projects aimed at modernising mono-cities
- provides support for SMEs
- supports Russian exporters on the world's markets
- assists in raising direct foreign investments for Russia

In order to achieve its objectives, the bank carries out active cooperation with international financial organisations and other development banks. Programmes of VEB's cooperation with international financial institutions provide the potential for joint financing of investment projects implemented by Russian and foreign companies within the Russian Federation, focusing on the parties' top-priority lines of activity. Joint financing might be undertaken both in the form of lending and extending guarantees, and making investments in capital, depending on the specific programme and the borrower's needs. The parties' requirements, distinguishing features and limitations are also part of the criteria for examining and evaluating projects.

The investment programme allows VEB to extend targeted credits to companies implementing investment projects in infrastructure (transport, power engineering, housing and communal services) and industry through raising funds from the International Bank for Reconstruction and Development up to the amount of US$500 million with a possibility to further increase the amount to US$1 billion. A condition for VEB's participation in this investment programme is that the bank provides a comparable amount of financing to the borrowed funds.

Participation in the programme will make it possible for project initiators, VEB's customers, to receive technical assistance from the World Bank and other international financial institutions in preparing project documentation and bringing it in line with investors' expectations as well as in implementing projects.

The main criteria for a project's participation in the investment programme is its conformity with the programme's sectorial priorities (infrastructure and industry), its positive effect on the economy and society, its high quality, and its compliance with environmental and ecological efficiency and social security standards.

Spotlight on funded projects

Since 2008, VEB has been funding a project to develop the infrastructure of the Kaluga region's industrial parks. "The total funding given by the bank is 11.2 billion rubles," affirms Chairman Dmitriev. "The project is designed to create conditions for investors to deploy their new production facilities in the industrial parks of the Kaluga region, including engineering the development of industrial sites equipped with all the required infrastructure, as well as the construction of manufacturing and storage facilities and multi-modal logistics centres. So far, 29 new production facilities have been built and 16,000 jobs created. The total amount of investment in the region's economy to date is 143 billion rubles. You must admit that it's a good result."

The oil products trans-shipment terminal at the marine trade port of Ust-Luga is one of the bank's largest infrastructure projects. Up to 30 million tonnes of oil products are to be transported through this terminal per year. In September of 2013, the bank completed its participation in this project. Payment obligations of the project initiator and borrower (Rosneftbunker) to VEB, were fully fulfilled. Now oil products are trans-shipped at the terminal.

VEB funds major investment projects aimed at removing economic growth restrictions. The bank does not compete with commercial credit institutions and participates only in those projects that are not capable of receiving private investment

"This project is an obvious example of fruitful cooperation between the state and business in implementing major infrastructure projects," explains Dmitriev. "The state, represented by Vnesheconombank, provided massive financial support for businesses. It goes without saying that such support should be provided only for well-structured and well-prepared projects and should be accompanied with frictionless cooperation between federal and regional authorities."

The project for the first full-cycle automobile factory in the Far East started almost from scratch. Moreover, the market was full of second-hand Japanese cars with steering wheels on the right. But the bank's experts viewed this project as a promising one.

"A decision was made to back the Sollers' company initiative to build auto production facilities in the Far East," says Dmitriev. "As a result, two automobile factories →

were built in Vladivostok in the form of joint ventures with the participation of the Sollers company and the largest Japanese automakers who manufacture various models including Mazda, Toyota and SsangYong. The factories galvanised business from automobile showrooms to auto service stations, as well as provided jobs for residents of the city. By the way, some of automobiles are sold in Russia's European territory."

At the government's request, VEB is also ploughing more than 241 billion rubles into financing 20 Olympic projects in Sochi.

The Russia-EU initiative 'Partnership for Modernisation'

The initiative, Partnership for Modernisation, was launched at the EU-Russia summit in order to help modernise Russia's economy and adapt Russian-European relations accordingly. Consequently, it also promotes mutually beneficial cooperation between Russia and the EU.

The first full-cycle automobile factory in Vladivostok © VEB

In order to form mechanisms for cooperation in financing investment projects under the Partnership for Modernisation banner, VEB and the European Bank for Reconstruction and Development signed a Memorandum of Understanding in February 2011. The memorandum states that both banks can extend up to US$500 million each to finance investment projects, provided that they are in line with each institution's financial criteria and are approved by the parties' authorised governing bodies.

Top priority was given to financing energy efficiency, transport, innovation initiatives related to SMEs (including business incubators, technological parks, business-technology centres and infrastructure of financial services provided to SMEs), as well as the commercialisation of innovations in a number of sectors including the above, pharmaceutics and environmental protection.

The initiative, Partnership for Modernisation, was launched at the EU-Russia summit in order to help modernise Russia's economy and adapt Russian-European relations accordingly. Consequently, it will also promote mutually beneficial cooperation between Russia and the EU

In June of 2011 VEB signed another Memorandum of Understanding, this time with the European Investment Bank. Again, each party can extend up to €500 million under the Partnership for Modernisation project. Top priority in this case is given to energy efficiency, ecology, transport and telecommunications, as well as projects allowing European companies to make direct investments in the Russian economy.

To further implement the above-mentioned memorandum, in March and June 2013 the two banks signed two loan agreements for €200 million and US$150 million correspondingly, which are aimed at SMEs and MidCaps support in the Russian Federation. The parties look forward to signing their third deal, which will be to support infrastructure projects implemented by VEB, later on in 2014.

Support of Small and Medium Enterprises

Support of SMEs is one of VEB's most important development mandates. The SME sector only contributes 22 percent to Russian GDP, which is why the significant increase of the SME share in the economy is one of the government's key priorities. Within the SME sector the bank's main target audience are manufacturing and innovative enterprises, which require long-term financing for their investment projects.

Over the past few years VEB's lending to SMEs in Russia has increased: in 2012, the value of loans made increased by 14.6 percent (to 6.9 trillion rubles), and the loan portfolio increased by 16.9 percent (to 4.49 trillion rubles).

In line with the best practices of development banks, VEB provides financial support through financial intermediaries. The bank's main instrument is the on-lending programme, which is realised through OJSC 'MSP Bank', VEB's 100 percent subsidiary. The programme is quite successful–since its launch, more than 35,600 SMEs all over the country have received financial support of more than 370 billion rubles, and 400 partner institutions have participated in the programme. The average weighted interest rate for the credit portfolio extended to SMEs was 12.6 percent, while the market rate was 15 to 17 percent. The development of the bank's SME Lending Support Programme has enabled SMEs to receive financial support amounting to 82.88 billion rubles.

The development of new relationships in market areas that are especially important to small businesses has been slow in Russia. Today, the economy faces a different

The oil products trans-shipment terminal at the marine trade port of Ust-Luga is one of the bank's largest infrastructure projects © VEB

VEB's focus for growth is now centred on innovation and high-tech production, and developing the non-manufacturing sector. Support in these areas amounted to 81 percent of the total lending to SMEs, which was 12 percent higher than in 2011

challenge–the need for a strong, innovation-led market. In light of this challenge, the bank's main objective as a development institution focused on the small and medium enterprise segment is to increase the level of support for innovative and modernisation-related projects. Based on this, VEB has set its main focus areas for growth–supporting projects related to innovation and high-tech, modernising production, and developing the non-manufacturing sector. Support in these areas amounted to 81 percent of the total lending to SMEs, which was 12 percent higher than in 2011. In 2012 more than 20 billion rubles was distributed exclusively to fund innovative, modernisation-related and energy-efficiency projects.

In 2013, VEB launched a state guarantee mechanism for the support of mid-sized enterprises. Within the mechanism MSP Bank guarantees up to 50 percent of the loan for long-term investment loans of growing enterprises. The guarantee can be up to 1 billion rubles. This guarantee, in turn, is backed by counter-guarantees of VEB and the Russian Federation.

Another vehicle for growing mid-caps is the International Fund to Support Russian Entrepreneurship, which was launched in 2014 together with KfW and with the support of the European Investment Bank. The fund aims to facilitate access to long-term financing for Russian commercial entities, operating in the non-trade sector, either through the provision of financial resources to Partner Lending Institutions or direct financing. The fund intends to supplement existing development finance vehicles in Russia, attract institutional investors to the Russian market and promote best practices and success stories of SME investment finance. ◘

IDFC Members

Agence Française de Développement (AFD)
5 Rue Roland Barthes
75598 Paris Cedex 12
France
Tel: +33 1 53 44 31 31
www.afd.fr

Bancóldex
Calle 28, No. 13A-15
Pisos 38-42
110311, Bogotá
Colombia
Tel: +57 1742 0281
www.bancoldex.com

BancoEstado
Avenida Libertador Bernardo O'Higgins nº1111,
Santiago
Chile
Tel: +56 600 200 7000
www.bancoestado.cl

Brazilian Development Bank (BNDES)
Avenida República do Chile, 100
Rio de Janeiro, RJ
20031-91
Brazil
Tel: +55 21 2172-7447
www.bndes.gov.br

Banque Ouest Africaine de Développement (BOAD)
68 Avenue de la Libération
1172 Lomé
Togo
Tel: + 228 2221 5906
www.boad.org

Black Sea Trade and Development Bank (BSTDB)
1 Komninon Street
Thessaloniki
54624
Greece
Tel: +30 2310 290400
www.bstdb.org

Central American Bank for Economic Integration (CABEI)
Boulevard Suyapa
Tegucigalpa
Honduras
Tel: + 504 2240 2243
www.bcie.org

Development Bank of Latin America (CAF)
Avenida Luis Roche, Torre CAF
Altamira, Caracas
Venezuela
Tel: +58 212 209 2111
www.caf.com

China Development Bank (CDB)
No. 18 Fuxingmennei Street, Xicheng District
Beijing
100031
China
Tel: + 86 10 6830 6789
www.cdb.com.cn

Caisse de Dépôt et de Gestion (CDG)
Place Moulay El Hassan
408
Rabat
Morocco
Tel: +212 53766 9000
www.cdg.ma

Development Bank of Southern Africa (DBSA)
Headway Hill
1258 Lever Road
Midrand
South Africa
Tel: +27 11 313 3911
www.dbsa.org

Croatian Bank for Reconstruction and Development (HBOR)
Strossmayerov trg 9
10000 Zagreb
Croatia
Tel: +385 1 4591 666
www.hbor.hr

Indonesia Eximbank
Indonesia Stock Exchange Building
Tower II, Floor 8
Sudirman Central Business District
Jalan Jend. Sudirman, Kav 52-53
Jakarta 12190
Indonesia
Tel: +62 21 5154638
www.indonesiaeximbank.go.id

Japan International Cooperation Agency (JICA)
Nibancho Center Building 5-25
Niban-cho, Chiyoda-ku
Tokyo 102-8012
Japan
Tel: +81 3 5226 6660
www.jica.go.jp

KfW Bankengruppe
Palmengartenstrasse 5 - 9
60325 Frankfurt am Main
Germany
Tel: +49 69 74 31 0
www.kfw.de

Korea Finance Corporation (KoFC)
16 Yeouido-dong (22 Eunhaeng-ro)
Yeongdeungpo-gu
Seoul 150-873
Korea
Tel: +82 164 44100
www.kofc.or.kr

Nacional Financiera (Nafinsa)
Avenida Insurgentes Sur 1971
Col. Guadalupe Inn
01020
Mexico City
Mexico
Tel: +52 55 5325 6000
www.nafin.com

Small Industries Development Bank of India (SIDBI)
Ground Floor, Videocon Tower, E-1
Rani Jhansi Road, Jhandewalan Extension
New Delhi - 110055, Delhi
India
Tel: +91 11 23682470
www.sidbi.in

Industrial Development Bank of Turkey (TSKB)
Meclisi Mebusan Cad.
81 Fındıklı 34427
Istanbul
Turkey
Tel: +90 212 334 50 50
www.tskb.com

Vnesheconombank, VEB
Akademika Sakharova Prospekt, 9
Moscow, 107996
Russian Federation
Tel: +7 495 721 1863
www.veb.ru

Upcoming meetings 2014

IDFC internal meetings

Steering Group meeting
- 16-17 April, KFW, Berlin, Germany

Sherpa meeting
- early September, (date and location to be announced)

Steering Group meeting and Annual Meeting
- on the sidelines of the World Bank and IMF Annual Meetings, 10-12 October, Washington DC, USA

External meetings with IDFC attendance

The Latin American Association of Development Financial Institutions (ALIDE) Annual General Assembly
- 8-9 May, Cartagena, Colombia

European Bank for Reconstruction and Development (EBRD) Annual Meeting and Business Forum
- 14-15 May, Warsaw, Poland

UN Climate Summit
- 23 September, New York, USA

World Bank and IMF Annual Meetings
- 10-12 October, Washington DC, USA

COP 20
- 1-12 December, Peru, Lima

A commitment to global development

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.

IDFC international development finance club

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