



International  
Development  
Finance Club

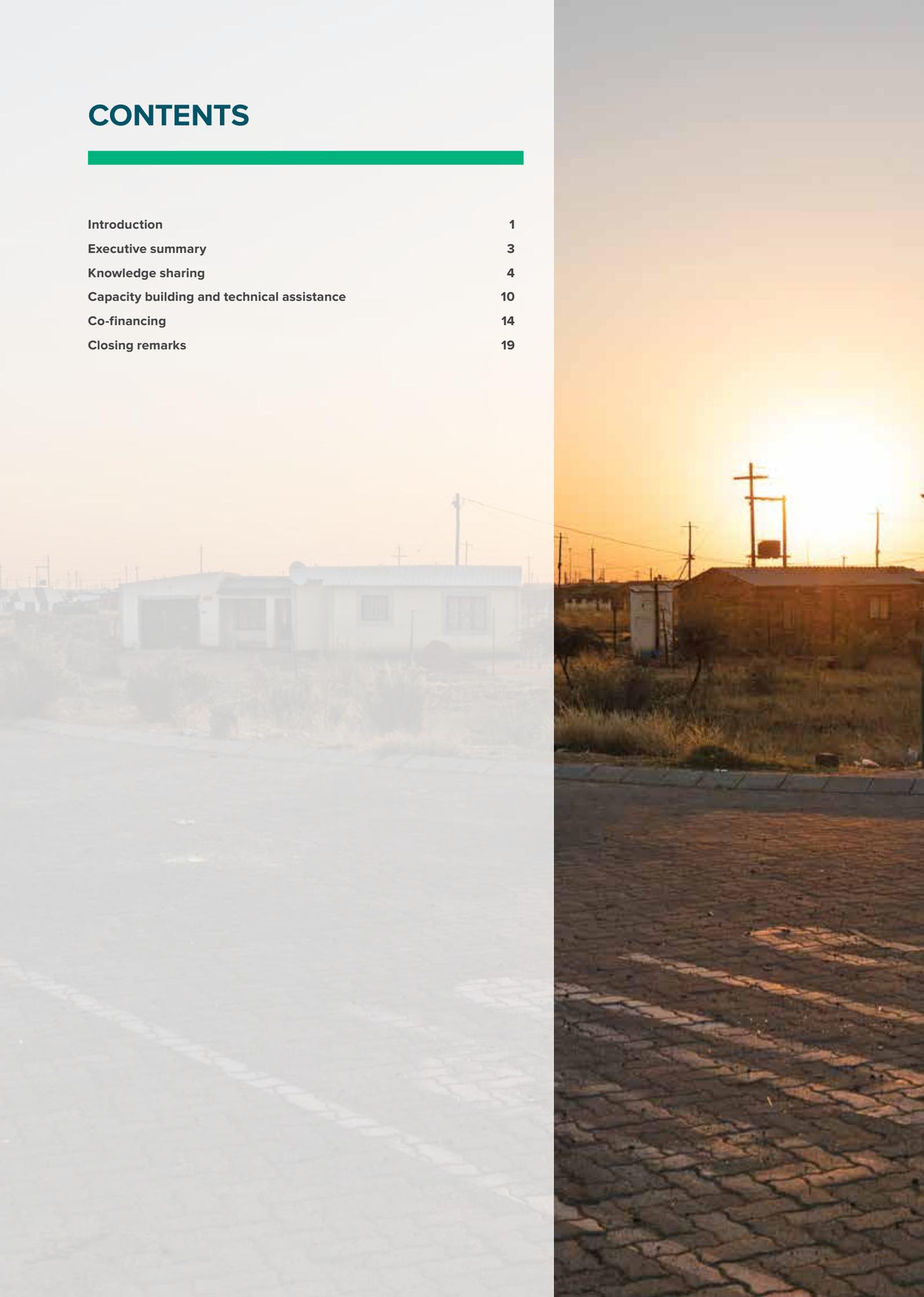
Cooperation for  
Development Report  
**2017/18**



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# INTRODUCTION



*“Through the IDFC, and in close partnership with other development bank networks, members join forces as a platform to promote and leverage sustainable development investment worldwide.”*

– Remy Roux, IDFC Chair

## **CO-OPERATION FOR DEVELOPMENT – THE GENESIS**

- The IDFC is a Development Finance Club comprising 24 members from around the world. The underlying objective is to develop DFIs through collaboration and knowledge sharing to ensure that the world becomes more equitable and development more sustainable.
- Currently, the IDFC has four modes of cooperation:
  - Knowledge sharing through seminars, workshops, staff exchanges, information sharing, etc.
  - Capacity building includes training programmes and staff exchanges.
  - Technical assistance includes project assistance, technology transfer, technical assistance for accreditation processes, project preparation, etc.
  - Co-finance is limited in the Club but it does occur.
- This report provides an overview of collaboration within the Club for 2018. Only six examples are cited out of many examples of cooperation.

# CFD RATIONALE AND TERMINOLOGY

## COOPERATION FOR DEVELOPMENT (CFD) RATIONALE AND METHODOLOGY

The CfD report provides information on cooperation between members over 2017 and 2018. Some information refers to a longer period but will indicate that clearly. The objective of this report is to highlight the areas of cooperation and to point out opportunities for deeper cooperation within the club.

### CfD working group:

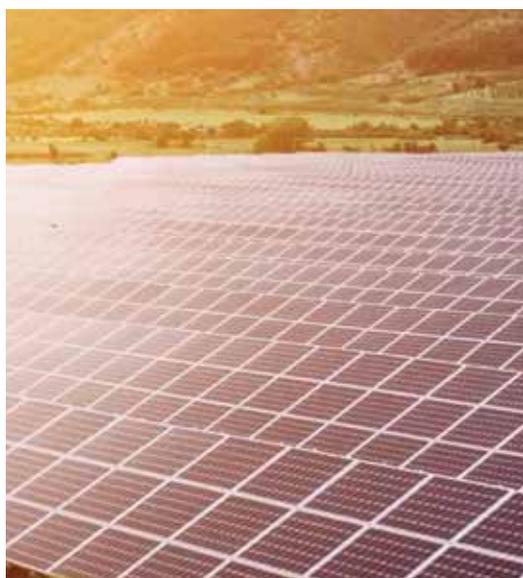
- CDG, DBSA, JICA

### CfD questionnaire objective:

- To highlight areas of cooperation in 2017/18
  - In the areas of
    - Knowledge sharing
    - Capacity building
    - Technical assistance
    - Co-financing

### Questionnaire

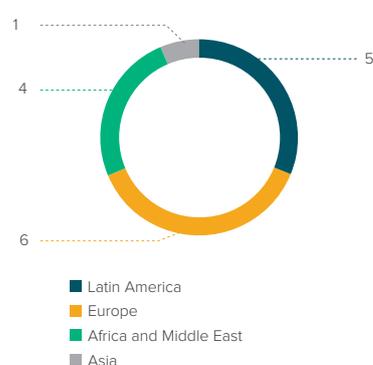
- Name of institution
- Geographical mandate
- Number of IDFC members engaged with
- Type of cooperation and sectors
- Information about one or two initiatives
- How many projects co-financed
- Total value of co-financed projects
- Number of staff exchanges/ partnership exchanges
- Number of training events, seminars



## METHODOLOGY

An electronic survey was sent out to all IDFC members requesting information. More than 60% of the members responded. The responses were then analysed.

Geographical spread of responding members

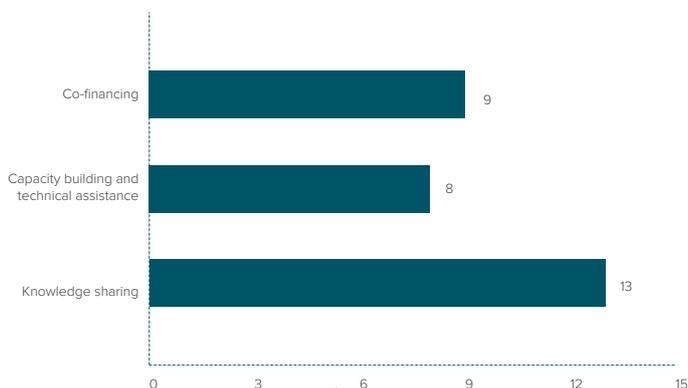


## 16 INSTITUTIONS RESPONDED

Agence Française de Développement (AFD), Banco de Comercio Exterior de Colombia (Bancoldex), Brazilian Development Bank (BNDES), Banque ouest-africaine de développement (BOAD), Black Sea Trade and Development Bank (BSTDB), Central American Bank for Economic Integration (CABEI), Corporacion Andina de Fomento (CAF), Development Bank of Morocco (CDG), Development Bank of Southern Africa (DBSA), Croatian Bank for Reconstruction and Development (HBOR), Islamic Corporation for the Development (ICD), Japan International Cooperation Agency (JICA), German Development Bank (KfW), Nacional Financiera (NAFIN), Industrial Development Bank of Turkey (TSKB), Russian State Development Corporation (VEB-RF)

# EXECUTIVE SUMMARY

Number of members who have reported the following



The IDFC has excelled in knowledge sharing in the period under review. This form of cooperation has taken place in areas ranging from accreditation to the GCF and sustainable development. Development of people and institutions has resulted from technical assistance, capacity building and staff exchanges. On the latter category of cooperation, there are more opportunities to share staff between institutions such as the staff exchange between CAF and the AFD and JICA and the DBSA. Co-financing opportunities have grown over recent years with some partners celebrating fifty years of cooperation (TSKB and KfW) and many members relying on deepening partnerships through the new green financing opportunities.



# KNOWLEDGE SHARING



## KNOWLEDGE SHARING – TRENDS AND ANALYSIS

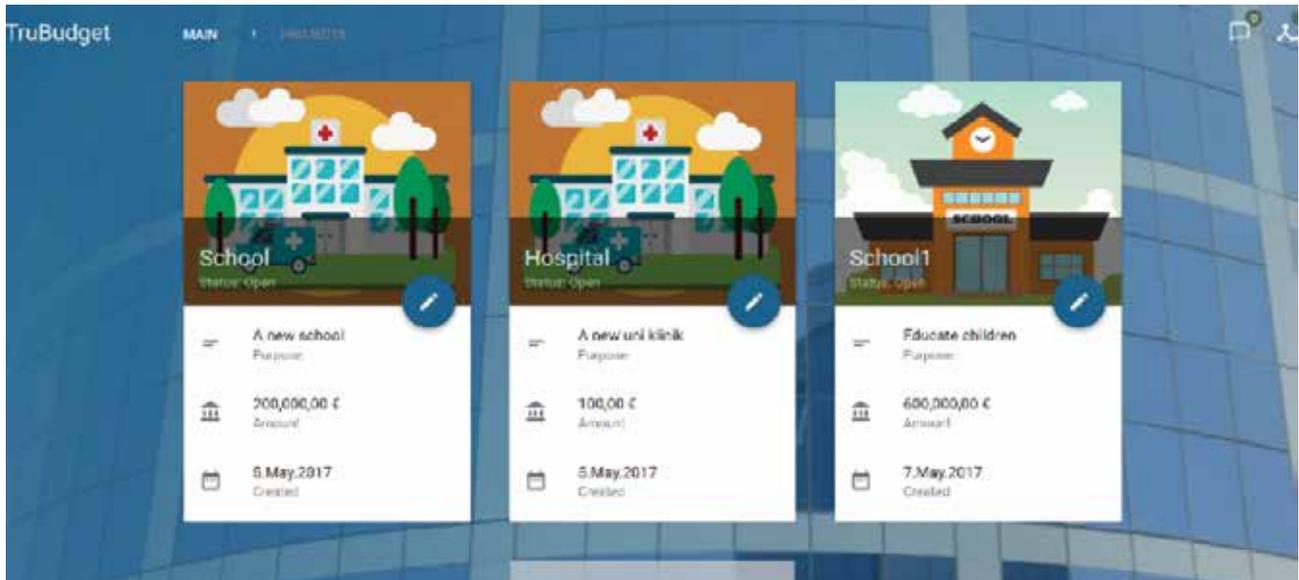
Knowledge sharing events include workshops, seminars and training events. Knowledge sharing is the most popular mode of cooperation in the club. Almost every member has engaged with members on issues related to information sharing on organizational structure, the role of DFIs in their respective contexts. IDFC members have also participated in knowledge generation through reports on Green Finance Mapping, Cooperation for Development Report and Sustainable Urban Development, among others. Members also share information and knowledge by collaborating in workstreams, for example, on project preparation, blended finance, gender equality, biodiversity. The opportunities for great knowledge sharing will grow as the Club reaches out to new members and grows in visibility and stature on the global stage. Members who have not engaged in knowledge sharing events should consider using electronic platforms to share information or hold webinars particularly in the identified workstream areas.

Number of knowledge sharing events	Number of members
Zero	3
1 – 5	10
6 – 10	0
11 – 23	3

## TRUBUDGET – COOPERATION THROUGH TECHNOLOGY – AFD, KFW, BNDES

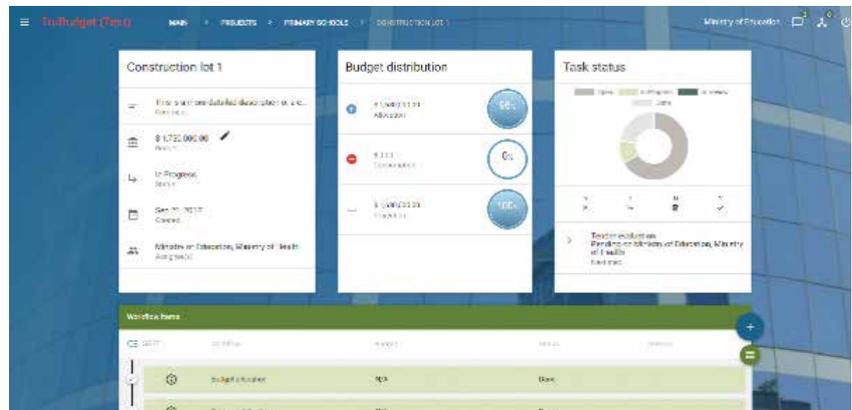


## TRUBUDGET IS ALREADY IMPLEMENTED AND AS OPEN SOURCE CODE AVAILABLE FOR EVERYONE



### TruBudget blockchain

<b>Allocation</b>	budget lines projects, sub-projects
<b>Implementation</b>	tender contracts reports
<b>Disbursements</b>	payments



*All information on the platform is validated by being saved on the blockchain*

## DIGITALISATION IN DFIS – BNDES, VEB, CDB AND DBSA



DFIs need to keep ahead of the curve in a world with accelerated technological change and new business relationships. They do this by changing their business processes, opening themselves to interact with new players and adopting new technologies.

IDFC members started exchanging experiences and ideas about the digital transformation on DFIs and discussing possible cooperation. The first meeting was held in Johannesburg in April 2018.

On 15 January 2019, a second meeting was convened in Rio de Janeiro, co-organised by BNDES and IDFC on “Digitalisation in Development Finance Institutions”. AFD, BNDES, CAF, CDB, DBSA and VEB discussed how Blockchain/Distributed Ledger Technology (DLT), Data Science and Artificial Intelligence could improve the performance of DFIs and the public sector.

Some blockchain projects are already improving business processes and enhancing the transparency and safety of transactions’ data. The BRICS members (BNDES, VEB, CDB and the DBSA) will explore a common blockchain project in 2019 as an offshoot from their 2018 interbank agreement.

## KNOWLEDGE SHARING – DBSA AND JICA

- In 2016, the DBSA and JICA agreed to contribute, through policy research, to achieve the Sustainable Development Goals (SDGs). The aim of the collaboration is to propose recommendations to improve the two banks' international cooperation model and to provide solutions for the implementation of SDG 9\* and SDG 11\*\* in sub-Saharan Africa. The DBSA and JICA are committed to finding ways to deal with urbanisation in sub-Saharan Africa. Issues facing these countries include key challenges such as growing numbers of slum dwellers, increased air pollution, and inadequate basic services and infrastructure.



**11** SUSTAINABLE CITIES  
AND COMMUNITIES



**9** INDUSTRY, INNOVATION  
AND INFRASTRUCTURE



## KNOWLEDGE SHARING (CONTINUED)

### COOPERATION FOR DEVELOPMENT SEMINAR

The roundtable on cooperation, held in Midrand at the DBSA, presented a platform for discussions on where the debates currently are on the modes of development cooperation. It also explored how the BAPA +40, the G20 agenda and other global programmes are establishing cooperation networks.

The roundtable provided an opportunity for academics, think-tanks and practitioners from DFIs to present their thoughts and experiences with cooperation and to look at the potential for creating global change through cooperation.

The discussion provided options for the role the IDFC would like to play in development cooperation and how far it is willing to move the debate and the parameters of collaboration. The meeting concluded that the term 'Cooperation for Development' was based on a theoretical framework free of ideology and power and that the IDFC has an opportunity to create new conversations about development and its implementation.

### KNOWLEDGE SHARING – BANCOLDEX, NAFIN AND BANCOESTADO



Less than a year after Mexico issued the first social bonds in Latin America (July 2017) and Chile did the same in April 2018, Colombia prepared for the placement of this financial instrument in the local market.

On 24 May 2019, Bancóldex will place a bond of \$300 million to raise finance for micro-enterprise credit lines to finance projects for women, rural enterprises and victims of the Colombian armed conflict.

“The reason why the first entities to issue this type of financial tool are development banks is because this is their vocation. The development bank has to reach spaces where traditional banking does not arrive to fill that void that the market has. In addition, we have a public policy role, i.e. we work on the front of financial inclusion, taking credit in affordable conditions to microenterprise activities and vulnerable populations; for that we look for resources where nobody looks for them.” – Jaime Buriticá



## KNOWLEDGE SHARING AND STAFF EXCHANGE – JICA AND AFD

In 2018, JICA and AFD established a short-term staff exchange programme to share and exchange experiences with the objective being to get a better understanding of the way we operate and to build the foundation for further collaboration.

An AFD staff member in charge of strategy and partnership first visited JICA in February 2018 with the objective to 1) better understand JICA's project cycle and interaction with the Japanese and the international private sectors; 2) identify areas for enhanced operational cooperation; 3) understand how JICA's main schemes (TA, GA, Lending) interact with each other; 4) learn from JICA's experience relating to the incorporation of JBIC's loan activities to prepare for the establishment of the AFD group in 2019.

In December 2018, a JICA staff member from the Credit Risk Analysis Division visited AFD and Proparco for a few days to learn about non-sovereign lending operations and risk management methods. The visit also presented an opportunity to discuss the potential of future collaboration in the Asian and African regions, as well as in private sector finance projects.

## KNOWLEDGE SHARING – BOAD AND AFD

BOAD regularly participates in bilateral events with its strategic partners, such as AFD and KfW, with the objective being to mutually share experiences and strengthen their partnership. The first bilateral event with KfW was held in the first quarter of 2019 and said events have been taking place with AFD for close to 10 years.

## KNOWLEDGE SHARING, CAPACITY BUILDING AND TECHNICAL ASSISTANCE – AFD, KFW AND CAF (2014 – 2019)

### Climate proofing – measurement of CO<sub>2</sub>, project

- **AFD:** Shared with CAF its Carbon Footprint Tool
- **KfW:** Provided technical assistance (TA) resources from the LAIF-UE Climate Change Facility (USD40m) to adjust the tool
- **CAF:** Adapted and adjusted the tool in a way that allows CAF to calculate emission and reductions of greenhouse gases CO<sub>2</sub> in projects located in Latin America and the Caribbean

With the objective of measure emissions and reductions of CO<sub>2</sub> gases to projects financed by CAF in the region, a MoU was signed between CAF and AFD on 6 August, 2014, authorizing the use and modification of the tool. In January 2015, thanks to TA resources provided by KfW-CAF, LAIF-UE Climate facility, a contract was signed between Carbone 4 and CAF; the purpose of the contract was to adapt and adjust the tool to be applied in projects in Latin America and the Caribbean. The product was delivered in August 2015 and between 2015 and 2016 a training program to the CAF's staff was developed. Up to date, the tool has been used to calculate emission and reductions of CO<sub>2</sub> in a variety of projects (energy efficiency, renewable energy, urban transportation, and water and sanitation projects among others) financed by CAF.

# CAPACITY BUILDING AND TECHNICAL ASSISTANCE

## CAPACITY BUILDING AND TECHNICAL ASSISTANCE – TRENDS AND ANALYSIS

Capacity building and technical assistance have been used as a way to share skills within the IDFC. Staff exchanges present a measurable indicator within this area. There is considerable opportunity for the Club to grow in this area and to drive staff exchanges for particular IDFC projects. Financial constraints would limit smaller institutions from sharing staff but larger institutions could share staff more often. Technical assistance could also take the form of extended workshops such as the workshops JICA conducts for African DFI staff at their training institute in Japan. Webinars and other electronic sharing platforms could provide opportunities for specialists to engage on technical issues and to share skills in more coordinated ways. This will also ensure that skills are exchanged more equitably and not confined to members with unlimited financial and human resources.

Number of staff exchanges	Number of members
Zero	8
1 – 5	8
6 – 10	0
11 – 23	0

## CAPACITY BUILDING – CDG AND AFD

CDG Capital recently put together an ESS policy based on IFC standards, with an ESMS and tools to manage and monitor environmental and social risks related to funded projects.

As part of capacity building, the CDG Capital team (four employees from Investment, Risk and Sustainable Development units) participated in a three-day training programme at AFD in December 2018. The workshop was related to the management of environmental and social risks.

The training included the following:

- Risk identification and categorisation of projects
- E&S tools (Environmental and Social Impact Assessment, Environmental and Social Management Plan, Resettlement Plan, etc) to be implemented during project appraisal and monitoring
- Approach and planning of the studies to be carried out according to the stages of the project cycle
- Environmental and Social Commitment Plan
- Grievance mechanism
- Case studies



This training shared best practices, strengthened CDG's ability to assess environmental and social issues during project appraisal, and ensured monitoring and evaluation during the life of the project.

## CAPACITY BUILDING AND TECHNICAL ASSISTANCE – TSKB AND KfW

### Staff exchange between KfW and TSKB

- In 2015 and in 2016, there were two staff exchange programs between TSKB and KfW.
- The main objective was to strengthen the cooperation between the two institutions and find areas to cooperate further.



### Technical assistance support

- In 2005, an environmental management system (EMS) and an environmental risk evaluation tool (ERET) were developed through KfW's **Technical Assistance Programme**.
- The ERET was the first implementation of an environmental risk assessment model in Turkey.
- In addition, technical training on solar power plants and municipal infrastructure projects (waste water treatment plants, biogas, incineration and recycling plants, etc.) was also provided.

### TECHNICAL ASSISTANCE – DBSA AND JICA

- Due to a severe water shortage, the Government of South Africa is advancing a plan to reduce the current non-revenue water (NRW) ratio. However, there are not

enough engineers/technicians at municipal levels. In response, JICA has introduced a technical cooperation project for strengthening the capacity of the Department of Water and Sanitation in South Africa to provide technical training for municipalities in the area of NRW.

- As one of the priority areas of DBSA's operation was water security in South Africa, the DBSA and JICA agreed to jointly work to supporting the City of Ekurhuleni, one of the metropolitan cities severely hit by NRW rates of 33.71%.

Utilising knowhow and lessons learnt from the study tour, CoE started a pilot feasibility study on NRW reduction within the city supported by DBSA and JICA in October 2018. JICA dispatches Japanese consultant team to ensure technical standard of the study as well as provide on-site technical training to CoE officials. It is expected that after the pilot study, CoE will have enough capacity to conduct full-scale feasibility study, which may eventually lead to possible financing from DBSA on NRW reduction in CoE.

### TECHNICAL ASSISTANCE – BOAD AND AFD

A recent initiative with the AFD was the implementation of a technical assistance program for the declination of the “climate and environmental” strategy for the West African Development Bank (BOAD).

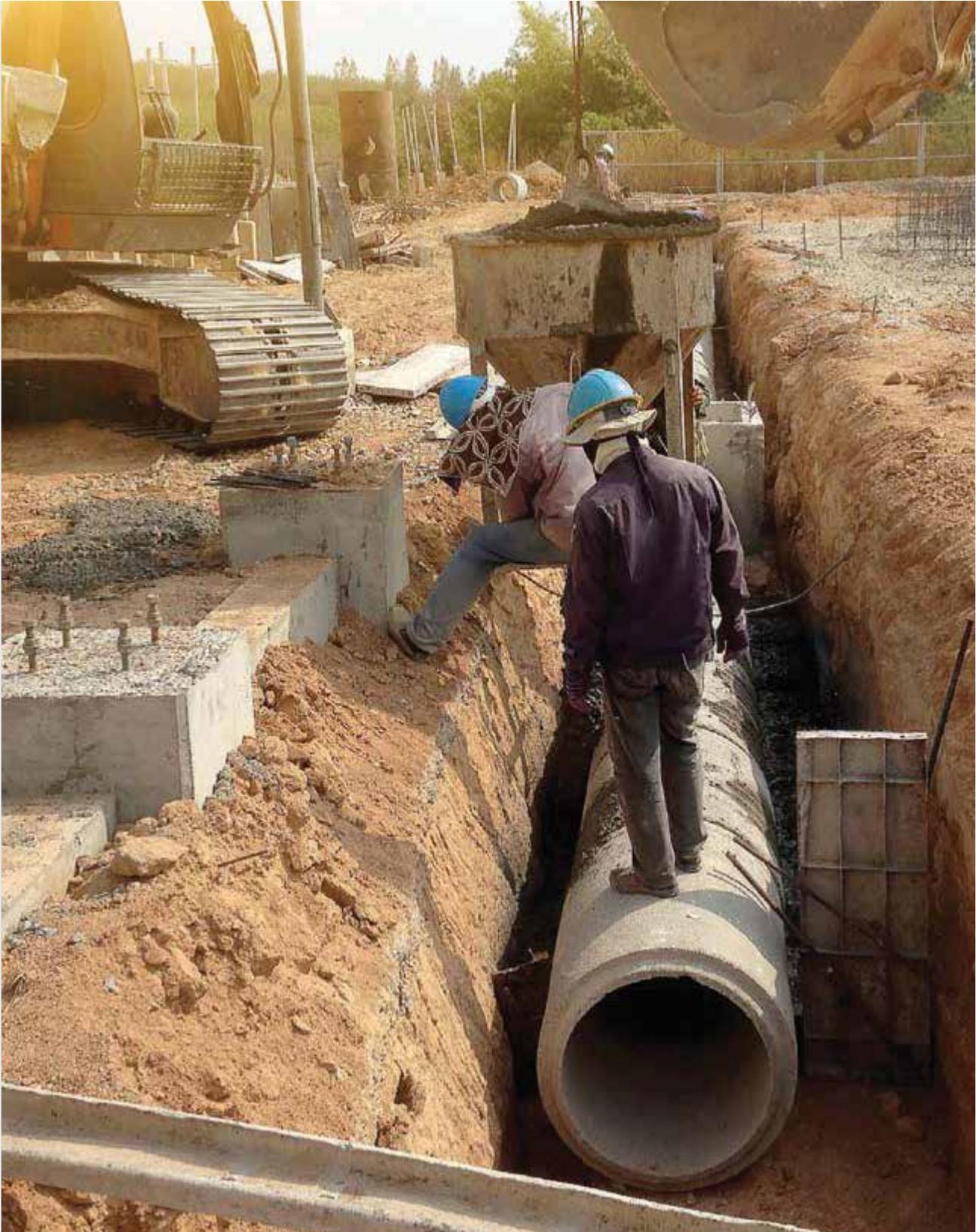
The project aims to financially and technically strengthen BOAD’s operational divisions’ capacities in terms of environmental projects assessments and ensure that smart and innovative financial mechanisms are set in place for efficient management of projects centred on climate change. It also aims to strengthen BOAD’s leadership in the WAEMU’s region, especially with climate change actions.

### TECHNICAL ASSISTANCE – AFD AND CAF (CAF TRUST FUND, EUR2.5M)

Due to a lack of technical assistance resources to better structure projects in the region; in 2012, AFD granted to CAF, technical assistance resources to its administration. The purpose of the Fund is to improve infrastructure projects structuring in Latin America region with the joint objective of co-financing (provide loans) these projects. Due to the success of the Fund, a couple of replenishments have been required. These resources are key to the preparation of the projects by developing sectorial, pre-feasibility and feasibility studies. The resources have been used in infrastructure projects, such as, Introduction of Deep Seawater Air Conditioning System in the Caribbean, Regional Urban Cooling Program, Sustainability of Niteroi a Municipality of Brazil, assessment of the Eco-efficiency of the Forest Industry, strategic projects development for regional energy security, among others.

### TECHNICAL ASSISTANCE – KfW-BMZ AND CAF (CAF ENERGY EFFICIENCY FUND, EUR977M)

In a joint effort between KfW and its Federal Ministry of Economic Cooperation and Development (BMZ) of Germany, they granted resources of technical assistance to the Development Bank of Latin America – CAF for EUR977 thousand. In September 2017, an agreement between KfW and CAF was signed with the purpose of supporting the Energy Efficiency Demand (EE-D) program to local Financial Intermediaries / Financial Institutions (FIs). The objective of the program is the introduction and implementation of financial products in FIs in Latin America, to finance EE-D projects in private and public companies, as part of the actions that the CAF Green Program has been developing in the region. The program also has an ODA concessional credit line from KfW to CAF for USD70m, signed in 2019. The technical resources are going to be used to identify and support the FIs interested in fostering the EE-D projects in the region. The concessional credit line will incentivise the FIs interest in finding and funding EE-D projects in the region.



# CO-FINANCING

## CO-FINANCING – TRENDS AND ANALYSIS

The IDFC’s objective is to increase and improve development finance in strategic sectors that will lead to economic and social growth. Co-financing enhances the quantum of finance available to key sectors of collaboration within the Club. The data below shows that co-financing could be increased in the IDFC. It is encouraging to note that at least 50% of the respondents have co-financed projects with other IDFC members.

This is an area that requires more strategic direction in the Club. Bilateral financing opportunities do exist between the members and possibly should be tallied in a more structured way to facilitate annual reporting. Some members acknowledge co-financing relationships within the Club but did not provide the value of the projects financed. A reporting framework needs to be developed to provide more reliable information in this cooperation category.

### Number of co-financed projects

Number of projects	Number of members
Zero	7
1 – 5	7
6 – 10	2
>10	0

## CO-FINANCING – TSKB AND AFD

### Credit lines between TSKB and AFD

- The long-term relations between TSKB and AFD since 2005 have resulted in five SME-related credit lines signed by TSKB and AFD to develop the Turkish economy.
- After 2016, TSKB obtained a loan to finance investments on occupational health and safety in Turkey and investments of companies which support gender equality and women’s employment in the workplace. This cooperation presents a first of its kind and illustrates the common mission to embrace the broader Sustainable Development Goals agenda.

AFD I	SME line – 2005
AFD II	SME line – 2006
AFD III	SME and renewable energy line – 2009
AFD IV	Sustainable tourism and innovative renewable energy line – 2014
AFD V	Women’s employment and occupational health and safety line – 2016





## CO-FINANCING (CONTINUED)

### CO-FINANCING – TSKB AND KFW

Credit line	Signing date
SME credit line	2002
Industrial pollution abatement project loan	2002
Climate protection programme in Turkey	2008
Supplemental loan agreement – small hydro and wind power plants	2008
Municipal infrastructure programme VI	2010
Climate protection programme in Turkey	2010
Renewable energy, energy efficiency loan	2012
Credit line for resource efficiency in the industry	2013
Credit line for resource efficiency and environmental measures in the industry	2014
Credit line for combat against climate change	2016

The principal area of financing through KfW loans is **climate change mitigation** projects (i.e. renewable energy, energy and resource efficiency, and environmental projects).

### CO-FINANCING – KFW AND JICA

- Along with Afghanistan and Pakistan, Nigeria is one of the three remaining countries in the world where polio has yet to be eradicated. Around 370 000 local vaccination assistants have been deployed to implement this programme to date. Thirteen staff were killed by Boko Haram in 2013. In addition to terrorist attacks, the vaccination teams have to deal with other difficult conditions related to remote villages, and poor water and sanitation facilities.
- The vaccination teams are set up by World Health Organization, the United Nations International Children’s Emergency Fund (UNICEF) and the National Primary Health Care Development Agency and receive substantial financial support from KfW.
- KfW has promoted the vaccination programme with EUR 106 million since 2005, with a further EUR 20 million in support planned for 2018. The Japanese, through JICA, also support the programme in partnership with KfW.

### CO-FINANCING – KFW AND AFD

- Morocco is harnessing solar energy to free itself from fossil fuels by constructing concentrated solar power plants.
- The Federal Ministry for Economic Cooperation and Development (BMZ) as well as the Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety contributed roughly EUR830 million to the total investment of EUR2.3 billion, with the help of the KfW Development Bank. The remainder was covered mainly by public sector donors and development banks like the French AFD. The European Union subsidised the complex up to EUR120 million.

“The fact that Morocco plumped for a green and sustainable future shows forward, long-term planning”, said Markus Faschina, Head of the KfW regional office in Morocco. “In this context, Morocco is banking on forward-facing technologies because no other country has yet built such a large solar complex with different technologies in one location.”



## CO-FINANCING – DBSA AND AFD

- The Development Bank of Southern Africa, the European Investment Bank (EIB), AFD and KfW are co-financing a climate change mitigation project in South Africa through a grant from the Infrastructure Investment Programme for South Africa (IIPSA) as well as co-financing from the partners listed above.
- In recent years unprecedented growth in water demand in the Western and Northern supply areas of eThekweni Metropolitan Municipality (ETM) has led to infrastructure capacity problems. Symptoms of the capacity problems in the Outer West area include damage to pipeline linings that can, in part, be attributed to a high water velocity as a result of excessive demands placed on pipelines. A solution was needed to augment the supply to the Western and Northern supply areas.
- The Western and Northern Aqueducts Project (WNAP) was commissioned to address the capacity and old infrastructure challenges faced by ETM. On completion, the WNAP will result in an assured water supply to over a million previously disadvantaged people living in the region who have had to contend with daily water interruptions as a result of capacity problems in the existing supply system.

DBSA

KFW



## CO-FINANCING (CONTINUED)

### CO-FINANCING – CAF AND KFW



Project: **Quito Subway**

Country: **Ecuador**

Sector: **Massive transportation**

Year: **2012 – 2018**

#### CO-FINANCING

Total: **USD1.769mm**

CAF: **USD402mm**

IADB: **USD450mm**

WEB: **USD430mm**

EIB: **USD303mm**

FIEM: **USD184mm**

KfW and ICO line-refinancing (cheapened rate)

Project: **Lujan River Basin Management Plan**

Country: **Argentina**

Sector: **Water and sanitation**

Year: **2017**

#### TOTAL

CAF: **USD120mm**

AFD: **USD45mm**

#### CONTRIBUTION TO DEVELOPMENT

**18** infrastructure for watercourses and water bodies built or rehabilitated

**156 000** benefited people

## CLOSING REMARKS

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The IDFC has deepened and broadened cooperation through its work in common areas of financing and development. There are events of IDFC collective agenda that have not been included in this report such as the United Nations engagement sessions with the UN Secretary General, events in Beijing to discuss the Role of Development Finance Institutions in May 2019, World Bank side events, climate action forums such as the UN Environment Assembly and the One Planet Summit in Nairobi in March 2019 which stress such trend. Our engagement with the UN High Level Political Forum on Sustainable Development was a highlight as the IDFC moves towards an overarching focus on the SDGs. The IDFC's presence is being felt and seen particularly in relation to its joint work on climate financing,

green programmes and focus on the environment. We are passionate about the environment, sustainable development and deepening our development impact in everything that we do.

The next period of our work will focus on the SDGs and ensure that we can account for and represent the work we do within the Club on the global, regional and national platforms we attend. Our collaboration in new areas will include blended finance, securitisation, refugee programmes, biodiversity, among others. IDFC hope to grow through our operational collaboration including through cofinancing and to grow our development impact with our clients and in the world in which we live.







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