IDFC International Development Finance Club

Cooperation for Development (C4D)

Annual Report

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EXECUTIVE SUMMARY

The International Development Finance Club (IDFC) is a leading group of 26 national and regional development banks from all over the world, majority of them active in emerging markets. IDFC members are working together to implement the Sustainable Development Goals & the Paris Climate Agreement agendas, joining forces as a platform to promote and leverage Sustainable Development Investment worldwide.

IDFC has 4 main objectives:

- knowledge sharing and capacity building;
- pursuing advocacy on the role of public development banks;
- increasing cooperation between members;
- foster cooperation with partners within the financial ecosystem.

The IDFC activities are organized though 4 thematic working groups (climate, biodiversity, SDG alignment, gender equality) and a transversal one (cooperation for development - C4D). The C4D is tasked with evaluating the IDFC's members' cooperation over and above engagements set up through the Club and identify/map out potential future cooperation areas for IDFC and amongst members. The C4D provides an annual report which provides an update on the engagements of IDFC members following responses from its annual questionnaire sent to members.

- The questionnaire for 2023 continues to explore financial and non-financial/technical cooperation between IDFC members as well as cooperation with other partners for the year starting Jan 2022 ending Dec 2022.

- The 2023 report also makes some comparisons with focus on quantitative areas being investigated and areas of cooperation being investigated to determine areas of improvement and areas of deterioration.

- The response rate for the questionnaire has increased to 65% from 59%.

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OVERVIEW

The International Development Finance Club's Cooperation for Development (C4D) Working Group through the leadership of DBSA, BICE, JICA, CAF and CDG is responsible for providing the Club with a framework that enables Knowledge Sharing, Capacity Building, Technical Assistance and Financing activities amongst Club members.

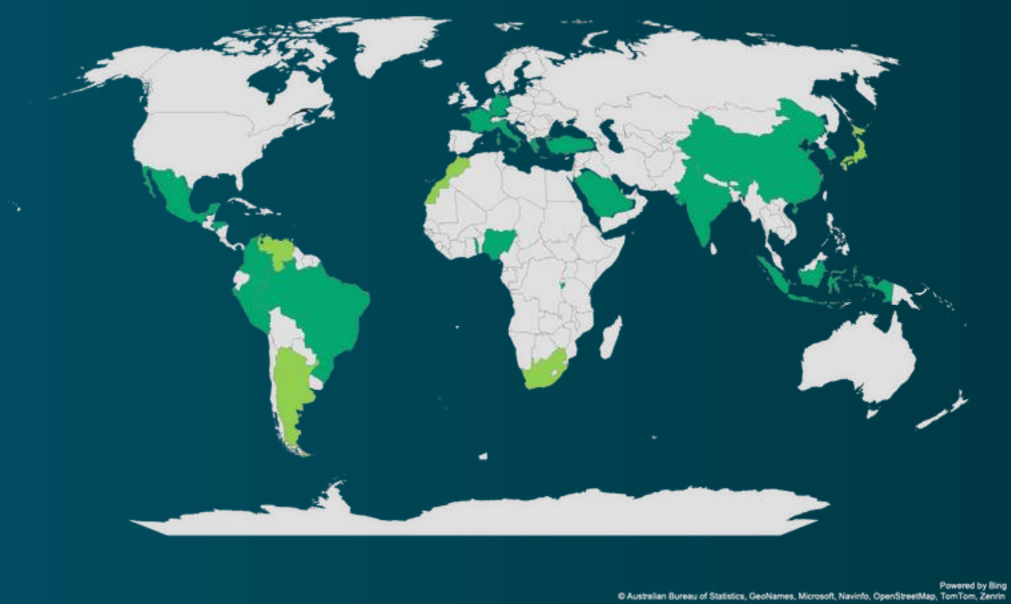
The C4D is also responsible for reporting on members' collaboration initiatives over and above activities organized within IDFC and determine potential future collaboration areas.

The C4Dmakes use of its annual questionnaire to execute on its responsibilities which is disseminated through an online platform across members.

The questionnaire for 2023 was disseminated through Microsoft forms with 3 sections; Financial Cooperation, Non-Financial Cooperation, and Cooperation with other partners.

The questionnaire had the following objectives:
·Determine the financing activities such as joint financing between members and provision of financing from member to member.
·Map the cooperation for Knowledge Sharing, Capacity Building, Technical Assistance, and Staff Exchange taking place between members.
·Identify key partnerships outside the club and evaluate Members' private sector funding.

IDFC Members' Locations



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KEY OUTCOMES

WITHIN CLUB

- Knowledge sharing/capacity building remains the main area of cooperation (almost 90% of respondents), far aheadof the other pillars.
- In 2022, AFD, KfW, KDB and CDP have provided funding to IDFC members.
- 18% of respondents provided fundingto other members which decreased from 31%. Most of the funding was in the form of lines of credit and loans.
- 41% of respondents were recipients of funding from other members.
- 36% of respondents co-financed a totalof 17 projects with other members, a decrease from the previous 38% with a total of 30 projects.
- Respondents' own contribution to co-financed projects increased to US $2.8bln from US $2.3bln. The total project value for projects co-financed decreased to US $3.7bln from US $5bln.
- Achievements from non-financial cooperation included development of tools for assessing ESGs, climate risk and circular economy performances aswell as strategy on sustainable transport.

OUTSIDE OF CLUB

- Partnerships with MDBs for project syndication and to de-risk projects and encourage private sector participation.
- GCF and GEF's as key partners for renewable energy and energy efficiency investments.
- Continued government support in development and implementation ofJust Transition as well as improving ESGs and SDGs targets.
- US $7.7Bln dollars extended to the private sector for funding by 81% ofthe respondents.

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C4D ANNUAL QUESTIONNAIRE

PURPOSE & METHODOLOGY

Purpose

- The cooperation for development annual questionnaire aims to investigate the cooperation amongst Club members through the four pillars of cooperation, Knowledge Sharing, Capacity Building, Technical Assistance and Financial Cooperation.
- The questionnaire also aims to investigate Club members' financial cooperation with the private sector.

Methodology

- The questionnaire is sent out to Club members through a MS Forms link for members to complete.
- The questionnaire for the current year was divided into three sections, namely;
    - Section A: Financial Cooperation between Club members.
    - Section B: Non-Financial/Technical Cooperation between Club members.
    - Section C: Cooperation with other partners.

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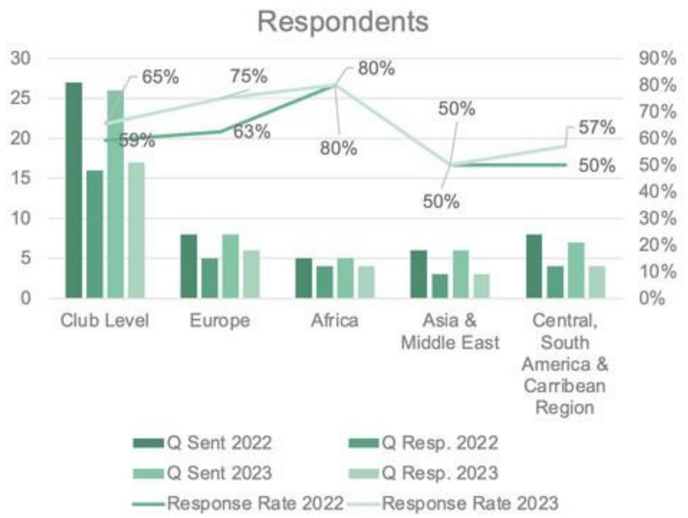
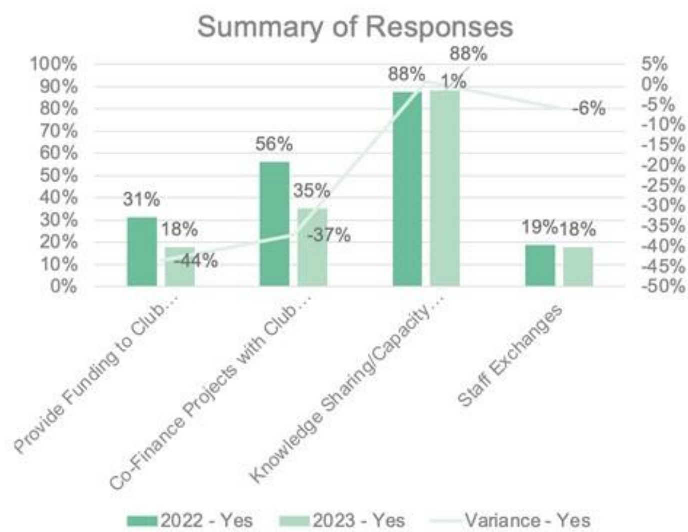
RESPONSES





The response rate at Club level has increased to 65% from the previous year's 59%.

Members who responded to the questionnaire are, AFD, HBOR, CDP, KfW, TSKB, BSTDB, TDB, CDG, BOAD, DBSA, JICA, PT SMI, ICD, CAF, CABEI, NAFIN, and BICE.

There has been a general decline in engagements across all investigated points apart from overall non-financial cooperation (Knowledge Sharing/Capacity Building/Technical Assistance).

The biggest decline resulted from respondents who provided funding to other members, which decreased by nearly 50%

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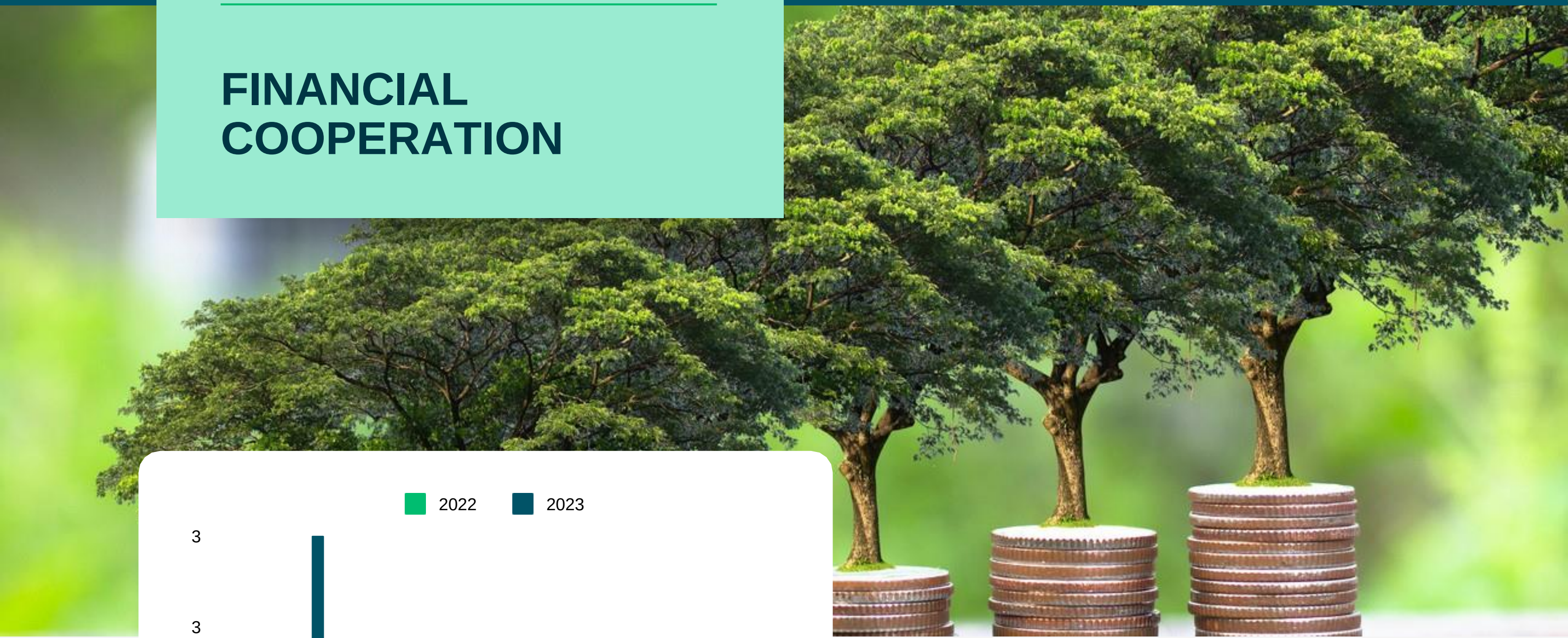
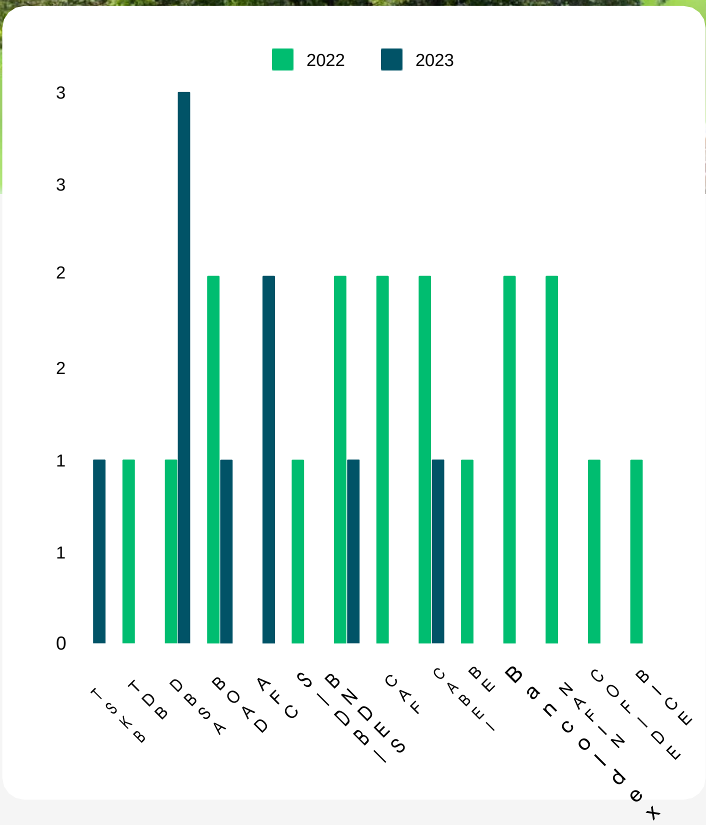
FINANCIAL COOPERATION





FUNDING PROVIDED

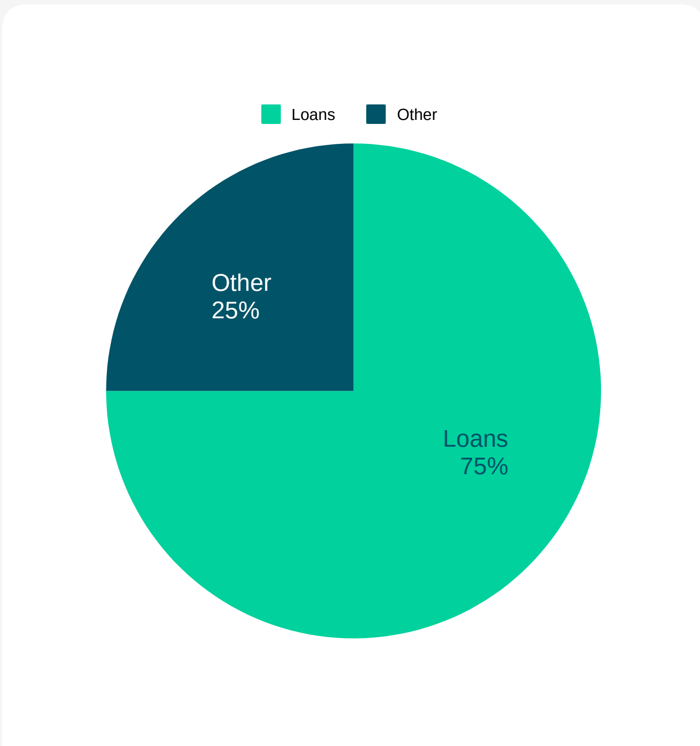
18% (3 members, KfW, AFD and CDP) of respondents indicated that they had provided funding to other Club members. This is a decrease from the previous year's 31% (5 members which were KfW, AFD, DBSA, CAF, and ICD).

The three respondents provided funding to a total of six Club members (TSKB, DBSA, BOAD, AFC, BNDES, CABEI), 23%.

75% of the funding provided by respondents was in the form of loans whilst 25% was in other types of funding which were equity funding and grants slightly different from the previous year's grants, guarantees and commercial papers.

Members in developed economies continue to provide funding to emerging markets members.

A specific type of funding provided was for project development and implementation of projects that will enhance the recipient's economic, environmental, or social impact. This also included ESGs goals, SMEs support, energy efficiency, climate, health, and transport.



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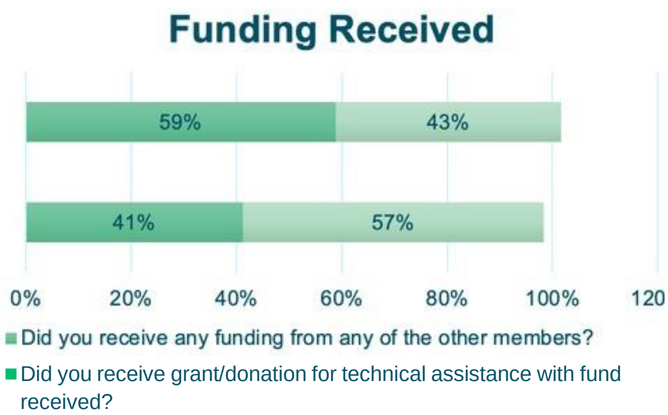
FINANCIAL COOPERATION



FUNDING PROVIDED

41% (7) of the respondents indicated that they received funding from other Club members, and 57% of those who received funding also received a grant/donation for technical assistance with the funding received.

Members who indicated that they received funding were DBSA, BOAD, TDB, CABEI, CAF, PT SMI and TSKB

Those who received funding indicated that they received funding from AFD, KfW, KDB, CDB, ICD, and CDP.

100% of those who received funding indicated that they received funding from AFD, 57% (4) indicated that KfW provided them with funding, 43% (3) indicated that they received funding from CDP with 14% (1) highlighting KDB, CDB and ICD as members that provided them with funding.

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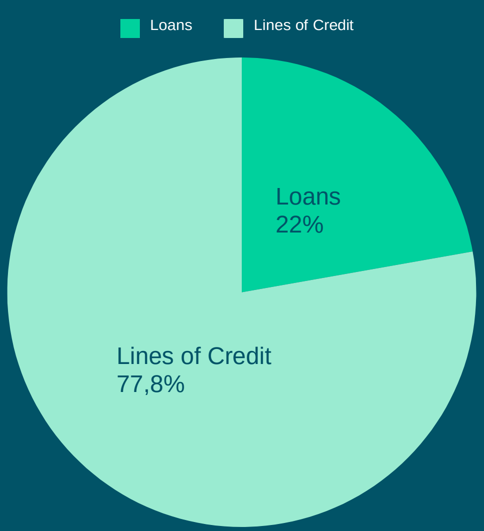
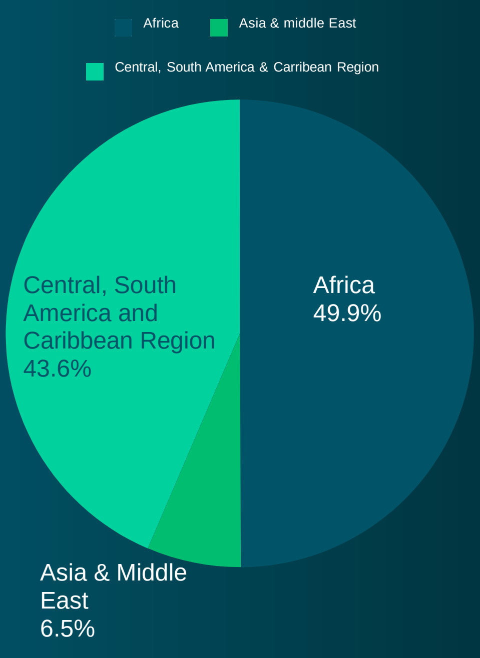
FINANCIAL COOPERATION

FUNDING RECEIVED





50% of funding received was received by African respondents, with 44% being received by the Central, South America and Caribbean Region respondents and the remaining 6% by Asia and Middle East respondents.

The majority of the funding received, 83%, was in the form of lines of credit and loans.
Other forms of funding received were grants, which also made up 17% of funding received.

Some notable funding received was by CAF for the support of vaccination plans in Argentina, Bolivia and Ecuador and TSKB receiving funds for circular economy support.

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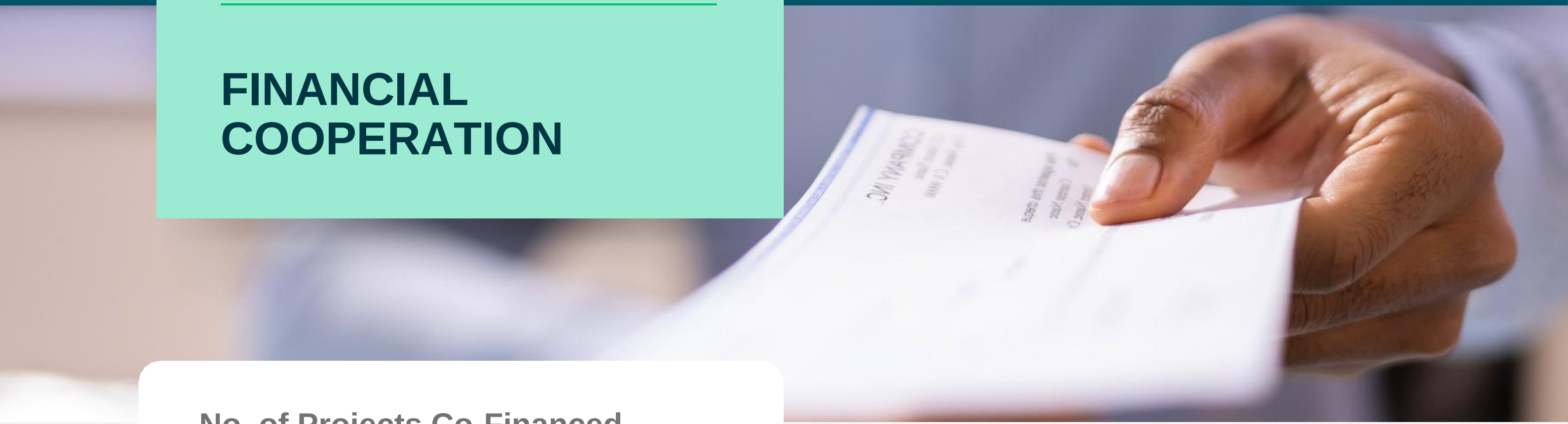
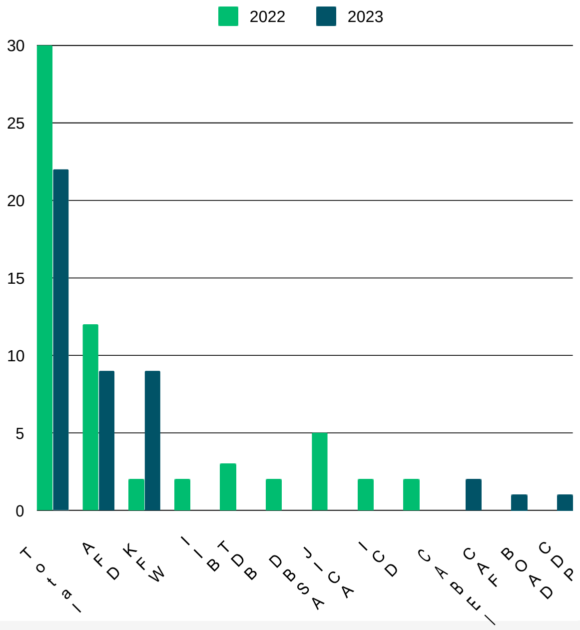
FINANCIAL COOPERATION



No. of Projects Co-Financed



CO-FINANCING BETWEEN CLUB MEMBERS

36% (5) of the respondents indicated that they took part in Co-financing activities with other Club members, this is a decrease from the previous year's eight (8) respondents, and equal to 2021's six (6) respondents.

The respondents Co-financed a total of 17 projects, which is a decrease from the previous year's thirty (30) projects. AFD and KfW each tookpart in nine Co-financing projects.

The total project value of Co-financed projects has decreased to US $3.7Bln from the previous year's US $5.1Bln. This is despite the increase in the own contribution of respondents to co-financed projects from US $2.3Bln to US $2.8Bln which is 23% increase. The current value is also equal to 2020's US $3.7Bln.

Whilst the total value of projects funded has decreased, three members who had not partake in co-financing for the previous year had co-financing activities. CAF, CDP, and BOAD emerged as respondents who took part in co-financing in addition to KfW and AFD.

Members contributed an average of US $469.1mln per member for co-financing which is an increase from last year's US $287mln contribution per members.

Co-Finance Value

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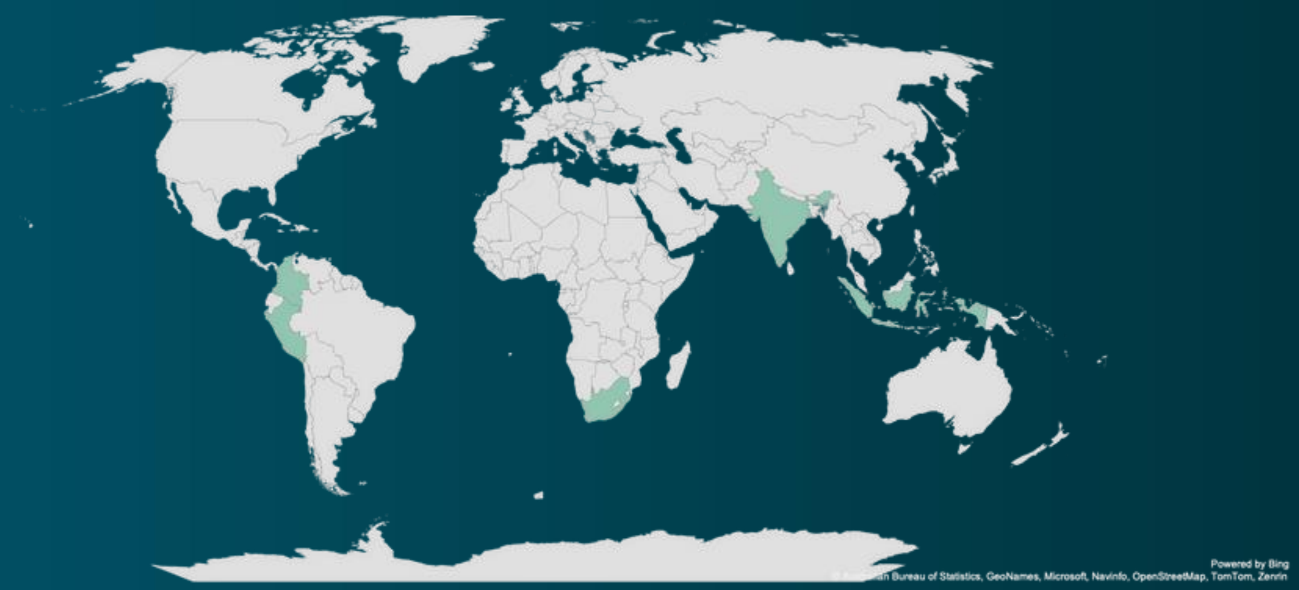
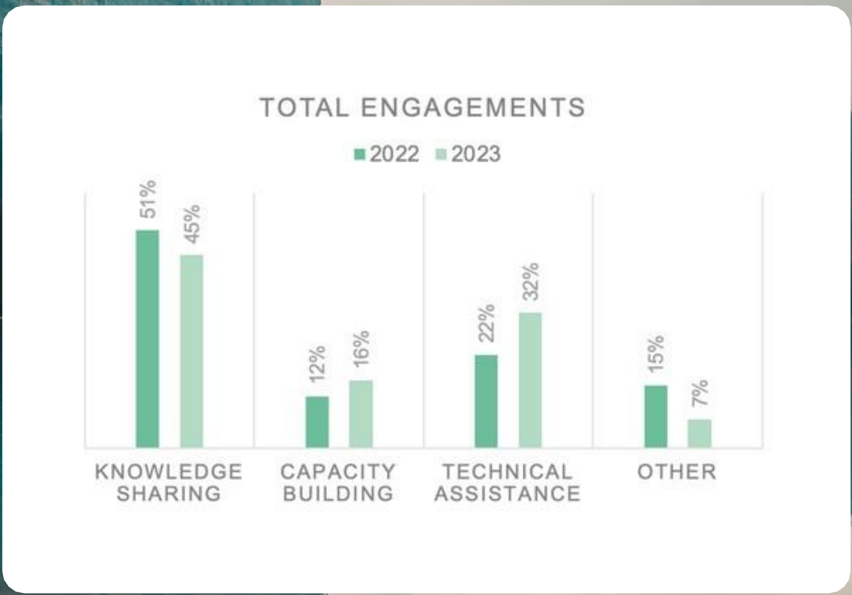
FINANCIAL COOPERATION

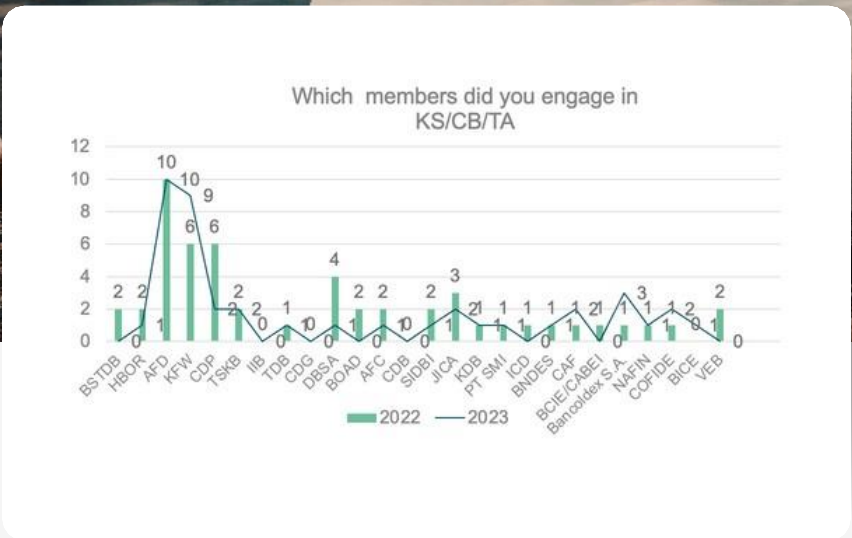
Location of Co-Financed Projects

A minimum of seven countries have benefited from the Club's co-financing activities with South Africa, Georgia, India, Serbia, Indonesia, Colombia, and Peru being some of the countries that benefitted from the Club's co-financing activities.



NON-FINANCIAL COOPERATION





KNOWLEDGE SHARING (KS), CAPACITY BUILDING (CB) & TECHNICAL ASSISTANCE (TA) COOPERATION

88% of respondents had some form of non-financial cooperation. This is an increase from the previous year's 81%.

Knowledge Sharing engagements (45%) and other forms of engagement (7%) saw a decrease.

Technical Assistance saw the most improvements increasing from 22% to 32%.

AFD and KfW are the most engaged members with 10 engagements and 9 engagements, respectively.

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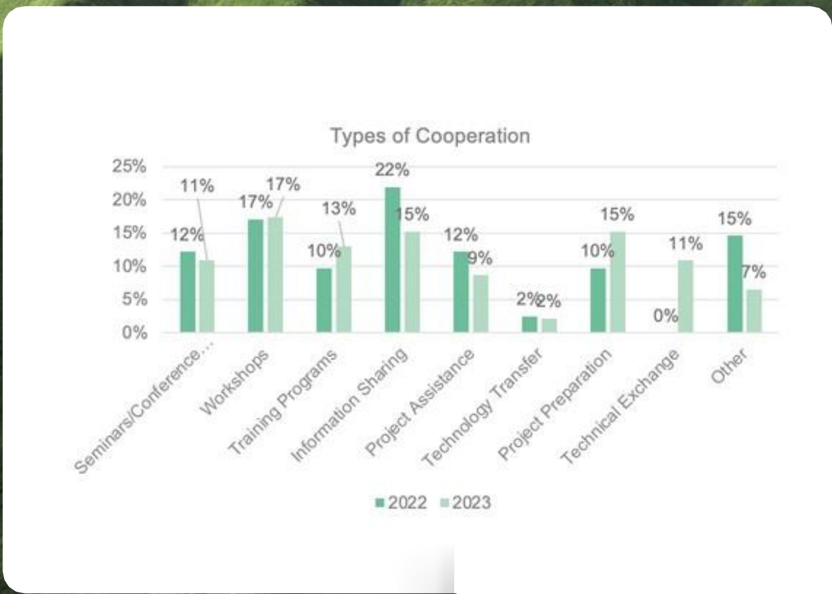
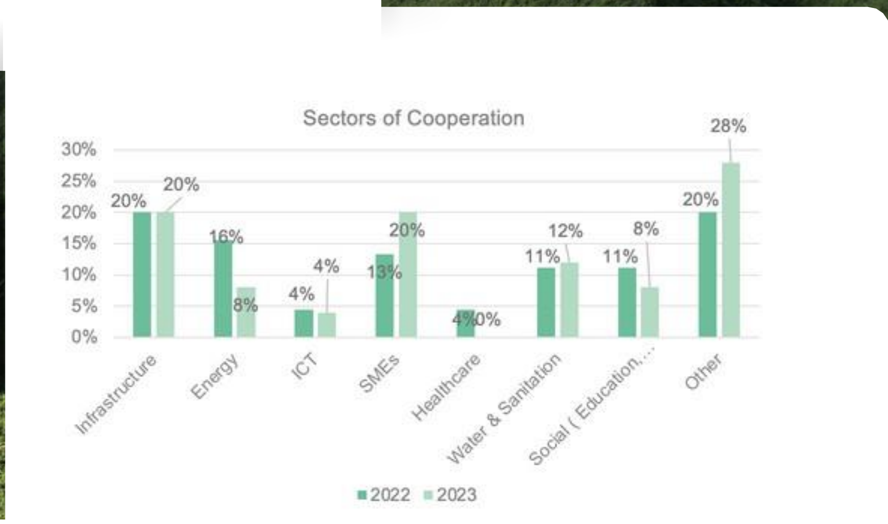
NON-FINANCIAL COOPERATION



KNOWLEDGE SHARING (KS), CAPACITY BUILDING (CB) & TECHNICAL ASSISTANCE (TA) COOPERATION



15% of Knowledge Sharing took place through information sharing, whilst 17% and 11% of knowledge sharing took place in the form of workshops and seminars/conferences/webinars, respectively.
The increase in Capacity Building results from an increase in training programs with technology transfer remaining constant.
Technical Assistance increased due to an increase in technical exchange and project preparation engagements which were able to offset the decline in project assistance.
The 7% of other forms of engagements included bilateral meetings, and exchange calls.
Infrastructure as a sector of engagement had a slight increase with SMEs seeing the highest increase in non-financial cooperation engagements.
Other sectors of engagement included fishery, circular economy, ESGs and climate.
The continued identification of climate, ESG, circular economy and fishery being the only other sectors may indicate a strong adoption of these sectors by members even if limited to regions/members with similar climate traits and economies.
It is recommended for the Club to investigate interest from members in the sectors mentioned as part of other sectors category.
Achievements from non-financial cooperation included the development of tools for assessing ESGs, climate risk and circular economy performances as well as strategy on sustainable transport.

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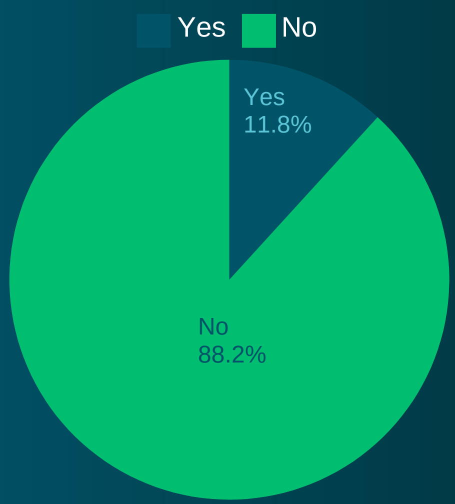
NON-FINANCIAL COOPERATION

STAFF EXCHANGES



12% of respondents indicated that they had staff exchanges with other Club members.

This is a decline from the previous year's 19%.

Members who had staff exchanges were KfW, AFD and DBSA.

The average staff exchange period remains to be 24 months.

Staff exchanges continue to be limited. There may be benefit in the Club developing a platform in which members could express interest in secondments or potential additional areas of training other than those already being conducted in which members can partake in.

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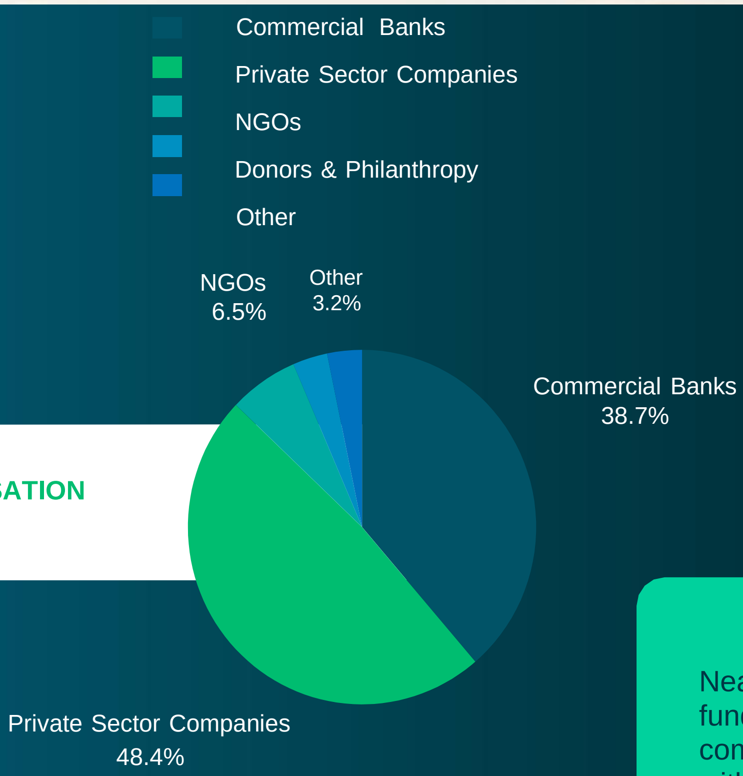
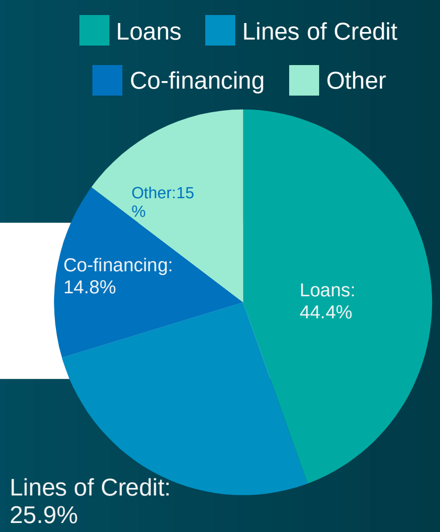
PRIVATE SECTOR COOPERATION

TYPE OF ORGANISATION



TYPE OF FUNDING



Nearly 88% of all private sector funding was to private sector companies and commercial banks, with the 3% for others mainly going into private equity funds companies.

70% of the funding was provided through loans and lines of credit.

Other forms of funding included guarantees, equity, and grants.

IDFC International Development Finance Club

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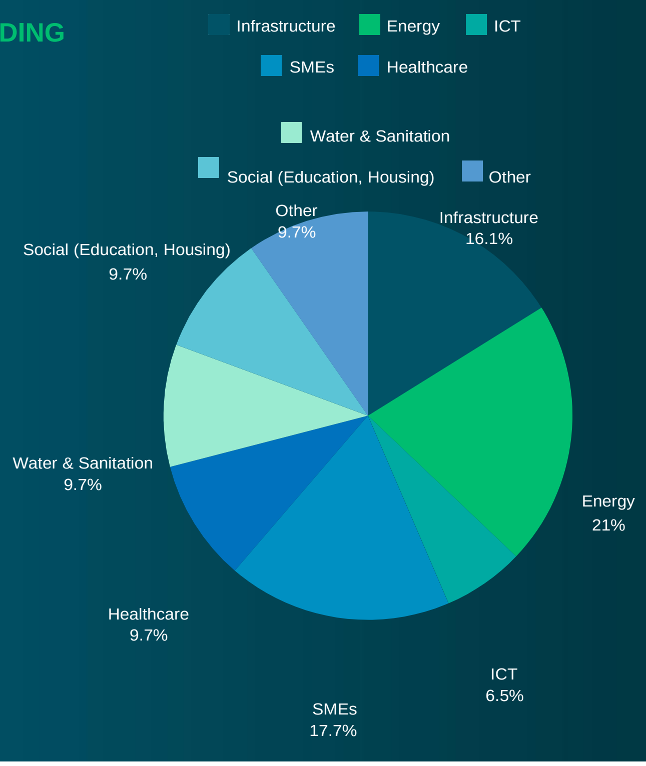
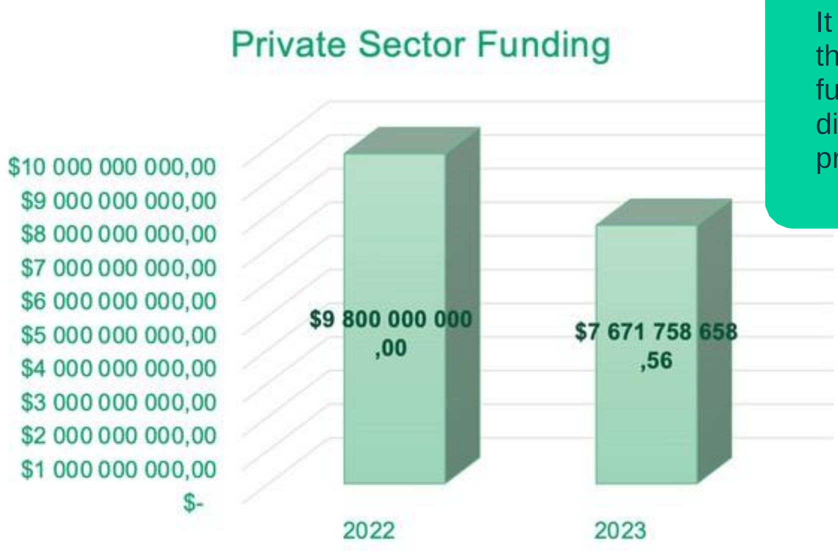
PRIVATE SECTOR COOPERATION

SECTOR PROVIDED WITH FUNDING



Energy sector received a 21% of private sector funding which was followed by SMEs and infrastructure.
Other sectors included gender funding, foreign trade funding, agribusiness, industrial processes, tourism, and working capital funding.
The funding provided to the private sector slightly decreased to USD7.7bln dollars.
It is important to note that despite the decrease in private sector funding, 81% of respondents disclosed how much funding they provided to the private sector.



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RESPONDENTS' HIGHLIGHTS OUTSIDE OF THE CLUB

Members continue to enter syndicated projects within their operating regions to continue to decrease the risk level of infrastructure projects and encourage private sector participation within the developmental space.

The availability of GCF and GEF has allowed members to continue to invest in renewable energy and energy efficiency which has an impact on green-houses gas emissions allowing them to have this investment as an additional tool for climate change mitigation.

Members continue to cooperate with banking coalitions such as ALIDE and partner with government and MDBs.

Energy Transition Mechanism (ETM) Country Platform, a key coordination and delivery vehicle to drive forward the country's just and affordable transition in the energy sector.

The Government of Indonesia has appointed PT Sarana Multi Infrastruktur (Persero) ("PT SMI") as ETM Country Platform Manager to develop a financing and investment framework for the ETM program.

Partnership with the Asian Development Bank (signature of a new MoU in 2022 which will focus on climate change, natural resource management and biodiversity, blue economy, and social imbalances and inequalities across Asia and the Pacific.)

09

IDFC IN ACTION

International Development Finance Club

CASE STUDY: KAZUNGULA WATER SUPPLY & BASIC SANITATION PROJECT

Description

The Development Bank of Southern Africa and KfW have been involved in a water project in the border town of Zambia, Kazungula which lies along the North-South Corridor and is one of the main trade corridors in SADC region, joining Botswana, Namibia, Zambia, and Zimbabwe.

The project is supported through the SADC Water Fund which aims to see locals to have access to safe water by the end of 2024.

The entire project is made up of four components.

Construction of a climate resilient water intake upstream of the Kazungula bridge.

Construction of new treatment and storage tanks.

Rehabilitation and expansion of water networks to reduce non-revenue water and extend access to water.

Reduce GHG emissions by providing renewable energy power and use of non-power dependent treatment processes.

09

IDFC IN ACTION

CASE STUDY: KAZUNGULA WATER SUPPLY & BASIC SANITATION PROJECT

- **Purpose & Objective**
- The project provides access to water to over 18,000 residents and thousands transiting through this important trade corridor handling nearly a third of the trade traffic along the corridor.
- The project enhances the climate resilience of water abstraction through the construction of a new resilient water intake & tower. It contributes to the reduction of GHG in water supply through the inclusion of renewable energy source and improves efficiencies in the water supply through the redesign of the distribution network to significantly reduce non-revenue water.

09

IDFC IN ACTION

CASE STUDY: KAZUNGULA WATER SUPPLY & BASIC SANITATION PROJECT

Your Organisation’s Role

The project is financed and implemented through the SADC Water Fund.

The SADC Water Fund which is hosted by the Development Bank of Southern Africa (DBSA) as the Fund Managers on behalf of SADC Secretariat & member countries. The Fund is supported by the German government through KfW Development.

Through the SADC Water Fund, a partnership and collaboration approach in supporting water infrastructure development in the region is established. The DBSA as the executing agent has therefore been able to leverage its institutional capacity to foster collaboration and partnerships with among others KfW Development Bank

09

International Development Finance Club IDFC

IDFC IN ACTION

CASE STUDY: KAZUNGULA WATER SUPPLY & BASIC SANITATION PROJECT

Developmental Impact

Impact contribution SDG 6:

- 25, 000 current Population Benefiting from Access to Water, improved Water Quality & Reliable Water Supply; Of which 6,000 Population in Low-Income Areas.
- 21,000 future population that will benefit from potable water due to increased capacity of the water supply infrastructure.
- Contribution to Water Use Efficiency through 15% reduction in Non-Revenue Water
- Contribute to the provision of sanitation & hygiene through the design and development of the sanitation systems for Kazungula town.

Impact contribution on SDG 5:

- Contribution to gender equality through the skills training of women in low-income communities within the project area.

Impact contribution on SDG 8:

- 200 Direct Local Construction Period Employment Opportunities Created.

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IDFC IN ACTION

CASE STUDY: THE GREEN INDIAN FINANCIAL SYSTEMS INITIATIVE

Description

The Green Indian Financial Systems Initiative is a multi-stakeholder exchange on greening India's financial system between France, Europe, and India partners.

Convened by Agence Française de Développement (AFD), Small Industries Development Bank of India (SIDBI) and Shakti Sustainable Energy Foundation, the initiative fosters dialogue on green finance in India, catalyses green finance initiatives and identifies priority areas for action.

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IDFC IN ACTION

CASE STUDY: THE GREEN INDIAN FINANCIAL SYSTEMS INITIATIVE

AFD AGENCE FRANÇAISE DE DÉVELOPPEMENT

Green Indian Financial System

Your Organization's Role

- Inaugurated by the "Towards a Green Indian Financial System" conference on January 28, 2022, the initiative has continued throughout 2022 with different events, conferences and webinars to deepen important parameters of the greening of the financial system.
- During the 3rd GIFS event, the partners signed a joint declaration, strengthening further the GIFS dynamic in the coming years. A network of women experts in climate finance was also launched on the occasion, aiming to strengthen the gender focus of the initiative as well as the training and expert development components.

sidbi

Purpose & Objective

- Green finance is a key building block of the transition to net zero emissions. At COP 26, India set ambitious targets with enhanced 2030 NDCs, energy independence by 2047 along with a commitment towards net zero in 2070. It is estimated that India requires USD 2 500 billion from 2015-2030 in order to achieve its NDCs, but as of 2022 less than 25 per cent of this target was met. The need to mobilise finance exponentially in order to support the transition is urgent and demands attention. At the same time, one must also be mindful of unintended consequences of sudden financial market reforms. Increased coordination and dialogue amongst relevant stakeholders on these questions is key.
- **The objectives of GIFS Initiative are threefold:**
- bridging the Indian climate financing gap, including through the development of adapted climate strategies for the financial sector;
- assist sector players (regulators, supervisors, banks and financial institutions) in developing and implementing responsible financial practices and strengthening their resilience to climate and energy transition;
- encourage technical and political dialogue between the various actors in the country - while India was taking the presidency of the G20 in 2023.

09

IDFC IN ACTION

CASE STUDY: THE GREEN INDIAN FINANCIAL SYSTEMS INITIATIVE

Developmental Impact

- GIFS is now a recognized label within the Indian financial system, with over 300 stakeholders, including 15 partner banks. It engages in a dialogue with the Indian Bank's Association (IBA) on the subjects of risks relating to finance, enabling access to climate data and other relevant information to facilitate climate financing.
- GIFS also seeks to support the Indian G20 presidency in 2023, percolating learnings from India and France on climate risk integration, while providing a platform for diverse stakeholder perspectives in emerging and developed economies among the G20 nations.

Source: UNDP

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IDFC IN ACTION

CASE STUDY: SECTORAL SUPPORT PROGRAM FOR BIODIVERSITY AND CLIMATE CHANGE

Discription

- Policy based loan to help Colombia manage and fund climate action, develop economic opportunities based on natural capital and the circular economy, and quicken its energy transition. The goal is to support the country on its path to sustainable and resilient economic growth.

09

IDFC IN ACTION

CASE STUDY: SECTORAL SUPPORT PROGRAM FOR BIODIVERSITY AND CLIMATE CHANGE

Purpose & Objective

- The program focuses on updating and instituting regulatory and policy measures to cut greenhouse gas emissions in various sectors of the economy and create around 4,000 new green jobs.
- The purpose of the Program is to strengthen the government's capacity for planning, management, and monitoring of climate action. In this sense, two components have been considered: (i) planning, management, monitoring, and financing of climate action, and (ii) Economic opportunities arising from the sustainable use of natural capital and the development of circular economy models.

Component 1: Planning, Management, Monitoring, and Financing of Climate Action.

This subcomponent revolves around the implementation of Colombia’s Nationally Determined Contribution (NDC) and its National Climate Change Policy, which aims to incorporate its effective management into public and private decisions to advance a climate-resilient and low-carbon development path, reducing the risks of climate change and seizing the opportunities it generates.

Component 2: Economic Opportunities through Sustainable Use of Natural Capital and Development of Circular Economy Models.

This subcomponent includes activities to advance: (i) the implementation of the National Policy for Deforestation Control and Sustainable Forest Management; (ii) the policy for the National System of Protected Areas (SINAP); (iii) the low-carbon and climate-resilient agriculture; (iv) the bioeconomy and green businesses; (v) sustainable tourism; and (vi) gender policies in the transportation sector.

This operation is the second in a series under the Loans for Policy Reform initiative. The first operation resulted in the approval of 44 measures to strengthen the government’s capacity to incorporate climate action and sustainable economic recovery into national policy frameworks. The series was also co-financed by partners such as the French Development Agency, the KfW Development Bank of Germany, the Export-Import Bank of Korea, the Swedish International Development Cooperation Agency, the Central American Bank for Economic Integration, the UKSIP Program of the British Government and the Interamerican Development Bank.
As part of the program, Colombia unveiled its Long-Term Climate Strategy at the COP 26. It also approved the Climate Action Law (Law 2169 of 2021) and issued the first sovereign green bonds (TES verdes) in the domestic market. The Ministries of Treasury and Environment spearheaded these actions.

09

IDFC IN ACTION

CASE STUDY: SECTORAL SUPPORT PROGRAM FOR BIODIVERSITY AND CLIMATE CHANGE

Your Organization Role

- CAF actively participated as a financier in the second phase, for which the policy actions identified in the Monitoring Matrix (the Matrix of Consensual Sectoral Actions) are aligned with the bank's "environmentally sustainable and socially responsible" strategy.
- CAF also contributed US $300 million worth of funding to the project. Whilst fellow IDFC members AFD, KfW, CABEI contributed US $200 million, US $200 million, and US $250 million, respectively.

AFD AGENCE FRANÇAISE DE DÉVELOPPEMENT

CABEI Central American Bank for Economic Integration

CAF DEVELOPMENT BANK OF LATIN AMERICA AND THE CARIBBEAN

KFW Bank aus Verantwortung

09

IDFC Action

International Development Finance Club

CASE STUDY: SECTORAL SUPPORT PROGRAM FOR BIODIVERSITY AND CLIMATE CHANGE

Development Impact

- Colombia stands at a pivotal juncture for shaping and revamping its vision for sustainability, social inclusion, climate resilience, and the biodiversity conservation. Currently, there is a widespread consensus on the need to chart the most effective path to contribute to the realizing a new development model.

CAF's support through this operation will contribute to:

- Formulating robust public policies that accelerate climate action, foster green growth, and promote the conservation and sustainable use of biodiversity.
- Accelerating the implementation of reforestation strategies for sustainable forest management.
- Strengthening the comprehensive management of urban development, with an emphasis on actions for urban planning with biodiversity and climate resilience goals.
- Accelerating the implementation of strategies in sustainable finance, bio-businesses, and green growth.
- Facilitating dialogue on fundamental aspects for the implementation of national policies focused on green and resilient economic recovery.
- Identifying priority issues in which CAF can provide resources for technical cooperation, as well as possible programs and investment projects that can be financed in the future.

This loan supports Colombia's efforts to consolidate concerted strategies for environmental sustainability, social inclusion, and climate resilience in all sectors of the economy, in line with the principles of the 2030 Agenda that establishes the Sustainable Development Goals (SDGs); the Paris Agreement, focused on combating climate change; and the Post-2020 Global Biodiversity Framework.

More specifically this loan will:

- In agriculture: promote regulatory changes to monitoring and reporting systems, carbon markets, and the transfer of knowledge about climate-smart farming and best practices for resilience. It is estimated that up to the 2 million farmers and 30% of rural women could benefit from this knowledge transfer.
- For the energy and transportation industries, the measures aim to reduce air pollution from internal combustion engine vehicles and develop a diversified energy mix that is cleaner, more resilient, and generates 20 GW from non-conventional renewable energy sources.
- Bolster nature-based solutions, forest management, and the circular economy. New regulations will foster sustainable use of forest resources and contribute to the goal of net-zero deforestation by 2030.
- Enhance protected area management to better safeguard the biodiversity of Colombia, which is the second-most biodiverse country in the world after Brazil. The country’s goal is to protect and conserve 30% of its lands by 2030 and, together with the governments of Costa Rica, Ecuador, and Panama, it has issued a declaration to conserve and manage the Eastern Tropical Pacific Marine Corridor.

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