



# INVESTING TO CREATE JOBS, BOOST GROWTH AND FIGHT POVERTY

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EUROPEAN DEVELOPMENT FINANCE  
FOR PRIVATE SECTOR PROJECTS IN  
LOW AND MIDDLE INCOME COUNTRIES

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## EDFI'S VISION

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To improve people's lives – for current and future generations – in the world's poor places through the engine of private sector growth. We believe that entrepreneurship is key to creating sustainable economic growth and jobs. Therefore, we enter markets where few others dare to tread and provide long-term financing at market-oriented rates.

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Flagship Report 2016

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# Contents

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<b>Foreword .....</b>	IV
<b>Abbreviations .....</b>	V
<b>Executive summary .....</b>	VI
<b>1. The New Global Development Goals .....</b>	1
1.1 The new Sustainable Development Agenda	
1.2 Progress in the global fight against poverty	
1.3 The private sector's role in reducing poverty	
1.4 Importance of mobilising more private capital	
1.5 Interview: Erik Solheim	
<b>2. The Current Landscape of Development Finance .....</b>	8
2.1 Complementary development finance strategies	
2.2 Development finance flows for private sector projects	
2.3 Growth in EDFI investment flows	
2.4 Interview: Ngozi Okonjo-Iweala	
<b>3. Contribution to Development Impact.....</b>	14
3.1 Investments and development outcomes	
3.2 Regions	
3.3 Sectors	
3.4 Interview: Dirk Willem te Velde	
<b>4. Success Criteria for DFI Investment .....</b>	21
4.1 Additionality	
4.2 Catalytic effect	
4.3 Project sustainability	
4.4 Interviews with DFI clients	
<b>5. Cooperation among European Development Finance Institutions ...</b>	30
5.1 The EDFI Association	
5.2 Joint investment facilities	
<b>Technical notes .....</b>	32
<b>References .....</b>	33
<b>Appendix: EDFI member profiles .....</b>	35

# Foreword

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The private sector plays a key role in creating jobs, boosting growth and fighting poverty in low and middle income countries. Job creation has been the major channel through which economic growth has uplifted the poor in countries that have escaped extreme poverty in recent decades. Indeed, the critical roles of the private sector and private capital are fully recognised in the new global goals for sustainable development which will guide us in the fight against poverty up to 2030.

The 15 members of EDFI – the Association of European Development Finance Institutions – are determined to step up to the challenges defined by the three important agreements adopted by the international community in 2015: the 2030 Agenda for Sustainable Development, the Addis Agenda on Financing for Development, and the Paris Climate Agreement.

This report offers an up-to-date picture of the role that European DFIs play in this new agenda for sustainable development. It shows how our financing resources have tripled over the past 10 years, and discusses what this means in terms of our contribution to development outcomes such as job creation, tax payments and climate change mitigation.

The report also explains the role of the European DFIs in investing in projects in low and middle income countries alongside private investors. It discusses our focus on financing commercially sustainable and responsible enterprises and offers examples of how we seek to finance projects that have a significant transformative impact.

I'm particularly pleased that three prominent global development experts have agreed to be interviewed for the report: Erik Solheim, Ngozi Okonjo-Iweala and Dirk Willem te Velde. Their insights offer refreshing perspectives on our work and the challenges we face. We have also included brief interviews with three clients of European DFIs that highlight the added-value that they seek from DFIs.

I hope this report will help inform the current debates about how to deliver on the promise of the new global goals and how European development finance can best support these efforts. The European DFIs look forward to continuing our dialogue with policy-makers on these important challenges.



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**Luuk Zonneveld**, Chairman of the EDFI Board of Directors and CEO of BIO, the Belgian Investment Company for Developing Countries.

# Abbreviations

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ACP	<i>African, Caribbean and Pacific Group of States</i>
ADB	<i>Asian Development Bank</i>
AFDB	<i>African Development Bank</i>
CPI	<i>Climate Policy Initiative</i>
DFI	<i>Development Finance Institution</i>
EBRD	<i>European Bank for Reconstruction and Development</i>
EDFI	<i>Association of the European Development Finance Institutions</i>
EFP	<i>European Financing Partners</i>
EIB	<i>European Investment Bank</i>
ElectriFI	<i>Electrification Financing Initiative</i>
EMPEA	<i>Emerging Markets Private Equity Association</i>
EU	<i>European Union</i>
FDI	<i>Foreign direct investment</i>
GDP	<i>Gross domestic product</i>
GWh	<i>Giga watt hours</i>
IADB	<i>Inter-American Development Bank</i>
ICCF	<i>Interact Climate Change Facility</i>
IFC	<i>International Finance Corporation</i>
ILO	<i>International Labour Organization</i>
IMF	<i>International Monetary Fund</i>
JBIC	<i>Japan Bank for International Cooperation</i>
LDCs	<i>Least developed countries</i>
MIGA	<i>Multilateral Investment Guarantee Agency</i>
ODA	<i>Official development assistance</i>
ODI	<i>Overseas Development Institute</i>
OECD	<i>Organisation for Economic Co-operation and Development</i>
OECD/DAC	<i>Organisation for Economic Co-operation and Development's Development Assistance Committee</i>
OPIC	<i>Overseas Private Investment Corporation</i>
PPP	<i>Purchasing power parity</i>
SDGs	<i>Sustainable Development Goals</i>
SMEs	<i>Small- and medium-sized enterprises</i>

# Executive Summary

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- > New global goals for sustainable development for the next 15 years were set in 2015 with high-profile agreements on sustainable development, financing for development, and climate change.
- > The global poverty rate has declined dramatically over the past 25 years and fell below 10% for the first time in 2015. But 700 million people still live in extreme poverty and the decline in the poverty rate has been more moderate recently.
- > Jobs are the major channel through which economic growth uplifts the poor. More than nine in 10 jobs are created in the private sector in low and middle income countries.
- > Private investment and tax payments are the dominant sources of financing to support development. ODA plays an important role in supporting basic humanitarian and development assistance in the poorest countries but it only plays a relatively small role in sustaining growth in countries that have graduated from low income status.
- > Aid, public sector loans and private sector investment are complementary, and increasingly balanced, development finance strategies. While ODA has been stagnant in real terms since 1990, the DFI activity level has been growing steadily in scale and strategic relevance. In 2014, net ODA from DAC countries was US\$140 billion while DFIs made investment commitments to developing countries of US\$65 billion.
- > Donor-backed capital flows to private sector investment in developing countries are provided primarily by bilateral (35%), regional (25%) and multilateral (40%) DFIs.
- > The combined European DFI portfolio of committed investments was €36.3 billion at the end of 2015. It has more than tripled over the past 10 years.
- > The increase in European DFIs investment portfolio has been financed mostly by retained profits that are reinvested in new projects and by government replenishments. The top policy goals for government support to European DFIs are job creation, growth and private sector development.
- > 4 million direct jobs, 74,000 GWh of electricity supply, and €11 billion in tax payments to governments were headline contributions to development outcomes in 2015 from companies and projects supported by European DFI financing directly or through investment funds.
- > The largest regions in the European DFI portfolio are Sub-Saharan Africa (31%), Latin America and the Caribbean (20%) and South Asia (14%); and the largest sectors are financial services (30%), power (18%), and industry/manufacturing (16%).
- > DFI investments are guided by three success criteria: additionality, catalytic effect and project sustainability. Financial inclusion and climate finance are two high-additionality investment areas where European DFIs have a particularly strong track-record. The European DFIs have also, in various ways, succeeded in mobilising a high degree of private participation on their balance sheets, in projects, and through new innovative facilities.
- > The European DFIs have a strong track-record of financing successful development investments that achieve good financial outcomes, contribute to development outcomes, and adhere to responsible investment practices with respect for human rights and environmental sustainability.

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**What is a DFI and what does it do?** DFIs – development finance institutions – are government-backed institutions that invest in private sector projects in low and middle income countries in order to promote job creation and sustainable economic growth. EDFI is an association of 15 European bilateral DFIs. Similar bilateral DFIs also exist in, e.g., the United States and Japan. There are also a number of multilateral DFIs working at the regional level, such as the EBRD and the EIB, and at the global level, such as the IFC. This report describes the general role of DFIs but has a particular focus on the European DFIs.



# The New Global Development Goals

## THE GLOBAL GOALS

*“Over the next fifteen years, with these new Goals that universally apply to all, countries will mobilize efforts to end all forms of poverty, fight inequalities and tackle climate change, while ensuring that no one is left behind.”*

In 2015 the international community has adopted a new set of global goals for sustainable development that set the stage for the continued fight against global poverty. This new agenda responds to the evidence of what has changed over the past decades, namely: that despite tremendous progress in the global fight against poverty, great challenges remain. It is evident that private sector job creation, growth and investment will be crucial to achieve the new global goals.

### 1.1 The new Sustainable Development Agenda

A new set of global goals for sustainable development for the next 15 years emerged in 2015 through the outcomes of three international conferences on sustainable development, financing for development, and climate change. These new goals put great emphasis on a development model where the private and public sectors have complementary roles in supporting sustainable growth and improving lives.

17 new Global Goals for the next 15 years were adopted by the United Nations General Assembly on 25 September 2015. The 17 Goals reach across economic, social and environmental dimensions. They are backed by 169 targets that aim at tackling key systemic barriers to sustainable development. An indicator framework with 230 indicators has been agreed to monitor progress. An SDG Compass has also been launched to guide businesses on how they can contribute the SDGs. The new Global Goals build on the achievement of the eight Millennium Development Goals and address unfinished business.

## ADDIS ABABA ACTION AGENDA ON FINANCING FOR DEVELOPMENT

*“This historic agreement marks a turning point in international cooperation that will result in the necessary investments for the new and transformative sustainable development agenda that will improve the lives of people everywhere.”*

The Addis Ababa Action Agenda was adopted at the third Financing for Development conference, held in Addis Ababa, and endorsed by the United Nations General Assembly on 27 July 2015. The Addis Ababa Action Agenda supports, complements and helps to contextualise the 2030 Agenda's means of implementation targets. The Addis Ababa Action Agenda represents a major shift in the international community's strategy to realise the Global Goals by highlighting private business activity, investment and innovation as major drivers of productivity, inclusive economic growth and job creation.

## PARIS CLIMATE CHANGE AGREEMENT

*"We cannot deliver sustainable development without tackling climate change, and we cannot tackle climate change without addressing the root causes of poverty, inequality and unsustainable development patterns"*

At the Paris Climate Conference, 195 parties reached a landmark agreement to limit global temperature rise. The Paris Climate Change Agreement sets out a global action plan to put the world on track to avoid dangerous climate change by limiting the increase in global temperatures to well below 2°C and with an aim for limiting the increase to 1.5°C above preindustrial levels. The agreement will also have significant implications for climate finance, as developed countries maintained their commitment to mobilise at least US\$100 billion annually by 2020 for climate mitigation and adaptation. Though concrete financing targets are set out in the agreement, the means to achieve them are yet to be determined. A number of public and private financial institutions also adopted voluntary principles to improve the effectiveness of climate action and promote greater transparency.

## 1.2 Progress in the global fight against poverty

The global poverty rate has declined dramatically over the past 25 years. It reached 9.6% in 2015, defined as share of the population living on the edge of subsistence for US\$1.90 or less a day, in 2011 purchasing power parity (PPP) terms, according to estimates by the World Bank and IMF. This global poverty rate declined from 37 to 29% between 1990 and 1999 and then halved to 14% by 2011. Since then, the rate has continued to decline at a more moderate pace.

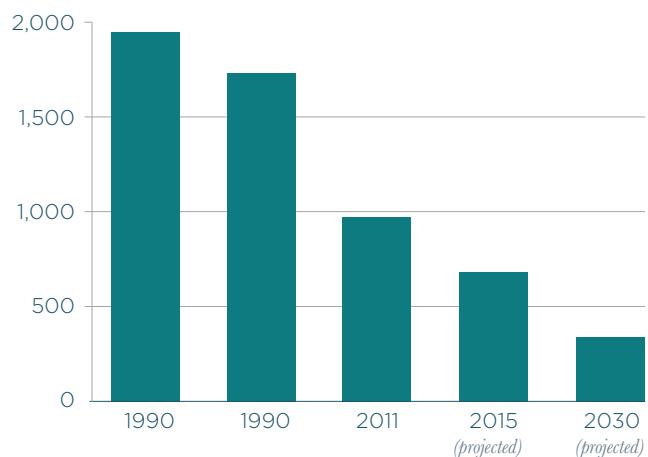
Progress has been particularly substantial between 1990 and 2015 in East Asia and the Pacific, where the poverty rate declined from 61 to 4%, and in South Asia where it went from 51 to 14%. Approximately 700 million people were estimated to live below the poverty line in 2015, 33% in South Asia and 50% in Sub-Saharan Africa. The global poverty rate is projected to continue to decline to somewhere in the range of 3-6% by 2030. This range reflects aspirational targets based on the historical rates of decline in the period 1990-99 and in the faster period 2000-11.

FIGURE 1/ GLOBAL POVERTY RATE IS DECLINING

People (millions) living for less than US\$1.9 a day (2011 PPP)



*Later in the report, boxes will highlight the contribution of the EDFIs to select SDGs.*



Source / World Bank and IMF "Global Monitoring Report 2015/2016"

By 2030, 80% of people living in extreme poverty are projected to be in Sub-Saharan Africa. The poverty rate in Sub-Saharan Africa is projected to decline from 35% in 2015 to 20% in 2030. But the absolute number of people living below the poverty line in the region will decline only moderately due to continued rapid population growth. During this period, Sub-Saharan Africa will continue to be in a demographic phase with relatively high fertility rates and high ratios of dependents to people of working age.

Poverty continues to be a major challenge in other regions as well. It is estimated that 32% of the world population was living on less than US\$3.10 per day (in 2011 PPP terms) in 2011. While this is down from 55% in 1990, the statistic highlights that all developing regions still face tremendous challenges.

### **1.3 The private sector's role in reducing poverty**

Many of the countries that have produced the most dramatic declines in poverty have followed a model where jobs become the major channel through which economic growth uplifts the poor. These countries have succeeded in sparking a demographic transition where improved basic health care and education result in lower fertility rates and population growth. They have then accelerated job creation for the rising proportion of people in working age. Wage growth for workers was the foundation to reduce poverty in East Asia during the 1970s and 1980s, and in other developing countries that successfully reduced poverty during the 1990s and 2000s.

Opinion surveys in developing countries underscore the importance of employment and growth. The World Bank and Gallup brought together the experiences of over 60,000 poor men and women in the “Voices of the Poor” survey and found that 70% believe that a job is the best way to escape poverty. An Afrobarometer survey on investment priorities across 36 African countries found in 2015 that citizens placed the “most important problems” with unemployment at the top, followed by health and education.

The private sector plays a critical role in job creation. More than nine in 10 jobs are created in the private sector in low and lower middle income countries. The private sector provides 93% of all paid jobs in Sub-Saharan Africa and 94% in South

Asia. Small and medium sized enterprises play a key role in job creation, providing two thirds of all formal jobs in developing countries and 80% in low income countries. The sustained success of SMEs depends on local conditions, such as public services, good corporate law and access to finance.

Growth must be sustained over long periods of time to deliver mass job creation and rising incomes. The international Commission on Growth and Development in 2008 highlighted common characteristics as key to rapid and sustained growth based on analysis of 13 economies that have grown at an average rate of 7% or more for 25 years or longer. Despite the differences between them, these economies all fully exploited the knowledge and demand in the world economy; they maintained macroeconomic stability; they mustered high rates of saving and investment; they let markets allocate resources; and they had committed, credible and capable governments.

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## More than nine in 10 jobs in low and middle income countries are created in the private sector

It may become more difficult to sustain the continued reduction in poverty. Much of the recovery since the 2008 economic crisis has been in the form of jobless growth, which has dampened the benefits of growth for lower-income groups. Poverty may also be less responsive to growth in narrowly diversified and fragile and conflict-afflicted countries because the availability of jobs is more limited. It is these challenges that must now be faced in the fight against global poverty.

**TABLE 1/ INVESTMENT AND TAX ARE CRITICAL TO FINANCE DEVELOPMENT**

*Balance of financial flows by country income group, 2013*

	Low income countries	Lower middle income countries	Upper middle income countries
Population, billion	0.6	2.8	2.3
Gross domestic product, US\$ billion	400	5,500	18,200
<i>Financial flows, as share of gross domestic product</i>			
ODA	9%	1%	0.1%
Taxes	18%	19%	29%
Private investment (domestic and foreign)	24%	25%	35%

Source / World Bank World Development Indicators, IMF

#### 1.4 Importance of mobilising more private capital

The balance of financial flows to support development shifts dramatically with the economic transition from low to middle income countries. Table 1 illustrates the shift in the financial flows that are available to finance countries' development as their economies grow. Foreign assistance plays an important role in low income countries but declines quite rapidly as a share of GDP in middle income countries, while domestic resources in the form of tax revenue gradually expand as a share of the economy. This is the backdrop for the renewed focus in international development policy to look beyond the billions in ODA to make sure the trillions in total financing flows have the highest possible development impact.

ODA plays an important role in supporting basic humanitarian and development assistance in the poorest countries but it only plays a relatively small role in sustaining growth in countries that have graduated from low income status. Across low income countries in 2013, ODA corresponded to half of government tax receipts, compared to roughly one-20th in lower middle income countries and only a fraction of that in upper middle income countries.

Tax revenue and private sector investment are the dominant sources of financing to support development and growth in low and middle income countries. It will only be possible to sustain income growth, job creation and continued reduction in poverty through the sound and strategic use of these resources.

Private investment, both domestic and foreign, tend to grow even faster than the overall economy in countries that sustain growing per capita incomes. FDI sometimes plays a particularly important role in supporting development and growth as a source of capital and also as a driver of transfer of technology and knowledge. FDI has grown rapidly over the past two decades and now exceeds ODA to lower and upper middle income countries. Investment in the services and manufacturing sectors also climb with income growth as the purchasing power increases. FDI tends to diversify and keep pace with income growth and it helps to increase productivity and to catalyse domestic private investment.



## INTERVIEW: ERIK SOLHEIM

# Building on the progress in fighting poverty

### *How far have we come in the fight against poverty?*

It is important to recall how much progress has actually been made. The absolute number of people living in poverty increased every year until 1990, even if the relative share started to decrease after the industrial revolution. Since 1990 global poverty has been cut in half. Consider, for example, the improvements in global health. 2015 was the first year without any polio cases in Africa and we are close to eradicating polio from the planet. Malaria death rates in children have fallen 65% since 2000. In fact, it is a challenge to get people to understand the progress we have made. Many still believe it's going the other way with more poor people and worse education and health.

### *What are the main factors behind this progress?*

Better policies are a major factor. After the end of the Cold War period, on the whole, fewer have suffered due to armed conflicts than before and many countries adopted more pragmatic policies that served people better. We moved past the big clash between communism and extreme market liberalism. Almost all countries recognise the market and the importance of private investment. The debate about private investment was not won by theorists but by policy-makers in China, South Korea, Singapore and other places which opened their markets to investors and realised enormous economic progress. The average South Korean is more than 300 times richer now than in the 1950s.

Scientific progress in fighting diseases and technological innovation in areas like information technology have also been

very important. Even the poorest people almost all now have access to mobile phones and an increasing share of global population gain access to the internet. There has also been an education revolution. The countries that have made the most progress have acted massively on education.

### *What do you see as the priorities now?*

Better policies, private investment and the markets are the most important factors. What we need is more of these things that have proven to work; and this needs to be done even better in more countries. We need to support good political leadership and avoid conflicts to make private investment possible. There is too little investment in Africa outside of oil, gas, gold and minerals. Africa needs a dramatic commitment to industrialisation that can only come through private investments in production of goods. We see countries like Ethiopia, Rwanda and Senegal that are starting to get a textile production for the world market, taking up these opportunities as salaries in China increase. This is the kind of thing that needs to be built on.

### *What should we expect of private investors?*

The most important thing private businesses do is to run their core business well so they can create jobs and grow. They have to be responsible and pay taxes so authorities can improve health, education, etc. This will also benefit their employees and the business. Job creation is desperately needed. One million young people will enter the labour market each month in both Africa



Erik Solheim is chair of the OECD's Development Assistance Committee.

He has served as international development minister and environment minister of Norway.

and in South Asia and the majority of jobs will have to come from private sector. This means a lot of investment is needed. A lot of the opportunities will be in manufacturing, in agriculture, and in service sectors like tourism.

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**“Better policies, private investment and the markets are the most important factors. What we need is more of these things that have proven to work.”**

*What are the implications then for DFIs?*

DFIs are becoming increasingly important. Policy-makers in donor countries are recognising the role of private investments and want to emphasise policies that promote growth. So we are seeing a focus on mechanisms that can help catalyse more private investment and where successful projects return the

funds so they can be invested again and again. More aid is being channelled through the DFIs. OECD's Development Assistance Committee has also been asked by our member countries to change the regulations on aid so that it becomes easier to use these institutions.

*What are the challenges that DFIs must address now?*

The DFIs need to find ways to go to scale. Many projects are managed well but are quite small. We also need institutions to come together for more substantial investments. The critical thing is to bring in private investors alongside the development finance. The DFIs can go into markets where private investors are not already going on their own and they can maintain high standards in terms of environment and working conditions.

Too many in the public sector talk about the private sector rather than with the private sector. DFIs may act as an important link between the private sector and policy-makers. They are in a better position to have a genuine dialogue with private investors – including banks, insurance companies, pension funds - about the barriers facing their investment in poor countries. It is also important to stand against the pressure from the media and organisations if anything goes wrong. A serious company would not exit the U.S. or Europe if they have a failed project but that may be the case with Africa or India. Both companies and politicians are afraid to discuss these difficult challenges in public. The DFIs can definitely help by talking more about their experiences and track-record in difficult markets.

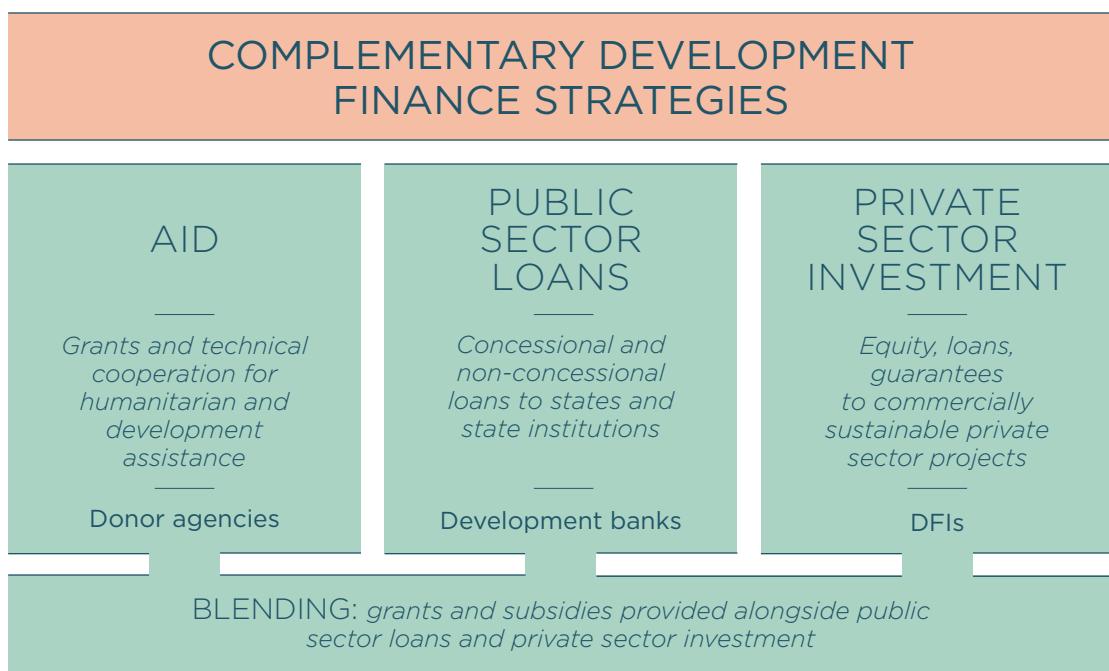
# The Current Landscape of Development Finance

The Addis Agenda highlighted that there are significant shifts under way in the global development finance landscape, and development finance institutions are a key part of that shift. While donor countries have maintained ODA at a steady level, their support for private sector investment through DFIs has grown steadily. European governments have supported a significant expansion of DFI portfolios, primarily to promote job creation, growth and private sector development.

## 2.1 Complementary development finance strategies

There are three main channels for development finance from the OECD DAC donor countries and multilateral institutions to low and middle income countries: aid, public sector loans and private investment. Each of these channel significant publicly-backed flows of development finance every year.

FIGURE 2/ HOW WE FIGHT POVERTY



The three channels are highly complementary but the methods and instruments involved vary significantly. They have also largely been managed separately by different bilateral and multilateral institutions.

Aid comprises the majority of ODA and has traditionally been the dominant channel of publicly-based development assistance to low and middle income countries. ODA from OECD DAC member countries remained relatively constant in real terms between 1990 and 2015. After a significant decline in the early and mid-1990s, ODA increased significantly to reach a peak in 2005, partly driven by debt relief to highly indebted poor countries. Since then, net ODA from DAC countries has been at an annual level around US\$140 billion.

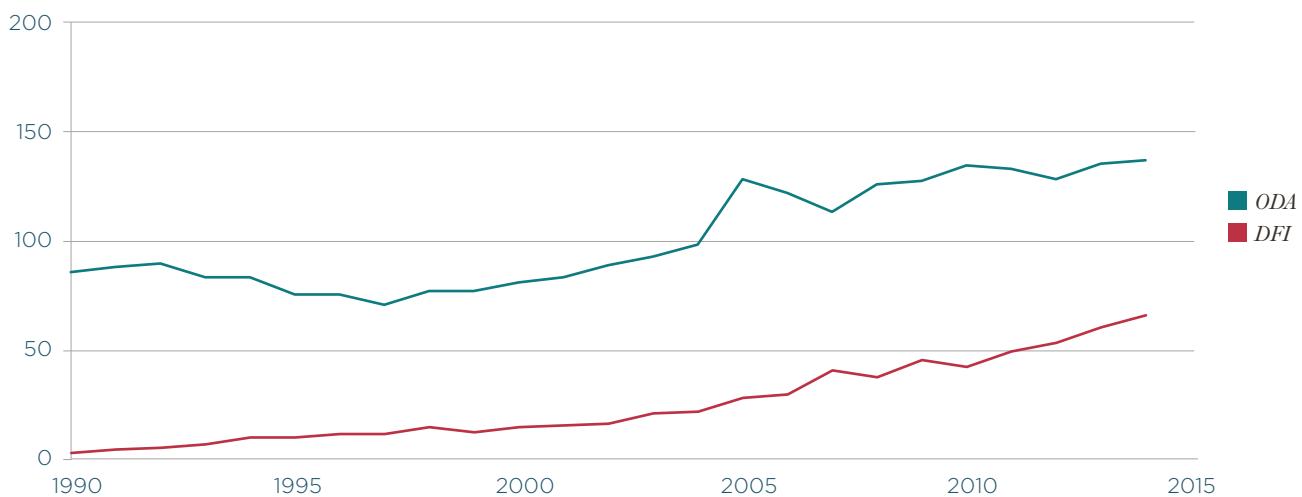
Publicly-backed development finance for private sector projects provided by DFIs has grown significantly over the same period. While net ODA has been stagnant in real terms, the total DFI activity level has been growing at an average annual rate around 5%. Annual commitments by bilateral and multilateral DFIs exceeded US\$65 billion at the end of 2014.

At the same time, ODA funds are increasingly used to support public sector loans and investment in private sector projects. The practice where aid agencies invest ODA funds on concessional terms, often referred to as “blending”, has become quite wide-spread. These funds are often provided by aid agencies as grants or technical assistance but also involve investments in projects on preferential terms that seek to incentivise private investors by offering protection against losses or other types of preferential returns. A study commissioned by EDFI in 2015 found that European donors have allocated more than €10 billion in ODA since 2002 to more than 100 different “blending funds” focused on private sector projects. The overall level of ODA flows to this kind of facilities is expected to keep up with the rate of the past 10 years and, potentially, to grow further. So far, the results and experiences with many of these blending facilities have not been very well documented.

Aid, public sector loans and private sector investment are complementary, and increasingly balanced, development finance strategies. While aid agencies and the development banks that provide public sector loans often have close dialogue

### FIGURE 3/ DFIS ARE A GROWING SOURCE OF DEVELOPMENT FINANCE

Annual activity level 1990-2014, constant 2014 US\$ billion



Source / OECD/DAC, IFC, DFI annual reports, OECD/DAC deflators

on governance and reforms in developing countries, DFIs focus almost exclusively on their investment operations and rarely engage in the policy making process in the countries where they invest. At the same time, the policy environment and other market conditions greatly affect the investment activities of DFIs and the private promoters and co-investors they work with. In many cases, development partners can do more to include private sector representatives in their policy dialogues.

EDFI sponsored two studies under the international “Let’s Work” programme in 2015. These studies illustrate the importance of market conditions and how the private sector can contribute to addressing bottlenecks. A study on skills gaps by Boston Consulting Group, commissioned by DEG (Germany), highlighted that many companies in developing countries are facing a shortage of necessary skills because public education systems often are unable to equip people sufficiently. Many private sector companies are investing in closing skills gaps through structured training programmes in-house and in partnerships with universities. Training initiatives play a crucial role in matching qualifications with employers’ needs. Another study by ODI, commissioned by CDC Group (UK), showed that energy policy and expansion of energy supply infrastructure are important to creating conditions that are conducive to private investment and job creation.

## 2.2 Development finance flows for private sector projects

A number of bilateral, regional and multilateral DFIs provide most of the donor-backed capital flows to private sector investment in developing countries. The annual commitments were distributed as follows in 2014:

- > 40% is provided by multilateral finance institutions, including IFC and Multilateral Investment Guarantee Agency
- > 35% is provided by bilateral DFIs: the 15 European DFIs, OPIC of the United States and Japan’s JBIC
- > 25% is provided by regional finance institutions, including ADB, AfDB, EBRD, EIB, and IADB

There is a high level of co-investment between bilateral, regional and multilateral DFIs, where multiple DFIs invest in the same projects. These institutions also work closely with a number of DFIs that are based in developing countries.

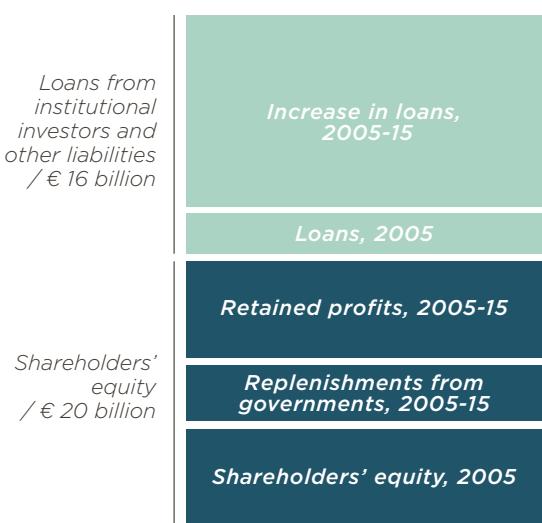
## 2.3 Growth in European DFI investment flows

Investments by the European DFIs have become increasingly significant by size and relevance over the past decade. The combined European DFI portfolio of committed investments was €36.3 billion at the end of 2015. It has more than tripled over the past 10 years from €10.9 billion at the end of 2005. The annual level of new investments by the European DFIs reached €6.0 billion in 2015. This is estimated to be an amount equivalent to 10% of all bilateral ODA financed by European aid agencies and the EU institutions, at approximately €60 billion, up from 4% in 2005. If the current trends continue, it is conceivable that the European DFIs will mobilise new investments in developing countries at a level comparable to European ODA at some point within the next 10 years.

Figure 4 illustrates how the combined European DFI portfolio has grown over the past 10 years. The growth in the European DFI investment portfolio has been financed to a large extent by an increase in shareholders’ equity. The lower part of figure 4 shows how the shareholders’ equity has more than doubled from €8.3 billion at the end of 2005 to €19.8 billion at the end of 2015. The increase in shareholders’ equity comes from two sources: retained profits and replenishments from governments during 2005 to 2015.

**FIGURE 4/ HOW EUROPEAN DFIS HAVE GROWN OVER THE LAST 10 YEARS**

European DFI investment resources in 2005 and increase 2005-2015



All European governments have provided some additional financing resources to their DFIs over the past decade, to a greater or lesser extent. These replenishments have contributed approximately €4.4 billion to the shareholders' equity across the European DFIs since 2005. This contribution includes the establishment of two new European DFIs: OeEB (Austria) and SOFID (Portugal). It also includes contributions to separate investment facilities managed by DFIs on behalf of their governments.

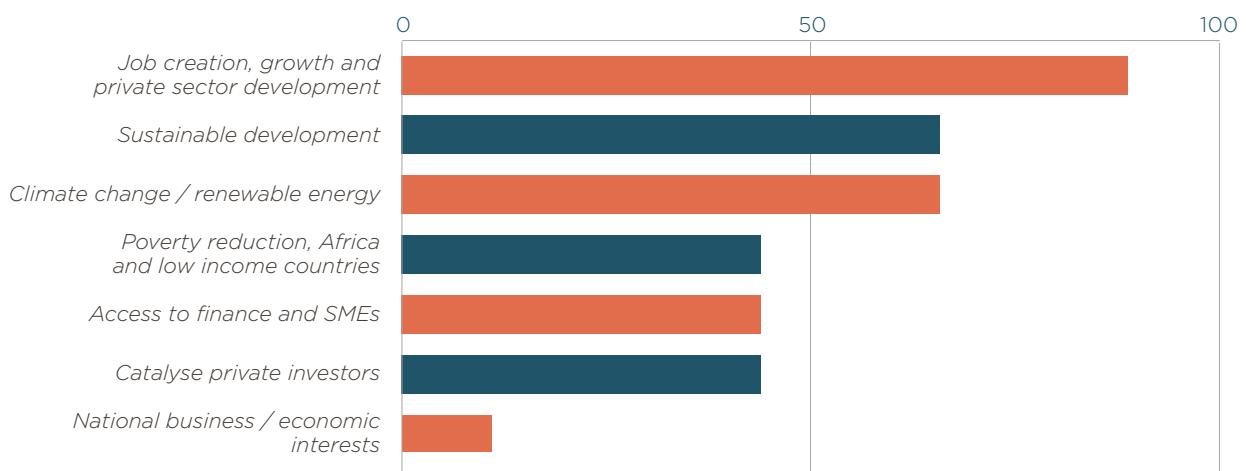
Job creation, growth and private sector development have recently been the most-cited policy goals for government replenishments to European DFIs. Climate change, poverty reduction, and access to finance have also been frequently-cited objectives. These policy goals indicate that European governments want their DFIs to play a significant role in achieving development policy. At the same time, several European governments expect their bilateral DFIs to promote national economic interests and to mobilise activities of domestic businesses and investors in low and middle income countries.

**European DFI portfolio of committed investments was €36.3 billion at the end of 2015. It has more than tripled over the past 10 years.**

Finally, a number of European DFIs leverage their shareholders' equity to partially finance their investments with loans from institutional investors, their shareholders and other liabilities. Currently, five European DFIs obtain significant leverage in this way: DEG (Germany), FMO (The Netherlands), Finnfund (Finland), OeEB (Austria), and Proparco (France). There has been an increase in the leverage ratio of shareholders' equity to total financing resources from 1.3 at the end of 2005 to 1.8 at the end of 2015, reflected in the upper part of figure 4. In effect, the combined European DFI investment resources were almost twice the size of the combined shareholders' equity at the end of 2015.

**FIGURE 5/ TOP REASONS FOR CAPITAL REPLENISHMENTS TO EDFIS**

Rationale cited by governments in public statements, %-share of total (N=9)





## INTERVIEW: NGOZI OKONJO-IWEALA

# The vital role of DFIs

### *What are the most important challenges facing private sector development in Africa?*

Youth unemployment really makes me worried. When we grow as countries, we do not create as many jobs as we would like. All around the world, not only in Africa but even in the U.S., there is a lot of jobless growth. So one of the greatest challenges is how to build more jobs for young people: quality jobs.

Whenever I meet young people I get excited. I feel they have got the energy, and I see their interest. Many people think that young people are disaffected, that they are all about making money, that they do not care anymore. But that is not what I am seeing. Everywhere I go around the world I see young people, men and women, thinking about finding solutions to problems. So many young people are doing exciting things that give me hope; they give me hope.

### *How can the DFIs help create jobs?*

We need to create more quality jobs. We especially need to support young people in starting their own businesses to create jobs for themselves and others. So the DFIs need to figure out the ways and means to support entrepreneurs. We also need to figure out how to support value chain development so we can transform our goods and manufacturing. That will create more jobs as well.

### *The DFIs are investing more than US\$10 billion a year in Sub-Saharan Africa. What steps can they take to address these challenges?*

The DFIs need to play a vital role. We need to understand how that 10 billion can leverage 50 billion or 100 billion. So what we need to think about is how we use the 10 billion to de-risk investments, so we can join all that liquidity that is out

there in the pension funds, in the private sector, in equity funds. Currently, many private actors do not want to invest, especially in Africa. They are afraid it is too risky. We need the mechanisms that help with this. The 10 billion is great, but it is not doing the trick alone.

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**“Everywhere I go around the world I see young people, men and women, thinking about finding solutions to problems.”**

DFIs should also really think about what the critical bottle necks are that need to be removed so private enterprises can thrive and be effective. For example, Africa needs massive investment in power. Maybe the DFIs need to pick infrastructure and say that we are just going to get it right. Maybe they should say that we are going to do everything possible to get electricity to work. Removing critical bottle necks with that kind of determination is essential to be effective.

*The interview was conducted by on behalf of EDFI by Eivind Fjeldstad, the managing director at the Norwegian-African Business Association.*



# Contribution to Development Impact

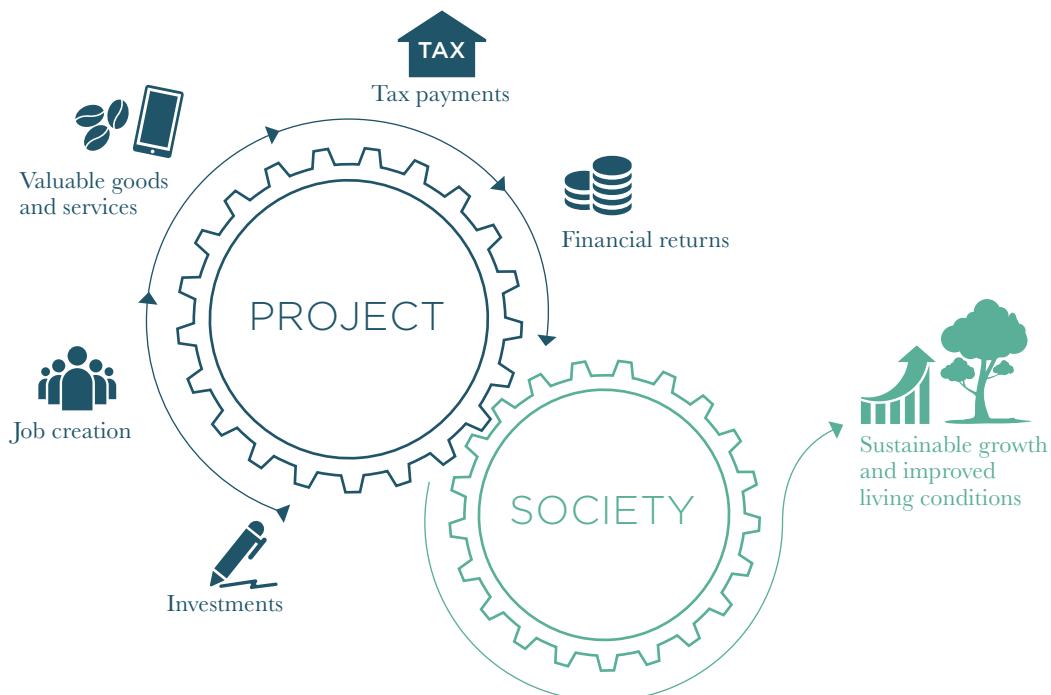
**As European DFI portfolios have grown, so has their contribution to development outcomes. European DFI investments are concentrated in regions and sectors with high relevance for international development policy.**

## 3.1 Investments and development outcomes

DFIs contribute to development outcomes by investing in commercially sustainable private sector projects, alongside private companies and institutional investors. The DFI's commitments support projects that would not otherwise have obtained the same financing. A DFI will typically remain invested in projects for an extended period of five to 10 years, or longer.

The DFIs track the contributions that these private sector projects make to development outcomes on an on-going basis. The most important direct contributions are job creation and skills development, the provision of valuable goods and services, and tax payments in developing countries. Projects also generate financial returns that can be reinvested in the economy. Over time, these contribute to sustainable growth and improved living conditions in society that go beyond the project's direct productive activity and lifetime.

FIGURE 6/ EUROPEAN DFI'S CONTRIBUTION TO DEVELOPMENT OUTCOMES



## EUROPEAN DFI HEADLINE NUMBERS

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**FIGURE 7/ CONTRIBUTION TO DEVELOPMENT OUTCOMES**

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Key contributions to development outcomes in 2015 across companies and projects that are supported by European DFI investment commitments, either directly or through investment funds



### >4 MILLION JOBS

*2 million direct and 1.3 million indirect employees in projects in European DFI portfolios*

*2 million employees in projects in portfolios of institutions with European DFI financing*



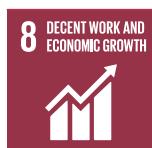
**74,000 GWH  
OF ELECTRICITY  
GENERATED  
DURING YEAR**



**€11 BILLION IN TAX  
CONTRIBUTIONS  
TO GOVERNMENTS**



*Job creation is a key channel through which economic growth uplifts the poor*

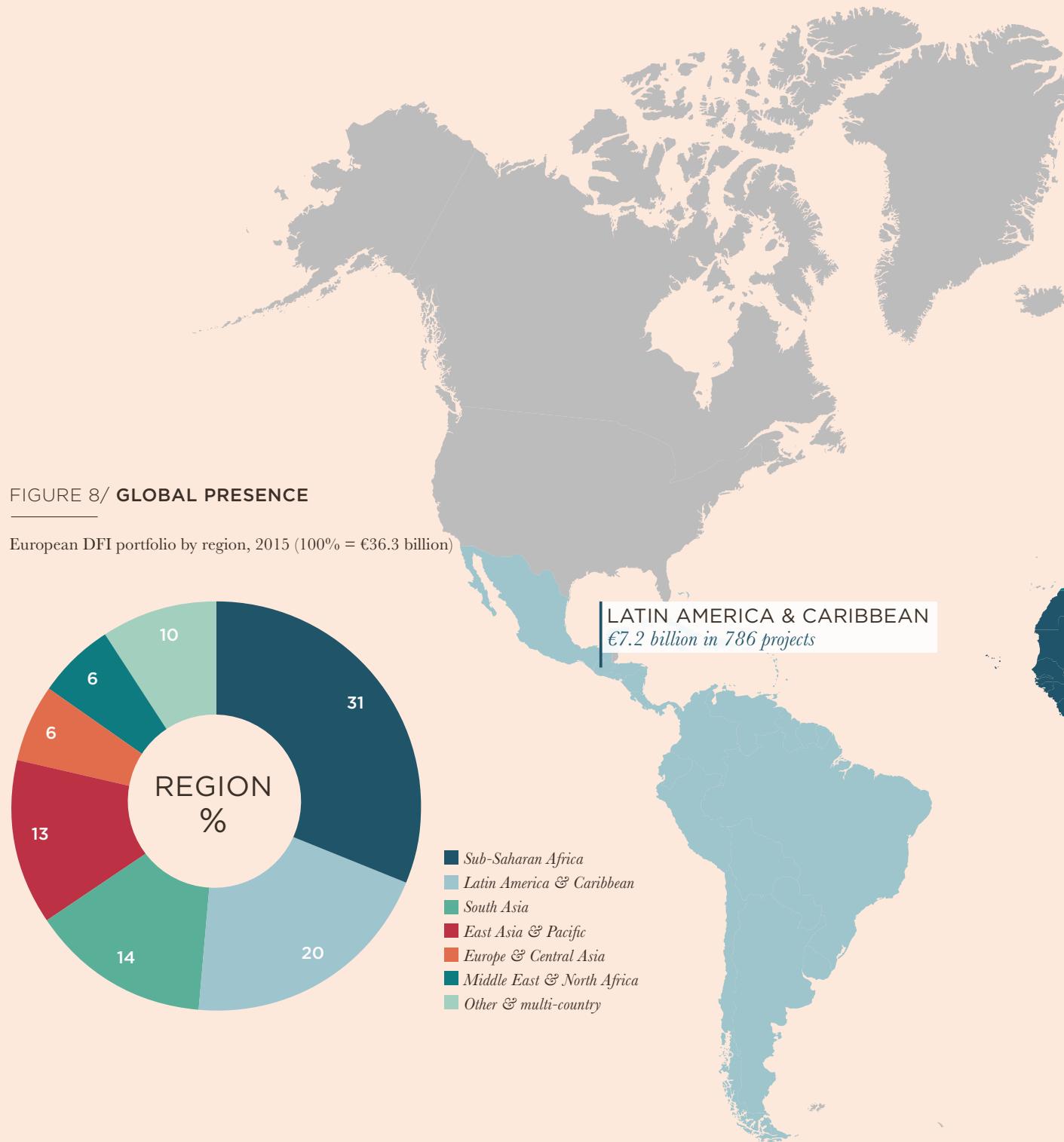


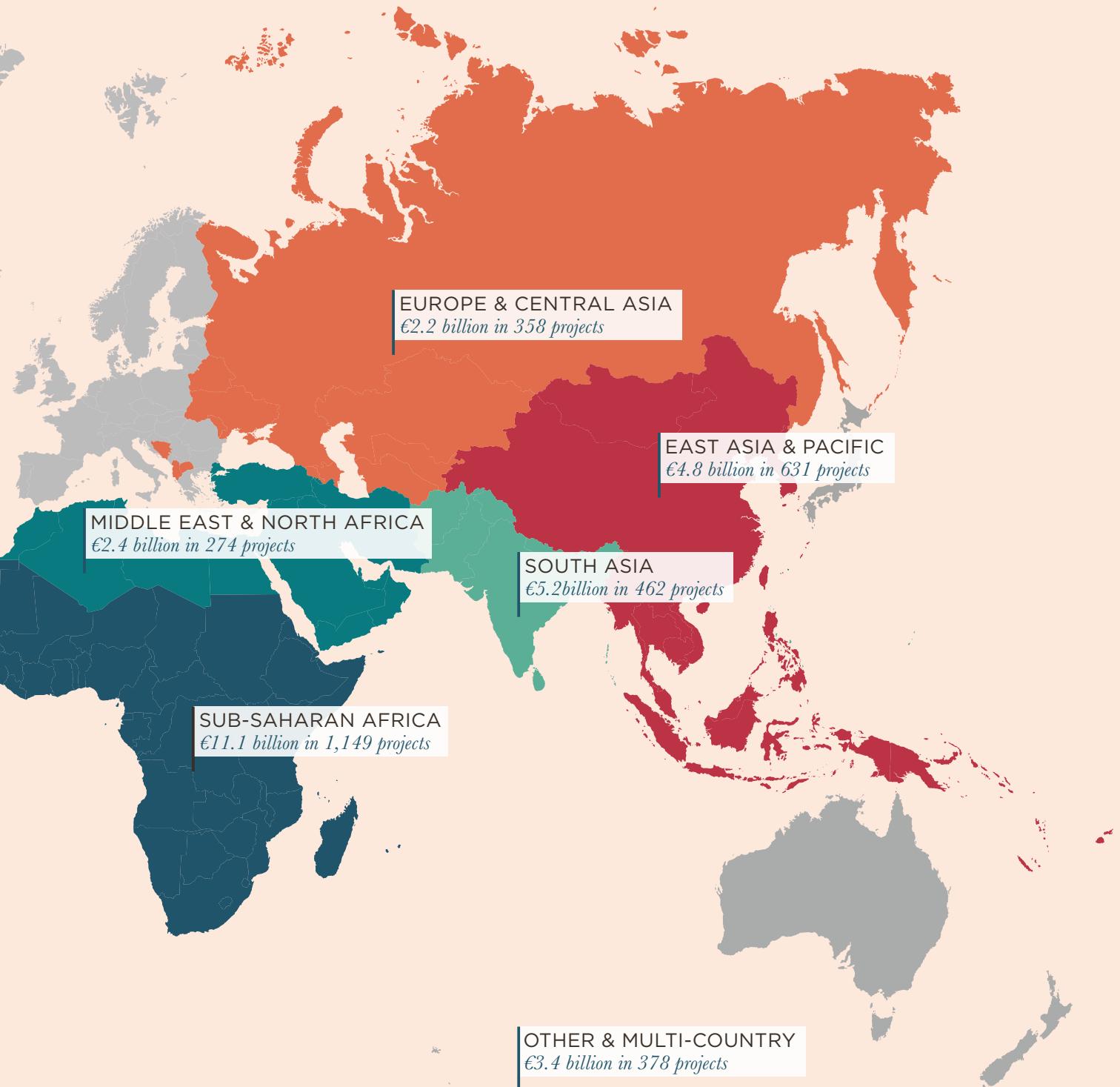
*Investment in private sector projects help create and safeguard jobs and improve the working conditions for the employees*



*Investments that are commercially sustainable and catalyse capital from private investors help strengthen domestic tax revenue*

### 3.2 Regions



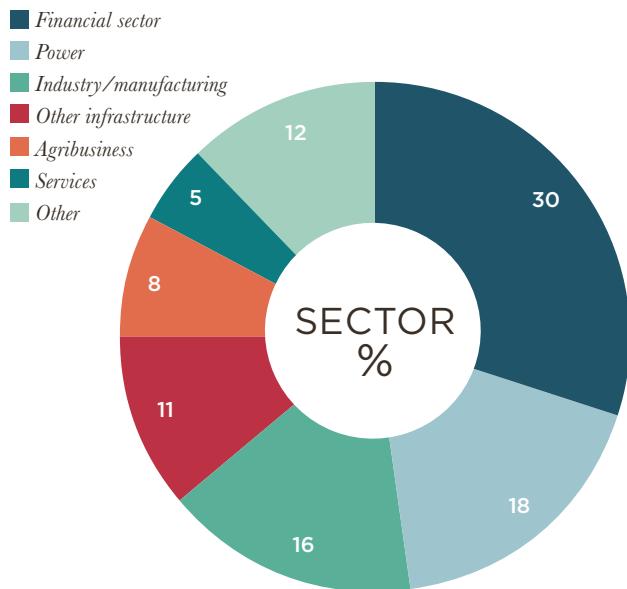


### 3.3 Sectors

The European DFI investment portfolio is focused on sectors that generate the highest development impact. The largest sectors, by beneficiary, are financial services, power, and industry/manufacturing. Other infrastructure sectors and agribusiness are also important sectors for many European DFIs.

**FIGURE 9/ EMPHASIS ON SECTORS WITH DEVELOPMENTAL IMPACT**

European DFI portfolio by sector,  
2015 (100% = €36.3 billion)



Note / Distribution by final beneficiary



**2 ZERO HUNGER**  
Investments in agribusiness and support for smallholder farmers help to improve food security and create incomes for rural populations. DEG (Germany), Finnfund (Finland) and IFU (Denmark) invest more than 10% of their portfolios in the agribusiness sector.



**7 AFFORDABLE AND CLEAN ENERGY**  
Investments in the power sector help to increase electricity production and lead to more affordable and improved energy access for households and companies. Finnfund (Finland), FMO (Netherlands), Norfund (Norway), Proparco (France) and Swedfund (Sweden) invest more than 20% of their portfolios in the power sector.



**13 CLIMATE ACTION**  
Investments in projects such as renewable energy and energy efficiency which mitigate emissions of CO<sub>2</sub> and CO<sub>2</sub>-equivalents promote the transition to low carbon economies.



**9 INDUSTRY, INNOVATION AND INFRASTRUCTURE**  
Investments in industry and infrastructure help to create jobs, improve productivity, promote the application of resource-efficient technology, and enhance opportunities for SMEs. Finnfund (Finland), IFU (Denmark) and SOFID (Portugal) invest more than 15% of their portfolios in infrastructure outside the power sector. BMI-SBI (Belgium), COFIDES (Spain), DEG (Germany), SIFEM (Switzerland), SIMEST (Italy) and Swedfund (Sweden) invest more than 25% of their portfolios in industry/manufacturing sectors.



## INTERVIEW: DIRK WILLEM TE VELDE

# Macro economic effects in Sub-Saharan Africa



Dr. Dirk Willem te Velde is a senior research fellow and head of the International Economic Development Group at ODI.

### *What do we know about the macro effects of DFI investments?*

Until recently, there was only limited research and evidence of the macro effects of DFI investments. ODI has undertaken two studies to learn more about them. The first study examined investments by three multilateral DFIs in 64 countries from 1986 to 2009, and a more recent study examined investments by 14 bilateral and multilateral DFIs in Sub-Saharan Africa from 2005 to 2013. The results are quite revealing as they show that DFIs contribute significantly at the macro level in the countries where they invest. At the same time, these studies show that it is possible to gain better insights into the macro effects by looking beyond the project-by-project outcomes that DFIs traditionally monitor.

### *What is the effect on income growth in Sub-Saharan Africa?*

We find that DFI investments have a positive and significant impact on per capita incomes. For example, if you bear in mind that DFI investments have grown faster than GDP in recent years, the current DFI investment to GDP ratio in Sub-Saharan Africa is roughly 0.5%. If this ratio were to increase by 1 percentage point to 1.5%, we would expect that the growth rate in per capita incomes would increase by 0.24 percentage points. This would be a really significant increase for a continent that has enjoyed an average 1.8% annual growth rate in per capita income over the past decade.

### *Is this increase in income growth realistic?*

The increase in the investment to GDP ratio from 0.5 to 1.5% corresponds to a tripling of DFI investments and would be a big step up. But consider that the European DFIs' annual committed investments in Sub-Saharan Africa have increased from €0.9 billion in 2005 up to €2.3 billion in 2014. That is an

increase of 2.5 times over the past decade and we expect DFI investments to continue to grow at a high rate. The research by ODI also indicates that DFI investments contribute even more to income growth in low and lower middle income countries than they do in upper middle income countries.

### *How do DFIs trigger these investments?*

DFIs contribute to income growth via two key mechanisms: crowding-in investments and increasing labour productivity. Our studies find that higher DFI investments are associated with increases in both foreign and domestic investment. We also see a significant effect on labour productivity. We would expect a three-fold increase in DFI investments to increase labour productivity by between 3.4 to 7.5 percentage points. Higher labour productivity contributes to higher wages for employees, improves the quality of jobs and helps to transform economies, thereby safeguarding jobs for the future.

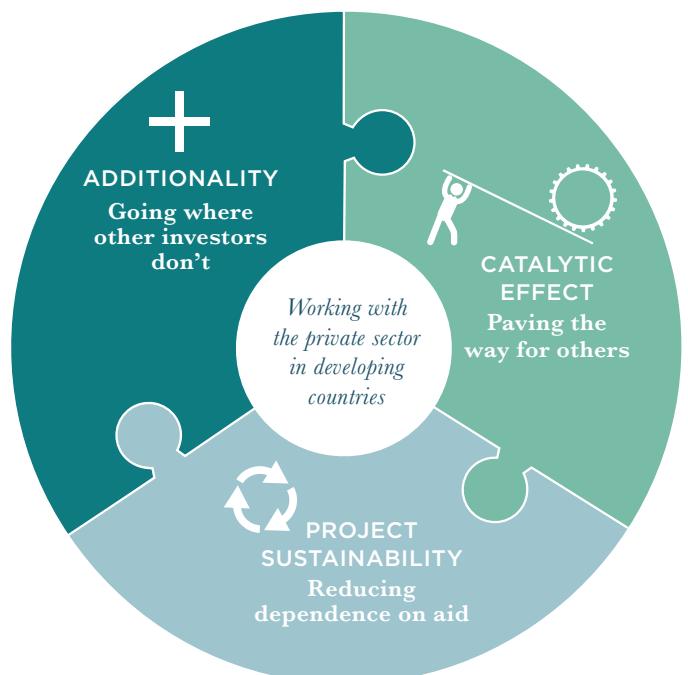
Uganda is a good case to illustrate these effects. DFI investment into Uganda has grown rapidly since the mid-2000s. In particular, DFIs have contributed to increased investment in the power sector. Total foreign direct investments into Uganda has been increasing and if these trends continue, Uganda could soon see FDI at the same level as aid, which has decreased as a source of finance over the past years. The DFIs have also had a transformative impact on Uganda by raising the quality and availability of power and through direct and indirect job creation. These effects highlight the relevance of the DFIs in international development policy.

# Success Criteria for DFI Investments

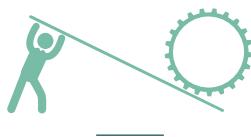
The role of the European DFIs, in providing development finance for private sector projects and having a positive impact in the countries where they invest, is guided by three success criteria: additionality, catalytic effect, and project sustainability.

This section introduces the three success criteria and offers examples of areas where the European DFIs have been able to achieve a transformative impact. Investments that meet these criteria have the potential for making lasting contributions to the economic transition in developing countries. This is particularly the case when DFIs work with local front-runners to build new industries. For example, European DFIs have made such transformative investments in recent years in sectors such as telecommunications, renewable energy, financial inclusion, and private equity investment. DFI involvement has helped many entrepreneurs to become competitive with multinational companies and sustain continued expansion over the longer term.

FIGURE 10/ SUCCESS CRITERIA FOR DFI ROLE



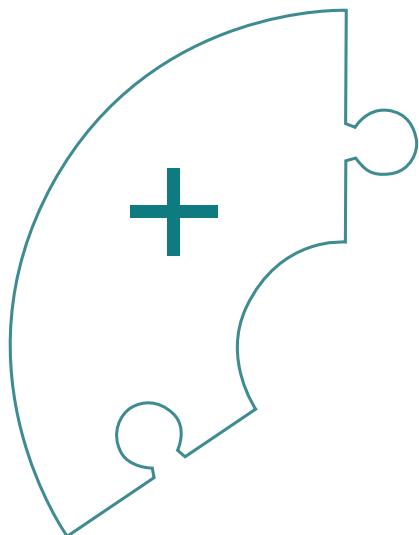
*Investing in underserved geographies, sectors, and segments by taking a long-run approach that permits higher risks.*



*Mobilising other investors by sharing risk, being first-movers demonstrating to other investors how to invest in high risk projects, and by sharing expertise.*



*Helping build sustainable sources of jobs and tax income by investing in financially self-sustainable projects, and by applying responsible business standards for environmental, social and governance concerns.*



#### 4.1 Additionality

DFIs play a critical role in investing in underserved geographies, (Africa, LDCs, post-conflict and conflict states), sectors (financial services, energy, agribusiness etc.) and segments (SMEs) by taking a long-term approach that permits them to engage in projects that private investors hesitate to take on alone. This section offers examples of areas where European DFIs have a track-record of investing with particularly high additionality.

##### Financial inclusion

European DFIs have significant investment activities in financial services that improve access to finance for micro, small and medium sized enterprises. Approximately 3% of the combined European DFI investment portfolio at the end of 2015 was in microfinance institutions, either directly or through investments in funds. European DFIs have also invested more than €1 billion, over the past years, in earmarked credit lines to local financial intermediaries, which help improve access to finance for local SMEs.

Improved financial inclusion is critical to support the growth of SMEs and their contribution to job creation. Some markets face significant gaps in access to finance for these firms because they are neither served by microfinance nor by foreign direct investment. This challenge has given rise to the term the “the missing middle”. A number of the European DFIs have set up special investment funds to address this problem with financing from their aid agencies. Examples include the DFID Impact Fund, managed by CDC Group (United Kingdom); MASSIF, AEF and IDF, managed by FMO (Netherlands); and FISEA, managed by Proparco (France).

##### Climate finance

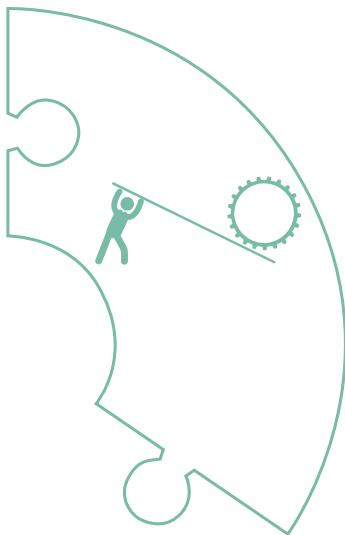
Energy plays a fundamental part as either the cause or the facilitator in the economic growth process. The power sector is one of the largest in the European DFI investment portfolio and the majority is for renewable energy and energy efficiency projects. Climate finance is also one of the fastest-growing portions in the European DFI portfolio. At the end of 2015 European DFI climate finance investments amounted to €6.5 billion, roughly evenly distributed across Africa, Asia and Latin America. The largest area of activity in this portfolio is hydro power, followed by wind and solar power projects.

The Climate Policy Initiative (CPI) produces a detailed annual mapping of the global climate finance landscape. It has found that climate finance flows to developing regions amounted to approximately US\$200 billion in 2014. Close to 40% of this financing was provided by publicly-backed international financial institutions and DFIs. Climate finance provided by the European DFIs is quite significant in several developing regions. In relation to the CPI estimate of private sector climate finance, European DFI annual investments in 2014 was equivalent to 30-35% of the US\$2 billion private climate finance investment in Sub-Saharan Africa, 10-15% of the US\$6 billion in Latin America, and approximately 5% in South Asia.

In addition to the financial investment activity, European DFIs have also helped the development of new business models in the sector, such as power purchase agreements for independent power producers in East Africa which are now being used as a blueprint for projects in other countries.

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**European DFI investments corresponded to 30-35% of the private climate finance investment in Sub-Saharan Africa in 2014.**



## 4.2 Catalytic effect

DFIs seek to mobilise capital from private investors. They do this by being first-movers, demonstrating to other investors how to invest in projects that are considered high risk, and by sharing risk and expertise.

### Private shareholders in DFIs

European DFIs are structured and operate to promote financial participation from private sectors counterparts. Eight of the 15 European DFIs have private entities as shareholders. The private shareholders are typically banking institutions and other private companies based in the DFI's home country. They own a significant minority of shares while the state controls a majority. Several DFIs, and especially the five that operate with a banking licence, also have leverage on their balance sheets from institutional investors, typically with factors of two to six times between their shareholders' capital and total investment commitments.

DFIs also seek significant participation from private counterparts in the projects and funds they invest in. DFIs typically only take relatively small minority equity shares in projects, leaving the controlling shares with project promoters. DFIs also seek to ensure that other lenders and guarantors are involved, particularly for larger projects.

Some EDFIs have recently taken new steps to catalyse participation from private institutional investors. Here are some examples:

- > Fund management mandates: FMO has set up an investment management company to attract commercial investors;

IFU has taken fund management mandates for the Danish Climate Investment Fund and the Danish Agribusiness Fund with participation from pension and investment funds; and Norfund has taken a management mandate for the Norwegian Bank Investment Company with participation from institutional investors

- > Co-investment facilities: IFU and Norfund have set up co-investment facilities where institutional investors are given the opportunity to co-invest in certain types of projects according to pre-defined rules
- > Syndication: FMO has been expanding its loan syndication activities

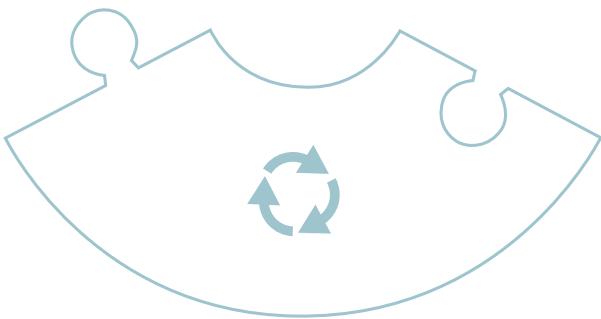
### Seeding new private equity funds

DFIs have played an important role in building the private equity industry in emerging markets. DFIs have provided first round seed funding to many new fund managers in emerging markets, particularly in Africa, along with technical assistance. This has contributed to the expansion of the private equity industry in these markets over the past 10-15 years and, over time, to significant fundraising from private investors. The Emerging Markets Private Equity Association estimates that investments in private equity funds grew from US\$3.5 billion in 2003 to US\$44 billion in 2015 with 70% in Asia and 9% in Sub-Saharan Africa.

European DFIs and IFC have contributed significantly to these developments. In 2015, the European DFIs invested €1.3 billion in approximately 30 investment funds and the total investment fund portfolio reached €8.3 billion in approximately 400 different funds at the end of 2015, up from €4.5 billion in 2008. IFC has also been an important player in the emerging markets private equity industry. It created a group dedicated to investment in funds in 2000 with the goal of investing in 8-10 funds annually. The activity level was later raised based on the good performance of these investments. The portfolio reached US\$5 billion in 270 funds by 2015.



*Investments in developing countries that are commercially sustainable and catalyse capital from private investors help strengthen domestic resource mobilisation.*



### 4.3 Project sustainability

Good development investments are commercially sustainable and responsible.

#### Commercial sustainability

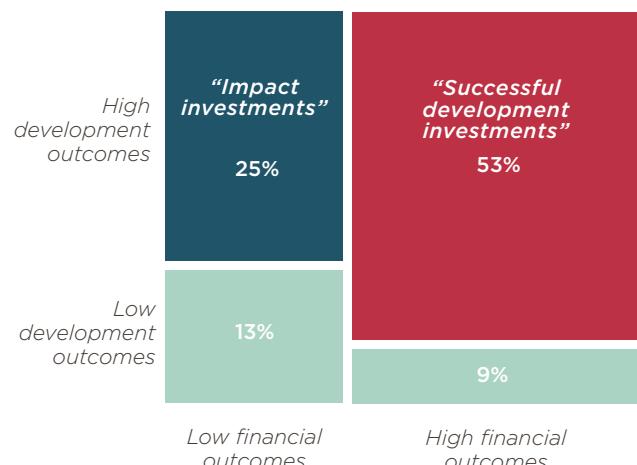
DFI investment decisions both take into account financial criteria and examine the expected contribution to development outcomes. In addition to the ongoing investment monitoring, DFIs also track the contribution to development outcomes such as employment and tax payments. The European DFIs have a strong track-record of financing successful development investments that achieve both good financial outcomes and good development outcomes. Such projects are also expected, on the whole, to better sustain jobs and growth over the long term.

A survey of approximately 600 projects financed by DEG (Germany), FMO (Netherlands) and Proparco (France) in the period 2000-2007 indicated that 53% of projects achieved both good financial and development outcomes. This survey also indicated that projects with good financial outcomes were more likely to achieve good development outcomes. Such projects are also expected, on the whole, to better sustain jobs and growth over the long term.

DFIs are careful not to disrupt the market negatively with their activities. They take care not to crowd out, rather than crowd in, private investment. This means they seek to finance projects as close to market terms as possible. These risks of negative impact are particularly acute for blended finance instruments where highly concessional finance, such as grants and other subsidies, is provided to private sector projects alongside investment finance.

**FIGURE 11/ DFI PROJECTS ACHIEVE DUAL OBJECTIVES OF PROFIT AND DEVELOPMENT IMPACT**

Projects by development and financial outcomes (N= ~600)



Source / EDFI / Dalberg Global Development Advisors  
“The Growing Role of the Development Finance Institutions in International Development Policy”

#### Sustainability standards

EDFIs share knowledge and seek to harmonise their responsible investment practices. EDFI members have adopted a shared set of principles for responsible financing, which underlines that respect for human rights and environmental sustainability is a prerequisite for financing by EDFIs. EDFI members have also adopted harmonised environmental and social standards for co-financed projects that include environmental and social category definitions; due diligence, contractual and monitoring requirements; and an exclusion list. Building on these commitments and standards, European DFIs are able to help partners implement more responsible business practices and improve project outcomes.

**12** RESPONSIBLE CONSUMPTION AND PRODUCTION



*Investment standards along with training and advice on efficient resource management help ensure sustainable production practices. DEG (Germany) and FMO (Netherlands) have helped local financial institutions to adopt more responsible environmental and social standards for financing of companies, including in industries such as shipwrecking.*



*Governance, transparent company structures and standards help ensure accountable business practices. CDC (UK) provides a free-to-use Environmental Social and Governance toolkit for fund managers in emerging markets.*



# Why do clients choose to work with European DFIs?

## CLIENT INTERVIEW /

**Dr. Yaw Akoto**

CEO of the mobile internet service provider Surfline Communications Ltd. in Ghana

### *What is the business plan of your company?*

Surfline communications was established in 2011 and in 2014 we became the primary provider of 4G LTE services in Ghana. We are a wholly-owned Ghanaian company and we now market our services to businesses and individual consumers in the three major cities in the country.

### *What were the reasons for cooperating with a European DFI?*

We were seeking financing to extend our operations beyond Accra to two more cities in Ghana. DEG was able to structure the financing so it was well aligned with our capital requirements. We used the long-term loan from DEG primarily for the expansion into Takoradi and Kumasi. We have commercially launched in Takoradi and about to launch in Kumasi. The structure of the long-term loan is such that it was aligned with the capital requirements of the business. Building on the recent expansion, Surfline would like to deepen the relationship with DEG in more projects to roll-out nationwide and go beyond Ghana to the West African sub-region.

## CLIENT INTERVIEW /

**Jarl Heijstee**

Managing Partner at XSML

### *What is the business plan of your funds?*

ARF targets growing, well-managed SMEs in the Central and East-African region. Our funds follow an investment strategy of providing financing to fast-growing companies. Currently many opportunities remain unsupported due to lack of risk capital and support. By filling this gap, we can help promote entrepreneurial opportunities. The businesses we fund often have good regional growth prospects. The fund's investments are made mostly through mezzanine or quasi-equity instruments which generate income through interest payments whilst securing an upside equity potential.

### *Why have you chosen to cooperate with European DFIs?*

The European DFIs have offered us a long-term partnerships and they are committed to investing in the regions that we focus on. They have a great network which we can benefit from. In addition, the DFIs can help our investee companies gain access to additional finance. They support a technical assistance facility for the SMEs we invest in and they are able to co-invest with us when needed.

**Surfline Communications Ltd.** is a telecommunications service provider, operating a 4G long term evolution (LTE) network in Ghana. The company supplies customers with mobile internet connectivity, data and product bundles, 4G LTE devices, and phone and tablet accessories. The company obtained a long-term loan from DEG in 2015 to support the expansion of its operations.

**CLIENT INTERVIEW /**

**Baigalmaa Chinbat**  
**Finance Manager at Clean Energy LLC in Mongolia**

*What is the business plan of the Salkhit Wind Farm?*

The Salkhit wind farm is a 50 MW greenfield project and the first wind farm in Mongolia. With the Salkhit wind farm, Clean Energy LLC is also the first renewable energy generator to be connected with central grid in Mongolia and the company obtained the first power purchase agreement with the Mongolian government.

**Clean Energy LLC** was established in 2004 as the first renewable energy investment company in Mongolia. The company has developed the Salkhit project, a 50 MW wind farm, which has been operational since 2013. Clean Energy LLC is a joint venture between Newcom LLC, a Mongolia-based infrastructure developer, and a number of international partners. FMO was the promoting partner on a significant long-term senior loan provided by FMO and other European DFIs through the ICCF to help finance the Salkhit wind farm.

*How do you expect to contribute to development outcomes in the countries where you operate?*

XSML believes that support for local entrepreneurship can contribute to sustainable economic development in frontier markets such as the Democratic Republic of Congo. By stimulating entrepreneurial endeavors, jobs and income are created. We track the creation of jobs as we believe jobs are key to lift people out of poverty. We also focus on providing basic goods and services, in particular increasing access to affordable education and health care. ■

*What is the value-added of the investment made by European DFIs?*

Salkhit represents the first project initiated by the private sector in a market without a lot of prior experience in private investments. The DFIs have contributed their expertise and international experience quite relentlessly in helping develop this project together with Newcom.

*Why is this an important project for Mongolia?*

The Salkhit wind farm is a flagship project for Mongolia's renewable energy sector. The project has introduced new and advanced technology and knowhow to the industry. We are proud to have completed the project in line with international best quality and safety standards where the majority of almost 4,000 employees involved in the project are Mongolians. The project is expected to cut CO2 emissions by 180,000 tonnes and save 1.6 million tons of fresh water annually. The project has also set an important example in Mongolia for a successful partnership between the government and private sector and we expect that this positive experience will pave the way for future investments in the energy and other vital infrastructure sectors. ■

**XSML** Capital, eXtra Small Medium Large, is an investment fund manager focused on frontier markets in Central Africa which aims to help grow small business into medium and large enterprises. The company currently has two funds under management. The Central Africa SME Fund (CASF) was established in 2010 with a focus on DRC and CAR with a US\$25 million target. The African Rivers Fund (ARF) has a US\$50 million target and reached its first close in 2016. Investors in ARF include BIO, CDC Group, FMO, and Proparco's FISEA, along with the IFC.





# Cooperation among European Development Finance Institutions

**Cooperation among European DFIs is facilitated through the EDFI Association and a number of joint investment facilities.**

## 5.1 The EDFI Association

EDFI, the Association of European Development Finance Institutions, was founded in 1992 and currently has 15 member institutions. Collectively, these member institutions employed more than 1,800 investment professionals and support staff, at the end of 2015, working from headquarters in Europe and 42 overseas offices in more than 20 countries in developing regions.

EDFI member institutions are focused on the development of private sector enterprises and operate in developing and reforming economies. In general, they are mandated by their governments to foster growth in sustainable businesses; to help reduce poverty and improve people's lives; and to contribute to the global development goals. Although the EDFI members have slightly different mandates and strategies, they are guided by one common vision:

*"To improve people's lives – for current and future generations – in the world's poor places through the engine of private sector growth. We believe that entrepreneurship is key to creating sustainable economic growth and jobs. Therefore, we enter markets where few others dare to tread and provide long-term financing at market-oriented rates."*

EDFI members regard themselves as a "club of members" rather than as one institution. They believe that, in many instances, they can be more effective and efficient by working together. In addition, as European institutions, they share a common desire to support the European Union in its development efforts. They have created the EDFI association as a value-adding platform and as a service provider that will support all members to realise their vision by:

- > Fostering EDFI members' cooperation with European Union institutions, and with other DFIs such as bilateral DFIs outside Europe and the IFC,
- > Improving the efficiency and effectiveness of EDFI members,
- > Facilitating knowledge-sharing and learning,
- > Helping to raise the profile of EDFI members, and
- > Providing financing opportunities to EDFI members.



## 5.2 Joint investment facilities

The European DFIs have set up a number of facilities to promote joint investment activities among EDFI members and with other institutions. These facilities enable participating institutions to invest more easily alongside one-another and help mobilise funds to bring about larger-scale projects. The facilities are characterised by relatively efficient and fast-track processes with low administrative overheads.



### EUROPEAN FINANCING PARTNERS

The European Financing Partners (EFP) initiative was created in 2003 by EDFI members and the EIB, with the twin aims of promoting sustainable development and strengthening co-operation between EDFI members and the EIB. EFP provides financing for private sector projects in Africa, the Caribbean and the Pacific. Available financial instruments are senior loans, mezzanine debt, equity, quasi-equity and guarantees and EFP can provide up to three times the financing provided by the EFP shareholder acting as Promoting Partner. At the end of 2015, EFP had committed €454 million to 35 projects. EFP's owners are 12 EDFI members and the EIB.

**These facilities enable participating institutions to invest more easily alongside one-another and help mobilise funds to bring about larger-scale projects.**



### INTERACT CLIMATE CHANGE FACILITY (ICCF)

The Interact Climate Change Facility (ICCF) was created in 2011 by EDFI members with AFD and EIB, to build on the success of the EFP initiative by increasing collaboration in the climate finance sector. ICCF is dedicated to co-financing renewable energy and energy efficiency projects in low and middle income countries. Available financial instruments are senior loans, mezzanine debt, equity, quasi-equity and guarantees. ICCF can provide up to three times the financing provided by the EFP shareholder acting as Promoting Partner. At the beginning of 2016, ICCF had committed €336 million to 21 projects in 12 different countries, mainly in Africa and Asia. These investments have contributed to installing 1,147 MW of additional renewable energy capacity and to reducing carbon emissions by almost two million tonnes per year. ICCF's owners are 11 EDFI members, AFD, and EIB.



### ELECTRIFI

The Electrification Financing Initiative (ElectriFI) is a recent initiative launched at the end of 2015 by the European Commission and EDFI members. ElectriFI aims to support renewable energy investments and accelerate access to modern energy services, primarily in remote rural communities and off-grid situations. A key function of the facility is to help make projects bankable for senior debt providers. The initiative provides catalytic risk capital and advisory services, primarily at the early project stage or in highly additional situations where extra financing is required to reach financial close. ElectriFI is a €75 million blending facility funded by the European Commission and managed by FMO and the new EDFI Management Company. Approximately 15% of the initial funding is allocated to finance a technical assistance unit, which will provide support to promoters over a period of up to 10 years.

In addition to ElectriFI, EDFI members are working with the European Commission on the development of similar financing initiatives in other sectors such as agribusiness and forestry.

## TECHNICAL NOTES

This annex provides technical notes and sources for figures in the report

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### FIGURE 1

Note: Figures for 2030 are projections based on a medium scenario with country-specific per capita growth rates as observed during 2004-2013.

Source: World Bank / IMF “Global Monitoring Report 2015/2016”

### TABLE 1

Note: ODA is net ODA from DAC countries; FDI is net FDI inflows; Tax is domestic government revenue; Domestic private finance if gross fixed capital formation less FDI.

Source: World Bank Development Indicators, IMF

### FIGURE 3

Note: ODA is net official development assistance from DAC countries, DFI is annual commitments from DFIs. Current prices have been converted to constant 2014 prices by dividing current price series by the “Total DAC” deflator.

Source: OECD stat, IFC “International Finance Institutions and Development Through the Private Sector”, DFI annual reports, OECD DAC deflators

### FIGURE 4

Note: Figures reflect resources on and off balance sheet. For EDFI members established after 2005, the initial shareholders’ equity in establishment year is stated in replenishment figure (OeEB and SOFID).

Source: DFI annual reports

### FIGURE 5

Note: Announcements made by governments of Belgium, Denmark, France, Finland, Norway, Sweden, Switzerland and United Kingdom on recent replenishments and new capital on and off DFIs’ balance sheets from 2008 to 2015.

### FIGURE 8

Note: Geographical regions are defined as follows:

- *Sub-Saharan Africa* consists of ‘Sub-Saharan Africa’ and ‘South Africa’.
- *East Asia & Pacific* consists of ‘China’, ‘South East Asia’ and ‘Pacific’.
- *Europe & Central Asia* consists of ‘Central and Eastern Europe’, ‘Russia’ and ‘CIS’.
- *South Asia* consists of ‘South Asia’.
- *Middle East & North Africa* consists of ‘Middle East’, ‘Mediterranean Countries’ and ‘North Africa’. ‘Mediterranean countries’ also covers Turkey.
- *Latin America & Caribbean* consists of ‘South America’, ‘Central America’ and ‘Caribbean’.
- *Other & multi-country* consists of ‘Other countries and Inter-regional’.

### FIGURE 9

Note: The EDFIs business sectors have been split to reflect distribution by final beneficiary. ‘Investment funds’ have been split into sectors according to their sector focus, and hence is not part of ‘financial sector’ unless their specific focus is ‘finance’.

- *Financial sector* consists of ‘Commercial banks’, ‘Microfinance institutions’, ‘Leasing companies’, ‘Specialised credit institutions’, ‘Other’ and ‘Investment funds, financial sector’
- *Power* consists of ‘Power’
- *Infrastructure* consists of ‘Water’, ‘Mining’, ‘Roads, ports & airports’, ‘Telecom.’, ‘Hotels’, ‘Other’ and ‘Investment funds, infrastructure’
- *Agribusiness* consists of ‘Agribusiness’ and ‘Investment fund, agribusiness’
- *Industry/manufacturing* consists of ‘Industry/manufacturing’ and ‘Investment funds, industry/manufacturing’
- *Services* consists of ‘Services’ and ‘Investment funds, services’
- *Other* consists of ‘Other’ and ‘Investment funds, other’

### FIGURE 11

Note: Based on studies of ~600 projects by FMO, Proparco and DEG. FMO study covers projects approved in 2000-2002 and mostly evaluated in 2005-2007, Proparco study covers projects financed in 2000-2006 based on expected impacts, DEG study is an internal correlations analysis

Source: EDFI / Dalberg Global Development Advisors “The Growing Role of the Development Finance Institutions in International Development Policy”

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# EDFI MEMBER PROFILES

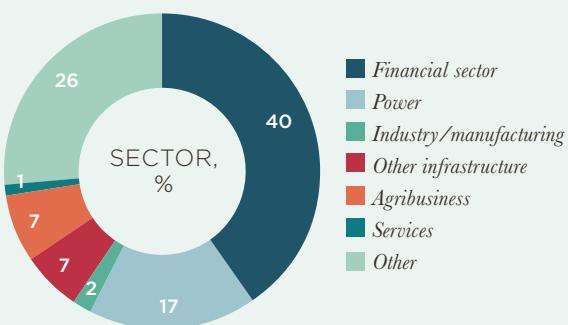
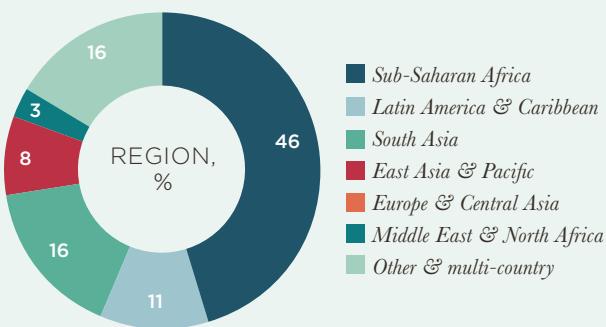


# BIO /BELGIUM

BELGIAN INVESTMENT COMPANY  
FOR DEVELOPING COUNTRIES

BIO – the Belgian Development Finance Institution – was founded in 2001 and joined EDFI in 2002. BIO is a Limited Liability Company (S.A.), wholly owned by the Belgian government. BIO's mission is to support a strong private sector in developing and/or emerging countries, to enable them to gain access to growth and sustainable development within the framework of the SDGs. BIO is held to a management contract signed every 5 years between BIO and the Belgian state.

## PORTFOLIO OVERVIEW 100 % = €622 MILLION



Development  
through  
Investment

Avenue de Tervueren 188A b4, 1150 Brussels, Belgium

**Website:** [www.bio-invest.be](http://www.bio-invest.be)



## KEY NUMBERS BY THE END OF 2015



### INVESTMENTS

€116 million in new annual commitments to 22 projects  
€622 million in total portfolio of 153 projects  
€157 million in investment funds



### FINANCIAL INSTRUMENTS

31% equity and quasi equity  
69% loans  
0% guarantees



### TECHNICAL ASSISTANCE

€0.3 million approved in 4 projects, 100 % government funding



### INVESTMENT PRIORITIES

BIO can invest in countries classified as developing countries by the OECD-DAC list.

BIO's strategy focuses on three areas: financial sector, enterprises and infrastructure projects.



### STAFF

44 employees



### OFFICES

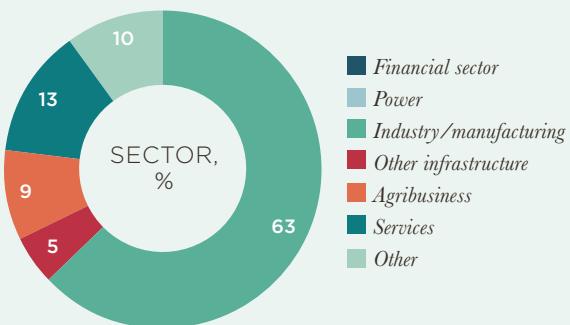
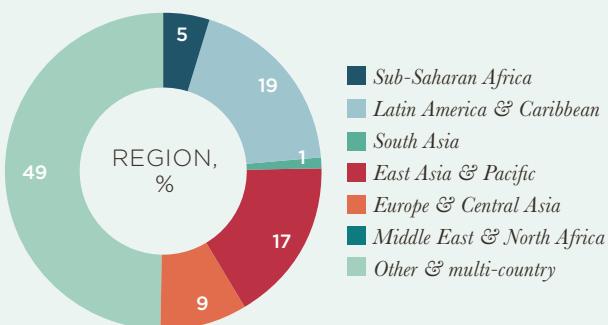
**HQ office:** Brussels, Belgium

# BMI-SBI /BELGIUM

BELGIAN CORPORATION FOR  
INTERNATIONAL INVESTMENT

BMI-SBI was established in 1971 and joined EDFI in 1992. BMI-SBI is a Limited Liability Company (S.A.). 63% of its shareholders' capital is held by the Belgian government through the Belgian Federal Participation and Investment Company and the National Bank of Belgium, while the remaining 37 % is held by banking institutions and other private companies. The mission of BMI-SBI is to provide medium or long term co-financing to business ventures made by Belgian private companies abroad. A Belgian interest is required for BMI-SBI participation.

## PORTFOLIO OVERVIEW 100 % = €22 MILLION



Avenue de Tervueren 168, bte 9 B-1150 Brussels, Belgium

**Website:** [www.bmi-sbi.be](http://www.bmi-sbi.be)



## KEY NUMBERS BY THE END OF 2015



### INVESTMENTS

- €8 million in new annual commitments to 7 projects
- €22 million in total portfolio of 25 projects
- €0 million in investment funds



### FINANCIAL INSTRUMENTS

- 94% equity and quasi equity
- 6% loans
- 0% guarantees



### INVESTMENT PRIORITIES

BMI-SBI can invest worldwide; its reach extends to emerging or developing countries as well as to countries in the industrialized world.

BMI-SBI can invest in all sectors, but preference goes to investments in industry sector.



### STAFF

6 employees



### OFFICES

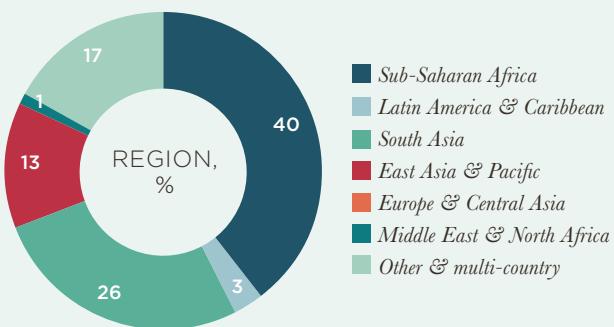
**HQ office:** Brussels, Belgium

# CDC /UNITED KINGDOM

CDC GROUP PLC

CDC – the UK's Development Finance Institution – was established in 1948 and joined EDFI in 1992. It is the world's oldest DFI. CDC is a Public Limited Company and is wholly owned on behalf of the UK government by the Department for International Development (DFID). Its mandate is to support the growth of businesses and jobs creation across Africa and South Asia.

## PORTRFOOLIO OVERVIEW 100 % = €5,998 MILLION



123 Victoria Street London SW1E 6DE United Kingdom  
**Website:** [www.cdcgroup.com](http://www.cdcgroup.com)



## KEY NUMBERS BY THE END OF 2015



### INVESTMENTS

€958 million in new annual commitments to 22 projects  
€5,998 million in total portfolio of 208 projects  
€4,692 million in investment funds



### OTHER FUND MANAGEMENT

CDC manages the DFID Impact Fund, which was launched in 2012 as a fund of funds with £75 million in capital from DFID.



### FINANCIAL INSTRUMENTS

87% equity and quasi equity  
6% loans  
7% guarantees



### INVESTMENT PRIORITIES

CDC concentrates on the low and middle income countries of Sub-Saharan Africa and South Asia.

Prioritised sectors are manufacturing, agribusiness, infrastructure, financial institutions, construction, health and education.



### STAFF

161 employees



### OFFICES

**HQ office:** London, UK  
**Other offices:** India

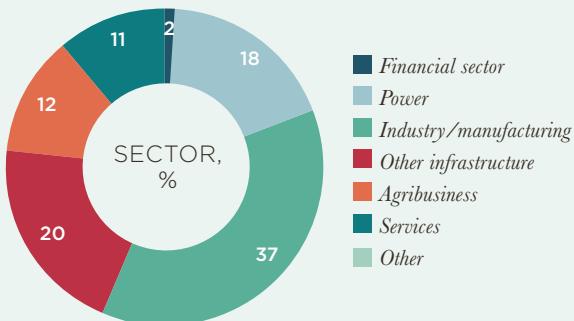
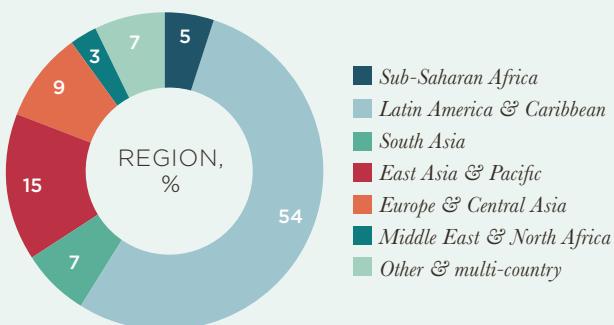
# COFIDES /SPAIN

COMPAÑÍA ESPAÑOLA DE FINANCIACIÓN  
DEL DESARROLLO S.A.

COFIDES – the Spanish Development Finance Institution – was founded in 1988 and joined EDFI in 1992. COFIDES is a Limited Liability Company (S.A.), owned by the Spanish government (53%) through different public institutions and the four largest Spanish commercial banking groups (47%). COFIDES is under the aegis of the Ministry of Economy and Competitiveness. The ultimate aim for COFIDES is to drive forward profitable business that contributes both to host country development and the internationalisation of Spanish enterprises and the Spanish economy. Ties to Spanish interests are required.

## PORTFOLIO OVERVIEW

100 % = €865 MILLION



Funding for your investment abroad

C/ Paseo de la Castellana, 278, 28046 Madrid, Spain

**Website:** [www.cofides.es](http://www.cofides.es)



## KEY NUMBERS BY THE END OF 2015



### INVESTMENTS

€313 million in new annual commitments to 44 projects  
€865 million in total portfolio of 221 projects  
€51 million in investment funds



### OTHER FUND MANAGEMENT

COFIDES manages two Spanish Government trust funds to support Spanish investments abroad, the Fund for SME Foreign Investment Operations (FONPYME) and the Fund for Foreign Investment (FIEX).



### FINANCIAL INSTRUMENTS

40% equity and quasi equity  
60% loans  
0% guarantees



### INVESTMENT PRIORITIES

COFIDES can invest in any developing or emerging country, regardless of its per capita income.

COFIDES can back projects in all productive industries, except real estate and defense sectors and other activities excluded by environmental and social policy.



### STAFF

72 employees



### OFFICES

**HQ office:** Madrid, Spain

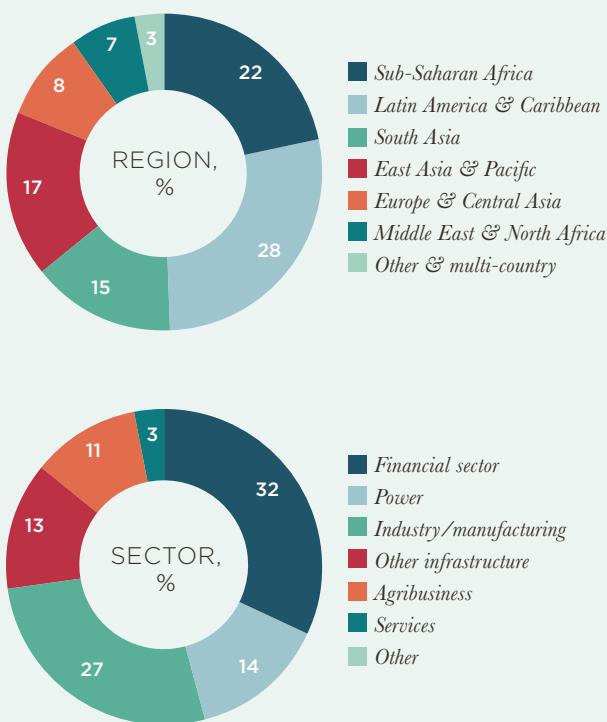
# DEG /GERMANY

DEUTSCHE INVESTITIONS- UND  
ENTWICKLUNGSGESELLSCHAFT MBH

DEG – the German Development Finance Institution – was established in 1962 and joined EDFI in 1992. It is a Limited Liability Company (GmbH) and is wholly owned by KfW. KfW is owned by the German Federal government (80%) and Länder (20%). The Ministry of Economic Cooperation and Development holds the position of Head of the Supervisory Board. The mission of DEG is to promote business initiatives in developing and emerging market countries as a contribution to sustainable growth and improved living conditions of the local population.

## PORTFOLIO OVERVIEW

100 % = €7,191 MILLION



**KFW DEG**

Kämmergasse 22, 50676 Cologne, Germany

**Website:** [www.deginvest.de](http://www.deginvest.de)



## KEY NUMBERS BY THE END OF 2015



### INVESTMENTS

€1,064 million in new annual commitments to 79 projects

€7,191 million in total portfolio of 749 projects

€1,262 million in investment funds



### FINANCIAL INSTRUMENTS

45% equity and quasi equity

55% loans

0% guarantees



### TECHNICAL ASSISTANCE

€4.9 million approved in 73 projects. 63 % own funding

and 37 % government funding



### INVESTMENT PRIORITIES

DEG invests in OECD/DAC countries.

DEG invests in undertakings in all sectors of the economy, ranging from agribusiness to the manufacturing industry and services to infrastructure.



### STAFF

526 employees



### OFFICES

**HQ office:** Cologne, Germany

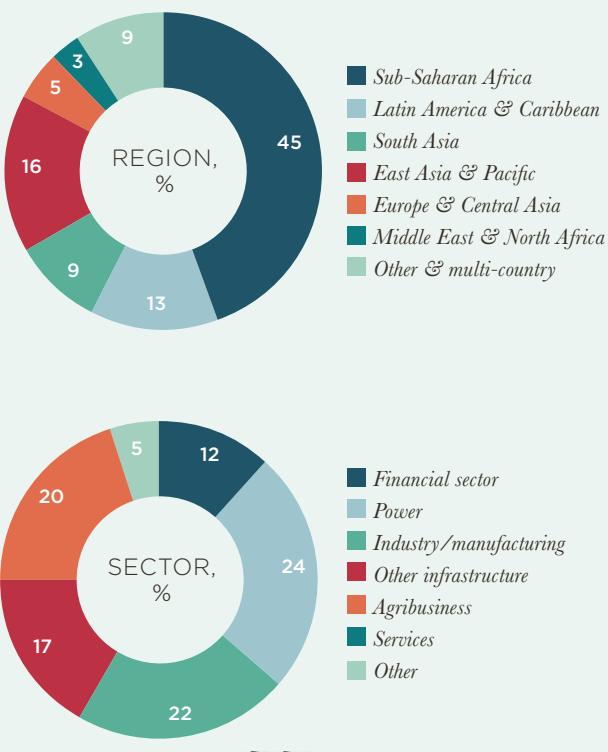
**Other offices:** Mexico, Mercosur, Andean Countries, Turkey, Russian Federation, Thailand, Singapore, Indonesia, India, China, West Africa, Southern Africa and East Africa.

# FINNFUND /FINLAND

TEOLLISEN YHTEISTYÖN RAHASTO OY

Finnfund – the Finnish Development Finance Institution – was established in 1970 and joined EDFI in 1992. Finnfund is a Limited Liability Company (Oy) and is owned by the State of Finland (93.4%), Finnvera (6.5%) and Confederation of Finnish Industries EK (0.1%). It is operating under the domain of the Ministry of Foreign Affairs and holds a banking license. The mission of Finnfund is to promote economic and social development in developing countries by financing responsible and profitable private projects. Finnish interest is required for Finnfund's participation.

## PORTFOLIO OVERVIEW 100 % = €602 MILLION



Uudenmaankatu 16, 00120 Helsinki, Finland  
**Website:** [www.finnfund.fi](http://www.finnfund.fi)



## KEY NUMBERS BY THE END OF 2015

### INVESTMENTS

€83 million in new annual commitments to 18 projects  
 €602 million in total portfolio of 161 projects  
 €143 million in investment funds

### FINANCIAL INSTRUMENTS

58% equity and quasi equity  
 42% loans  
 0% guarantees

### TECHNICAL ASSISTANCE

€7.4 million approved in 167 projects (by Finnpartnership),  
 100 % government funding



### INVESTMENT PRIORITIES

Finnfund invests in countries which OECD-DAC has classified as developing countries and Russia.

### STAFF

54 employees

### OFFICES

**HQ office:** Helsinki, Finland

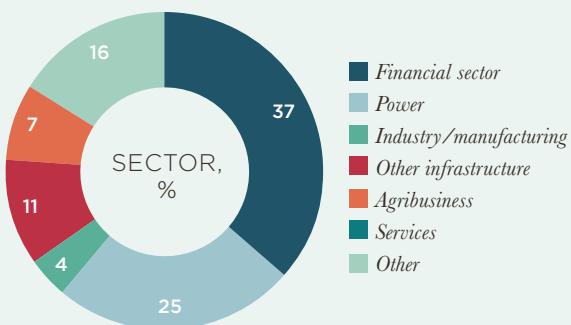
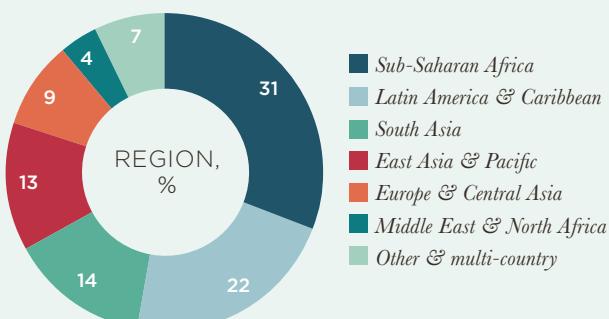
# FMO /THE NETHERLANDS

NEDERLANDSE FINANCIERINGS-MAATSCHAPPIJ  
VOOR ONTWIKKELINGSLANDEN N.V.

FMO – the Dutch Development Bank – was founded in 1970 and joined EDFI in 1992. FMO is a Public Limited Liability Company (N.V.) and operates with a banking license. The majority shareholder is the Dutch government (51%), while the remaining shares (49%) are held by private sector entities such as Dutch banks, employers' associations and trade unions. FMO's mission is to empower entrepreneurs to build a better world.

## PORTFOLIO OVERVIEW

100 % = €9,256 MILLION



**FMO**

Entrepreneurial  
Development  
Bank

Anna van Saksenlaan 71, 2593 HW The Hague, the Netherlands

**Website:** [www.fmo.nl](http://www.fmo.nl)



## INVESTMENTS

€1,584 million in new annual commitments to 168 projects  
€9,256 million in total portfolio of 910 projects  
€503 million in investment funds



## FINANCIAL INSTRUMENTS

42% equity and quasi equity  
55% loans  
3% guarantees



## OTHER FUND MANAGEMENT

FMO manages a number of funds on behalf of the Dutch government: the Access to Energy Fund promotes access to energy services; MASSIF supports financial services for MSMEs through financial intermediaries; and the IDF for infrastructure.



## TECHNICAL ASSISTANCE

€3.1 million approved in 75 projects, 40 % own funding and 60 % government funding.



## INVESTMENT PRIORITIES

FMO's investment activities are limited to developing countries, defined as countries that are classified by the World Bank in its recent World Development Report as low income economies, lower middle income economies or upper middle-income economies.

Its strategic focus is on three sectors with high development impact: financial institutions, energy and agribusiness, food & water.



## STAFF

374 employees



## OFFICES

**HQ office:** Hague, the Netherlands

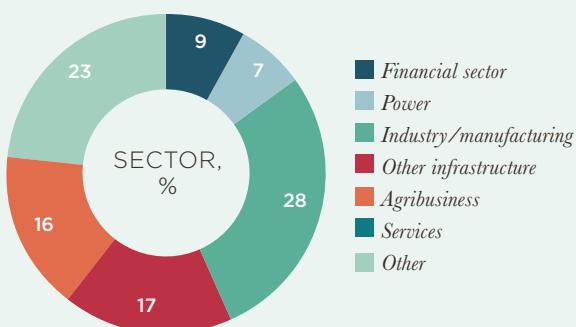
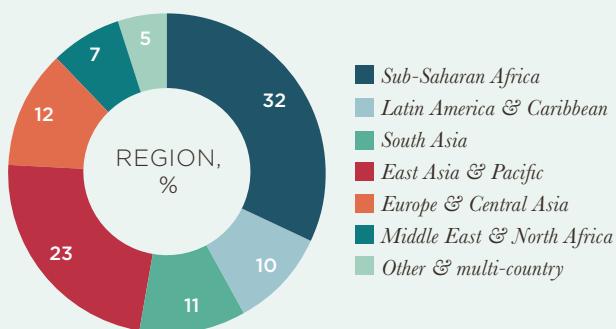
# IFU /DENMARK

INVESTMENT FUND FOR  
DEVELOPING COUNTRIES

IFU – the Danish Development Finance Institution – was founded in 1967 and joined EDFI in 1992. IFU is a self-governing fund established by the Danish government. The Minister of Foreign Affairs appoints the board of IFU and the CEO. IFU's objective is to promote economic activity in developing countries in collaboration with Danish trade and industry. Danish investor, a Danish interest in project or a DFI investor is required for IFU's participation.

## PORTRFOOLIO OVERVIEW

100 % = €572 MILLION



INVESTMENT FUND FOR  
DEVELOPING COUNTRIES



Fredericiagade 27, 1310 Copenhagen K, Denmark

**Website:** [www.ifu.dk](http://www.ifu.dk)

## KEY NUMBERS BY THE END OF 2015



### INVESTMENTS

€89 million in new annual commitments to 21 projects  
€572 million in total portfolio of 211 projects  
€86 million in investment funds



### OTHER FUND MANAGEMENT

IFU also manages funds that have raised capital from institutional investors, alongside IFU capital and support from the Danish government. The Danish Climate Investment Fund and the Danish Agribusiness Fund have both raised more than half their capital from Danish pension funds in their first closing.



### FINANCIAL INSTRUMENTS

65% equity and quasi equity  
34% loans  
1% guarantees



### INVESTMENT PRIORITIES

Investments are made in countries which are eligible to receive official development assistance according to the OECD-DAC list. At least 50% of IFU's investments must be made in countries with a GNI per capita below 80% of the upper limit for LMIC as classified by World Bank. IFU can invest in all sectors.



### STAFF

73 employees



### OFFICES

**HQ office:** Copenhagen, Denmark

**Other offices:** China, India, Kenya, Nigeria, South Africa, Ghana, Colombia, Ukraine, Singapore

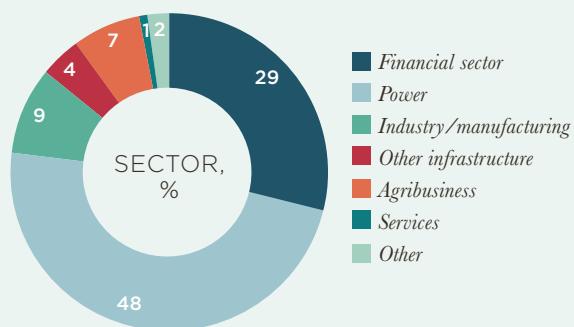
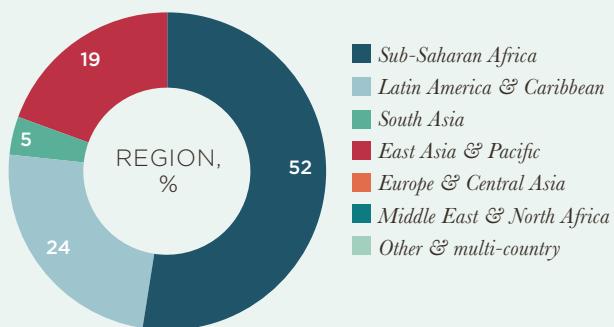
# NORFUND /NORWAY

NORWEGIAN INVESTMENT FUND  
FOR DEVELOPING COUNTRIES

Norfund – the Norwegian Development Finance Institution – was founded in 1997 and joined EDFI in 2001. Norfund is a company by special statute with limited liability, wholly owned on behalf of the Norwegian government by the Ministry of Foreign Affairs. Norfund's mandate is to create sustainable commercial activities in developing countries.

## PORTRFOOLIO OVERVIEW

100 % = €1,573 MILLION



**Norfund**  
Støperigata 2, N-0250 Oslo, Norway  
**Website:** [www.norfund.no](http://www.norfund.no)



## KEY NUMBERS BY THE END OF 2015



### INVESTMENTS

€249 million in new annual commitments to 15 projects  
€1,573 million in total portfolio of 129 projects  
€211 million in investment funds



### OTHER FUND MANAGEMENT

Norfund advises the Bank Investment Company which was founded by four private institutional investors, along with Norfund itself, in 2013. \$140 million is committed to support financial institutions in Sub-Saharan Africa. The private investor will provide 51% of the capital, while Norfund will provide the remaining 49%.



### FINANCIAL INSTRUMENTS

85% equity and quasi equity  
15% loans  
0% guarantees



### TECHNICAL ASSISTANCE

€2.5 million approved in 19 projects, 100 % government funding



### INVESTMENT PRIORITIES

Norfund's main investment regions are Southern Africa and East Africa. Norfund also invests in selected countries in South-East Asia and Central America.

Norfund invests in clean energy, financial institutions and agribusiness in addition to SMEs through investment funds.



### STAFF

70 employees



### OFFICES

**HQ office:** Oslo, Norway

**Other offices:** Kenya, Mozambique, South Africa, Thailand

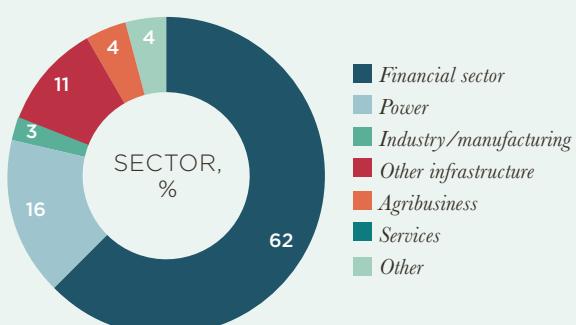
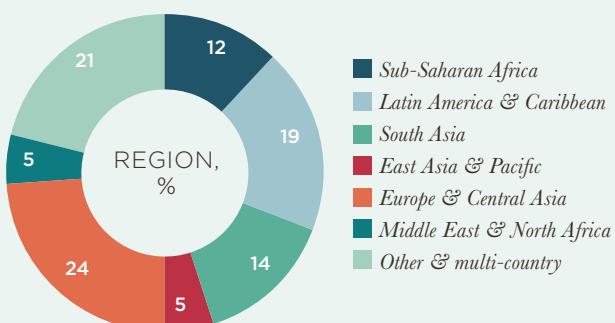
# OeEB /AUSTRIA

OESTERREICHISCHE ENTWICKLUNGSBANK AG

OeEB – the Development Bank of Austria – was established and joined EDFI in 2008. OeEB is a Joint Stock Company and operates with a banking license. It is a wholly-owned subsidiary of Oesterreichische Kontrollbank AG (OeKB), the Export Credit Agency of Austria. It is mandated by the federal government to support commercially self-sustaining projects in the private sector of developing countries and is obligated to support the mission of Austrian Development Cooperation.

## PORTRFOOLIO OVERVIEW

100 % = €973 MILLION



Oesterreichische Entwicklungsbank AG

Oesterreichische Entwicklungsbank AG Strauchgasse 3 1011  
Vienna, Austria

**Website:** [www.oe-eb.at](http://www.oe-eb.at)



## KEY NUMBERS BY THE END OF 2015



### INVESTMENTS

€232 million in new annual commitments to 19 projects  
€973 million in total portfolio of 83 projects  
€173 million in investment funds



### FINANCIAL INSTRUMENTS

24% equity and quasi equity  
66% loans  
10% guarantees



### TECHNICAL ASSISTANCE

€1.6 million approved in 17 projects, 100 % government funding.



### INVESTMENT PRIORITIES

OeEB supports projects in OECD-DAC list countries.

OeEB focuses on the following sectors: MSMEs, renewable energy and resource efficiency.



### STAFF

40 employees



### OFFICES

**HQ office:** Vienna, Austria

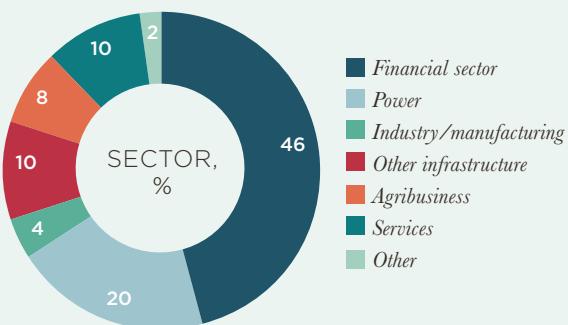
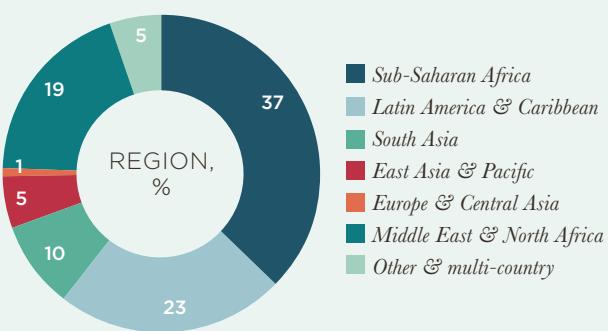
# PROPARCO /FRANCE

SOCIÉTÉ DE PROMOTION ET DE PARTICIPATION  
POUR LA COOPÉRATION ÉCONOMIQUE

Proparco – the French Development Finance Institution – was founded in 1977 and joined EDFI in 1997. Proparco is a Limited Liability Company (S.A.) and a subsidiary of Agence Française de Développement (AFD) with more than 30 shareholders. Alongside AFD (64%), its main shareholders include public and private financial institutions, service companies and ethical funds and foundations. Proparco operates with a banking license. Proparco's mandate is to foster private investment in emerging and developing economies with the aim of supporting growth and sustainability.

## PORTFOLIO OVERVIEW

100 % = €5,623 MILLION



151, rue Saint Honoré 75001 Paris, France  
**Website:** [www.proparco.fr](http://www.proparco.fr)



## KEY NUMBERS BY THE END OF 2015



### INVESTMENTS

€962 million in new annual commitments to 67 projects  
€5,623 million in total portfolio of 480 projects  
€464 million in investment funds



### OTHER FUND MANAGEMENT

Proparco manages FISEA on behalf of the French government, a fund which seeks to promote growth and jobs in Africa with special attention to financing for SMEs.



### FINANCIAL INSTRUMENTS

18% equity and quasi equity  
81% loans  
1% guarantees



### TECHNICAL ASSISTANCE

€0.9 million approved in 12 projects, 15 % own funding and 85 % other funding.



### INVESTMENT PRIORITIES

Proparco operates in all countries eligible for development assistance with high priority for Sub-Saharan Africa and Mediterranean countries.

It focuses on key development sectors: infrastructure (especially renewable energy and energy efficiency), agriculture & agro-industry, banks, financial markets & microfinance, and health & education.



### STAFF

209 employees



### OFFICES

**HQ office:** Paris, France

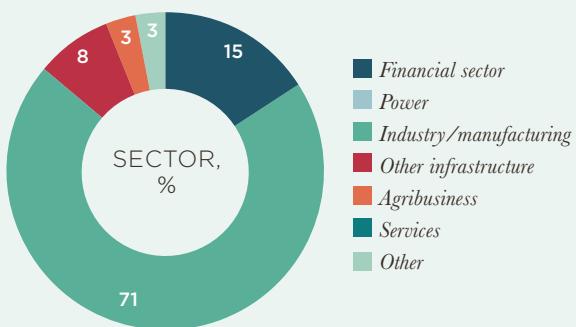
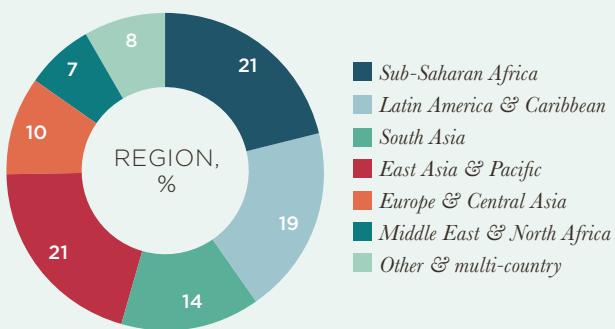
**Other offices:** Brazil, Cameroun, China, India, Ivory Coast, Kenya, Mexico, Morocco, Nigeria, South Africa, Thailand, Turkey

# SIFEM /SWITZERLAND

SWISS INVESTMENT FUND FOR EMERGING MARKETS

SIFEM – the Swiss Development Finance Institution – was established in 2005 and joined EDFI the same year. It took over the investment portfolio of SECO (State Secretariat for Economic Affairs), which had been built up since the late 1990s. SIFEM is a Limited Liability Company (S.A.), wholly owned by the Swiss government. The shareholder rights are exercised by the Federal Council, and SECO remains in close contact with SIFEM supervisory board and Obviam, the fund management company. The task of SIFEM is to promote long-term, sustainable and broad-based growth in developing and emerging countries.

## PORTFOLIO OVERVIEW 100 % = €555 MILLION



Bubenbergplatz 11, 3011 Bern, Switzerland  
**Website:** [www.sifem.ch](http://www.sifem.ch)



## KEY NUMBERS BY THE END OF 2015

### INVESTMENTS

€73 million in new annual commitments to 10 projects  
€555 million in total portfolio of 84 projects  
€507 million in investment funds

### FINANCIAL INSTRUMENTS

79% equity and quasi equity  
21% loans  
0% guarantees

### TECHNICAL ASSISTANCE

€0.8 million approved in 5 projects, 100 % government funding

### INVESTMENT PRIORITIES

SIFEM focuses exclusively on developing and emerging countries, which include the countries whose GNI per capita is below a set threshold (\$7,175 per capita as of 2015) as defined by the International Bank for Reconstruction and Development.

SIFEM invests in the sectors of manufacturing industry, transport, storage, communication, wholesale and retail trade, production of renewable energies, health and education.

### STAFF

17 employees

### OFFICES

**HQ office:** Bern, Switzerland

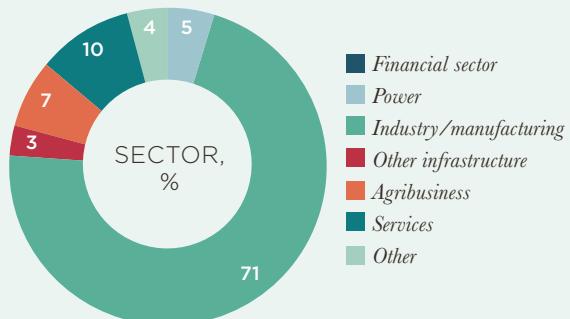
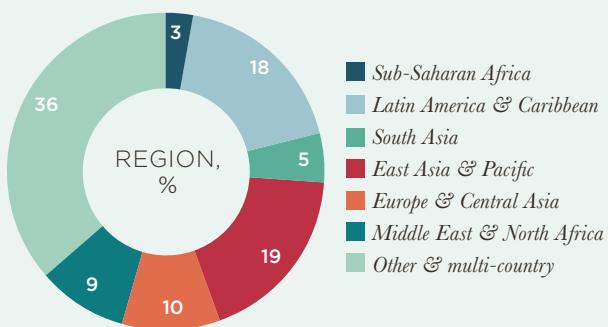
# SIMEST /ITALY

SOCIETÀ ITALIANA PER LE IMPRESE  
ALL'ESTERO SPA

SIMEST – the Italian Development Finance Institution – was established in 1991 and joined EDFI in 1995. SIMEST is a Joint Stock Company (SpA) and is controlled by the publicly owned Cassa depositi e prestiti Group (CDP) - the Italian National Promotional Institution. The remaining shareholders include banks and trade associations. SIMEST was set up to promote foreign direct investment by Italian companies and to provide technical and financial support for investment projects. An Italian partner is required for SIMEST participation.

## PORTFOLIO OVERVIEW

100 % = €2,097 MILLION



Corso Vittorio Emanuele II, 323, 00186 Rome, Italy  
**Website:** [www.simest.it](http://www.simest.it)



## KEY NUMBERS BY THE END OF 2015



### INVESTMENTS

€214 million in new annual commitments to 35 projects  
€2,097 million in total portfolio of 516 projects  
€0 million in investment funds



### OTHER FUND MANAGEMENT

SIMEST manages the Venture Capital Fund, an instrument which was launched in 2004 by the Italian Ministry of Economic Development.



### FINANCIAL INSTRUMENTS

57% equity and quasi equity  
43% loans  
0% guarantees



### INVESTMENT PRIORITIES

SIMEST can invest in all countries.

SIMEST can invest in all sectors, mainly focusing on manufacturing



### STAFF

163 employees



### OFFICES

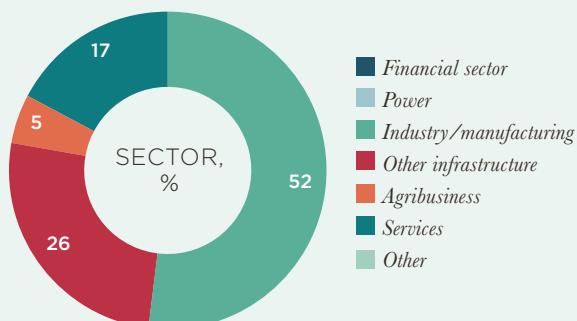
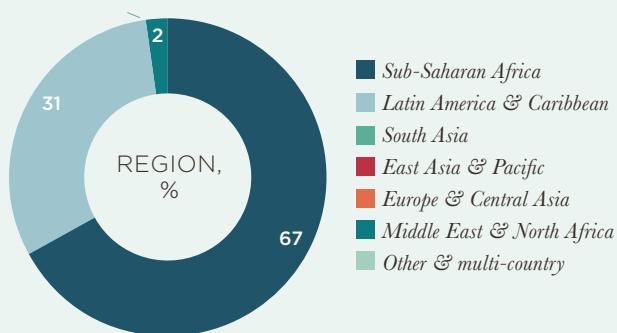
**HQ office:** Rome, Italy

# SOFID /PORTUGAL

*SOCIEDADE PARA O FINANCIAMENTO DO DESENVOLVIMENTO,  
INSTITUIÇÃO FINANCEIRA DE CRÉDITO, SA*

SOFID – the Portuguese Development Finance Institution – was established in 2007 and joined EDFI the following year. SOFID is a Limited Liability Company (S.A.), owned by the Portuguese state (59.99%), four large Portuguese banks (each holding 10 %) and ELO - the Portuguese Association for Economic Development and Cooperation (0.01%). Its mission is to contribute to the sustainable development of the countries with less developed economies, linked with the general strategy for Portuguese cooperation and the Official Development Assistance. Portuguese interest is required for SOFID participation.

## PORTFOLIO OVERVIEW 100 % = €11 MILLION



Av. Casal Ribeiro, n. 14, 4 1000-092 Lisboa, Portugal  
**Website:** [www.sofid.pt](http://www.sofid.pt)



## KEY NUMBERS BY THE END OF 2015



### INVESTMENTS

- €2 million in new annual commitments to 2 projects
- €11 million in total portfolio of 17 projects
- €0 million in investment funds



### FINANCIAL INSTRUMENTS

- 0% equity and quasi equity
- 60% loans
- 40% guarantees



### INVESTMENT PRIORITIES

SOFID is geared to act in any developing and emerging country but focuses in particular on the following regions: Africa (Angola, Cape Verde, Guinea-Bissau, Mozambique, St. Tome and Principe, South Africa, Algeria, Morocco and Tunisia), Asia (China, India and East Timor), and the Americas (Brazil and Venezuela).

SOFID is mostly involved in the manufacturing, infrastructure, tourism and financial sectors.



### STAFF

12 employees



### OFFICES

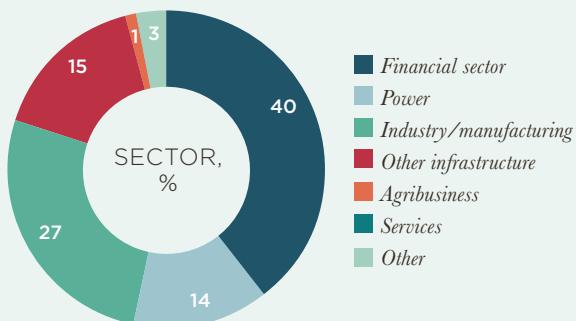
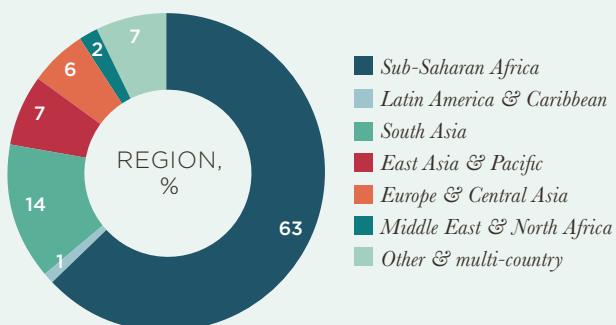
**HQ office:** Lisboa, Portugal

# SWEDFUND /SWEDEN

SWEDFUND INTERNATIONAL AB

Swedfund – the Swedish Development Finance Institution – was established in 1979 and joined EDFI in 1995. Swedfund is a Limited Liability Company (A.B.), wholly owned by the Swedish government. The Ministry of Enterprise and Innovation has the owner's responsibility for Swedfund since January 1, 2015, but the Foreign Ministry has continued responsibility for relevant issues, development policies etc. Swedfund's goal is to eliminate poverty by creating sustainable business in some of the world's toughest and most promising growth markets.

## PORTFOLIO OVERVIEW 100 % = €376 MILLION



**Swedfund**

Drottninggatan 92-94 P.O. Box 3286, 65 Stockholm, Sweden

**Website:** [www.swedfund.se](http://www.swedfund.se)



## KEY NUMBERS BY THE END OF 2015



### INVESTMENTS

€41 million in new annual commitments to 5 projects  
€376 million in total portfolio of 91 projects  
€89 million in investment funds



### FINANCIAL INSTRUMENTS

56% equity and quasi equity  
44% loans  
0% guarantees



### TECHNICAL ASSISTANCE

€0.2 million approved in 3 projects, 100 % government funding.



### INVESTMENT PRIORITIES

Swedfund invests in countries which qualify for development finance according to the OECD-DAC definition. Investment in low income countries and post-conflict countries should be a priority.

Prioritised sectors include manufacturing industry, the service sector, financial institutions as well as the energy sector.



### STAFF

36 employees



### OFFICES

**HQ office:** Stockholm, Sweden

**Other offices:** Kenya

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Rue de la Loi, 81A, B-1040, Brussels, Belgium

EDFI is the Association of 15 European bilateral development finance institutions and was founded in 1992. The Association strives to strengthen information flow and cooperation between its members, with the European Union institutions, and with other DFIs.

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