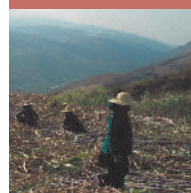
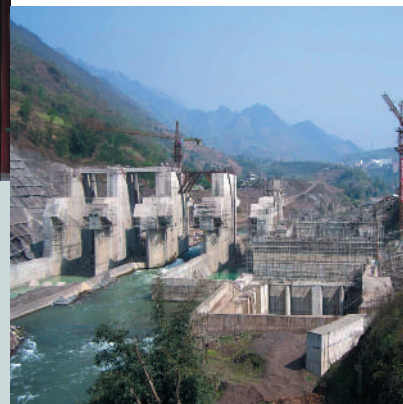


# PROPARCO in China



Proparco

Investing in a sustainable future

# an institutional partner working for sustainable development

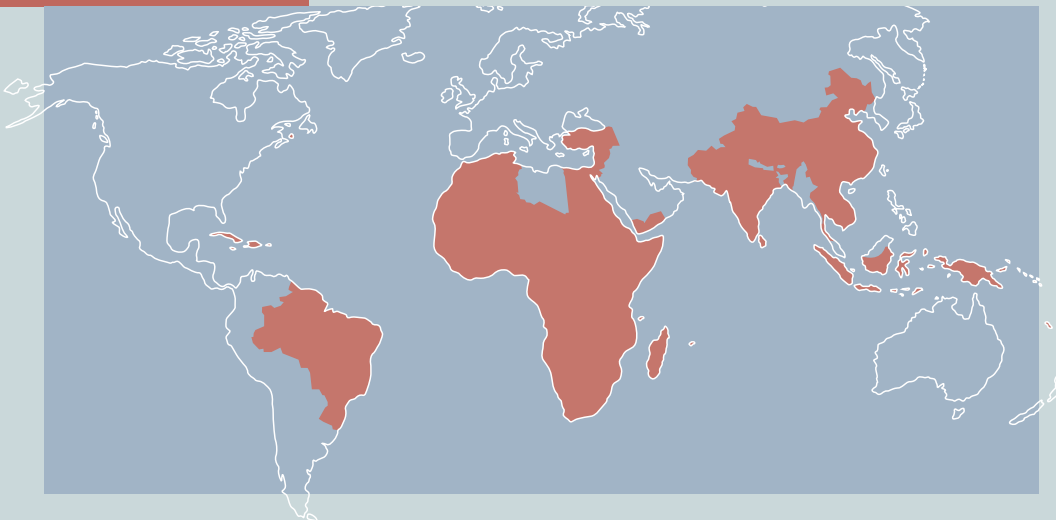
PROPARCO is a French financial development institution and provides innovative solutions for long-term investments in emerging and developing countries. It is jointly owned by Agence Française de Développement (AFD) and by private shareholders from the North and South. PROPARCO's unique public-private shareholding demonstrates its commitment to its missions of general interest. It also underscores the quality and professionalism of PROPARCO's activities.

PROPARCO's mission is to promote private investment in support of growth and sustainable development. It finances operations which are economically viable, socially equitable, environmentally sustainable and financially profitable.

PROPARCO's sectoral strategy is tailored to each country and focuses on the productive sector, financial systems and infrastructure. It invests in a geographical area encompassing major emerging countries and the poorest countries, particularly in Africa.

## PROPARCO's key figures

2007 commitments .....	€598M
Incl. equity investments .....	€78M
Total risk .....	1,15 billion €
Share capital .....	€420M
Staff .....	80



## PROPARCO in China

PROPARCO began its operations in China in 2004 when Agence Française de Développement extended its activities to include China. A representation office was opened in Beijing in September 2006 after a two-year exploratory period. PROPARCO has a mandate to work in all the provinces of continental China.

Our strategy for activities in China is in line with the framework agreement signed in October 2004 by AFD and the Chinese Ministry of Finance in the presence of Presidents Hu Jintao and Jacques Chirac. The agreement defines AFD's main sectors for operations in China. Our strategy also integrates the targets of the joint Franco-Chinese declaration on the environment and sustainable development signed by Presidents Hu Jintao and Nicolas Sarkozy in November 2007 which heralds a new partnership for strategic dialogue between both countries in terms of combating climate change and preserving biodiversity.

# protecting Global Public Goods

## Combating climate change

China has been the world's largest CO<sub>2</sub> emitter since 2007. It has now overtaken the United States with over 6 100 million tons CO<sub>2</sub>-eq of annual emissions i.e. around one sixth of total emissions in the world.

PROPARCO finances projects which mitigate greenhouse gas emissions. Its target sectors are industry, electricity generation, energy, the residential sector, transport and agriculture: renewable energies, combined cycles, natural gas networks, biogas, biofuels, improving industrial lines, urban heating networks, manufacturing high-insulation construction materials, reducing fugitive coke-oven and refinery emissions, mine methane, limiting flaring, vehicle technical control networks, developing public transport...

## Preserving biodiversity

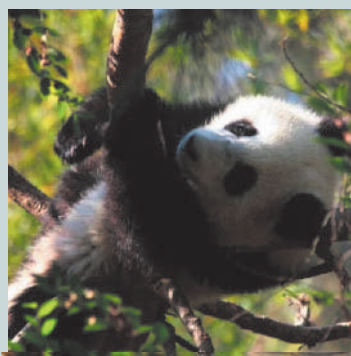
China boasts unique biodiversity thanks to the size of its territory, its marine and river areas, its varied and complex ecosystems and the ancient origins of its flora and fauna. It has the world's third largest flowering plant population after Brazil and Colombia.

PROPARCO focuses its activity on forest protection by financing certified wood exploitation and helping reduce SO<sub>2</sub> emissions in provinces most affected by acid rain. Its operations will also focus on preserving aquatic environments by supporting sustainable fish and shellfish farming, financing urban wastewater treatment plants and promoting the development of biological agriculture. PROPARCO also gives priority to projects which promote the sustainable production of Chinese medicinal plants.

## Combating major pandemics

The risk of the emergence of new diseases due to viral mutation and the transmission of such emerging pathogenic germs is heightened by world population growth, densification, overcrowding with animal species and globalized trade. These risks can be seen with the human AIDS pandemic in the eighties, the outbreak of SARS in 2002, with no reemergence to date, and the repeated outbreaks of avian flu over the past three years.

China has been mainly affected by avian flu and SARS. The first outbreaks of avian flu occurred in January 2004. To date there have been over 88 outbreaks of infection flare-ups in 23 provinces. China is the fourth most



## Developing renewable energies

PROPARCO allocated a €7.8M loan to Yunnan Zhongda Yanjin Power Generation Co. to finance the construction and operation of three small dams in Yunnan Province with a total capacity of 78 MW.

The project helps develop clean energy and will benefit from revenues from the sale of carbon credits under the Kyoto Protocol Clean Development Mechanism.



## Reducing coal dependency

PROPARCO signed a €25M mezzanine loan agreement with China Gas, one of China's leading operators in gas distribution network construction and operation as well as gas supply to the general public and industry.

The project will contribute to a gradual conversion from urban coal-fired boilers to natural gas which has lower greenhouse gas emissions and is more economical.



affected country in the world. Between November 2002 and July 2003 over 7 000 people were infected with SARS in China and Hong Kong and 650 people died, accounting for 85 % of confirmed cases in the world.

PROPARCO promotes the development of poultry facilities complying with best sanitary practices, finances tests and vaccines, supports the development of hospital waste collection and treatment units and invests in private hospital development in provinces lacking facilities.

## promoting French presence in China



### Promoting French know-how

PROPARCO acquired a €5M stake in the Cathay Capital I Fund. The €50M fund will mainly finance the development of French corporates in China. French SMEs have trump cards in terms of the Chinese market but their success hinges on building local partnerships able to provide commercial outlets and guarantee legal security. The fund boasts the experience and dual culture of its two promoters. It aims to identify and structure partnerships and finance their implementation through equity investments in the capital of the SMEs. This should involve around twelve operations ranging from €2M to €5M.

PROPARCO pays attention to promote the development of French presence activity and raising France's profile in China. We work in close partnership with our institutional partners such as Chambers of Commerce and Industry, Economic Missions, Club Ademe International or Ubifrance. French corporates benefit from our knowledge of strategically targeted markets. They also benefit from our contacts with Chinese players on these markets or our contacts with corporates, institutions and administrations. We can also provide financing to promote the establishment of French corporates in China or the purchase of French equipment by Chinese corporates.

Our projects also allow us to act as a business facultator for consultants or French equipment manufacturers. We observed that a number of French SME projects were small-scale and consequently built partnerships with a local bank (UCB China) and a French investment fund (Cathay Capital) in order to provide tailored solutions.

# Resources tailored to your needs



## A team and a network

PROPARCO's teams have wide-ranging skills and experience in three sectors: financial systems, infrastructure and the productive sector. These teams can capitalize on knowledge built up for over thirty years and are backed up by teams of professionals in equity investment and legal engineering.

PROPARCO is active in over 50 countries and with the goal to grasp the local context and to be close to its customers on the long run, PROPARCO has built up a unique network of seven dedicated offices around the world to ensure long-term local services for its clients. It also benefits from support thanks to AFD's fifty agencies.

## Instruments tailored to the needs of investors in China

PROPARCO has a wide range of instruments to meet the three major needs private corporates require before investing in emerging and developing countries: access to long-term financing, risk hedging and sharing, and financial engineering solutions tailored to country-specific issues.

We provide financings in loans (long-term, senior, junior and mezzanine, up to €100M with maturities of up to twenty years and with fixed or floating rates) and equity (minority shareholdings up to €10M in expanding corporates with 5 to 7 year maturities). PROPARCO's signature is also a guarantee of solvency and helps mobilize resources in local currency by private sector borrowers.

PROPARCO's range of services can also include financial instruments created, managed and promoted by AFD Group in order to meet the specific needs of its clients. These instruments include the French Global Environment Facility (FGEF), the Private Sector Support fund (FASEP) and the Center for Financial, Economic and Banking Studies (CEFEB).

## PROPARCO at the center of a network of partners

PROPARCO also works in partnership with other Development Finance Institutions (especially within the European EDFI framework) and with a number of investment funds and commercial banks. PROPARCO also has close ties with Germany's DEG, the Netherlands' FMO and the Asian Development Bank. PROPARCO is at the core of this network of partners and can therefore provide clients with additional and innovative financings.

## Building local banking services to protect the environment

PROPARCO provided a \$10M credit line to Business Development Bank which is a pioneer in accountable SME financing, a key catalyst for improving social and environmental practices in Chinese corporates. There are some 3.6 million SMEs in China, accounting for 56% of GDP, 62% of exports, 46% of fiscal revenues and 75% of employment in urban areas. However, these corporates only receive 10% of total financing allocated in China.



PROPARCO is a Development Finance Institution jointly owned by Agence Française de Développement (AFD) and by private shareholders from the North and South. Its mission is to promote private investment in emerging and developing countries in order to support growth, sustainable development and reach the Millennium Development Goals (MDGs). PROPARCO finances operations which are economically viable, socially equitable, environmentally sustainable and financially profitable. Its sector strategy is tailored to the level of development of each country and focuses on the productive sector, financial systems, infrastructure and private equity investment. PROPARCO invests in a geographical area encompassing major emerging countries and the poorest countries, particularly in Africa, and has extremely high requirements in terms of Social and Environmental Responsibility. It provides a full range of financial instruments tailored to the specific needs of private investors in developing countries (loans, equity, guarantees and financial engineering). In 2007 PROPARCO allocated €600M for more than fifty projects in over thirty countries.



### **PROPARCO China**

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