

ANNUAL REPORT 2014

Investing in
a sustainable
future



GROUPE AGENCE FRANÇAISE DE DÉVELOPPEMENT

Highlights

- 02 Joint interview
- 04 Profile
- 06 Impacts
- 08 Key events in 2014
- 10 Key figures in 2014



12 Operations in 2014

- 14 Sustainable development
- 16 Climate
- 18 Social issues
- 20 Frontier countries
- 22 Agribusiness
- 24 Banking
- 25 Microfinance



26 The Institution

- 28 Shareholder base
- 30 Governance
- 32 Network
- 34 Partnerships
- 36 Executive team



38 The Model

- 40 Financing tools
- 42 Sectors
- 44 French companies
- 45 Non-financial services
- 46 Risk management
- 47 Measuring results
- 48 Working at PROPARCO



50 Appendices

- 52 Operating results
- 54 Financial results
- 56 Project commitments in 2014
- 58 Communication
- 60 Credits

2014, AN IMPACTFUL YEAR

Anne PAUGAM, President of PROPARCO and Chief Executive Officer of the AFD, and Claude PÉRIOU, Chief Executive Officer of PROPARCO, trade views on the past year and the outlook for 2015.

How would you summarize 2014?

Anne PAUGAM: 2014 was a historic year for the AFD Group. Our commitments in support of development exceeded the €8bn mark. That's an all-time high for us, and PROPARCO did more than its share of the work. With this critical mass, the AFD Group is poised to boost its local impact and serve the population better. We will also have greater voice in international forums on development than a decade ago. At a time of major development policy overhaul, that represents a crucial change.

Over the past several decades, a new economic, political and demographic balance has been taking shape. Even the development agenda itself has been shifting toward different goals. The fight against poverty has been supplemented by efforts to mitigate climate change and reduce inequality. In such a changing environment, it's essential for Development Finance Institutions like the AFD Group to make a substantive contribution, putting forward

financial and technical solutions that have already produced a "demonstration effect".

Claude PÉRIOU: 2014 was an impactful year for PROPARCO, one in which we adopted a new strategy and increased our share capital by €200m. With a changing range of international financing available to Southern Hemisphere countries (new backers, foundations, investment funds and local banks), it was essential for PROPARCO to re-examine its positioning. The goal was to add more value so that PROPARCO could more effectively meet its partners' needs. Accordingly, our Board of Directors decided it was time to take more risks, for example by turning to innovative projects and/or troubled countries, providing more extensive guidance on environmental and social issues and investing more heavily in private equity. This strategic realignment was the rationale behind our capital increase, which was subscribed for by both the AFD and our legacy shareholders. That highlights their confidence in our institution.

What were the salient features of PROPARCO's work in 2014?

C.P.: In 2014, PROPARCO exceeded the targets set by the Board of Directors for both approvals and commitments – over a billion euros in 2014, which was almost 30% higher than in 2013. And with half of that funding going to Africa, we demonstrated just how important the region is to us. Our support for the energy industry and the financial sector, which is vital to financing the local economy, represented the bulk of our work in Africa. In 2014, PROPARCO also demonstrated once again its will to mitigate climate change. Close to a third of the projects we financed had to do with renewable energies and energy efficiency. At the same time, our equity investments more than tripled to €120m. PROPARCO likewise strengthened its presence in the least advanced, low-income and post-crisis countries. They accounted for over 20% of our work in 2014.

A.P.: The AFD Group has made countries in crisis and fragile States a major focus of its efforts. This past year, we introduced methods and tools that are better suited to them. In geographies with pressing development needs and woefully inadequate financing, a key challenge is giving investors a more balanced view of the risks involved – demonstrating that not only is it conceivable to invest in those geographies; it can also be profitable. The AFD and PROPARCO work in complementary ways.

C.P.: Another big change in 2014 was that we resumed our operations in the Mediterranean and the Middle East, where our financing quadrupled in just one year's time. In that region, PROPARCO has supported greater availability of quality healthcare and the shift to renewable energies. We also continued to work in Latin America and Asia, as part of our commitment to green and inclusive growth.



The AFD Group has set itself ambitious climate change mitigation targets. How in particular was this issue addressed in 2014?

A. P.: The AFD has been dealing with climate change for over ten years, because it is closely related to the issue of development. The goal of an organization like ours is to finance projects that have a positive impact on both development and climate change. For example, by financing a mass transit system, we can improve living conditions in urban areas and at the same time limit greenhouse gas emissions. In 2014, 53% of AFD financing and 30% of PROPARCO financing for developing countries produced just such co-benefits. And with total commitments of nearly €18m since 2005, we have emerged as one of the most active backers on that front.

Our Group has also demonstrated its ability to design innovative financing tools that offer powerful incentives. In 2014, we raised over a billion euros to finance development and climate change mitigation by issuing our first "climate bonds". No public sector agency in France had ever done so before.

C. P.: This issue means a great deal to PROPARCO as well. In 2014, we allocated €320m to projects that further the fight against climate change, mainly renewable energy projects. Our institution is also an active participant in the joint climate initiative of the European Development Finance Institutions. For the second year in a row, PROPARCO has contributed to the Interact Climate Change Facility (ICCF), a co-financing facility dedicated to funding private clean energy and energy efficiency projects.

A. P.: PROPARCO and the AFD are now leveraging that experience to work side by side with the French government in preparing for the Paris Climate Conference in December 2015.

There is growing interest today in the role of the private sector in furthering development. What can this trend tell us, and how do you take part in the discussion process?

A. P.: To begin with, it is worth stressing that sustainable development is a global issue, shared by advanced and developing countries. The world needs to promote new growth trajectories that respond to the economic and social aspirations of people while preserving our planet. The transition to low-carbon, more inclusive development models will require massive investment – several trillion dollars a year according to United Nations estimates. Now, the public sector obviously can't meet the challenge on its own, so the role of public funding must be to catalyze and give direction to



private investment. Given that the private sector creates jobs and wealth, and provides essential goods and services, we are particularly pleased to see it getting the recognition it deserves on the international development agenda.

C. P.: A key task is making it clear how and on what conditions the private sector can contribute to development. That's the kind of input we try to have in the discussion process. Every year, PROPARCO holds talks on a variety of topics like education in Latin America, access to energy in Africa, governance and fragile States. In 2009, we also started up *Secteur Privé & Développement*, a magazine that offers the opinions of authors from different backgrounds, working in the private sector, research, development institutions and civil society. In 2014, a blog was launched as an extension of the magazine to provide a broader forum for discussing the role of the private sector in development.

What issues are on the agenda in 2015, and how will PROPARCO be tackling them?

C. P.: In 2015, we will continue to implement our strategy of focusing on Africa, addressing climate change, increasing our equity and quasi-equity investing activity and expanding our presence in frontier countries. Our staff will also be working to offer greater assistance to our clients, particularly with environmental, social and

governance issues. In addition, PROPARCO will be strengthening its transparency policy and engaging in high-quality dialogue with all stakeholders, first and foremost with civil society. At the same time, we will be aiming for greater efficiency through various programs to optimize our processes and structures.

A. P.: One of the more pioneering programs for PROPARCO and the AFD Group in the years to come will involve establishing arrangements to promote social entrepreneurship. A new entrepreneurial style has been taking form recently, one that balances business efficiency with social and environmental concerns. Many private-sector companies now develop goods and services that are essential to excluded or vulnerable social strata. But with financing and capital not always available to them, they have a hard time growing. So PROPARCO and the AFD will be testing out dedicated tools to assist them.

This initiative and all our other achievements of the last few months would not have been carried through without the motivation and drive of the people at PROPARCO. I know I can count on them to work professionally and pragmatically to make high-quality projects happen, even under tough conditions. They did just that on a daily basis in 2014, and will do so in 2015 as well. It is thanks to them that we can meet our commitment to sustainable development.

PARTNERING WITH THE SOUTH

PROPARCO is a Development Finance Institution – a subsidiary of the Agence Française de Développement (AFD) devoted to private sector funding. Its role is to promote the emergence of responsible and innovative businesses and financial institutions.

MISSION PROPARCO's mandate is to foster private investment in emerging and developing economies with the aim of supporting growth and sustainability. PROPARCO was founded on the belief that the private sector plays a major role in the economic and social development of the South. The private sector plays an active part in creating jobs, generating income and producing essential goods and services, while also contributing to the dissemination of environmental and social best practices.

ROLE PROPARCO supports the growth of companies and financial institutions with a major impact on development in the South. Its operations span four continents, from major emerging economies to the poorest countries, from politically stable environments to fragile States. Moreover, they cover the financial sector, infrastructure, agribusiness, services, healthcare, education and more.

POSITIONING PROPARCO works to supplement the activity of commercial banks, stepping in where market forces prove insufficient. A thriving private sector needs long-term financial resources, which are often inadequate in developing and emerging economies. PROPARCO thus offers a complete range of long-term, non-concessional financing solutions in the form of loans, equity investments and guarantees denominated in foreign or local currencies.

RESPONSIBILITY PROPARCO strives to uphold responsible financing principles in all projects. Managing environmental and social risks is a key feature of its work. Another aspect involves assisting clients in improving their environmental and social performance or obtaining certification. In addition, PROPARCO seeks to maximize the development impact of its projects.

LEVERAGING RESOURCES PROPARCO's goal is to demonstrate that private sector solutions can be viable, both in pioneering business areas and sectors and geographies that investors consider too risky. As a Development Finance Institution, PROPARCO acts as a catalyst, attracting and mobilizing additional public and private sector funding for its clients' projects. It does so by leveraging its network of partners and widespread recognition for its exacting standards.

THE 10 GOALS OF THE STRATEGY FOR 2014–2019

As part of its new strategy, PROPARCO intends to develop a more innovative, higher-value offer. The aim is to assist clients more effectively and address their evolving needs.

- 1 Focus **30% of our activity** on projects that **help combat climate change**.
- 2 Support development in **Africa** by providing **financing of at least €3.7bn during the period**, equal to nearly 50% of our activity.
- 3 Dedicate **25% of our activity to frontier markets (least advanced, low-income, transition or post-crisis countries)**.
- 4 Increase the weight of **equity and quasi-equity investments and subordinated loans** in our portfolio from 14% to 30%.
- 5 **Ramp up our education and health work** to a total of 7% of our portfolio by 2019.
- 6 **Help our clients** enhance their **environmental and social performance and governance**, in particular by providing technical assistance.
- 7 **Develop** our social business offer by funding more companies active in the **inclusive economy**.
- 8 **Devote 10%** of our equity investments a year to **early-stage companies**.
- 9 **Measure results and impact** of projects we finance to assess their contribution to development.
- 10 **Strengthen our partnerships** with our fellow Development Finance Institutions and stakeholders involved with developing the private sector in the Southern Hemisphere.



“PROPARCO’s new strategy revolves around one overriding aim: to promote low-carbon growth that benefits the entire community. We are convinced that the private sector can make a huge difference on both counts.”

Claude PÉRIOU
Chief Executive Officer, PROPARCO

CONTRIBUTING TO LOCAL DEVELOPMENT

Helping to improve living conditions, participating in the fight against climate change and contributing in general to sustainable development in the Southern Hemisphere are core concerns at PROPARCO.

Financing and co-financing by PROPARCO in 2014 will impact development on several fronts*:



Climate

887,600 TEQ CO₂

avoided per year.



Tax revenue

€537m

in additional government tax revenue per year.



CSR

47 PROJECTS

accompanied to improve their environmental and social practices.



Health

5,800 BEDS

will be created at hospitals.

*Nota bene: These indicators show the expected outcomes for each project. Derived from ex ante evaluations, they reflect an overall policy of contributing to development.



Jobs

150,700 DIRECT JOBS

will be created or maintained at client companies.

97,100 INDIRECT JOBS

will be created or maintained among their suppliers, over 80,000 of them engaged in farming.



Energy

1,245 MW

of nameplate power capacity, 786 MW of it from renewable energy sources.

2,883 GWh

of power will be produced using renewable and recovered energy per year.



Microfinance

€35m

in microcredit loans will be extended to individuals and microenterprises.

136,000 PEOPLE

will be microcredit beneficiaries.



Water and sanitation

90,000 PEOPLE

will gain access to drinking water.

260,000 PEOPLE

will gain access to waste water treatment service.

SEVEN KEY DATES IN 2014

A senior management appointment, a new strategy for the coming five years and a capital increase were among the noteworthy developments in 2014, those most likely to shape future policy at PROPARCO.

27 June
APPOINTMENT



SANDRINE BOUCHER, A NEW DEPUTY CHIEF EXECUTIVE OFFICER

On June 27, Sandrine Boucher took office as Deputy Chief Executive Officer in charge of PROPARCO's General Secretariat. She was previously the Senior Adviser to the Executive Director for France at the IMF and the World Bank (2000-2003), Deputy Director of the AFD's West Africa Department (2003-2005) and Assistant Head of sectoral policies and Millennium Development Goals (MDGs) at the French Ministry of Foreign Affairs (2005-2007). After her secondment to the Asian Development Bank (2007-2010), she headed the AFD office in Beijing until 2014.

7 May
STRATEGY

GREATER IMPACT ON DEVELOPMENT

The Board of Directors has set PROPARCO's strategy for the period from 2014 to 2019. Driving the new strategy is the essential goal of supporting private sector organizations in their efforts to achieve low-carbon, environment-friendly growth that serves the entire community by creating jobs and enhancing access to such basic goods and services as healthcare, education and housing.

As before, PROPARCO will be giving top priority to Africa while continuing to promote green and inclusive growth on other continents.

PROPARCO will also be working to develop a more innovative, high-value offer to be able to meet client needs more effectively.

14 October
FINANCE

SUCCESSFUL CAPITAL-RAISING

PROPARCO successfully raised €200m in additional capital in June of this past year. The existing shareholders subscribed for the entire amount, demonstrating their ongoing confidence in the institution. As a result, PROPARCO's share capital increased to €693m, and its equity increased to €830m at December 31, 2014. The AFD is still the majority shareholder, with a share of 63%.

The capital-raising has provided PROPARCO with the additional financial resources it needs to implement its new strategy and step up its work with the private sector in the Southern Hemisphere.

26 November FORUM

INVESTING IN FAST GROWING ENVIRONMENTS

The sixth annual PROPARCO Investors' Club brought together about a hundred PROPARCO partners to discuss the theme: "Investing in fast growing environments". Corporate governance issues and opportunities for the private sector in fragile States were dealt with extensively. Key focal points included the effect of sound governance on the growth and competitive strength of Southern Hemisphere companies, the often underestimated opportunities offered by post-crisis countries and the private sector's role in the reconstruction process.



2014
AWARDS

TWO WINNING PROJECTS

The Adana integrated health campus in Turkey, which was co-financed by PROPARCO, DEG, the EBRD and the IFC was named the "European Public-Private Deal of the Year" by the highly respected Infrastructure Journal (IJ Global). The same journal also gave the "African Renewables Deal of the Year" award to Lake Turkana, a major wind farm in Kenya, likewise co-financed by PROPARCO.

3 December CONFERENCE

ENERGY FOR DEVELOPMENT

Which energy policies for sustainable development? This was the theme of the eleventh AFD/PROPARCO-European Development Research Network (EUDN) conference, which brought together more than 250 participants from universities, economic development organizations, public institutions and the private sector. How to accelerate reliable electricity supply in Africa? How to improve access to energy in rural areas? What are the environmental implications of energy choices? Those topics and more were discussed by economists from the French CNRS and MIT, as well as representatives of financial institutions and private companies.



19 December PARTNERSHIP

LAUNCH OF THE AVERROËS III FUND OF FUNDS

The AFD Group and Bpifrance signed a partnership agreement to strengthen their cooperation in promoting greater international reach for French companies and sustainable development in the Southern Hemisphere.

PROPARCO and Bpifrance took advantage of this event to announce the launch of Averroès Finance III, a fund set up to invest in private equity funds in Africa. This initiative is a logical extension of Averroès Finance I (2003) and II (2009), whose investments in 13 private equity funds provided financial support to 70 SMEs and helped create over 11,000 jobs in the Mediterranean area and the Middle East.



NEW COMMITMENTS

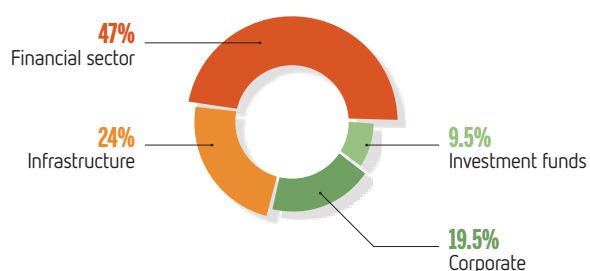
in 2014 (excluding FISEA)

€1,093_m
in 2014

up 29%
compared
with 2013

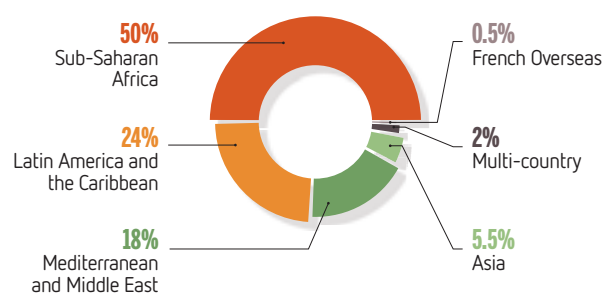
BY SECTOR

(% of total commitments)



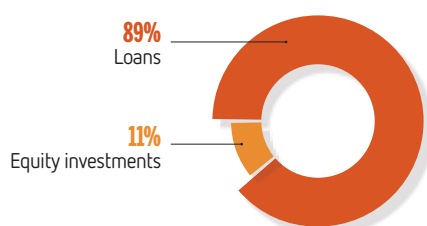
BY REGION

(% of total commitments)



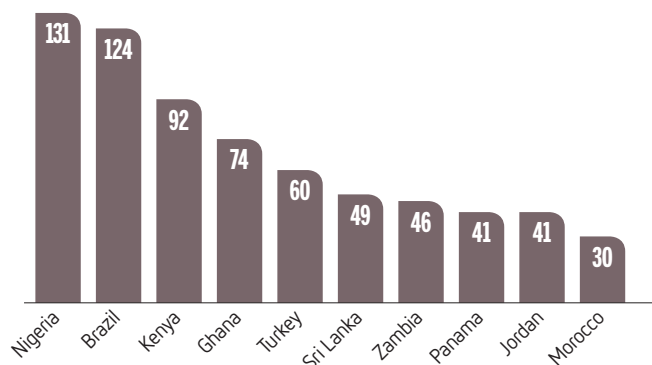
BY INSTRUMENT

(% of total commitments)



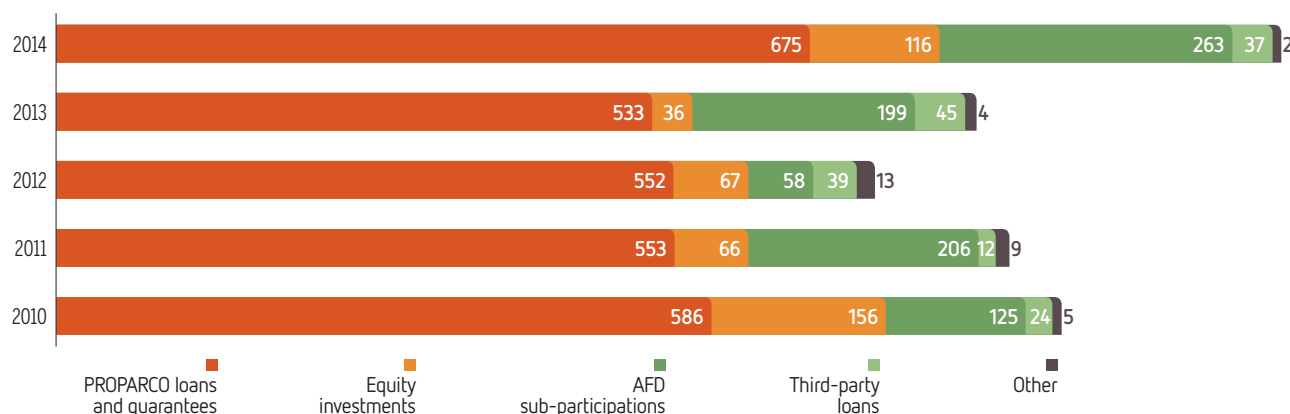
BY COUNTRY

(€m for the top 10 countries)



BY PRODUCT

(in €m)



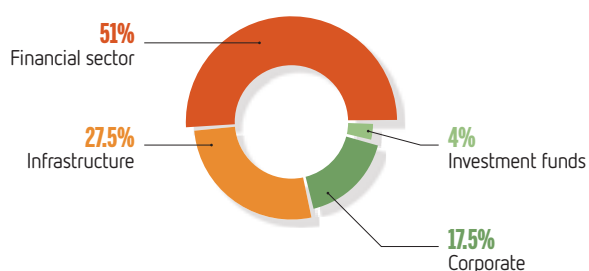


OUTSTANDING LOANS AND EQUITY STAKES PORTFOLIO

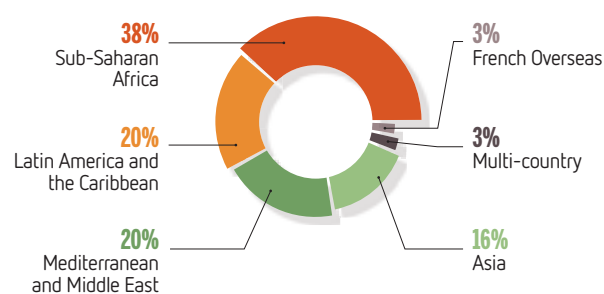
at December 31, 2014 (excluding FISEA and undisbursed commitments)

€4,013m
up **17%**
compared
with 2013

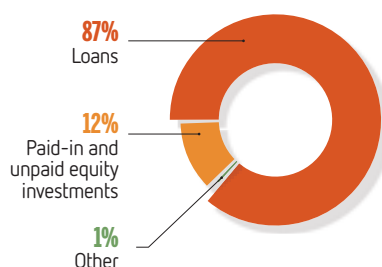
BY SECTOR (% of total)



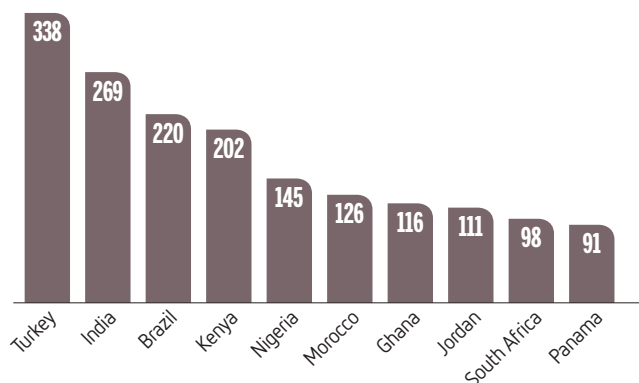
BY REGION (% of total)



BY INSTRUMENT (% of total)

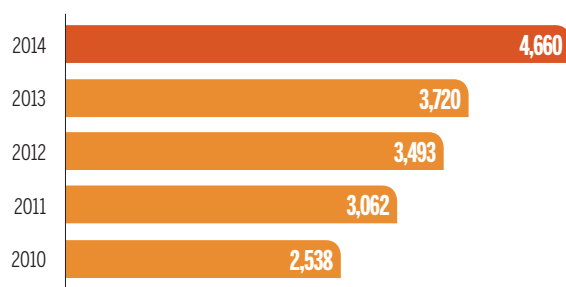


BY COUNTRY (€m for the top 10 countries)

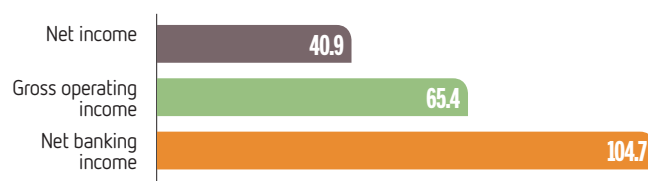


FINANCIAL STATEMENTS

BALANCE SHEET, 2010-2014 (in €m)



FINANCIAL RESULTS (in €m)





OPERATIONS

serving sustainable development

In 2014, PROPARCO continued to give priority status to Sub-Saharan Africa, while expanding its footprint in the Mediterranean, the Middle East, Latin America and Asia. Flagship investment programs in renewable energy, agribusiness, healthcare and ongoing support for the financial sector helped make this a memorable year.

64
projects

PROPARCO maintained a high level of activity in 2014, signing 64 facilities totaling €1.093bn.

31% of
climate projects

In 2014, funding of €340m was approved for renewable energy and energy efficiency projects.



PROMOTING A RESPONSIBLE PRIVATE SECTOR IN THE SOUTHERN HEMISPHERE

Encouraging the private sector to act responsibly in the Southern Hemisphere is an integral part of PROPARCO's mission. The institution assists clients in improving their environmental and social performance, as well as contributing more fully to local development.

The private sector is a vital contributor to sustainable development. Strong commitment by private businesses to the highest social, environmental and governance standards – covering issues ranging from working conditions and non-discrimination to pollution reduction and promotion of renewable energies – is essential, including to their own long-term prosperity.

The role of Development Finance Institutions is to support and further that tendency.

ENCOURAGING SUSTAINABLE BUSINESS MODELS

For several years, PROPARCO has been engaged in a formal approach to evaluating and improving its clients' E&S practice. This ensures that they are committed to controlling the risks attendant on their projects and to improving their E&S performance. In 2014 for example, PROPARCO assisted 21 banks and 4 investment funds with implementation of systems to manage the E&S risks inherent in their portfolios. PROPARCO also

supported the development of a CSR policy at two companies with operations in the tourism, healthcare and manufacturing industries.

PROMOTING CORPORATE SOCIAL RESPONSIBILITY

PROPARCO makes sure that its clients – and more broadly the suppliers and subcontractors in their value chain – offer working conditions that comply with international labor standards on such issues as consultation with workers, occupational health and safety and non-discrimination.

For example, PROPARCO has cooperated with a number of clients in Africa on improving conditions for temporary workers on construction sites, increasing workplace safety and improving housing conditions for workers at agribusiness factories.

Whenever infrastructure projects cause population displacement or disrupt existing economic activities, PROPARCO demands that its clients devise plans for resettling the affected population groups and/or preserving their previous sources of livelihood.

PROPARCO also ensures that the companies it finances have fully operational arrangements for handling complaints from workers or nearby communities.



47 PROJECTS GOT PROPARCO ASSISTANCE IN 2014
WITH IMPROVING THEIR E&S PERFORMANCE

20 BANKS

12 INFRASTRUCTURE PROJECTS (ENERGY, WATER, SANITATION)

11 COMPANIES (AGRIBUSINESS, HEALTHCARE, MANUFACTURING)

4 INVESTMENT FUNDS

LIMITING ECOLOGICAL FOOTPRINT

To PROPARCO, promoting responsible financing also means encouraging clients to lower their pollution levels, limit their use of natural resources (water and energy in particular) and cut their greenhouse gas emissions. This includes supporting the installation of special equipment to raise the energy efficiency of buildings.

To preserve biodiversity, PROPARCO does its utmost to prevent the destruction of natural environments with high ecological values or, if need be, to ensure compensation for any such destruction. For example, PROPARCO has made plans to manage biodiversity in affected areas a prerequisite for its support for agribusiness, infrastructure and similar projects.

FOSTERING INCLUSIVE DEVELOPMENT AND TRANSPARENCY

PROPARCO pays special attention to ensuring access for local communities to the services provided by its clients. In education for example, this may involve encouraging clients to develop scholarships or study grants for deserving students from modest backgrounds.

Moreover, PROPARCO measures positive spillover from its clients' business and their contribution to tax revenue. In the mining industry, PROPARCO carefully tracks financial transparency at client firms and the amount of tax they pay in the country, and demands in particular that they participate in the EITI (Extractive Industries Transparency Initiative).

GOVERNANCE AS A TOOL FOR PROMOTING RESPONSIBLE INVESTMENTS

The need to promote good governance has emerged as a major concern. In 2014, 33 Development Finance Institutions, including PROPARCO, pledged to conduct systematic evaluations of governance at client firms and to work together to develop the requisite analytical tools. PROPARCO already performs a governance review for its equity investments. The process focuses on the shareholders, the board of directors, internal controls and the transparency and disclosure of financial and other information. This makes it possible to identify and provide details for the key ways in which PROPARCO can offer its clients support, including technical assistance ■



3 QUESTIONS FOR Lionel BARRÉ

Lionel BARRÉ serves as Managing Director of Ghana Rubber Estates Ltd (GREL), a natural rubber production company. In 2014, PROPARCO granted the company a €17.5m loan to develop its Hevea plantations.

GREL has been developing its plantations since 1995. How do you deal with issues like landholding and preserving biodiversity?

When we purchase land, we work closely with village communities, represented by the association of traditional chiefs. Any sale to GREL requires approval by all the stakeholders and a memorandum of agreement signed with the local chiefs.

In terms of biodiversity, our partnership with PROPARCO has encouraged us to go beyond standard practice in the industry and systematically conduct scientific assessments of any areas of high ecological value on lands purchased by GREL.

What is your policy on occupational health and safety (OHS) and on the quality of life of your employees?

We aim for continuous improvement in OHS management. For example, in addition to tracking hazard indicators and taking preventive action, we recently initiated a program on stressful working conditions. GREL also has a central clinic that is open to employees and their dependants, as well as a mobile clinic that makes the rounds of the nearby communities. And we provide family housing to over half of our employees.

What does GREL have to offer local rubber growers?

Since 1995, we have had a village outgrowers support program with AFD financing and technical assistance technique from GREL. This initiative has enabled 9,000 small farmers to develop 40,000 hectares of plantation and to become part of the formal economy. In addition to assisting the program beneficiaries, providing seedlings and inputs at cost and buying their output, our company currently allocates nearly half a million euros a year to village projects like building schools and infrastructure.





RECONCILING CLIMATE AND ECONOMIC DEVELOPMENT

PROPARCO is committed to devoting 30% of its activity to projects that produce climate change co-benefits. Support for renewable energies and energy efficiency is the cornerstone of that approach.

A BOLD “CLIMATE STRATEGY”

The AFD Group today is one of the Development Finance Institutions most committed to the fight against climate change. Like its parent company, PROPARCO has initiated a bold climate strategy, based on a quantified commitment (30% of all PROPARCO financing with climate change co-benefits) and careful selection of projects with regard to their impact on the climate.

Renewable energies and energy efficiency are key components of the institution's strategy. They represent a response to the interrelated challenges of ensuring energy security and promoting green growth that is less dependent on fossil fuels. PROPARCO has the right tools for advancing on both fronts: long-term loans, equity and quasi-equity financing and technical assistance for private operators and financial contributors. It also has the requisite know-how for structuring and financing projects.

At the same time, PROPARCO cooperates with its European and multilateral counterparts in strengthening its efforts to tackle climate change. Since 2011, the Interact Climate Change Facility (ICCF), a joint facility created by the

AFD, the European Investment Bank (EIB) and ten other European Development Finance Institutions (EDFIs), has made it easier to mobilize large-scale funding for renewable energy and energy efficiency projects. In the period from 2012 to 2014, the ICCF raised €88m in additional funding for five “climate” projects arranged by PROPARCO.

INVESTING WITH GEOGRAPHIC SPECIFICITIES IN MIND

This climate commitment takes on a variety of forms, reflecting each country's characteristics, energy issues and local market maturity.

In most of Sub-Saharan Africa, enhancing access to electric power is a key priority. That requires greater generation capacity and lower rates. In response, PROPARCO encourages the use of hydroelectricity, whose considerable potential remains largely untapped. In 2014 for example, the institution financed the construction and operation of a hydro-power plant in Zambia. PROPARCO also supports the development of solar- and wind-power projects in the region, because they offer a rapid solution that supplements thermal energy.

Countries in Latin America, Asia, the Mediterranean area and the Middle East are still highly dependent on fossil fuels, although they possess major wind-, solar- and/or hydro-power potential. Whenever governments institute proactive policies to promote renewable energies, PROPARCO helps bring those policies to fruition. In 2014 for example, PROPARCO supported the construction and operation of solar photovoltaic farms in Honduras and Jordan, and of wind farms in Panama and Turkey. PROPARCO also extended dedicated lines of credit to banks in Sri Lanka, Panama and Turkey to finance renewable energy projects ■



BRAZIL

Toward more efficient water resource management

Freshwater conservation represents one of the key sustainable development challenges. Several regions in Brazil have become areas of high water stress. To improve drinking water supply and sanitation, the authorities are working to raise USD 126bn by 2030 and to enlist greater private sector involvement.

In 2014, PROPARCO extended a USD 40m loan to AEGEA, Brazil's third largest private provider of water and sanitation services, to support its plan to invest in four municipalities. The goal is to increase the supply of drinking water and boost waste water collection and treatment capacity. With this financing, the water needs of the population and of key industries like agribusiness and power generation can be met.

€1.9bn

allocated since 2005 to operations with co-benefits for climate change mitigation



WIND POWER – A MAJOR ASSET FOR KENYA

Access to reliable, affordable energy is one of the greatest challenges facing Kenya. To tackle it, the country has begun to leverage its potential to exploit renewable energy sources. The Lake Turkana Wind Power (LTWP) project marks a major step in that direction.

Power shortages and frequent outages hinder Kenya's competitive strength of growth potential. Moreover, power generation in the country depends on power plants that burn expensive, imported, highly polluting fuel and on hydroelectric facilities that are vulnerable to adverse weather conditions. Electric power prices in Kenya are among the highest in Africa.

To meet the country's growing energy needs, the government initiated a large-scale investment program in 2013 with the aim of raising Kenya's installed capacity by 5,000 MW to a total of 6,664 MW between now and 2017. This approach involves exploiting renewable energies like geothermal and wind power, which are plentiful but underused.

In 2014, PROPARCO provided part of the financing for the Lake Turkana Wind Power (LTWP) project developed by the companies KP&P BV Africa and Aldwych International Ltd. Located in the Great Rift Valley in Northwest Kenya, the LTWP wind farm will have a capacity of 310 MW. As soon as it is commissioned in 2017, it will provide approximately 20% of the current installed generating capacity, with the power produced purchased at a fixed price over a twenty-year period by the national power company.

PROPARCO has played an active part in structuring the deal, mobilizing €30m from the Interact Climate Change Facility (ICCF), Europe's co-financing facility dedicated to clean energy and energy efficiency. Its fifteen-year €50m loan will provide valuable support to what is Kenya's signature energy project ■



POINT OF VIEW

A landmark project for clean, affordable electricity

It took quite some doing before we could break ground on the project. Due to its size and complexity, the public authorities, sponsors and lenders had to show creativity, resilience and stamina. From the time when the first data was collected on the site in 2006 to the closing of the deal in 2014, eight years went by. Lake Turkana is, after all, a colossal construction project. It involves the installation of 365 turbines, five engineering, procurement and construction (EPC) contracts, 200 km of new road and a 436 km power transmission line. At €623m, this will be the largest single private investment in Kenya's history.

By financing and mobilizing funds from its European counterparts, PROPARCO has played a significant role in making the project a reality. This deal highlights the excellent cooperation among Europe's Development Finance Institutions and their ability to join together in support of large-scale projects in the Southern Hemisphere.

This investment of strategic importance to Kenya's energy industry has won several awards. It was named African Renewables Deal of the Year 2014 by *Thomson Reuters Project Finance International*, and also won an award from *Infrastructure Journal* (IJ Global).

Helen TARNOY

Founder and Managing Director,
Aldwych International



IMPACT

- 382,000 TEQ CO₂ avoided per year.
- Generation of electricity almost 60% cheaper than from thermal power plants.
- Fuel imports reduced by €120m.
- €450m in additional tax revenues for Kenya over the life of the project.
- 2,500 jobs created during the construction phase and 200 permanent jobs for operating the wind farm.



BUILDING EFFICIENT HEALTHCARE SYSTEMS

Healthcare needs are changing in the Southern Hemisphere – and fast. To help world-class private healthcare services come into being, PROPARCO supports efforts to build, equip and develop hospitals and pharmaceutical laboratories.

PROMOTING BETTER HEALTHCARE

An aging population and the mounting pressure of chronic diseases (diabetes, cancer, cardiovascular diseases) are creating new challenges for Southern Hemisphere healthcare systems. Addressing those challenges will require large-scale investment that the public sector in those countries cannot provide on its own. But through effective cooperation with the private sector, it can organize and lastingly improve the availability of healthcare.

This insight has led PROPARCO to assist in financing private hospitals and clinics, channeling funds in particular into training staff, creating new specialties and the purchase of next-generation medical equipment. In 2014, PROPARCO supported the establishment of a network of private healthcare institutions in North Africa, the construction of a major health campus in Turkey and the expansion of a private hospital network in Brazil.

IMPROVING DRUG AVAILABILITY

Access to effective, affordable medication is critical to treating priority diseases like malaria, HIV/AIDS and tuberculosis, and chronic diseases like cancer and diabetes. In developing countries, that access is hindered by prohibitive prices and deficient supply and distribution systems. PROPARCO helps finance laboratories and pharmaceutical companies in the interest of improving access to locally produced medication. One example was an investment in the Indian pharmaceutical company Strides Arcolab, which produces local generic drugs in Africa. PROPARCO also acquired an equity interest in the Tunisian laboratory Unimed, a regional reference in terms of promoting and marketing generics.

INCREASING THE AVAILABILITY OF HEALTHCARE FINANCING

Despite their essential contribution to healthcare availability, private sector providers have trouble obtaining adequate resources. In Africa for example, loans dedicated to healthcare typically account for less than 5% of the loan portfolios of local lending institutions. To help make local financial resources more readily available, PROPARCO supports financial intermediaries involved with healthcare. Its equity stake in the Africa Health Fund, which invests in smaller African healthcare companies, is a good example of that support ■



MEDITERRANEAN

Making private healthcare more available

Rapid growth in Mediterranean area healthcare needs has put a considerable strain on existing infrastructure. In 2014, PROPARCO invested USD 15m to help form a private hospital network in North Africa (North Africa Hospital Holdings Group), a project initiated by the Abraaj Group. The funds will be used to acquire four hospitals or clinics in Egypt and Tunisia (totaling 75,000 hospitalizations per year) and to enable them to increase their capacity, set up additional departments and recruit staff.

In Turkey, PROPARCO extended a €30m loan to the company ADN PPP Saglik Yatirim A.Ş for the construction of an integrated health campus in Adana with a combination of public and private funding. The project will encompass six hospitals (1,550 beds) with departments in oncology, cardiology and a variety of other specialties. By 2019, the facilities will be in a position to handle 1.2 million outpatients, 50,000 hospitalizations and 150,000 emergency patients a year.

These two investments have increased the PROPARCO healthcare portfolio to €150m since 2003.

€95m

in healthcare financing
in 2014



QUALITY EDUCATION FOR ALL

Strengthening human capital in emerging and developing economies is essential to producing a skilled workforce and ensuring sustainable economic growth. It is also a way to combat poverty, social exclusion and inequality. This is why PROPARCO supports the expansion of private education and vocational training.

Emerging and developing countries have a hard time mobilizing sufficient resources to educate their fast-growing youthful population, although many of them spend a great deal on education. Unequal access to schooling and high drop-out rates are persistent problems. At the same time, the quality of teaching at all levels has become a major issue.

PROMOTING ACCESSIBLE, HIGH-QUALITY PRIVATE EDUCATION

To ensure that everyone gets a decent education, developing countries need to draw on all the forms of support available to them. The private sector has become a crucial educational partner in many countries. In Sub-Saharan Africa, close to 22 million young people attend private schools (14% at elementary and 18% at secondary level). And around the world, a growing number of structures and models have emerged in response to the evolving demand for education. To support the development of high-quality, widely accessible education, PROPARCO assists private schools in establishing new curricula, training teachers and opening additional classes. Special emphasis is also

placed on facilitating access to study programs. With the help of information and communication technology (ICT), a wider variety of educational settings, sources and methods becomes possible. In 2014 for example, PROPARCO supported the Mexican company Edilar's drive to provide online educational materials to public school teachers.

BOOSTING VOCATIONAL TRAINING AND HIGHER EDUCATION

Emerging and developing economies need effective vocational training to be able to make their companies more competitive and achieve sustainable growth. Vocational training focused on business requirements and higher education oriented toward R&D and innovation have become crucial to participation in today's global economy. To further this aim, PROPARCO backs private sector initiatives in initial and continuing education that promote work-related learning and apprenticeship. It also provides funding for such top-notch private learning institutions as l'Ecole Supérieure Privée d'Ingénierie et de Technologie (ESPRIT) in Tunisia and the Pontifical Catholic University of Peru (PUCP) ■



POINT OF VIEW

Strengthening human capital in Mexico

The Mexican government has recently launched a sweeping reform to enhance the quality of its education system. The goals include offering teachers more initial and continuing training. The funding provided by PROPARCO to Edilar, a Mexican company that sells educational materials and services to public elementary school teachers, dovetails perfectly with the government reform program. Edilar serves over 50,000 teachers in 28 of the country's States, and through them over a million pupils. The company will be using the loan of 190m pesos (the equivalent of €11m) granted in 2014 to expand its presence across Mexico and develop additional products for teachers.

In 2014, PROPARCO also provided financing to FINEM, a Mexican financial institution that focuses on financing education, to support the growth of its student lending activity. Privately-owned institutions in Mexico are part of the response to the admissions bottleneck at public universities. But because few lower-income students can afford the high tuition costs, a national program has been put in place to encourage commercial banks to lend more extensively to students at private universities, with repayment guaranteed by NAFIN, Mexico's development bank. The loan of 88m pesos (€5m) to FINEM contributes to that initiative.

Pablo CENTENO-LAPPAS
Head of the Mexico City office,
PROPARCO



A FOCUS ON LEAST ADVANCED COUNTRIES AND FRAGILE STATES

In 2014, PROPARCO financing to least developed countries (LDCs) increased twofold. Its commitments to low-income and post-crisis countries were also stepped up. The reasoning is that the private sector is crucial to development and stability in such settings.



Jérôme BERTRAND-HARDY,
Deputy Chief
Operating Officer,
PROPARCO

PROPARCO now plans to devote 25% of its commitments to LDCs and fragile States. What's the thinking behind that?

To varying degrees, countries like Liberia, Cambodia and the Ivory Coast are confronted with substantial development challenges. The reasons range from weak governance and repeated health or food crises to extreme poverty and armed conflict. Many of those countries are lacking in the most basic infrastructure and services, yet they simply don't have the financial resources to tackle those challenges. The needs to be met are huge, and our job as a Development Finance Institution is to answer the call. We have to get involved with local private organizations in areas considered too risky, demonstrate that their projects are viable and step in where other investors have failed to.

Why support the private sector in such countries?

Both the least developed countries and post-crisis States have an extremely fragile private

sector with only limited financial fire power. There are any number of obstacles to its expansion, including a shortage of skilled labor, a weak banking system and assets that were damaged or destroyed in previous conflicts. In addition, the business climate may not exactly be conducive to local and international investment.

Yet the private sector is still essential to economic and social development in those countries. In post-crisis States, it plays a vital role in helping governments restore essential services like telecommunications, electric power in some cases, even water and healthcare. More importantly, the private sector creates jobs and generates tax revenue. That's why it requires support.

What are PROPARCO's areas of involvement in those countries?

PROPARCO is involved in a wide variety of areas. An important one is developing infrastructure, for example in energy and transport, which is essential to the population and to an effectively operating economy. In 2014 for example, we co-financed a hydro-power plant in Zambia, where barely over a quarter of the population has access to electric power.

In conflict-affected countries like Iraq, there is a major need for reconstruction – of housing, roads and the like. In response, PROPARCO has helped finance cement production projects, while encouraging the participants to reduce their industry's carbon footprint.

We also work to help the banking sector fulfill its function as "lender to the local economy" and boost access of the population to financial services. In 2014, PROPARCO provided nearly USD 100m to banks in Kenya, Liberia, Uganda, Chad and Zimbabwe. PROPARCO is also involved in crucial sectors like agribusiness and telecommunications ■



LIBERIA

High-value financing

Liberia is on the road to reconstruction after fourteen years of civil war. Despite high growth, however, the economy is still fragile. The classification of the country as high-risk affects local banks in particular, making it harder for them to access long-term funding.

In 2014, PROPARCO extended a USD 7m line of credit to Guaranty Trust Bank Liberia, the country's fifth largest bank. This funding will enable Guaranty Trust to increase its lending to companies operating in the country's key sectors, such as agribusiness, construction and telecommunications.

In broader terms, this act of support from PROPARCO in the midst of the Ebola crisis sends out a positive signal to investors that may well accelerate the process of stabilizing and developing the country.

€233m
to finance LACs and
fragile States in 2014



CLOSING THE DIGITAL DIVIDE

Weakened by over two decades of economic and political crisis, Zimbabwe is still in a fragile situation. To help revive the economy, PROPARCO has been gradually and selectively rebuilding its presence in the country, providing funding to the financial sector and to a private sector telecom project.

From 1999 to 2008, Zimbabwe experienced a series of economic shocks that deeply affected and disrupted the national economy. The country is currently ranked 156th on the Human Development Index; over 80% of the population lives on less than USD 2 per day. While growth has resumed since 2009, Zimbabwe still suffers from high external debt and a dearth of liquidity, which places severe limits on financing for the private sector.

It is therefore essential to economic recovery to develop infrastructure, which has been badly battered by two decades of slump. Particularly high on the list are telecom networks and mobile Internet access (3G/4G). Not only do these technologies raise corporate productivity and profitability; they also

generate jobs and wealth. Moreover, they make it possible to offer banking services to segments of the population not served by conventional banking networks and to facilitate transactions in commercial farming.

In 2014, PROPARCO extended a USD 20m loan to Econet Wireless Global Limited (EWGL), an Econet Group subsidiary that is Zimbabwe's largest provider of telecommunications services. The purpose is to support EWGL's investments in its EcoCash mobile money service in the sub-region. In addition, this funding will enable EWGL to expand its business of distributing essential solar equipment (e.g., lanterns, phone chargers) to support the use of mobile telephones in the sub-region ■



POINT OF VIEW

Making essential services available to the population

This is the second case of funding from PROPARCO for Econet Wireless, a telecom company founded 20 years ago in Zimbabwe that now operates in seventeen countries. In 2011, PROPARCO extended a first loan to help Econet enhance and extend its telecom networks, chiefly in Zimbabwe and Burundi. Coming after two decades of economic slump, this financing played a part in raising the mobile phone penetration rate – which doubled in just a few years' time. Econet has also deployed 3G networks, and even 4G in specific cities, making wireless Internet access available for the first time. Moreover, Econet has gone beyond telecommunications to develop a full suite of mobile financial services in Zimbabwe (e.g., invoice payment, payroll, savings vehicles), which have been so well received that a rollout in neighboring countries is planned. Through its solar power subsidiaries, Econet also promotes energy access solutions using domestic solar systems that even low-income households can afford (solar lanterns for lighting, cell phone chargers, etc.). Because these two businesses make financial services and electric power more widely available, Econet's involvement with them was a major determinant of our decision to provide support. We were also swayed by the company's solidity and its contribution to the growth of crucial infrastructure.

Jérôme GASTAUD
Investment Officer,
PROPARCO



IMPACT

- €82m contributed per year to Zimbabwe's tax revenue, with Econet as the top contributor.
- Expansion of e-banking, which furthers financial inclusion of the unbanked part of the population.
- Over 800 jobs maintained or created directly in Zimbabwe, along with jobs created indirectly in retail.



PROMOTING PRODUCTIVE AND RESPONSIBLE AGRIBUSINESS

Given the global demographic dynamic, strengthening the fields of agriculture and agribusiness is crucial to rising to the challenges posed by food security. PROPARCO has made supporting private sector investment across the entire agribusiness value chain a key priority.

By 2050, the Earth will have ten billion inhabitants. A rising population confronts many countries in the Southern Hemisphere with major challenges like ensuring agricultural production, supplying the urban population and protecting ecosystems. In addition, agriculture and agribusiness take on strategic importance for national economies in that they generate wealth and jobs.

For those sectors to thrive and remain resilient, colossal investment is required across the value chain. Farm yields must be improved, produce must be conveyed to the marketplace, processing and storage must be effectively organized. In 2014, PROPARCO supported producers in the Ivory Coast, Ghana, Kenya, Peru, Nicaragua and in French overseas territories, either directly or via financial intermediaries.

PROVIDING ASSISTANCE ACROSS THE VALUE CHAIN

PROPARCO's policy in this area is to promote approaches to farming and agribusiness that are both more productive and more environmentally friendly. It works to structure value chains and develop processing activities in ways that bring more added value to producer countries. PROPARCO also helps establish and enhance transport infrastructure. Faster conveyance to consumers tends to reduce price volatility.

Special attention is paid to disseminating high environmental and social standards so that natural resources can be conserved and decent jobs created for the rural population.

ENCOURAGING GREATER FUNDING FOR AGRICULTURE AND AGRIBUSINESS

Inadequate access to credit hampers the growth of agriculture and agribusiness. To strengthen local lending capabilities, PROPARCO provides commercial banks with specific lines of credit for agribusiness financing. In 2014, this included a USD 20m line of credit extended to the Nicaraguan bank Banpro, which is dedicated to financing small-scale growers and agricultural SMEs. The Peruvian bank Banco Financiero was likewise granted a USD 20m loan to support its lending activity to Peru's farming and agribusiness SMEs producing for export ■



WEST INDIES

Helping a Caribbean agribusiness company gain international reach

French overseas companies can achieve more sustainable growth by expanding within their regional environment. In 2014, PROPARCO and the French investment company Unigrains entered into an agreement to issue €4m worth of convertible bonds to assist the Martinican group CEM, the leading producer of flour and livestock feed in the French West Indies and Guiana.

The aim is to help finance CEM's expansion in Brazil, Saint Lucia and French Guiana. As a result, a more diversified offering of food and feedstuff will be available. At the same time, production facilities will be set up in remote areas previously lacking in flour-milling and feedstuff capacity.

€75m

worth of commitments
in agriculture and agribusiness
in 2014



FINANCING AFRICA'S AGRIBUSINESS SME

By investing in investment funds, PROPARCO contributes to the growth of small businesses that it couldn't finance directly. Injaro is the only such fund dedicated to financing agribusiness SMEs in West Africa.

Agribusiness is booming today in Sub-Saharan Africa. But the companies involved suffer from a lack of equipment and insufficient access to financing and advisory services.

A social impact fund called Injaro Agricultural Capital Holdings Ltd (IACHL) has been established with the aim of investing along the agricultural value chain in West Africa. Its debt and equity investments (USD 400,000 to 4m) go primarily to family-owned SMEs. The aim is to help those businesses increase productivity and move from subsistence to commercially viable farming.

In 2014, the Investment and Support Fund for Businesses in Africa (FISEA), held by the AFD and managed by PROPARCO, acquired a €7m equity interest in IACHL.

IACHL has invested USD 10.6m to date in seven SMEs, including Proveto, a small Ivory Coast poultry business, and Nafaso, a small seed production company in Burkina Faso. In addition to funding, Injaro provides its investees with extensive guidance on how to run their business. Its technical assistance offer includes support with implementing environmental and social policies designed to give them greater oversight over farmers, train their staff or encourage them to recycle waste and use renewable energies.

By focusing on companies with only limited eligibility for standard bank loans, Injaro plays an essential role in the agricultural development of the region and helps energize the small business sector ■



POINT OF VIEW

A key trio of European organizations

The involvement of three European Development Finance Institutions has been crucial for Injaro. To start with, they have made financial commitments, with €7m from the FISEA fund, managed by PROPARCO, €15m from the DFID Impact Fund managed by CDC and €10m from the MASSIF Fund managed by FMO. This capital injection has enabled Injaro to reach the critical USD 50m threshold it needs to ensure the viability of its business model. In addition to financing, as the FISEA fund manager, PROPARCO has shared its fund structuring experience with us. The result is that we have organized our work on an optimal basis and achieved a proper balance between stakeholders – shareholders, partners, employees and clients. With CDC's support, we have also put in place an Environmental, Social and Governance (ESG) risk management policy that is compliant with local regulations and the standards set by the International Finance Corporation (IFC). It encompasses an exclusion list, assessment of ESG risks at prospective portfolio companies and the inclusion of E&S clauses or action plans in the documents signed with the companies. A final point is that FISEA's involvement in the funding round enabled us to formally define and delimit a number of key features of our investment strategy, starting with a geographic scope that will guarantee Injaro's longevity.

Dadié TAYORAUD,
Managing Partner, Injaro



IMPACT

- 600 job created at 7 investees.
- Value chain integration (farmers, input companies, lenders, etc.).
- High environmental, social and governance standards promoted among the SMEs in the portfolio.
- Greater access for African farmers to quality seeds thanks to €3m in financing for SMEs specializing in that segment.
- Capital market diversification.



PROMOTING SOUND AND EFFECTIVE FINANCIAL SYSTEMS

The private sector cannot develop without long-term financing, something relatively unavailable to date in the Southern Hemisphere. In response, PROPARCO has given priority status to support for financial institutions.

Companies drive economic growth, be they large or small. To develop, they need sound, effective, well-regulated financial systems that can finance their investments over longer periods (up to 20 years). In developing economies, however, local banks rarely have the necessary resources – particularly in foreign currency (euros or dollars). That is why support for the financial sector is a primary focus for PROPARCO.

The institution's equity and debt financing contributes to the growth of national banks, to the expansion of larger companies with regional scope and to the vitality of financial markets and centers, above all in Sub-Saharan Africa. In 2014, over half of its financial sector commitments (57%) went to African financial institutions.

In more mature markets like Latin America and Asia, PROPARCO gives precedence to industries that are key to economic development but inadequately served by commercial banks. This is the thinking behind its lines of credit dedicated to key focus areas of green and inclusive growth, such as renewable energies, agriculture and healthcare. In 2014, PROPARCO and its Dutch counterpart, FMO, thus extended a €75m facility to National Development Bank (NDB) in Sri Lanka to help finance renewable energy and agribusiness projects.

PROPARCO also works to promote a broader spectrum of local market financing opportunities so that the changing needs of businesses and individuals can be more effectively met. This is reflected in its growing support for specialized financial institutions (e.g., mortgage lending and leasing institutions) and insurance companies.

Lastly, PROPARCO strives more broadly to keep pace with regulatory change affecting financial systems in the Southern Hemisphere and to assist its partners in meeting the highest Environmental, Social and Governance (ESG) standards. In 2014 for example, PROPARCO supported 21 banks with the introduction of systems for managing the E&S risks arising from their business and the business of their portfolio companies ■



GHANA

Supporting the growth of a local banking player

Over the past decade, Ghana has made substantial progress in developing its banking system and increasing its stability. PROPARCO is involved in this essential drive. In 2014, PROPARCO extended a ten-year subordinated loan of USD 28.5m to CAL Bank Limited, a bank in Ghana focused on business financing. This was the fifth such deal between the two institutions since 1999. The purpose is to strengthen the bank's equity base and enhance its ability to serve small business and individual clients. By reaffirming its confidence in the local banking sector and by granting a subordinated loan, PROPARCO has sent a positive signal to international investors about the soundness of Ghana's banking system and the encouraging prospects it holds out.

€520m
in commitments to
the financial sector in 2014

MICROFINANCE



ENSURING RESPONSIBLE MICROFINANCE

Microfinance has demonstrated that it can effectively help alleviate poverty. In order to go on serving the cause of development and financial inclusion, microfinance institutions need to find the right balance between social responsibility and profit.



Jean-Gabriel DAYRE,
Senior Investment
Officer, PROPARCO

Could you tell us a bit about PROPARCO's microfinance work?

PROPARCO offers microfinance organizations debt financing (mainly in local currency) and equity investments, along with technical assistance in some cases. The recipients can be mature organizations with a good balance between financial and social performance, or smaller structures, including start-ups and greenfield projects, above all in Africa. The overriding goal is to increase financial inclusion of the neediest population groups and help institutionalize responsible microfinance.

How do you measure balance between financial and social performance?

Together with the CERISE* knowledge exchange network, we have developed an evaluation tool that allows us to assess how microfinance institutions (MFIs) address such sensitive social issues as over-indebtedness and product pricing. This also helps us engage MFIs in constructive dialogue on their social performance. At the

same time, we encourage them to address these issues with outside consultants, to undergo outside evaluation and to seek certification in compliance with the international Smart Campaign's Client Protection Principles.

Apart from financing, how does PROPARCO go about promoting social performance among microfinance providers?

PROPARCO advises and assists its partners in areas like governance and financial security, environmental and social issues and how to protect their clients, particularly against over-indebtedness.

In addition, PROPARCO is an active member of the Social Performance Task Force (SPTF), a worldwide network encompassing all the microfinance stakeholder groups. Our involvement with the SPTF includes discussion and the sharing of experience among practitioners so that we can advance the social performance agenda. PROPARCO also takes part in working groups on how to measure and monitor social performance, as well as in efforts to include responsible covenants in microfinance agreements. And finally, PROPARCO supports initiatives to promote lighter, more uniform reporting formats for MFIs in relation to their investors, as through the MIX Gold package provided by the MIX Market platform ■



Encouraging financial inclusion in Tajikistan and Cambodia

In 2014, PROPARCO entered into two arrangements to support microfinance in Asia.

In Tajikistan, together with the International Finance Corporation (IFC) and the OPEC Fund for International Development (OFID), PROPARCO extended a USD 6.5m line of credit to IMON International, the leading microfinance institution (MFI). This financing will support IMON's microfinance activity in a country in which MFIs often represent the only option for accessing financial services, above all in rural areas. Certified by the Smart Campaign for adhering to its Client Protection Principles, IMON serves 94,000 clients across Tajikistan.

In Cambodia, PROPARCO invested USD 4.6m in AMK, one of the most important MFIs in the country. Thanks to this additional equity, AMK can continue to expand and maintain the balance between social and financial performance it has previously achieved. AMK's ambition is to diversify its credit offering for individuals (including for housing) and initiate mobile banking, savings and micro-insurance services. Specializing in group guaranteed loans to the underprivileged in rural areas, the institution served 410,000 clients at end-2014, 83% of them are women.

(*) Comité d'Echange, de Réflexion et d'Information sur les Systèmes d'Épargne-crédit



AN INSTITUTION

that adds value

PROPARCO adopted a new strategy in 2014 to deal with a changing global environment. To meet its goals, the institution has strengthened its financial structure and operates on the basis of a distinctive model of mixed, public-private governance, a broad international network and solid partnerships with its peers.

26

shareholders

PROPARCO brings together a community of investors from North and South committed to development.

13

local representations

PROPARCO operates in 73 countries through its local representations and the network of AFD agencies.

A MIXED SHAREHOLDER BASE

PROPARCO's unique mode of governance sets it apart from other Development Finance Institutions. In addition to the AFD, its majority shareholder, the shareholder base spans a broad range of public and private institutions – from France, elsewhere in Europe, Latin America and Africa.

When first established in 1977, PROPARCO was a wholly-owned subsidiary of the Caisse Centrale de Coopération Economique (CCCE), since renamed the Agence Française de Développement (AFD). It initially provided venture capital to help strengthen the capital base of private companies in French-speaking Africa. To ensure further expansion and give its governing bodies the benefit of private sector know-how, PROPARCO began offering shares to private shareholders in 1988. In 1990, it expanded its offer to include a diversified range of loans and developed into a financial company recognized by the French banking authorities.

During the 1990s and 2000s, the institution raised equity on several occasions to keep pace with an evolving sectoral and geographic profile. French and foreign financial institutions, service companies and industrial firms with operations in its focus areas thus acquired stakes in PROPARCO. To support its growing activity, the share capital was increased to €143m in 2001, to €420m in 2008 and again to €693m in 2014.

Today, PROPARCO is majority-owned by the AFD (63%). The diversity of its investor base gives PROPARCO compelling expertise in strategic management and governance that translates into real added value in how it approaches project financing. It also creates promising opportunities for cooperation and partnership in support of development ■



SHARE CAPITAL BREAKDOWN: €693m

63% AGENCE FRANÇAISE DE DÉVELOPPEMENT

22% FRENCH FINANCIAL ORGANIZATIONS

- BNP Paribas
- BPCE IOM
- CDC Entreprises
- ELAN PME (Bpifrance)
- Coface
- Crédit agricole SA
- Société Générale

12% INTERNATIONAL FINANCIAL ORGANIZATIONS

- Aga Khan Fund for Economic Development (AKFED)
- Banque marocaine du commerce extérieur (BMCE)
- Bank of Africa Group (BoA Group SA)
- Banque ouest-africaine de développement (BOAD)
- Corporación Andina de Fomento (CAF)
- Development Bank of Southern Africa (DBSA)
- DEG

2% CORPORATES

- Bolloré Africa Logistics
- Groupe Bouygues
- GDF Suez
- Saur International
- SIPH
- Socotec International
- Somdiaa

1% FUNDS AND ETHICAL FOUNDATIONS

- Xavier de BAYSER
- Amundi AFD Avenirs durables
- Natixis Solidaire

THE AFD, FRANCE'S KEY OPERATOR FOR DEVELOPEMENT

The AFD is a public institution that has been instrumental for over 70 years in fighting poverty and encouraging development in the South and the French Overseas Territories. The AFD implements the French government's development policy.

Through its network of 71 agencies and offices around the world – including nine in the French Overseas Territories and one in Brussels – the AFD finances and supports projects that improve living conditions, support economic growth and protect the planet. Those projects cover such fields as education, health, support for farmers and small enterprises, water supply and mitigation of climate change.

Financing approved by the AFD in 2014 totaled €8.1bn, including €1.5bn for French Overseas Territories.

In addition to a range of financial resources, the AFD assists its partners with training, analysis and evaluation tools. In addition, the AFD cooperates with French and international academic networks, providing input into discussions on development.

The AFD assists a variety of French organizations such as local governments, businesses and civil society organizations.

In the international arena as well, the AFD has established partnerships with a wide array of European development assistance agencies, leading development banks, new donor countries and private foundations ■



AFD SUPPORT FOR PROPARCO

Backing from the AFD means PROPARCO benefits from the creditworthiness of a shareholder with an excellent credit rating. The AFD is both PROPARCO's main shareholder and only creditor. And thanks to sub-participation agreements with the AFD, PROPARCO can increase its lending capacity.

At the same time, a service agreement ensures AFD support in terms of logistics, internal auditing, human resources, IT and back office.

From an operational standpoint, PROPARCO draws on the expertise of AFD staff in such areas as agriculture, health and education.



3 QUESTIONS FOR Brahim BENJELLOUN-TOUMI

Director & Delegate General Manager, Banque Marocaine du Commerce Extérieur–Bank of Africa (BMCE–BOA)

How do you perceive your role as a PROPARCO shareholder and Board member?

BMCE Bank of Africa is a legacy PROPARCO shareholder. We first acquired an interest in 2000, and ever since then, the relationship between our institutions has thrived on the sharing of experience and expertise. Africa is the DNA of BMCE Bank of Africa; it's also a core concern for PROPARCO. So it's a natural step for us to share our analysis of where the continent is heading. Our ambition today is to leverage synergies to be able to act in common on a greater scale.

What other kind of relations do the two institutions maintain?

PROPARCO helped pioneer the BOA, which is now majority-owned by BMCE. PROPARCO financed the expansion of the network with loans and equity investments in specific BOA subsidiaries. As a shareholder, PROPARCO also delivers crucial expertise in such areas as governance and corporate social responsibility (CSR). By sharing its knowledge of economic realities across Africa, it contributes actively to the growth of BOA.

What is your assessment of PROPARCO's work in Africa?

PROPARCO shows a deep-rooted, well-known commitment to Africa's economic and social development that has earned it recognition. The strategy for 2014–2019 reaffirms that commitment. PROPARCO's approach to development also emphasizes the need for sustainable, inclusive growth grounded in solidarity, along with support for fragile States and the least developed countries. In doing so, PROPARCO addresses the crucial issues facing Africa.

We also take a very positive view of its stepped-up work on CSR and co-financing with its peers. By fostering the dissemination of best practices, PROPARCO helps put the results achieved by its clients – and with them the investors – on a sound long-term footing.

A SOLID INSTITUTIONAL FRAMEWORK

The members of PROPARCO's governing bodies represent Development Finance Institutions, banks, industrial firms and ethical investment funds, and the skills they possess are essential to proper management of the institution. They also ensure that it operates in a transparent fashion.

THE BOARD OF DIRECTORS

The PROPARCO Board of Directors comprises 16 directors and 8 observers. The Board meets four times a year. Its primary role is to set strategic direction for PROPARCO and ensure that it is implemented. Its responsibilities also include approving loan and guarantee pricing policy, business plans and strategic investment projects, as well as any transactions liable to have a significant effect on PROPARCO's results, balance sheet or risk profile. Through the expertise of its members – representing international Development Finance Institutions, banks, industrial firms and ethical investment funds – the Board is a vital contributor to the performance and growth of PROPARCO.

THE INVESTMENT ADVISORY COMMITTEE

The PROPARCO Investment Advisory Committee has 16 members. It is called upon by PROPARCO senior management to issue an opinion on all financing facilities of less than €30m, which do not require prior Board approval. The Committee is responsible for assessing the consistency of projects with PROPARCO's strategic direction, with the mission assigned to the AFD Group, as well as the associated financing terms and risks.

As the last body to examine projects prior to a decision by senior management, the Investment Advisory Committee performs a crucial function in the PROPARCO project cycle. It holds monthly meetings, with members attending in person or via remote conference.



BOARD OF DIRECTORS

CHAIRWOMAN

Anne PAUGAM

VICE-CHAIRMAN

Jean-Jacques MOINEVILLE⁽¹⁾

DIRECTORS FROM THE AFD

Philippe BAUDUIN⁽²⁾

Jean-Marc GRAVELLINI

Odile LAPIERRE⁽³⁾

Philippe ORLIANGE

Agence Française de Développement,
represented by Colette GROSSET⁽⁴⁾

OUTSIDE DIRECTORS

Isabelle BÉBÉAR⁽⁵⁾,
CDC Entreprises Élan PME (Bpifrance)

Brahim BENJELLOUN-TOUIMI⁽⁶⁾,
Banque marocaine du commerce extérieur (BMCE)

Gonzalo de CASTRO⁽⁷⁾,
Corporación Andina de Fomento (CAF)

Jean-Claude GARDETTE, Natixis

Éric HOTTELART⁽⁸⁾, Crédit agricole SA

Patricia LANTZ⁽⁹⁾,

BPCE International et Outre-mer

Philippe SÉCHAUD⁽¹⁰⁾,

as an individual director

Moe SHAIK, Development Bank
of Southern Africa (DBSA)

Philippe TARTELIN, BNP Paribas

EXECUTIVE OFFICERS

Claude PÉRIOU,

Chief Executive Officer

Sandrine BOUCHER,

Deputy CEO

Marie-Hélène LOISON,

Deputy CEO

AFD WORKS COUNCIL REPRESENTATIVE

Jean-Michel KERAVEL

OBSERVERS AND ADVISORS

Statutory observers:

Samuel GOLDSTEIN,
Ministries of the Economy and Finance

Vincent JACOB⁽¹¹⁾,
Ministry of Foreign Affairs
and International Development

Non-statutory observers:

Éric BIO⁽¹²⁾, Banque ouest-africaine
de développement (BOAD)

Pierre FOUCRY, BPCE

Lutaf KASSAM, Aga Khan Fund
for Economic Development (AKFED)

Pascale LEFÈVRE⁽¹³⁾, Coface

Patrick PONSOLLE

Denis SIMONNEAU⁽¹⁴⁾, GDF Suez

GOVERNMENT COMMISSIONER

Claude WARNET⁽¹⁵⁾

AUDITORS

Pascal BROUARD, KPMG

Max DONGAR⁽¹⁶⁾, MAZARS

AUDIT COMMITTEE

Natixis, represented by Jean-Claude GARDETTE

Jean-Michel LATY

Bernard DIGUET



AN INTERNATIONAL PRESENCE

PROPARCO's work potentially targets all countries eligible for Official Development Assistance. Today the institution operates in over seventy countries spanning four continents, from major emerging markets to the least developed countries.

FRENCH OVERSEAS TERRITORIES

€133m
in outstanding loans and
equity stakes portfolio (3%)

MULTI-COUNTRY

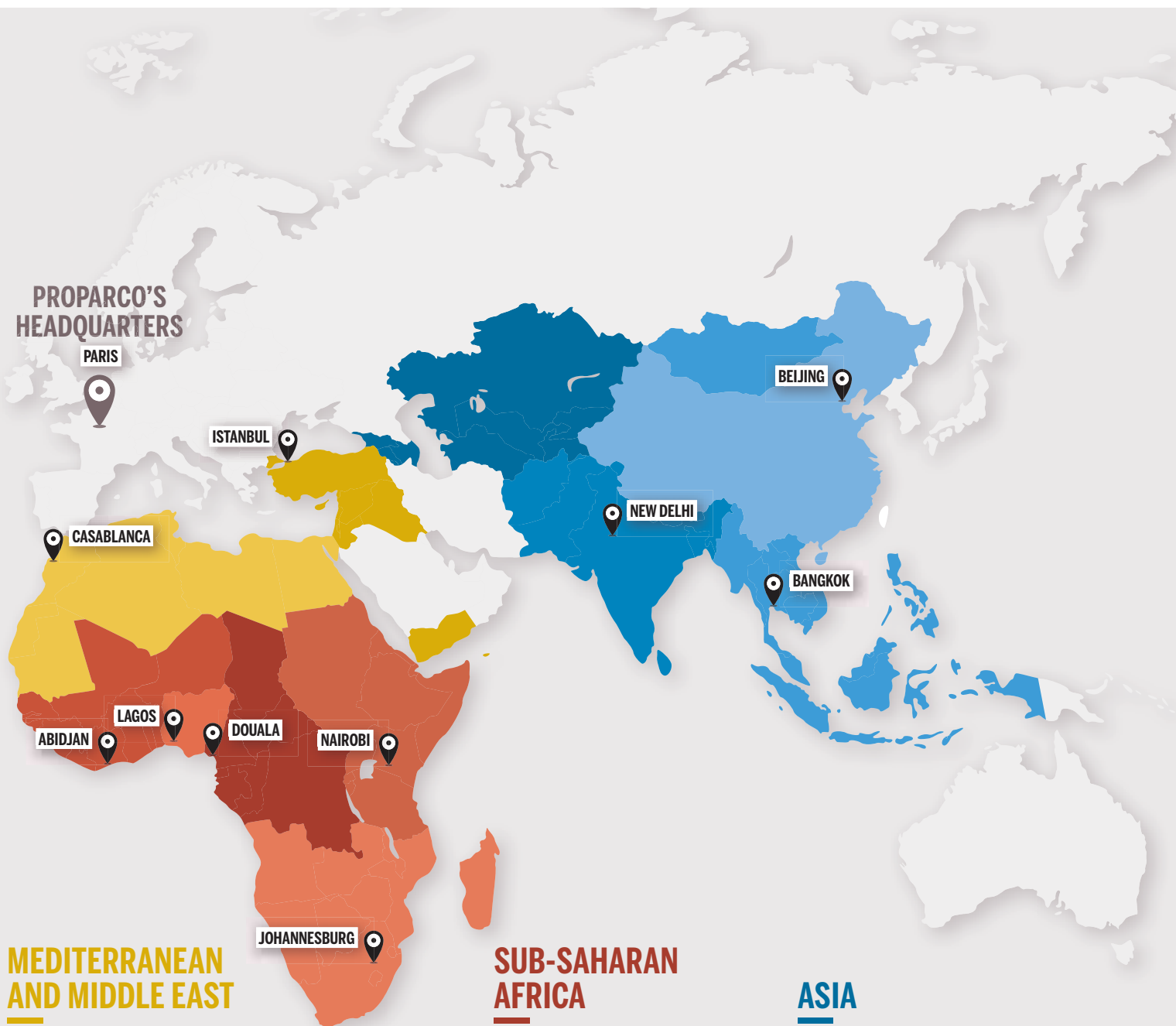
€129m
in outstanding loans and
equity stakes portfolio (3%)

LATIN AMERICA AND THE CARIBBEAN

€792m
in outstanding loans and
equity stakes portfolio (20%)

- **MEXICO CITY**
Central America and the Caribbean
- **SAO PAULO**
South America
- **SANTO DOMINGO**
Dominican Republic and Haiti





MEDITERRANEAN AND MIDDLE EAST

€803m

in outstanding loans and
equity stakes portfolio (20%)

- **CASABLANCA**
Maghreb
- **ISTANBUL**
Turkey and Middle East

SUB-SAHARAN AFRICA

€1,514m

in outstanding loans and
equity stakes portfolio (38%)

- **ABIDJAN**
West Africa
- **DOUALA**
Central Africa
- **JOHANNESBURG**
South Africa
and Indian Ocean
- **LAGOS**
Nigeria
- **NAIROBI**
East Africa

ASIA

€642m

in outstanding loans and
equity stakes portfolio (16%)

- **BANGKOK**
North and Southeast Asia
- **NEW DELHI**
South Asia
- **ISTANBUL**
Central Asia and Caucasus
- **BEIJING**
China

PARTNERING TO PROMOTE DEVELOPMENT

Since 2007, PROPARCO has stepped up its cooperation with other Development Finance Institutions and private backers. These partnerships give it greater leverage to support the Southern Hemisphere's private sector.

PROPARCO cooperates with a wide range of public- and private-sector organizations, including European Development Finance Institutions, regional and national banks, multilateral institutions and both local and international commercial banks. Thanks to these partnerships, PROPARCO can take on larger-scale projects and mobilize greater financial resources. In addition, PROPARCO benefits from its partners' experience in specific geographies and sectors, while sharing its own expertise and know-how. PROPARCO's partnership-based approach also fosters the adoption of common standards and the consistency of practices. This makes it a means to drive growth and boost efficiency.

INTENSE EUROPEAN COOPERATION

The Association of European Development Finance Institutions (EDFI) provides an effective and dynamic setup for cooperation among Europe's peer institutions. Created in 1992, it encompasses 15 European bilateral institutions dedicated to financing the private sector in the Southern Hemisphere. The EDFI's purpose is to foster technical and financial cooperation among its members.

This close relationship among European institutions has given rise to two co-financing

facilities: European Financing Partners (EFP) and the Interact Climate Change Facility (ICCF). Created in 2004 by PROPARCO and nine other EDFI members, with the European Investment Bank (EIB) also taking part, EFP is a special purpose vehicle for co-financing private sector enterprises in Africa, the Caribbean and the Pacific regions (ACP). In the past ten years, EFP has approved 31 projects with a total value of €420m.

In 2011, PROPARCO also joined with the AFD, the EIB and ten other EDFI members to create the ICCF. The purpose of this facility is to support private-sector renewable energy and energy efficiency projects in the Southern Hemisphere – an initiative widely held up today as a model of cooperative efforts among Development Finance Institutions to tackle climate change. Between 2012 and 2014, the ICCF raised €220m from its members to finance eleven "climate" projects, five of them led by PROPARCO. In 2014, PROPARCO replenished the ICCF for the third time with €15m, thereby highlighting the AFD Group's ongoing commitment to this vehicle (providing €160m out of a cumulative total of €461m).

PROPARCO, DEG, FMO: GREATER COOPERATION

PROPARCO maintains particularly strong ties to two EDFIs: Germany's DEG and the Netherlands' FMO.

In 2012, the three institutions set up a joint financing facility that enables them to pool their resources and put one of the three partners in charge of examining and monitoring specific projects. This coordinated approach facilitates their involvement with large-scale deals.

In 2014, the three partners mobilized a total of €949m to support 22 projects through the facility.



AKFED

Shared development goals

The Aga Khan Fund for Economic Development (AKFED) is one of the agencies in the Aga Khan Development Network (AKDN). It works to promote entrepreneurship and business creation in developing economies.

In 2014, PROPARCO arranged a USD 189m loan to AKFED jointly with DEG and FMO to help with the long-term financing of projects in Asia and Africa spanning sectors as diverse as finance, infrastructure, industry and tourism. The aim is to support economic and social development in regions receiving too little in the way of foreign direct investment.

This deal shows strong continuity with the long record of productive cooperation between PROPARCO and AKFED, a PROPARCO shareholder of 25 years' standing.

25%

of new commitments in 2014 were made under co-financing arrangements with FMO and DEG

STRONGER PARTNERSHIPS WITH MULTILATERAL INSTITUTIONS

PROPARCO has made stronger relations with multilateral financial institutions a key component of its partnership strategy.

In October 2009, PROPARCO entered into a Master Cooperation Agreement with the International Finance Corporation (IFC) – a World Bank subsidiary focused on the private sector. The aim is to facilitate co-financing arrangements for projects in sectors that are crucial to development. In 2014 for example, PROPARCO and the IFC funded a major hospital project in Brazil and the expansion of a microfinance institution in Tajikistan.

PROPARCO has also stepped up its cooperation with the European Bank for Reconstruction and Development (EBRD). In 2014, the two

institutions together helped finance Turkey's first health campus through public-private partnership and three of the first solar power plants in Jordan.

At the same time, PROPARCO has been deepening its relations with multilateral institutions based in Africa and emerging economies elsewhere. In 2014, it joined forces with the African Development Bank (AfDB) in financing Sub-Saharan Africa's largest wind farm.

CLOSE TIES WITH SHAREHOLDERS

As part of its drive to achieve greater scope and add more value, PROPARCO also maintains close ties with its shareholders, including cooperation on individual projects or in specific sectors.

In 2014 for example, PROPARCO strengthened its relationship with the Development Bank of Southern Africa (DBSA), a shareholder since 2001. This has already led to a staff exchange program and joint financing for the construction of a hydro-electric power plant in Zambia.

This past year, PROPARCO also joined up with Bpifrance, a shareholder since 2008, to launch Averroès Finance III, a fund of funds set up to invest in private equity funds in Sub-Saharan Africa, under a broader partnership agreement with the AFD Group.

Furthermore, Corporación Andina de Fomento (CAF), which acquired a stake in PROPARCO in 2011, has been helping the institution expand its activity in Latin America and the Caribbean. This recently resulted in a joint financing plan for the construction of Peru's biggest wind farm ■



ARRANGING HIGH-VALUE DEALS

In 2014, PROPARCO further expanded its work as an arranger of high-value financing deals. This has involved handling the interface between borrowers and lenders, raising funds swiftly and conducting due diligence up to the project commissioning stage.

Not including sub-participation agreements with the AFD, PROPARCO arranged four deals in 2014 with its European counterparts, mobilizing a total of €274m. For example, the institution mobilized €75m to help National Development Bank (NDB) in Sri Lanka finance renewable energy, agribusiness and water supply projects.

EXECUTIVE TEAM



EXECUTIVE TEAM

- 1 Claude PÉRIOU**
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- 3 Sandrine BOUCHER**
Deputy Chief Executive Officer
in charge of the General Secretariat
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- 14 Yazid SAFIR**
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A MODEL

built to last

PROPARCO's results vindicate its business model, which balances profitability and development impact. Through its complementary financing and technical tools and its long-term assistance policy, it delivers effective and relevant support to the private sector.

31
local currencies

The PROPARCO portfolio encompasses 31 local currencies with a total value of €192m.

11%
invested in equity

In 2014, PROPARCO's equity investments tripled compared to 2013.

A WIDE RANGE OF FINANCING SOLUTIONS

In response to the financing needs of private sector organizations in the Southern Hemisphere, PROPARCO offers loans, equity investments and guarantees in foreign and local currencies.

“



“With private sources of funding becoming more diverse in the Southern Hemisphere, PROPARCO has chosen to step up its equity investing. Our aim in doing so is to add more value.”

Sandrine BOUCHER
Deputy Chief Executive Officer
in charge of the General Secretariat

framework agreement with the AFD, co-financing mechanisms with the Association of European Development Financing Institutions (Interact Climate Change Facility, or ICCF, and European Financing Partners, or EFP) and with its Dutch and German counterparts, FMO and DEG.

In 2014, PROPARCO mobilized close to €200m over and above its own funding, which enabled it to meet financing needs on large projects and to add considerable value as an arranger on deals.

LONG-TERM LOANS TO SUPPORT DEVELOPMENT

PROPARCO extends loans ranging from €3m to €100m with tenors of up to 20 years, denominated in foreign or local currencies. In 2014, loans made up nearly 90% of the total commitments.

The institution offers comprehensive financing solutions and can syndicate large loan amounts through a variety of mechanisms put in place with its partners. For example, PROPARCO has a

EQUITY INVESTING TO BOOST GROWTH AND INNOVATION

PROPARCO can make use of equity and similar instruments that range from the acquisition of minority interests held directly or indirectly (via investment funds) to subordinated and participating loans, and from shareholder current accounts to ordinary or mandatory convertible securities. As a result, companies get access to the capital that they need to grow their business and hands-on assistance

in crafting strategy, improving governance and accessing international business networks.

PROPARCO's aim is to raise the weight of equity, quasi-equity and subordinated loans in its portfolio from 20% to 30% by 2019. Part of its investing activity will go to infrastructure projects under development and fast-growing start-ups.

GUARANTEES TO ENERGIZE FINANCIAL MARKETS

The PROPARCO signature provides clients with a solvency or liquidity guarantee. PROPARCO

guarantees may take a variety of forms and apply to different kinds of underlying products (e.g., to loans in foreign or local currency, to bonds, to listed UCITS). In this way, PROPARCO makes it easier to mobilize resources from banks and institutional investors, and can have considerable impact on financial market liquidity.

FINANCING IN LOCAL CURRENCY

A good many companies, particularly small ones, earn no revenue in euros or dollars. To reduce their exposure to exchange rate risk, which could weaken them, PROPARCO works to find local currency financing solutions. Depending on

circumstances, this involves turning to financial markets that offer hedging instruments in the most important currencies (e.g., the Mexican peso, the South African rand, the Indian rupee) or to the Currency Exchange Fund (TCX), which pools the funds of multiple investors and which provides derivatives to hedge exposure to currencies less commonly used. On five occasions in 2014, PROPARCO provided financing in local currencies (Congolese franc, Mexican peso, Cambodian riel and Mauritian rupee) totaling €28m ■



FISEA – A FUND FOR AFRICAN BUSINESSES

PROPARCO also invests in equity through the Investment and Support Fund for Businesses in Africa (FISEA) established in 2009.

With an investment target of €250m, the fund is one of the key components of France's initiative to promote growth and jobs in Africa.

Held by the AFD and managed by PROPARCO, FISEA targets regions that are more unstable or emerging from crisis situations, as well as sectors traditionally bypassed by investors and vulnerable population groups. Special attention is paid to the growth of small and medium-sized businesses.

€250m
allocated to the fund

€120m
invested at December 31, 2014

38%
of the portfolio invested in
West Africa at December 31, 2014

MULTI-SECTOR EXPERTISE

In line with the third strategic orientation plan of the AFD and the policy defined by the French government, PROPARCO focuses on key sectors for economic growth, job creation and the provision of essential goods and services.



CORPORATE

Businesses drive growth, generating tax revenue for states and creating significant employment opportunities. They also play a fundamental role in establishing and disseminating environmental and social best practices. PROPARCO finances local, regional and international businesses with a significant and lasting effect on growth.

PROPARCO is involved in agribusiness, higher education, healthcare, manufacturing, building materials, sustainable tourism, etc.

In addition to providing financing, it supports its clients in the improvement of their environmental and social performance.

“Over the years, PROPARCO has developed considerable expertise in the key development areas. The combination of financial and technical know-how that its teams have built up is a major asset for supporting businesses in the South.”

Marie-Hélène LOISON
Deputy Chief Executive Officer
in charge of Operations



INFRASTRUCTURE

Efficient infrastructure networks are critical to attracting private investment, reinforcing the local economy and delivering essential services to the population. To address these challenges, PROPARCO co-finances large-scale infrastructure projects. The aim is to build and upgrade infrastructure, as well as to make it as widely accessible as possible.

With its long-term resources, PROPARCO supports projects in a wide variety of sectors, including energy, telecommunications, transport (by air, rail, sea and road), water supply and sanitation. In the emerging countries, the focus is on financing renewable energy sources like wind, geothermal, water and solar power, biomass and biogas. PROPARCO also supports mining projects that meet high fiscal transparency, social and environmental standards.



BANKS AND FINANCIAL MARKETS

Insufficient access to finance is one of the primary obstacles encountered by companies. In fact, business growth is dependent on the existence of an efficient banking sector and smoothly operating financial markets. To help build sustainable local financing capacity, PROPARCO therefore supports financial institutions.

In Sub-Saharan Africa, PROPARCO offers clients long-term credit lines and equity financing. In the emerging countries, the emphasis is on credit lines dedicated to specific sectors like renewable energy or agriculture.

PROPARCO also supports microfinance institutions as a means of having a greater impact on local economies and increase access to finance for the underprivileged.



FRENCH COMPANIES AS PARTNERS IN DEVELOPMENT

French companies show increasing interest in the countries where PROPARCO has operations. Helping them achieve global reach is an essential part of fostering the sharing of expertise, promoting responsible business models and cultivating mutually beneficial economic relations.

In their quest for global reach, more and more French companies are starting up operations in emerging and developing economies. They rightly view this as an opportunity to gain a foothold in high-growth markets, address local consumers directly and adapt to their needs in such diverse areas as energy, water supply and sanitation, banking, construction and tourism. Moreover, in doing business in those countries, French companies disseminate the technology and know-how that has earned them recognition – and that is in great demand.

To help them take up the challenges involved in setting up or expanding subsidiaries in the South, PROPARCO provides French companies with financing in the form of loans, equity investments and guarantees. PROPARCO also gives them access to its extensive network of partners – first and foremost local financial institutions – and shares its developing countries knowledge with them.

French companies in PROPARCO portfolio includes everything from small businesses to multinationals in sectors ranging from infrastructure to agribusiness to banking. The role of PROPARCO also involves supporting them in their efforts to innovate and promote higher social, environmental and governance standards. French companies can make a valuable contribution to the creation of new development models – for example by designing low-carbon infrastructure and fostering forms of consumption geared to low- income population groups.

As a public sector organization, PROPARCO is part of broader arrangements for assisting French companies abroad, along with Ubifrance, Bpifrance, the Chamber of Commerce and France's trade commissions in the various countries. A drive is underway to identify and exploit synergies so that the instruments used by these institutions can become mutually beneficial ■



AFRICA

French archiving expertise

There is little in the way of archiving and document management in Africa, whereas administrations, companies and local banks there require to ensure adequate data security and confidentiality.

In 2014, PROPARCO extended a €15m loan to the French company Mobilitas to support the development of this activity on the continent. The money will be used to rehabilitate or build warehouses in South Africa, Angola and Senegal.

Founded in 1974, Mobilitas began to develop its operations abroad in its core moving business, before branching out into archiving and assisting companies with mobility. With a workforce of over 2,000 in 44 countries in Africa, the company aims to extend its footprint across the entire continent. The loan from PROPARCO followed initial funding for Mobilitas from Bpifrance, highlighting the complementary roles played by the two institutions in assisting French companies.



NON-FINANCIAL SERVICES

PROVIDING COMPANIES WITH LONG-RANGE, END-TO-END SUPPORT

PROPARCO's assistance to the private sector in the South is not only financial. Its clients also benefit from other, more qualitative forms of support such as expertise, technical assistance and access to the AFD Group's network of partners.

OPENING UP NEW OPPORTUNITIES

In addition to access to financing, PROPARCO provides its clients with access to its extensive network of partners, including that of the AFD Group, comprising aid agencies, development banks, financial institutions, investment funds and private sector companies. The objective is to accelerate their expansion and help them to integrate fully with the local and regional economies. A first transaction with PROPARCO can serve as a springboard for additional funding from the AFD Group. Comprehensive partnerships may also be started around shared development objectives. They foster dialogue, the sharing of expertise and collaboration around conferences, research programs and the like.

SHARING EXPERTISE

Clients who receive financial support from PROPARCO also benefit from the multi-sector expertise of its teams and its detailed knowledge of the regions it operates in, especially Sub-Saharan Africa.

When PROPARCO acquires a stake in a company, especially a family-run enterprise, it helps it become a stable organization. Outside recognition

of PROPARCO's high environmental, social and governance standards strengthens the credibility of its clients.

DEVELOPING CAPACITY

Companies and financial institutions in developing countries also need support with strengthening their organizational structure, practices and business activity in general.

Like its counterparts elsewhere in Europe, PROPARCO has developed a technical assistance offer since 2009 in addition to its financing tools. The objective is to assist client companies in areas ranging from governance and human resource or financial management to the improvement of environmental and social practices. A further aim is to help them develop new products and services, introduce innovative production and organizational processes and obtain certification. For example, PROPARCO has assisted a Congolese bank with expanding its business with SMEs. The institution has also supported a Tunisian engineering school as it put in place a system of scholarships for students from low-income backgrounds.

The rationale behind such technical assistance is to help Southern Hemisphere companies adjust to a shifting, increasingly competitive local and international environment. In that respect, it is entirely in line with PROPARCO's mission of supporting the private sector, above all in Sub-Saharan Africa. To provide that assistance, PROPARCO draws on the special technical assistance resources from the Investment and the Support Fund for Businesses in Africa (FISEA) and the AFD's Capacity Building Governance Facility (FRCG), or on its own budgets ■



IVORY COAST

"Cacao loans" to small growers

In 2012, Advans Côte d'Ivoire (ACI), a subsidiary of the microfinance institution Advans SA, initiated a credit offering for small-scale cacao growers. The aim was to make it easier to purchase inputs like fertilizer and crop protection products, an important step toward higher yields and earnings. Those "cacao loans" were granted in a novel way: through cooperatives. In two years' time, over 3,700 producers benefited from them.

In 2014, PROPARCO financed technical assistance to support large-scale implementation of the same approach. Thanks to its €100,000 subsidy, the human resources made available to the project could be strengthened. A market study and audit engagements will also be part of the technical assistance program in order to enhance the offer to small growers.

80 COMPANIES
have received direct or indirect
technical assistance since 2014



EFFECTIVE RISK MANAGEMENT

PROPARCO incorporates risk management into every aspect of its operations. It implements a comprehensive risk management system to control credit risks, environmental and social risks, and non-compliance risks.

GLOBAL RISK MANAGEMENT FRAMEWORK

PROPARCO's risk monitoring system is based on a set of operational limits for each region and each counterparty, combined with a prudent provisioning methodology and quarterly portfolio reviews for investments that the Risk Committee has identified as sensitive. At the same time, the Assets and Liabilities Management Committee is now responsible for monitoring financial risks (interest rate, exchange rate, liquidity) that could erode PROPARCO's profitability or financial strength. This comprehensive system ensures effective risk management. Moreover, PROPARCO benefits from the financial robustness of its AA-rated main shareholder, the AFD.

RISK ASSESSMENT DURING THE PROJECT LIFECYCLE

Risk assessment is an integral component of the project cycle. For each project, PROPARCO gathers independent opinions to analyze and assess both credit risks and legal, environmental, social and compliance risks. No financing decision is made without an in-depth study of all risk factors by PROPARCO's governing bodies. Each financed project is monitored for as long as it is held in the portfolio, and a new assessment of its risk profile is conducted every six months.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISK MANAGEMENT

PROPARCO places special emphasis on managing environmental, social and governance (ESG) risks. At the identification stage, projects are categorized based on their E&S risk level, which in turn determines the scope of E&S due diligence and the benchmark standards to be applied. Starting in 2013, PROPARCO has also been developing a framework for assessing governance at client organizations in which it makes equity investments.

Following this assessment, PROPARCO negotiates potential improvements with

clients and spells out these commitments in contractual documents. Implementation is usually monitored every year. If appropriate, supplementary action plans can be drafted. PROPARCO also makes technical support available to its clients to improve their E&S performance (certification, training, etc.).

FINANCIAL SECURITY POLICY

PROPARCO has developed a set of procedures and contractual provisions to fight corruption, fraud, anti-competitive practices, money laundering and terrorism financing. These measures, which align with the AFD Group's financial security policy, are designed to prevent, detect, monitor and manage non-compliance risk related to PROPARCO's activities and the regions where it operates. Projects undergo multiple checkpoints during their lifecycle. Before a financing decision is made, counterparty quality (reliability of accounts, internal governance, reputation and anti-terrorism due diligence, etc.) is assessed. Other safeguards include clauses in financing agreements, close monitoring of implementation and funding procedures, and controls during the payment process ■

MEASURING RESULTS

Over the past several years, PROPARCO has been stepping up its efforts to measure results and impact. The overriding goal is to make a greater contribution to sustainable development.

GUIDELINES FOR FINANCING DECISIONS

PROPARCO has made development impact a major factor in its financing decisions.

To assess project impact, it uses the GPR[®] Corporate-Policy Project Rating tool developed by DEG, the German Development Finance Institution, adapting it to PROPARCO's needs and strategy.

Four main criteria are examined: expected impact on development, profitability, level of risk and fit with PROPARCO's strategy. Enriched with qualitative analysis, these indicators enable ex ante (forecasting and estimates) project quality assessments, as well as to identify paths to improvement to help PROPARCO clients enhance their performance.

MONITORING AND EVALUATING PROJECTS

PROPARCO cannot operate effectively unless it monitors and evaluates the projects it finances. In 2012, PROPARCO reinforced its efforts to monitor project outcomes after granting funding. Its clients are requested to track every year a series of indicators on results and impact, such as job creation and preservation, the number of women employed by the company, how much corporate income tax it pays, staff training and transfer of technology.

In addition, ex post evaluations are selectively conducted to analyze outcomes and help learn from experience, often in cooperation with PROPARCO's European counterparts. This method of leveraging know-how is essential to enriching operational practice at PROPARCO.

HARMONIZING PRACTICES

Together with other Development Finance Institutions, PROPARCO has developed a series of harmonized indicators to ensure consistent reporting on development outcomes.

Fueling this move to harmonize practices is the sharing of information and expertise between PROPARCO staff and their colleagues at other development institutions and agencies through regular discussions and meetings.

ACCOUNTING FOR FINANCING EFFICIENCY

As a Development Finance Institution, PROPARCO is accountable to its shareholders, development professionals and the general public for its project outcomes. Transparency is essential to building effective dialogue and a long-term relationship of trust with all of its stakeholders.

The measurement of results is now a standard feature of the project examination and monitoring process. This enables PROPARCO to analyze its entire portfolio every year and pinpoint the defining trends in terms of the impact of its work. It also makes it possible to identify the best potential drivers of development in the private sector and ultimately to become a more effective institution ■



WORKING AT PROPARCO

In response to its expanded geographic reach and rapid growth in the past decade, PROPARCO has tripled its workforce. The broad range of employee profiles has proved to be an asset.

PROGRESSING

I've spent my whole career in the AFD Group. After starting out as an assistant at the CEFEB corporate university in 1994, I worked in various AFD departments, before joining PROPARCO in 2011. That was when I moved up to a senior officer position, which sort of represented a personal challenge, because the job required strong commitment. But it was also an opportunity to put my career into overdrive. I really came out ahead.

Anne BULTEAU
Administrative Officer,
Infrastructure and Mining Division



SHARING

I work for the Istanbul office of the International Finance Corporation (IFC) and have been seconded to PROPARCO for close to three years under a staff exchange program. Ultimately, I'm still doing the same job, but with the satisfaction of being able to cover different geographies and share our practices and expertise with the people at PROPARCO. As a result, when I go back I can serve as the point of contact between the IFC and PROPARCO on future projects.

Burcu COPUROGLU
Investment Officer,
Banks & Capital Markets division



ASSISTING

My job as an Investment Officer is to identify possible new projects, examine them and monitor them once they have been funded. That requires real familiarity with existing and prospective clients, as well as with the industries and macroeconomic environment in countries where PROPARCO operates. Understanding cultural differences is an essential component of my work. So being a "local" can turn out to be an asset, particularly in Thailand, which is where I am from.

Jetsada CHUENCHOOJIT
Investment Officer,
Bangkok office



186 staff members

“



GETTING INVOLVED

After seven years with a large bank, I felt I needed to move on, to find a job with more meaning. And that I did, at PROPARCO. Our work here furthers an end I consider very important: development in the Southern Hemisphere. The variety of sectors we cover, from agribusiness to transport and energy, across very different geographies in Africa and Asia, makes for a constantly stimulating job. It's also really exciting to be involved on the ground – you can see close at hand how our work progresses and achieves outcomes.

Adama DIAKITÉ
Investment Officer,
Portfolio Division

BUILDING

“



Working at the Sao Paulo office is a great opportunity for me to learn a lot more about South America. We work closely with our clients, and we provide long-term assistance on projects, so I'm right at the center of what PROPARCO is all about. Being part of the French development assistance space and helping to build sustainable and inclusive business models in South America is an exciting and highly instructive experience.

Étienne LE PARGNEUX
International Volunteer,
Sao Paulo office

“



LEARNING

The range of cases we examine in the PROPARCO Legal Division keeps my job constantly interesting. We get to deal with legislation in such diverse countries as India, Peru, Turkey and South Africa. Our role includes making sure that the projects financed by PROPARCO are compliant with local banking law, civil law or property law, for example. In some geographies, that can entail major challenges, but it's always stimulating.

Marie MOULIN
Corporate Lawyer,
Legal Division



APPENDICES

PROPARCO grew further in 2014, with €1.093bn in new commitments (up 29% over the previous year) and a total amount of outstanding loans and an equity portfolio of €4.013bn (up 17% over the previous year). PROPARCO has reaffirmed its status as a leading Development Finance Institution focusing on the private sector.



NEW COMMITMENTS

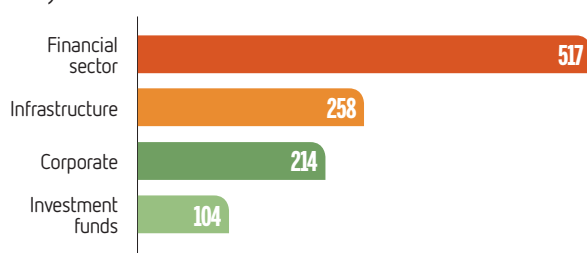
in 2014 (excluding FISEA)

€1,093_m
in 2014

up **29%**
compared
with 2013

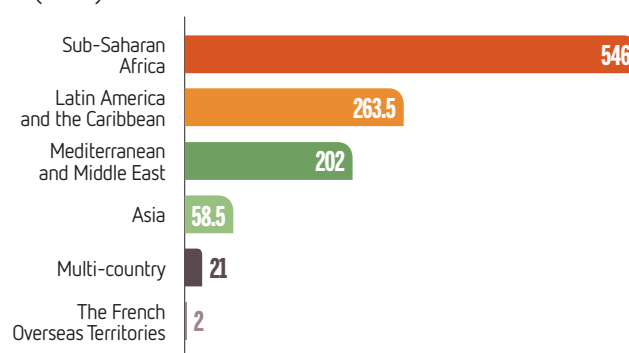
TOTAL COMMITMENTS BY SECTOR

(in €m)



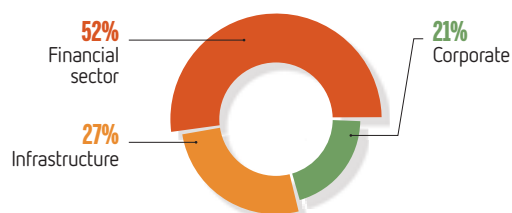
TOTAL COMMITMENTS BY REGION

(in €m)



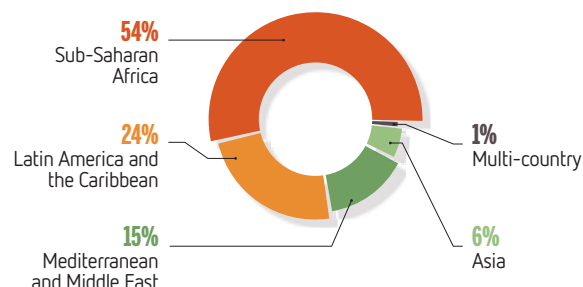
LOAN COMMITMENTS BY SECTOR

(% of loans signed)



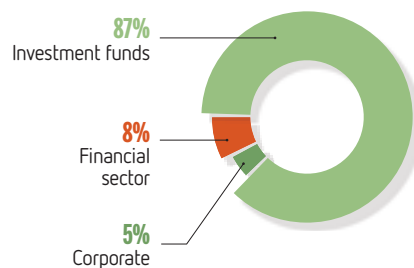
LOAN COMMITMENTS BY REGION

(% of loans signed)



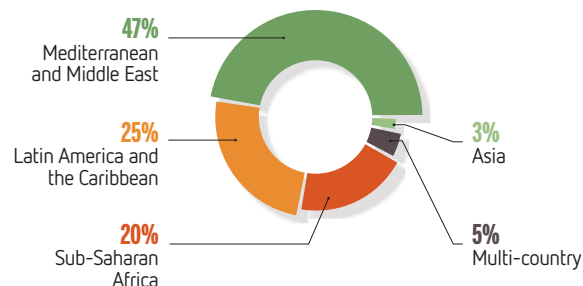
EQUITY INVESTMENTS BY SECTOR

(% of total equity investments)



EQUITY INVESTMENTS BY REGION

(% of total equity investments)





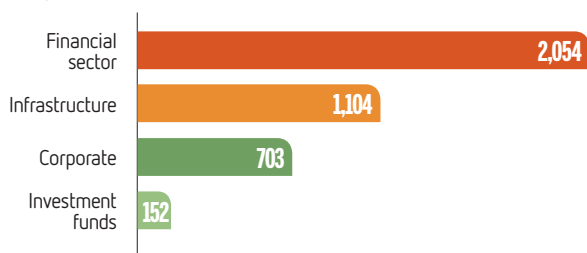
OUTSTANDING LOANS AND EQUITY STAKES PORTFOLIO

at December 31, 2014 (excluding FISEA and undisbursed commitments)

€4,013_m
in 2014
up 17%
compared
with 2013

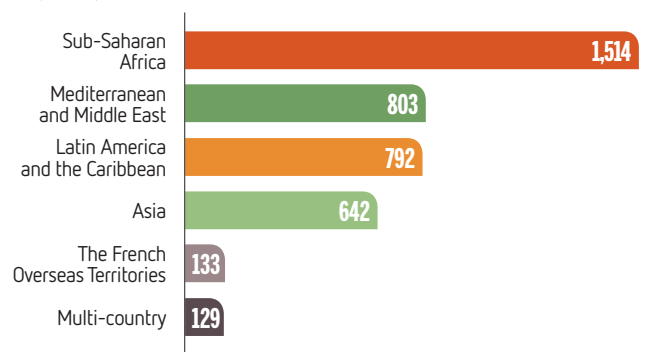
TOTAL BY SECTOR

(in €m)



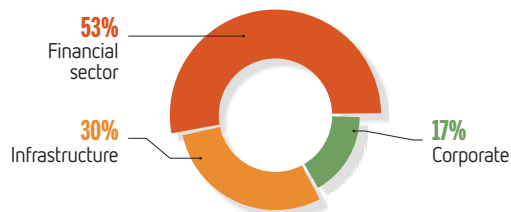
TOTAL BY REGION

(in €m)



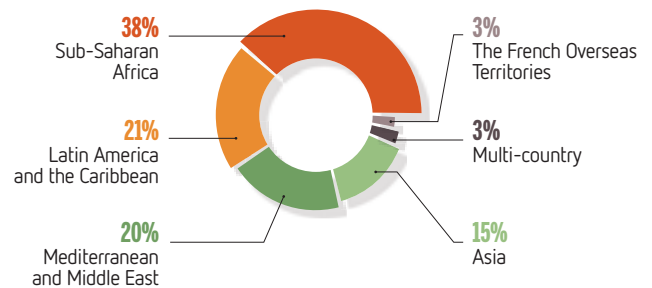
OUTSTANDING LOANS BY SECTOR

(% of total outstanding loans)



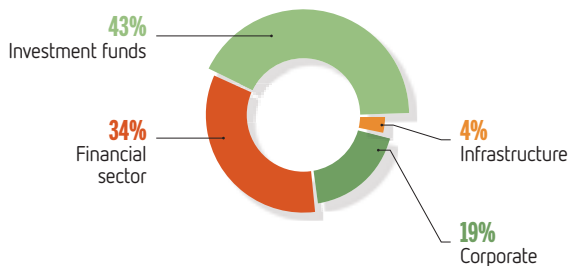
OUTSTANDING LOANS BY REGION

(% of total outstanding loans)



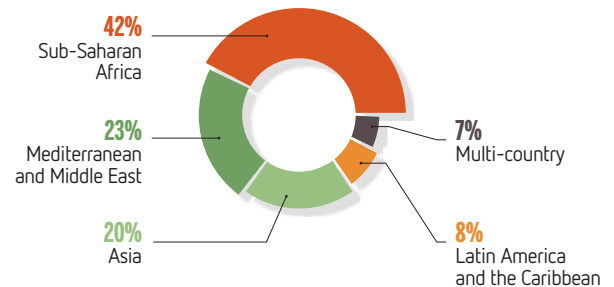
EQUITY STAKES PORTFOLIO BY SECTOR

(% of the portfolio of paid-up subscription)



EQUITY STAKES PORTFOLIO BY REGION

(% of the portfolio of paid-up subscription)



BALANCE SHEET AT DECEMBER 31, 2014

(in thousands of euros)

ASSETS	31/12/14	31/12/13
Financial institutions	0	66
Receivables from financial institutions	2,426,605	1,822,570
<i>Short-term</i>	354,089	62,320
<i>Long-term</i>	2,072,516	1,760,250
Transactions with non-financial institutions	1,683,691	1,370,045
Bonds and other fixed income securities	36,169	37,931
Investments and other long-term securities	498,499	477,257
Intangible assets	0	4
Property, plant and equipment	705	974
Other assets	1,814	3,719
Prepayments and accrued income	12,375	7,381
TOTAL ASSETS	4,659,857	3,719,948

LIABILITIES	31/12/14	31/12/13
Borrowings owed to financial institutions	3,466,640	2,855,500
<i>Short-term</i>	1,899	0
<i>Long-term</i>	3,464,741	2,855,500
Other liabilities	287,925	203,159
Prepayments and accrued income	4,303	4,859
Provisions	70,405	54,476
Equity	830,585	601,955
Capital subscribed	724,898	485,330
Legal reserve	9,863	8,136
Retained earnings	54,944	73,953
Income for the year	40,880	34,536
TOTAL LIABILITIES	4,659,857	3,719,948

INCOME STATEMENT AT DECEMBER 31, 2014

(in thousands of euros)

	31/12/14	31/12/13
Interest and similar products	178,927	148,704
<i>On operations with financial institutions</i>	82,062	69,180
<i>On operations with non-financial institutions</i>	95,030	77,270
<i>On bonds and other fixed income securities</i>	1,835	2,254
Interest and similar charges	-102,113	-79,750
<i>On operations with financial institutions</i>	-102,113	-79,750
Income from variable income securities	7,696	8,510
Fee income	21,370	20,209
Fee expense	-518	-1,128
Other banking operating income items	0	595
Other banking operating expense items	-653	0
Net banking income	104,710	97,141
<i>Other administrative expenses</i>	-38,777	-38,022
<i>Allocation to depreciation & amortisation</i>	-514	-492
Gross operating income	65,419	58,627
Cost of risk	-29,443	-6,426
Operating income	35,976	52,201
Gains and losses on property and equipment	24,257	-609
Income from ordinary activities before tax	60,233	51,592
Exceptional items	-109	-22
<i>Exceptional revenue</i>	27	17
<i>Exceptional expenses</i>	-136	-39
Corporate income tax	-19,244	-17,034
NET INCOME	40,880	34,537

KEY FINANCIAL RATIOS AND INDICATORS

	2014	2013
Net banking income (€m)	104.7	97.1
Net income (€m)	40.9	34.5
Cost/income ratio (%)	37.5	39.7
Return on equity (%)	4.92	5.72
Efficiency ratio (%)	1.1	1.16

A BROAD SPECTRUM OF PROJECTS



West Africa

Ghana	Equity investment in an investment platform established to finance agribusiness SMEs	Agriculture and agribusiness	USD 7m
Ghana	Loan to support the expansion of a natural rubber company	Agriculture and agribusiness	€17.5m
Ghana	Credit line to enhance a universal bank's business lending capacity	Banking	USD 20m
Ghana	Credit line to enhance a universal bank's business lending capacity	Banking	USD 28.5m
Ghana	Credit line to enhance the ability of a universal bank to provide long-term financing to private sector projects	Banking	€7.5m USD 9.5m
Ghana	Participation in a credit line extended to a universal bank by the co-financing vehicle EFP	Banking	USD 1m
Ivory Coast	Commitment to finance technical assistance to a microfinance institution	Microfinance	€0.1m
Ivory Coast	Loan to support the expansion of an agribusiness company	Agriculture and agribusiness	€11.2m
Liberia	Credit line to enhance a universal bank's lending capacity	Banking	USD 7m
Nigeria	Participation in a credit line extended to a universal bank by the co-financing vehicle EFP	Banking	USD 3.3m
Nigeria	Credit line to finance infrastructure projects in foreign currency	Banking	USD 25m
Nigeria	Credit line to enhance a universal bank's business lending capacity	Banking	USD 40m
Nigeria	Loan to finance the construction and operation of a gas-fired power plant	Energy	USD 41m
Nigeria	Credit line to enhance a universal bank's business lending capacity	Banking	USD 50m



Central and east Africa

Kenya	Participation in a credit line extended to a universal bank by the co-financing vehicle EFP	Banking	USD 1m
Kenya	Loan to enhance the production capacity of a French horticultural company	Agriculture and agribusiness	€4m
Kenya	Credit line to enhance a universal bank's business lending capacity	Banking	USD 15m
Kenya	Credit line to enhance a universal bank's lending capacity	Banking	USD 30m
Kenya	Loan to finance the construction and operation of a wind farm	Energy	€50m
Uganda	Credit line to enhance a universal bank's small-business lending capacity	Banking	USD 20m
Dem. Rep. of Congo	Equity investment to support the development of a pan-African banking group's local subsidiary	Banking	CDF 707m
Tanzania	Credit line to enhance a universal bank's small-business lending capacity	Banking	USD 7m
Chad	Credit line to enhance a universal bank's lending capacity	Banking	€12.5m



South Africa and Indian Ocean

Mauritius	Equity investment to support a conglomerate's expansion into sectors with major developmental impact	Multi-sector	MUR 330m
Zambia	Loan to finance the development of an energy company's hydro-electric business	Energy	USD 20m
Zambia	Loan to finance the construction and operation of a hydro-electric power plant	Energy	USD 36m
Zimbabwe	Credit line to enhance a universal bank's long-term lending capacity	Banking	USD 10m
Zimbabwe	Credit line to enhance a universal bank's lending capacity	Banking	USD 10m



Asia

Cambodia	Equity investment to support the development of a microfinance institution	Microfinance	KHR 18bn
Sri Lanka	Credit line to finance renewable energies and agribusiness	Banking	USD 60m
Tajikistan	Credit line to support the expansion of a microfinance institution's lending activity	Microfinance	USD 6.5m



Latin America and the Caribbean

Brazil	Equity investment in an investment fund supporting SMEs	Private equity	USD 10m
Brazil	Credit line to finance farming and agribusiness companies	Banking	USD 40m
Brazil	Loan to support the investment program of a privately-owned water and sanitation company	Infrastructure	USD 40m
Brazil	Loan to finance a private-sector hospital network's expansion program	Healthcare	€50m
Ecuador	Loan to support a local bank's microfinance activity	Microfinance	USD 10m
Honduras	Loan to finance the construction and operation of two solar power farms	Energy	USD 14.5m
Mexico	Loan to support a non-bank financial institution's student lending activity	Education	MXN 88m
Mexico	Loan to support a company providing educational materials for teachers	Education	MXN 190m
Nicaragua	Credit line to finance farming and agribusiness companies	Banking	USD 20m
Panama	Loan to finance the construction and operation of a wind farm	Energy	USD 20m
Panama	Credit line extended to finance renewable energy projects	Banking	USD 30m
Peru	Credit line to finance farming and agribusiness SMEs	Banking	USD 13.5m
Uruguay	Loan to finance a forest company's program to acquire certified timberland and plantations	Industry	USD 17.5m



Mediterranean and Middle East

Jordan	Loan to finance the construction and operation of three photovoltaic power plants	Energy	USD 49m
Lebanon	Credit line to support small-business financing	Banking	USD 20m
Morocco	Credit line to support refinancing for companies in a free zone	Banking	€30m
Turkey	Loan to finance the construction and operation of a wind farm	Energy	€10m
Turkey	Credit line extended to finance clean energy projects	Banking	€20m
Turkey	Loan to finance the construction of a health campus with combined public and private funding	Healthcare	€30m



Multi-country

French Overseas Territories	Equity investment to support the development and regional integration of an overseas agribusiness group	Agribusiness	€2m
Latin America	Equity investment in an investment fund dedicated to infrastructure financing in Latin America	Private equity	USD 10m
Latin America	Equity investment in an investment fund supporting SMEs in Latin America	Private equity	USD 15m
North Africa	Equity investment in an investment platform established to support the creation of a regional hospital network	Healthcare	USD 15m
North Africa	Equity investment in an investment fund supporting businesses in North Africa	Private equity	USD 15m
Sub-Saharan Africa	Equity investment to support a pan-African banking group's regional expansion	Banking	€4.5m
Sub-Saharan Africa	Equity investment in an investment fund supporting West African agribusiness SMEs	Private equity	USD 7m
Sub-Saharan Africa	Loan to finance the expansion of a pan-African banking group	Banking	€10m
Sub-Saharan Africa	Equity investment in an investment fund supporting African SMEs	Private equity	€10m
Sub-Saharan Africa	Loan to finance a French logistics company's investment program in Africa	Infrastructure	€15m
Sub-Saharan Africa	Loan to finance the development of new services by a telecom company	Tele-communications	USD 20m
Sub-Saharan Africa	Loan to finance the expansion of a pan-African banking group	Banking	€30m
Sub-Saharan Africa	Equity investment in a fund of funds supporting private equity investment in Africa	Multi-sector	€30m
Global	Equity investment to support the development of a microfinance institution	Microfinance	€2.5m
Global	Equity investment to support waste recycling at a construction materials company's cement plants	Industry	€6m
Global	Loan to support a private development agency's financing activity in Africa, Asia and the Middle East	Multi-sector	USD 67.0m

WEBSITE

Our website features all the latest news about PROPARCO, our publications and our strategic documents.

Launched in early 2011, the PROPARCO website has become the essential point of entry for finding out about the institution: its history, its people, its mandate, its work with the private sector and more.

- Regular press releases keep readers up on the latest financing deals.

- An overview of projects under way.
- A download center for accessing all the essential documentation, including annual reports going back to 2004, information on governance, strategy and policies, studies and more.

The overriding aim is to provide content that consistently highlights the significance and purpose of PROPARCO's work.



PRIVATE SECTOR & DEVELOPMENT

PRIVATE SECTOR & DEVELOPMENT

Private Sector & Development (PS&D) is an original quarterly publication that provides analysis and insights into the mechanisms through which the private sector can contribute to the development of countries in the Southern Hemisphere.

Each issue presents a variety of opinions and focuses expressed by authors from different backgrounds, working in research, the private sector, development institutions and civil society.

Edited by PROPARGO, each issue includes 7 articles on a single theme. Through the diversity of the topics covered, e.g. housing, mobile telecommunications, financial markets, *PS&D* has gradually emerged as a benchmark publication on the role of the private sector in developing the Southern Hemisphere.

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The *Private Sector & Development* blog was launched as an extension of the *PS&D* magazine to provide a broader forum for analyzing and discussing the role of the private sector in development. Private business people can make use of this interactive platform to broadcast their ideas and projects and to share their experience.

To access the publication's blog, go to <http://blog.private-sector-and-development.com>



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