

PROPARCO MARKS 40TH ANNIVERSARY BY ADOPTING A NEW STRATEGY FOR ACTION AND SCALING UP

OBJECTIVE 2020

Double annual commitments to EUR 2bn in order
to increase the private sector's contribution
to development.

Proparco, Agence Française de Développement's private sector financing arm, is **one of the leading European development finance institutions**.

This year, **Proparco is celebrating its 40th anniversary and is scaling up** with a new objective for 2020: **double its annual commitments** (from € 1.05bn in 2015 to € 2bn) in order to **triple its impacts** on sustainable development (employment, climate, innovation, education, health and energy infrastructure).

Africa continues to be a core priority for Proparco, which is the **most Africa-oriented development finance institution**.

AMBITIOUS STRATEGY TO MEET NEW CHALLENGES

For 40 years, PROPARCO has been tailoring its actions, tools and priorities to changes in its clients' needs, and the economic contexts of the countries where it operates, but also to France's ambitions for development aid. This new strategy for 2017-2020 will allow PROPARCO to continue to provide a qualitative and quantitative response to these ambitions within a profoundly changing environment.



NEW CLIENT NEEDS

Proparco's clients are seeking to improve their environmental, social and governance performance. Proparco will help them build their expertise and cutting edge know-how by continuing to develop their networks and provide a wide range of technical assistance.

Proparco will adapt to the demand for **financing for large amounts** (over € 100m) by mobilizing additional financial resources. **Furthermore, there is increasing client demand for financing in foreign currency in order to address the exchange rate risk and the convertibility constraints in certain geographical areas.** Finally, Proparco **will offer a more extensive range of innovative financial and non-financial products** in order to more effectively support risk taking (prior to a project in particular), especially in LDCs and Sub-Saharan Africa.

PROPARCO'S CLIENTS

Proparco supports companies and financial institutions which are active in key development sectors, both local players and international companies established in developing or emerging countries or seeking to set up subsidiaries there.



CHANGING ENVIRONMENTS

In many of Proparco's countries of operation, the unstable macroeconomic environment prompts Proparco to act in a countercyclical manner by **scaling up its commitments in fragile countries** (least developed countries, low income countries, transition countries, post-crisis countries).

NEW DEVELOPMENT AGENDA REAFFIRMS PRIVATE SECTOR CONTRIBUTION

2015 was a milestone year for the development agenda, with three major events:

- The Addis Ababa Conference on Financing for Development, which **reaffirms the importance of the private sector's contribution** to the achievement of the SDGs;
- The adoption at the United Nations General Assembly of the **17 Sustainable Development Goals (SDGs)** which guide and will guide PROPARCO's action;
- The signing of the Paris Climate Agreement (COP21), meaning that AFD, and therefore Proparco, will be playing a prominent role in meeting **France's international climate commitments**.

These key events have set out the guidelines for a new universal ambition on the intersecting and inseparable challenges of economic development, social inclusion, and the preservation of the planet.

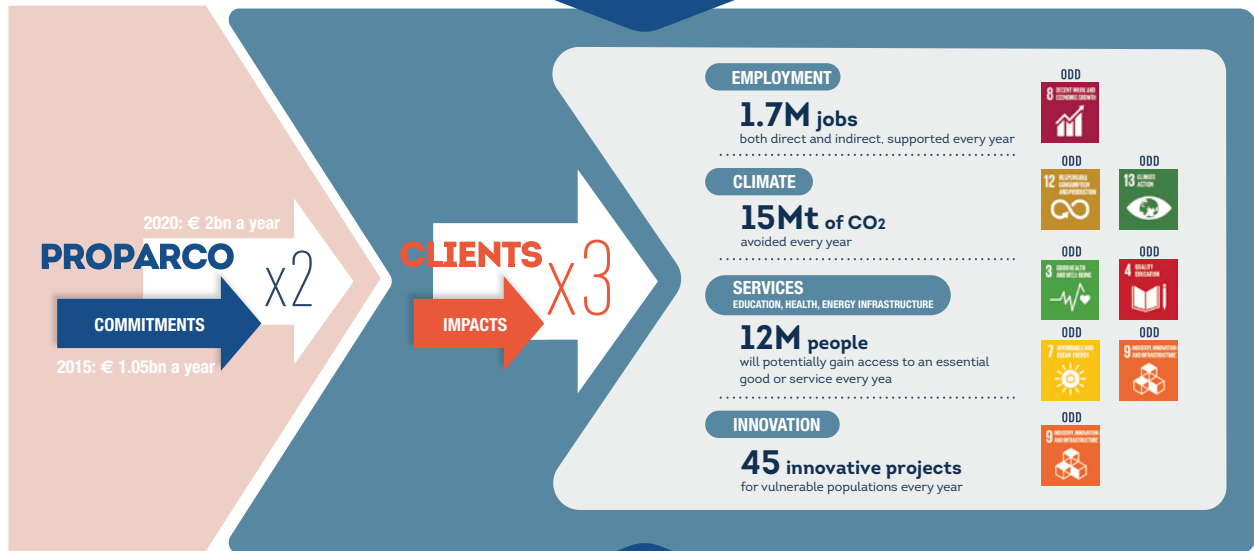
To achieve these objectives, all the stakeholders – private sector players (companies and the financial world), alongside public authorities, civil society and local authorities – need to mobilize in order to promote the emergence of innovative solutions for responsible and sustainable development models.

It is in this context that at the United Nations summit in 2015, the French President announced a EUR 4bn increase in AFD Group's annual commitments by 2020 (i.e. + 50% of growth by 2010), including an additional € 1bn of annual commitments for PROPARCO.

Proparco will consequently be a stakeholder in this scaling up, with a 90% growth in its commitments by 2020.

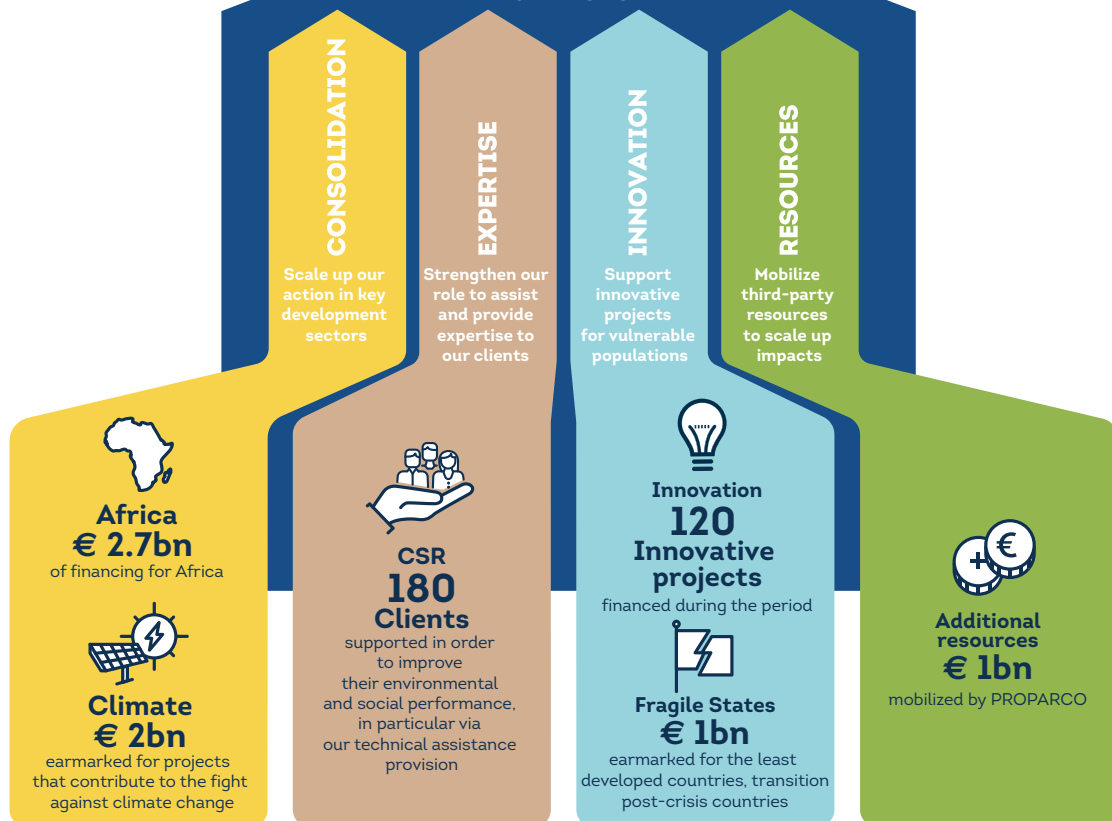
OUR STRATEGY FOR ACTION

OUR OBJECTIVE FOR 2020



OUR RESOURCES

2017-2020



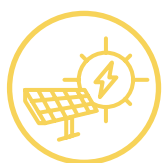
The impacts and objectives have been selected in order to provide an effective responsive to the SDGs which the private sector can contribute to.

3. Ensure healthy lives and promote wellbeing for all at all ages.
4. Ensure inclusive and quality education for all and promote lifelong learning.
7. Ensure access to affordable, reliable, sustainable and modern energy for all.
8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
9. Build resilient infrastructure, promote sustainable industrialization and foster innovation.
12. Ensure sustainable consumption and production patterns.
13. Take urgent action to combat climate change and its impacts.

EXPERTISE, FINANCING, INNOVATION... DRIVERS FOR ACTIONS TAILORED TO THE NEW OBJECTIVES

To meet the ambitious objective of doubling its commitments in order to triple its impacts, it is essential to increase the leverage of Proparco's operations, i.e. scale up the impacts of the euros invested by Proparco.

It is by strengthening its base of financial and sectoral expertise that PROPARCO will be able to tailor its range of products to new demands from clients and mobilize more third-party resources. This development is largely based on innovation and establishing networks among the various players in the ecosystems.



CLIMATE

Proparco will draw on its expertise in “climate” finance to **scale up its financial commitments for projects with lower emissions** (mitigation) and models which increase resilience to climate change (adaptation).

In order to continue to mobilize private sector funds for the **fight against climate change**, Proparco will support new initiatives, such as the creation of equity investment vehicles for renewable energies, and the development of a syndication capacity, or the allocation of loans in the climate sector.

Proparco will finance climate change adaptation projects in order to help its clients establish new practices: direct financing or via credit lines to banks, by encouraging banks and microfinance institutions to develop products to finance their clients' adaptation to these new situations (particularly in the agricultural sector).



AFRICA: AFRICA CONTINUES TO BE CENTRAL TO PROPARCO'S PRIORITIES. IT WILL EARMARK EUR 2.7BN FOR THE CONTINENT IN 2017-2020, MAKING PROPARCO THE MOST AFRICA-ORIENTED FINANCIAL INSTITUTION.



SUPPORT, EXPERTISE, AND NETWORKING

Proparco will make its expertise available in order to promote the dissemination of good environmental, social and governance practices. PROPARCO will, in particular, strengthen its technical assistance provision on its own budget, with the priority objectives of: **capacity building** or upgrading to be in compliance with international standards, the diversification of activity, and support for innovative initiatives that meet specific needs (low-income populations, women, SMEs, farmers...).

Proparco will also more systematically include **tariff incentive** mechanisms in loan agreements in order to get its clients to improve their practices.

Proparco will play a key role in mobilizing all development players for the “private sector” dimensions of the international agenda by **enhancing its role of establishing networks** to promote investment and the exchange of good practices among private financing players: establishing networks between investors or fund managers and promoters with little experience of Southern markets and between managers operating in similar markets and sectors, establishing networks between its clients and research institutes in the North and South to allow them to benefit from innovative R&D solutions...



INNOVATION

Proparco will take on a higher level of risk to support players leading innovative projects with high impacts, such as off-grid electrification, breaking digital isolation and social business. PROPARCO's operations may take the form of upstream support (start-up capital and investments in developers' equity), within the limits of PROPARCO's economic model.

Proparco will develop customized and innovative tools to support private players operating in fragile or crisis-stricken countries, in particular in the Sahel region. Support may be envisaged for the first fund management teams operating in these areas.

Special attention will be paid to innovative players in the digital field: developing countries, particularly in Africa, are experiencing a sharp increase in the number of digital ecosystems and start-ups, which are capable of providing solutions tailored to specific contexts (m-banking, Pay-As-You-Go, e-trade, etc.).



MOBILIZATION OF ADDITIONAL FINANCIAL RESOURCES

In order to offer its clients increased volumes of financing and tailored solutions, particularly via cofinancing, Proparco will further develop existing cooperation mechanisms with the other financial institutions, with AFD on thematic areas in line with AFD's mandate, and with CDC Group, in particular to support French SMEs operating at international level.

European funds will be mobilized to offer technical assistance for large-scale operations and support financing for innovative and/or higher-risk models.

Proparco will also use the "Green Fund" to support upstream risk taking, particularly for renewable energy projects in Africa.

Proparco will develop its arrangement capacity for projects where it has significant sectoral expertise and its syndication activity (with other DFIs, but also with commercial banks or institutional investors). PROPARCO's capacity to syndicate and allocate "climate" loans ("green securitizations") will, in particular, scale up the catalytic effect of its financing for the fight against climate change.

Finally, Proparco will develop its investment and third-party management advisory activity based on the model of the successful experiences of the Averroès Finance I fund, which is financed by AFD, with PROPARCO as advisor.



FINANCIAL TOOLS

Proparco will enhance its range of financial instruments:

- By structuring its equity range in order to continue to be subsidiary in markets where there is an abundant range of banking provision and meet its clients' equity investment needs. Proparco will consequently devote an **increasing share to equity investments and quasi-equity instruments, with the aim of reaching 25% of its activity by 2020**. Proparco is thereby continuing to gradually modify this mix between senior debts and equity instruments that meet the demand of certain clients, particularly in the financial and infrastructure sectors. In the energy infrastructure sector, Proparco will invest in the equity of developers which have already created an equity portfolio and aim to scale up;
- By adopting a **proactive approach to venture capital** in order to meet investment needs in projects being set up, infrastructure projects under the preparation phase, or in companies whose turnaround has not been confirmed;
- By developing **financing solutions in local currency**, while ensuring it remains subsidiary, in order to meet the increasing needs of clients facing a high exchange risk in certain areas;
- By testing **pilot products**, such as trade finance, prior to possibly implementing them among several clients, or structuring them in Proparco's range of products.

PROPARCO: A FINANCIAL INSTITUTION WORKING FOR THE PRIVATE SECTOR AND SUSTAINABLE DEVELOPMENT




€5.4 BN OF TOTAL ASSETS


80 COUNTRIES
OF OPERATION


+450 CLIENTS


+200
OFFICERS


+20 SHAREHOLDERS
(AFD, FINANCIAL INSTITUTIONS,
COMPANIES: ENGIE, BOUYGUES GROUP,
BOLLORÉ AFRICALOGISTICS...)


11 OFFICES
AROUND THE WORLD


+100 CLIENTS
SUPPORTED FOR THEIR
ENVIRONMENTAL AND SOCIAL
PERFORMANCE SINCE 2013