

# INFRASTRUC- TURE DEVELOP- MENT FUND

Quarterly report Q2 2016

Infrastructure is a critical enabler of transformation, bringing countries' development paths towards greater sustainability by enabling social and economic growth. The Infrastructure Development Fund (IDF) finances infrastructure projects that can make a significant impact on socio-economic development in developing countries. The Dutch Ministry of Foreign Affairs and FMO established the IDF in 2002 to support private investments in infrastructure by being a first mover or by offering risk capital to make projects bankable so other parties are willing to invest at financial close or at a later stage.

IDF is aimed at creating reliable infrastructure in many sectors, including energy, transport, ports, agribusiness, water, environment and social infrastructure. It follows an inclusive approach, financing companies that serve individuals living at the base of the pyramid. A second focus theme of IDF is climate mitigation. Following the green goals, IDF has an official climate marker, indicating that the fund officially contributes to the climate goals set by the Dutch Government.



# 1. FUND OVERVIEW

## 1.1 FMO GOVERNMENT FUNDS MANAGEMENT

FMO is the Dutch development bank that has invested in the private sector in developing countries and emerging markets for more than 45 years. Our mission is to empower entrepreneurs to build a better world. We invest in sectors where we believe our contribution can have the highest long-term impact: financial institutions, energy and agribusiness. Alongside partners, we invest in the infrastructure, manufacturing and services sectors. FMO has 4 government funds under its management:

- Access to Energy Fund (AEF) – The AEF ‘Energy for Growth’ funds private sector projects that create sustainable access to energy services.
- Infrastructure Development Fund (IDF) – The IDF provides long-term financing for infrastructure projects in low-income countries.
- FOM – FOM stimulates Dutch enterprises to invest in emerging markets (concerns a Guarantee Facility that closed as per 1<sup>st</sup> of July 2016).
- MASSIF: financial inclusion fund, provides financing and technical assistance to microfinance institutions (MFIs), small banks, and private equity funds, supporting access to finance for micro-, small- and medium enterprises (MSMEs).

| FMO Government Funds Management            |              |
|--|--------------|
| Assets under management                    | € 845 mln.   |
| Total committed portfolio government funds | € 1,172 mln. |
| Active Funds                               | 4            |
| Active Portfolio companies                 | 185          |

## 1.2 FUND KEY FACTS

The Infrastructure Development Fund (IDF) was established in 2002 by the Dutch Ministry of Development Cooperation and FMO. IDF is a diversified fund with over €513 million of committed capital, aimed at making significant impact on long term socio-economic development by contributing to the availability of sustainable private sector infrastructure services

Due to the broad spectrum of the fund and the higher risk appetite, IDF is unique in bringing business models together. To illustrate the type of projects that make IDF’s portfolio, an example is reported in chapter two.

| Key Facts  | Q2 2016 |
|--|---------|
| Start of Investment Period                       | 2002    |
| End of Investment Period                         | 2018    |
| End of Management Period                         | 2038    |
| Total funds available according to "Beschikking" | €362.0m |
| Total funds received                             | €293.8m |
| Remaining funds available ("beschikkingsruimte") | €68.3m  |
| Total number of investments in portfolio         | 61      |

## 1.3 IMPACT

Several targets have been set regarding results on impact. By 2018, investments of IDF should have contributed to<sup>1</sup>:

- Total number of (direct) jobs created: 104.854
- Total financing catalyzed (both DFI and commercial financing) will be € 3.1 bln

In the table below the impact results of the current portfolio are presented. Both targets will be met by 2018.

<sup>1</sup> Please note that these impact targets were agreed Mid 2013. The definitions applied for measuring impact have meanwhile been adjusted and updated, in harmonization with FMO-A targets and internationally harmonized definitions.



#### DIRECT JOBS SUPPORTED

Through its investees, the IDF supports **34,392** direct jobs in low income economies (active portfolio data as per YE2015).



#### DIRECT JOBS SUPPORTED - WOMEN

From these jobs supported, **13,174** can be attributed to women.



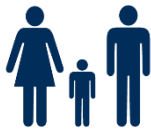
#### INDIRECT JOBS SUPPORTED

**2,073,940** indirect jobs are supported, by backward linkages in supply chains or forward linkages caused by the investment.



#### INDIRECT JOBS SUPPORTED - WOMEN

**951,422** of these indirect jobs supported can be attributed to women.



#### BENEFICIARIES REACHED

**95.9 mln** people are reached through the IDF investees on a cumulative basis. They include for example additional energy users, beneficiaries of water connections, new telecom users etc.



#### INSTALLED CAPACITY

Deals in the IDF portfolio together add up to an installed annual power capacity of **1,533 MW** for the current portfolio as YE 2015. 80% thereof can be labeled as 'green'.



#### ANNUAL GHG AVOIDANCE

With climate mitigation as a focus theme, **3.6 mt CO2 eq** will be avoided on a yearly basis due to the portfolio's clean energy investments, for the cumulative portfolio.



#### CATALYTIC EFFECT

The portfolio catalyzed a total of **€ 2.8 bln** of public finance and **€ 2.9 bln** commercial finance on a cumulative basis.

Please note that the definitions and assumptions underlying above reported numbers are subject to ongoing discussions with the State. A follow-up meeting has been planned end of August 2016.

### 1.4 GRANT COMMITMENTS

IDF has the objective to be 100% revolving. In July 2012, when DGIS renewed its commitment for IDF, a specific tranche of € 5mln has been made available by the State to be applied to Technical Assistance and Capacity Development facilities. These € 5mln do not have to be revolving and can be applied in the following situations:

- Contribution to the development phase of potentially eligible IDF projects in order to complete feasibility and/or prove of bankability by deploying convertible grants (
- Capacity development / Technical Assistance to support interventions at existing clients to strengthen or improve the commercial viability and
- To pay for board members' remuneration if on IDF projects this is not covered by the investee company.

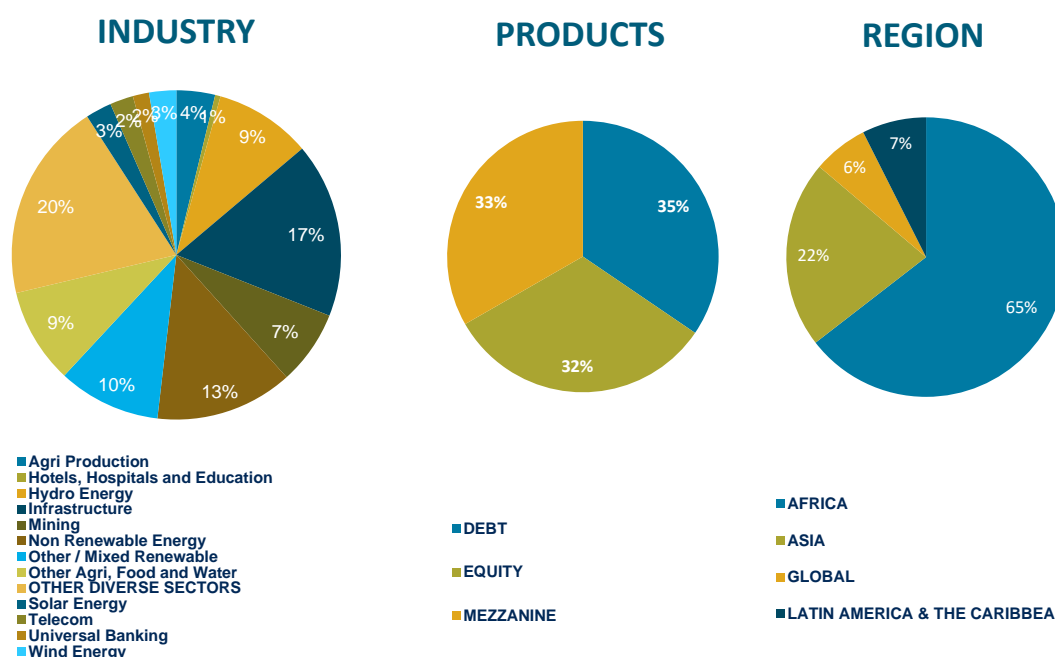
Only realized (convertible) grant losses will be earmarked under this non-revolving 'facility' of the IDF fund. Since the tranche has been made available within IDF in 2013, 18 grants have been made available for a total commitment of € 7.7 mln.

| Grant Commitments since 2013 |           |
|------------------------------|-----------|
| Number of grant commitments  | 18        |
| Grant funding committed      | € 7.7 mln |

## 1.5 PORTFOLIO OVERVIEW IDF

- A total of € 513.3 mln. is committed, predominantly in Africa (65%), representing a € 129.4 mln increase of commitments vis-à-vis Q1 2016.
- Product types are evenly spread over commercial loans, equity and mezzanine.
- The portfolio is well spread over different industries. The fund is active in several renewable energy industries like hydro, solar and wind energy. Other large industries include infrastructure, agriculture food and water, non-renewable energy and mining.

| <b>Current Portfolio Breakdown</b>           |              |
|--|--------------|
| <b>Committed portfolio</b>                   | € 513.3 mln  |
| <b>Outstanding portfolio</b>                 | € 389.1 mln  |
| <b>Committed not disbursed</b>               | € 124.2 mln  |
| <b>Value Adjustments and amortized costs</b> | €(157.2) mln |
| <b>Net Portfolio Value</b>                   | € 231.9 mn   |



### 1.6 PERFORMANCE AND REVOLVABILITY

To date the IDF has received 81.1% of available funding from DGIS. Residual Value /Total funds received from investors increased to 83.1% in Q2. IDF has a 100% revolvability requirement.

The Residual Value /Total funds received from investors sets off Total Fund Capital against the total subsidy received from DGIS. This value shows the current value of the assets and whether this can pay back the subsidy made available by DGIS.

FMO is closely monitoring the portfolio and aiming for a higher revolvability by scrutinizing risk factors of new transactions and encouraging smaller deal sizes.

| Performance and Revolvability                                     |       |
|---|-------|
| Total Funds received from DGIS to Committed Capital by DGIS       | 81.1% |
| Residual value / Total funds received from investors <sup>2</sup> | 83.1% |

<sup>2</sup>This ratio benchmarks the current net value of the fund to the total funds placed in the fund over time. Any value above 100% indicates that the fund is revolvable. This ratio is calculated by dividing the net asset value of the fund by the cumulative capital placed in the fund.

## 2. CLIENT CASE

# AFRICA IMPROVED FOODS HOLDING BV

## FINANCING A GREEN FIELD PROCESSING PLANT IN RWANDA

Malnutrition affects 30-35% or 32 million children in Sub-Saharan Africa (SSA) with devastating effects on physical and cognitive development. Malnutrition rates are highest in rural areas, where population relies on local available food. *Africa Improved Food* will produce maize-based fortified cereals, with high nutritional content. The product is aimed at infants (6-24 months) and pregnant and lactating women to prevent chronic malnutrition of infants.



### IMPACT ON FARMERS

AIF will conduct and operate a 45,000 tons per year processing plant for fortified cereals. Sourcing of soybeans and maize locally from Rwandan farming cooperatives; the initiatives will offer a stable and sustainable income to 9,000 additional farmers.

### IMPACT ON NUTRITION AND GROWTH

A significant portion of the yearly production will be sold to the World Food Program and distributed to the most vulnerable populations. By 2017, the company aims to reach more than 1 million people annually with adequate nutrition. The higher nutritional content will foster country's future productivity and growth.

## COMPANY INFORMATION

### NAME

Africa Improved Foods Holding BV

### COUNTRY

Rwanda

### SECTOR

Agribusiness

### FMO INVESTMENT FROM IDF

USD 13 mln.

### YEAR OF INVESTMENT

2015

### FINANCIAL PRODUCT USED

Senior debt and Equity

## COMPANY INFORMATION, SINCE 2007...

### CAPACITY

45,000 tons per year processing plant

## INVESTMENT IMPACT INFORMATION



**Jobs supported**  
230



**Income**  
Additional opportunities  
for 9,000 farmers in  
Rwanda



**Livelihood**  
More than 700,000 children  
will get access to fortified  
blended food annually



**Value Chain**  
Support to agri-manufactur-  
ing and related value  
chains in Africa

# FMO

Entrepreneurial  
Development  
Bank

## ABOUT FMO

FMO is the Dutch development bank. FMO has invested in the private sector in developing countries and emerging markets for more than 45 years. Our mission is to empower entrepreneurs to build a better world. We invest in sectors where we believe our contribution can have the highest long-term impact: financial institutions, energy and agribusiness. Alongside partners, we invest in the infrastructure, manufacturing and services sectors.

## CONTACT

Rosemarijn van der Meij

E: [R.van.der.Meij@fmo.nl](mailto:R.van.der.Meij@fmo.nl)

T: +31 70 314 94 59

M: +31 6 21 80 75 93

FMO – Q2 2016

