

# FMO

Entrepreneurial  
Development  
Bank

CAPACITY  
DEVELOPMENT  
PROGRAM  
(B-CD FUND)

.....

**Annual report**

.....

# 20 17

.....

TECHNICAL ASSISTANCE FOR GREEN  
AND GENDER RELATED PROJECTS





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Our mission  
is to **empower**  
**entrepreneurs**  
to build a  
better world.

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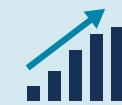
## Introduction

In July 2015, the Ministry of Foreign Affairs granted FMO a subsidy of € 4,95 million for its Capacity Development Program. This Program strives to intensify private sector development through knowledge transfer and make use of networks to share lessons. The Program focuses on two themes: Green & Gender.

The B-CD Program is operational since November 2015 when the first tranche of the subsidy was made available by the Ministry of Foreign Affairs to FMO. The Program concentrates in part on projects to support green opportunities (40% of total funds). To this end, projects are run under topics such as climate change mitigation and adaption; footprint reduction in the areas of water, waste, energy use and biodiversity.

Further 40% of total funds are dedicated to projects that empower women (creating equal gender opportunities). Within this spectrum, the main focus areas are currently to empower female entrepreneurs and to provide better access to finance for women.

The remaining 20% can be allocated to other themes than green and gender but is effectively used as a buffer for overspending on one of the two themes. The tenor of the B-CD Program is four years, extending to the end of 2018.



**€4,95 million**

Funds annually available for the period 2015-2018



**40% Green**

Investment target



**40% Gender**

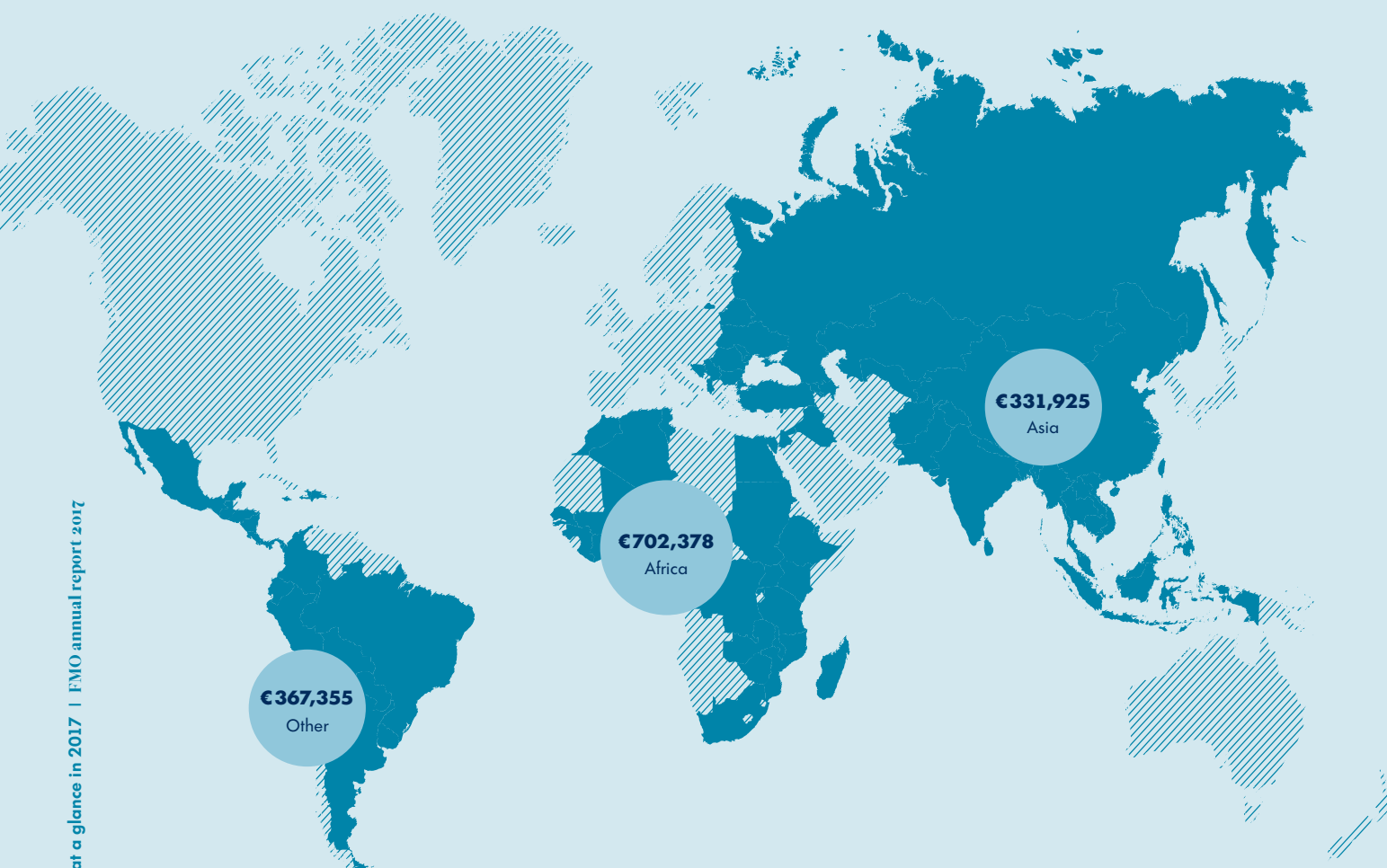
Investment target

<b>Fund name</b>	<b>Fund code</b>	<b>Fund manager</b>	<b>Type of report</b>	<b>Period</b>
Capacity Development Program	27609	Martin Steindl	Annual Report	2017



## B-CD AT A GLANCE IN 2017

B-CD at a glance in 2017 | FMO annual report 2017



13 new committed projects



10 Green projects



€1,401,658 committed amount



21 contracted projects



3 Gender projects



€726,737 disbursed amount



20 disbursements



€107,819 average project value

## LETTER FROM THE FUND MANAGER

In 2017, FMO revised its corporate strategy. FMO's main strategic goal, namely empowering entrepreneurs to build a better world while doubling our impact and halving our footprint, was complemented with the selection of three Sustainable Development Goals (SDGs) that align most with FMO's priorities and strengths. These three sustainable development goals are #8, decent work and economic growth; #10, reduced inequalities; and #13, climate action. They also perfectly align with the focal themes of this funding source — gender being additionally underscored by goal #5, gender equality. FMO now positions itself as the preferred partner to invest in local prosperity.

Since FMO's review of its corporate strategy, the CD team and the Public Investment Management (PIM) unit have been separated and are now part of the newly formed Funds, Syndications and Value Creation (FSV) department. The CD team consists of one manager, one analyst and five officers, including a dedicated officer for agribusiness projects who has been hired in July 2017. The integration of the officers in all FMO's front office departments proves to be a strong set-up to identify and fund the right projects.

With regards to the 'gender' theme of this fund, the secondment of expertise from the Royal Tropical Institute (KIT) has proven to be essential to move the spending theme of the fund from pure awareness raising to concrete support for our financial intermediaries to roll out credit lines to women Small and Medium-sized Enterprises (SMEs). Having said that, however, in particular our partnership with the Global Banking Alliance for Women was paramount to convince our clients and financial intermediaries to invest in the gender SME theme and be ready to design products specifically catered to this market.

With regards to the 'green' theme of this fund, the strategy was from the outset to be broad in the themes of support—ranging from water and waste management to forestry. Yet, the 'green'-related part of this CD Program has successfully aligned its strategy

with the green project investments under other Dutch government funds, namely IDF (Infrastructure Development Fund) and AEF (Access to Energy Fund). Since technical assistance is limited under both funds, we seized the opportunity to provide technical assistance for higher risk investments in the energy and infrastructure sectors. One example for this is 'Kingo' as presented later on page 5.

I am very happy to share the key figures of this B-CD Program for 2017: A total amount of € 1,401,658 has been committed to 13 projects increasing the total number of projects to 26 projects under this facility. Disbursements in 2016 and 2017 have been slowly catching up, currently standing at € 861,737 out of the originally € 4,95 mln committed.

In the first year, the fund had several projects on gender in the LAC region which created a tilt in the thematic and spending targets. I am happy to report that the thematic spending is now within the range required. Due to much heavier spending on green this year, the total committed amount for green projects currently stands at 55.6%, while for gender it stands at 44.4%. Most of our commitments are in Africa, with almost 50% of all commitments (49.3%). Here we are even above the targeted 35-45%. The Asian region, however, is lagging with currently only 13.7% of total commitments. For the final year of the commitment time of this fund, we must therefore keep the thematic spending ratio in check and boost projects in Asia. (For more detail please see page 8.)

As the funding mandate comes to an end in 2018, our goal is to further continue with projects in gender through FMO's own funding and allocate dedicated technical assistance funds to the renewal of IDF and AEF coming up at the end of 2018 as well for future projects in green. We, however, foresee at least two more years in which disbursements of this fund will continue until all projects will then come to a hopefully successful close.





## Off-grid energy solutions in rural Guatemala

In 2017, the B-CD program committed funding to support Ignite Holding Company - also known as Kingo-a solar home systems company in Guatemala. Kingo is the first commercial venture in Central America rolling out off-grid pre-paid energy solutions for rural households. Kingo installs solar home systems, which remain the company's property and distribute prepaid energy credit through local distributors, being mostly shopkeepers. The main advantage of Kingo's business case is that the customers can purchase energy credits according to their budget and their energy needs. Kingo's flexible way of providing access to clean energy to people who are not connected to the grid is both green and inclusive.

### The client

Kingo's ambition is to provide access to energy to 530,000 users in 2020. Access to (reliable) energy is an important obstacle for households and companies in Central America. Kingo provides not only a solution but a green solution to this obstacle. Kingo currently rolls out its business throughout communities not connected to the grid in Guatemala and aims to expand to other Central American and Caribbean countries with poor energy access in the medium term.

Kingo's business model is built on rapid expansion and depends on the effectiveness of its operations. Mobile applications are part of Kingo's organizational culture and are used for maintenance of Kingo's internal processes system, market validation, and contracting. All employees receive smartphones and are used to provide and receive weekly sales updates, tasks

and progress through mobile applications. So far, however, no mobile application exists to manage Kingo's education of employees or innovation.

### The project

With funding from the program, Kingo will be able to develop a two-tiered mobile application called Kingo University<sup>1</sup>. Tier I of the application serves as an HR/educational tool to train employees in remote areas, and tier II, 'Kingo Innovation Hub', sources bottom-up innovation and ideas for improvement of Kingo's business model. The Kingo University<sup>1</sup> application creates a more scalable, cost-effective, personalized and interactive way to share knowledge among employees and enables further expansion in the market. It supports the company in helping its clients professionalizing their business, share knowledge and networks, as well as supporting

innovative ways of doing business in emerging markets. In the longer term, Kingo expects to expand to South America and Africa.

### Additionality and CD strategy

Kingo University will be an invaluable tool for the company to rapidly expand its business over the next few years, providing more jobs for the rural communities while serving these same communities with affordable and clean energy. Funding from the CD program provides the opportunity to push early stage development of green energy projects through a social enterprise. Additionally, the technological and innovative nature of the project fits well with FMO's focus on promoting fintech and innovative business models in emerging markets. An additional benefit of this project is that Kingo has agreed on sharing results of Kingo University as case study with other FMO clients.

**Region/Country**  
Latin America and the Caribbean,  
Guatemala.

**Project size**  
€81,654

**Theme:**  
Green

1. The application is called 'Kingo University'. Please note this is not a real university, but this name was selected to convey the idea of a learning environment.



# PERFORMANCE ON STRATEGY .....

**In 2016, the team committed a considerably higher amount in gender focused projects than green projects (see the graph on the right, albeit the number of green projects being higher already in 2016). Thus, to balance the thematical target, the team needed to commit more volume in green projects in 2017.**

## Green

In 2017, the team was able to commit 10 projects in the green area. Three out of the 10 projects the B-CD Program financed in 2017, have a direct link with the energy related state funds FMO is managing on behalf of the Dutch Government.

In the area of waste management, the team funded two projects. One project in Ghana that focuses on the empowerment and organization of waste pickers in Ghana and a project with LC Packaging in Bangladesh, a leading supplier on agricultural packaging and bulk bags. LC Packaging produces industrial containers for chemicals and foods and funding is used to support its footprint research and introduce the recycling and waste reduction unit in the production plant. In another project, funding is used for market assessments in Mongolia, which focus on the mitigation of air pollution caused by cook stoves. The project with Evolia in Africa encompasses a resource efficiency pilot that, if successful, will be rolled out to other investee companies of the fund.

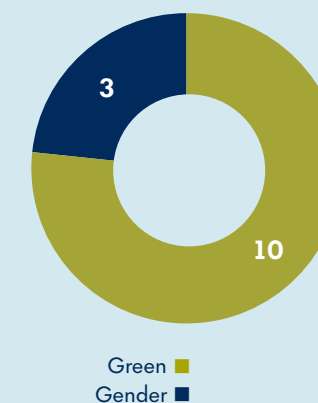
Apart from its projects with investment clients, FMO has used CD funding for a contribution to the Renewable Energy conference that FMO will be organizing in 2018 (Making Solar Bankable II) and facilitated an FMOxChange for one of its most innovative clients. It took place in June 2017 and comprised a study tour by the Latin American Promerica Bank to learn from Dutch banks and knowledge institutions about sustainable banking.

## Gender

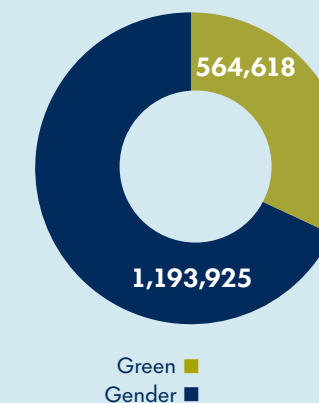
FMO's aim is to facilitate inclusive and economic empowerment of women through the financial sector. To this end, CD continued to support the Global Banking Alliance for Women (GBA) in 2017. Part of the GBA's activities is the yearly All Stars Academy—a deep-dive into the business case for gender lens financing. It has been highly valued by participating banks. 2017's All-Stars Academies took place in Zambia and the Dominican Republic. In May, FMO organized a Female Leadership Journey to Ghana with its client Access Bank Ghana. Aim of this journey was to create a platform for women entrepreneurs and banks to share knowledge and understand what is needed to bridge the gap between financial institutions and women entrepreneurs.

In September 2017, FMO signed a partnership agreement with The Royal Tropical Institute (KIT). The aim of this partnership is to deepen FMO's women's market and women-owned SME approach by seconding an expert from KIT to FMO. Main objectives are to build capacity to develop practical toolkits for gender finance. Another result of this partnership will be the joint organization of a high-level Round Table Event on financing women, which will take on the 12th of March 2018. Additionally, in November 2017 the team committed to support the Zambia Financial Inclusion Initiative, a sector initiative co-organized with the Central Bank of Zambia and FMO's Zambian partner banks. Also, Norfund and Arise are partners in this initiative. Its focus is to support the Bank of Zambia in reaching their goal to bridge the financing gap for women entrepreneurs by strengthening female leadership within the Zambian banks and understanding of the business case. To this date, CD supported all gender-related initiatives in FMO and has been therefore instrumental in shaping the institution's strategy on this topic.

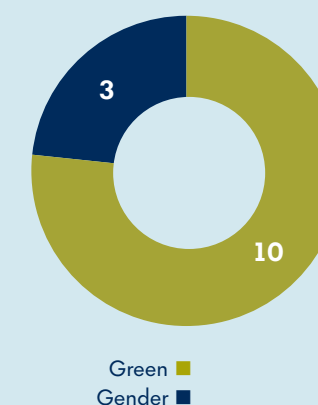
Number of committed projects per theme in 2016



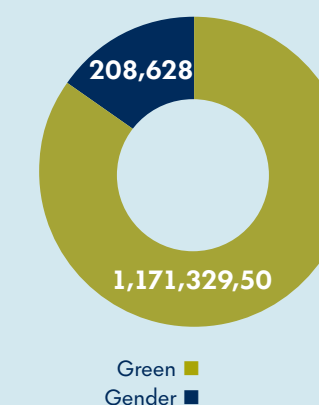
Amount committed per theme in 2016 (€)



Number of committed projects per theme in 2017



Amount committed per theme in 2017 (€)



# FUND MANAGEMENT .....

With 50 years of experience in high impact investment in emerging markets and over EUR 1 billion in assets under management for the Dutch Ministry of Foreign Affairs (MoFA), FMO has a proven track record as fund manager. The Capacity Development Programme is the first and only dedicated technical assistance program that FMO manages on behalf of MoFA. The CD team is part of the Funds, Syndications and Value Creation (FSV) Department. It deploys CD funding by being allocated to the different front office departments, where FMO currently has one dedicated officer per department. Besides B-CD, the high-performing team is responsible for two other CD related funds. The team consists of the following professionals:



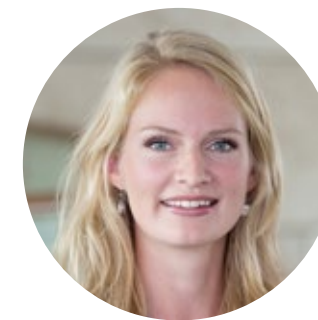
**Martin Steindl**  
Manager Capacity Development  
and Corporate Governance



**Andrew Shaw**  
Senior Capacity Development Adviser,  
focus on Financial institutions sector  
(Asia and LAC) and Fintech



**Martine Sanders**  
Capacity Development Officer,  
focus on Energy sector



**Gerbrich Salverda**  
Capacity Development Officer,  
focus on Financial Institutions sector  
(Africa and ECA) and Gender



**Lilian Saade**  
Capacity Development Officer,  
focus on PE sector



**Sabine Prinz**  
Capacity Development Officer,  
focus on Agribusiness, Food and Water



**Tessel de Jong**  
Capacity Development Analyst







# OUTLOOK .....

As 2018 is the last year of the B-CD Program, it is of utmost importance for the team to select projects that will meet the thematical and regional requirements of the Program. As the balance between gender and green projects is currently at target, for each € in a gender project we need to find a 'green' equivalent.

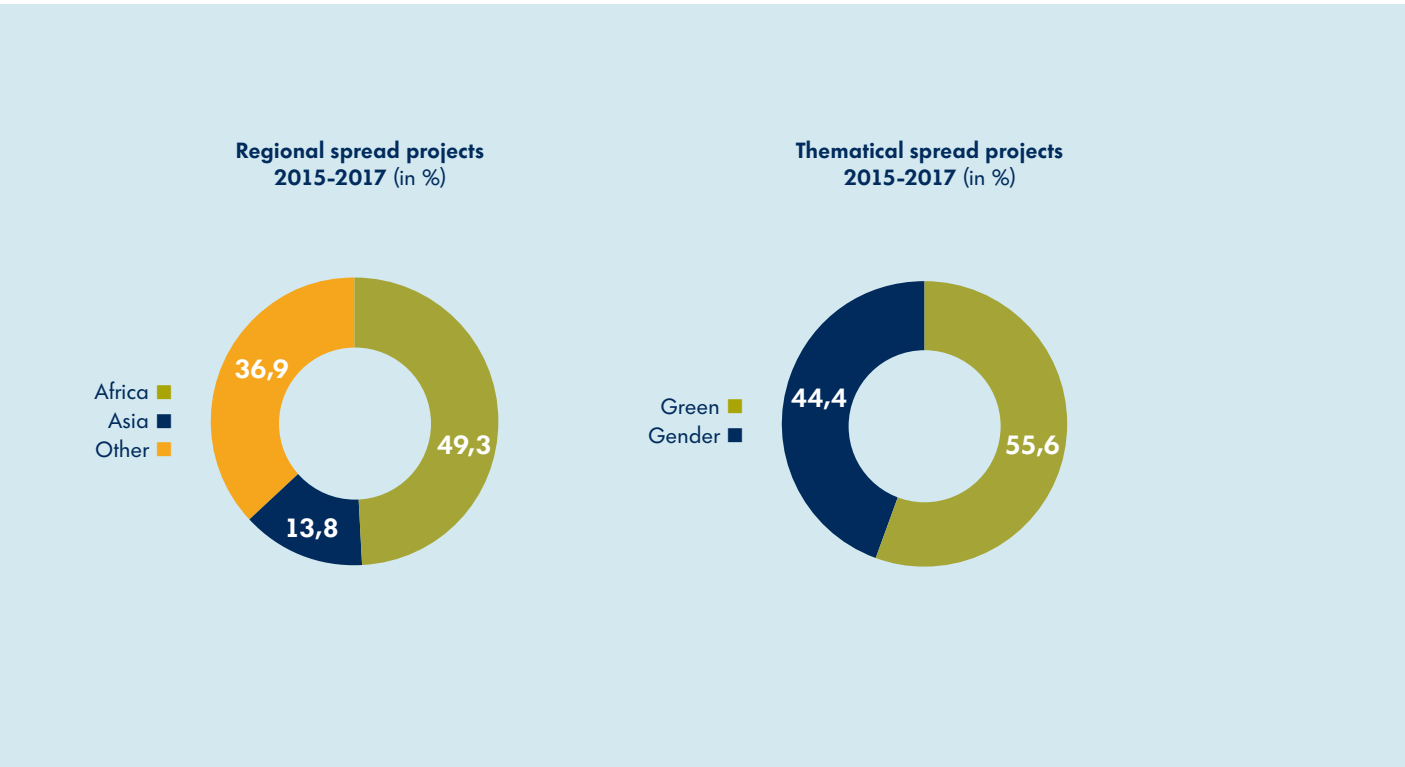
Looking at the overall regional and thematical requirements (see the table on the right) some modifications will be made for 2018. The challenge for 2018 will be to commit more projects in Asia to meet the regional requirements, while managing the balance between its thematical focus on gender and green.

### Regional requirements

Africa	35 - 45%
Asia	25% - 35%
Other	20% - 40%

### Thematical requirements

Green	40%
Gender	40%
Margin <sup>2</sup>	20%



### Green

In 2018, we hope to keep our diversified green portfolio and include even more topics in which FMO wants to play a leading role. One of these new topics is forestry or reforestation. It is expected that two projects will be committed in this sector. One example is an energy mechanism project focused on cloud forests in Latin America. The project is a pilot framework set up by Conservation International and The Nature Conservancy to support both climate action, the local communities and the private development sector. The pilot framework works as a payment for Ecosystem Services (PES) model that serves both the cloud forests in LAC and the rural community living in the vicinity. Payments will be based on direct, measurable and successfully delivered benefits to hydropower operators. Where conventional PES models seek upfront payments from ecosystem beneficiaries that are not directly based on successful delivery of benefits, this pilot focuses on a specific ecosystem, being the cloud forests and beneficiary, hydropower plant owners. Another forestry project will focus on E&S support for a hydropower plant in Georgia.

In other fields, the team expects to commit funding to two studies in Asia on waste water reduction and resource efficiency. In the Agribusiness sector, the team expects to commit funding to a feasibility study for an outgrowers program in Laos and support a palm oil plant in receiving certification that supports the mitigation of the negative side effects of palm oil and prohibit deforestation.

### Gender

As the team has mainly funded awareness raising and knowledge sharing initiatives focused on gender finance and gender equality in 2016 and 2017, it now is determined to use its experience to also implement gender lines and gender finance. As the team has done a lot of projects and events to raise awareness on the gender gap, 2018 is expected to be the year in which this will result in more product development focused on women financing. In cooperation with the expert hired from KIT, FMO will put more emphasis on the implementation of gender lines in different regions.

To this end, the team expects to commit at least three gender lines with existing clients. These gender line implementations focus on a collaboration with a local consultant on a special loan product for female lenders and should be considered pilots to measure efficiency and results for this product. For the initial pilot, the team has selected three banks in Ghana, Georgia and Armenia to be piloting banks. If successful, the pilots will be rolled out globally.

Additionally, another Global Alliance Academy will be organized, which will most likely take place in the Africa Region. In the agribusiness sector, the team expects to commit funding for a gender assessment to measure feasibility and interest among local female entrepreneurs. This study will mostly take place in the LAC region, where Banco Sol, a trusted FMO client, is identified as the right pilot company.

### Budget 2018

The team expects to utilize the full financial potential under the CD program. With a total of €4,95 mln<sup>3</sup> and committed amounts of €1,76 mln in 2016 and €1,4 mln in 2017, a total available budget worth of €1,79 mln is to be committed in 2018. Based on the already committed projects in 2016 and 2017, we expect €1,5mln in disbursements in 2018. However, due to the fact that disbursements can occur over the total project period (on average 2-3 years), the remaining funds will be needed to be available also for 2019 and 2020, to uphold our full commitment.

2. As mentioned, the margin serves as a buffer between the two topics to ensure at least 40% spending on each topic.

3. The total budget of € 4,95 mln is including the management fee.





## FINANCIALS

Balance sheet at December 31, 2017 (B-CD)	31/12/2017	31/12/2016
Assets	-	-
Banks	654	1,082
Current account with FMO	-	-
Accrued income & Other receivables	-	-
<b>Total assets</b>	<b>654</b>	<b>1,082</b>
<b>Liabilities</b>		
Current account with FMO	-	126
Accrued liabilities & Other liabilities	-	44
<b>Total liabilities</b>	<b>-</b>	<b>170</b>
Contribution DGIS previous years	1,238	1,238
Contribution DGIS current year	751	-
<b>Total contribution DGIS</b>	<b>1,989</b>	<b>1,238</b>
Undistributed results previous years	(191)	(12)
Result current year	(281)	(179)
Grants	(863)	(135)
Evaluation costs	-	-
<b>Total fund capital</b>	<b>654</b>	<b>912</b>
<b>Total liabilities and fund capital</b>	<b>654</b>	<b>1,082</b>
Total subsidy amount according to "beschikking" CD	4,950	4,950
Total subsidy received from DGIS	1,989	1,238
<b>"Beschikkingsruimte"</b>	<b>2,961</b>	<b>3,712</b>

Statement of comprehensive income at December 31, 2017 (B-CD)	31/12/2017	31/12/2016
<b>Income</b>		
Interest income	(2)	(3)
Fx other	(38)	4
<b>Total income</b>	<b>(40)</b>	<b>1</b>
<b>Expenses</b>		
Remunerations FMO	(241)	(180)
Other operating results	-	-
<b>Total expenses</b>	<b>(241)</b>	<b>(180)</b>
<b>Net profit (and total comprehensive income)</b>	<b>(281)</b>	<b>(179)</b>



Cashflow Statement at December 31, 2017 (B-CD)

	31/12/2017	31/12/2016
Position of cash at January 1	956	1,228
Contribution DGIS current year	751	-
Disbursements on grants	(727)	(135)
Management fees FMO	(286)	(180)
Other	(40)	43
Position of cash at end of period	654	956

Remuneration with regard to portfolio size, production & portfolio results

Fees FMO

The fees for 2017 for CD are based on a fixed fee of €241,000 (2016: €180,000)

ANNEX 1: TOTAL COMMITTED PROJECTS IN 2016-2017

Project	Client	Geography	Sector	Year*	Topic	Amount in €
Forestry Research Program	AFRICAN FORESTRY	Africa	Energy	2016	Green	42,250.00
Methodology Study	AFRICAN INFRASTRUCTURE INVESTMENT MANAGERS	Africa	Private Equity	2016	Green	12,500.00
Access to energy strategy in natural capital fund	ALTHELIA CLIMATE FUND GP, S.A.R.L.	Other	Diverse Sectors	2017	Green	75,000.00
Community Development Program for Infrastructure Companies	ASSHETON CARTER LTD.	Other	Infrastructure, Manufacturing & Services	2016	Green	50,150.00
Financial Education project for (W)SMEs	BANCO BAC SAN JOSE S.A.	Latin America & The Caribbean	Financial Institutions	2016	Gender	81,925.00
Financial Inclusion Initiative	BANK OF ZAMBIA	Africa	Financial Institutions	2017	Gender	51,978.00
Sector Initiative on Waste management	BANQUE MAROCAINE DU COMMERCE EXTERIOR	Africa	Financial Institutions	2017	Green	107,250.00
Greenline program	CENTRO DE PRODUCCION MAS LIMPIA DE	Latin America & The Caribbean	Financial Institutions	2016	Green	100,000.00
Clean Cookstoves Health Impact Study	ENVIROFIT INTERNATIONAL, INC.	Latin America & The Caribbean	Energy	2016	Gender	100,000.00
Resource Efficiency pilot	EVOLIA LIMITED	Africa	Diverse Sectors	2017	Green	40,500.00
Program for Empowerment and organization of waste pickers	FAN MILK LIMITED	Africa	Agri, Food and Water	2017	Green	125,000.00
Making Solar Bankable Award for best innovative energy start up	FIRST SOLAR DEVELOPERS NEPAL	Other (Asia)	Energy	2017	Green	85,000.00
Development & implementation of Environmental Flow Management Plan	HIDRONORMANDIA S.A.	Latin America & The Caribbean	Energy	2016	Green	116,820.00
Tech training project for a solar home systems company	IGNITE HOLDING COMPANY INC.	Other (Latin America & The Caribbean)	Energy	2017	Green	81,654.50
Green Bond Program	KENYA BANKERS ASSOCIATION	Africa	Diverse Sectors	2017	Green	325,000.00
Footprint research, waste recycling and waste reduction project	LC PACKAGING INTERNATIONAL BV	Asia	Agri, Food and Water	2017	Green	131,925.00
BIMA Women leadership event	LEAPFROG LABS LIMITED	Other (Africa And Asia)	Financial Institutions	2017	Gender	104,000.00
Framework - example project for air pollution in Mongolia	MACS ENERGY AND WATER GMBH	Europe & Central Asia	Financial Institutions	2017	Green	200,000.00
FMOxChange Green Study Tour	MICRO ENERGY	Latin America & The Caribbean	Financial Institutions	2016	Green	20,948.49
Gender Meta project	MULTIPLE PARTIES, INCLUDING IFC, GOLDMAN SACHS FOUNDATION AND BABSON COLLEGE	Global	Financial Institutions	2016	Gender	1,012,000.00
Female Leadership Journey	ACCESS BANK GHANA	Africa	Financial Institutions	2017	Gender	52,650.00
Waste water management study	P. EN R. HOLDING BV	Asia	Infrastructure, Manufacturing & Services	2016	Green	73,650.00
Study tour to the Netherlands (part of FMOxChange Framework)	PROMERICA BANK	Other (Latin America & The Caribbean)	Financial Institutions	2017	Green	21,700.00
FMOxChange E&S Training	STANBIC BANK	Africa	Financial Institutions	2016	Green	1,100.00
FMOxChange E&S Training	SUDAMERIS BANK S.A.	Latin America & The Caribbean	Financial Institutions	2016	Green	7,200.00
Sector Initiative on Environmental and Social Risks in Paraguay	WORLD RESOURCES INSTITUTE	Latin America & The Caribbean	Financial Institutions	2016	Green	140,000.00
Total						3,160,200.99

\*Year that project was committed





Female Leadership Journey  
Ghana - 2017 .....

# MAKING SOLAR BANKABLE

## EVOLVING BUSINESS MODELS IN EMERGING MARKETS

15-16 FEBRUARY 2018 /// AMSTERDAM

SOLARPLAZA

FMO

Entrepreneurial  
Development  
Bank



### FMO

Anna van Saksenlaan 71  
2593 HW The Hague  
The Netherlands

+31 70 314 96 96  
info@fmo.nl  
www.fmo.nl