

Annual
Report 2012

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Operations in 2012

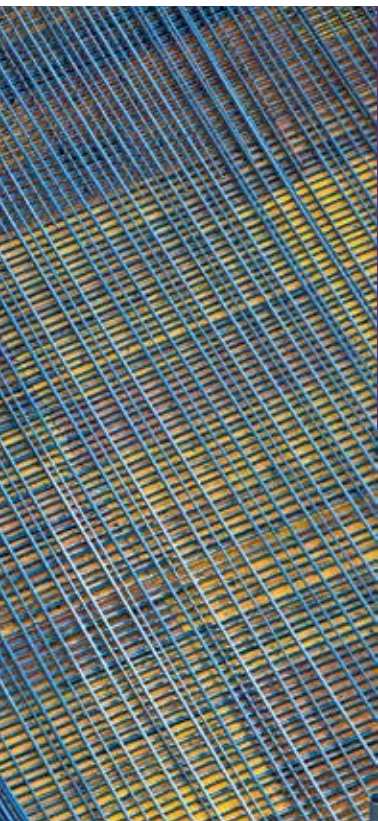
- Sustainable development
- Energy
- Social issues
- SMEs
- Banking groups
- Agribusiness
- Land use planning



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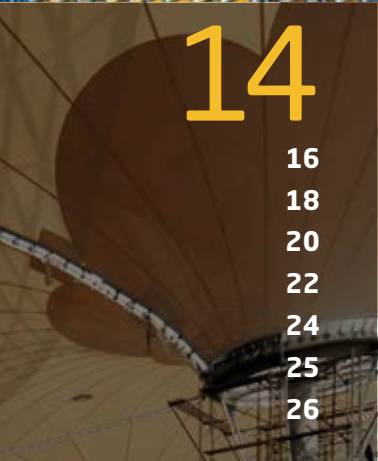
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A joint interview with Mr. Dov ZERAH, Chairman of the PROPARCO Board of Directors and Chief Executive Officer of the AFD, and Mr. Claude PÉRIOU, Chief Executive Officer of PROPARCO.

A year dedicated to sustainable development

How do you view PROPARCO's performance in 2012?

Dov ZERAH: PROPARCO did very well in 2012, even outstandingly well. With a portfolio totaling €3.1bn – up 20% compared with the previous year – PROPARCO cemented its position among the leading development finance institutions. In fact, portfolio growth was accompanied by enhanced financial and development performance. This success strongly suggests we have the right business model. It shows that private-sector financing for economic stakeholders in the South is not only a powerful development tool, but also a profitable long-term investment.

Claude PÉRIOU: In 2012, we consolidated our role as promoter of development and our status as responsible financier of the private sector in the South. To start with, we stepped up our presence in Sub-Saharan Africa, a region all too often bypassed by international investment flows. Africa has always been a primary focus of our work, and it still is. In 2012, half of our financing went to Africa, mainly to support agriculture, banks and infrastructure. That's almost 40% more than in the previous year. PROPARCO also demonstrated once again its ability to facilitate

transitions in countries in or emerging from conflict situations like the Ivory Coast, Egypt, Tunisia and Iraq. Another important development in 2012 was our increasing involvement in the fight against climate change. Over 30% of our new commitments were for renewable energy and energy efficiency projects.

What role does PROPARCO play in the AFD's strategy?

D.Z.: Supporting the private sector in developing economies is a key feature of AFD strategy. This reflects our belief that businesses can make a major contribution to economic and social development in the South. They drive growth, which is crucial to job and value creation, and generate tax revenue for states. And the 2012-2016 Strategic Orientation Plan set by the AFD, which was approved late last year, reaffirms that belief. To support the private sector, the AFD Group leverages PROPARCO's financial and technical know-how and its broad range of financing tools. PROPARCO is therefore a key instrument of AFD strategy in favor of the private sector, accounting for 15% of the Group's total activity in 2012.

“ Supporting the private sector in developing economies is a key feature of AFD strategy. ”

Dov ZERAH
Chairman, PROPARCO
Chief Executive Officer, AFD



“ In 2012, we consolidated our role as promoter of development and our status as responsible financier of the private sector in the South. ”

Claude PÉRIOU
Chief Executive Officer, PROPARCO



In which key sectors did you invest in 2012?

C.P.: To address the issues of climate change and energy security, PROPARCO focused heavily on renewable energy and energy efficiency projects. We financed flagship investment programs in Africa, including the construction of a solar power tower in South Africa. We also contributed funding to major programs in education and healthcare, particularly in the Mediterranean area. African agriculture currently has to respond to multiple challenges, from increasing yields to improving farmland to preserving biodiversity. That's why we support a large number of environmentally friendly agribusiness projects on the continent. Likewise, the financial sector, a leading driver of economic growth and business development, has continued to receive significant support from PROPARCO, accounting for almost half of our new commitments in 2012.

Could you tell us a little more about the resumption of your equity investments in the French Overseas Territories?

D.Z.: The AFD is committed to driving development in those territories. In 2012, AFD Group authorizations reached an all-time high of €1.5bn. Because their economies are on shakier ground than in mainland France, support for small and medium-sized businesses is essential. Little in the way of equity investment instruments are available to them. That's what makes PROPARCO's offering both very timely and complementary to the AFD's work in support of the private sector.

C.P.: This was also the approach that led PROPARCO to subscribe in 2012 for convertible bonds issued by CBo Territoria, a regional planning company in Réunion. In 2013, we will be scouting for further investment opportunities in these territories.

Any other highlights in 2012?

D.Z.: The AFD Group aims to be a responsible contributor to development financing, and that means giving greater weight to our social and environmental responsibility. In 2012, the AFD Group published its first-ever report on this issue, which received an excellent rating from an outside rating organization. We also adopted a new code of business ethics. Last but not least, we strengthened our financial security system, with a special focus on fighting money-laundering and terrorist financing, tackling non-cooperative jurisdictions and promoting transparency.

What are your priorities for the years to come?

C.P.: Sub-Saharan Africa will remain the primary region for PROPARCO operations. The main emphasis will be on developing infrastructure and strengthening local financial systems to ensure sustainable, inclusive growth on the continent. At the same time, PROPARCO will be taking geographic diversification further, branching out into additional areas in the Caucasus, Asia and Latin America. Another key focus will be our support for countries on the Mediterranean rim and the Middle East, along with the resumption of our activity in the French Overseas Territories. In terms of financing solutions, PROPARCO will be expanding its offering in local currency to help protect our counterparties against exchange rate risk. We will likewise be continuing with direct equity investment, which we already stepped up in 2011. We view it as a particularly relevant way of supporting private-sector entities. In 2012, PROPARCO made 14 new equity investments totaling €62m in industry, banking, education, healthcare and energy. We also intend to get more involved in efforts to tackle climate change through new renewable energy and energy efficiency projects. And because we view small and medium-sized enterprises as vital contributors to economic and social development, we will be stepping up our efforts to finance them and enhance their capabilities.

What other challenges lie ahead?

D.Z.: In 2011, we took a number of major steps to reorganize the AFD Group, and PROPARCO in particular. Those steps involved substantially strengthening our human capital, our financial model and our standards in all our businesses. And we intend to sustain the momentum.

C.P.: We began monitoring our portfolio more effectively in 2012. But we are confronted with further challenges at present. We need to monitor environmental and social responsibility more closely and devote greater resources to technical assistance. We will also be paying even more attention to the development impact of projects, to issues of governance among clients and to the carbon footprint of all programs we finance. And finally, we will be upholding the highest financial security standards.

D.Z.: I know I can count on the dedicated, highly professional people at PROPARCO to tackle these challenges. In the meantime, I wish to thank each and every one of them for their commitment and for so consistently upholding the AFD Group's values and goals.

PROPARCO is a subsidiary of the Agence Française de Développement (AFD) devoted to private sector funding. It serves private sector organizations in emerging and developing economies with a complete range of financial and technical solutions.

Partnering with the South

FINANCING AND CO-FINANCING PROVIDED BY PROPARCO IN 2012 WILL CONTRIBUTE TO *:

Guaranteeing access to sales outlets for **286,000 FARMERS.**

Creating or maintaining **145,000 JOBS** directly and **295,000 JOBS** indirectly.

Reducing or avoiding greenhouse gas emissions by **1.5M TEQ CO₂** per year.

Increasing tax revenue by **€134m** per year.

Giving **610,000 PEOPLE** access to microcredit.

Improving the environmental and social performance of **29 COMPANIES AND FINANCIAL INSTITUTIONS.**

Producing **831 GWh** of renewable energy.

At December 31, 2012

€**3.1**bn

PROPARCO continued to grow in 2012, with a 20% increase in its portfolio.

340 clients

A wide range of private sector organizations benefit from PROPARCO financing.

60 countries

PROPARCO operates through a network of 12 regional offices to develop its business.

*N.B.: These indicators show the expected aggregate outcomes for projects signed in 2012.

“ It has become more vital than ever to reconcile economic growth with sustainable development. We have been working for over 35 years to make that aspiration possible, providing the private sector in the South with long-term financing solutions and assistance in enhancing environmental and social performance. ”

Claude PÉRIOU
Chief Executive Officer, PROPARCO

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 creates jobs, generates tax revenues and provides populations with essential goods and services. It is also a significant driver of sustainable development. The private sector actively and effectively contributes to the dissemination of environmental and social best practices.

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.

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, mining, agriculture, manufacturing, services and microfinance.

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.

→ KEY STRENGTHS

In the course of 35 years, PROPARCO has forged a unique reputation as a long-term lender and investor. By supplementing the activity of commercial banks, its distinctive offer helps heighten the private sector's developmental impact.

A unique model

IN-DEPTH KNOWLEDGE OF AFRICA

Sub-Saharan Africa is where PROPARCO has its longest history of involvement. It has always given high priority to supporting growth in the region, providing financing to the financial sector, agribusiness and infrastructure development. **The institution's long-standing experience and in-depth knowledge of the continent are an extremely valuable asset.** PROPARCO has shared the benefits of its experience with partners and clients eager to do business in Africa. This makes it the bilateral development finance institution with the strongest African identity.

CLIMATE EXPERTISE

The issues of climate change and economic development are inseparable. That's why **PROPARCO has singled out climate change as a core focus**, carefully selecting projects likely to have a positive impact in this area. PROPARCO has also acquired expertise in financing renewable energy and energy efficiency projects, and places special emphasis on encouraging clients to adopt low-carbon practices.

IMPACT ON DEVELOPMENT

PROPARCO's successful performance vindicates its business model, which balances profitability and development impact. **The institution pays close attention to both the economic viability and the effect on development of every project it finances.** This involves measuring the actual contribution of each initiative to development and the reduction of poverty in terms of job creation, fiscal revenue, training and education, social and environmental standards, corporate governance and managerial best practices.

A NETWORK OF PARTNERS

To achieve greater scope, development finance institutions need to link up with other financing structures and development stakeholders. **PROPARCO has developed an extensive network of public- and private-sector partners, including** multilateral institutions, European Development Finance Institutions (EDFI), private investors and commercial banks. The institution is further distinguished by a unique shareholder base. Thirty private- and public-sector shareholders from North and South provide PROPARCO with crucial expertise.

ENVIRONMENTAL AND SOCIAL APPROACH

PROPARCO's policy is to support responsible business models. This means making sure that clients are committed to mitigating and offsetting any environmental and social risks related to their projects. In addition to supporting their efforts to meet that commitment, PROPARCO strives to help them enhance their environmental and social performance. This approach, which is deeply rooted in the institution, is overseen by a dedicated team.

MULTI-SECTOR EXPERTISE

Over the years, PROPARCO has built up real expertise in the key areas for development in the South. Serving its clients are multi-sector teams with a strong commitment to development. **Financial and technical know-how, combined with in-depth knowledge of emerging and developing economies, has made PROPARCO a partner of choice to the private sector in the South.** Thanks to its highly professional, innovative staff, the institution adjusts continually to changing client needs.

? THREE QUESTIONS FOR



Mohamed BENNANI, Chairman and CEO of BOA Group, reviewing his institution's long-standing partnership with PROPARCO. Founded in Mali in 1982, the Bank of Africa (BOA) is a banking group with operations in 15 African countries and France.

The BOA has enjoyed rapid growth and can now be considered a pan-African banking group. In which ways has PROPARCO supported the BOA?

Mohamed BENNANI: PROPARCO offered its first support in 1988, when the BOA holding company was set up. This makes it one of our legacy shareholders. PROPARCO also financed the expansion of our network with subordinated loans and equity investments in specific BOA subsidiaries. In addition to funding, PROPARCO's long-standing presence at our side helped build confidence in our bank among clients, institutional investors and a number of states.

What other forms does cooperation between the BOA and PROPARCO take?

M.B.: With AFD backing, PROPARCO assists us in implementing our environmental and social policy. This makes it possible to incorporate environmental and social risk management into the lending policies of our banks. And of course, it contributes to a general change in attitudes. This kind of technical assistance highlights the multi-faceted nature of our partnership. Our two institutions have forged solid, lasting ties.

How exactly do you view the relationship?

M.B.: What makes those ties so robust is quite clearly the relevance of PROPARCO's financing offer, which is backed up by technical assistance and a genuine commitment to sharing information. So our relationship has been deepened and strengthened over time. By the way, the BOA is now a PROPARCO shareholder.

→ KEY EVENTS IN 2012

A new CEO, conferences and forums, an expanding footprint and innovative investment projects marked this past year. Each such occasion gave PROPARCO an opportunity to reaffirm its commitment to development.

APPOINTMENT JULY 2ND

CLAUDE PÉRIOU, THE NEW CEO

The PROPARCO Board of Directors appointed Claude PÉRIOU as Chief Executive Officer, a position he previously held from 2002 to 2006. He will be maintaining the strategic direction pursued by his predecessor, Etienne Viard. He was formerly the Chief Risk Officer at the AFD.

AWARD NOVEMBER 15TH

FIRST SOLAR POWER TOWER IN SOUTH AFRICA

The renowned international review Project Finance gave the African Solar Deal of the Year 2012 Award to Khi Solar, a solar power project co-financed by PROPARCO in South Africa. This is Sub-Saharan Africa's first major concentrating solar thermal power plant project. Concentration technology offers greater heat storage capabilities than photovoltaic systems and higher operational continuity when the sun is not shining. PROPARCO contributed to financing for this 50MW solar power tower via a senior, 18-year facility of 264m rands (€23.6m). This long-term financing in local currency will help ensure Khi Solar's economic viability.



FOOTPRINT DECEMBER 17TH

A FIRST IN THE CAUCASUS

PROPARCO has granted TBC Bank in Georgia a 5-year, US\$ 20m line of credit dedicated to financing the healthcare sector. This represents the institution's first investment in Georgia or elsewhere in the Caucasus. The facility is part of the drive to modernize healthcare infrastructure initiated by Georgia's government in 2007. In the future, PROPARCO intends to invest further in the Caucasus to help private-sector firms develop in vital sectors for the region.



CONFERENCE MAY 4TH

KEYS TO DEVELOPMENT IN WEST AFRICA

In Abidjan, Ivory Coast, PROPARCO brought together 300 experts, financiers and economic stakeholders from North and South to discuss the issues of regional integration and agribusiness in West Africa. This offered a welcome opportunity to stress the need for genuine regional integration to promote the emergence of a buoyant private sector. Conference panelists mentioned regional infrastructure as a contributor to competitiveness and a tool for developing cross-border economic relations. Also discussed were the prerequisites for a sustainable agribusiness sector in West Africa. The participants advocated more extensive integration of agribusiness value chains and the establishment of a full-fledged urban market in Africa.

FORUM NOVEMBER 16TH

PAN-AFRICAN GROUPS - DRIVERS OF GROWTH

"Pan-African Corporates on the Rise". This was the theme of the fourth annual PROPARCO Investors' Club, which brought together over a hundred PROPARCO partners in Paris. Participants highlighted Africa's tremendous potential and discussed the key drivers of sustainable growth in the region. The discussion focused on the emergence of pan-African banking groups and the adoption of environmental and social best practices in Africa's business sector.

INVESTMENT NOVEMBER 29TH

A RETURN TO FRENCH OVERSEAS TERRITORIES

PROPARCO subscribed for a total of € 8.5m in convertible bonds issued by CBo Territoria, an environmental planning company in Réunion. This marks a resumption of equity investing by PROPARCO in the French Overseas Territories. Other projects are being considered in New Caledonia, Polynesia, Guadeloupe and Martinique.



INAUGURATION OCTOBER 8TH

A LARGE-SCALE ENERGY PROJECT IN UGANDA

The Bujagali hydropower plant in Uganda – co-financed by PROPARCO and the AFD – was inaugurated on October 8 by Ugandan President Yoweri MUSEVENI in the presence of His Highness the Aga Khan and the project's financial partners. Claude PÉRIOU, PROPARCO's Chief Executive Officer, addressed the ceremony participants on behalf of the development finance institutions. He emphasized the major contribution of this source of clean, renewable energy to Uganda's energy security and economic development.



COOPERATION OCTOBER 14TH

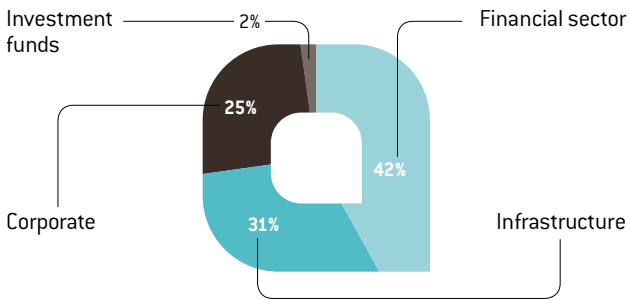
STRENGTHENING SYNERGIES

PROPARCO has deepened its partnership with the development finance institutions DEG (Germany) and FMO (the Netherlands), signing an agreement with them on October 14, 2012. The outcome is a joint investment facility designed to enable the three institutions to increase their lending capacity and share their expertise. This should make the process of setting up co-financing arrangements more efficient.

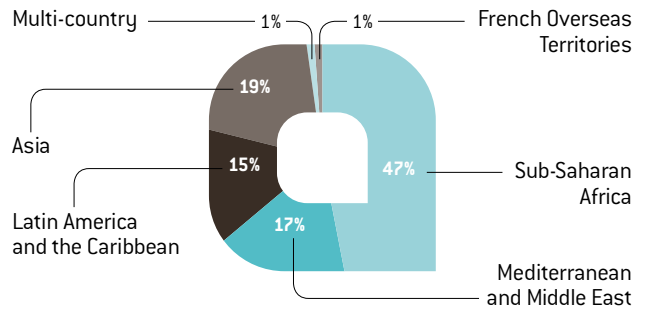
→ 2012 KEY FIGURES

PROPARCO posted a good year in 2012, with a portfolio totaling €3.1bn – up 20% compared with 2011. This growth was coupled with enhanced financial performance and impact on development.

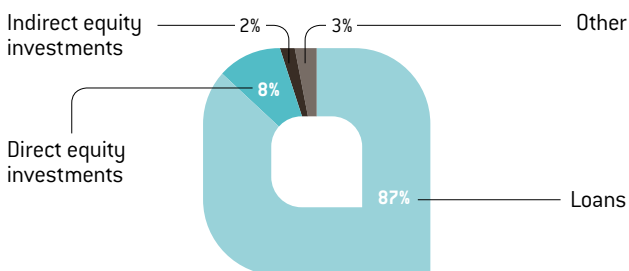
COMMITMENTS BY SECTOR IN 2012
[% of total commitments]



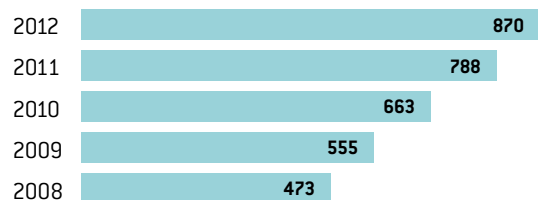
COMMITMENTS BY REGION IN 2012
[% of total commitments]



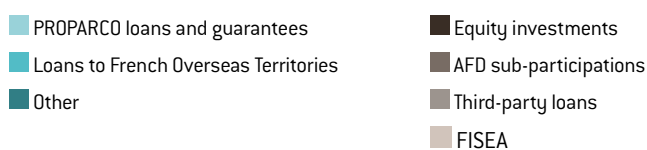
COMMITMENTS BY PRODUCT IN 2012
[% of total commitments]



DISBURSEMENTS, 2008-2012
[€m]

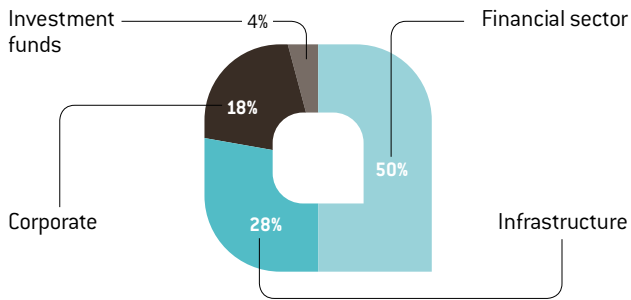


COMMITMENTS BY INSTRUMENT, 2008-2012
[€m]



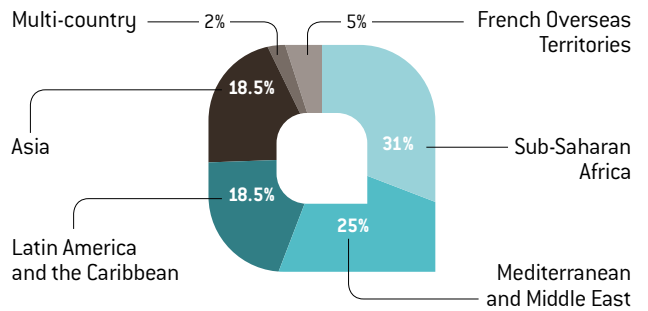
PORTFOLIO BY SECTOR

(% of the total portfolio) at December 31, 2012



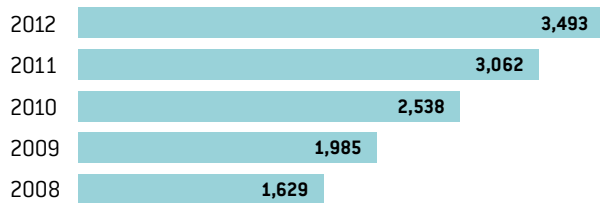
PORTFOLIO BY REGION

(% of the total portfolio) at December 31, 2012



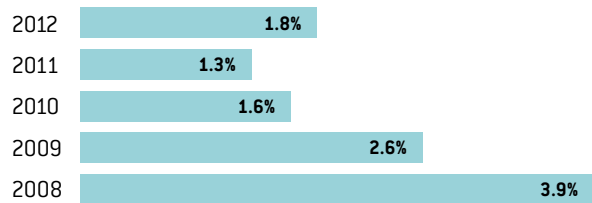
BALANCE SHEET, 2008-2012

(€m)



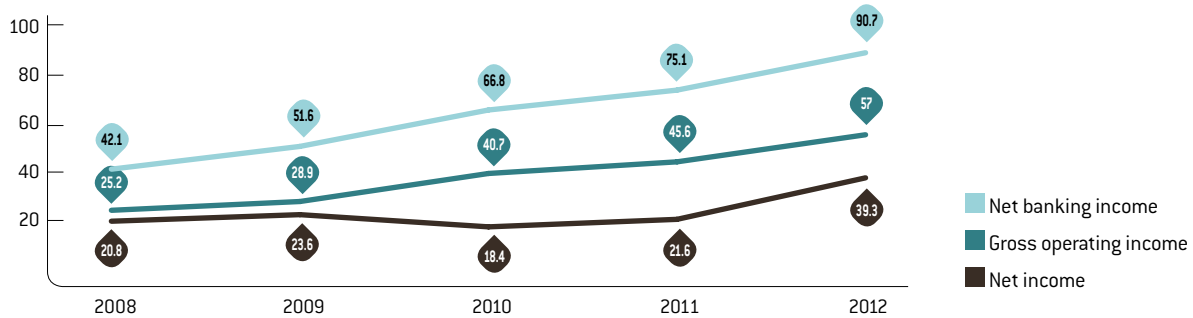
BAD DEBT, 2008-2012

(% of outstanding loans)



FINANCIAL RESULTS, 2008-2012

(€m)





From Africa to the Middle East, from the French Overseas Territories and Latin America to Asia, PROPARCO has once again demonstrated its commitment to sustainable development. The institution had an excellent year in 2012, with flagship investments in renewable energy and energy efficiency, significant funding for agribusiness and ongoing support to the financial sector.

Operations serving sustainable development

74
facilities

PROPARCO maintained a high level of activity in 2012, with 74 facilities signed in more than 30 countries.

32%
climate projects

A total of €240m was provided to a variety of energy efficiency and renewable energy projects in 2012 – 45% more than in 2011.

PROPARCO strives to promote responsible financing for the private sector in Southern countries. The objective is to assist clients in improving their environmental and social performance and contributing more fully to local development.

Promoting responsible financing

The private sector is a significant driver of sustainable development, acting increasingly as a trend-setter for environmental and social (E&S) best practices in emerging and developing economies. The role of development finance institutions is to support and further that tendency by disseminating the highest international E&S standards and heightening the positive impact of projects on development.

Encouraging responsible business models

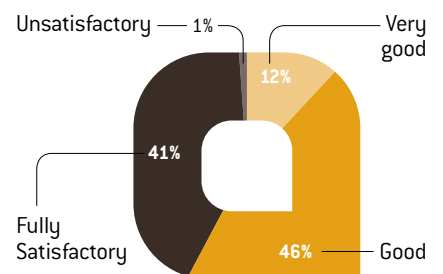
For several years, PROPARCO has been engaged in a formal approach to evaluating and improving its clients' E&S practices. This ensures that they are committed to mitigating and, if need be, offsetting the attendant risks. Beyond this risk management approach, PROPARCO helps its clients improve their E&S performance and enhance their impact on development. For example, PROPARCO assists banks in establishing E&S risk management systems for the projects they finance. It also supports efforts to obtain environmental or social certification (ISO 14001, OHSAS 18001,

SA8000, Fairtrade, Rainforest Alliance, UTZ, etc.) by suppliers of its agribusiness clients.

Promoting corporate social responsibility

PROPARCO makes sure that its clients – and more broadly the suppliers and subcontractors in their value chains – 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 safety at several agribusiness factories and gaining certification for local producers. Whenever infrastructure projects cause population displacement or disrupt existing economic activities, PROPARCO demands that its clients devise plans for resettling the affected communities while preserving their previous sources of livelihood. Those plans must be drafted in consultation with the stakeholders and must specify the relevant

DEVELOPMENT IMPACT OF PROJECTS SIGNED IN 2012

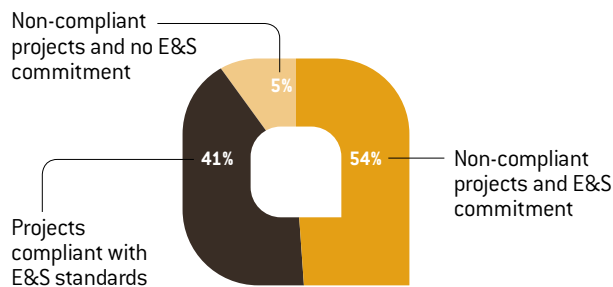


relocation and/or compensation terms. In 2012, PROPARCO validated a population resettlement plan in connection with a new airport construction project in Africa, and monitored implementation of similar plans under highway, port and rail projects in its portfolio.

Reducing 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), cut their greenhouse gas emissions and reduce the damage their projects do to biodiversity. One such client, a hospital group in Lebanon, has pledged to take action to improve management of healthcare waste and waste water. PROPARCO also urges clients to undertake energy efficiency projects and to reduce their energy consumption and carbon footprint. To preserve biodiversity, PROPARCO does its utmost to keep agribusiness, infrastructure and other projects from destroying natural environments with high ecological values or, if need be, to ensure compensation for any such destruction. For example, clients in charge of ports in Africa and Asia have pledged to recreate mangrove forests affected by port activity and habitats in which protected species thrive.

COMPLIANCE WITH E&S STANDARDS OF PROJECTS SIGNED IN 2012



Fostering more inclusive development and greater transparency

PROPARCO pays special attention to ensuring access for local communities to the services provided by its clients, especially in health and education. Examples include encouraging clients to develop scholarships or study grants and to offer special healthcare rates to more vulnerable social strata. 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. One such client in Africa thus chose to participate in the EITI (Extractive Industries Transparency Initiative) with a commitment to disclose how much they contribute to national taxes each year.

THREE QUESTIONS FOR

Franck Eba is SIFCA's Sustainable Development Manager. SIFCA, a leading African agribusiness group, is involved in the cultivation, processing and marketing of vegetable oil, natural rubber and cane sugar. PROPARCO has provided it with financing on several occasions.

For several years now, SIFCA has been pursuing a sustainable development policy. Could you discuss the main forms it has taken in practice?

Franck EBA: We have done a great deal to introduce a formal approach to sustainable development, both at corporate level and in our seven subsidiaries. A wide variety of actions have been undertaken, so it would be hard to list them all. One example is that SIFCA has worked to make plant and equipment as safe as possible and generally to develop a safety culture. We have conducted an active policy for preventing infectious diseases, particularly HIV/AIDS and malaria, among our employees, while upholding medical confidentiality and ensuring equal treatment. At the same time, we build high-quality "green" housing for our workers. To preserve the environment, we have undertaken a large-scale wetland development program at specific work sites. We have also set up a biomass cogeneration plant to scale back energy consumption.

Last of all, we maintain an ongoing dialogue with local communities and support their development work, especially in health and education, but we also support village plantation programs.

What are the actual outcomes and benefits of your policy?

F.E.: Several indicators highlight the noteworthy progress achieved by our company. For example, the frequency of on-the-job accidents has dropped from 26.9 to 6.53 and their severity from 0.9 to 0.31; between 2009 and 2012, the number of days lost as a result of malaria declined by 2,404; 8,720 employees have undergone voluntary HIV/AIDS testing; and 18,000 tons of CO₂ emissions have been avoided thanks to cogeneration in 2012. So our policy has had a tangible impact on the environment and the population. But our company has also benefited. Our sustainable development work has enabled us to improve yields and, in the final analysis, to increase output.

What challenges will you be tackling in the years to come?

F.E.: We need to maintain our high safety standards, enhance the energy efficiency of plant and equipment and continue with sustainable resource management. In the future, we will be as committed as ever to putting in place management systems to address issues like occupational health and

safety, the environment and quality. We will be working in particular to promote subsistence agriculture. At the same time, it will be vital for governments to encourage this trend by establishing an institutional framework and providing appropriate incentives. We will also have to maintain our "license to operate" in order to meet the expectations of increasingly demanding local communities and consumers.



Renewable energy and energy efficiency are crucial to sustainable energy policy. And in these fields, PROPARCO intends to play an active role.

A strong focus on renewable energy

Alternative, renewable energy addresses not only the problem of climate change, but also the imperative of secure energy for countries in the South. This makes financing a priority issue. PROPARCO has accordingly provided substantial support to private-sector projects involving wind power, hydropower, geothermal and solar power on all continents.

Leveraging a promising trend

Rising fossil fuel prices and declining costs for wind turbines, solar panels and similar equipment are making renewable energy increasingly competitive. At the same time, emerging and developing economies have been stepping up their efforts – changing their laws, creating tax incentives, adapting their power distribution networks – to promote power generation from renewable energy sources.

Together, these factors explain the growing development of renewable energy in the Southern countries. PROPARCO aims to play a part in this unfolding trend, above all by helping countries diversify their energy mix and scale back their dependence on fossil fuels.

Taking part in a high-tech boom

Over the past few years, the renewable energy sector has seen significant progress, with new

technology developed in Europe increasing the energy efficiency and reducing the production costs of renewable energy. PROPARCO's policy is to support the transfer of this cutting-edge technology to emerging economies that are still fairly unfamiliar with them. In particular, to further the emergence of high-tech projects in the South, the institution can mobilize financing for private-sector firms in Europe with extensive expertise in this area. In 2012, for example, PROPARCO extended an 18-year senior loan to the Spanish company Abengoa for the construction in South Africa of Africa's very first concentrating solar power plant.

Providing long-term financing

Renewable energy production is highly capital-intensive, entailing considerable upfront costs. This means that projects cannot get off the ground without access to long-term financing. To support private-sector renewable energy initiatives in the South, PROPARCO offers a broad range of debt and equity instruments. In 2012, the institution granted a US\$ 26.5m loan to the subsidiary of Globeleq in Nicaragua to develop a large-scale wind power project. PROPARCO likewise acquired an equity stake of 825m Indian rupees, the equivalent of €12m, in NRPL, an Indian energy company with water power works currently generating nearly 150 MW, to support its move into wind power. ■

PANAMA

SUPPORTING CLEAN POWER PRODUCTION

Panama has one of the most buoyant economies in Central America, with GDP growth averaging 9.5% between 2010 and 2012. Since 2005, electric power demand has increased by over 6% per annum. The country's fossil fuel-dependent energy supply can no longer keep pace. In response, the company Hidrotenencias has developed run-off river hydroelectric plants. To finance the construction of two additional units, PROPARCO invested in the Panamanian company, alongside the investment fund ACON and the Dutch development finance institution FMO. The goal is to support the country's drive to diversify its energy mix and help meet rising demand for electric power, while reducing greenhouse gas emissions by 60,000 teq CO₂ a year.

43%

PROPARCO devoted 43% of its Infrastructure financing to renewable energy projects.

337 MW

Renewable energy projects signed in 2012 will enable the production of 337MW and the avoidance of 878,000 teq in CO₂ emissions per year.

PROJECT

Promoting energy efficiency in the Ivory Coast

Africa needs to develop its energy infrastructure to keep pace with economic growth. Across the region, PROPARCO strives to support energy efficient, environmentally friendly projects. A case in point is the project to extend the Azito power plant in the Ivory Coast.

Located in the town of Yopougon, near Abidjan, on the shore of Ebré Lagoon, the Azito power plant has been operating since 1999. With current output of 288MW, the plant burns domestic natural gas, using a technology that combines two gas turbines. It covers close to one third of the country's electric power needs. Azito is one of the most successful public-private sector infrastructure partnerships in Sub-Saharan Africa.

In 2012, PROPARCO co-financed the extension of the plant. By 2015, a 139MW steam turbine is scheduled to be installed, bringing total

power output to 427MW. As a result, the project will not require the use of additional gas; the aim is to improve energy efficiency by recovering the waste heat produced by the plant. In this way, the previous single cycle facility will be transformed into a combined cycle plant.

By making optimal use of domestic gas resources, the planned extension should raise the country's power output by roughly 15%, without increasing fuel consumption. The ultimate goal is to meet growing demand for electric power while improving energy efficiency at existing facilities.

Jointly developed by Globeleq, a UK power company operating in emerging markets, and IPS (West Africa), a West African subsidiary of the Aga Khan Fund for Economic Development (AKFED), this large-scale project has raised nearly US\$ 450m in foreign direct investment. ■■■■■■



POINT OF VIEW

PROPARCO as mandated arranger

Extending the Azito thermal power plant is vital to sustaining the Ivory Coast's expanding economy. PROPARCO is proud to have been so actively involved in structuring the project financing, with a direct loan of US\$ 55m and a mandate as lead arranger for the European development finance institutions involved – BIO (Belgium), DEG (Germany), FMO (the Netherlands) – as well as for the Emerging Africa Infrastructure Fund (EAIF).

As a result, US\$ 170m have been raised, equal to half of the total required. Within a short time frame, PROPARCO secured the funding needed to complete the funding round and set the construction work in motion. This bears witness to PROPARCO's commitment to support the Ivory Coast authorities in their efforts to rebuild the country through a project with a major impact on development and the environment.

**Grégor Quiniou
and Nathalie Yannic**
Infrastructure Investment Officers,
PROPARCO



IMPACT

Once the new steam turbine is up and running in 2015, the Azito power plant extension will be able to meet in excess of 10% of the Ivory Coast's power needs. The planned extension will make it possible both to handle growing domestic demand and to export power to neighboring countries.

By optimizing the Ivory Coast's own natural gas resources, the project will also reduce greenhouse gas emissions by some 400,000 teq CO₂ per year. Along with the financing deal, the country's authorities have signed a roadmap on improving financial balance in the energy sector.

The private sector can contribute significantly to increasing the availability of education and health care. This conviction underlies all of PROPARCO's work, which includes financing private schools, vocational training organizations, private hospitals and pharmaceutical companies.

Quality education for all

An educated, qualified workforce is essential to ensuring sustainable economic growth, job creation and social cohesion. The private sector can effectively supplement government provision of education and training opportunities. Accordingly, PROPARCO supports innovative private-sector initiatives with the overriding aim of strengthening human capital in emerging and developing economies.

Promoting access to quality education

Integration into the global economy and job creation both require productivity gains, which

are in turn dependent on universal access to elementary and middle school. An estimated 61 million children in the world do not attend school, half of them in Sub-Saharan Africa. And in a period of chronically insufficient state investment, the private sector has a role to play in educational expansion.

PROPARCO assists private-sector organizations in creating new curricula, opening classes and providing teachers with better training. Special emphasis is placed on the introduction of information and communication technology (ICT) as a means to make education available through a wider variety of locations, sources and methods. In 2012, PROPARCO granted a

US\$ 40m loan to Educomp, one of India's largest private education companies. Nearly 20 million students currently reap the benefits of its iconic product Smartclass, a digital interactive board used by teachers to illustrate classroom work. Co-financed by the International Finance Corporation (IFC), the loan will enable Educomp to open additional schools in rural areas and expand its educational content offering. This financing is accompanied by a plan for monitoring and evaluating student performance to help gauge the impact of the educational methods used at Educomp schools.

Boosting vocational training

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. PROPARCO backs private-sector initiatives in initial and continuing education that promote work-related learning and apprenticeship. This includes financing such benchmark private schools as Saint Joseph University in Lebanon and the University of Anhanguera in Brazil. In 2012, PROPARCO acquired an equity interest in Tunisia's Ecole Supérieure Privée d'Ingénierie et de Technologie (ESPRIT), a school that mainly provides operational training to ICT engineers. It also granted a line of credit to Trustco Finance Ltd., a Namibian microfinance institution providing student loans. Through its offer of funding for continuous distance learning, PROPARCO helps raise the skill level of rural economy specialists and decision-makers in education and public service.





❓ **THREE QUESTIONS FOR**

Dr. César Bassim is Chairman and CEO of CareMed Holding. In 2012, PROPARCO financed the expansion of this Lebanon's leading hospital network.

What is CareMed's ambition?

César BASSIM: With the population aging and chronic diseases on the rise, healthcare needs in Lebanon are changing fast. Not enough care is available, and there are still major regional disparities. In addition, the extreme fragmentation of the country's hospital network stands in the way of modernization. We believe that the way to deal with these constraints is to reorganize the whole hospital landscape into several large groups. CareMed's aspiration is to be the number-one network.

In what ways does PROPARCO support CareMed?

C.B.: PROPARCO has granted us a US\$ 15m loan to finance the construction of two hospitals and the renovation of a radiation therapy center. The introduction of leading-edge equipment should enable us to treat chronic ailments more effectively.

How would you describe your collaboration with PROPARCO?

C.B.: PROPARCO is a trusted partner, and we have been extremely pleased with our collaboration. Not only do the people at PROPARCO know how to listen; they also add real value to our group in terms of finance structuring and governance.



Making healthcare systems more efficient

Effective healthcare systems require partnerships with the private sector. PROPARCO supports the growth of private provision of care and medicine in developing economies.

Making healthcare more available

An aging population, the high prevalence of infectious diseases and the increasing incidence of chronic illnesses – diabetes, cancer, cardiovascular diseases – represent unprecedented challenges to healthcare systems in developing economies. But since public health budgets and the care on offer are inadequate, the private sector has an important role to play in enhancing the availability and quality of healthcare. In most developing countries, it accounts for 50% of all healthcare delivered. This basic fact has encouraged PROPARCO to support privately run hospitals and clinics. In 2012, the institution financed the expansion of CareMed and the creation of cardiology and oncology departments at the HCor hospital in Brazil.

Guaranteeing access to medication

Nearly 30% of the world's population has no regular access to medication. Yet equal access

to safe, affordable drugs is a prerequisite to effective healthcare systems in the South. In this area, PROPARCO believes in the new South-South relations taking shape. In 2012, the institution invested in the Indian pharmaceutical company Strides Arcolab to help make locally produced generic drugs more widely available in Africa. Likewise, PROPARCO recently acquired an equity interest in the Tunisian pharmaceuticals lab UNIMED.

Greater financing for private healthcare

Although private-sector organizations provide half of all healthcare in developing economies, they have a hard time getting adequate financing. In many African countries, loans to the healthcare sector represent less than 5% of the local credit institutions' loan portfolios. To help overcome this weakness, PROPARCO supports the use of financial intermediation to assist the healthcare sector. In 2010, it acquired a stake in the Africa Health Fund, which invests in small African healthcare companies. In 2012, PROPARCO also granted TBC Bank in Georgia a US\$ 20m line of credit dedicated to financing the healthcare sector.

Small and medium-sized enterprises are vital to economic growth in emerging and developing countries. PROPARCO encourages their development through financing and technical assistance.

Business, the key to lasting growth in Africa



Small and medium-sized enterprises (SMEs) are often hampered by insufficient access to financing. Julien Lefilleur, PROPARCO's West Africa regional representative, reviews the institution's strategy in support of Africa's SMEs.

What are the challenges facing Africa's SMEs?

There is too little in the way of support for SMEs in Africa. The high cost of examining and monitoring financing projects, particularly in light of the small amounts being granted, and the higher risk profile of SMEs compared with large companies still make this a segment with only limited appeal for local financial institutions. Loans to SMEs currently account for just 13% of total lending by local banks.

Given the context, what instruments does PROPARCO make use of?

PROPARCO wants local banks to lend more to SMEs, which means encouraging financial intermediation as much as possible. By injecting long-term financial resources into Africa's banking sector, into microfinance institutions and specialized investment funds, we indirectly encourage financing for SMEs. PROPARCO also supports finance leases as a powerful tool for funding SMEs. For example, we recently renewed our agreement with the leasing company Alios Finance Côte d'Ivoire to help them expand their business with SMEs in West Africa.

But many SMEs are still left out of the conventional financing circuits. That's what motivated PROPARCO in 2012 to set up a special SME division. Its aim is to provide

equity or debt financing to businesses that have a major impact on their respective economies and operate in high-growth markets. In Benin, PROPARCO recently granted funding to Agrisatch, a small firm involved with poultry farming and egg production.

The needs of SMEs are not only financial. In what other ways can they be assisted?

To be able to grow, SMEs clearly need more than conventional financing. Many of them operate in tough markets with inadequate infrastructure, which means they face stiff competition from cheaper imports. To help them become more competitive, PROPARCO offers them technical assistance. This may involve helping them improve performance or advising them as they prepare their applications for funding on how to meet the eligibility requirements set by banks and development finance institutions. ■■■■■■■■■■

PROPARCO set up a special SME division in 2012. Its aim is to provide equity or debt financing to businesses that have a major impact on their respective economies and operate in high-growth markets.

Julien LEFILLEUR
West Africa regional representative, PROPARCO

IN SHORT

Supporting private equity
In 2012, the Investment and Support Fund for businesses in Africa (FISEA), an investment fund owned by the AFD and managed by PROPARCO, invested €7m in I&P Afrique Entrepreneurs (IPAE). Founded in 2012, IPAE is one of the few investment funds to target SMEs and microfinance institutions in West Africa, Central Africa and the Indian Ocean. Strong local presence, a combination of debt and equity instruments and a responsible investment strategy make IPAE a valuable support structure for a segment with inadequate capital resources. At the same time, FISEA has granted a €250,000 subsidy to finance technical assistance to companies in its portfolio.



Financing microenterprises
PROPARCO has invested €5m in ProCredit Holding, a group of 21 banks specializing in financing for micro-enterprises, very small, and small-to-medium-sized businesses in emerging and developing economies. ProCredit has three banks in Africa – in the Congo, Ghana and Mozambique – as well as seven banks in Latin America. Its productive loans and other banking services provide welcome support to businesses with only limited access to banking services. ProCredit defines itself as a socially responsible bank that strives for a balance between development impact and profitability.

PROJECT

Supporting responsible microfinance in Indonesia



POINT OF VIEW

Partnering to combat poverty

Since it was founded in 2003, MBK has experienced strong growth. Today it leads its client segment – the bottom 25% of Indonesia’s households. But because their working capital needs still go largely unmet, MBK plans to take things further to address those needs. Its goal is to reach one million clients by 2017 in order to help boost their income and get them out of poverty. With the microfinance crisis in India and dwindling international funding for this sector in 2011 and 2012, PROPARCO’s support has become very important to us. To be able to fulfill its social mission, MBK needs long-term partners like PROPARCO, and will continue to need them. The financing provided – with no collateral required, in local currency and for a 5-year term that includes a 2-year grace period – has given MBK stable resources with no foreign exchange risk. We hope to deepen this partnership in the future.

Shafiq DHANANI
Chairman and CEO, MBK

A new approach to entrepreneurship has emerged in the past several years that combines business sense with social commitment. As a development finance institution, PROPARCO works to promote social business. This explains its support in 2012 to the microfinance institution MBK.

Indonesia has one of the largest informal sectors in the world. Moreover, with close to 35 million Indonesians living below the poverty line, microfinance clearly has a role to play in the country. Recent studies estimate the microfinance client base at some 40 million micro-enterprises – a market worth between US\$ 10m and US\$ 15m.

Mitra Bisnis Keluarga Ventura (MBK) provides microcredit to low-income Indonesian women in order to help them gain access to formal financial services and raise their living standards. Targeting women at the “bottom of the pyramid,” it currently has over 340,000 clients.

MBK is at the forefront of microfinance initiatives for social performance, transparent

pricing and client protection. It selects its clients on the basis of strict income and poverty level criteria, with special emphasis on avoiding over-indebtedness. Its interest rates are among the lowest in the market.

In 2012, PROPARCO granted MBK a line of credit in Indonesian rupiah, equal to €4m, to support the expansion of its portfolio. Since the facility is denominated in local currency and has a 5-year term, it should contribute to the institution’s financial soundness.

Combining profitability and social performance in admirable fashion, MBK is a prime example of what a microfinance social business can be and do. This deal reflects PROPARCO’s approach: to back institutions that reconcile financial and social performance in order to support the development of a responsible microfinance sector.



IMPACT

Every year, MBK collects socio-economic data on clients. The latest client impact survey by the Business School, State University of California, emphasizes MBK’s impact on income levels - which have doubled in five years - and housing quality. MBK takes part in international efforts to promote responsible microfinance. The institution has endorsed the Client Protection Principles in the SMART Campaign and supports the *Microfinance Transparency* initiative for fair and transparent pricing in the microfinance industry.

Developing agribusiness value chains



PROPARGO supports private-sector investment across the entire agribusiness value chain.

Guillaume BARBEROUSSE
Deputy Head of the Corporate Division,
PROPARGO

Food security and the expansion of consumer markets will represent major challenges for agriculture and agribusiness in the coming decades. Guillaume Barberousse, Deputy Head of the Corporate Division, reviews PROPARGO's approach to this sector.

Why invest in agribusiness?

In developing countries, the bulk of the poorest population strata live in rural areas, and agriculture is their main source of livelihood. So investing in agriculture represents a key tool for combating poverty and social exclusion. In addition, higher agricultural productivity, greater emphasis on local products and investment in post-harvest handling can help resolve the food security equation, both in Africa and in the rest of the South. So support for agribusiness will remain a major investment focus for PROPARGO, in close cooperation with the AFD.

Just how large a share of PROPARGO's activity does agribusiness represent?

Agribusiness is our legacy area of involvement. It accounted for 12% of all deals signed in 2012. Initially we focused on primary output and first-stage processing of agricultural commodities. But once it became urgent to tackle the food security challenge, which has made agriculture a priority issue across the South, PROPARGO changed over to a more comprehensive, integrated approach.

What are the specifics of this strategy?

PROPARGO supports private-sector investment across the entire agribusiness value chain, from farming and agricultural inputs upstream to processing, marketing and distribution downstream. In 2012, we financed the Ugandan sugar producer SCOUT to help it raise output. In China, we contributed to value creation in the food supply chain by supporting Jinyuan, a company that processes freeze-dried organic fruits and vegetables. We also provided financing to improve logistics and warehousing infrastructure in Turkey, Vietnam and the Ivory Coast. PROPARGO pays careful attention to the impact on development of all the projects it finances, specifically in terms of job creation and the adoption of best environmental and social practices.

IN SHORT

Supporting local agricultural production

Uganda imports an average of 50,000 tons of sugar per year, covering 15% of demand. This prompted PROPARGO to extend a 10-year US\$ 23m loan to SCOUT, the country's third largest sugar manufacturer, to help it increase output. The investment program is geared to larger harvests, expanded production capacity and the use of better-quality inputs. This will give greater weight to local production, while reducing the carbon footprint of the related industrial processes.

Streamlining the supply chain

Tiryaki, a Turkish family business involved in commodity trading and first-stage processing of pulses, grains, oilseeds and nuts, operates primarily in Turkey, whose highly fragmented agricultural market it helps to provide with greater structure. PROPARGO granted Tiryaki a US\$ 15m long-term loan to finance storage capacity expansion. This investment should help partially reduce Turkey's storage deficit, estimated at 10 million tons, and thereby make for a more fluid agricultural commodity market.

Conference on agribusiness in Ivory Coast

In May 2012, PROPARGO held a conference in Abidjan on issues including agribusiness in West Africa. The event offered a good opportunity for dialogue among industry specialists, whose discussions focused on how to optimize sustainable local production and organize Africa's urban markets. The panel members agreed on the need to establish functional ties between industry participants to promote dissemination of the kind of technological innovation agribusiness that is crucial to future growth.

€230m

In agriculture and agribusiness, PROPARGO had a portfolio totaling €230m as of December 31, 2012.

12%

Agricultural and agribusiness projects accounted for 12% of total new commitments in 2012.

→ LAND USE PLANNING

PROPARCO supports responsible real estate and infrastructure projects as a means to encourage sustainable land use planning.

Financing transportation

Infrastructure in developing economies tends to suffer from chronic under-investment. That is why PROPARCO makes its full range of financial instruments available to port, airport, rail and highway development projects involving the private sector. The overriding aim is to contribute toward the emergence of a responsible, sustainable transportation sector.

Supporting the transportation boom

Rapid urbanization and economic growth in emerging and developing markets have spurred a powerful boom in transportation infrastructures. Indeed, efficient transportation networks are crucial to economic and social progress in the South. They play an essential role in structuring and stimulating merchandise trade, while rendering local production more competitive and driving regional and international integration. For the population, transportation is a major factor in reducing poverty. Both in rural and urban areas, it enhances access by the poorest population strata to jobs and to basic goods and services. All this explains why PROPARCO has made infrastructure financing a key focus of its work, not only in Africa, but in the Middle East, the Caribbean and the Mekong region. In developing economies, transportation construction and modernization require a huge amount of investment. This means that the private sector has a major role to play. In the last two decades, public-private

partnerships and delegated management contracts have demonstrated their relevance. Transportation infrastructure projects tend to be highly capital-intensive, and the time it takes to recoup the large upfront investments they involve often extends well beyond the payment terms offered by local lenders.

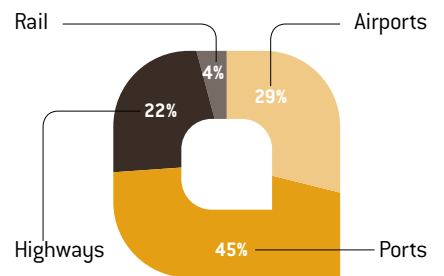
Improving infrastructure financing

Thus, because infrastructure development requires appropriate funding structures, PROPARCO channels long-term financial resources to the private sector, financing highway, rail, port and airport construction, extension and renovation projects. The funding provided from 2006 to 2012 totaled €200m.

In maritime infrastructure, PROPARCO finances container terminal extension and construction. In 2012, for example, it supported the construction of a new container terminal in the Port of Lomé, Togo. Similarly, with airport concessions to private-sector operators gaining ground, the institution provides financing to firms like Aéria in Abidjan, Ivory Coast. Highway and rail concession projects are examined on a case-by-case basis. In 2011, PROPARCO financed the extension of the Trans-Jamaica highway network. PROPARCO places a premium on the social and environmental impact of all the projects it finances.

TRANSPORT PORTFOLIO 2006 - 2012

(% of total portfolio 2006 - 2012)



IVORY COAST

FINANCING KEY INFRASTRUCTURE

In 1996, after a competitive bidding process, the Ivory Coast government awarded the company Aéria a 15-year concession to operate the Félix Houphouët-Boigny International Airport in Abidjan. In 2012, PROPARCO granted the company a €15m senior loan to finance a first investment program following the renewal of the concession. In addition to upgrading the international terminal and rehabilitating the charter terminal, the project will include the construction of related infrastructure, particularly by creating a fully serviced business park adjacent to the airport, which is crucial to a congested city like Abidjan. The project also includes construction of an aviation job training center that will give the Abidjan airport regional stature. The result will be a revived economy and a return to growth in the Ivory Coast.

PROJECT

Supporting sustainable land use planning in the French Overseas Territories



POINT OF VIEW

Toward a genuine sustainable land use planning policy

Whether in relation to energy efficient buildings, water use management or biodiversity preservation, CBo Territoria has been deeply involved with environmental issues for several years. Through our partnership with PROPARCO, we have developed that involvement into a formal policy for sustainable urban planning, which we intend to leverage to strengthen our benchmark status among urban planning organizations in tropical environments. Steps will be taken to align our practice with the most demanding international standards for how buildings and public amenities are designed, operated and managed. Projects officially recognized as environmentally friendly – like the Beauséjour development program in Sainte-Marie – are already breaking ground. All this highlights our determination to foster responsible urban development in Réunion. And we are delighted to be benefiting in the process from PROPARCO's considerable environmental and social know-how and experience.

Éric WUILLAI
Chairman and CEO,
CBo Territoria

2012 marked the return of PROPARCO to the French Overseas Territories. In Réunion, PROPARCO acquired an equity interest in the land use planning company CBo Territoria to support its drive to expand the island's stock of residential housing and offices.

Réunion can claim one of the fastest-growing populations in the French Overseas Territories. Due to a combination of rising population and the trend toward living apart, a 64% increase in the number of households is expected between now and 2030. The island will thus need an estimated 150,000 additional housing units by then, half of them in social housing. Demand for office and business premises should likewise go up substantially.

CBo Territoria, which holds 3,000 hectares of real estate, operates as a real estate manager (developing for rental) and a promoter (servicing and/or building for sale). The company has both residential and commercial programs. It plays

a leading role in real estate projects of major importance to Réunion, particularly as part of comprehensive development areas known as ZACs. After six years of listing on Alternext, CBo Territoria graduated in late 2011 to the NYSE Euronext Paris market index.

In 2012, PROPARCO offered a firm commitment to buy €10m worth of convertible bonds issued by CBo Territoria to fund further expansion. Because the issue was largely oversubscribed, the company raised the maximum amount of €26.5m, with PROPARCO ultimately subscribing for €8.5m. The firm commitment offering by an institution like PROPARCO sent out a positive signal that helped ensure strong investor uptake.

In accordance with that commitment, CBo Territoria adopted an environmental and social plan to structure all its operations around a genuine policy of sustainable land use planning.



IMPACT

With a €198m real estate investment plan for the period from 2012 to 2015, CBo Territoria is an active participant in the major changes affecting urban life and society in Réunion. The company's broad property offering and operations on a regional scale make it a key promoter of proper territorial balance on the island.

Moreover, its social housing offer fosters greater social diversity, while its operations have a major impact on the labor market. CBo's future orders should lead to the creation or maintenance of an estimated 1,500 jobs a year. Through its real estate projects, CBo Territoria thus contributes to economic development in Réunion.



PROPARCO must adapt continually to meet the new global challenges and promote sustainable, inclusive growth. Its unique combination of public and private governance, an international network, lasting partnerships and a highly committed staff together ensure the increasing relevance and impact of its work.

An institution with real momentum

28 shareholders **12** offices

A combination of public and private shareholders from North and South distinguishes PROPARCO from its European counterparts.

Through a vast worldwide network spanning four continents and coordinated by twelve regional offices, PROPARCO operates in more than sixty countries.

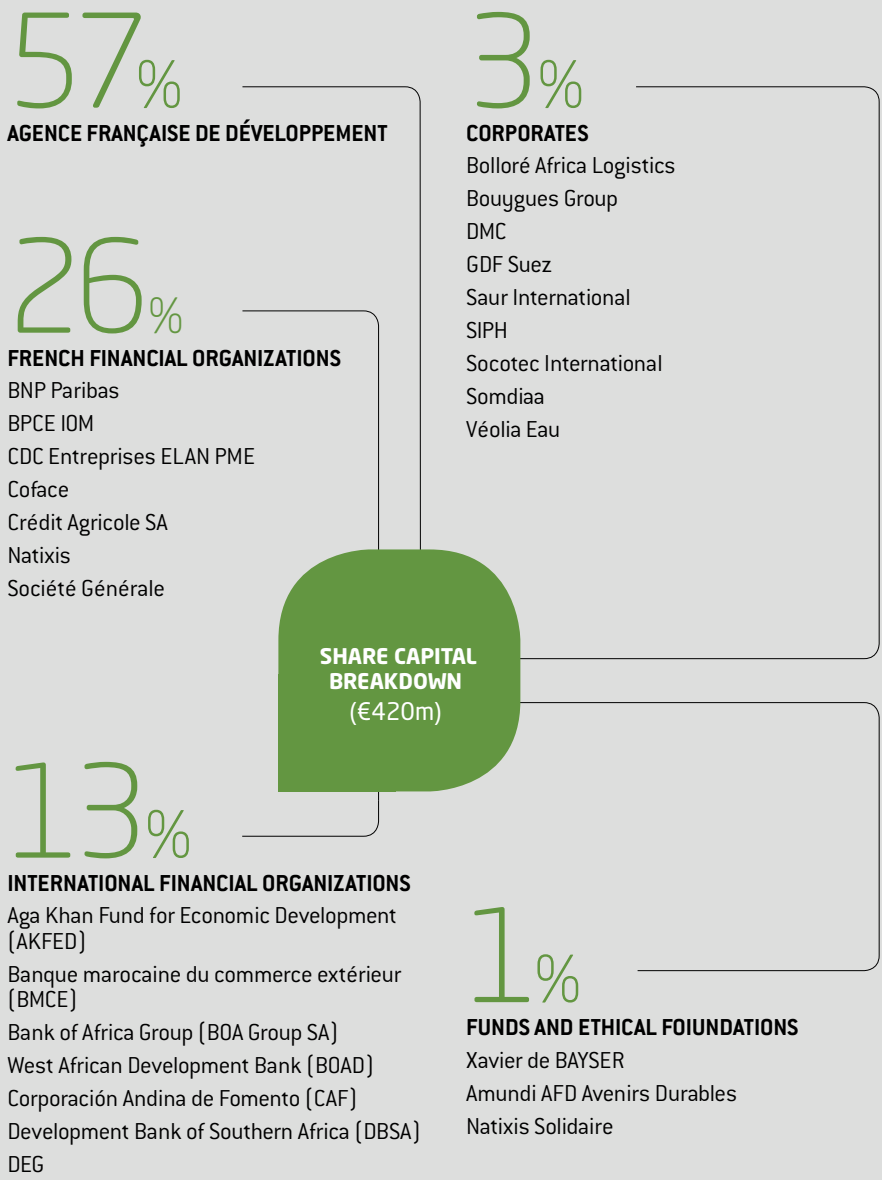
PROPARCO has a unique model of governance that distinguishes it from other development finance institutions. It brings together some 30 private- and public-sector shareholders from North and South committed to development. Over time, the shareholder base has developed a distinctive identity that faithfully reflects the institution's purpose.

A mixed shareholder base

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, and again to €420m in 2008. The arrival at this stage of new shareholders – including ethical investment funds and impact investors – reflected PROPARCO's increasing concern with the impact of its work on development, society and the environment.

Today, more than 70% of the institution's capital is in public-sector hands with the AFD holding a majority 57% interest. This diverse 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.



An institution serving development

The AFD is a public institution that has been instrumental for over seventy 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 70 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 2012 totaled €6.97bn, including nearly €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. Sub-Saharan Africa is the primary region for operations, and the AFD also has a strong presence in the Mediterranean and the Middle East, Asia-Pacific, Latin America and the Caribbean. 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 AA+ 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. It also leverages the AFD's vast network of agencies in identifying new potential financing opportunities. And finally, economic analysis performed by the AFD gives PROPARCO access to strategically important information.

? THREE QUESTIONS FOR

Lutf Kassam is a member of the Executive Committee of the Aga Khan Fund for Economic Development (AKFED) and Managing Director of the AKFED's Industrial Promotion Services. AKFED, an international development agency, works to promote entrepreneurship and business creation in developing economies. AKFED has been a PROPARCO shareholder since 1990.

How do you view the relationship between PROPARCO and AKFED?

Lutf KASSAM: Over the years, AKFED and PROPARCO have developed robust, enduring ties around shared development goals. This has created a relationship grounded in trust and set the stage for multiple cooperative ventures. For example, AKFED and PROPARCO co-finance projects in industry, infrastructure, tourism and financial services. Our two institutions share ideas on their geographies and focus areas. At the same time, acquiring a stake in PROPARCO

has enabled AKFED to establish ties to PROPARCO's other private-sector shareholders. So this is what you would call a genuine partnership.

To what extent do AKFED and PROPARCO have a common purpose?

L.K.: Our common purpose, our common interests, arise quite clearly out of the goals we share: promoting development and financing profitable ventures. Our experience in the past several decades demonstrates not only that these two goals can be reconciled, but that they can be mutually supportive.

How do you perceive your role as a PROPARCO shareholder?

L.K.: AKFED takes an active part in discussions on strategic direction, sharing with PROPARCO our knowledge of various sectors and our experience with the emerging economies in which we have been operating for decades, for example in West

Africa, East Africa, Pakistan, Afghanistan and Tajikistan. So we give PROPARCO access to that expertise, and we also promote new projects.



A solid institutional framework

BOARD OF DIRECTORS

Chairman

Dov ZERAH

Vice-Chairman

Didier MERCIER

Directors

Chairman
Dov ZERAH

Vice-Chairman
Didier MERCIER

Jean-Jacques MOINEVILLE

Gilles BERGIN

Rémi GENEVEY

Odile LAPIERRE

Agence Française de Développement
Stéphane FOUCAULT

BNP Paribas
Philippe SÉCHAUD

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

BPCE International et outre-mer
Patricia LANTZ

Corporación Andina de Fomento (CAF)
Cornelius Petrus VONK

CDC Entreprises Élan PME
Isabelle BÉBÉAR

Crédit Agricole SA
Éric HOTTELART

Development Bank of Southern Africa (DBSA)
Admassu TADESSE

DEG
Karl WEINFURTNER

Natixis
Jean-Claude GARDETTE

Executive officers

Chief Executive Officer
Claude PÉRIOU

Deputy CEOs
Colette GROSSET
Marie-Hélène LOISON

AFD works council representative

Benoît VERDEAUX

Observers and advisors

Statutory observers

Ministry of the Economy and Finance
Frédéric CHOBLET

Ministry of Foreign Affairs
Étienne ROLLAND-PIÈGUE



Left to right:
Didier MERCIER (AFD),
Claude PÉRIOU (PROPARCO),
Dov ZERAH (AFD/PROPARCO),
Rémi GENEVEY (AFD).



Left to right:
Jean-Jacques MOINEVILLE (AFD),
Éric HOTTELART (Crédit Agricole SA),
Étienne ROLLAND-PIÈGUE
(Ministry of Foreign Affairs),
Frédéric CHOBLET
(Ministry of the Economy & Finance).

Left to right:
Éric BIO (BOAD),
Patricia LANTZ (BPCE International et outre-mer),
Stéphane FOUCAULT (AFD),
Isabelle BÉBÉAR (CDC Entreprises Élan PME).



As a specialized financial institution, PROPARCO is subject to the provisions of the French Monetary and Financial Code. Its governing bodies ensure that the institution operates in a transparent fashion and is properly managed. To that end, they draw on the expertise of their public- and private-sector members.

Non-statutory observers

Aga Khan Fund for Economic Development (AKFED)
Lutaf KASSAM

West African Development Bank (BOAD)
Éric BIO

BPCE
Josiane LANCELLE

Coface
Maëlia DUFOUR

GDF Suez
Denis SIMONNEAU

Veolia Eau
Patrice FONLLADOSA

Government Commissioner

Claude WARNET

Auditors

Société MAZARS
Max DONGAR
Guillaume POTEL

Société KPMG
Arnaud BOURDEILLE
Malcolm MC LARTY

AUDIT COMMITTEE

Chairman
Jean-Claude GARDETTE
Jean-Michel LATY
Bernard DIGUET

IN SHORT

The Board of Directors
The PROPARCO Board of Directors has 16 members,

including ten legal entities selected from among the shareholders. Its primary role is to set strategic direction for PROPARCO and ensure that it is implemented. The Board meets four times a year. Its responsibilities further 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 between 13 and 16 members,

at least one third of whom are Board 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.

Left to right:
 Mahmoud RAJAN (AKFED),
 Marie-Hélène LOISON (PROPARCO),
 Benoît VERDEAUX (CE de l'AFD),
 Arnaud BOURDEILLE (KPMG),
 Claude WARNET (Government Commissioner),
 Odile LAPIERRE (AFD).

Left to right:
 Pascale LEFEVRE (Coface),
 Brahim BENJELLOUN-TOUIMI (BMCE),
 Denis SIMONNEAU (GDF Suez),
 Max DONGAR (MAZARS).



Left to right:
 Colette GROSSET (PROPARCO),
 Jean-Claude GARDETTE (Natixis),
 Josiane LANCELLE (BPCE),
 Philippe SÉCHAUD (BNP Paribas).

→ NETWORK

PROPARCO operates in 60 countries spanning four continents. By closely monitoring the local economic environment through a worldwide network of 12 offices, PROPARCO is able to meet client needs as effectively as possible.

An international presence



SUB-SAHARAN AFRICA

West Africa
ABIDJAN

Southern Africa and Madagascar
JOHANNESBURG

Nigeria
LAGOS

East Africa
NAIROBI

Central Africa
DOUALA

31%
of the portfolio

€975 m
in the portfolio
At December 31, 2012

LATIN AMERICA AND THE CARIBBEAN

Central America and the Caribbean
MEXICO CITY

South America
SÃO PAULO

18.5%
of the portfolio

€575 m
in the portfolio
At December 31, 2012

ASIA

North and Southeast Asia
BANGKOK

South Asia
DELHI

China
BEIJING

18.5%
of the portfolio

€575 m
in the portfolio
At December 31, 2012

MEDITERRANEAN AND MIDDLE EAST

North Africa
CASABLANCA

Middle East
CAIRO

Tunisia
TUNIS

25%
of the portfolio

€758 m
in the portfolio
At December 31, 2012

FRENCH OVERSEAS TERRITORIES

5%
of the portfolio

€165 m
in the portfolio
At December 31, 2012

Multi-country, **2%** of the portfolio, €74 m in the portfolio, at December 31, 2012

Partnering to promote development

PROPARCO fulfils its function as a catalyst, thanks to its large network of public- and private-sector partners. For 20 years, this network has been thriving on the input of European Development Finance Institutions (EDFI), regional and national banks, multilateral institutions and local and international commercial banks.

Since 2007, PROPARCO has stepped up its cooperation with other development finance institutions and private investors. The resulting partnerships have been among the key drivers of the institution's growth over the past few years. Thanks to them, PROPARCO can mobilize greater financial resources and lower project examination costs for its counterparties. In addition, PROPARCO benefits from its partners' experience in specific geographies and sectors, while sharing its own expertise and know-how. And this cooperation gives the institution access to additional origination networks – a real plus from a development standpoint.

The EDFI as a fulcrum of European cooperation

Since 1992, PROPARCO has been an active member of the EDFI, the Association of European Development Finance Institutions. The EDFI's purpose is to foster technical and financial cooperation among the 15 bilateral institutions it encompasses, all of which are dedicated to supporting the private sector in emerging and developing economies. Since 2004, EDFI members have joined forces to create two co-financing

facilities: the EFP (European Financing Partners) and the ICCF (Interact Climate Change Facility). Their shared goal is to increase their funding capacity and to pool risks. 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). Through a single approval process encompassing the whole project cycle, EFP can deliver fast-track program financing. Since its inception, EFP has been replenished four times; its resources currently total €225m. PROPARCO also joined with ten other EDFI members, the EIB and the AFD to create the ICCF, a facility that finances climate change and climate efficiency projects. It has been endowed with €305m in resources. In 2012, PROPARCO was once again at the forefront of this joint structure, with involvement in three of the seven projects approved by EFP, and three out of six approved by the ICCF.

PROPARCO, DEG and FMO: stronger three-way cooperation

PROPARCO works in particular with two EDFI members: Germany's DEG since 1998 and the Netherlands' FMO since 2007. In 2012,

this cooperation went into high gear, with 18 joint projects signed – nearly one quarter of all PROPARCO commitments during the year. The joint financing facility signed in October 2012 inaugurated a new stage in these ongoing partnerships. Its purpose is to facilitate co-financing for projects by pooling resources throughout the examination, investment, negotiation and monitoring phases. Due to the resulting synergies, the three partners will be able to coordinate their approach to major projects and therefore enter into larger-scale transactions.

Partnering with shareholders

PROPARCO also maintains close ties with its shareholders, including cooperation on individual projects or in specific sectors. For example, PROPARCO and AKFED have co-financed tourism, infrastructure and micro-finance projects. Broader partnerships have likewise been established with the AFD Group. The West African Development Bank (WADB) and the AFD have entered into several cooperation agreements to provide funding, support for capacity building and training. Similar agreements have been signed with the Development Bank of Southern Africa (DBSA). At the same

time, PROPARCO shares its knowledge of Africa and other regions in the South with its shareholders. This relationship may also include joint initiatives. CDC Entreprises and PROPARCO, for example, launched the funds of funds Averroès and Averroès II to encourage private equity investment in the Mediterranean area.

A partnership agreement with the IFC

At the height of the financial crisis in October 2009, PROPARCO entered into a Master Cooperation Agreement with the International Finance Corporation (IFC) – a member of the World Bank Group focused on the private sector in developing countries – Germany's DEG and the Netherlands' FMO. The aim is to facilitate co-financing for projects in developing regions that commercial banks tend to bypass. As a result, their clients can now get more funding – and faster – through loan syndication. The agreement will also help lenders process deals faster and at lower cost through pooling of expertise and resources. In 2012, PROPARCO contributed to two projects under the Master Cooperation Agreement: construction of a container terminal in the port of Lomé, Togo, and support for a packed organic fruit and vegetable business in China.

Other bilateral partnerships

PROPARCO has capitalized on its successful cooperation with the EDFI and the IFC to establish bilateral partnerships with financial institutions like the African Development Bank (AfDB) and the Development Bank of South Africa (DBSA), as well as with private development finance companies like the Emerging Africa Infrastructure Fund Limited (EAIF). At the present time, the institution is looking into additional partnerships with organizations in Europe and private investors in Africa. ■■■■■■■■



INDONESIA

AN ENERGY EFFICIENCY PROJECT

PROPARCO has coordinated a 10-year US\$ 80m senior loan to PT Energi Senggang (PTES) in cooperation with its Dutch and German counterparts, FMO and DEG. The funding will be used to increase capacity by 120MW at the combined cycle power plant in South Sulawesi, Indonesia. After expansion, the plant will generate 315MW, providing more than one third of the region's total electric power output. Moreover, greater use of natural gas will reduce the national power company's dependency on diesel generators, which are both expensive and unfriendly to the environment. Through stepped-up cooperation with other European institutions and its ability to serve as coordinator, PROPARCO has positioned itself as an organization that can take on larger-scale financing programs.

22%

of new commitments in 2012 were made under co-financing arrangements with FMO and DEG.

ENHANCED STATUS AS ARRANGER

In 2012, PROPARCO expanded its work as arranger of high-value financing deals. This work 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 three deals in 2012, mobilizing €37m from the ICCF, €37m from DEG, €46m from FMO and €41m from other partners. PROPARCO made use of the ICCF to fund a wind power project in Turkey and acted as lead arranger on two energy efficiency projects, involving the gas-fired power plant in Senggang, Indonesia, and the Azito power plant in the Ivory Coast.



Executive team

Executive team

Claude PÉRIOU {1}
Chief Executive Officer

Marie-Hélène LOISON {2}
Deputy Chief Executive Officer
in charge of Operations

Colette GROSSET {3}
Deputy Chief Executive Officer
in charge of the General Secretariat

Jérôme BERTRAND-HARDY {4}
Deputy Chief Operating Officer
bertrand-hardyj@proparco.fr

Ghislain DE VALON {5}
Deputy General Secretary
devalong@proparco.fr

Operations

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and Mining Division
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Sophie LE ROY {7}
Head of Banking
and Capital Markets Division
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Laurent KLEIN {8}
Head of Private
Equity Division
kleinl@proparco.fr

Stéphanie LANFRANCHI {9}
Head of Corporate Division
lanfranchis@proparco.fr

General Secretariat

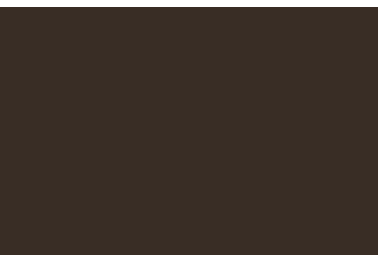
Cécile COUPRIE {10}
Finance and Administrative Director
coupriec@proparco.fr

Jean-Baptiste SABATIÉ {11}
Risk Director
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Yazid SAFIR {12}
Portfolio Director
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Catherine BAREYRE {13}
Legal Director
bareyrec@proparco.fr

Odile CONCHOU {14}
Head of the Environment,
Social and Impact division
conchouo@proparco.fr





PROPARCO's successful performance vindicates the relevance of its business model, which balances profitability and development impact. Through a broad range of long-term financing tools, technical assistance and environmental and social expertise, it delivers effective, relevant support to the private sector.

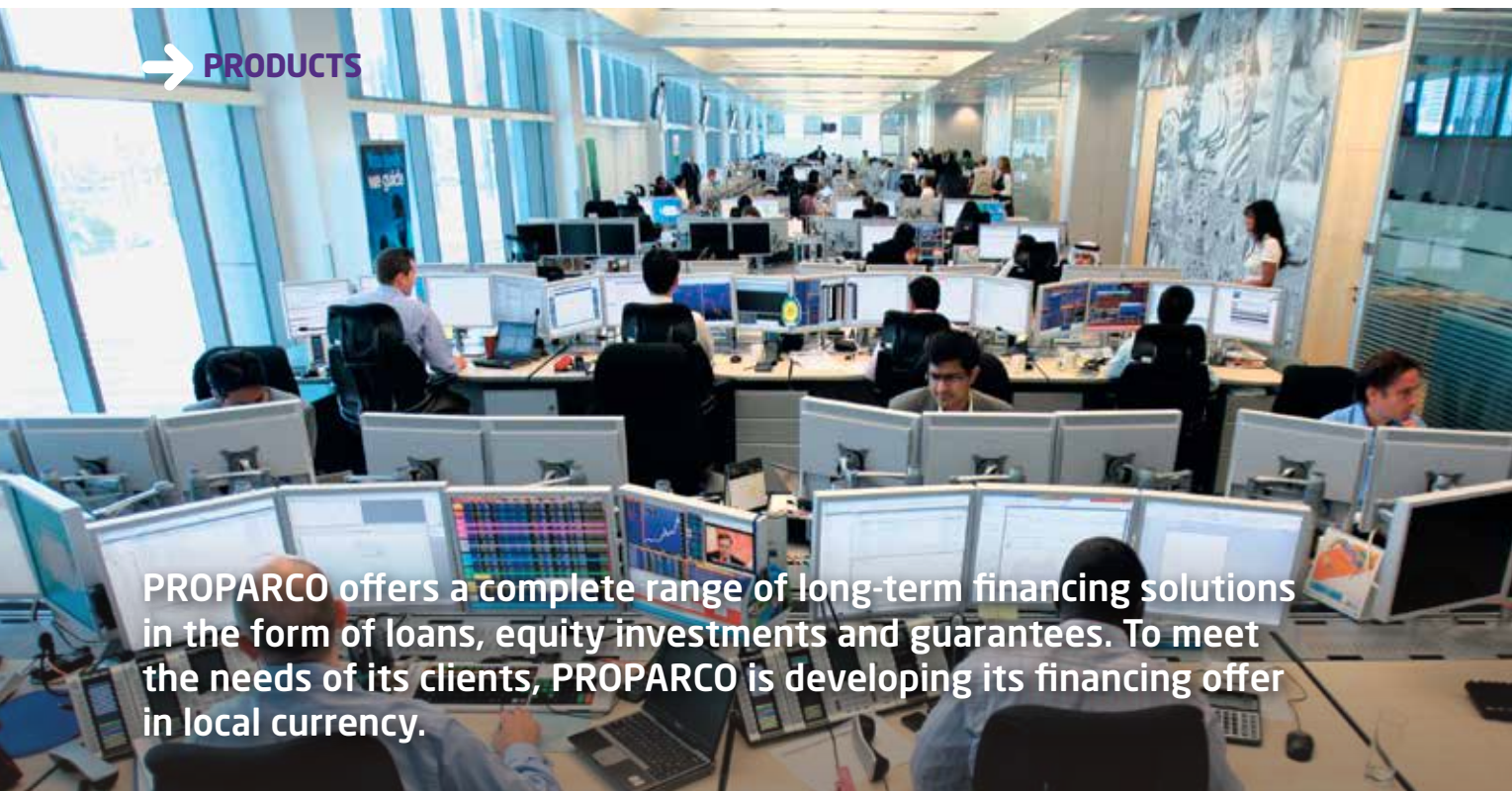
A unique business model

10%

of new commitments in local currency. In 2012, PROPARCO granted financing in 10 different currencies – €71m in all.

24%

– the proportion of equity investments. In 2012, PROPARCO made 18 equity investments accounting for 24% of total facilities and representing an investment volume of €78m.



PROPARCO offers a complete range of long-term financing solutions in the form of loans, equity investments and guarantees. To meet the needs of its clients, PROPARCO is developing its financing offer in local currency.

A wide range of financing solutions



“ To meet our clients’ needs with increasing efficiency, we have developed a diversified, long-term offer with solutions tailored to each geographic region. ”

Colette GROSSET
*Deputy Chief Executive Officer
 in charge of the General Secretariat, PROPARCO*

Long-term debt

PROPARCO offers a variety of loan products, including senior loans, mezzanine financing and convertibles. Denominated in foreign or local currencies, its loans range from €3m to €100m, with tenors of between 5 and 20 years. Since signing a sub-participation agreement with its parent institution, the Agence Française de Développement (AFD) in 2007, PROPARCO has increased its lending capacity. With the additional backing by the AFD, it is able to participate in bigger projects and play a greater role in financing arrangements. In 2012, sub-participations with the AFD totaled €60m. PROPARCO also uses co-financing mechanisms with other development finance institutions to raise additional resources.

Equity

PROPARCO makes equity and quasi-equity investments in companies with the potential to boost growth in the South, using instruments that range from capital contributions and shareholder current accounts to convertible bonds and participating and subordinated loans. As a result, companies get access to the capital they need to grow their business and hands-on assistance in crafting strategy,

Multi-sector expertise

Financing the private sector in Southern countries requires deep sector-specific knowledge. Over the years, PROPARCO has developed expertise in business areas such as infrastructure, banking, agriculture, manufacturing and climate change.

“ From the start, PROPARCO has used its combination of financial and technical know-how to promote sustainable development. The expertise its teams have acquired in key development areas is an undeniable asset to supporting strong private-sector growth. ”

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





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 the region where it has the longest history of involvement, 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 and agriculture.

PROPARCO also supports microfinance institutions as a means to have a greater impact on local economies and increase access to finance for the underprivileged. In addition, it has been branching out into insurance, reinsurance and leasing.

CORPORATE

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

The issue of food security and the expansion of consumer markets have made support for agribusiness a key priority. PROPARCO is also involved in manufacturing, building materials, sustainable tourism, higher education and healthcare. In addition to providing financing, it supports its clients in the improvement of their environmental and social performance. PROPARCO's offering enables businesses to access long-term resources that may be unavailable in local markets.

CLIMATE

Climate change is a core focus for PROPARCO, as attested by its efforts to promote low-carbon business models. There is a dual rationale behind this strategy: combating climate change and optimizing the use of resources.

PROPARCO supports a large number of projects centered on renewable energy and energy efficiency. Its approach also includes disseminating high environmental standards and promoting them among its clients.

PROPARCO has adapted the AFD's Climate Development strategy to the private sector, selecting projects that will have a positive impact on climate change. The carbon footprint of projects is systematically measured on the basis of *ex ante* estimates of how much greenhouse gas will be emitted, avoided or reduced each year.



Differentiated partnerships

PROPARCO operations span four continents, from major emerging economies to the poorest countries. It catalyzes private investment in support of sustainable development, particularly in regions that are unstable, in crisis or emerging from crisis.

SUB-SAHARAN AFRICA

Sub-Saharan Africa is growing fast. Over the past few years, it has undergone major changes.

Demographic growth, abundant natural resources, human capital, agricultural and energy potential, an emerging middle class and a truly domestic market all create new opportunities for the region. But there are still challenges to be overcome before Sub-Saharan Africa can transform this potential into sustainable and equitable growth for the population. To address these challenges, PROPARCO continues to place a high priority on Sub-Saharan Africa in its strategy, mainly operating in three areas: developing financial markets, building infrastructure and modernizing agriculture and agribusiness.



In 2012, PROPARCO signed significant clean energy and renewable energy deals in Sub-Saharan Africa.

+ 40%
in new commitments
compared with 2011

MEDITERRANEAN AND MIDDLE EAST

With a total portfolio of €758m, PROPARCO is the most active European development finance institution in the Mediterranean region.

Two years after the Arab Spring, countries in this region still appear to be searching for a sustainable development model that can satisfy the economic and social aspirations of a young, fast-growing population. To accompany the region's political shifts and build inclusive growth, PROPARCO has chosen to focus its efforts on job creation. It backs initiatives in the higher education and land-use planning sectors and stimulates the development of small and medium-sized businesses, notably through financial intermediation. PROPARCO also supports the region's energy transition through the development of renewable energy infrastructure.

25%
of PROPARCO's portfolio
at December 31, 2012

PROPARCO continued to expand its portfolio in 2012, adding new projects in education, agribusiness and renewable energy, in particular.

ASIA

Asia has been experiencing the highest growth rates in the world, a situation that brings the region new opportunities as well as unprecedented challenges.

The growth strategies of Asian countries will have to reflect both local and global concerns with respect to issues such as dealing with climate change and sharing the fruits of growth. Accordingly, PROPARCO has been working in Asia to promote sustainable growth models that are designed to protect the environment while reducing inequality, targeting specific business sectors like healthcare, higher education, renewable energy and microfinance. In the Mekong region, it operates in three main areas: promoting the banking sector, developing infrastructure and providing direct support to businesses.

PROPARCO stepped up its action in Asia, especially in the South, with numerous projects in India and Indonesia.

+ 34%
in new commitments
compared with 2011.

FRENCH OVERSEAS TERRITORIES

In 2012, PROPARCO resumed its activity in French Overseas Territories.

Hindered by the structural challenges posed by their insularity and vulnerability to natural hazards, overseas economies are more economically and socially fragile than on the mainland. PROPARCO supports sustainable land-use planning and the development of small and medium-sized enterprises, using equity financing tools that are not readily available in this region. In addition, with its thorough knowledge of the neighboring countries, PROPARCO helps overseas private enterprises to better integrate with the regional economy.

In 2012, PROPARCO subscribed for a convertible bond issue by CBo Territoria, a Reunionese land use planning company, for a total amount of €8.5m.

€8.5m
worth of new commitments in 2012

LATIN AMERICA AND THE CARIBBEAN

In 2012, PROPARCO reinforced its commitments in Latin America and the Caribbean, a growing region with strong potential.

Over the past decade, this region has engineered a series of remarkable changes with the help of enhanced macroeconomic management, more effective government policies and successful social innovation. But it continues to face many challenges: social inequality, with more than 30% of its population living in poverty, environmental and climate issues and inadequate infrastructure. In the region, PROPARCO promotes green and inclusive growth. It supports the expansion of education and healthcare infrastructures, microfinance, renewable energy growth and agribusiness financing.

8
countries
covered in 2012

PROPARCO broadened its Latin American presence in 2012, making first-time commitments in Costa Rica and Honduras and providing additional financing in six other countries.



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 technical assistance, access to a professional network and knowledge sharing.

Comprehensive support

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 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. Other opportunities, such as a forum at conferences organized by the Group, are available to clients. PROPARCO sometimes defines these forms of assistance in a comprehensive partnership agreement, to reinforce its collaboration with clients towards shared development objectives.

Furthering endogenous development

Clients who receive financial support from

PROPARCO also benefit from the multi-sector expertise of its teams and its range of technical assistance services. PROPARCO also shares 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 and image of clients as socially responsible companies.

PARTNERING TO COMBAT MALNUTRITION

Nutriset, a French group, has developed an innovative range of food products to prevent and treat malnutrition in children living in developing countries. It is now a leading supplier of high-nutrition-value foods to international governmental and non-governmental organizations.

In 2010, PROPARCO signed a strategic partnership agreement with Nutriset to support the development of its PlumpyField network of local producers in Sub-Saharan Africa. Under the agreement, Nutriset has access to PROPARCO’s business network and can participate in the AFD Group’s research and conferences on malnutrition and food security.

The feasibility of using the Group’s financial tools to extend loans to PlumpyField producers is also included in the partnership. To help develop the PlumpyField network PROPARCO granted a €4m loan in 2012 to Onyx Développement, a grouping of 13 companies in France and beyond, including Nutriset.



Zumstein Mickaël/Agence Vu



KENYA

EXPANDING THE MICRO-INSURANCE SECTOR

The need for insurance – against death, disability, property loss, health, agriculture and other risks – is considerable and concerns an estimated 1 to 1.5 billion people. LeapFrog Financial Inclusion is a specialized micro-insurance investment fund created in 2009 that operates in Africa and Asia. In 2010, PROPARCO contributed €250,000 to finance the activities of its technical assistance facility, LeapFrog Labs. Through this investment, PROPARCO helped APA, an insurance company in Kenya, expand its business. Using the technical support received in 2012, APA improved its information system and designed new health insurance products for low-income communities.

Developing capacity

The private sector requires more than just funding. To innovate and grow, it also needs support in a broad range of areas that include corporate governance, finance management, human resources and environmental and social management. Along with its multiple financing tools, PROPARCO offers technical assistance to help clients improve the viability of their projects, deliver innovations and adopt responsible, high-impact business models over the long term. Its services are mainly addressed to companies and financial institutions with which PROPARCO has a business relationship. To date, technical assistance resources from the FISEA (Investment and Support Fund for Businesses in Africa) have been used to finance such projects. They include consulting assignments at companies in the portfolio and

technical assistance projects carried out by investment funds. In 2012, PROPARCO granted a €250,000 subsidy to the I&P investment fund to support capacity building for West African SMEs in its portfolio.

PROPARCO also assists its clients in improving their environmental and social performance, mainly drawing on the resources of AFD's Support Fund for Governance Capacity Building (FRCG). In 2012, a Kenyan bank and a Moroccan bank received this kind of assistance.

An innovation assistance service was introduced in 2012 to help companies develop new products and services or set up innovative production and organization models. PROPARCO also launched a financial consulting service for small and medium-sized enterprises.

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

Effective risk management

Global risk management framework

PROPARCO's risk monitoring system meets the highest international standards of quality. It is based on a set of operational limits for each region, sector, counterparty and product, combined with a prudent provisioning methodology and quarterly portfolio reviews for investments that the Risk Committee has identified as sensitive. The Risk Committee also monitors financial risks (interest rate, exchange rate, liquidity) that could erode PROPARCO's profitability or financial strength. This comprehensive system enables effective management of risks, as illustrated by the low percentage of loans that are nonperforming (1.8% of the portfolio as of December 31, 2012) or overdue (2.1% of the portfolio as of December 31, 2012). PROPARCO's exposure to exchange rate and interest rate risk is also low, thanks to the AFD's backing, which gives PROPARCO the financial robustness of an AA+ rated shareholder.

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 governance 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 and social risk management

PROPARCO places special emphasis on managing environmental and social (E&S) risks. It makes sure that clients are committed to eliminating them, or, when that proves impossible, to mitigating or offsetting them. 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. 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. ■■■■■■■■



PROPARCO sustained the momentum in 2012. With a portfolio totaling €3.1bn and €740m in new commitments, PROPARCO has reaffirmed its status as a leading development finance institution focusing on the private sector.

Appendices

€3.5bn
on the balance
sheet

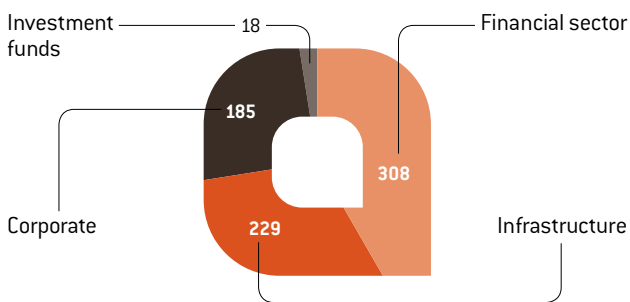
at December 31, 2012. PROPARCO's balance sheet grew by 14% over the previous year.

170
staff
members

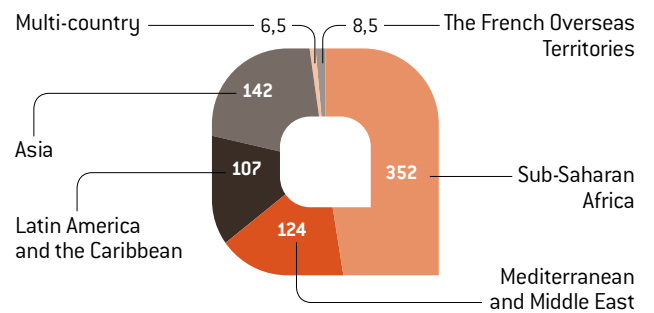
PROPARCO is supported by highly professional and committed staff at the Paris head office and in the regional offices.

Operating results

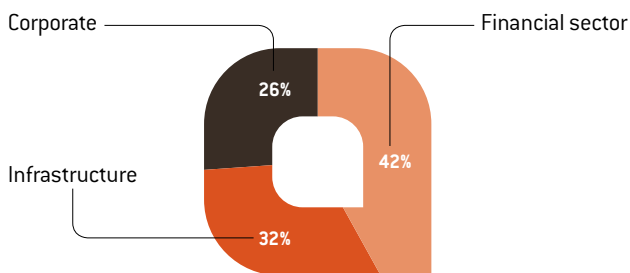
TOTAL COMMITMENTS BY SECTOR IN 2012
(€m)



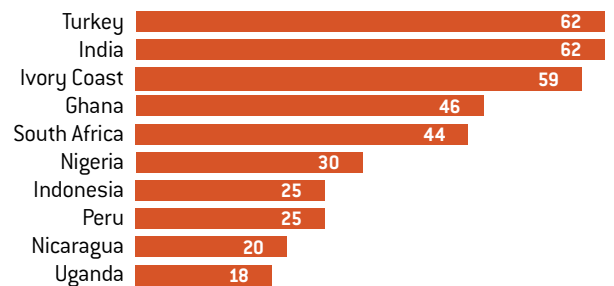
TOTAL COMMITMENTS BY REGION IN 2012
(€m)



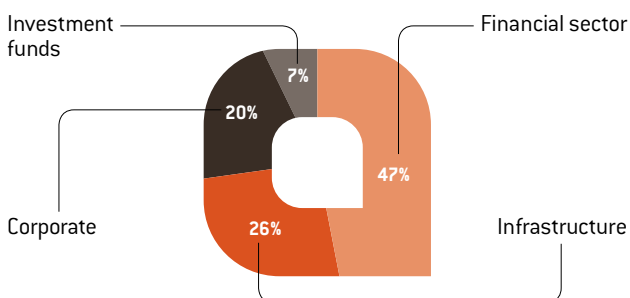
LOAN COMMITMENTS BY SECTOR IN 2012
(% of loans signed)



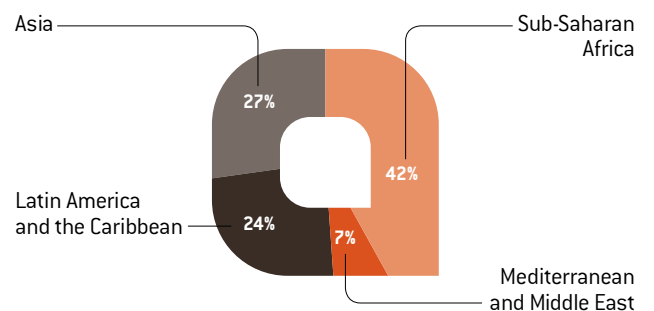
LOAN COMMITMENTS BY COUNTRY IN 2012
(€m) for the top 10 countries



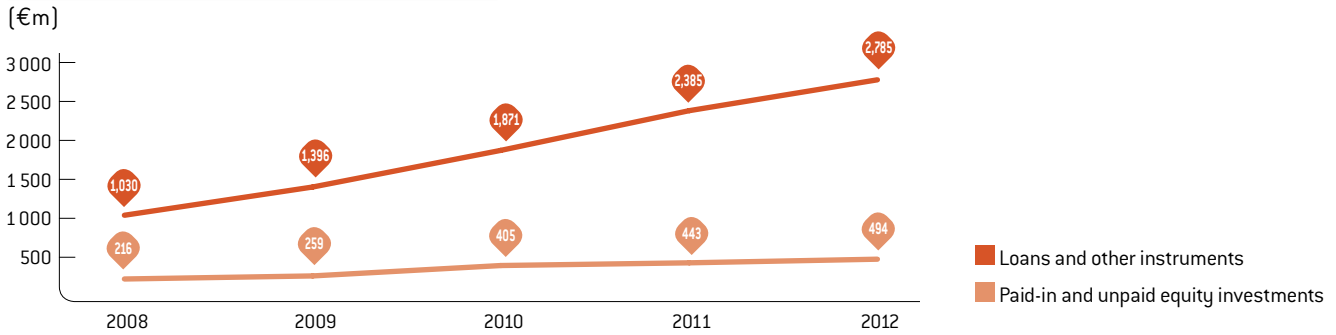
EQUITY INVESTMENTS BY SECTOR IN 2012
(% of total equity investments)



EQUITY INVESTMENTS BY REGION IN 2012
(% of total equity investments)

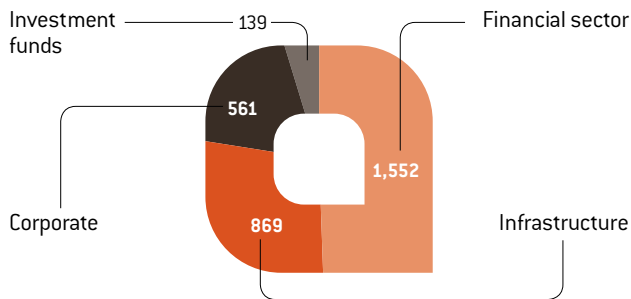


TOTAL PORTFOLIO BY INSTRUMENT 2008-2012



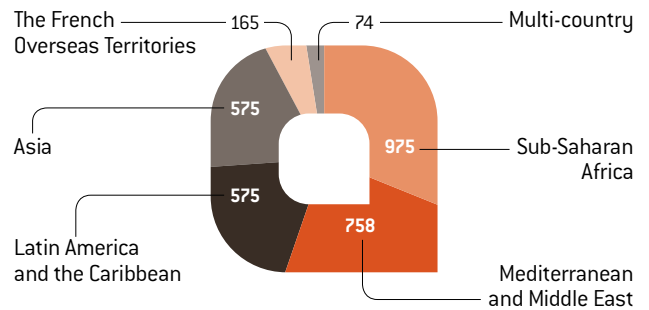
TOTAL PORTFOLIO BY SECTOR

(€m) at December 31, 2012



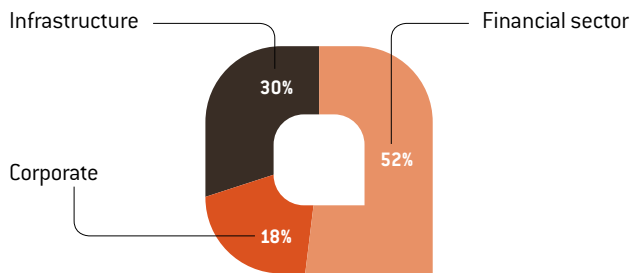
TOTAL PORTFOLIO BY REGION

(€m) at December 31, 2012



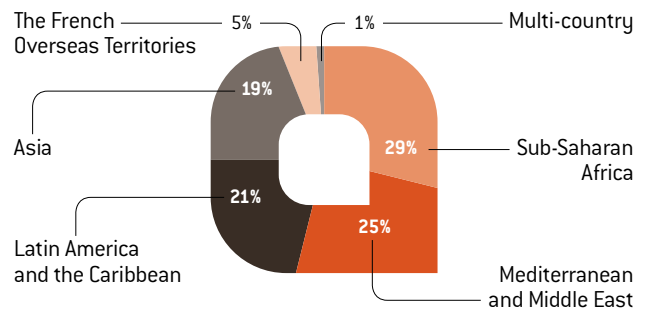
OUTSTANDING LOANS BY SECTOR

(% of total outstanding loans) at December 31, 2012



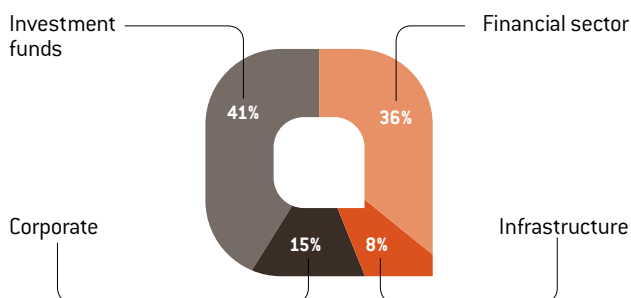
OUTSTANDING LOANS BY REGION

(% of total outstanding loans) at December 31, 2012



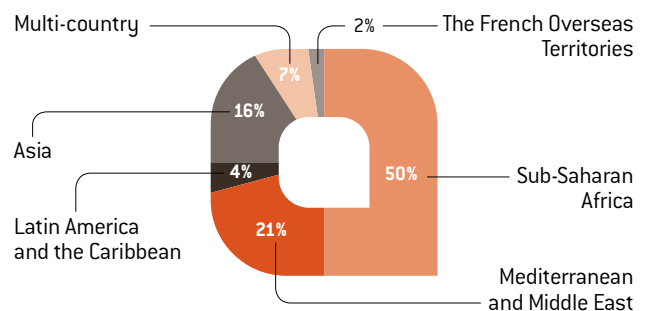
EQUITY PORTFOLIO BY SECTOR

(% of total paid-in equity portfolio) at December 31, 2012



EQUITY PORTFOLIO BY REGION

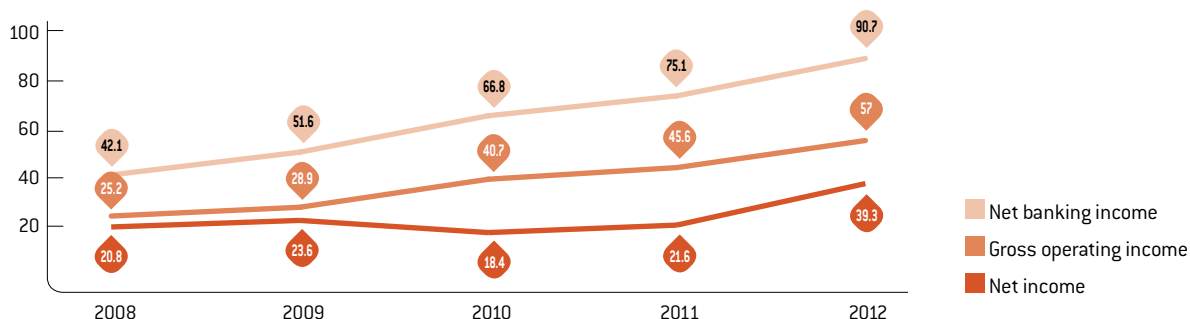
(% of total paid-in equity portfolio) at December 31, 2012



Financial results

FINANCIAL RESULTS, 2008-2012

(€m)



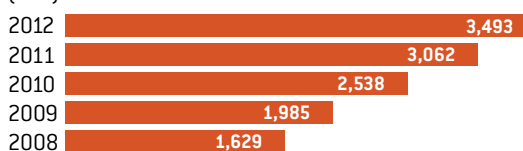
BALANCE SHEET AT DECEMBER 31, 2012

(€m)

ASSETS	Dec 31, 2012	Dec 31, 2011
Receivables (short- and long-term)	215.2	235
Total loans outstanding	2,751.9	2,360.8
Loans to financial institutions	1,432.5	1,228.4
Loans to other clients	1,319.4	1,132.4
Bonds and other fixed-income securities	33.8	25
Investments	480.5	428
Other assets	11.8	13.6
TOTAL ASSETS	3,493.2	3,062.4
LIABILITIES AND EQUITY	Dec 31, 2012	Dec 31, 2011
Debt	2,603.5	2,214.4
Other liabilities	251.9	245.9
Provisions	53.5	52
Equity	584.3	550
TOTAL LIABILITIES AND EQUITY	3,493.2	3,062.4

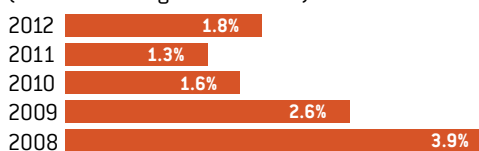
BALANCE SHEET, 2008-2012

(€m)



BAD DEBT, 2008-2012

(% of outstanding loan amounts)



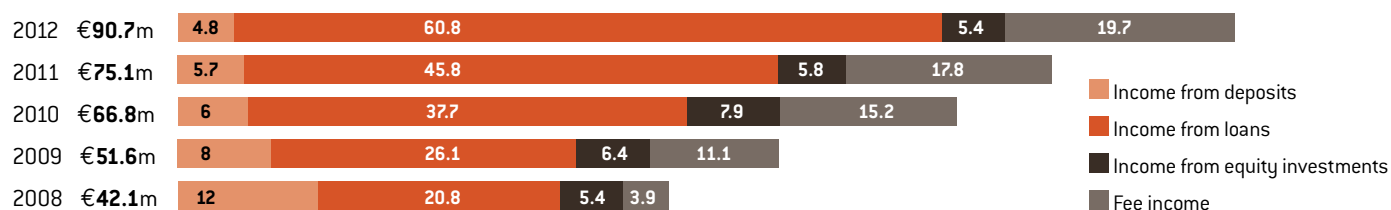
COST/INCOME RATIO, 2008-2012

(%)



NET BANKING INCOME, 2008-2012

(€m)



INCOME STATEMENT AT DECEMBER 31, 2012

(€m)

	Dec 31, 2012	Dec 31, 2011
Income from deposits	4.8	5.7
Income from loans, guarantees and other securities (net)	61.7	46.3
Income from equity investments	5.4	5.8
Net fee income	19.7	17.7
Other	-0.9	-0.4
NET BANKING INCOME	90.7	75.1
Other administrative expenses	-33.7	-29.5
GROSS OPERATING INCOME	57	45.6
Cost of risk	-7.5	-12.7
OPERATING INCOME	49.5	32.9
Income from sale of assets	7.3	1.2
INCOME FROM ORDINARY ACTIVITIES BEFORE TAX	56.8	34.1
Exceptional items	0.4	0.2
Corporate income tax	-17.9	-12.6
NET INCOME	39.3	21.6

A broad spectrum of projects

SOUTHERN AFRICA AND MADAGASCAR

■ South Africa	Loan to finance a solar power tower	Energy	ZAR 264M
■ South Africa	Credit line to support the expansion of a bank's SME portfolio	Banking	€20M
■ Mauritius	Equity investment to support the expansion of a bank in East Africa	Banking	MUR 66.5M
■ Mauritius	Equity investment in a printing company	Industry	MUR 150M
■ Namibia	Credit line to support a financial institution specializing in micro-loans to students	Microfinance	ZAR 50M

CENTRAL AND EAST AFRICA

■ Kenya	Loan to support an energy efficiency project at a benchmark flexible packaging company	Industry	US\$ 5M
■ Uganda	Loan to finance the expansion of a sugar company	Agribusiness	US\$ 23M
■ Dem. Rep. of Congo	Credit line to support the growth of a commercial bank	Banking	US\$ 10M
■ Rwanda	Equity investment in a universal bank	Banking	RFW 3BN
■ Tanzania	Credit line to support the growth of a universal bank	Banking	US\$ 5M
■ Tanzania	Credit line to finance long-term lending by a commercial bank	Banking	US\$ 15M

WEST AFRICA

■ Ivory Coast	Loan to finance upgrading and expansion of an airport	Transport	€15M
■ Ivory Coast	Loan to finance the extension of a power plant through addition of a combined-cycle unit	Energy	US\$ 58M
■ Ivory Coast	Guarantee facilities extended to a leasing company to support its business with SMEs	Banking	€7M
■ Ghana	Credit line extended to a finance company specializing in mortgage financing	Financial institutions	US\$ 7M
■ Ghana	Credit line extended to a key mortgage lending operator	Financial institutions	US\$ 7M
■ Ghana	Loan to finance the extension of a gas-fired power plant	Energy	US\$ 37M
■ Ghana	Subordinated loan to support the growth and consolidate the balance sheet of a universal bank	Banking	GHS 9M
■ Nigeria	Credit line to support the growth of a universal bank	Banking	US\$ 15M
■ Nigeria	Credit line to support the growth of a commercial bank	Banking	US\$ 25M

LATIN AMERICA AND THE CARIBBEAN

■ Brazil	Equity investment in a bank active in the agribusiness and renewable energy sectors	Banking	€10M
■ Costa Rica	Credit line to support the expansion of a bank's agriculture portfolio	Banking	US\$ 7M
■ Ecuador	Credit line to finance the expansion of a bank's microfinance portfolio	Microfinance	US\$ 20M
■ Honduras	Credit line to finance a bank's portfolio of renewable energy and energy efficiency projects	Banking	US\$ 20M
■ Nicaragua	Loan to finance a wind power project	Energy	US\$ 26.5M
■ Panama	Equity investment in a private equity fund to finance two run-off river hydroelectric plants	Energy	US\$ 9M
■ Peru	Credit line to support the expansion of a bank serving micro-enterprises and very small enterprises	Microfinance	PEN 16.5M/ US\$ 6M
■ Peru	Credit line to support the expansion of a bank's agribusiness portfolio	Banking	US\$ 20M
■ Dominican Rep.	Credit line to support the growth of a commercial bank	Banking	US\$ 15M

ASIA				
	■ Cambodia	Credit line to support the expansion of a microfinance institution	Microfinance	KHR 11.7BN
	■ Cambodia	Credit line to support the growth of a commercial bank	Banking	US\$ 10M
	■ China	Loan to support the expansion of an organic fruit and vegetable packing and export company	Agribusiness	US\$ 10M
	■ India	Loan to finance municipal solid waste treatment plants	Waste	US\$ 20M
	■ India	Loan to finance a power unit for recovering hot gases from a cement plant	Industry	€12M
	■ India	Equity investment in a company specializing in power production from renewable energy sources	Energy	INR 825M
	■ India	Loan and equity investment to support the expansion of a private-sector education provider	Education	US\$ 40M/ INR 280M
	■ India	Equity investment in a fund focusing on microfinance and financial inclusion in Southeast Asia	Microfinance	US\$ 2.5M
	■ India	Loan to finance a concentrating solar power project	Energy	US\$ 5.8M
	■ India	Equity investment in a microfinance group's holding company	Microfinance	INR 54M
	■ Indonesia	Loan to finance the extension of a combined-cycle power plant	Energy	US\$ 27.5M
	■ Indonesia	Credit line to finance the expansion of a microfinance institution's portfolio	Microfinance	IDR 50BN
	■ Mongolia	Loan to finance a solar power farm	Energy	US\$ 5M
	■ Sri Lanka	Credit line to finance a commercial bank's portfolio of renewable energy and energy efficiency projects	Banking	US\$ 20M

MEDITERRANEAN, MIDDLE EAST AND CAUCASUS				
	■ Egypt	Loan and subscription for convertible bonds to finance an agribusiness company	Agribusiness	US\$ 15M
	■ Georgia	Credit line to finance a commercial bank's healthcare sector portfolio	Banking	US\$ 20M
	■ Iraq	Loan to finance the rehabilitation of a cement plant	Industry	US\$ 20M
	■ Lebanon	Loan to finance two new centers in a hospital network	Healthcare	US\$ 15M
	■ Morocco	Investment in a private equity fund dedicated to Moroccan SMEs	Private equity	MAD 30M
	■ Tunisia	Investment in a private engineering school	Education	TND 4M
	■ Turkey	Credit line extended to a leasing company to finance clean energy and energy efficiency projects	Financial institutions	€20M
	■ Turkey	Loan to finance the construction, operation and maintenance of a wind farm	Energy	€31M
	■ Turkey	Loan to finance a commodity trading company	Agribusiness	US\$ 15M

MULTI-COUNTRY				
	■ Sub-Saharan Africa	Equity investment in a pharmaceutical company's African subsidiary	Healthcare	US\$ 12.5M
	■ Sub-Saharan Africa	Loan to finance the expansion of a nutrition products company	Agribusiness	€4M
	■ Sub-Saharan Africa	Subsidy to finance technical assistance to an investment fund supporting SMEs	Private equity	€250,000
	■ Sub-Saharan Africa	Loan to finance a bancassurance group	Financial institutions	€25M
	■ Sub-Saharan Africa	Equity investment in an investment fund supporting SMEs	Private equity	€7M
	■ Sub-Saharan Africa	Credit line to provide long-term financing to a commercial bank	Banking	US\$ 32.5M
	■ Mediterranean and Middle East	Loan to finance a commodity trading company	Agribusiness	US\$ 40M
	■ Global	Equity investment in a bank serving micro-enterprises and SMEs	Microfinance	€5M
	■ Global	Equity investment in a commercial bank network	Banking	€1.5M
	■ Global	Equity investment in a fund supporting SMEs in Southern Africa	Private equity	US\$ 5M

FRENCH OVERSEAS TERRITORIES				
	■ Réunion	Subscription for convertible bonds issued by a regional planning company	Real estate	€8.5M

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PROPARCO's website and institutional brochures feature in-depth, comprehensive information on its activity.

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PROPARCO publishes a range of institutional brochures on its work in the various regions and sectors.

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- Financing access to sustainable energy
- FISEA: Getting involved and investing in African businesses

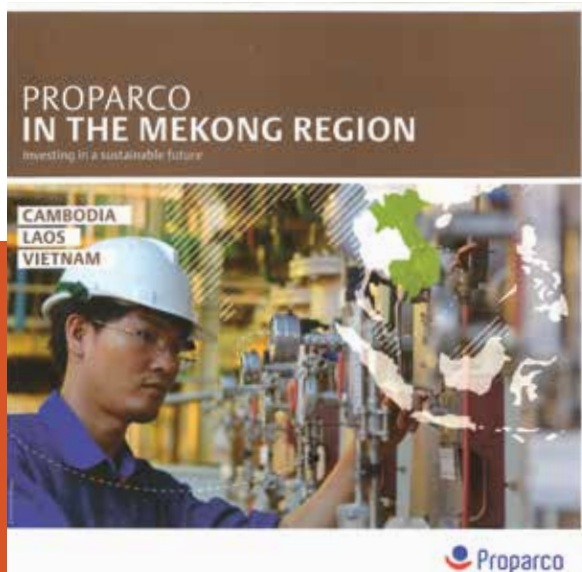
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- 9 What role for the private sector in African railways development?
- 8 The mining sector, an opportunity for growth in Africa?
- 7 Should tourism be promoted in developing countries?
- 6 Private equity and clean energy: how to boost investments in emerging markets?
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Design and production

POLYNOME.fr

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