The Growth of Development Finance

November 2022

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Introduction

Welcome to *The Growth of Development Finance* – the second Devex deep dive into the world of DFIs.

This report looks at 16 bilateral DFIs based in North American and European countries, and tracks how their investments and portfolios have changed over the last four years, including the project level data. We map out the largest institutions and their key areas of interest.

The report is a sequel to our 2019 report, *The Rise of Development Finance Institutions*, which looked at data going back to 2012. Then, we found a sector that had grown rapidly, with new organizations forming and balance sheets increasing. Now, having collected more data, it's clear that trend has continued – albeit with a major speed bump during the COVID-19 pandemic. DFIs now have more money, and more clout, than ever before.

So what next? As the world steers through a slew of economic, social and political crises, bilateral DFIs could play a crucial role. But can they deliver?

There are still doubts. DFIs have made progress on several fronts, including on impact measurement, and better alignment among themselves. But they also face challenges: increased political interest in their work, a growing list of priorities, and a significant challenge in persuading commercial investors to commit their capital.

If DFIs can achieve their goals, there will be more money flowing into geographies that struggle to access capital. It will lead to a reduction in poverty, better health outcomes and more access to renewable energy.

If they fail or fall short, the impact will be blunted, and the goal of turning billions of dollars into trillions of dollars in pursuit of the Sustainable Development Goals will not succeed.

How much have DFIs grown in the last decade?

In this analysis, we assess how much these development finance institutions have grown in the last decade using data from their annual reports and from other official sources, such as the Association of European Development Finance Institutions, or EDFI.

At the end of 2021, the total portfolio of the DFI sector stood at more than $84 billion. While the creation of the U.S. International Development Finance Corporation and FinDev in the last decade makes it impossible to compare entirely accurately with the first year for which we have figures, 2012, we can see there has been substantial growth.

Bilateral DFIs had a total portfolio value of $40.6 billion in 2012, or $47.9 billion in 2021 constant prices*, according to our analysis.

This means the bilateral DFI sector has grown by 75.4%, substantially faster than either overall official development assistance or the wider world economy.

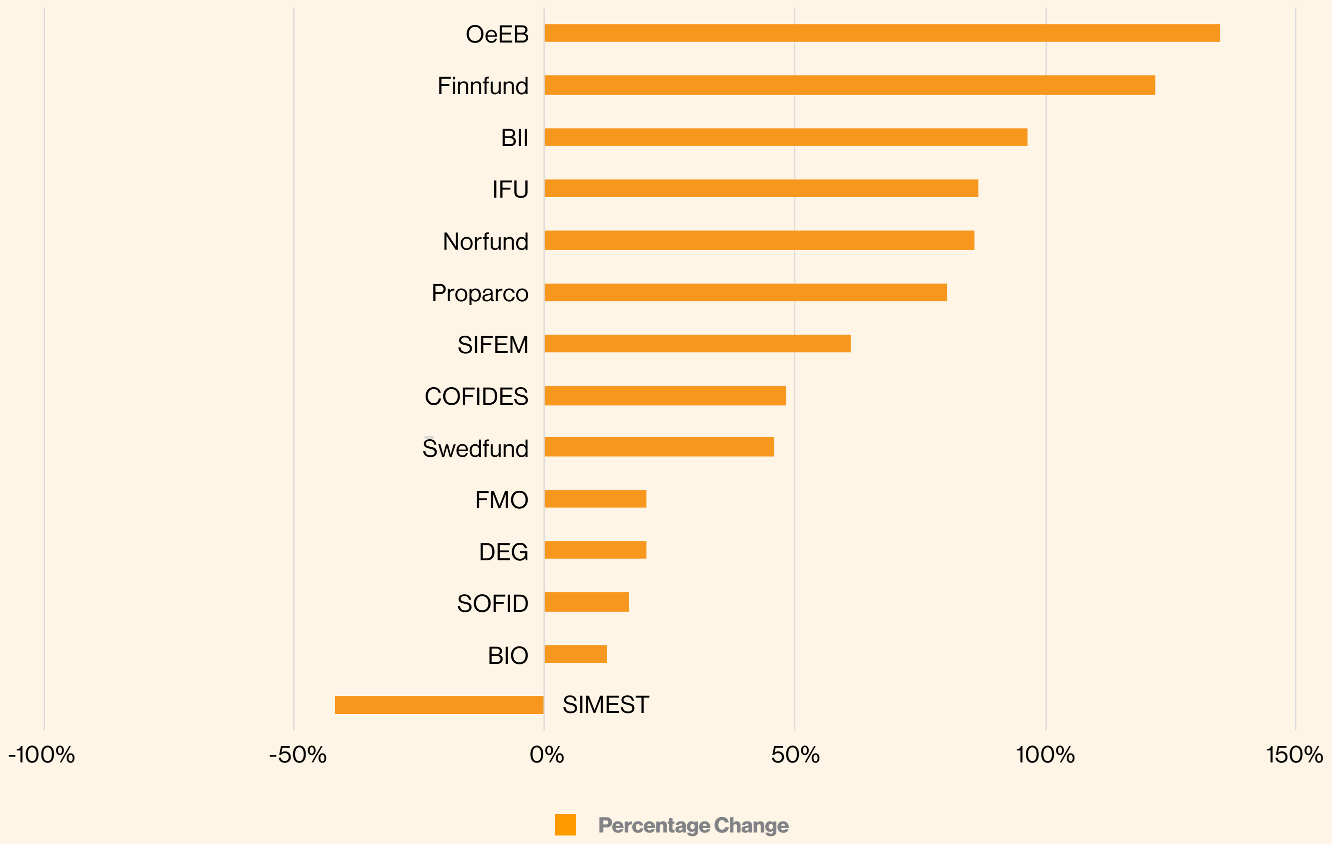
Of the 14 DFIs that were part of the previous report, OeEB — the Development Bank of Austria — recorded the biggest percentage increase in total portfolio, from $755.3 million* in 2012 to $1.8 billion in 2021 — a 134.9% increase. The institution grew steadily over the past decade.

Finnfund ranked next in terms of overall growth, from $415.9 million* in 2012 to $922.7 million in 2021, or a 121.8% increase. The Finnish agency has never seen negative annual growth in the last decade.

On the other hand, British International Investment, or BII, had one of the fastest growing portfolios, from $4.2 billion* in 2012 to $8.3 billion in 2021 – a $4.1 billion increase. Proparco also grew significantly, with a $3.8 billion increase – from $4.7 billion* in 2012 to $8.5 billion in 2021.

*To make comparisons as accurate as possible, all 2012 figures were converted to 2021 constant U.S dollar prices. This allows us to compare the real value of figures from different time periods in relation to changes in inflation rates. All the U.S. dollar figures in the DFI profiles – unless included in parentheses – are the DFIs' own conversion, based on accounts from the periods referred to.

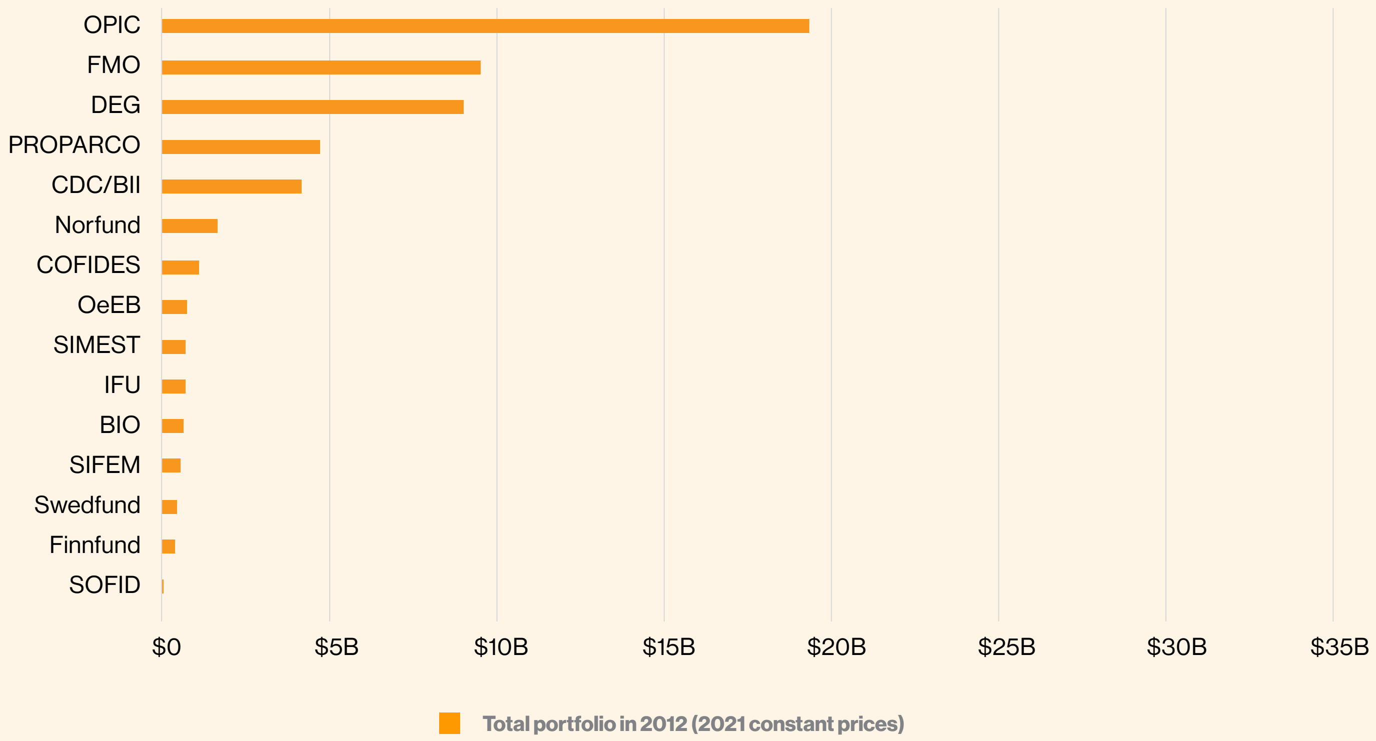
Growth of DFIs since 2012



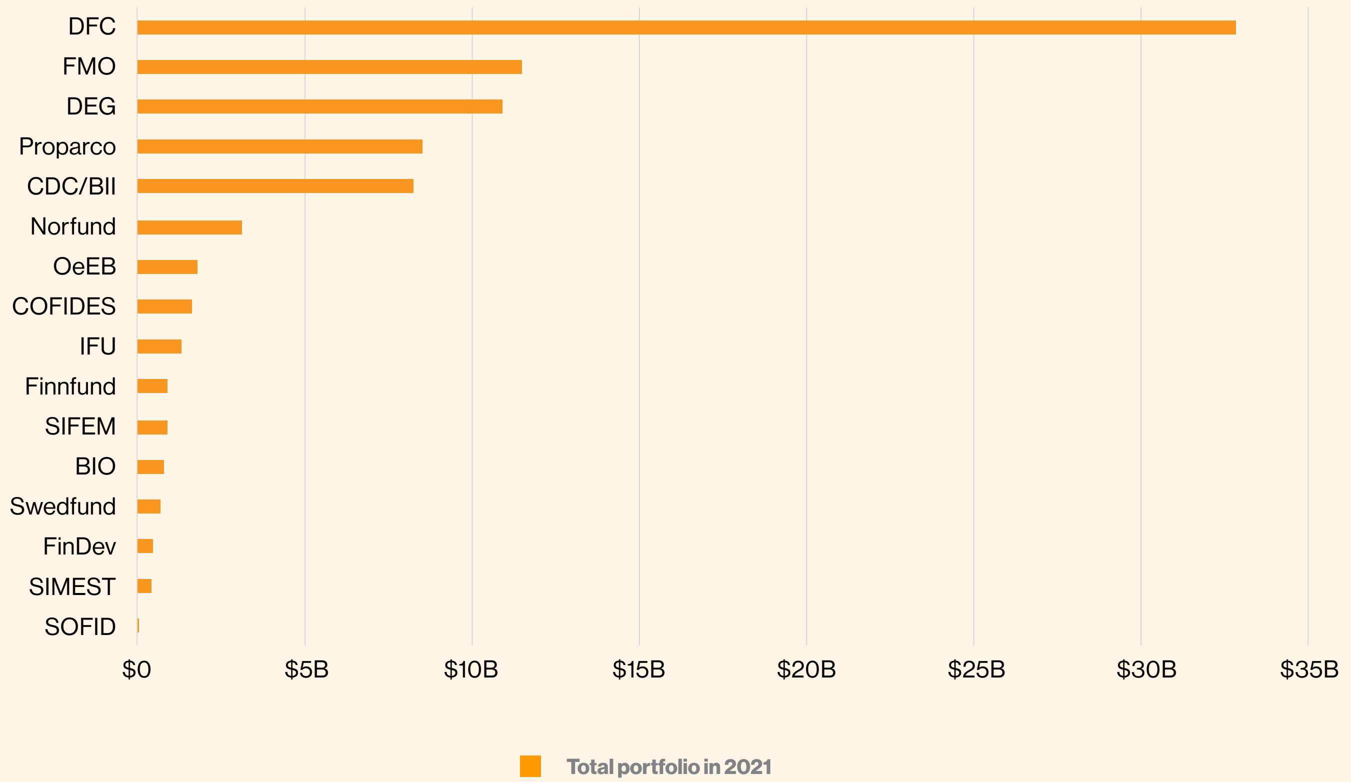
Two newer DFIs established after 2012 also recorded significant increases:

- The U.S. replaced OPIC with the DFC in 2019. DFC's total portfolio grew from $29.7 billion in 2020 to $32.8 billion in 2021. In comparison, OPIC's total portfolio in 2012 was $16.4 billion, or $19.4 billion in constant prices. DFC's investment cap is pegged at $60 billion — more than twice OPIC's $29 billion limit.
- FinDev's portfolio grew from $75.5 million in 2018 to $479 million in 2021 — a whopping 534.4% increase.

DFIs by portfolio (2012)



DFIs by portfolio (2021)



When countries created their DFIs

1948
KFW Germany
CDC Group (now BII) United Kingdom

1962
DEG Germany

1967
IFU Denmark

1970
FMO Netherlands

1971
OPIC United States

1977
Proparco France

1979
Swedfund Sweden

1980
Finnfund Finland

1988
COFIDES Spain

1991
SIMEST Italy

1997
Norfund Norway

2001
BIO Belgium

2005
SIFEM Switzerland

2007
SOFID Portugal

2008
OeEB Austria

2018
FinDev Canada Canada

2019
DFC (replaced OPIC) United States

Where next for development finance institutions?

Adva Saldinger spoke to experts in the field to find out more about the challenges facing the sector in the coming years.

New names, new mandates, new tools. And more money.

Bilateral development finance institutions are changing and growing, but can they fulfill their task of tackling global challenges by investing in projects that have development impact, particularly in low-income countries?

It's complex. While DFIs have improved in some respects, some experts say that they still often fall short on mobilization targets, remain too risk-averse to be truly catalytic, and must improve how they measure and report on impact.

These institutions, which now manage more than $84 billion, are also under the glare of increased scrutiny by their shareholders, government leaders, and development experts.

DFIs have grown partly because of a paradigm shift away from social service support and grant-based official development assistance toward more private sector development. Countries have turned to DFIs to provide solutions to help create jobs, spur economic development, and reduce poverty.

In the past 5 years Canada has established a DFI, the United States created a new institution with more money to invest and more tools at its disposal, and the United Kingdom changed the name of its DFI, committed significant new funding, and launched a new strategy.

DFIs have also been tested in recent years by the COVID-19 pandemic, and while there was a general drop in activity, most DFI investment levels have rebounded. The drop was not as large as feared and showed "a determination and willingness to lean into the crisis response," said Søren Peter Andreasen, the CEO of EDFI, the Association of European Development Finance Institutions.

"It gives a certain confidence for the DFIs to have been able to weather the crisis the way they had," he told Devex.

Areas of focus

In recent years many DFIs have pivoted to a focus on climate, with many also announcing targets for reaching net-zero emissions and commitments to align with the Paris Agreement. It will take a lot to implement those pledges, including potentially new financial tools, Andreasen told Devex.

“If we look back five years ... we didn’t really do climate finance,” Colin Buckley, managing director of British International Investment, told Devex. “The U.K. government had other instruments or tools. But we, like almost all DFIs, are now being called upon to lead on climate finance.”

Most of the institutions have also placed a greater focus on gender — by integrating gender into investment decisions and through internal management practices. Part of that has been driven by the 2X Challenge, an initiative by the Group of Seven major industrial nations aimed at ramping up investments in women based on a set of criteria for gender investments.

There is also an expectation that DFIs ramp up investments in low-income countries, particularly in Africa, and that they play a role in infrastructure investments, including through the EU “Global Gateway” initiative and the G-7 Partnership for Global Investment in Infrastructure.

DFIs will be asked to deliver more infrastructure finance beyond just the historically dominant renewable energy sector, but operationally that is a challenge for DFIs because infrastructure projects require a lot of capital, and many bilateral DFIs are still relatively small, Andreasen said.

He suggested that DFIs might look to invest differently, not just holding onto an investment for the long term, but helping develop the asset, supporting construction, and de-risking the early stage so private investors who can’t take on the development or construction risks can come in.

“We can have a much more dynamic interplay between DFI capital and private capital in these markets, maybe especially in infrastructure,” Andreasen said.

Challenges

Some of the challenges DFIs are dealing with aren’t so new. Three years ago Devex wrote that DFI leaders were grappling with how to invest more in low-income countries, how to ensure that the institutions are collaborating rather than competing, and how to effectively mobilize private capital rather than crowd it out.

DFIs are still contending with these hurdles today. But there is also an emerging challenge: How to balance these competing objectives while managing greater political attention.

Bilateral DFIs are all answerable to their domestic political authorities and as a result, often have a set of objectives that are difficult to reconcile with one another, Nancy Lee, a senior policy fellow at the Center for Global Development, told Devex.

"They're all struggling with the challenge of trying to achieve a whole set of objectives simultaneously," she said.

On the political front, for example, during former British Prime Minister Liz Truss' time as foreign secretary, she was keen to portray BII as part of a "network of liberty" and as a counterweight to growing Chinese investment in low- and middle-income countries through the Belt and Road Initiative.

She appeared to see BII as a way to spread British soft power, but BII has carefully distanced itself from suggestions it may be a political tool.

The U.S. Congress has made a number of efforts to direct the U.S. International Development Finance Corporation to invest in line with certain foreign policy priorities. While they haven't all been successful, some experts have worried they might undermine DFC's development mandate. One example is a legislative provision directing DFC to invest in energy in Eastern Europe, including in high-income countries, while its mandate directs it to commit more to low-income countries.

DFIs clearly understand the link between geostrategic objectives and their investment decisions, said Alix Peterson Zwane, the chief executive of the Global Innovation Fund.

"The question is, to what extent do those things need to be in tension with each other?" she said. "Can we articulate an investment thesis that says this advances security goals and advances development impact goals?"

Having a heightened political profile and presence is not necessarily a bad thing, several experts said. It can mean DFIs attract political support — which hasn't always been the case, particularly in the U.S. — and take on a greater role in global decision-making, such as at the G-7 meetings, experts said.

DFIs used to be "almost invisible" at G-7 meetings, Andreasen said, but not anymore.

"Because of the growth and seriousness of bilateral DFIs, now the G-7 countries are really including them in their deliberations," he said.

Mobilization

DFIs are being asked not just to invest themselves, but to spur others to invest. In particular, they are being asked to improve their mobilization of private capital or increase the amount of private sector investments tied to their involvement.

"We were never going to be able to get to the Sustainable Development Goals without engaging with institutional money," said Buckley at BII. "Suddenly the role of a DFI was at the vanguard of trying to mobilize other capital. That was a fundamentally different role."

DFIs are seen as an important bridge to private investors and can help create the conditions that draw in commercial funds. But DFIs have not fully fulfilled their role as a conduit, said Paul Horrocks, the head of the private finance for sustainable development unit at OECD.

In part, this is because two key DFI objectives can be at odds. As well as being asked to mobilize more capital, they are also being asked to invest more in low-income countries. But private investors may not want to invest in low-income countries with underdeveloped markets. They can be seen as too risky or too small.

To deliver on both mandates DFIs need to take more risk and be open to lower returns, Horrocks said. It also involves using blended finance — concessional finance or grants, deployed to attract commercial capital to projects that contribute to sustainable development.

Horrocks said that in some transactions DFIs have come in on purely commercial terms, instead of taking a riskier position such as agreeing to take the first loss or provide a guarantee. They can also look to partner with other institutions, including their own government to provide grant funding to de-risk an investment or provide needed technical assistance.

Some DFIs find this easier than others, depending on their legal structures. Some DFIs are set up as banks, for example, and banking regulations limit their ability to take risks or accept lower returns.

DFIs can also consider other ways to play a catalytic role in investments. For example, by exiting investments earlier to allow commercial capital to take their place. But the institutions also have to be realistic about private investors and use the types of financial products that can attract commercial capital while also achieving development objectives, Andreasen said.

John Simon, a founding partner of Total Impact Capital and a former DFI official, told Devex that DFIs need to figure out what can be expected of traditional investors and impact investors, and what needs grants. But the answers are not yet completely clear.

"It is a path that's still got some way to go," he said.

> **“We can have a much more dynamic interplay between DFI capital and private capital in these markets, maybe especially in infrastructure.”**
>
> ***—Søren Peter Andreasen, the CEO of EDFI***

Measurement and risk

As Devex found in its data analysis, the availability and quality of data publicly available from DFIs varies significantly. Impact data, other than on an aggregate level, is hard to find and is not typically measured robustly or publicly shared.

But this is an area where some experts see DFIs improving. More are building systems to evaluate the potential impact of a project prior to investment and to track the actual impact over time.

Gone are the days when a DFI might claim that anything they did in emerging markets was impactful or when success was just measured by whether an investment created jobs, Andreasen said.

Now, regardless of sector — be it climate, inclusion, or reducing poverty — more information is required.

"As impact investors you need to be very specific if you want to demonstrate that your investments are having an impact," he said.

DFI impact scores should be considered public goods of sorts — both as a tool to provide information to markets but also to hold the organization accountable and test whether the expected impact is matching reality, Lee said. She recommended that DFIs think about setting some collective targets and agreeing to measure things in the same way, especially when it comes to climate change.

Collaboration among DFIs can help improve efficiency and scale investments, so the institutions need to work to harmonize key standards and metrics and the way they engage with clients, Andreasen said. But even as they work together to streamline those elements, they should be wary of introducing new objectives that could overburden clients, he said.

All of these issues mean the coming years will be a true test for DFIs. With increasingly volatile markets, currency fluctuation, debt crises, rising interest rates, and capital leaving lower-income countries, whether they will step up and play a countercyclical role as their potential business expands will be critical to financing development.

They will likely also need to develop additional tools — perhaps longer-term investments — find ways to shore up local lending, and take on the additional risk. As they balance priorities and continue to work on impact metrics and mobilization, DFIs will have a moment to prove their worth.

How BII has expanded its geographical remit, and is pivoting to climate

Colin Buckley, managing director of BII, spoke to David Ainsworth

It's been a time of change for British International Investment. The United Kingdom development finance institution has rebranded from its previous name, CDC Group, and set a new strategy, with an increased focus on the Caribbean and Indo-China.

BII also has a larger presence in the recent U.K. international development strategy. The British government, through its Foreign, Commonwealth & Development Office — BII's sole shareholder — has pumped in significant amounts of capital.

After making no investment in BII between 1999 and 2015, the U.K. government turned the taps back on in 2015, and has since committed around £3.6 billion ($3.5 billion) — around 4% of all ODA.

The new cash is reflected in the scale of BII operations. In 2021, BII's portfolio grew by almost £1 billion, to £7.72 billion. In six years, its annual commitments have roughly doubled to £1.86 billion.

It is not clear how much further BII will grow. Before the pandemic and the recent round of aid cuts, BII was in line to receive annual investments of £1.1 billion, but this has been cut back to around £650 million in the last two years.

Budgets appear to have dropped further in 2022, but this could change again if there is a change in political leadership in the United Kingdom.

Colin Buckley, managing director and general counsel at BII, acknowledged that his organization appears to be growing in relative importance in U.K. development strategy.

While there are strategic development reasons for BII's growth — an increased role for DFIs generally, but also specifically in climate and infrastructure finance — there have also been political drivers.

The recently-departed British Prime Minister Liz Truss, during her time as foreign secretary, was keen to portray BII as part of a "network of liberty" and as a counterweight to growing Chinese investment in low- and middle-income countries through the Belt and Road Initiative. She appeared to see BII as a way to spread British soft power.

But BII has always been careful to distance itself from any suggestion that it is a political tool. Buckley said BII's prominence is part of a movement "broader than just a commentary on the U.K. political position."

"I think there's something fundamental across development," he said. "Increasingly, I think governments are recognizing that [development finance] is a really powerful engine for them to leverage their own budgets for development."

And he said the purpose of BII was not to spread enthusiasm about the U.K.

"My job is development finance in the world's poorest places," he said.

So where next for BII?

The organization has just launched a well-publicized new strategy, which involves the expansion of its geographic remit, and a commitment that 30% of its investment is going to be in climate finance.

"If we look back five years...we didn't really do climate finance," Buckley said. "The UK government had other instruments or tools. But we, like almost all DFIs, are now being called upon to lead on climate finance, which again has a unique private sector component to it."

> **"My job is development finance in the world's poorest places."**
>
> ***— Colin Buckley, Managing Director of British International Investment***

Buckley said that this increased investment could focus on areas such as renewable energy. But more investment is needed in adaptation and resilience, which is an area that it is particularly important for DFIs to work together on, he said.

DFIs need to help countries "either mitigate the effects of climate today or insulate them from further harm moving forward and that's very difficult," he said. "It's very difficult to do adaptation and resilience."

Risk appetite

The strategy also focuses on increasing BII's risk appetite, including an increased focus on its catalyst portfolio, which aims to make higher risk investments in areas with a transformative impact.

Historically, BII has faced criticism for being too focused on return, and its leaders have spoken of taking conscious steps to shift focus from profit to impact.

Nowadays, Buckley said, he hopes risk is not the limiting factor in deciding whether or not to make impactful investments.

But one question is whether greater risk produces better results. If BII puts money into a business that fails, not only will it lose its money, but the investment will not have any impact.

"So the question is, could we get more impact by taking even more risk of failure?" Buckley said. "Part of the benefit of having this catalyst portfolio, which is expressly designed to take greater risk, is I think we'll get some data about that. Because it's possible that if you take greater risk, you actually get less impact. If you invest in 10 businesses, and nine of them fail, well, you've only got one business that had any impact at all."

Proactivity

Buckley also talked about the need for BII to play a more proactive role.

"I think there are some thorny issues that DFIs are still kind of trying to work through," he said. "There are a group of the most difficult countries. DFIs have struggled to crack that nut. Those countries and those economies have usually been left to grant donors, but I think DFIs are beginning to come up with strategies to try and engage in these hardest markets."

He said that DFIs have recognized a need for greater collaboration in order to tackle these issues, including through ARIA, the Africa Resilience Investment Accelerator.

But he also spoke about the need for DFIs to engage more on the idea of systemic change, rather than making individual investments.

"DFIs have usually just concentrated on individual investments and left reform to the World Bank or the African Development Bank or Asian Development Bank," he said. "I think that DFIs can play a better role in trying to press for reforms, explain to governments which reforms are necessary to attract capital."

> **"DFIs have usually just concentrated on individual investments and left reform to the World Bank or the African Development Bank or Asian Development Bank."**
>
> *— Colin Buckley, Managing Director of British International Investment*

Under no pressure

Buckley also said BII feels relatively insulated from wider economic pressures, despite a turbulent financial environment in the wider world, and particularly the United Kingdom, which has seen a rapid fall in the value of the pound.

“We’ve dealt with exchange rate issues for a long time,” he said. “For us, it’s more than just pound versus dollar. We’ve got a relatively diverse exposure to different currencies. So I think we can handle short term volatility in FX.”

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>
> ***— Colin Buckley, Managing Director of British International Investment***

He said BII was more focused on issues in the markets where it invests. He said he doesn’t expect a significant direct impact as a result of the economic volatility, but that it could see less commercial capital investing in the markets where it works.

“In difficult times, that’s when DFIs really stand up and show their importance,” he said. “You don’t have a lot of questions about additionality, perverting markets, driving out other investors in downturns, because DFIs are there all by themselves.”

He said DFIs had a unique benefit: They are long-term patient investors, which never have to liquidate assets in a hurry.

“That’s why we’ve been able to invest in these times,” he said. “And those investments are often some of the most impactful and, frankly, sometimes some of the most financially successful investments that we’ve made.”

How the 'new kid on the block' is looking to increase its work with the private sector

Lori Kerr, CEO of FinDev, spoke to Omar Mohammed

"The new kid on the block." That's how CEO Lori Kerr described FinDev, the Canadian development bank she leads.

The bank was founded in 2018 and is owned by the Canadian government, which injected an initial $300 million of capital to invest in three key thematic areas — women's empowerment, market development, and climate action. In 2021, the government added an additional $300 million to bring the total capital FinDev can invest to $600 million, Kerr said.

"Then, of course, according to our sort of freedom and internal regulations, we are able to leverage that up to three times," she told Devex.

Kerr and FinDev are now working on how best to use the DFI's capital — which sectors it invests in, what size of project it backs, and how it works with the private sector.

Since its inception four years ago, FinDev has dedicated the bulk of its capital injection to projects in developing markets. It has invested $217 million in Latin American and Caribbean countries and $172 million in Sub-Saharan African states, according to data from the organization's website. Funding to the tune of $309 million has gone to financial institutions, $95 million to agribusinesses, and $75 million to "green growth" enterprises.

The investment in financial institutions is part of a pivot FinDev adopted following the pandemic.

"We pivoted our investment strategy to work through financial intermediaries so that we can really get liquidity to where it's needed most in small and medium-sized enterprises and entrepreneurs," Kerr told Devex. "We can't address that effectively sitting in Montreal."

It is a path that several multilateral development banks and other development finance institutions chose during COVID-19 — provide capital for businesses after the pandemic-induced economic crisis sucked liquidity out of economies, especially in the global south.

In November 2021, FinDev provided a $15 million loan to Banco Promerica Costa Rica, a bank owned by one of the largest regional financial regional conglomerates in Central America. That funding will go to women-led businesses and green projects. FinDev has also lent $10 million to Produbanco, the third-largest private commercial bank in Ecuador. FinDev said that Produbanco saw a jump in its green loan portfolio after the capital raise. Other financial firms that FinDev has worked with include Brazil's Banco Sofisa and EcoBank, the Togo-based bank that operates across the African continent.

Kerr said this pivot will now become an integral part of FinDev's business.

"Financial intermediaries will remain an important part of our business. We are looking to do more in [agriculture] forestry and their value chains, given the climate crisis, given the food crisis," she said.

FinDev is also looking to expand its investment portfolio into sustainable infrastructure at the mid-market level, where Kerr said there is a gap that they can fill.

She said that the infrastructure sector suffers from a "missing middle" just as SMEs do. Funding is available to small scale local infrastructure and to large national projects, but not to projects that fall between these poles.

Kerr also talked about the importance of blended finance — when development capital is used to attract additional finance from the private sector. Kerr said that FinDev is looking to attract private finance to individual projects, but also wants to set up structures that allow FinDev to mobilize private capital at scale. Kerr said FinDev was looking to put together a blended finance arrangement worth $1.7 billion where FinDev Canada is an anchor.

The need for blended finance as an instrument for raising capital has become more urgent as the world has struggled to meet its Paris climate financing commitments and is failing short on the Sustainable Development Goals. Governments have struggled to provide that funding as they deal with strained budgets due to the lingering effects of the Covid-induced economic crisis.

"Who's going to fill that trillion dollar gap? Well, it's the private sector," Kerr said.

The countries that need financing the most are deemed too risky for some private investors. FinDev can bridge that gap between a country's needs and palliate the risk appetite of investors, Kerr said.

"We can bring concessional finance to the table for those blended finance solutions to address the financial risk and return," she said.

She said FinDev's work in emerging markets has afforded it a depth of knowledge that can make a difference in attracting private capital.

"We know these markets well. So, we can also help with some of the perceived risks of investing in these markets and we can raise the lens of sustainability for private capital, as well," Kerr said. "What we and our peers can bring to the table is a tremendous opportunity to mobilize private capital at scale."

"We are looking to do more in [agriculture] forestry and their value chains, given the climate crisis, given the food crisis."

— Lori Kerr, CEO of FinDev

FinDev is a public policy mechanism for Canada and it has received $600 million in capital from the government through its parent company Export Development Canada. So far it has not gone to the markets to raise capital, but may do so in the future.

"There could be an opportunity for us to go to the market to issue a green bond or a social bond or sustainability-linked bond," she said.

FinDev itself has yet to make that jump of raising capital from the markets, Kerr said. But she hopes to do so.

"We are in that earlier phase of our growth, but it's an aspiration of mine," she said.

> **"We know these markets well. So, we can also help with some of the perceived risks of investing in these markets and we can raise the lens of sustainability for private capital, as well."**
>
> ***— Lori Kerr, CEO of FinDev***

FMO's strategy will pivot to focus on market creation, mobilization

Michael Jongeneel, chief executive of FMO, spoke to Adva Saldinger

The Dutch development bank FMO has long been one of the largest bilateral development finance institutions. Its €12.5 billion ($12.4 billion) portfolio puts it second on the list, behind the U.S. Development Finance Corporation.

In September this year, the bank made adjustments to its strategy, as it looked at a rapidly changing world contending with numerous crises, FMO CEO Michael Jongeneel told Devex.

It will focus on market creation, improving mobilization, reducing inequality, bolstering climate action, and effectively managing environmental, social, and governance factors.

FMO, which is 51% owned by the Dutch state — with the remaining shares held by Dutch commercial banks, trade unions, and other private sector groups — will maintain its three key sector focuses: agribusiness, food and water; energy; and financial institutions. The portfolio will continue to focus on investments in Africa, Asia, Latin America, and the Europe and Central Asia region.

The strategy process included consultation with partners ranging from government ministers, to NGOs to peers, in an effort to gather a broad spectrum of views to inform the goals and what it will take to deliver.

While FMO considered adding additional sectors — participants in the strategy consultation discussions suggested adding health, for example — it ultimately decided that it could have a greater impact and take on riskier transactions in sectors where it already has expertise, Jongeneel told Devex.

Market building

That directly ties into one of the key pillars of the updated strategy — market building. This is a new focus area for the organization, but Jongeneel said it was critical to avoid duplication of efforts and to maximize impact.

"If we're all fishing in the same pond, we need to make the pond bigger," he said.

FMO's market creation work will have two work streams: helping make individual projects bankable and identifying specific market challenges that it can help to address. While it's still determining what exactly the investments will look like, FMO may support accelerators helping companies develop products or improve their business plans, or help identify market solutions to challenges such as Africa importing a lot of food products.

These projects will have different time horizons. Some of the market ecosystem investments will be quite long term, perhaps five to 10 years, because building markets and solving those systemic challenges will take time. Other investments focused on making projects or companies bankable might have a 2-4 year time horizon.

The market creation work will be a combination of grants, guarantees, and possibly revolving equity investments, he said. FMO wants to work with partners to fund this market-building work because it will need tens of millions of euros of funding, which cannot all come from FMO's books. It is in discussions with the Dutch government and other organizations.

Jongeneel expects that there will be some "trial and error" as FMO does more of this difficult work. Because of the challenges, FMO will look to grow strategically and not start with a "big bang," he said.

FMO is exploring ideas such as how it can help the Nepalese banking sector to improve its environmental and social standards, and how it could support the growth of the African project developer industry. Another area is forestry, which has a lot of potential but not many sustainable business models. Once FMO helps develop bankable business models, it could then potentially also be an early investor, he said.

"The goal is to create impact," Jongeneel said. "In the end if you have something niche and can't scale it's not going to have a huge impact."

As a result, FMO will look to support projects that can scale beyond its investment, he added.

Mobilization

FMO is also focused on mobilizing more private sector capital alongside its investments, but it's clear that doing so is easier for certain sectors and geographies.

FMO's renewable energy deals in middle-income countries with stable regimes and regulations, for example, are more likely to attract commercial investors, whereas new market creation work is unlikely to attract much commercial capital.

Commercial investors are also typically more risk averse than FMO, Jongeneel said.

Blended finance, which helps to de-risk investments through first loss instruments and other means, can help adjust the risk profile of the investments. FMO is already doing this, and will explore doing more.

Today, commercial investors are mostly investing alongside debt portfolios, but Jongeneel said he would also like to see them also invest into equity portfolios.

Other priorities

FMO has a key focus on reducing inequalities, but has found itself behind in achieving its ambitious targets in that area due to the effects of the war in Ukraine and the lingering impact of the COVID-19 pandemic in the first half of 2022.

Much of FMO's reducing inequalities funding is channeled through financial intermediaries, which then lend money to inclusive businesses in low-income countries. Many of those institutions have been hit hard by ongoing crises and so there have been fewer opportunities for FMO to invest.

But FMO is committed to continuing to work in low-income and fragile states, even though it would be easier to withdraw and do more large, efficient investments in middle-income countries, Jongeneel said.

FMO is also working to improve its environmental, social, and governance management — requiring more disclosure and enhancing due diligence efforts. While that's something FMO is "deliberately taking forward," Jongeneel said he recognizes it's never perfect.

FMO is also working to help some of the financial intermediaries it invests in to improve their ESG practices, though it depends on the type of investment and how it is structured. With private equity firms, FMO is considering disclosing project-level information but for banks, it is not possible, Jongeneel said.

The overall rise of ESG investing is helping FMO because banks are now familiar with the Sustainable Development Goals and are much more aware of climate risks, he said.

FMO has been committed to addressing the climate crisis, including assessing the impact of its own activities and adopting a sustainability strategy that aligns its portfolio to the Paris Agreement. FMO is working with other development finance institutions to come up with a common standard for accounting for carbon emissions.

Last year it committed to a clean energy transition and agreed to end direct new public support for unabated fossil fuel energy by the end of this year. Some of the major vehicles FMO uses to make climate investments are the Dutch Fund for Climate and Development, which invests in climate adaptation and mitigation projects in low- and middle-income countries; and Mobilising Finance for Forests, a joint initiative with the United Kingdom government aimed at combating unsustainable land use practices. FMO continues to explore how it can use blended finance to try and create investment opportunities in soil, forestry, and land use sectors.

The road ahead

With the global economy facing a period of instability in the wake of COVID-19 and the war in Ukraine, FMO will be cautious, but it is also a time when it could be more needed than ever, Jongeneel said.

FMO is looking to have a more "multidimensional" approach in low-income and conflict countries, Jongeneel said. It will collaborate more with partners and plans to open regional offices in the next couple years.

> **"We won't become more risk averse, because then we are not playing the role we need to play."**
>
> ***— Michael Jongeneel, Chief Executive of FMO***

FMO recently opened a new office in Costa Rica, a first step in moving closer to partners on the ground who have important contextual knowledge, he said.

"We won't become more risk averse, because then we are not playing the role we need to play," he said. "At the same time we need to make sure our eyes are wide open stepping into situations."

FMO has not downgraded its impact or volume targets for next year, Jongeneel said.

"We see some peers put things a little on hold. We are still full steam ahead," he said.

How Swedfund doubled in size, and is growing its focus on high-risk countries

Maria Håkansson, chief executive of Swedfund, spoke to Omar Mohammed

Like other development financiers, Swedfund's declared mission is to use investment as a tool for poverty reduction.

"We really strongly believe in the importance of the private sector as the driver for sustainable and inclusive growth," chief executive Maria Håkansson told Devex.

First launched in 1979, Swedfund is owned and funded by the Swedish government. In the last two years, it has seen a jump in capital injection. Håkansson said that in 2022, Swedfund received $120 million, which in addition to funding that will come in from its investment exits, will give Swedfund about $230 million that they can use to invest in businesses.

"From a portfolio point of view, we have actually almost doubled our portfolio in the last four years," Håkansson said.

Delivering on targets has built a trust with the Swedish government, she told Devex. It also doesn't hurt that Swedfund has a financial return of approximately 5% a year on its portfolio.

"What we have seen in the last couple of years is an increase in trust and confidence from our owners," she said. "So we have had a significant increase in our capital injections during the last couple of years."

Some development institutions leverage their government funding to add on to their government-provided capital, but Swedfund has thus far chosen to eschew that approach.

"We are actually fully equity financed," Håkansson said. Right now Swedfund has chosen to mobilize additional capital by co-investing with private investors rather than going the route of leveraging its financing.

Swedfund works as an equity investor and debt issuer at about a 50-50 ratio but also works with funds in its investment strategy. Swedfund's accreditation as a European Union-recognized development financier gives it another layer of guarantee for its investments.

The DFI tends to have a different appetite for risks compared to private capital. "If we invest in renewable energy, I think we are a very good financier during the development phase, while we might have more private capital during an asset management phase," Håkansson said.

Swedfund says that more than 60% of its investments have gone to businesses in sub-Saharan Africa with a typical capital injection of between $5 million to $25 million. Swedfund is a valuable partner for investors looking to tap into these opportunities, because of its long-term experience in working in development markets and its expertise in doing due diligence on businesses, especially in environmental, social, and governance risks. Håkansson said that they use that pedigree to try and recruit Swedish investors for opportunities to co-invest and capital mobilize.

Swedfund's larger mission, Håkansson said, was to create jobs. Its investment portfolio shows that the DFI has injected a significant chunk of its capital in financial inclusion, energy, and climate-related businesses.

Climate

Over the last two years, climate-related investments have grown substantially. "Today, we have a portfolio that we view as approximately 90% aligned already with the Paris Agreement," Håkansson said. "Our target is a portfolio with net-zero emissions by 2045, which is then in line with the Swedish overall targets."

A climate lens shapes Swedfund's investment strategy. "The way we work with climate is it's fully integrated in, so we apply climate plans to everything that we do," Håkansson said. Close to 40% of Swedfund's portfolio is climate-related. "That includes both mitigation, adaptation, and resilience," she said.

Håkansson said that their approach to climate financing is not limited to just providing capital. When investing, they work with businesses to help them get into a low-emission pathway.

> **"Our target is a portfolio with net-zero emissions by 2045, which is then in line with the Swedish overall targets."**
>
> ***— Maria Håkansson, Chief Executive of Swedfund***

When investing, Swedfund asks fundamental questions: What are the emissions that may be generated by a business? What are the actions that they can take to mitigate against it? Can they map out their different flows, from a supply chain perspective, but also from a customer's point of view?

Håkansson said that they work with companies they have funded to beef up their understanding and capacity about their role in the climate change story. "The actions that you take depend a little bit on the situation, but really trying to say, how could you actually increase their capacity to work with these matters," she said. "How can you equip your investees with actually being able to manage and mitigate the situation themselves? So from that perspective, we work with climate in all our investments today."

Håkansson said that Swedfund has been given the green light by the Swedish government to work on the acceleration of projects that will help Swedfund be a player "further upstream" when investing. "To actually contribute to sustainable procurement and capacity building. And by that actually creating more sustainable and bankable projects," she said.

One such area of investment Swedfund is looking at is in helping to increase the capacity of power grids, especially through the scaling up of renewable energy projects that go into them.

Risk appetite

As the global economic climate edges towards a recession, rampant inflation has hit the value of currencies hard and central banks have hiked interest rates in attempts to clamp down on soaring prices. Håkansson said the role of Swedfund and other development financiers has become even more urgent as a result.

"We should be in those countries where the risk is high," she said. "In this situation, there is actually a need for endurance and patience and long-term capital."

Economic volatility has not deterred Swedfund from going all in.

"It's not preventing us from continuing to invest. That's how our portfolio looks like. That's the investment universe that we're actually in," Håkansson added.

Swedfund has built its model on investing in businesses that can be sustainable and are financially viable, she said. "It's really been stress tested in the last couple of years, but also proven to be resilient," Håkansson said.

Asked about the potential of aid cuts by the new Swedish government and how that might impact and shape Swedfund going forward, Håkansson said it's maybe a little bit early to say but she was confident that they share common goals.

"They have really emphasized the importance of poverty reduction, of the private sector of climate and, of course, those are the areas where Swedfund is very active. So I think we are well aligned with the overall direction of the Swedish development aid politics," she said.

Last year Swedfund's investment helped create 250,000 jobs, she said. The financier said 60% of its portfolio fell under gender investments.

"If we look at development in the world, I mean, to a large extent, we have seen an increase where jobs are lost, poverty is increasing, but it's also impacting more vulnerable groups like women and younger people," she said. "That's also an important aspect going forward."

DFI profiles

BII

HQ: London, United Kingdom
Number of offices: 7
Founded: 1948
Total portfolio: £6 billion

British International Investment

Description

Formerly known as CDC Group, British International Investment is a 100% government-owned development finance institution focused mainly on partnering with businesses in Africa, Asia, and the Caribbean. By the end of 2021, it had invested in more than 1,300 businesses — including 705 in Africa and 541 in Asia — and has directly supported close to one million jobs.

BII's new commitments have been growing over recent years, from £1.1 billion in 2018 to £1.9 billion in 2021. In the last four years, its annual new commitment increased by an average of £270 million. Its total portfolio has also grown steadily, from $5.6 billion in 2018 to $8.1 billion in 2021.

Investment types

- Debt
- Equity
- Funds

Sectoral priorities

- Infrastructure
- Financial services
- Technology and telecommunications
- Food and agriculture
- Health
- Manufacturing
- Construction and real estate
- Education

Geographic priorities

- India
- Nigeria
- Kenya
- Egypt
- Morocco

BIO

HQ: Brussels, Belgium
Number of offices: 3
Founded: 2021
Total portfolio: €662.5 million

Description

BIO — or Belgische Investeringsmaatschappij voor Ontwikkelingslanden — is a state-owned company that invests in development projects anchored in the sustainable development goals, in particular:

- SDG #1 — No poverty
- SDG #7 — Affordable and clean energy
- SDG #8 — Decent work and economic growth
- SDG #9 — Industry, innovation, and infrastructure

In 2020, its SDG Frontier Fund — which supports sustainable economic growth in Africa and Asia — recorded €36 million in total funding.

BIO's new commitments increased from €150 million in 2018 to €199 million in 2019, then slightly went down to €194 million in 2020. Its new commitments in 2021 amounted to €104 million, €94 million less than the previous year. Its biggest investments in 2021 include €15 million to PT Mitra Bisnis Keluarga in Indonesia and €8.8 million to Ezdehar Mid-Cap Fund II in Egypt.

Investment types

- Equity and quasi-equity
- Long-term loans
- Guarantees

Sectoral priorities

- Financial sector
- Multisector
- Energy-related infrastructure
- Agribusiness
- Industry and manufacturing
- Infrastructure

Geographic priorities

- Sub-Saharan Africa
- Latin America and Caribbean
- South Asia
- Middle East & North Africa
- East Asia and the Pacific
- Multicountry

COFIDES

HQ: Madrid, Spain
Number of offices: 1
Founded: 1988
Total portfolio: €1.4 billion

Description

Compañía Española de Financiación del Desarrollo is a state-owned company that provides financing to businesses that promote development in the host countries and the internationalization of Spanish companies. Aside from investment in these companies, COFIDES also supports the Agencia Española de Cooperación Internacional para el Desarrollo, or AECID — Spain's aid agency.

About 56.68% of COFIDES is owned by three public institutions: the Spanish Institute for Foreign Trade, Instituto de Crédito Oficial, and Enisa. Another 46.32% is owned by three banks, Banco Santander, BBVA, and Banco Sabadell, while CAF-Corporación Andina de Fomento owns 1.14%.

Since its establishment, COFIDES has financed more than 1,000 projects in almost 90 countries — with a total of more than €3.6 billion in total funding commitments.

Investment types

- Equity investment
- Loans

Sectoral priorities

- Transport infrastructures
- Automotive sector
- Energy-related infrastructures
- Agri-food
- Naval/Aeronautics
- Financial sector
- Metal-mechanical

Geographic priorities

- Chile
- United States
- Mexico
- United Kingdom
- Worldwide

DEG

HQ: Cologne, Germany
Number of offices: 19
Founded: 1962
Total portfolio: €9.2 billion

DEG - Deutsche Investitions- und Entwicklungsgesellschaft mbH

Description

A wholly owned subsidiary of German investment and development bank KfW Group, Deutsche Investitions- und Entwicklungsgesellschaft works with private companies in low- and middle-income countries through loans and equity investments, as well as direct investments in local banks and other financiers that support small- and medium-sized enterprises.

DEG's total portfolio shrank during the pandemic — from €9 billion in 2019 to €8.5 billion in 2020 — before going back to over €9 billion in 2021. Its biggest investments in 2021 include €122 million to Aspen Finance Proprietary Limited in South Africa and $100 million to Banesco Banco Múltiple in the Dominican Republic.

Investment types

- Long-term loans
- Holdings
- Mezzanine financing

Sectoral priorities

- Financial sector
- Industry and manufacturing
- Energy-related infrastructure
- Services
- Infrastructure
- Agribusiness
- Multi-sector

Geographic priorities

- Asia
- Latin America
- Sub-Saharan Africa
- Europe
- Northern Africa and Middle East
- Supra-regional

DFC

HQ: Washington D.C., United States
Number of offices: 1
Founded: 2019
Total portfolio: $32.8 billion

Description

Established in 2019, U.S. International Development Finance Corporation combined the Overseas Private Investment Corporation and the United States Agency for International Development's Development Credit Authority department. DFC is wholly owned by the U.S. Government, with a total investment limit of $60 billion — more than twice OPIC's $29 billion cap.

DFC currently supports four key initiatives:

- 2x Women's Initiative, in which DFC has generated over $13.5 billion investment.
- Portfolio for Impact and Innovation, with $10 million investment from DFC to support early-stage businesses.
- Blue Dot Network, in which the U.S. aims to collaborate with other partners and actors across the world to promote quality infrastructure investments.
- Global Health and Prosperity Initiative, which invested $2 billion in 25 health projects strengthening pandemic preparedness and health system resilience in developing countries.

In 2018, DFC recorded $3.3 billion in new commitments, which then rose to $5.3 billion the following year, fell again to $4.7 billion in 2020, and rose again to $6.7 billion in 2021.

Investment types

- Debt financing
- Equity investments
- Feasibility studies
- Investment funds
- Political risk insurance coverage
- Technical assistance

Sectoral priorities

- Energy
- Food security and agriculture
- Financial inclusion
- Global health
- Climate
- Technology and infrastructure
- Water, sanitation, and hygiene

Geographic priorities

- Brazil
- Iraq
- Sierra Leone
- South Africa
- Sri Lanka

FinDev Canada

HQ: Québec, Canada
Number of offices: 1
Founded: 2017
Total portfolio: $479 million

Description

FinDev, a financial institution wholly owned by Export Development Canada — the country's export credit agency — provides capital to businesses in low- and middle-income economies. It also partners with other DFIs, as well as multilateral organizations, such as the African Development Bank, Eastern and Southern African Trade and Development Bank, Inter-American Development Bank, and U.N. Women.

Among its initiatives is 2X Canada, a CAD 75.9 million facility funded by Global Affairs Canada, which supports investments in women's economic empowerment in two regions — Latin America and the Caribbean, and sub-Saharan Africa.

Based on its latest data, which reported figures in U.S. dollars, FinDev's annual new commitments increased from only $30 million in 2018 to $288 million in 2021 — an 860% increase.

Investment types

- Loans
- Investments
- Guarantees

Sectoral priorities

- Financial institution
- Agribusiness
- Green growth

Geographic priorities

- Latin America
- Sub-Saharan Africa
- Multicountry

Finnfund

HQ: Helsinki, Finland
Number of offices: 2
Founded: 1980
Total portfolio: €780 million

Description

Finnfund is a Finnish institution offering financial products in low- and middle-income countries, primarily in Africa, Asia, and Latin America. The Finnish Government owns 95.7% of the company, with 4.2% belonging to export credit agency Finnvera, and 0.1% to the Confederation of Finnish Industries.

Finnfund saw a steady rise in its total portfolio, from €551 million in 2018 to €780 million in 2021. It made 28 investment decisions in 2021, amounting to €241 million, and recorded a total of 196 investments in 53 countries.

Among its biggest investments in 2021 was $26 million to African Development Partners III, a private equity fund that makes investments to support job creation, climate mitigation, and gender balance in the region. It has financed six companies so far: Optasia in Nigeria; SICAM in Tunisia; Kelix BIO in Egypt; MNT Halan in Egypt; Kazyon Limited in Egypt; and COFINA in Mozambique.

Investment types

- Equity and quasi-equity
- Loans

Sectoral priorities

- Forestry
- Energy
- Agriculture
- Financial institutions
- Digital infrastructure and solutions

Geographic priorities

- Democratic Republic of the Congo
- Vietnam
- Africa
- Latin America
- Worldwide

FMO

HQ: The Hague, Netherlands
Number of offices: 4
Founded: 1970
Total portfolio: €9.7 billion

Description

FMO Entrepreneurial Development Bank is a Dutch development bank that invests in over 85 countries, focusing mainly in agribusiness, energy, and financial institutions. The Dutch Government holds 51% of the company, while Dutch banks own 42%. The remaining 7% is owned by employers' associations, trade unions and individual investors.

A €1.1 billion decrease in FMO's total portfolio — from €10.4 billion in 2019 to €9.3 billion in 2020 — coincided with the pandemic. It then increased by €400 million in 2021.

Based on its project portal, FMO has a total of 981 approved and 11 proposed investments. Among its biggest projects in 2022 is an $80 million investment with Banco de América Central in Guatemala. The investment is part of a $200 million facility supporting SMEs and green loans in the country.

Investment types

- Loans and syndications
- Private equity
- Guarantees
- Capital development

Sectoral priorities

- Agribusiness, food, and water
- Financial institutions
- Energy
- Multi-sector

Geographic priorities

- Africa
- Asia
- Latin America and Caribbean
- Eastern Europe and Central Asia
- Multicountry

IFU

HQ: Copenhagen, Denmark
Number of offices: 9
Founded: 1967
Total portfolio: €1.1 billion

Description

Investment Fund for Developing Countries is a Danish government-owned financial institution with active investments in 178 companies worldwide, which provide employment to close to 280,000 people. Overall, it has invested in 1,325 companies in more than 100 countries – with a total investment amount of DKK 26 billion.

In 2021, its total portfolio amounted to €1.1 billion for 180 projects. Of these, seven were new projects added in 2021, worth €109 million.

Investment types

- Equity
- Mezzanine financing
- Loans
- Guarantees

Sectoral priorities

- Financial sector
- Energy-related infrastructure
- Industry and manufacturing
- Infrastructure
- Agribusiness
- Services

Geographic priorities

- Sub-Saharan Africa
- Latin America and Caribbean
- South Asia
- East Asia and Pacific
- Europe and Central Asia

Norfund

HQ: Oslo, Norway
Number of offices: 6
Founded: 1997
Total portfolio: NOK 26.9 billion

Description

Norfund is a finance institution wholly owned by the Norwegian government through its Ministry of Foreign Affairs, working towards supporting the private sector in low- and middle-income countries.

Despite the pandemic affecting most financial institutions, Norfund increased its total portfolio — from NOK 24.9 billion in 2019 to NOK 28.4 billion in 2020. In 2021, its total portfolio went down to NOK 26.9 billion and its total new commitment amounted to NOK 5.3 billion.

As of 2021, Norfund says, it has supported a total of 451,000 jobs and helped create 13,400 new jobs.

Investment types

- Equity and quasi-equity
- Guarantees
- Loans

Sectoral priorities

- Scalable enterprises
- Financial institution
- Clean energy
- Green infrastructure

Geographic priorities

- Sub-Saharan Africa
- Latin America and Caribbean
- Middle East & North Africa
- East Asia and the Pacific
- South Asia

OeEB

HQ: Vienna, Austria
Number of offices: 1
Founded: 2008
Total portfolio: €1.5 billion

Description

Oesterreichische Entwicklungsbank is the development bank of Austria, with a mandate of financing projects in low- and middle-income economies. It is wholly owned by the country's private-public partnership institution, Oesterreichische Kontrollbank.

Its total portfolio increased steadily throughout the years — from €1.2 billion in 2018 to €1.5 billion in 2021, or an average annual increase of €94.8 million.

Investment types

- Investment financing
- Holdings
- Business advisory services
- Africa-Austrian Investment Facility

Sectoral priorities

- Financial sector (including SMEs and microfinance)
- Renewable energy
- Infrastructure
- Agriculture
- Manufacturing & industry
- Multi-sector

Geographic priorities

- Western Balkans & Eastern Europe
- Africa
- Central & South America and Caribbean
- South & East Asia
- Caucasus & Central Asia
- Middle East

Proparco

HQ: Paris, France
Number of offices: 24
Founded: 1977
Total portfolio: €7.2 billion

Description

Proparco, the private sector financing arm of Agence Française de Développement, or AFD, supports businesses and financial institutions in Africa, Asia, Latin America, and the Middle East, mainly in agribusiness, education, energy infrastructure, financial institutions, and health sectors. AFD owns 74% of the company, while the rest is divided among public and private shareholders.

From €1.4 billion in 2018, Proparco's total new commitment significantly increased in 2019 to €2.5 billion, but then dipped by €500 million the following year. Its total approved financing in 2021 amounted to €2.3 billion — with €1.2 billion to Africa, €668 million for climate-related projects, and €368 million for projects supporting women's economic empowerment. Proparco has committed €3 billion to MSMEs since 2018, which it says has resulted in 1.5 million jobs and helped 26,000 businesses.

Investment types

- Loans
- Equity & quasi-equity
- Guarantees
- Local currency financing

Sectoral priorities

- Financial institutions
- Infrastructures
- Companies
- Investment funds

Geographic priorities

- Sub-Saharan Africa
- Latin America and Caribbean
- East Asia & Pacific
- Europe and Central Asia
- Middle East & North Africa
- South Asia
- Multicountry

SIFEM

HQ: Bern, Switzerland
Number of offices: 1
Founded: 2005
Total portfolio: $894.5 million

Description

Swiss Investment Fund for Emerging Markets is a 100% government-owned company, which supports sustainable growth in developing and emerging countries. Its current portfolio supports 550 companies worldwide. SIFEM has invested $1.2 billion since its establishment — generating over 900,000 jobs.

SIFEM's new commitment increased significantly in 2019 — amounting to $104.5 million, from $70 million in 2018. However, this went to $85.6 million in 2020, and dipped further to $83.9 million in 2021. SIFEM added three investments in 2022:

- $15 million for the Aavishkaar India Fund, which will invest in SMEs in India.
- $15 million for the Convergence Partners Digital Infrastructure Fund, which will invest in digital infrastructure and services in sub-Saharan Africa.
- $15 million for the Horizon Capital Growth Fund IV, which will invest in technology- and export-oriented medium-sized enterprises in Ukraine and Moldova

Investment types

- Risk capital funds
- Loans

Sectoral Priorities

- Financial intermediation
- Energy and water supply
- Consumer goods
- Healthcare
- Industrial services
- Other sectors

Geographic Priorities

- Sub-Saharan Africa
- Latin America and Caribbean
- South Asia
- East Asia and the Pacific
- Europe and Central Asia
- Middle East & North Africa
- Multicountry

SIMEST

Headquarters: Rome, Italy
Number of offices: 1
Founded: 1991
Total portfolio: €338 million

Description

SIMEST is a company under state-owned investment bank Cassa Depositi e Prestiti, or CDP Group. Together with Servizi Assicurativi del Commercio Estero, or SACE, the Italian export credit agency, it acts as CDP Group's Export and Internationalization Hub — focusing on supporting the growth of Italian companies. In 2021, SIMEST reported that it has supported 10,170 businesses in 123 countries.

SACE owns 76% of SIMEST, while the remainder is owned by a large number of Italian banks and business associations.

In 2021, SIMEST's total portfolio included 132 projects, worth €338 million. Of this, 12 projects, worth €36 million, were new investments made in 2021.

Investment types

- Soft loans
- Equity investments
- Export credit support
- EU funds

Sectoral priorities

- Industry and manufacturing
- Energy-related infrastructure
- Services
- Infrastructure
- Agribusiness
- Multi-sector

Geographic priorities

- Latin America and Caribbean
- East Asia and the Pacific
- Sub-Saharan Africa
- Europe and Central Asia

SOFID

HQ: Lisbon, Portugal
Number of offices: 1
Founded: 2007
Total portfolio: €12 million

Description

The Portuguese Government, through its Treasury, owns 80.54% of Sociedade para o Financiamento do Desenvolvimento. Portuguese commercial banks Banco BPI, Novo Banco, Caixa Geral de Depósitos, and Millennium BCP own 4.27% each, while Corporación Andina de Fomento owns 2.37%.

Aside from loans and consulting, SOFID also offers two pots of finance specific to particular regions:

- InvestimoZ, which supports the Mozambican market through a €93.6 million pot of capital.
- EIB — Line for ACP countries, which support private sector projects in Africa, the Caribbean and the Pacific, or ACP countries, through a €12 million fund from the European Investment Bank.

SOFID's total new commitment in 2021 amounted to €3 million, with its total portfolio valued at €12 million.

Investment types

- Loans and bank guarantees
- Consulting services

Sectoral priorities

- Industry and manufacturing
- Services
- Infrastructure

Geographic priorities

- Ivory Coast
- Mozambique
- Angola
- Brazil
- South Africa

Swedfund

HQ: Stockholm, Sweden
Number of offices: 2
Founded: 1979
Total portfolio: SEK 5.9 billion

Description

Swedfund is a government-owned financial institution managed by the Swedish Ministry of Enterprise and Innovation, which provides financing to companies in developing countries working in primarily three sectors - energy and climate; financial inclusion; and health. Since its establishment, it has invested in more than 230 companies.

Swedfund's total portfolio increased from SEK 4.9 billion in 2020 to SEK 5.9 billion in 2021 — divided between 61 investments. Its total new commitment in 2021 amounted to €111 million.

Investment types

- Equity
- Funds
- Loans
- Technical assistance

Sectoral priorities

- Financial inclusion
- Energy and climate
- Health

Geographic priorities

- Sub-Saharan Africa
- South Asia
- East Asia and the Pacific
- Middle East & North Africa
- Europe and Central Asia
- Latin America and Caribbean
- Multicountry

A deep-dive into DFIs' active projects

If there is one common denominator among donors in the development sphere — whether public or private, bilateral, or multilateral — it is how challenging it is to collect data. Despite calls for transparency, some DFIs still fail to publicize information about their investments.

The majority of DFIs share their annual reports, as well as the details of each of the investments they make — this includes DFC, FMO, and Proparco. But there are those with either limited, outdated, or undisclosed information.

To make comparisons accurate despite exchange rate fluctuations over the period, we used historical conversion rates in this analysis and in the project summaries section.

We collated over 2,200 investments worth $46.5 billion from ten DFIs whose information is publicly accessible. This accounts for 55.4% of the more than $84 billion total portfolio of bilateral DFIs in 2021. The data includes target sectors and geographies and the amount committed for each of the investment activities.

Six DFIs with either incomplete or no publicly available data were excluded from this analysis. These include: COFIDES, FinDev, OeEB, SIMEST, SOFID, and Swedfund.

We also opted to only focus on active investments — or those that are either in pre-approval or implementation stage — released between 2018 and 2022. This means that active projects before 2018 were also excluded from the analysis.

There are a few things to note:

- All figures were converted to the U.S. dollar using historical conversion rates.
- Information is tentative and DFIs may change them anytime without prior notice. Investments are getting added and removed regularly, so the numbers mentioned in this report may slightly differ from the DFIs' live data.
- Some DFIs have complete data for the 5-year time period, while others have three to four years.
- While most information is available, there are still investments with incomplete data, including the total commitment and sectoral priority. This means that for some, the figures represent only a portion, not the entire portfolio.

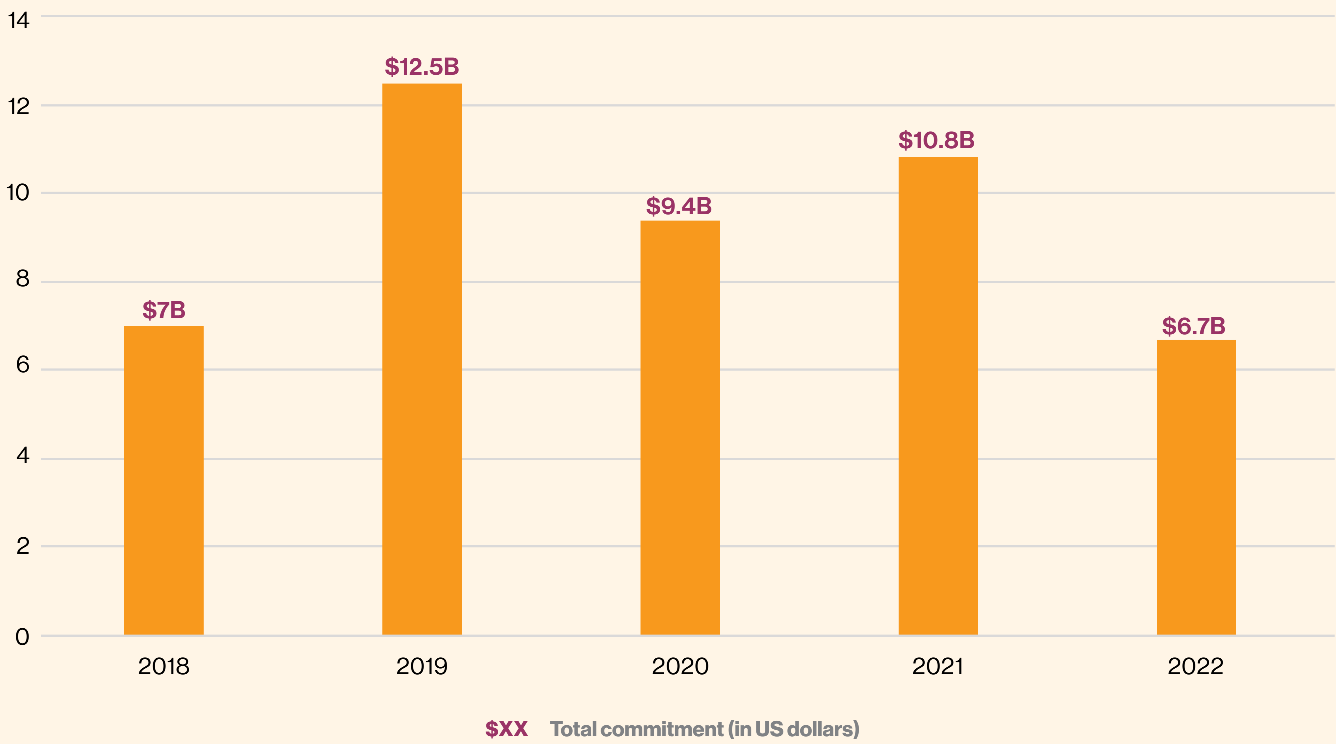
Despite these limitations, the data still gives an idea of where each institution is investing its money.

What does the data tell us about DFIs?

The highest level of investment was in 2019, when $12.5 billion was committed — up 79.3% from the previous year. The increase was heavily driven by DFC's annual allocation to active projects jumping from $613.6 million in 2018 to $4.7 billion in 2019 — the year the agency was formed, taking over from OPIC as the leading U.S. development finance institution. Other DFIs that saw a significant increase that year were BII, with $755.9 million; FMO, with $523.4 million; and SIFEM, with $161.4 million.

In 2020, commitments dipped by 24.5%. The pandemic slowed lending as DFIs became more cautious and suffered losses to their existing portfolios. But despite this, they were able to bounce back to the pre-pandemic level in 2021 — seeing a 14.8% increase. In an interview with Devex, Søren Peter Andreasen, CEO of the Association of European Development Finance Institutions, or EDFI, said, "It gives a certain confidence for the DFIs to have been able to weather the crisis the way they had."

As of the third quarter of 2022, only $6.7 billion has been committed for active projects, but since the year is not over, no firm conclusions can be drawn yet.



DFC has by far the biggest total commitment to active projects since 2018, worth $19.3 billion — 41.6% of the total. From $613.6 million in 2018, its commitment reached $4.9 billion in 2021 — a 705.2% increase. However, if we exclude 2018, or the year before DFC was formally established, the growth between 2019 and 2021 is only 5.6%.

Norfund also enjoyed a significant increase. From $178.1 million in 2018, annual commitments rose to $598.3 million in 2021 — a 235.9% increase. However, allocation is relatively low in 2022, with only $129.7 million allocated so far.

Other DFIs that recorded an increase in commitment between 2018 and 2021 were: Proparco, with 39.6%; and Finnfund, with 38.2%. IFU, which does not have data for 2021, recorded an 8.8% increase between 2018 and 2020.

On the other hand, five DFIs had lower commitment in 2021 than in 2018.

BII's annual commitment in 2021 was $331 million — 43.5% less than in 2018. Its commitment went up in 2019, with $1.3 billion, but dipped in the following years. No data is yet available for 2022.

FMO's commitment went up from $1.2 billion in 2018 to $1.7 billion in 2019. However, this went down to only $673.5 million in 2020 — a 60.7% decrease. A year after the pandemic began, the agency's commitment stayed within that range, with $694.1 million in 2021. The 2022 data shows no improvement, with FMO's total commitment worth $628.1 million so far.

Three other DFIs had lower commitment in 2021 than in 2018:

- SIFEM — from $70 million in 2018 to $64.5 million in 2021
- DEG — from $1.9 billion in 2018 to $1.8 billion in 2021
- BIO — from $105.8 million in 2018 to $104.2 million in 2021

Overall project data

DFI	Total number of active projects (2018-2022)	Total commitment (in US dollars)
DFC	381	$19,337,426,812
DEG	336	$7,247,755,045
PROPARCO	364	$7,011,793,301
FMO	375	$4,899,949,086
BII	446	$3,027,870,000
IFU	57	$1,771,505,053
NORFUND	94	$1,456,884,055
BIO	123	$605,291,858
FINNFUND	72	$602,958,122
SIFEM	35	$494,154,000

Geographic insights

Regional investments in Africa, which does not include individual country investments, were the common priority among the DFIs, with a total of $4.3 billion — 9.2% of the total commitment to active projects. From $690.7 million in 2018, total allocation reached $1.4 billion in 2021. The region is the top beneficiary for five DFIs — BII, Finnfund, IFU, Norfund, and SIFEM. DFC made the biggest investment overall, worth $936.9 million.

India emerged as a top priority among countries, with $4 billion — almost the same amount invested for regional projects in Africa. DFC is also India's biggest investor, with $2.1 billion.

Other top recipient countries include: Brazil, with $2.1 billion; Mozambique, with $1.9 billion; and Ecuador, with $1.8 billion.

Together, these DFIs allocated $4.5 billion for global projects, while a further $1.6 billion went to multicountry investments — projects benefiting two or more countries, but not classified as regional investments.

Worldwide

Total number of active projects (2018-2022):
119
Total commitment (in US dollars):
$4.5B

Africa (Regional)

Total number of active projects (2018-2022):
220
Total commitment (in US dollars):
$4.3B

India

Total number of active projects (2018-2022):
295
Total commitment (in US dollars):
$4B

Brazil

Total number of active projects (2018-2022):
32
Total commitment (in US dollars):
$2.1B

Mozambique

Total number of active projects (2018-2022):
18
Total commitment (in US dollars):
$1.9B

Ecuador

Total number of active projects (2018-2022):
24
Total commitment (in US dollars):
$1.84B

Multicountry

Total number of active projects (2018-2022):
106
Total commitment (in US dollars):
$1.58B

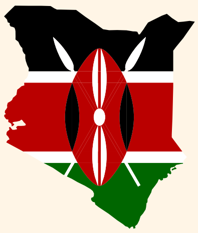
South Africa

Total number of active projects (2018-2022):
52
Total commitment (in US dollars):
$1.3B

Mexico

Total number of active projects (2018-2022):
42
Total commitment (in US dollars):
$1.1B

Kenya



Total number of active projects (2018-2022): 89
Total commitment (in US dollars):
$1.06B

Egypt

Total number of active projects (2018-2022): 42
Total commitment (in US dollars):
$966M

Sectoral priorities

Seven among the DFIs put the majority of their investment into banking and finance, totaling $31.2 billion, or 67.1% of the total investments tracked.

DFC made the biggest allocation, worth $19.1 billion, or 98.6% of its money. But other donors also made significant allocations, including:

- DEG — $3.8 billion
- Proparco — $4 billion
- FMO — $1.9 billion
- BII — $1.1 billion

DFI leaders said that lending to banks and financial institutions peaked during the pandemic, when it was an effective way to quickly get money out to support local economies, so these figures may not be representative of the long-term trend.

Infrastructure-related investments also received a considerable amount, worth $3.3 billion. DEG was the biggest actor in this area, with $1.5 billion.

Other priority sectors include energy, with $3.1 billion, agriculture, with $2.8 billion, and industry and trade, with $2 billion.

All sectors

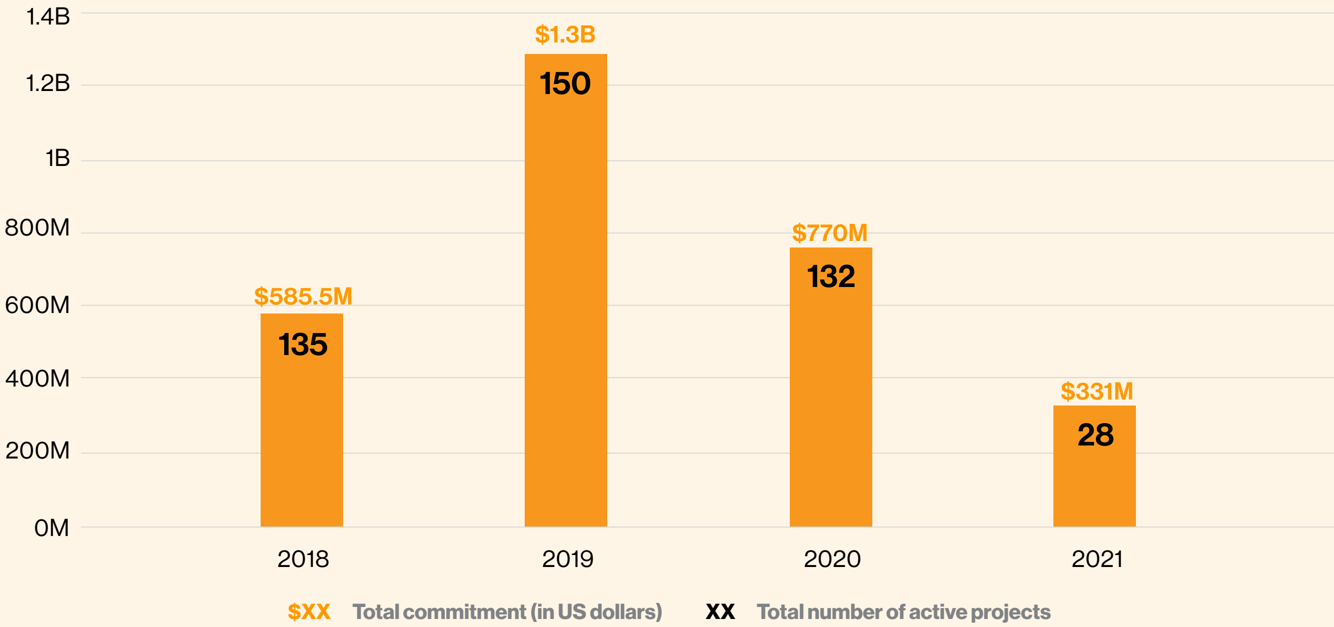
Sector	Total number of active projects (2018-2022)	Total commitment (in US dollars)
Banking and finance	1074	$31,163,659,942
Infrastructure	244	$3,340,380,322
Energy	175	$3,089,010,698
Agriculture	215	$2,753,829,387
Other sectors	248	$2,612,117,833
Industry and trade	181	$1,974,917,454
Health	58	$789,003,495
Communications	71	$502,500,000
Education	17	$230,168,200

DFI project summaries

In this section, we only focused on active investments — or those that are either in pre-approval or implementation stage — released between 2018 and 2022. This means that active projects before 2018 were excluded from the analysis. Some 2022 data may also be incomplete as full year data was not always available at the time of collection.

BII

Of the 446 active projects in its pipeline, 53 have information on the amount committed by BII — worth $3 billion. This is likely in part because the specific financial commitment is not included for most projects BII invests in through financial intermediaries. Even though BII report an upward trend in new commitments in its annual report, we see a downward trend both in the total number of projects and total commitment beginning in 2019, based on its project data:



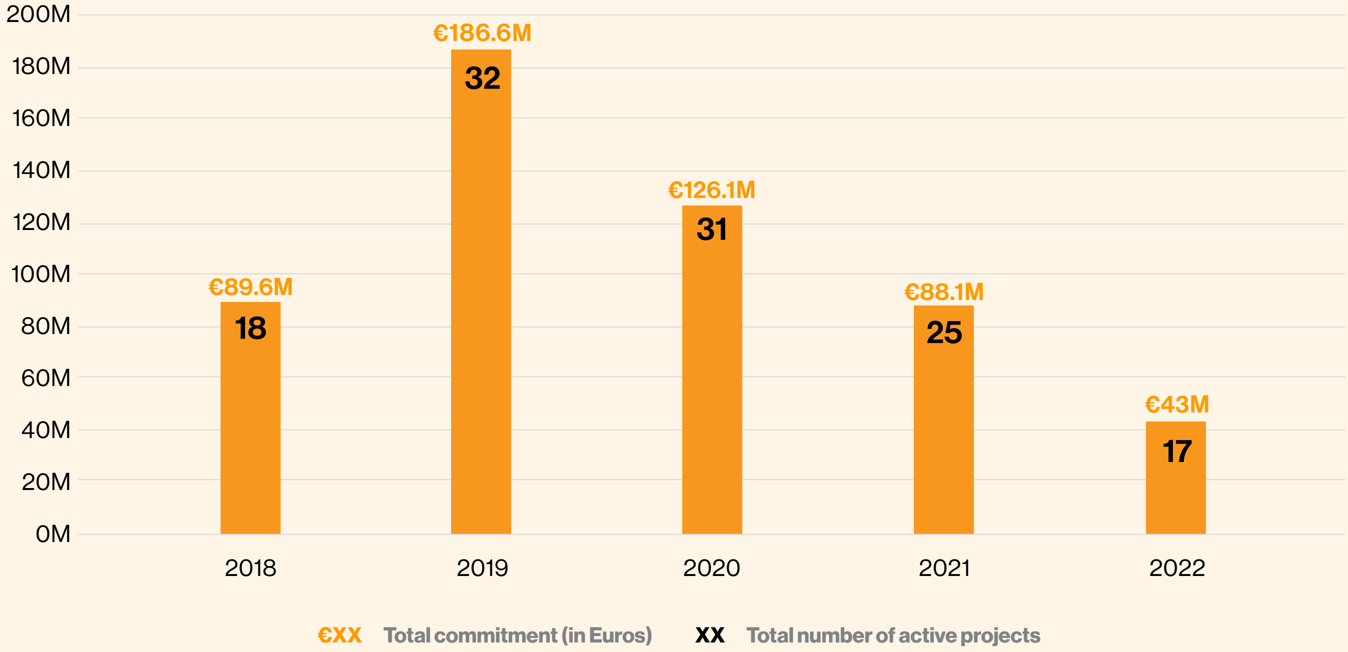
The biggest segment of BII's money went to Africa, with $538 million for 35 regional projects. Among the countries, India received the biggest allocation, worth $521.1 million for 163 projects. Other priorities include Zimbabwe and Ethiopia, with $220 million each, Morocco, with $204.7 million, and Egypt, with $198 million. Meanwhile, $368.3 million was allocated for global projects.

By sector, the biggest portion went to banking and finance, with $1.1 billion. Infrastructure ranked next, with $727.2 million, communications, with $490.5 million, and health, with $426.2 million.

Its biggest project is a $375 million commitment to ABSA Bank, the third largest bank in sub-Saharan Africa with operations in 14 countries.

BIO

There are a total of 123 active projects, worth €533.4 million. Although project commitment jumped from €89.6 million in 2018 to €186.6 million in 2019, it dipped in the succeeding years. In 2022, BIO added 17 active projects, worth €43 million.



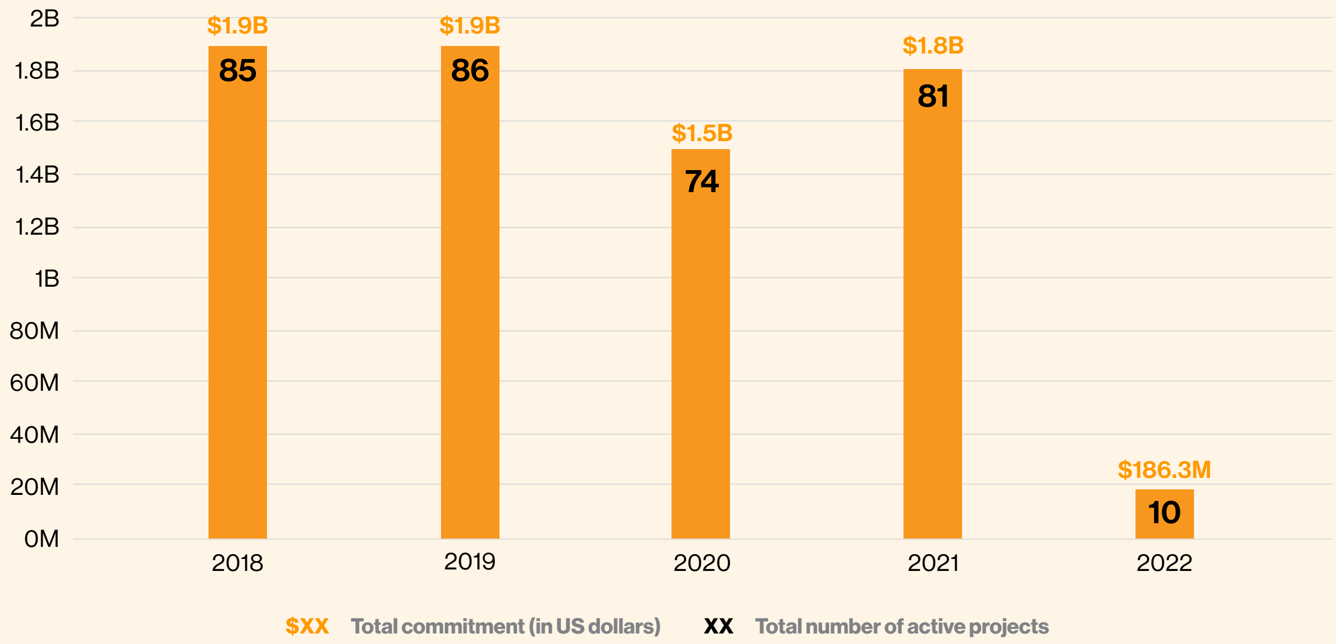
Ecuador has been the priority country, with €34.7 million for five projects. Other top countries include El Salvador, with €28.7 million, India, with €28.5 million, and Tunisia, with €28.2 million. A further €156.2 million is allocated for 41 global projects.

Most of the projects are classified under multiple sectors. Among the most tagged are local economic growth, private sector consolidation and innovation, and financial inclusion.

Its biggest active project is €18 million in debt financing to KCB Kenya — the largest commercial bank in the country. The amount will be used to expand the bank's MSMEs portfolio and other projects in the climate sector.

DEG

DEG currently has 336 projects in its pipeline, worth $7.2 billion. From $1.9 billion in 2018, its allocation dipped to $1.5 billion in 2020. The institution was able to recover in 2021, with $1.8 billion. However, data shows that so far, only 10 active projects have been added in 2022 — worth just $186.3 million.



Among the countries, the largest share went to China, worth $531.5 million. Mexico ranked next, with $399.2 million, then India, with $354.1 million. Regional projects in Africa also received a significant amount, worth $480.5 million, while global projects received $317.8 million.

DEG's financing was divided into four main thematic sectors:

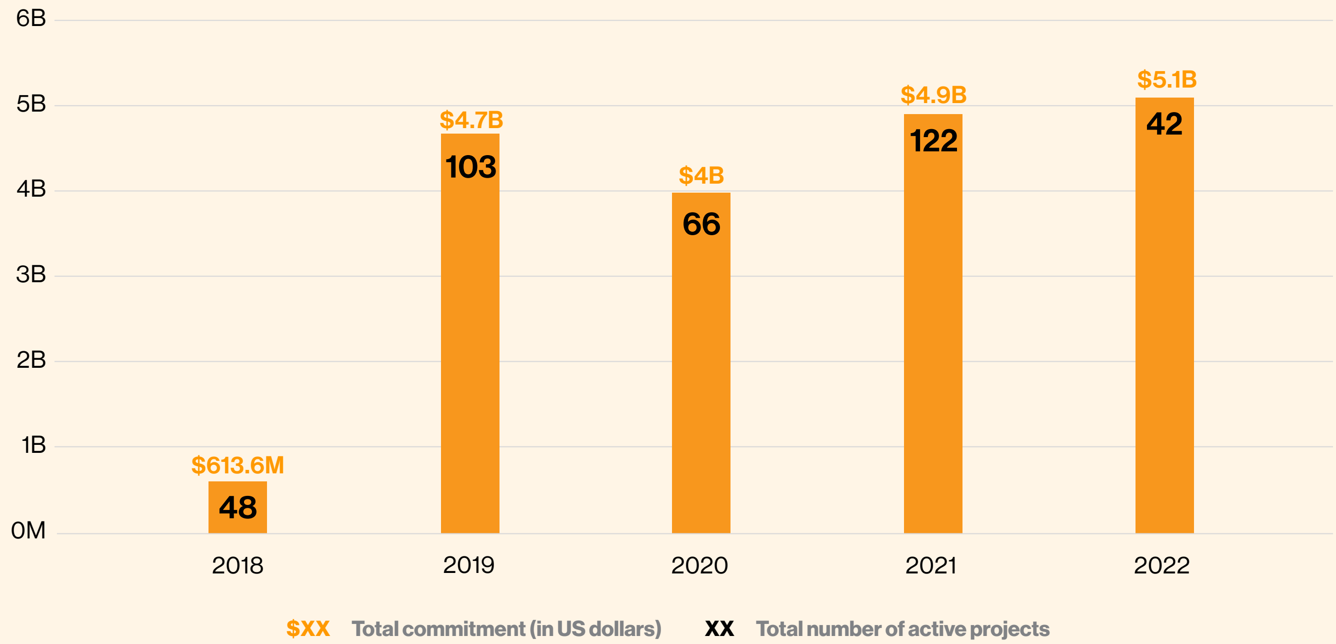
- Banking and finance — $3.8 billion
- Infrastructure — $1.5 billion
- Industry and trade — $867.5 million
- Agriculture — $523.5 million

A further $570.6 million went to other sectors.

Its biggest project is a €122 million investment in Aspen Pharmacare — a multinational pharmaceutical company in South Africa. This is part of a €600 million senior long-term facility arranged by the International Finance Corporation.

DFC

DFC has a total of 381 active projects, worth $19.3 billion. From $613.6 million in 2018, its total allocation skyrocketed to $4.7 billion in 2019.



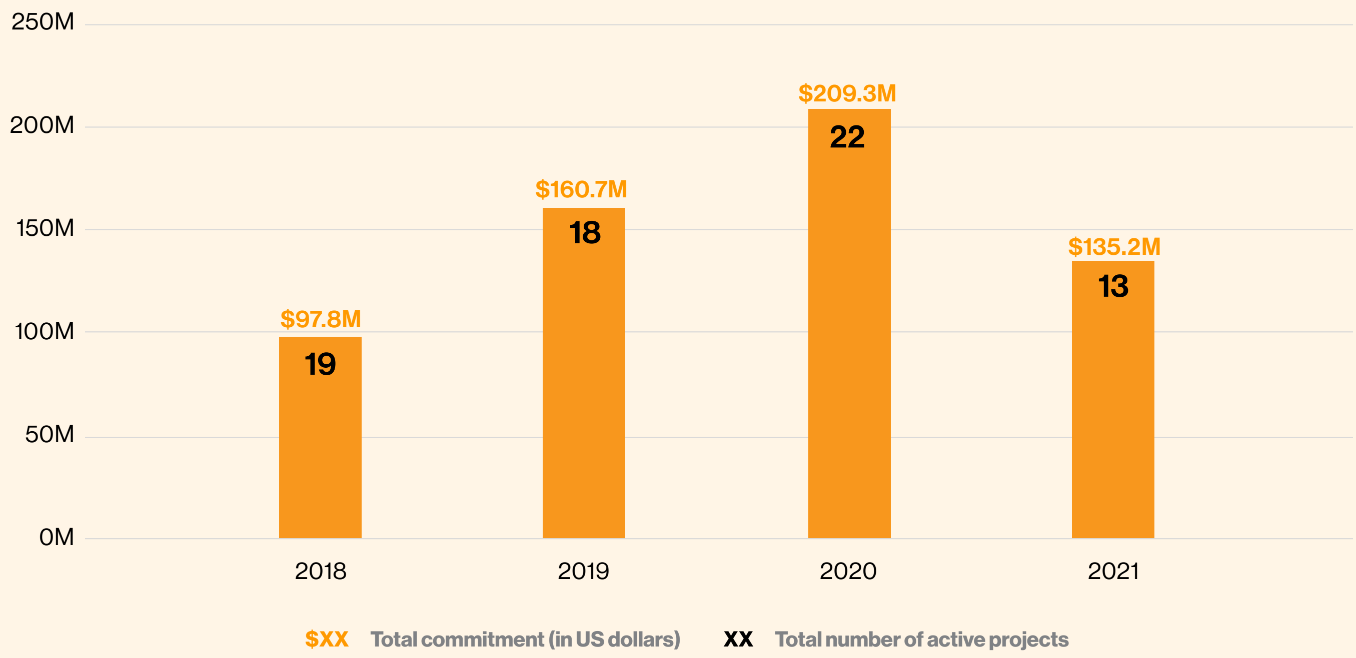
DFC reported that it made more than $6.7 billion commitments in 2021, but that is not reflected in its public project database. The agency reports it hit a record $7.4 billion in 2022, but the full data was not yet available at the time of collection. The biggest bulk of active projects are global in scale, with 40 projects worth $2.9 billion. Among the countries, India accounted for the biggest share, worth $2.1 billion. Mozambique ranked next, with $1.8 billion, Ecuador, with $1.5 billion, and Brazil, with $1.4 billion.

Almost all of DFC's projects are related to banking and finance, worth $19.1 billion. A further $263.4 million went to other sectors.

DFC's biggest project is a $1.5 billion loan to Rovuma LNG. The financing is for the development, construction, operation, and maintenance of a natural gas liquefaction plant in Mozambique.

Finnfund

There are a total of 72 active projects in Finnfund's pipeline, worth $603 million. The biggest commitment was in 2020, with 22 active projects, worth $209.3 million.



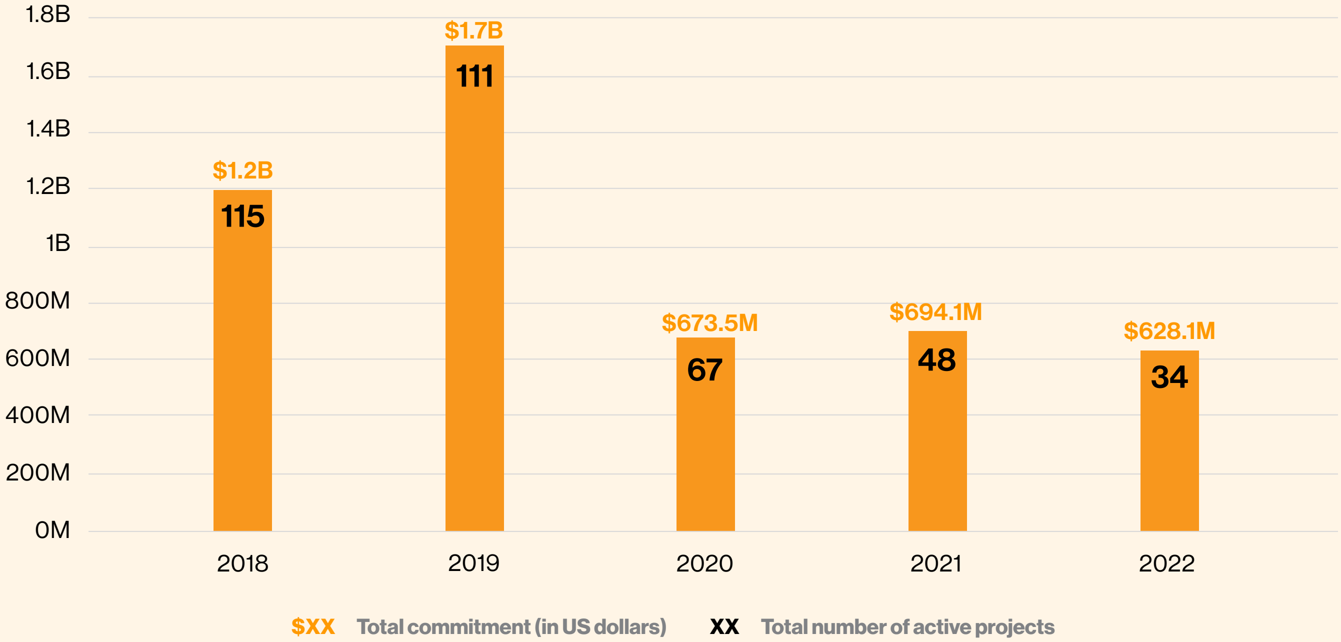
Regional projects in Africa accounted for the biggest portion of money, worth $150 million, while global projects got $142 million. Among the countries, the biggest chunk went to Nigeria, with $25 million. India ranked next, with $21.4 million; Vietnam, with $20 million, and Ukraine, with $17.8 million.

Banking and finance is the priority sector, with $340.4 million. Other sectors that received significant allocations were: agriculture, with $107 million, energy, with $52.8 million, and health, with $30.6 million.

Its biggest project is a €38 million ($43.4 million) global impact investment fund, which aims to finance activities supporting the U.N. Sustainable Development Goals.

FMO

FMO currently has 375 active projects, worth $4.9 billion. Its commitment increased from $1.2 billion in 2018 to $1.7 billion in 2019. In 2020, this went down to $673.5 million and has since stayed within that range.



Global projects accounted for the largest share of active projects, with $724.1 million, while $351.9 million went to regional projects in Africa. Among the countries, India received the biggest amount, worth $512.7 million, then Turkey, with $309.6 million, and Argentina, with $273 million.

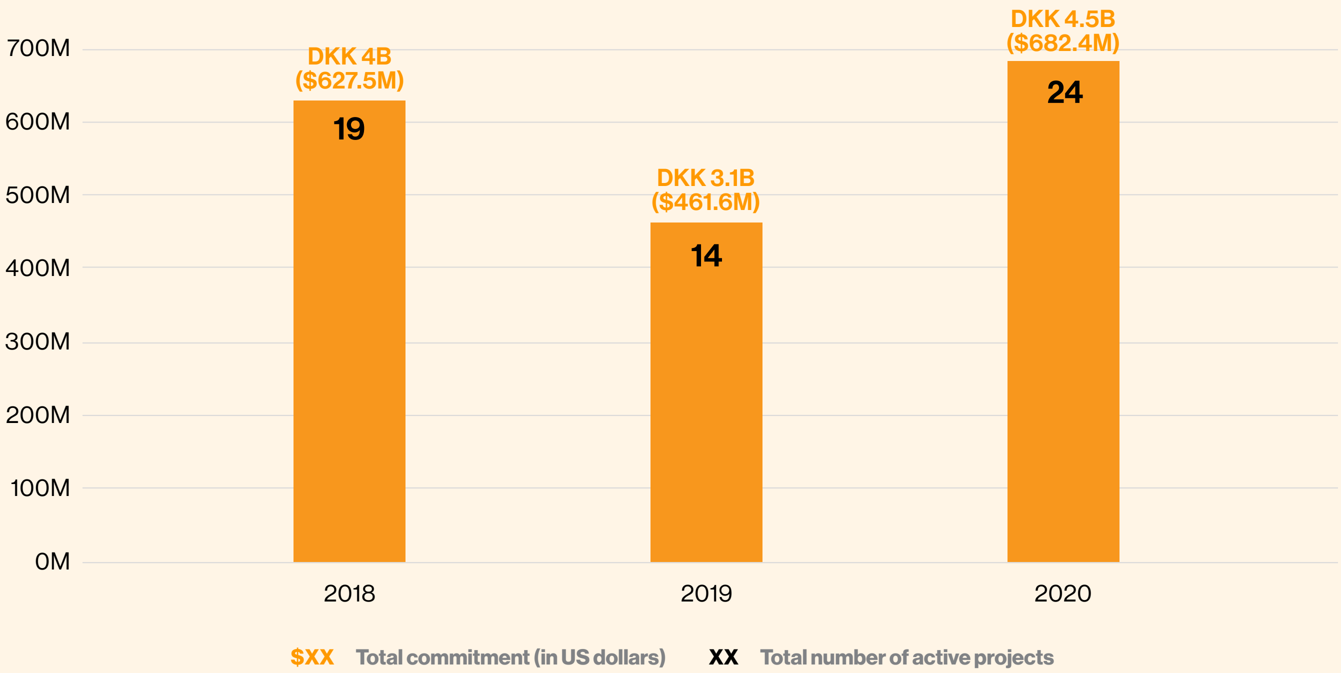
FMO's financing was divided into four sectors:

- Banking and finance — $1.9 billion
- Energy — $1.3 billion
- Agriculture — $978 million
- Infrastructure — $692.6 million

In 2019, FMO signed a $500 million financing agreement with insurance company Munich Re to help it invest in projects targeting SDGs.

IFU

IFU has allocated DKK 11.5 billion to 57 projects between 2018 and 2020, and has not released any updated data since.



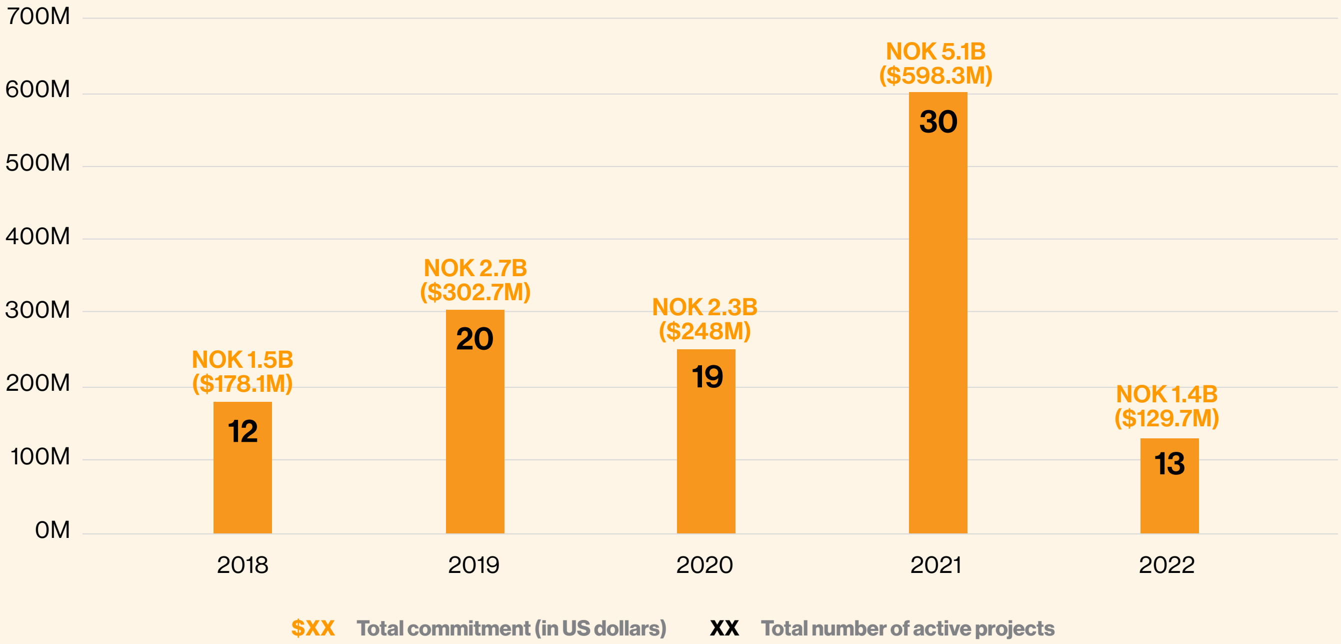
Regional projects in Africa received the biggest share, worth DKK 2.8 billion. A further DKK 1.6 billion went to global projects. Among the countries, India was the biggest recipient, with DKK 997.6 million. Pakistan ranked next, with DKK 954.8 million, Brazil, with DKK 764 million, and Ukraine, with DKK 682.9 million.

Banking and finance and energy were the priority sectors, receiving DKK 2.6 billion each. Agriculture ranked next, with DKK 2.1 billion, health, with DKK 752.1 million, and education, with DKK 585.8 million.

Its biggest project is a DKK 954.8 million financing for the Pakistan Clean Energy project.

Norfund

Norfund has 94 projects, worth NOK 12.9 billion. From NOK 1.5 billion in 2018, its allocation for active projects skyrocketed to NOK 5.1 billion in 2021. So far, its allocation in 2022 is worth NOK 1.4 billion.



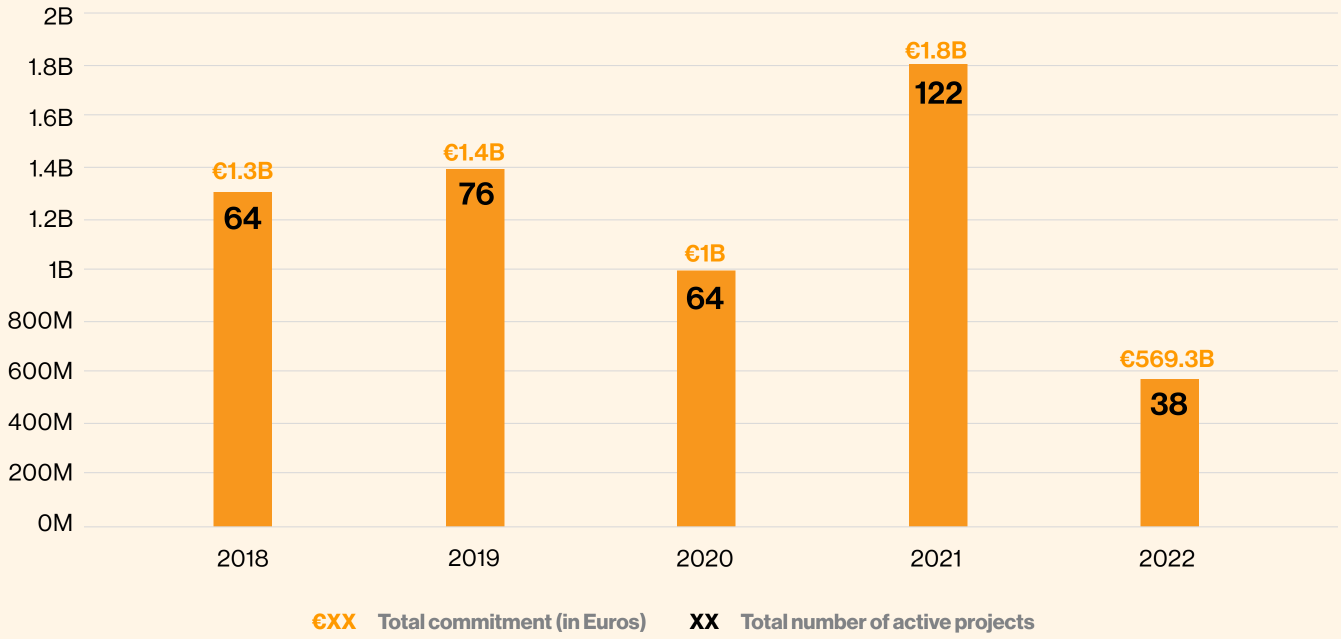
The bulk of Norfund's money went to regional projects: almost NOK 5 billion for Africa, NOK 1.3 billion for Asia, and NOK 446 million for Latin America and Caribbean. A further NOK 1.5 billion went to global projects.

Norfund's projects focused on three sectors: industry and trade, with NOK 4.9 billion, energy, with NOK 4.5 billion, and banking and finance, with NOK 3.6 billion.

Its biggest project is an NOK 823.3 million commitment to Agua Imara, its subsidiary, which has stakes in two hydropower companies — Lunsemfwa Hydropower Company in Zambia and Fountaintrade Hydropower Company in Panama.

Proparco

Proparco currently has 362 active projects, worth €6.1 billion. Its annual allocation remained above €1 billion, reaching as high as €1.8 billion in 2021. However, its commitment for active projects in 2022 only amounts to €569.3 million.



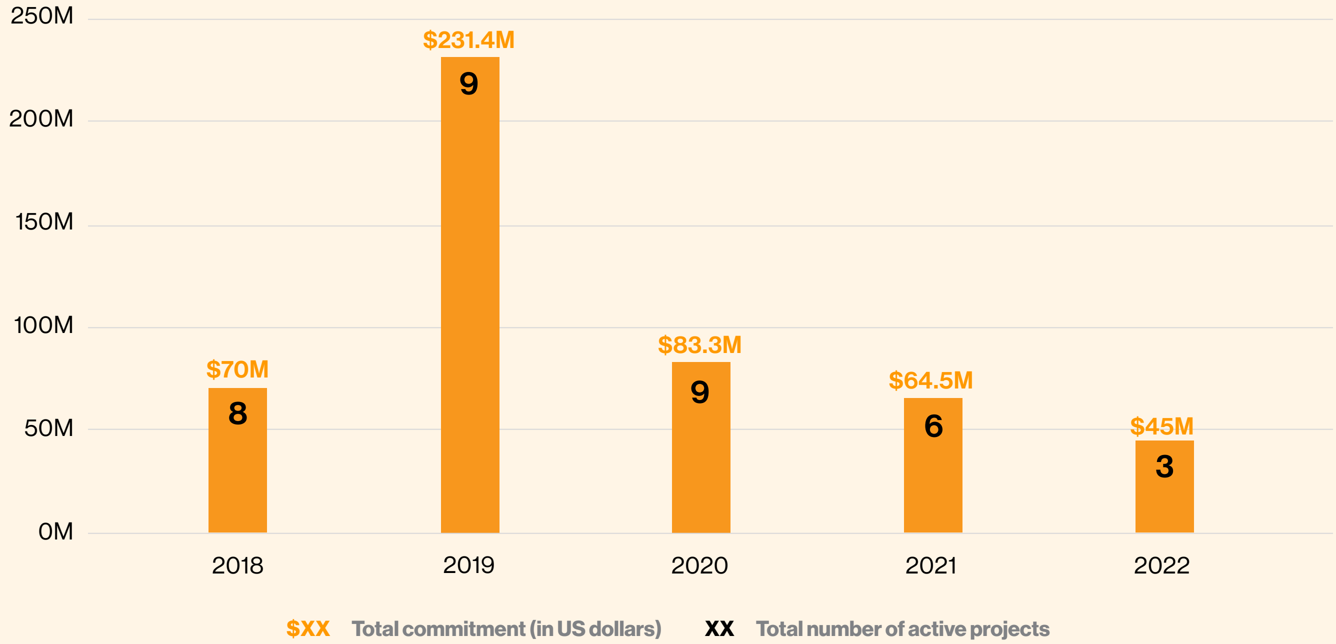
Proparco allocated €840.6 million for global projects, while €469.5 million went to regional projects in Africa. Among the countries, Cote d'Ivoire received the biggest portion, with €373.3 million, followed by Brazil, with €323.3 million, and India, with €281.7 million.

More than half of the money, worth €3.5 billion, went to banking and finance. Other priority sectors include energy, with €662 million, agriculture, with €629.8 million, and infrastructure, with €360.4 million.

In 2021, Proparco approved a €156 million loan to Aspen Pharmacare in South Africa. This is part of a €600 million financing package, together with IFC and DEG, that supports the production of COVID-19 vaccines and treatments in South Africa.

SIFEM

SIFEM has 35 active projects in its pipeline, worth $494.2 million. Its biggest total commitment was in 2019, with $231.4 million. Since then, SIFEM's total allocation has dipped, reaching $64.5 million in 2021.



Regional projects in Africa accounted for the biggest portion of money, worth $232.9 million. Global projects ranked next, with $29.3 million then regional projects in Asia, with $27 million.

SIFEM's projects focused mainly on three sectors: banking and finance, with $165 million, energy, with $47.1 million, and agriculture, with $7 million. A further $275 million went to multisectoral projects.

One of its biggest commitments was $15 million to Africa Development Partners Fund III. The fund, which has a target size of $800 million, aims to invest in African businesses working mainly in the agri-processing, healthcare, trade and manufacturing, telecommunications, banking, and transport sectors.

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