

»» DEG: Financing opportunities – shaping development





» Taking the initiative



»» DEG is a partner to private enterprises that invest in developing and emerging market countries. As one of Europe's largest development finance institutions, we promote entrepreneurial initiative with the aim of providing people with work, income and prospects and contributing to sustainable development.

»» Taking advantage of opportunities



»» Promoting entrepreneurial initiative

DEG provides finance and advice to enterprises that share its commitment to sustainable success.

Taking advantage of opportunities, maintaining a competitive edge, opening up new markets – these are the guiding principles of enterprises that invest in developing and emerging market countries. Entrepreneurial initiative is a key driver of work, income and progress: entrepreneurs advance ideas, invest in innovation, create skilled jobs and offer people prospects for the future. But they often lack the capital needed for investment, since many banks prefer to avoid the comparatively high risks in developing countries.

DEG closes this gap. We finance and support private enterprises that invest in developing and emerging market countries. As a development finance provider, we become involved wherever the market provides insufficient levels of finance, or no finance at all. As a pioneer investor, we enter future markets early on and promote the expansion of the private sector.

As a long-term partner to our customers, we think and act like an entrepreneur – and faithfully remain at their side even in times of crisis. It is our way of showing that entrepreneurial involvement is possible even in difficult circumstances.

We finance promising entrepreneurial involvement with long-term loans, equity stakes, mezzanine finance and guarantees, all at market terms. And we advise our customers, offering a range of programmes that enable them to create extra added value on the ground. DEG's new business for 2014 alone – approx. EUR 1.5 billion – has served to mobilise investments by enterprises with a total volume of EUR 9.2 billion.

»» Creating lasting outcomes



»» Acting entrepreneurially



Our customers come from a range of industries: from agribusiness, manufacturing, the infrastructure, service and financial sectors. They come from developing and emerging market countries, from Germany and from other industrialised nations.

For finance to be provided by DEG, an enterprise must either operate in a developing country or intend to invest there. We finance green-field undertakings and investments for expansion, subsidiaries and joint ventures. As well as offering direct finance to enterprises, we also make long-term funds available to banks and funds that in turn provide finance to enterprises. That enables small and medium-size enterprises (SMEs) in particular to develop and to invest.

We offer our customers more than just tailor-made, risk-appropriate finance and consultancy solutions. Enterprises can rely on our competence and the know-how we have acquired over more than half a century. We understand their expectations and requirements and can offer expert advice. They benefit from our experience of successfully investing in riskier markets, our comprehensive knowledge of regions and industries, and our international network. We also provide targeted support to German enterprises, enabling them to take advantage of opportunities and arrange successful long-term foreign investments.

That is how we help to ensure investment success while also promoting development with a sustainable impact.

»» Generating value and making an impact

The aim of our involvement is always to enable sustainable, effective development.

We focus on enterprises with a long-term outlook and on effective investments that create added value. Enterprises that enjoy long-term success create skilled jobs and generate income. They invest in the education and training of their staff, enhance local production structures, improve the range of goods and services on offer and boost levels of added value within the country. Their tax payments contribute to public revenue, while their export earnings enhance the investment country's foreign exchange revenue.

Sustainable involvement also means acting in environmentally and socially responsible ways, applying and helping to disseminate internationally approved standards. We are committed to humane working conditions and the careful, efficient use of natural resources. We have pledged to uphold both in our environmental and social principles. We are committed to internationally approved environmental and social standards and place our customers under an obligation to uphold them.

In certain cases, the provision of DEG finance is precluded from the outset. For instance, we do not engage in investments that involve child labour or forced labour, nor in weapons manufacturing.

We regularly examine the impact of our work in terms of development policy. The finance committed by DEG in 2014 provides an example of what we achieve with our involvement. It alone was responsible for creating or securing more than 840,000 jobs in the enterprises financed. Those businesses contribute to approximately EUR 660 million in public revenue annually and generate some EUR 4.2 billion in net currency earnings a year. And they enable the generation of 4,000 GWh of green energy annually, supplying some 5.5 million people.

Above and beyond that, many of our customers make a special effort to meet their social obligations as entrepreneurs. They pay above-average wages, fund insurance benefits and set up nurseries or health centres for the use of employees and their families.



»» Enabling development

»»» Beyond finance: DEG as partner

Competent advice

We know the markets and industries in which enterprises want to invest. We advise our customers from the outset and bring our in-depth knowledge to the table. They benefit from our close market links, our network and our 14 locations in Africa, Asia, Europe and Latin America. As a subsidiary of KfW, we can also make use of more than 80 KfW offices all over the world.

Solution-based finance

We offer long-term finance in the form of loans, guarantees, mezzanine finance and equity stakes, always tailored to the specific investment. For each case, we devise a carefully considered, viable financial solution that takes appropriate account of possible risks. We are always responsive to our customers and rely on constant communication. Our international network enables us to involve other providers and arrange large volumes of finance.

In addition, we provide promotional programmes designed to offer targeted support to enterprises. This might involve, e.g. co-financing feasibility studies, pilot programmes or a range of complementary measures. And we advise our customers on, e.g. the most efficient and sustainable use of resources such as water and energy.

Reliable support

Our customers can rely on us. We are committed to them for the duration. In regions with strong growth and higher risks, developments may occur that affect the market, production, and the success of an investment. Given our decades of experience, we find solutions even in more challenging situations – solutions that help to stabilise the situation and create the basis for further investments.

»»» DEG finance

Equity capital

- Equity participation in the enterprise in the investment country
- Minority stake as a rule
- Variable configuration of risk components
- In some cases voting rights and seat on the company board
- Clearly defined exit rules

Mezzanine finance

- Type of finance between equity stake and borrowing
- Project-specific arrangements
- Subordination
- Risk-appropriate yield
- Conversion options

Long-term loans

- Euro or US dollar, also local currency
- Term usually between 4 and 10 years
- Collateral security usually enterprise's fixed assets in the investment country, project-specific arrangements
- Interest rate fixed or variable, market-oriented according to project and country risks

Guarantees

- Mobilisation of long-term loans or bonds in local currency
- Reduced exchange-rate risk due to repayment in local currency
- Partial guarantee preferred (risk sharing with local bank or bond creditor)

»»» Promotional programmes

Feasibility studies

If a medium-size European enterprise is planning to invest in a developing country and wants to obtain a feasibility or environmental study, a legal opinion or market analysis, DEG may bear a proportion of the cost up to EUR 200,000. This is financed from funds provided by the Federal Ministry for Economic Cooperation and Development (BMZ).

develoPPP.de

If a European enterprise wants to implement a project with an impact on development, e.g. a pilot project, or environmental or qualification measures, co-finance may be available through the BMZ's develoPPP.de programme. Enterprises may submit their proposals at ideas competitions held four times a year. Up to EUR 200,000 per project can be made available on a pro-rata basis.

Climate partnerships with the private sector

Measures by enterprises designed to promote the spread of climate-friendly technologies are eligible for support of up to EUR 200,000 from "Climate Partnerships with the Private Sector", a programme run by the Federal Ministry for the Environment (BMUB).

Complementary measures

Measures designed to complement investment help to enhance the broad-based and structural developmental impact of investment schemes. Part of the cost, up to EUR 200,000, may be covered by DEG, e.g. to enable certification of suppliers or introduce environmental management systems. DEG uses its own and BMZ funds for the purpose.

Up-scaling

This programme, financed from DEG's own funds, enables innovative pioneer investments by German and local SMEs in developing countries to be supported during the start-up phase. Projects may attract co-finance of up to EUR 500,000, which must be repaid if the undertaking is successful.

»» International commitment and networking

DEG's EUR 7.8 billion portfolio and 14 locations

»» Europe: EUR 1.2 billion



»» Asia: EUR 2.5 billion



»» Africa: EUR 1.9 billion



»» Latin America: EUR 2.0 billion



»» Supra-regional EUR 0.2 billion

»» Investing in the future

Long-term funds for small and medium-size enterprises

Small and medium-size enterprises (SMEs) are the mainstay of the economy in many countries. Often, they generate more than half of GDP. But SMEs find it hard to secure long-term capital for investments, especially in developing countries. DEG closes this financing gap. We finance SMEs directly, enabling them to carry out their investments. We also provide funds to banks and investment companies that finance small and medium-size enterprises locally in developing countries.

For example, loans from DEG have enabled the Fidelity Bank in Ghana and the Bank South Pacific (BSP) in Papua New Guinea to expand their business with SMEs. BSP uses mobile banking and distribution via small shops to provide loans to its local customers across the region. The Brazilian fund “Fundo de Investimentos Riqueza Social para Todos (FIRST)” invests in small and medium-size enterprises whose customers are low-income households. In 2014 we contributed to their impact fund, strengthened the capital base as an anchor investor, mobilised additional investors and enabled more SME involvements. Another example is the “Aga Khan Fund for Economic Development (AKFED)”. In 2014, the fund received a long-term loan of USD 67 million from DEG to expand its financing of enterprises in Africa and Asia.

Sustainable energy supplies: crucial to development

A reliable energy supply is essential to enable progress in developing countries. Often, access to energy is still inadequate, especially in rural areas. Private sector involvement helps to close the gaps in supply. DEG focuses especially on schemes that make use of renewables from sun, wind, water, biomass or thermal energy.

We invest in enterprises that build and operate geothermal power plants, e.g. in Kenya, or in small-scale run-of-the-river power plants in Asia – thus helping to improve the energy supply. Another example is SOWITEC, a German enterprise developing wind farms at various sites in Latin America.

We are working with the municipal utilities of the city of Mainz on a develoPPP.de project to establish a “village utility plant” in Senegal. At the local biomass power plant, harvest waste is turned into electricity for the village. With our “Up-scaling” programme, we have enabled the expansion of an innovative solar power scheme by the Berlin-based enterprise Mobisol. It provides households in East Africa with access to affordable solar power via SMS.

»» Promoting innovation





A partner to business focussed on solutions

Enterprises in the agribusiness, industrial and services sectors make a significant contribution to providing jobs, education and training and strengthening the economy. In developing and emerging market countries, they often have no access to long-term finance. Without capital with matching maturity, it is hard for them to make investments. We offer enterprises not only appropriate long-term finance, but packaged solutions tailored to each customer's needs. We provide advice and assist in developing complementary measures designed to make their investment schemes even more professional and sustainable. We support our customers throughout the entire term of our involvement. As well as bringing the necessary industry know-how to the table, we are thoroughly familiar with the conditions and business climate in our investment countries. And to promote the sharing of information, we bring enterprises operating in the same sector together from across the region.

Our customers include, e.g. Kamuk of Costa Rica, a medium-size producer of chilli sauce that has been able to expand production and its product range with a loan from DEG. Automotive industry suppliers like Autometal S.A. of Brazil have financed investments for modernisation and expansion with DEG loans.

Providing reliable advice and finance to German enterprises

Venturing abroad offers enterprises an opportunity to open up new markets and gain a competitive edge. But foreign investments also present a range of challenges. That is especially true for medium-size enterprises, particularly when they have never operated in other countries before.

Medium-size German enterprises that invest in developing countries can count on DEG's extensive experience and knowledge. Every year, we work on approximately 100 schemes with German enterprises launching operations in emerging market and developing countries. We reliably provide support, advice and finance for the entire term of their involvement. This includes promoting measures designed to lay the groundwork for an investment, e.g. carrying out feasibility studies.

Hape, a maker of sustainably produced wooden toys, has further expanded its logistics and warehousing capacity in China with a loan from DEG. We have also supported and financed both the modernisation of greenhouses by the Stuttgart-based horticultural business Selecta Klemm in Kenya and investments for expansion by the German mechanical engineering group Haver & Boecker in Brazil.

Enabling investment in infrastructure

Serviceable infrastructure is essential for countries to be able to develop. Without transport routes or telecommunications, without access to water and electricity, sustainable development is hardly possible. But major infrastructure projects often exceed a state's financial capabilities. In such cases, private providers can help to improve the infrastructure. We offer enterprises long-term loans, mezzanine finance and equity stakes, enabling new investments and investments for expansion or modernisation.

One enterprise received a long-term loan from DEG to build a modern water treatment plant in Namibia. The new complex, which replaces an obsolete sewage plant in Windhoek, meets international environmental standards and helps to conserve the city's limited water resources.

To help in achieving blanket telecommunications coverage, we were among the first to focus on mobile telephony, e.g. in Africa. We financed the continent's first network provider as early as 2001. Our current mobile telephony portfolio runs to around EUR 210 million across more than 30 investments.

Countries with a future – prospects for enterprises and people

Over recent years, emerging market countries like India and China have established themselves as growth markets. But many developing countries have plenty of market potential if we look beyond the major emerging markets. They include such African countries as Tanzania, Mozambique and Zambia, but also Indonesia and Myanmar, Columbia and Peru.

As a pioneer investor, we deliberately become involved in future markets, always with the aim of encouraging entrepreneurial initiative and enabling development. We invest in the financial sector to provide local enterprises with access to loans and to send a message to other investors. For instance, we are providing finance and advice to banks offering loans to entrepreneurs in Cambodia, Sri Lanka and Tanzania.

Everyone benefits from our involvement: the countries, the enterprises that invest in them, and local people.

»» Why we work with DEG

DEG customers report



“We set an example and help to reduce poverty in Kenya. By providing finance, DEG has enabled us to invest in expansion.”
Richard Kimani Rugendo, Managing Director, Kevian Kenya Ltd.

As a Kenyan fruit juice producer, Kevian buys and processes fruit from small farmers. The business is expanding and modernising its production facility and uses a state-of-the-art filling plant from Germany. DEG provided Kevian with a long-term loan for the purpose.



“DEG not only financed our investments, but also helped us to introduce an energy monitoring system.”
Thomas Schneider, founder Saigon TanTec Ltd.

The tanning company Saigon TanTec Ltd. in Vietnam focusses on the sparing use of resources and has modified its entire production facility. DEG financed these investments and also supported the introduction of a new energy monitoring system with funds for complementary measures.



“DEG is an important strategic partner for us – not just financially. Like DEG, we are committed to sustainability.”
Rosario Bazán, Managing Director, Danper Trujillo

Danper grows asparagus and other vegetables and fruit in Peru, processes the produce locally and then exports it. Its range includes ready meals as well as tinned fruit and vegetables. DEG has been financing the enterprise since 2008. With long-term loans, Danper has been able to extend the area under cultivation.



“DEG made a detailed study of our business model and then provided finance and advice that have significantly contributed to Finterra’s growth.”
Mark McCoy, CEO Grupo Finterra

Finterra is a Mexican financial institution that mainly finances small and medium-size enterprises in the agricultural sector. It has been a DEG customer since 2006. Finterra receives not only long-term finance from DEG, but also detailed advice and support to, e.g. introduce an environmental and social management system that meets international standards.

»» DEG: Facts and Figures

1962

DEG is founded on the initiative of the German federal government. Its mission: to finance private-sector investments as a driver of development.



The “European Development Finance Institutions” are a group of 15 bilateral development finance providers. DEG has been a member since 1992.



SMEs: small and medium-size enterprises need access to long-term investment capital. That is why DEG focuses on SMEs and medium-size businesses.

3,100

is the number of entrepreneurial investments financed by DEG to date.

KfW DEG

DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH has been a subsidiary of KfW since 2001.

EUR 7.8 billion

was the total volume of DEG’s portfolio at 2014 year end. It finances investments in around 80 countries.



Co-financed enterprises pledge to comply with international standards, e.g. the key labour standards issued by the “International Labor Organization”.

840,000

jobs have been created or secured with DEG’s 2014 commitments alone.



You can find out more about our work and our customers at www.deginvest.de

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»» Creating prospects





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