



FMO

Entrepreneurial
Development
Bank

Building Prospects

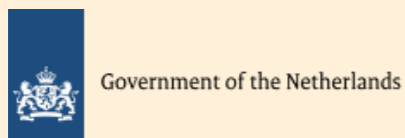
INVESTMENT STRATEGY
2019-2028

ENABLING HIGH
IMPACT FOR
PEOPLE

.....

Building Prospects
invests to create improved
economic prospects for
people in developing
countries, through
sustainable social and
economic growth

.....



FMO manages the following funds on behalf of the Dutch government: MASSIF, Building Prospects, the Access to Energy Fund (AEF), FOM, FOM-OS, B-CD, Partnership Development Facility (PDF) and Development accelerator (DA). The total committed portfolio of these funds (excluding grants) amounts to EUR 1,088.2, mln as per December 2018.

The term 'fund' as used in this document refers to a program in the form of a subsidy received from the Dutch government that is managed by FMO, unless reference is made to an investment made under a program.



TABLE OF CONTENTS

| | |
|--|-----------|
| Executive summary | 6 |
| FMO as fund manager | 8 |
| At a glance | 10 |
| Fund themes | 12 |
| Enabling infrastructure | 12 |
| Agribusiness | 14 |
| Climate | 16 |
| Annex 1 - Country list and key indicators for agri and energy | 18 |
| Annex 2 - Portfolio development | 20 |
| Annex 3 - Risk appetite and products | 22 |
| Annex 4 - Capacity development | 24 |
| Annex 5 - Theory of change | 26 |
| Annex 6 - List of abbreviations | 28 |
| Colophon | 30 |

EXECUTIVE SUMMARY

Building Prospects will be managed against the backdrop of the UN 2030 Agenda.

The Sustainable Development Goals (SDGs) call for action by all countries and parties – government, civil society and the private sector – to end extreme poverty, reduce inequality and tackle climate change by 2030 (“people, planet and prosperity”).

The 2030 Agenda will not be successful if the major under-investments in infrastructure persist.

Between USD 1 and 1.5 trillion is needed annually to sufficiently close the infrastructure gap. This enormous amount has sparked a substantial number of global initiatives and platforms focused on making infrastructure projects bankable. Building Prospects will be a small but hopefully influential tool to contribute to the success of these efforts to scale up the availability of bankable projects. FMO’s deal sourcing track record provides an excellent base for Building Prospects to make that contribution. The energy market is changing. Specifically, mini-grid and off-grid energy are becoming more prominent. With the energy sector playing a key role in the Fund, these trends have implications for Building Prospects.

Agriculture is another key sector in the success of the 2030 Agenda.

As stressed by the World Bank in its Future of Food report, over 80% of the global poor live in agricultural areas and are dependent on the quality of agricultural value chains for their income. These people can benefit tremendously from an intensification of private investment in agricultural value chains, as envisaged by Building Prospects. In agri-business, the missing middle between small-holder farmers and large agricultural companies needs to be filled. This is something Building Prospects aims to contribute to. Urbanization and the shifting composition of diets opens market opportunities along the value chain. By 2030, both LICs and MICs will see a 7.5 percentage point increase in the number of people living in urban areas. Their alimentary needs can only be met by efficient value chains that also respond to changing consumption patterns. The total urban food and beverage market in Sub-Saharan Africa alone is expected to grow to USD 400 billion by 2030.

While economic opportunities call for a scale up of value chain investments, the effects of climate change provide an increasingly challenging context.

The global community will need to incentivize innovation to counter these effects, such as investing in crop resilience and the application of technology that reduce post-harvest losses. Navigating these complex trends will mean seizing new ways to increase the productivity and efficiency of agribusiness value chains.

The main objective of Building Prospects is to stimulate private sector development and drive job creation,

contributing to SDG 8 – Decent Work and Economic Growth. This is achieved most efficiently through investing in the agribusiness value chain, and by investing in industry and infrastructure (SDG 9 – Industry Innovation and Infrastructure). Development of infrastructure and the agricultural sector are mutually reinforcing as agriculture relies on a strong enabling environment with proper access to natural resources, electricity and logistics. Long term financial sustainability depends on environmental sustainability, highlighting the importance of reducing GHG emissions and adapting to the consequences of climate change (SDG 13). The fund will have a climate marker, which means the Fund counts towards the Dutch Climate Goals. Throughout all its projects, Building Prospects will emphasize reducing inequalities (SDG 10), which includes gender equality (SDG 5). Building Prospects will have a Gender Marker and will act accordingly.

To reach the goals of the 2030 agenda it is important to align global investment with long-term sustainable development, including through better incentives along the investment chain. Financing is being used in increasingly sophisticated and creative ways to meet public policy objectives, including ‘blended’ finance where public finance is blended with private finance. Such alignment of financing sources can lead to much larger volumes of private finance channeled to the attainment of the SDGs.



FMO AS A FUND MANAGER

Since 2002, Building Prospects has been a successful policy instrument of the Ministry of Foreign Affairs (MoFA), and one of the early adopters of blended finance solutions.

The Fund is used to de-risk investments at an early stage of the life cycle, catalyzing investments from FMO and other Development Finance Institutions (DFIs) and, at a later stage, commercial and institutional investors. With each investment, the additionality of Building Prospects is scrutinized to ensure there is no market distortion. The Fund is ideally suited to be an innovator and first mover in new segments of target markets. The integration of off-grid energy investments into the Energy portfolio and the emergence of a Forestry investment strategy in FMO are two examples of Building Prospects accelerating development.

Fund management of Building Prospects is fully integrated in FMO.

The front office teams with sector expertise in Agribusiness, Energy and Private Equity run the investment processes, are scrutinized by the credit risk team, and monitor the investments. The range of products includes equity funds and direct equity investments, as well as mezzanine, (local currency) debt and guarantees. There is some scope for project development finance. ESG is fully incorporated into the front office teams and the investment process.

Capacity Development is offered to clients to ensure their intended impact can be boosted.

There is a dedicated team with experience structuring and overseeing value-adding projects such as improvements in IT/ MIS systems, environmental and social performance management, corporate governance and trainings. For Building Prospects, the team will focus especially on climate resilience and gender related topics.

An evaluation framework will perform theme research and impact evaluations.

The evaluation management approach is an integral part of the investment process, will show where evidence gaps are and create a feedback loop to iterate learnings immediately into the investment process.

The revolving character of the Fund has allowed over EUR 800mln to be invested over the past 15 years, catalyzing close to EUR 6bln of DFI and commercial finance, versus EUR 354mln received from the Ministry.

Moreover, the portfolio of investments created generates stable cash flows that allow for continued investments. With MoFA's commitment to increase public funding available for Building Prospects to EUR 465mln, the Fund is ideally placed to persevere making high impact projects bankable.



BUILDING PROSPECTS AT A GLANCE – 2018



628

Total disbursements
(EUR mln)



831.8

Total commitments
(EUR mln)



95.6%

Revolvability



138

Cumulative total clients

Through Building Prospects we successfully supported private sector development

69,825

Cumulative direct
jobs supported

2.0mln

Estimated
Indirect jobs

3.5bln

Estimated catalyzed
private

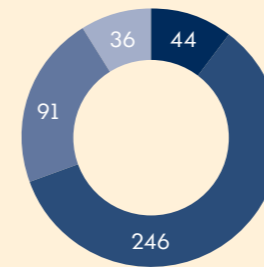
2.6bln

Estimated catalyzed
public

51.2mln

Beneficiaries
reached

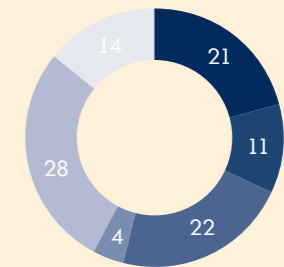
IN THE REGIONS WHICH NEED IT MOST



Regions

| | |
|-------------------------------|-----|
| Latin America & The Caribbean | 44 |
| Africa | 246 |
| Asia | 91 |
| Non-specific region | 36 |

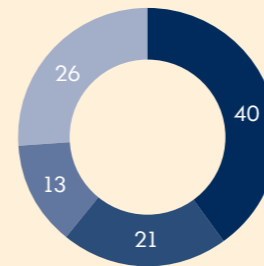
IN THE MOST RELEVANT SECTORS



Industry

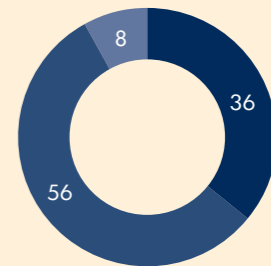
| | |
|----------------|-----|
| Agribusiness | 21% |
| Infra | 11% |
| Other | 22% |
| Telecom | 4% |
| Mixed | 28% |
| Non-renewables | 14% |

BY PROVIDING A RANGE OF PRODUCTS



Product

| | |
|---------------|-----|
| Debt | 40% |
| Equity Fund | 21% |
| Equity Direct | 13% |
| Mezzanine | 26% |



Currency

| | |
|----------------|-----|
| Local Currency | 36% |
| US Dollar | 56% |
| Euro | 8% |

Based on this track record, FMO intends to focus its efforts with Building Prospects on developing the private sector through investing in the efficiency and expansion of the agri-business sector, the infrastructure which supports the private sector, and it aims to do this in a climate friendly and resilient way, benefiting segments of the population which have been left behind.



ENABLING INFRA



AGRIBUSINESS



CLIMATE

*Indicators are estimated historical figures for IDF 2002-2018
*Pie graphs are based on portfolio end of 2018

FUND THEMES

Enabling infrastructure

Infrastructure investment is vital for sustainable economic growth (SDG 9 and 10). Building Prospects investments in infrastructure will continue, as local companies need access to electricity, water, social capital, logistics and transport modes to grow and thrive. Strong enabling infrastructure in these areas can mean the difference between subsistence farming and commercial agriculture and between small scale production and larger scale manufacturing of consumer products.

Focus on energy and water creates important synergies. For example, productivity gains in agriculture in India were spurred by better irrigation, at its turn made possible by off-grid energy solutions

in rural areas¹. Social infrastructure including health and education is important to ensure the growing private sector will have adequate access to human capital. Giving people perspective through the lens of employment means they need to be educated and in good health. We see opportunities to invest in public sector infrastructure investments that can be supported by concessional funding (e.g. from DRIVE), in addition to a Building Prospects tranche that can be refinanced by commercial funding. Finally, environmental infrastructure, including waste management and ecosystem and biodiversity conservation is imperative to a sustainable agriculture sector.



CASE STUDY: AL SAFAWI

The purpose of this investment is to develop, construct and operate a solar power plant in Jordan. Without Building Prospects funding the tail-end of this project, it would not have met FMO's investment criteria. Hence, Building Prospects's USD 5.3 mln investment was able to catalyze an additional USD 29.7 mln of funding. The project will provide green energy at a low price to an estimated 53,793 people and avoid almost 100,000 tCO₂eq/yr.

WHY WE FUND THIS PROJECT

This project fits well into the mandate of Building Prospects, as it is a 100% green solar project in Jordan. This project is in the Mafraq Region, in a development zone that Jordan is developing as industrial zone. As such it contributes to private sector development in Jordan. The area is also close to refugee camps. The Jordanian government is working actively to create employment for the Syrian people and avoid a crowding out of the Jordanian workforce.

¹ UN (2014) Securing Access to Water and Energy; United Nations Information Brief.

Agribusiness

Given that 80% of workers in developing countries rely, directly or indirectly, on agriculture, it is considered the most promising sector to strengthen economies, create local employment and reduce inequalities² (SDG 8 and 10). Many poor countries rely heavily on agriculture and local value creation is often limited. The African Development Bank³ pointed out that, despite the focus of many Low Income Countries on agriculture, many of them have in effect become net (processed) food importers.

Building Prospects will have an integrated value chain approach going forward, which aims to harness economic value within local economies. The fund will

support development of value chains which broadens activities from farming towards logistics, (cool) storage, processing and distribution. Through better logistics and storage, we aim to reduce post-harvest losses. Through investments in food processing, we keep high value activities in-country, transforming the sector and supporting growth and local employment.

Through its evaluation instrument, FMO intends to analyze the gender impact of its agribusiness projects. Evidence confirms that gender-smart solutions in agribusiness can increase the sector's productivity and profitability⁴ (SDG 5).



CASE STUDY: DANPER

Danper is one of Peru's leading agricultural companies which was established in 1993 and currently produces fresh, canned and frozen asparagus, artichokes, peppers, mango and other fruits and specialty products mainly for export to North American and European markets. The company is an important vehicle for development as it generates a positive and significant impact to the economy of its suppliers, workers and communities and along its value chain.

WHY WE FUND THIS PROJECT

Building Prospects's financing of USD 5 million is supporting Danper through its growth phase by enabling a better match between the maturity profile of its assets and funding lines. To assist the company in dealing with weather related effects that will be amplified by climate change, such as the El Niño effect of 2015, FMO has established a capacity development plan to assist them with an Integrated Water Management Plan to manage the water risks, which is aligned with the Alliance for Water Stewardship Standard and thus includes surrounding affected communities. As such, this project qualifies as a climate adaptation project. While FMO has in the past not purposefully sourced for climate adaptation projects, the importance of climate adaptation is becoming increasingly clear.

² The World Bank (2008, World Development Report 2008, Agriculture for Development, The World Bank, Washington DC.

³ African Development Bank (2011, Infrastructure and Agricultural Productivity in Africa, African Development Bank, Tunis, Tunisia.

⁴ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5978796/>

Climate

Building sustainable businesses means considering the risk of climate change (SDG 13). As poor countries are more vulnerable to climate change, all Building Prospects' investments shall be assessed on their ability to reduce GHG emissions or to adapt to the consequences of climate change. In all Building Prospects projects, we will seek to strengthen sustainable business practices and ensure efficient use of scarce resources, both regarding inputs (use of water, use of renewable energy sources) and outputs (reducing post-harvest losses). This allows clients to better respond to potential droughts and other climate shocks.

In addition, through Building Prospects' continued attention for sustainable forestry, the Fund will further contribute to a reduction of GHG emissions, as investments in forestry are up to 10 times as effective as investments in renewable energy. Building Prospects will have a Climate Marker to contribute to the Dutch Climate Goals.

In all Building Prospects projects, FMO will apply the IFC performance standards, giving proper attention to project set-up as well as project implementation.



CASE STUDY: ALTHELIA CLIMATE FUND

Althelia aims to invest in carbon emission reduction projects in the forestry sector which generates carbon offsets. A carbon offset is a reduction in carbon or other greenhouse gas (GHG) emissions made in order to compensate for or to offset an emission elsewhere. Deforestation represents around 17% of annual global greenhouse gas emissions. International carbon markets offer an avenue for increasing the financial competitiveness of forest protection and creation.

WHY WE FUND THIS PROJECT

Building Prospects invested EUR 15 mln in the Althelia Climate Fund. It is additional in doing so, as there are few commercial funds available for this new asset class. By being a 'first-mover', the investment by FMO has allowed the Fund to reach a first close and subsequently attract follow-on funding from other DFI and commercial investors. This contributes to developing the forestry market, which has extremely high effects on GHG reduction. Furthermore, FMO is instrumental in the development of a Fund level Social and Environmental Management System that meets relevant environmental and social standards (sector specific, IFC PS) and which will ensure the systematic promotion of environmental and social development impact in all projects to be financed.

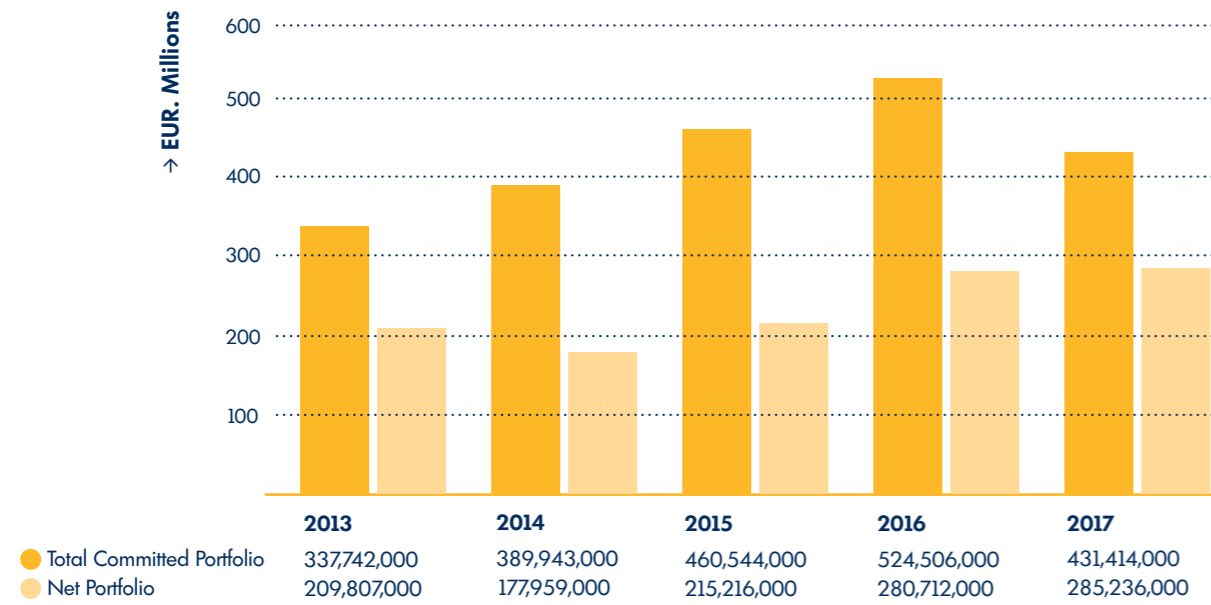
ANNEX I – BUILDING PROSPECTS: COUNTRY LIST AND KEY INDICATORS FOR AGRI AND ENERGY

| Country name | DGGF country | Fragile country | WB Classification | GDP per capita | Inequality-adjusted-Human Development Index | | |
|------------------|--------------|-----------------|---------------------|----------------|---|-------------------------|--------|
| | | | | | % dependent on agri | % access to electricity | |
| Afghanistan | Yes | Yes | Low income | 585.85 | 0.35 | 62.19 | 84.14 |
| Algeria | Yes | No | Upper middle income | 4,123.39 | 0.60 | 12.83 | 99.44 |
| Angola | Yes | No | Lower middle income | 4,170.31 | 0.39 | 50.60 | 40.52 |
| Armenia | Yes | No | Upper middle income | 3,936.80 | 0.68 | 34.35 | 100.00 |
| Bangladesh | Yes | No | Lower middle income | 1,516.51 | 0.46 | 39.07 | 75.92 |
| Benin | Yes | No | Low income | 829.80 | 0.33 | 43.20 | 41.40 |
| Bhutan | Yes | No | Lower middle income | 3,110.23 | 0.45 | 56.78 | 100.00 |
| Bolivia | Yes | No | Lower middle income | 3,393.96 | 0.51 | 27.02 | 93.04 |
| Burkina Faso | Yes | No | Low income | 670.71 | 0.29 | 28.28 | 19.16 |
| Burundi | Yes | Yes | Low income | 320.09 | 0.28 | 91.44 | 7.59 |
| Cambodia | Yes | No | Lower middle income | 1,384.42 | 0.47 | 26.71 | 49.77 |
| Cabo Verde | Yes | No | Lower middle income | 3,209.69 | N/A | 67.65 | 92.61 |
| Chad | Yes | Yes | Low income | 669.89 | 0.25 | 87.19 | 8.83 |
| Colombia | Yes | No | Upper middle income | 6,301.59 | 0.57 | 16.14 | 99.00 |
| Congo, Dem. Rep. | Yes | No | Low income | 457.85 | 0.32 | 81.93 | 17.15 |
| Côte d'Ivoire | Yes | Yes | Lower middle income | 1,662.44 | 0.31 | 48.32 | 64.30 |
| Djibouti | Yes | No | Lower middle income | 1,927.59 | 0.31 | 29.79 | 51.78 |
| Egypt | Yes | No | Lower middle income | 2,412.73 | 0.49 | 24.84 | 100.00 |
| Eritrea | Yes | Yes | Low income | N/A | N/A | 83.87 | 46.68 |
| Ethiopia | Yes | No | Low income | 767.56 | 0.33 | 68.22 | 42.90 |
| Gambia, The | Yes | Yes | Low income | 483.02 | 0.29 | 27.08 | 47.76 |
| Georgia | Yes | No | Lower middle income | 4,078.25 | 0.68 | 40.91 | 100.00 |
| Ghana | Yes | No | Lower middle income | 1,641.49 | 0.42 | 40.65 | 79.30 |
| Guatemala | Yes | No | Upper middle income | 4,470.99 | 0.47 | 29.39 | 91.78 |
| Guinea | Yes | No | Low income | 825.34 | 0.31 | 68.22 | 33.50 |
| Haiti | Yes | Yes | Low income | 765.68 | 0.30 | 41.26 | 38.69 |
| India | Yes | No | Lower middle income | 1,939.61 | 0.47 | 42.74 | 84.53 |
| Indonesia | Yes | No | Lower middle income | 3,846.86 | 0.56 | 31.17 | 97.62 |
| Iraq | Yes | No | Upper middle income | 5,165.71 | 0.55 | 18.72 | 100.00 |
| Jordan | Yes | No | Upper middle income | 4,129.75 | 0.62 | 3.71 | 100.00 |

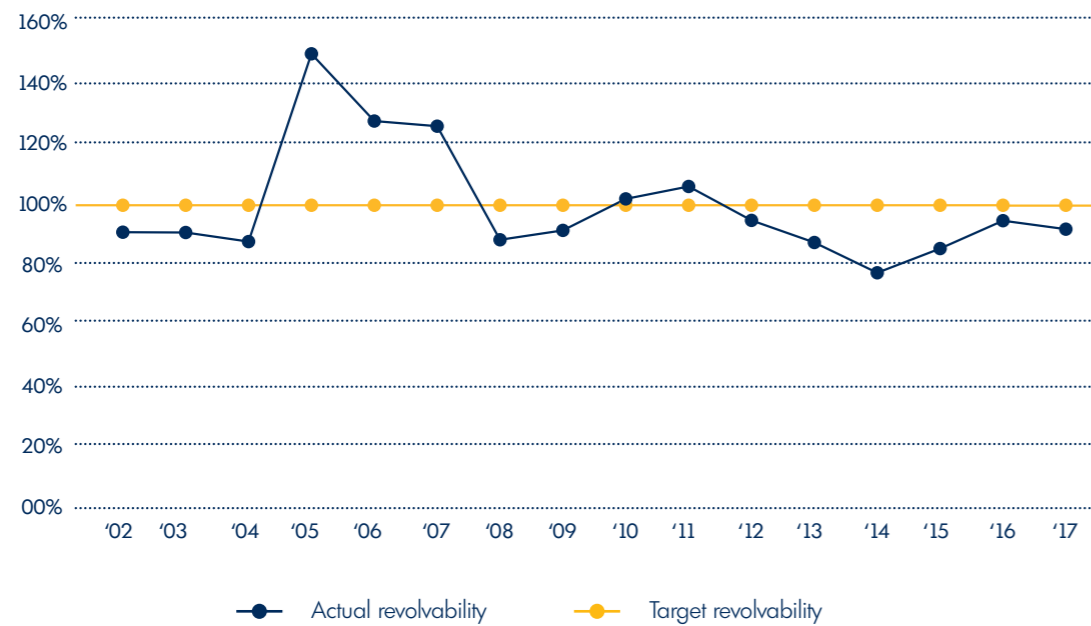
| Country name | DGGF country | Fragile country | WB Classification | GDP per capita | Inequality-adjusted-Human Development Index | | |
|-----------------------|--------------|-----------------|---------------------|----------------|---|-------------------------|--------|
| | | | | | % dependent on agri | % access to electricity | |
| Kenya | Yes | No | Lower middle income | 1,507.81 | 0.43 | 37.95 | 56.00 |
| Kosovo | Yes | Yes | Lower middle income | 3,893.97 | N/A | 0.00 | 100.00 |
| Laos | Yes | No | Lower middle income | 2,457.38 | 0.44 | 61.34 | 87.10 |
| Lebanon | Yes | Yes | Upper middle income | 8,523.75 | N/A | 3.24 | 100.00 |
| Liberia | Yes | Yes | Low income | 456.05 | 0.30 | 42.95 | 19.80 |
| Libya | Yes | Yes | Upper middle income | 7,998.03 | N/A | 12.41 | 98.54 |
| Madagascar | Yes | Yes | Low income | 449.72 | 0.38 | 74.41 | 22.90 |
| Malawi | Yes | No | Low income | 338.48 | 0.33 | 84.69 | 11.00 |
| Mali | Yes | Yes | Low income | 824.52 | 0.28 | 57.62 | 35.07 |
| Moldova | Yes | No | Lower middle income | 2,289.88 | 0.63 | 33.26 | 100.00 |
| Mongolia | Yes | No | Lower middle income | 3,735.16 | 0.64 | 30.42 | 81.78 |
| Morocco | Yes | No | Lower middle income | 3,007.24 | N/A | 37.47 | 100.00 |
| Mozambique | Yes | No | Low income | 415.72 | 0.29 | 73.30 | 24.20 |
| Myanmar | Yes | Yes | Lower middle income | 1,298.88 | 0.47 | 49.93 | 57.01 |
| Nepal | Yes | No | Low income | 835.08 | 0.43 | 71.74 | 90.70 |
| Nicaragua | Yes | No | Lower middle income | 2,221.81 | 0.51 | 29.35 | 81.80 |
| Niger | Yes | No | Low income | 378.06 | 0.25 | 75.61 | 16.22 |
| Nigeria | Yes | No | Lower middle income | 1,968.56 | 0.35 | 36.55 | 59.30 |
| Pakistan | Yes | No | Lower middle income | 1,547.85 | 0.39 | 42.02 | 99.15 |
| Peru | Yes | No | Upper middle income | 6,571.93 | 0.61 | 28.42 | 94.85 |
| Philippines | Yes | No | Lower middle income | 2,988.95 | 0.57 | 25.96 | 90.98 |
| Rwanda | Yes | No | Low income | 748.39 | 0.37 | 66.46 | 29.37 |
| São Tomé and Príncipe | Yes | No | Lower middle income | 1,912.97 | 0.47 | 17.11 | 65.44 |
| Senegal | Yes | No | Low income | 1,033.07 | 0.34 | 53.43 | 64.50 |
| Sierra Leone | Yes | Yes | Low income | 499.43 | 0.27 | 60.57 | 20.30 |
| Somalia | Yes | Yes | Low income | 499.82 | N/A | 86.21 | 29.89 |
| South Africa | Yes | No | Upper middle income | 6,160.73 | 0.47 | 5.55 | 84.20 |
| South Sudan | Yes | Yes | Low income | N/A | 0.25 | 64.92 | 8.95 |
| Sri Lanka | Yes | No | Lower middle income | 4,065.22 | 0.66 | 26.67 | 95.59 |
| Sudan | Yes | No | Lower middle income | 2,898.55 | 0.33 | 53.33 | 38.53 |
| Suriname | Yes | No | Upper middle income | 5,900.56 | 0.56 | 2.66 | 87.18 |
| Tanzania | Yes | No | Low income | 936.33 | 0.40 | 66.71 | 32.80 |
| Togo | Yes | Yes | Low income | 617.18 | 0.34 | 37.82 | 46.93 |
| Tunisia | Yes | No | Lower middle income | 3,490.83 | 0.57 | 13.67 | 100.00 |
| Uganda | Yes | No | Low income | 604.04 | 0.37 | 68.96 | 26.70 |
| Vietnam | Yes | No | Lower middle income | 2,343.12 | 0.57 | 40.87 | 100.00 |
| West Bank and Gaza | Yes | No | Lower middle income | 3,094.73 | 0.58 | 9.60 | 100.00 |
| Yemen, Rep. | Yes | Yes | Low income | N/A | 0.31 | 44.50 | 71.64 |
| Zambia | Yes | No | Lower middle income | 1,509.80 | 0.39 | 53.28 | 27.22 |
| Zimbabwe | Yes | Yes | Low income | 1,079.61 | N/A | 68.46 | 38.15 |

ANNEX II – PORTFOLIO DEVELOPMENT

Building Prospects - Total Committed Portfolio vs. Net Portfolio

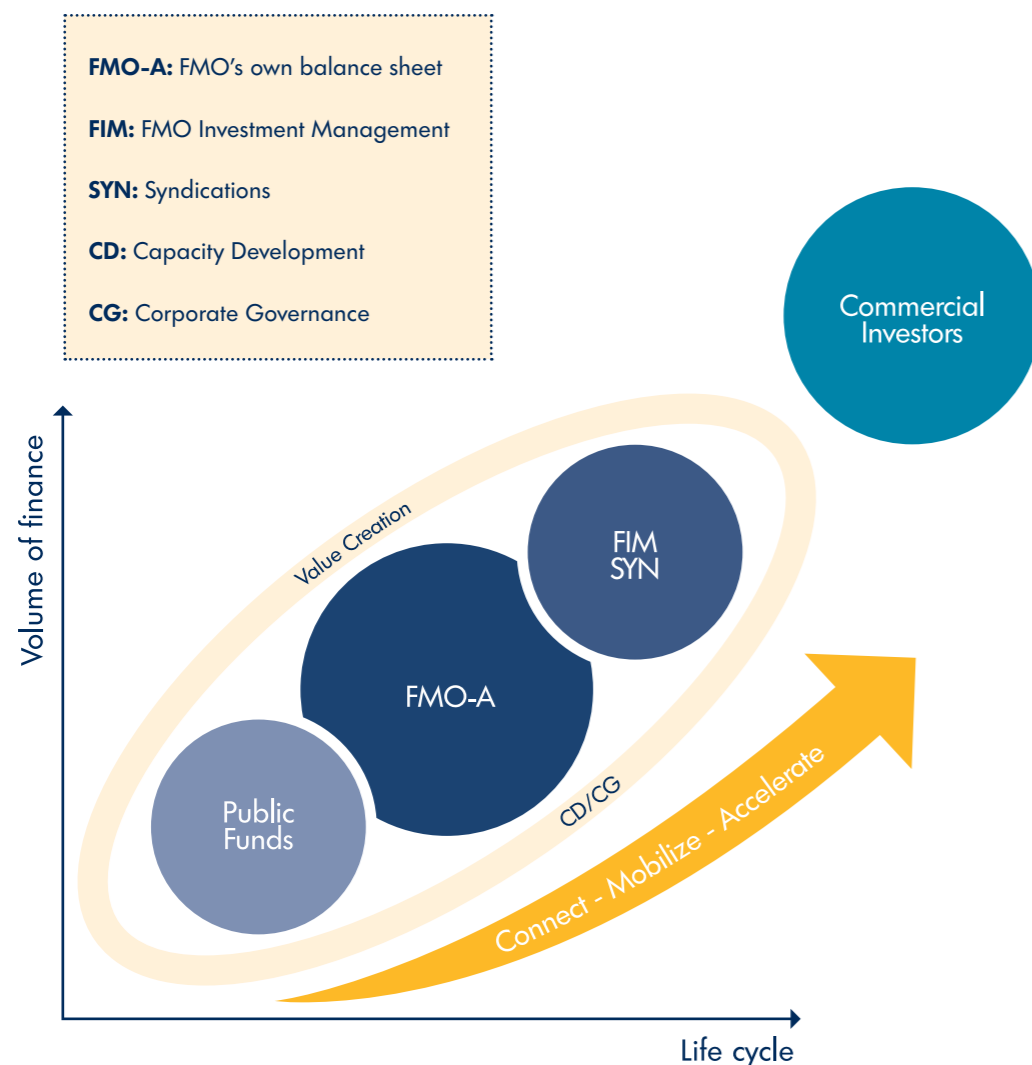


Building Prospects Revolvability 2002-2017



ANNEX III – RISK APPETITE AND PRODUCTS

Building Prospects offers financing through equity, mezzanine or loans. The revolving target of 100% means the assets should as a minimum retain the value of the subsidy received from Ministry of Foreign Affairs (MoFA). As such, it allows Building Prospects to pursue higher risk frontier deals, subject to being eligible for transfer to FMO or other commercial investors once sufficiently de-risked.



Building Prospects is often used to blend with FMO 'into' higher risk transactions, whereby Building Prospects provides a first loss or subordinated tranche, that provides sufficient de-risking for FMO to fund a simultaneous senior loan facility.

Additionality is an intrinsic condition for Building Prospects, vis-à-vis FMO, but also in relation to other market players. Given the evolution of the industry and the entry of new players, a vision for the positioning of the funds, seen in the graph below, is crucial. The graph shows the vision of Partnerships for Impact, the department that manages Building Prospects. Public Funds can be used to de-risk investments at the early stage of the life cycle, catalyzing investments from FMO-A, and through FMO Investment Management (FIM), Syndications catalyze commercial and institutional investors. As such, FMO can play a part in the entire life cycle of investments.

Local currency finance is essential for Building Prospects's local-currency earning end-clients. Market parties like TCX have improved the range of products and intelligence to invest in local currency, but vast swaths of the market, particularly in Africa, remain difficult to access with local currency finance. High local interest rates and currency volatility requires investors to include a high premium to their loans. The fund's ability to take open currency positions gives it added flexibility in serving this market.

Building Prospects will continue to invest in innovation. With a higher risk profile and impact potential than FMO's regular activities, all the State Funds have, in the past, played an active role in supporting the venture ecosystem. To that end, the Public Investment Management department and the Private Equity department, together with each of the sector departments, have jointly developed the FMO Ventures Program, aiming to test and kick-start the venture business case by initiating a pilot Ventures Program. The (pilot) Program will pursue both direct and indirect investments and will seek to support the venture ecosystem development through a dedicated Technical Assistance Program.

Building Prospects and the other State Funds, MASSIF and AEF, envisage to provide a 50% first loss tranche to the program, catalyzing another 50% tranche from FMO. Allowing for all ventures deals to be executed under the Ventures Program lets the State Funds benefit from a dedicated Ventures team with a streamlined approach and aligned strategy between sectors for this complex and high-risk asset class. There is a significant role for Development Finance Institutions (DFIs) to finance start-up entrepreneurs with innovative (tech-enabled) business models that will provide (improved and affordable) access to goods and services for previously underserved markets. In addition to having the ability to scale these models and reach a significant number of beneficiaries of the end-product, these start-ups are a significant driver for economic growth and job creation.

ANNEX IV – CAPACITY DEVELOPMENT

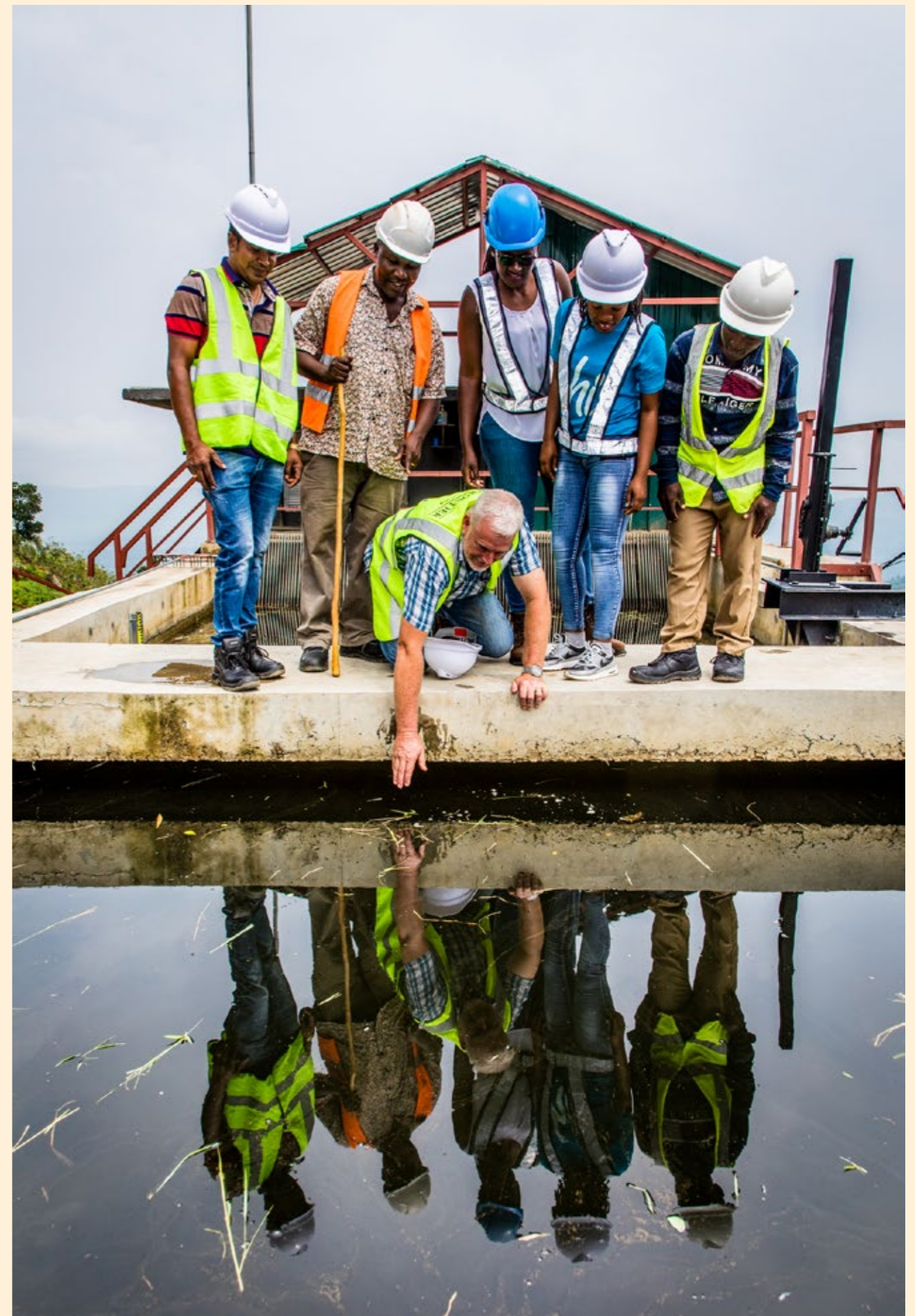
To reach the impact Building Prospects is striving for, there is a strong need to proactively strengthen businesses, share knowledge and set up partnerships. FMO has a dedicated Capacity Development (CD) team, with professionals who provide support.

The CD facility can support strategic technical assistance (TA) projects with the Fund's (prospect) clients and partners that operate in the Fund's ecosystem. Under the CD Program, we can contribute to the cost of hiring external consultants, trainers and experts to facilitate the knowledge transfer and provision of technical expertise that a client has a need for. It takes the form of development contribution-based co-financing of up to 50% of the project costs, with our client financing the balance.

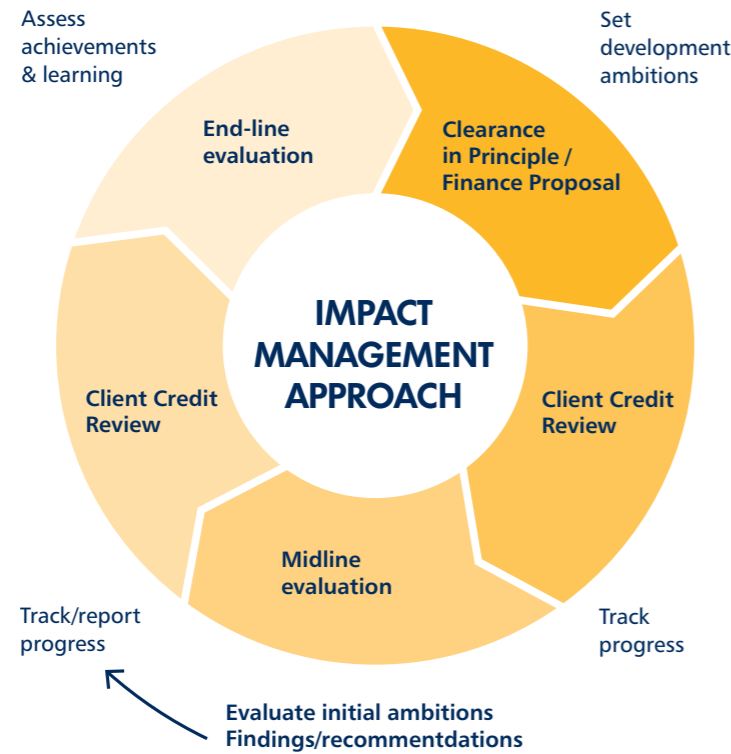
The CD team reaches out to all front-office departments in FMO, including the agriculture and energy departments, and the private equity department. The team is focused on four areas, namely (1) Governance, Risk and Management Information Systems (MIS); (2) Environmental & Social Risk Management; (3) Green Opportunities (climate mitigation and adaptation as well as energy efficiency and water management); and (4) Gender. It will deploy the 4 delivery models through existing partnerships, with consultancies or universities, other external consultants, a dedicated client exchange platform to facilitate the exchange of knowledge among clients directly and through the FMO Academy.

For Building Prospects, the team will focus CD on Climate Resilience and Gender related topics to maximize the impact on the investments of the Fund. CD will, for example, look at resource efficiency projects, including smart land and water use. In view of Energy projects, CD could be used for online training of employees of off-grid energy companies, and sourcing bottom-up innovation and ideas. Integrating a gender perspective in Building Prospects' investments contributes to more sustainable investments and increased inclusive impact. In any of the Fund's investments, women can be considered as Stakeholder, Employee or Beneficiary. CD can be used in focused projects to ensure the impact on Gender equality can be maximized.

In the past, Building Prospects has been able to provide Technical Assistance through a non-revolving fixed envelope of EUR 5 million over the course of 5 years. From now on, Technical Assistance (TA or Capacity Development (CD)) will be a structural part of Building Prospects, by assigning an amount equal to 0.5% of the Fund's net asset value per year towards TA, that is non-revolving. With such funding in place, CD contracts could reach EUR 1.5mln – 2mln per year. Any amount unspent at the end of the year can be added back to the Fund's capital.

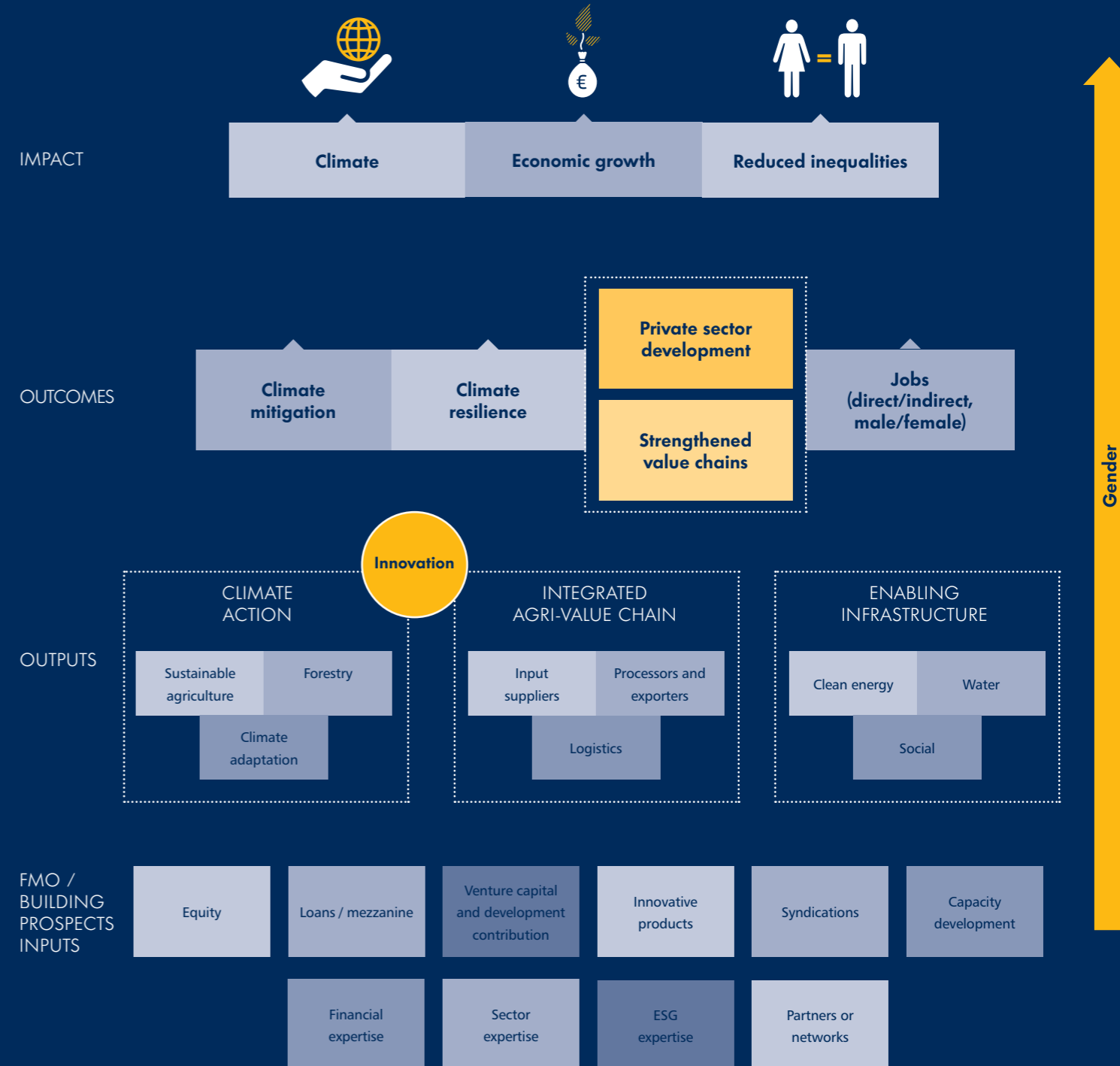


ANNEX V – THEORY OF CHANGE



The Theory of Change (ToC) shows that Building Prospects shall give a positive contribution to the Sustainable Development Goals, most notably goal number 8 ('decent jobs'), 9 ('industry innovation and infrastructure'), 10 ('reduced inequalities') and 13 ('climate action'). The implied causalities from inputs, to outputs, outcomes and impacts are largely based on scientific evidence and further supported by our own experience in financing high risk/impact projects in the fields that Building Prospects is active in. The ToC forms the basis of the Fund's development impact measurement and reporting going forward. The Building Prospects impact framework is further supported by the lessons learned of previous years and by recommendations made in the external evaluation of Building Prospects. It includes the following elements:

- We will develop an evidence gap map for Building Prospects. The map will clarify for which areas of the Theory of Change there is existing evidence available. In addition, it will identify the gaps in the evidence base, which FMO can help fill by gaining investment experience and evaluating project results over time. The evidence gap map will facilitate prioritization in the development impact evaluation program which is financed from Building Prospects funds.
- Furthermore, FMO dealteams shall explicitly describe development impact ambitions in each individual investment proposal (ex ante) and will monitor success in annual client credit reviews (ex post).
- The FMO Development Impact and Sustainability Team will prepare independent evaluations of a sample of Building Prospects projects. Such effectiveness studies are to assess whether impact objectives as outlined in the investment proposals have been achieved and shall recommend how they could be improved over time.



ANNEX VI – LIST OF ABBREVIATIONS

LIST OF ABBREVIATIONS

| | |
|------|---|
| CG | Corporate Governance |
| CD | Capacity Development |
| CPP | Client Protection Principles |
| DFI | Development Finance Institution |
| E&S | Environmental and Social |
| FAO | Food and Agriculture Organization of the United Nations |
| FMO | Nederlandsche Financierings-Maatschappij voor Ontwikkelingslanden |
| GHG | Greenhouse Gas |
| IFC | International Finance Corporation |
| LIC | Lower Income Countries |
| MoFA | Ministry of Foreign Affairs |
| OECD | Organisation for Economic Cooperation and Development |
| PPA | Power Purchase Agreement |
| PSD | Private Sector Development |
| SDG | Sustainable Development Goals |
| TA | Technical Assistance |
| ToC | Theory of Change |

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LUSAKA CITY MARKET OPENING & CLOSING TIME

| | | MAY - AUGUST | | APRIL |
|---|-------------------|---------------------------------|--------------|------------------------------|
| DAYS | DATES | OPENING TIME | CLOSING TIME | CLOSING TIME |
| 1 Mon-Fri Munis Public HOLIDAYS | i East Main Gate | 06:30hrs Imp 07:00hrs Public | 19:00hrs | 19:00hrs |
| | ii West Main Gate | 07:00hrs | 18:00hrs | 18:45hrs |
| | iii Side Gates | 07:30hrs | 18:00hrs | 18:30hrs |
| 2 Public Holidays | i East Main Gate | 06:30hrs Imp 07:00 Public | 18:30hrs | 06:45hrs Imp 07:00 Public |
| | ii West Main Gate | 07:00hrs | 18:00hrs | 06:45hrs |
| | iii Side Gates | 07:30hrs | 18:00hrs | 07:30hrs |
| 3 Sundays | i East Main Gate | 06:40hrs Imp 07:15 Public | 16:30hrs | 06:55hrs Imp 07:00 Public |
| | ii West Main Gate | 07:15hrs | 16:00hrs | 07:00hrs |
| | iii Side Gates | 07:45hrs | 15:00hrs | 07:30hrs |

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