»» DEG – We finance opportunities in future markets

DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH

Presentation for the
5th Consultative Forum on Coffee Sector Finance

Tuesday, 5th March 2015
Agenda

1. Introduction and DEG’s financing offer
2. DEG’s Up-Scaling
3. DEG’s DeveloPPP.de
4. The Coffee Partnership for Tanzania (CPT)
1. DEG at a glance
Facts and Figures for FY 2013

- Established: 1962
- Employees: 500
- Head office: Cologne
- Shareholder: KfW Frankfurt
- Equity: EUR 1.9 billion
- Balance sheet total: EUR 4.8 billion
- New business: EUR 1.5 billion
- Portfolio: EUR 6.8 billion

DEG is a partner for companies investing in emerging markets and developing countries. For more than 50 years, we have been successfully promoting people and markets on the spot.
1. DEG’s Mandate

**Financing of financially sustainable projects/companies**

- Contribution to sustainable economic growth and poverty reduction through promotion of private sector development in emerging markets
  - Provider of long-term capital for private enterprises
  - Usually tenor of > 4 years up to 15 years
- „Additionality“ by definition; complementary financing to commercial banks / PE funds

<table>
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<tr>
<th>Sectors</th>
<th>Additional Services</th>
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<tbody>
<tr>
<td>Agribusiness</td>
<td>Availability of technical assistance funds (TA) to support feasibility studies</td>
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<td>Financial sector</td>
<td>E&amp;S management systems</td>
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<td>Infrastructure</td>
<td>Special programs</td>
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<td>Manufacturing and services</td>
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1. DEG's financing offer
Tailor-made capital for foreign investments

**Loans**
- Guaranteed loan
- Locally secured loan
- Subordinated loan
  - Quasi-equity loan

**Equity**
- Hedged equity participation
- Risk participation

Risk-taking by DEG
1. DEG locations and portfolio
14 locations. 7.8bn euros worldwide.

Europe: 1.17 billion euros
- Cologne
- Moscow
- Istanbul
- Beijing

Asia: 2.48 billion euros
- Accra
- New Delhi
- Bangkok
- Singapore
- Jakarta

Africa: 1.93 billion euros
- Johannesburg
- Nairobi

Latin America: 2.01 billion euros
- Mexico City
- Sao Paulo

Supraregional: 0.18 billion euros
## 2. Up-Scaling: Conditions

<table>
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<tr>
<th>Objective</th>
<th>Co-financing of investments with substantial growth potential</th>
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<tbody>
<tr>
<td>Target group</td>
<td>SMEs in developing and emerging-market countries, with a special focus on Africa</td>
</tr>
<tr>
<td>Finance volume</td>
<td>Up to 50% of the total investment (no more than 500,000 euros) as a repayable grant which must be repaid in the event of success of the project.</td>
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| Requirements               | 1. Private sponsors contribute at least 25 % equity.  
  2. Proof of concept regarding technology and business model at local level.  
  3. High growth potential and economically viable. |
2. Example Up-Scaling
BioWin Agro Research, India

The company: BioWin Agro Research Ltd (2012): Wayanad / Kerala / India

› BioWin processes organic and conventionally grown agricultural products (mainly spices and coffee) from small scale farmers and wholesales the finished products to buyers in Europe, America and Asia.
› BioWin works with more than 8,000 small-scale farmers (2,000 are certified organic; rest are undergoing process of certification).

DEG's contribution & impact

› Repayable grant of 0.5 Mio. euros.
› Impact: generation of value addition at local level, improving the income of about 10,000 small-scale farmers.
› Many of the participating farmers belong to disadvantaged indigenous tribes (living in designated “reservations”).
› The company promotes organic farming/certification

The investment

› The company is building a new factory in order to process, pack and ship the agricultural raw products.
› The new processing facility will boost output from less than 1,000 tons p.a. (baseline) to more than 6,000 tons p.a. (2020) and improve quality of products.
› Training and certification of small-scale outgrowers in organic farming.
### 3. develoPPP.de

<table>
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<tr>
<th>Objective</th>
<th>Co-financing of developmentally and economically feasible projects in developing and emerging-market countries.</th>
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<tbody>
<tr>
<td>Target group</td>
<td>German / European enterprises as well as their subsidiaries</td>
</tr>
<tr>
<td>Financial contribution</td>
<td>Up to 50% of costs (no more than EUR 200,000) from funds of the Federal Ministry for Economic Cooperation and Development (BMZ) for a maximum of 3 years.</td>
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<tr>
<td>Requirements</td>
<td>Projects: have to promote the structural development and show a broad effect in the partner countries, must not be legally required, cannot be realised without public contribution and must not yet have been started.</td>
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<tr>
<td>Participation</td>
<td>In the context of a quarterly ideas competition companies can submit project proposals. Further documentation can be found at <a href="http://www.deginvest.de">www.deginvest.de</a>.</td>
</tr>
</tbody>
</table>
3. develoPPP.de

Common Objectives

Opportunities for companies

- Tapping into new markets in developing and emerging-market countries
- Introduction of products, technologies and services
- Customer acquisition / customer retention
- Commercial interest
- Corporate Social Responsibility (CSR)

Development Partnerships

Opportunities for development cooperation

- Improving the economic, ecological and social conditions of the local population
- Safeguarding livelihoods
- Improving labour and social standards
- Improving water and energy supply as well as healthcare provision
- Creation of jobs and training positions
- Mobilisation of knowledge and capital
3. Example develoPPP.de
Schluter SA, Democratic Republic of Congo

The company: Schluter SA

› Schluter SA is a family company founded in 1858, which specialises in African coffees, with a particular focus on the gourmet sector.

› Implements through affiliated Virunga Coffee Company, formed under DRC law in 2011.

The project

› Key objectives: Improve productivity, quality and traceability for 2,000 producers, e.g. through:

› GAP-training and seedling distribution,

› improved post harvest practices and washing of coffee, and

› obtaining traceability and FLO organic certification.

DEG's contribution and impact

› Grant of 200k euros, tenure of 24 months

› Impact: Improved livelihoods of 2,000 small-scale producers through increased income.
4. The Coffee Partnership for Tanzania

Project Summary

The Coffee Partnership for Tanzania (CPT)

- is a partnership supported by the Bill & Melinda Gates Foundation.
- is managed by DEG and implemented in close cooperation with its partners from the private sector, who substantially co-finance the activities.
- aims at increasing the net income of 90,000 male and female smallholder coffee farmers in Tanzania, largely by doubling their yields, thereby improving the livelihood of over 500,000 Tanzanians.
4. CPT’s
Main Objectives and Activities

**Overall Goal**

**Objectives**

**Activities**

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**Increased net income of 90,000 smallholder farmers**

**Productivity**
- Training on good agricultural practices / basic business skills
- Distribution of new seed varieties (nurseries)
- Establish and improve farmers’ access to finance facilities

**Quality improvements & Market Linkages**
- Organization of well-governed farmer groups
- Increased coffee quality through central processing
- Promote certification under renowned certification schemes

**Additional crops & sustainability**
- Additional measures in the areas of gender, renewable energy (biogas) as well as livestock and food production

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- Productivity
- Quality improvements & Market Linkages
- Additional crops & sustainability

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**Overall Goal**

- Training on good agricultural practices / basic business skills
- Distribution of new seed varieties (nurseries)
- Establish and improve farmers’ access to finance facilities
4. CPT: The Project Setup
With six subgrantees reaching out to 90,000 farmers

Donor

Leadgrantee

Subgrantees

Further Strategic Partners & Stakeholders

Map of regions in Tanzania with cities Kagera, Kigoma, Mbeya, and Ruvuma highlighted.
THANK YOU FOR YOUR ATTENTION

Your Contact

Special Programmes

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