G-NEXID

NEWS

THE NEWSLETTER OF THE GLOBAL NETWORK OF EXIM BANKS AND DEVELOPMENT FINANCE INSTITUTIONS

www.gnexid.org

ISSUE NO. 9: OCTOBER - DECEMBER 2009

In This Issue

FROM THE PRESIDENT'S DESK

Dear Network Members,

Wish you all Seasons Greetings

As we are preparing to enter the New Year, talks are going on to strategise a collective crusade against climate change. It has been now 20 years since the issue of climate change was raised in the UN General Assembly, which led to the Earth Summit in Rio de Janerio, 15 years ago, and the subsequent signing of Kyoto Protocol 10 years ago. The recent Copenhagen Conference, which attracted large number of delegates, journalists, activists and observers from about 200 countries, is estimated to have created more than 46000 tonnes of carbon-dioxide, which is greater than the carbon emissions created by the previous meeting. This shows that things are not changing as fast as expected.

As bankers, we have a larger role to play by contributing to desirable changes in national and global developmental objectives and priorities. Our responsibility is to ensure that we promote and finance investments that would contribute to environmental sustainability in the future.

In line with ongoing global efforts at creating awareness about environmental sustainability as well as promoting capital investments in environmentally friendly projects, G-NEXID collaborated with Afreximbank to organize a one-day workshop on "*Issues in Environmental and Social Risks Management and Carbon Financing*" on November 24, 2009 in Lusaka, Zambia. The workshop highlighted the commercial and scientific reasons for investors, including financial institutions to promote alternative, renewable, environmentally sustainable sources of energy for the global economy.

While a day of deliberations on this challenging issue may not be adequate, I welcome informal interactions through our network to sharpen our thoughts on the role of financial institutions in containing the impact of climate change.

Yours sincerely,

(Jean-Louis EKRA)

Honorary President

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MAJOR EVENTS

❖ WORKSHOP JOINTLY ORGANIZED BY G-NEXID AND AFREXIMBANK ON ISSUES IN ENVIRONMENT AND SOCIAL RISK MANAGEMENT AND CARBON FINANCE

The Steering Committee of Global Network of Exim Banks and Development Finance Institutions (G-NEXID), held in Kiev, Ukraine, decided to hold a one-day workshop on 'Environmental and Social Risk Management and Carbon Finance'. In line with this suggestion, G-NEXID Secretariat and Afreximbank have jointly organized the captioned workshop at Lusaka, Zambia, on November 24, 2009.

The workshop had presentations by four experts on the following topics:

a) Presentation on 'Opportunities and Challenges in the Emerging Renewable Energy Markets - The Experience of African Biofuels and Renewable Energy Fund (ABREF)', by Mr. Thierno Bocar Tall, Director, African Biofuel & Renewable Energy Fund Project, Ecowas Bank of Investment & Development, Lomé, Togo;

b) Presentation on 'Understanding and Mitigating Environmental & Social Risks in Trade & Project Financing', by Mr. Michael Fischer, Director, DEG / KfW Office, Johannesburg;

c) Presentation on 'Carbon As a New Commodity Class—Understanding Afreximbank's Carbon Financing Programme', by Dr. Francis Mbroh, Assistant Director, Planning and Business Development, Afreximbank; and

d) Presentation on 'Issues in Environmental and Social Risk Management and Carbon Financing', by Mr. Prahalathan.S.Iyer, General Manager, Export-Import Bank of India.

In his opening remarks, Mr. Jean-Kouis EKRA, President, Afreximbank highlighted the mandate of G-NEXID in building technical capacity among its member institutions, with the overall objective of supporting cross-border trade and investment flows. Mr. EKRA further stated that there has been a compelling situation today for investors, as also the financial institutions, to promote alternative, renewable and environmentally sustainable sources of energy for the global economy. This growing 'green investment' trend and their contribution to sustainability of environment prompted the Afreximbank and G-NEXID to jointly organize this workshop, Mr. EKRA said.

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Mr. Thierno Bocar Tall, Director, African Biofuel & Renewable Energy Fund Project, Ecowas Bank of Investment & Development, in his presentation on 'Opportunities and Challenges in the Emerging Renewable Energy Markets - The Experience of African Biofuels and Renewable Energy Fund (ABREF)', highlighted that the priorities for Africa are primarily driven by the need to promote economic development and to increase access to energy. In the field of climate change, Africa's priorities are adaptation of technology, replication of projects, and enhancing the share in carbon market. Presenting the potential of Africa in renewable energy resources, Mr. Tall highlighted that only 10% of the hydropower potential in Sub-Saharan Africa is exploited. Similarly, the solar and wind energy is also being tapped much below the potential. Despite rich bio-diversity, and availability of semi-arid land suitable for fuel-crops, many African countries have not developed national biofuel policy. The presentation has highlighted some of the barriers to CDM projects in Africa, such as limited access to finance, limited knowledge on possible financing structures / options among the financing institutions, limited capabilities for bundling of projects, to attract financiers. The presentation has also highlighted the formation of African Biofuel & Renewable Energy Fund (ABREF), with a capital of US $ 1 billion, to support CDM projects in Africa.

Mr. Michael Fischer, Director, DEG / KfW Office, Johannesburg, made a presentation on 'Understanding and Mitigating Environmental & Social Risks in Trade & Project Financing'. The presentation highlighted various environmental and social challenges in project financing, which have become increasingly important over the years. It was mentioned that nearly 70 banks / financial institutions have adopted the Equator Principles – which is a benchmark for the financial industry to manage social and environmental issues in project financing; these institutions account for over 85% of global project financing volume. Mr. Fischer mentioned that sustainability is a journey over time, and requires efficient tools for speedy imple

MAJOR EVENTS

Dr. Francis Mbroh, Assistant Director, Planning and Business Development, Afreximbank in his presentation on 'Carbon As a New Commodity Class—Understanding Afreximbank's Carbon Financing Programme', highlighted the features of Carbon Finance Programme (CFP) of Afreximbank, which has been established with the general objective of supporting African private and public environmentally-friendly projects, some of which would otherwise not be bankable, by leveraging the credit of off-takers of carbon credits earned by those projects to complement other revenue flows supporting such deals. It was mentioned that CFP, which combines, finance, guarantees, and advisory/brokerage services, would stimulate investment in environmentally-friendly projects under CDM, and strengthen the capacity of African countries to benefit from the emerging market for carbon credits. The eligible projects under this programme include projects for establishing bio-fuel/power/solar power/bio-mass power. It was informed that the maximum tenor of the loan is 4 years, subject to no deal exceeding 2012, unless the Kyoto Protocol is extended.

Mr. Prahalathan S Iyer, General Manager, Export-Import Bank of India made a presentation on issues in Environmental and Social Risk Management and Carbon Financing'. The presentation covered trends in global CDM market, the market size of India, implications of social and environmental issues in CDM projects, and approach of Exim Bank of India in mitigating risks associated with environmental and social risks associated with the projects. It was highlighted that though India is the second largest CDM market in the world, with a share of 4% in 2008, China is far ahead of India with a share of 84%. The importance of four major aspects of CDM projects, viz., social wellbeing, economic wellbeing, environmental wellbeing, and technological wellbeing, have been highlighted. Environmental and social policies in Exim Bank's lending have also been highlighted.

The workshop had the presence of over 150 participants representing various banks / development financing institutions from Africa.

NEWS FROM MEMBERS

❖ EXIM THAILAND HOSTS THE 15TH ANNUAL MEETING OF ASIAN EXIM BANKS FORUM

Dr. Narongchai Akrasanee, Chairman of the Board of Directors, Export-Import Bank of Thailand (EXIM Thailand), and Dr. Apichai Boontherawara, EXIM Thailand's President, hosted a welcome reception for the participants of the 15th Annual Meeting of Asian EXIM Banks Forum from 9 member organizations in Australia, China, India, Indonesia, Japan, Korea, Malaysia, the Philippines and Thailand as well as delegates from the Asian Development Bank. Dr. Pruttichai Damrongrat, Deputy Minister of Finance, delivered a welcome remark at Sheraton Grande Laguna Phuket on October 28, 2009 Discussion on a wide range of issues to foster common understanding and sharing information, as well as to look for opportunity for further regional cooperation.

❖ CAF PRESIDENT GARCÍA CHOSEN AS FINANCIER OF THE YEAR BY LATINTRADE

CAF President & CEO, Mr. Enrique García has been recognized as "Financier of the Year" by the Bravo Business Awards organized by LatinTrade magazine, recognizing his contribution to the development and progress of Latin America. CAF has done exemplary work in financing major infrastructure and other types of projects in the region and its contribution has been significant. The award is one of the most prestigious awards in the financial arena of the region and has been previously given to personalities such as Mr. Henrique de Campos Meirelles of Banco Central do Brasil; Ms Susan Segal of Chase Manhattan Bank; and Mr. Emilio Botin of Grupo Santander, among others. Bravo Business Awards, known as the Oscars of Latin American business, have been promoting financial excellence in Latin America and the Caribbean for 15 years.

NEWS FROM MEMBERS

❖ WINNERS OF THE AFRICAN BANKER AWARDS 2009 ANNOUNCED

Africa's top bankers, ministers of finance, governors of central banks and industry leaders came together on October 6, 2009 at the Four Seasons Hotel in Istanbul, Turkey, to recognize the continent's successes in banking at an unforgettable awards ceremony and gala dinner.

A total of 14 awards were presented during the ceremony. The African Banker of the Year award went to Tayo Aderinokun, Managing Director/CEO, GTB Nigeria; the African Bank of the Year award went to Ecobank-ETI. The Lifetime Achievement award was presented to a pioneer of African banking, Paul Derreumaux, the President of the Mali-based Group Bank of Africa, whose outstanding achievements in banking have contributed to Africa's substantial economic transformation. The award for Finance Minister of the Year was handed to Dr. Youssef Boutros-Ghali, Minister of Finance, Egypt and Tito Mboweni, Governor, South African Reserve Bank was named Central Bank Governor of the Year.

This year's event, organised by African Banker magazine and IC Events in partnership with BusinessinAfrica Events, was supported by the African Development Bank in line with its commitment to build a strong and vibrant African banking industry.

❖ DBN, CHAMBER SIGN COOPERATION AGREEMENT

The Development Bank of Namibia (DBN) and the Namibia Chamber of Commerce and Industry (NCCI) signed a Memorandum of Understanding (MoU) on November 4, 2009, aimed at strengthening the relationship between the two organisations, and to ensure enhanced service delivery to the Namibian business community, particularly the SME sector.

Through the MoU, the parties agree to:

- share information on operations and policies of the organizations;
- share information on financing programmes offered by the DBN;
- create channels to promote understanding of DBN's financing criteria among NCCI members;
- conduct periodic surveys among NCCI members on their financing needs and the quality of DBN's service;
- use NCCI platforms to introduce DBN products; and
- Coordinate initiatives around Micro, Small and Medium Enterprises (MSME) related activities, specifically due to the overwhelming challenges entailed in the field.

NEWS FROM MEMBERS

❖ EXIM THAILAND APPOINTS NEW EXECUTIVE VICE PRESIDENT IN CHARGE OF EXPORT CREDIT INSURANCE AND INTERNATIONAL PROJECT FINANCE

Export-Import Bank of Thailand (EXIM Thailand) appointed Mrs. Warangkana Wongkhaluang, Senior Vice President of International Project Department and Export Credit Insurance Department, as EXIM Thailand's Executive Vice President in charge of Export Credit Insurance and International Project Financing, which include planning and marketing operations, business advisory and analysis services, relationships building with governmental agencies both at home and abroad, to create business opportunities for the Thai private sector, as well as medium- and long-term Export Credit Insurance and Investment Insurance businesses.

Mrs. Warangkana obtained a Master of Business Administration in Marketing from Sasin Graduate Institute of Business Administration of Chulalongkorn University. She began her career at EXIM Thailand in 1994. Her work experience encompass various functional departments including marketing, export credit insurance, international investment promotion, legal affairs, debt administration and risk management.

❖ THREE STATE BANKS INK MOU WITH FIVE ASSOCIATIONS TO BOOST THAI CONSTRUCTION BUSINESS ABROAD

EXIM Thailand, Krung Thai Bank and SME BANK reached an agreement with 5 construction-related associations to provide financial support for Thai contractors in order to enhance their competitiveness abroad, especially in 6 target countries, namely, Libya, Bahrain, Qatar, India, Vietnam and Brunei. Dr. Apichai Boontherawara, President of Export-Import Bank of Thailand (EXIM Thailand); Mr. Apisak Tantivorawong, President of Krung Thai Bank Public Company Limited; and Mr. Soros Sakornvisava, President of Small and Medium Enterprise Development Bank of Thailand (SME BANK); signed a Memorandum of Understanding (MOU) with representatives from 5 associations, namely, Consulting Engineers Association of Thailand (CEAT), Association of Siamese Architects under Royal Patronage, Thai Contractors Association under H.M. the King's Patronage, Thai Real Estate Association, and Thai Electrical & Mechanical Contractors Association. The MOU signing ceremony was presided over by Mr. Abhisit Vejjajiva, Prime Minister. The objective of this agreement is to provide financial support for Thai entrepreneurs in the construction and real estate development industries seeking overseas contracts, thus, making them more competitive in the global arena. Under the MOU, the three banks will cooperate in giving support and financial assistance to members of the 5 associations wishing to bid for contracts abroad. The goal is to enable Thai contractors to succeed more in overseas project bidding, especially in 6 target countries, namely, Libya, Bahrain, Qatar, India, Vietnam and Brunei. In the future, the target country list is expected to include other countries in the ASEAN and African regions.

NEWS FROM MEMBERS

❖ INDONESIA EXIMBANK SECURE LOANS FROM JBIC

Export financing agency, Indonesia Eximbank secured US $100 million loans from the Japan Bank for International Cooperation (JBIC), to boost Indonesia's trade. The loans have an interest rate of LIBOR plus 230 basis points, maturing in five years with a grace period of two years. The loan is likely to reduce the borrowing costs of Indonesian exporters. JBIC has agreed to lend US $ 500 million to Indonesia Eximbank, with another US $ 400 million to be disbursed later.

❖ MR. PRABHAKAR DALAL APPOINTED AS EXECUTIVE DIRECTOR OF EXPORT-IMPORT BANK OF INDIA

Export-Import Bank of India announced the appointment of Mr. Prabhakar Dalal as Executive Director. Prior to his appointment, Mr. Dalal was Chief General Manager in charge of a wide range of functions including Lines of Credit, Human Resources Management and Administration at the Bank's Headquarters in Mumbai.

Mr. Dalal has 33 years of experience as Bank officer in commercial banking, international trade and project financing, and institutional relations. Mr. Dalal, who joined the Bank in January 1983, has also served as Bank's Overseas Resident Representative in Abidjan (Cote d'Ivoire) and Johannesburg (South Africa).

Mr. Dalal has a Master's degree in Commerce, Bachelor's degree in Law, Post-Graduate Diploma in Foreign Exchange and Risk Management, is a Certificated Associate of the Indian Institute of Banking and Finance as well as a Fellow of the Institute.

❖ US$250 MILLION LOAN AGREEMENT SIGNED BY CAF WITH BOLIVIA FOR THE COUNTRY'S FIRST FREEWAY

CAF signed with the Plurinational State of Bolivia a loan agreement for US$250 million to finance 80% of the construction costs of the La Paz-Oruro freeway. The amount will be completed with funds from the prefectures of both departments and other sources. The objective of the operation is to increase the service capacity of the route and improve traffic and safety conditions. The executing agency for the works is the Administradora Boliviana de Carreteras (ABC). The signing ceremony took place in the Palace of Government in the presence of Bolivian President Evo Morales; Minister for Development Planning Noel Aguirre; ABC President & CEO Luis Sánchez Gómez; CAF Director Representative in Bolivia Emilio Uquillas, and other invited authorities.

NEWS FROM MEMBERS

❖ EXIM BANK & AFRICAN DEVELOPMENT BANK TO CO-FINANCE PROJECTS IN AFRICA

The Export-Import Bank of India (Exim Bank) and the African Development Bank (AfDB) Group signed a Memorandum of Understanding for co-financing projects in Africa. The MOU was signed by Mrs. Ravneet Kaur, Chairperson and Managing Director of Exim Bank of India, and Dr. Donald Kaberuka, President of the AfDB Group, during the latter's visit to India. The MOU envisages joint financing of projects in regional member countries of AfDB, consistent with respective operational policies and procedures of the two institutions.

Exim Bank has close association with AfDB since inception and has taken a number of steps to promote India's trade and investment in Africa. The MOU further strengthens the existing relationship between the two institutions in undertaking promotional activities, including exchange of information and publications relating to business and investment opportunities, providing logistic support to officials visiting each other for field survey, organising workshops, seminars and symposia.

FOCUS ON

World Economic outlook October 2009

The Recovery Has Started, and the Challenge Is to Sustain It

The global economy is expanding again, and financial conditions have improved markedly. Emerging and developing economies are further ahead on the road to recovery, led by resurgence in Asia—in general, emerging economies have withstood the financial turmoil much better than expected based on past experience, which reflects improved policy frameworks. However, gains in activity are now being seen more broadly, including in the major advanced economies. Financial market sentiment and risk appetite have rebounded, banks have raised capital, wholesale funding markets have reopened, and emerging market risks have eased.

The triggers for this rebound are strong public policies across advanced and emerging economies that, together with measures deployed by the IMF at the international level, have allayed concerns about systemic financial collapse, supported demand, and all but eliminated fears of a global depression. These fears had contributed to the steepest drop in global activity and trade since World War II. Central banks reacted quickly with exceptionally large interest rate cuts as well as unconventional measures to inject liquidity and sustain credit. Governments launched major fiscal stimulus programs, while assessing their banks with stress tests and supporting them with guarantees and capital injections. And the IMF made use of its enhanced lending capacity and more flexible facilities to help emerging and developing economies cope with the risks associated with the crisis. Together, these measures reduced uncertainty and increased confidence.

But complacency must be avoided. Despite these advances, the pace of recovery is expected to be slow and, for quite some time, insufficient to decrease unemployment. Also, poverty could increase significantly in a number of developing economies where real GDP per capita is contracting in 2009 for the first time in a decade. Activity may pick up quickly in the short term. Yet the forces that are driving the current rebound are partly temporary in nature, including major fiscal stimulus, central banks' support for credit markets, and restocking following exceptionally large cutbacks in production and drawdowns of inventories. These forces will diminish during the course of 2010.

A further key constraint on the pace of recovery will be limits on credit availability. Bank deleveraging will constrain the supply of bank credit for the remainder of 2009 and into 2010 in both the United States and Europe, where credit supply is even more bank-dependent. Bank balance sheets have benefited from capital- raising efforts and positive earnings reports but will remain under pressure as a result of continuing credit deterioration. IMF analysis suggests that U.S. banks have recognized somewhat more than half of their projected losses from impaired assets through 2010. In Europe, loss recognition is less advanced, reflecting differences in the economic cycle. Although stronger bank earnings are supporting capital levels, they are not expected to fully offset write-downs over the next 18 months. Moreover, steady-state earnings are likely to be lower in the post-crisis environment, and reforms under way to bank regulation are expected to reduce net revenues and result in more costly self-insurance through higher capital and liquidity requirements. Projections for emerging economies assume that capital flows, which took a major hit over the past year, will stabilize or grow moderately. Credit growth will continue to fall or stay at very low levels, and this will hold back investment, with the notable exception of China. Significant credit contraction is generally unlikely, except in parts of emerging Europe and the Commonwealth of Independent States.

FOCUS ON

Meanwhile, consumption and investment are gaining strength only slowly, held back by the need for balance sheet repair, high excess capacity as well as financing constraints, and rising unemployment, which is expected to peak at over 10 percent of the labor force in advanced economies. Consumption will be particularly weak in advanced economies, especially those that experienced credit booms, housing bubbles, and large current account deficits, such as the United States and the United Kingdom, and in a number of other (especially emerging) European economies. U.S. consumers, in particular, are likely to maintain substantially higher saving rates than before the crisis.

Accordingly, the World Economic Outlook projects activity contracting by about 1 percent in 2009 and expanding by about 3 percent in 2010, which is still well below rates achieved before the crisis. Downside risks remain a concern. The main risk is that private demand in advanced economies remains very weak. If so, policymakers may be confronted with the difficult choice of either maintaining fiscal stimulus, raising issues of debt sustainability, or phasing out the fiscal stimulus, raising the danger of adverse interactions between real activity, the health of the financial sector, and the fiscal situation. However, there is also potential for positive surprises. Specifically, reduced fears about a 1930s-style crash in activity and an accompanying strong rebound in financial market sentiment could drive a larger-than-projected short-term increase in consumption and investment.

Policy Challenges

It is still too early for policymakers to relax their efforts to restore financial sector health and support demand with expansionary macroeconomic policies. The challenge is to ensure that continued short-term support does not distort incentives and endanger public balance sheets, with damaging consequences for the medium term. Furthermore, policies must begin to address key medium-term challenges, including the need for reforming financial systems, boosting potential growth, and rebalancing the patterns of global demand.

Notwithstanding already large deficits and rising public debt in many countries, fiscal stimulus needs to be sustained until the recovery is on a firmer footing and may even need to be amplified or extended beyond current plans if downside risks to growth materialize. However, fiscal policy is likely to become increasingly less effective in supporting demand in the absence of reassurances to investors and taxpayers that deficits and debt will eventually be rolled back. This is likely to require major efforts to constrain spending by initiating entitlement reforms and by committing to large reductions in deficits once the recovery is on a solid footing. The credibility of such reductions could usefully be supported with more robust fiscal frameworks, including suitable fiscal rules and strong enforcement mechanisms that help rein in spending pressures when good times return.

The key issues facing monetary policymakers are when to start tightening and how to unwind large central bank balance sheets. Advanced and emerging economies face different challenges. In advanced economies, central banks can (with few exceptions) afford to maintain accommodative conditions for an extended period because inflation is likely to remain subdued as long as output gaps remain wide. Moreover, monetary policy will need to accommodate the impact of the gradual withdrawal of fiscal support. If and when necessary, instruments exist to start tightening monetary conditions even while central bank balance sheets remain much larger than usual. The pace at which the buildup in central bank balance sheets should be unwound depends on progress in normalizing market conditions and the types of interventions in place. Supported by appropriate pricing, short-term liquidity operations are already unwinding naturally as market conditions improve.

FOCUS ON

However, it could take much longer to unwind the buildup in illiquid assets on some central bank balance sheets. The situation is more varied across emerging economies, but the moment for starting to remove monetary accommodation is likely to materialize sooner than in advanced economies. In some countries, warding off risks for new asset price bubbles may call for greater exchange rate flexibility, to allow monetary policy tightening relative to easy stances in advanced economies.

Source: IMF

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