Debt-based, Right Timing Instruments:

These help transform cash flows to provide a steady, predictable stream for development programs based on their liquidity needs and time horizons. Issuers and financial intermediaries, including the MDBs, have developed a range of new instruments targeted to specific markets and financing purposes, ranging from green bonds and vaccine bonds to the fast-growing Islamic Finance market. Different instruments have been designed to provide long-term flows, predictability, flexibility, or short-term bridging, to meet specific development finance needs.

<table>
<thead>
<tr>
<th>Mechanism</th>
<th>Description</th>
<th>Examples</th>
<th>Beneficiaries</th>
<th>Scalability</th>
</tr>
</thead>
</table>
| Bond Issuance   | Issuing bonds is one of the main mechanisms MDBs rely on. With their AAA rating and callable capital MDBs are able to issue a wide range of bonds to raise funds inexpensively in the financial markets for development finance. | • Carbon Bonds  
• Diaspora Bonds  
• Eurobonds  
• Green Bonds  
• Inclusive Business Bonds  
• Infrastructure Bonds  
• Local Currency Bonds  
• Social Impact Bonds/Development Impact Bonds  
• Sukuk (Islamic) Bonds | MICs, Upper LICs | High         |
| Carbon Bonds    | The performance of carbon bonds or carbon-linked bonds (also called carbon-indexed bonds) depends on the development of the carbon markets. By purchasing these bonds, investors can indirectly participate in the market for GHG emission reductions. Investors will also be supporting demand for CERs generated from a specific UNFCCC-registered clean energy project. The market for CERs contributes to a reduction of global greenhouse gas emissions and the transition to a low carbon growth economy. Cool bonds are an example of carbon-linked bonds and are five-year, USD-denominated notes paying a coupon of 3 percent for an initial period, and a variable coupon amount for the remaining maturity of the note tied to Certified Emission Reductions (CERs) generated by specified greenhouse gas–reducing projects in China and Malaysia. IBRD counterparties hedging exposure to CERs contributes to expansion of carbon markets. Daiwa Securities and Mitsubishi UFJ Securities distributed the notes to Japanese investors. [http://treasury.worldbank.org/cmd/htm/CO2LBond.html](http://treasury.worldbank.org/cmd/htm/CO2LBond.html) | MICs, Upper LICs | Medium      |
| Diaspora Bonds  | A diaspora bond is a sovereign debt instrument to raise financing from a country’s overseas diaspora. Diaspora bonds can have two objectives: keep the diaspora affiliated with their original home country and offer | LICs, MICs, Upper LICs |             |             |
countries possibilities to raise funds that are partially concessional because a diaspora member is likely to accept under-market interest rates for patriotic reasons.

MDBs have not issued diaspora bonds. Israel and India raised over $43 billion with diaspora bonds.\(^1\) Kenya and Ethiopia had limited success. Part of the problem has been a lack of awareness that the product existed within the targeted diaspora. But crucially people who have fled or emigrated from home due to war, poor economic circumstances, or mismanagement may hesitate to buy into a product sold by that very same country, even if the circumstances may have changed. The challenge may be overcome at the regional level; where countries might consider pooling their efforts and launching bonds through the MDBs.

**Eurobonds**

A Eurobond is a bond issued in a currency other than the currency of the country or market in which it is issued.

They give issuers the flexibility to choose the country in which to offer their bond according to the country's regulatory constraints. They may also denominate their eurobonds in their preferred currency. A eurodollar bond that is denominated in U.S. dollars and issued in Japan by an Australian company would be an example of a eurobond.

EBRD issues both domestic bonds and Eurobonds in the case of fully convertible currencies. Since the local bond issue program began in 1994, the Bank has expanded the program to smaller currencies; in 2014 EBRD issued domestic bonds in Armenian Dram and Georgian Lari. Local currency issues by IFIs promote market liquidity as they are an attractive alternative to government bonds for institutional investors; they provide market price guidance that can encourage corporations to follow with their own issuances; and IFI local currency bonds are also popular collateral, which can promote liquidity in secured money market transactions.

**Greenbonds**

Green bonds, sometimes known as climate bonds, are issued to finance environmentally beneficial projects. The primary issuers of green bonds have been multilateral development banks (MDBs). Approximately $32 billion in MDB green bonds have been issued to date, largely to fund climate change adaptation or mitigation projects. About $7.5 billion remains outstanding due to maturities.

Climate Awareness Bonds (CABs) are bonds issued by the EIB whose proceeds are used exclusively to finance projects supporting climate action, in particular within the fields of renewable energy and energy efficiency. Since their launch in 2007 until 2011, EIB Climate Awareness Bonds have raised the equivalent of EUR 1.4bn. In 2013 alone they raised another EUR 1.4bn.

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WBG is one of the world’s largest issuers of green bonds, financing climate-related projects - so far the WBG treasury has raised over USD 6.3 billion with 66 green bonds in 17 currencies, supporting 50 projects in 17 countries.

IDB Green Bond Issuances in Mexico aims to finance small Energy Efficiency ("EE") projects of Mexican companies by facilitating access to capital markets. Jointly IDB and three Mexican ESCOs will open a new channel for EE projects to obtain financing from institutional and impact investors.

The recent launch of green bonds by the AfDB had reached favorable outcome – the inaugural USD 500 million offering in 2013 and two SEK 1 billion offerings – which enable investors increasingly take project-level exposure as they become comfortable with the asset class.

| **Inclusive Business Bonds** | Inclusive Business Bonds are an innovative way to mobilize funding to improve lives, promote shared prosperity, and transform sustainable development outcomes in low-income communities around the globe. The distinction lies in the proceeds of the Inclusive Business Bond which are segregated in a special account to be disbursed solely to Inclusive Business projects that integrate low-income communities into companies' value chains. The IFC Inclusive Business Bonds raised over $100 million for investment in companies that actively integrate low-income communities into their value chain so they can participate in economic growth. The bonds were sold to Japanese retail and institutional investors and arranged and distributed by Daiwa Securities. They were fully subscribed during the offering period. |
| **Infrastructure Bonds** | Proceeds of these bonds are used to finance infrastructure projects across a country. These include installations, services, basic facilities and other projects that are needed for running a country or a community. The facilities could include transportation and communication systems, public buildings, public institutions, water and electricity lines. The investors putting their money in this kind of bonds not only benefit through returns but also contribute to the growth of the country. EIB’s The Europe 2020 Project Bond Initiative is a joint programme between the European Commission and the EIB that went live last year. It is designed to stimulate capital market financing for infrastructure in the transport, energy and information and communications technology sectors. A pilot phase activated in 2013 to test the project bond concept. The testing phase is funded by EUR 230m of EU budgetary resources from unused budget lines for existing programs. This should enable the EIB to provide finance to infrastructure projects worth more than EUR 4bn across three sectors. WBG is looking at structures to facilitate this source of funding in earlier in the project cycle. One option is a structured World Bank bond that bridges investors throughout the construction period to project refinancing. The investor buys the bond that mandatorily converts, at maturity, to a long-term project bond issued by the construction company if the underlying project achieves successful completion of the construction phase. |

| LICs, SIDS, MICs, Upper LICs | Medium |
| LICs, SIDS, MICs, Upper LICs | High |
the project does not achieve completion, the investor will receive a small minimum coupon amount.

| Local Currency Bonds | Through Local-currency bonds targeted to international investors, the MDBs have helped introduce international investors to local currency assets, facilitating their subsequent entry into the domestic markets once they have attained a degree of comfort with investments in the currency through the MDBs’ offshore AAA-rated bonds. Stronger local-currency markets can lower the costs of borrowing, thus supporting development. They reduce financing and investment mismatches and their associated risks. Between 1995 and 2008 development banks raised US$52 billion through local-currency bond issues, assisting local market development. Throughout its history in the capital markets, the MDBs has issued in more than 50 currencies, in many cases serving as a catalyst for the development of these markets. WBG has issued in domestic EM markets such as Colombia, Malaysia, Romania and Uruguay, although most of its EM currency funding has been in the international/offshore markets were it has issued over $40 billion in bonds in 25 Latin American, African, Asian and Eastern European currencies. Under its Local Currency and Capital Market Development Initiative, EBRD invests in local currency bonds, including as an anchor investor in local currency debt securities. Also undertakes derivative transactions to achieve demonstration effect or address temporary market failures – for example swap transactions with local banks to address currency mismatches. EBRD acted as anchor investor for the pilot corporate bond issue in som by the Kyrgyz Investment and Credit Bank (KICB), which allows banks to access local currency funds to on-lend to their clients. IADB’s IIC has financed operations in Mexican pesos, Brazilian reais, Peruvian soles, Colombian pesos and Argentine pesos, and is planning to expand local-currency lending activities over the next few years. The IIC will begin establishing local currency treasures, which allow ongoing financing without having to fully match assets and liabilities for each individual operation. | LICs, MICs, Upper LICs | Medium |

| Social Impact Bonds (SIBs)/Development Impact Bonds (DIBs) | The Social Impact Bond (SIB) converts intractable social problems into investible opportunities. Under the social impact bond model, impact investors – not governments – provide capital for NGOs and social enterprises to scale up programs that help poor and vulnerable populations. The ultimate payment to investors is based on the achievement of a set of predefined outcomes that are measured through an impact evaluation. If the outcomes are not achieved, the government is not required to repay investors, thereby transferring the performance risk to the private sector. DIBs are an adaptation of the SIBs intended to provide new sources of financing from private investors to improve development outcomes. DIBS provide upfront funding for development projects implemented by socially motivate private investors, who are then reimbursed and paid a return by donors or host-country | MICs | Medium |
governments if programs achieve pre-agreed outcomes.

Most SIBs and DIBs are in pilot phase. IADB’s The Multilateral Investment Fund (MIF) is analyzing how the social impact bond model could be relevant for Latin America. MIF hosted a panel on social impact bonds with experts from the UK Government, Social Finance and Instiglio to share their experiences in 2013. The MIF is also developing a Facility to channel technical assistance and investments to build the capacities of potential actors in an emerging social impact bond ecosystem. These funds will help develop a body of knowledge on the opportunities and challenges for social impact bonds in Latin America and the Caribbean, and test and evaluate the model through a portfolio of social impact bond pilots.

| Sukuk (Islamic Bonds) | Sukuk commonly refers to the Islamic equivalent of bonds. However, as opposed to conventional bonds, which merely confer ownership of a debt, Sukuk grants the investor a share of an asset, along with the commensurate cash flows and risk. WBG issued Sukuk (Islamic bonds) on 27 November 2014, raising US$500 million to accelerate the availability of funds for immunization programs and health system strengthening by Gavi, the Vaccine Alliance. | LICs, MICs, FCS | High |

| Debt Conversions | Since World War II, industrialized countries have entered into debt rescheduling agreements. Later, through the Paris Club, they also agreed to provide concessional treatment (i.e., a treatment that implies a reduction in the Net Present Value of the consolidated debts) to debt owed by highly indebted countries. Debt relief instruments include debt swaps and debt buy-backs. | LICs, FCS, SIDs | Medium |

| Debt Buy-back | Debt buyback is the repurchase by a debtor of its own debt, discounted or at par. The World Bank’s Debt Reduction Facility (DRF) for IDA-Only Countries was established in July 1989. It provides grants to eligible countries to buy back at a deep discount their public and publicly guaranteed commercial external debt. As of April 2012, the DRF has supported 25 operations in 21 IDA-only countries, extinguishing about US$10.27 billion of external commercial debt principal and an estimated US$5.22 billion of associated interest arrears and penalties. The DRF has become one of the key instruments to facilitate the participation of commercial creditors in the delivery of HIPC Initiative debt relief. | LICs, FCS | Medium |

| Debt Swap | A debt swap (also called debt-for-development swaps) provides development financing “through the exchange of a foreign-currency-denominated debt for local currency, typically at a substantial discount. The process normally involves a foreign NGO that purchases the debt from the original creditor at a substantial discount using its own foreign currency resources, and then resells it to the debtor country government for the local | LICs, FCS, LLDCs | Medium |
currency equivalent (resulting in a further discount). The NGO in turn spends the money on a development project, previously agreed upon with the debtor country government.”

Debt2Health Initiative is a debt conversion scheme piloted by Germany, Indonesia, and the Global Fund to Fight AIDS, Tuberculosis and Malaria in 2007. In the first Debt2Health operation, Germany cancelled Indonesian debts of €50 million, Indonesia paid €25 million to the Global Fund, and the Global Fund in turn agreed to spend this contribution on projects in Indonesia. The novel aspect of this mechanism is that a multilateral organization can more ensure appropriate usage of funds received from debt conversion.

Germany has enacted additional Debt2Health Initiatives with Pakistan, Egypt, Ethiopia, and Cote d’Ivoire. ³

http://www.theglobalfund.org/en/funds_raised/innovative_financing/initiatives/debt2health/

In debt-for-nature swaps, a portion of a country’s foreign debt is forgiven in exchange for local investments in conservation measures. Usually, an international NGO purchases debt titles on the secondary market. The NGO transfers the debt title to the debtor country. In exchange the country agrees to either carry out environmental policies or endow a government bond with the aim of funding conservation programs.

<table>
<thead>
<tr>
<th>Frontloading</th>
<th>Frontloading mechanisms makes public funds available earlier for development via the issuance of bonds on international capital markets.</th>
</tr>
</thead>
<tbody>
<tr>
<td>The International Finance Facility (IFF)</td>
<td>The International Finance Facility (IFF) is a frontloading instrument of future development aid by the United Kingdom. The IFF relies on long-term ODA commitments as assets that underpin the issuance of bonds in the international capital markets and leverage immediate resources for development assistance. The International Finance Facility for Immunisation (IFFIm) is an IFF supported by long-term, legally binding grants from sovereign donors (France, Italy, Norway, South Africa, Spain, Sweden, and the United Kingdom). IFFIm was established as a new supranational in 2006, with some US$5 billion in assets paid over 20 years. IFFIm’s first triple-A rated US$1 billion bond issuance funded immunization programs of the GAVI Alliance. The World Bank is IFFIm’s Treasury Manager.</td>
</tr>
<tr>
<td>Pledge Guarantee for Health</td>
<td>Pledge Guarantee for Health (formerly pledge guarantee, and PG4Health) is a partnership designed to increase the availability and predictability of funding from international donors for health commodities. Recipients are LICS, MICs, FCS</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Health (PGH)</strong></th>
<th>Empowered to use donor committed funding in advance of disbursement, resulting in increased buying power, greater value, accelerated procurement and delivery, and, ultimately, more lives saved.⁴ PGH arranges the short-term financing for the procurement of health commodities.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Islamic Finance</strong></td>
<td>For many Muslims, financial services are not compatible with their religious beliefs, so they may choose not to make use of them. Islamic finance promotes financial inclusion by offering Muslims the choice of financial products that are structured to comply with the tenets of Islam. There are Islamic equivalents for all major financial products, including deposits, mortgages, mutual funds and insurance. The Islamic financial services industry globally has grown at an extremely rapid pace over the past two decades. Although it remains only about 1% of the size the conventional financial industry, it has grown at roughly 15% annually for the past twenty years and is continuing to expand at a similar rate.</td>
</tr>
<tr>
<td><strong>Global Center for Islamic Finance</strong></td>
<td>The WBG recently opened a Global Center for Islamic Finance in Istanbul, together with several local partners. Islamic finance has grown 10 percent annually in recent years and global assets are now USD 1.5 trillion. Islamic finance can help close financing gaps for infrastructure, venture capital, and small- and medium-sized enterprises. Through the Center, the WBG aims to support regulatory solutions and provide technical assistance so Islamic finance can help create jobs and prosperity around the globe.</td>
</tr>
</tbody>
</table>

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⁴ [http://pledgeguarantee.org/](http://pledgeguarantee.org/)
### Sukuk (Islamic Bonds)

Sukuk commonly refers to the Islamic equivalent of bonds. However, as opposed to conventional bonds, which merely confer ownership of a debt, Sukuk grants the investor a share of an asset, along with the commensurate cash flows and risk.

WBG issued Sukuk (Islamic bonds) on 27 November 2014, raising US$500 million to accelerate the availability of funds for immunisation programs and health system strengthening by Gavi, the Vaccine Alliance.

| LICs, MICs, FCS | Medium |

### Takaful (Islamic Insurance)

Takaful is commonly referred to as Islamic insurance; this is due to the apparent similarity between the contract of kafalah (guarantee) and that of insurance.

However, takaful is founded on the cooperative principle and on the principle of separation between the funds and operations of shareholders, thus passing the ownership of the Takaful (Insurance) fund and operations to the policyholders. Muslim jurists conclude that insurance in Islam should be based on principles of mutuality and co-operation, encompassing the elements of shared responsibility, joint indemnity, common interest and solidarity.

In takaful, the policyholders are joint investors with the insurance vendor (the takaful operator), who acts as a mudarib – a manager or an entrepreneurial agent for the policyholders. The policyholders share in the investment pool’s profits as well as its losses. A positive return on policies is not legally guaranteed, as any fixed profit guarantee would be akin to receiving interest and offend the prohibition against riba.

| Medium |

### Lines of Credit

A line of credit would provide automatic access to a line of credit at a predetermined interest rate. Whenever a country experiences liquidity problems it could draw from its line of credit. A line of credit would provide a country with flexible access to volatile and unpredictable demand for financing. Other than contingent loans, the access to funding through a line credit could also be linked to exogenous shocks and triggers.

- Contingent Loans
- Counter Cyclical Loans
- Catastrophe Deferred Drawdown options
- Crises Response Window
- Women Entrepreneurs Opportunity Facility
- IMF Exogenous Shocks Facility

| LICs, LLDCs, SIDs, MICs | High |

### Contingent Loans

A contingent loan (or contingent credit) is a financing instrument through which funding for a specific previously defined event is provided after such event occurs.

The World Bank offers contingent financing instruments for natural disasters for both IBRD countries (through the Catastrophe Deferred Drawdown Option or Cat DDO) and IDA countries (through the Crisis Response Window or CRW).

| LICs, LLDCs, SIDs, MICs | High |
| Contingent Credit Lines | Contingent credit facilities are a source counter-cyclical finance. Finance is earmarked for access for a country but has not yet been drawn down. In Sep 2012 the IADB announced the launch of two new contingent credit facilities for Latin America and the Caribbean worth of USD 8 billion. The first is the new Development Sustainability Contingent Credit Line (DSL), which will make USD 6bn available to 26 countries to help poorest citizens from sharp fluctuations in commodity prices, global liquidity crises and other exogenous factors. The contingent Credit Line for natural Disasters (CCLND) will make up to USD 2bn available to help countries cover urgent financing needs arising immediately after a natural disaster. | LICs, SIDs, MICs | High |
| Counter Cyclical Loans (CCLs) | CCLs allow the deferment of debt service with no penalties in the face of exogenous shocks. In these debt contacts it is agreed ex ante that debt servicing will automatically be allowed to fall or become zero in periods when external shocks (measured in a particular way, such as a fall in the value of the exports) hit a particular country. They are a supplement to the existing international shock facilities. Currently Agence Francaise de Developpment (AFD) has been testing these loans in Africa. MDBs are looking into its implementation and possibilities of expansion. | LDCs, LICs, SIDs, MICs | High |
| Deferred Drawdown options | Deferred Drawdown Options on loans are an application of contingent loans. A catastrophe (CAT) DDO is a committed credit line for catastrophe risk by the World Bank. It acts as a source of bridge financing that may be disbursed partially or in full if the country declares a state of emergency as a result of a natural disaster. This will allow the country to maintain its development programs while mobilizing other sources of funding to address the emergency. [http://treasury.worldbank.org/bdm/pdf/Handouts_Finance/DDO_Major_Terms_Conditions.pdf](http://treasury.worldbank.org/bdm/pdf/Handouts_Finance/DDO_Major_Terms_Conditions.pdf) | LDCs, LICs, SIDs, MICs | High |
| Crisis Response Window | Financing from the CRW is part of a concerted international response and accessed as a last resort. Actual access to CRW resources is linked to country-specific circumstances (e.g., magnitude of crisis impact, access to alternative financing sources, etc.). Final decisions on CRW financing are made based on evidence of the severity of crises and absence of alternative support mechanisms. The primary objective of the WBG’s CRW is to provide IDA countries with additional resources that will help countries to respond to severe economic crises and major natural disasters and return to their long-term development paths. In case of natural disasters, the CRW targets events that are exceptionally severe. The additional CRW financing would complement UN efforts to provide emergency relief by supporting safety nets for affected populations and restoring basic physical assets that were destroyed by the disaster. In case of economic crises, the CRW targets severe economic crises caused by exogenous shocks that affected a | LICs, FCS, LLDCs | High |
significant number of countries.

The IDA CRW will continue for the IDA17 period (FY15-17). On September 16, 2014, the WBG Board of Executive Directors approved a US$105 million grant to finance Ebola-containment efforts underway in Guinea, Liberia, and Sierra Leone, help families and communities cope with the economic impact of the crisis, and rebuild and strengthen essential public health systems.


| Exogenous Shocks Facility | Exogenous Shocks Facility provides financing continent to exogenous macroeconomic shocks. “The IMF Exogenous Shocks Facility (ESF) provides policy support and financial assistance to low-income countries facing exogenous shocks.” After some modifications in September 2008, the ESF has two components: (i) “A rapid-access component under which a country can access fairly quickly, up to 25 percent of its quota for each exogenous shock;” and (ii) “a high-access component...with access up to 75 percent of quota for each arrangement in normal circumstances.” Access will be determined on a case-by-case basis and the conditionality is tailored to IMF members’ needs and circumstances.⁵
| LDCs, LICs, SIDs, MICs | High |
| Credit lines for Inclusiveness | These credit lines target underprivileged groups with the aim of reducing inequality
- AfDB Private Sector Credit Enhancement Facility (PSF)
- Women Entrepreneurs Opportunity Facility
- SME Finance Facility
- The European Progress Microfinance Facility
| LDCs, LICs, SIDs, MICs | Medium |
| Green Credit Lines | These credit lines for green projects only.
An important component of EBRD’s Sustainable Energy Initiative (SEI) is the Sustainable Energy Financing Facilities that extend credit lines to local financial institutions that seek to develop sustainable energy financing. Local financial institutions on-lend the fund to their clients, which include SMEs, corporate and residential borrowers, and renewable energy project developers.

IADB’s Green credit lines help mitigate climate change or provide environmental benefits. To date, more than $1 billion in loans and guarantees have been provided throughout the region. Banco General in Panama -- 1st green credit line, $20 million loan to raise a green credit line portfolio of $65.95 million allocated to 14 projects, 9 that jointly have contributed to reduce carbon dioxide emissions by 68,000 tons. This initiative has been replicated in other countries in Central America, where four additional green credit lines totalling $62.5 million have been approved.
| LDCs, LICs, SIDs, MICs | High |

Long-term finance is widely needed by firms and households to plan and invest long-term, smoothen income, and benefit from higher returns on savings; but is in short supply in developing countries, particularly among poorer individuals and SMEs. MDBs can help governments put in place requisite conditions including policies that promote macroeconomic stability, laws that protect creditors and borrowers, local banking systems and capital markets.

**Concessional loans**
- These are loans that are extended on terms substantially more generous than market loans. The concessionality is achieved either through interest rates below those available on the market or by grace periods, or a combination of these. Concessional loans typically have long grace periods.
- WBG’s IDA lends money on concessional terms. This means that IDA charges little or no interest and repayments are stretched over 25 to 38 years, including a 5- to 10-year grace period. IDA also provides grants to countries at risk of debt distress.

Since its inception, IDA has supported activities in 112 countries. Annual commitments have averaged about $18 billion over the last three years, with about 50 percent of that going to Africa. For the fiscal year ending on June 30, 2014, IDA commitments reached $22.2 billion spread over 242 new operations. 12 percent of the total was committed on grant terms.

The Enhanced Private Sector Assistance (EPSA) Initiative, a partnership of Japan and the AfDB, mobilizes long-term concessional resources that support AfDB’s non-sovereign operations.

**Non-Concessional Loans**
- Non-concessional loans are provided with a market-based interest rate. Non-concessional loans are, depending on the MDB, extended to middle-income governments, some creditworthy low-income governments, and private sector firms in developing countries.

Many multilateral organisations (IMF, World Bank and European, and regional development banks) provide less and non-concessional loans to their more developed member states. For example, the World Bank, through the International Bank for Reconstruction and Development (IBRD), enables middle income countries to borrow on terms which are nonconcessional, but less expensive than commercial loans. The major regional development banks also have
non-concessional financing facilities.

| Equity Investments | The private sector arms of the MDBs and EIB and EBRD were created to extend loans and equity investments to private firms in developing countries. MDBs investments provide:  
| - A seal of approval for the investment proposal  
| - Catalytic effect on fund raising  
| - Promoting best practice in governance  
| - An experienced investment team with private equity expertise  
| - Extensive industry knowledge through our economics and engineering specialists  
| - Early involvement  
| - Ability to move fast  
| MDBs equity investments take place direct or through MDBs-supported investment funds.  
| The EBRD’s Direct Investment Facility (DIF) demonstrates the viability of smaller businesses based in countries and regions at an early stage in the transition to the market economy. Equity and limited debt financing may be available to attractive private sector businesses, especially those led by motivated and experienced local entrepreneurs. Investment range generally between €500,000 and €6 million.  
| As of end-March 2015, AMC had approximately US$8.1 billion of assets under management in eight funds and had committed approximately US$4.6 billion in 59 companies and six private equity funds. For example, AMC’s Global Infrastructure Fund has raised $1.2 billion in equity commitments from commercial investors which will support an estimated $18 billion of infrastructure projects in developing countries over the fund’s five-year investment period.  
| | Upper LICs, MICs | High |

| Venture capital | Venture capital is financing provided by investors to startup firms and small businesses with perceived long-term growth potential. This is a very important source of funding for startups that do not have access to capital markets. It typically entails high risk for the investor, but it has the potential for above-average returns.  
| The IADB Group plays a catalytic role in supporting SMEs by providing equity and capacity building to seed and venture capital funds which offer financing to early stage, dynamic enterprises. By investing in funds, the IADB Group shares investment risk with other partners in the region and demonstrates that financial sustainability and positive social and environmental impact can be mutually attainable. Since 1996, the IDB Group has committed over $323 million in financing to more than 65 Venture Capital (VC) and seed funds. Including co-investments, the IADB Group has supported funds that total over $1.2 billion and reach SMEs in every sub-region of Latin America and the Caribbean (LAC). These funds not only provide long-term financing to SMEs, but introduce structural changes needed to support growth: the adoption of good corporate governance, the | Upper LICs, MICs | High |
| professionalization of management, and the improvement of operational processes. |   |   |