INVESTMENT FUNDS FOR DEVELOPMENT PROGRAM

Programmatic Approach
Background Concept Note

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Executive Summary

Program Rationale

1. The overall objective of the SDGs is to overcome poverty and save the planet. To meet the SDGs, total incremental investment needs in developing countries through 2030 are estimated at US$1.5 to US$2.5 trillion per year, of which US$800 billion to US$ 1.4 trillion (or about 60%) from private sources. At US$ 22 trillion per year, the world has adequate savings to finance private investments in the SDGs, but to date private financing directed towards sustainable development remains vastly insufficient. This is particularly the case for achieving the SDGs of growth and employment (SDG8), resilient infrastructure (SDG9), and climate mitigation and adaptation (SDG13). This raises the critical challenge on how to mobilize financing for SMEs and infrastructure investments to support growth, job creation, and climate mitigation and adaptation in emerging markets and developing countries (EMDEs).

2. Globally, young SMEs are the primary source of job creation. Access of young patenting firms to seed and early stage venture capital is critical to finance innovation. Access by firms to private equity at all stages of their development from start-up through growth to pre-IPO has a major impact on innovation, productivity, employment creation and competitiveness. However to date the penetration of private equity and venture capital remains low across many EMDEs, and the private equity financing gap in EMDEs is estimated at US$ 270 billion in 2014.

3. Globally, infrastructure investments have a strong impact on growth: a 1 percent increase in physical infrastructure stocks temporarily raises GDP growth by as much as 1-2 percentage points. Physical infrastructure in roads and telecommunications facilitates spatial access and information flows, raising labor productivity, boosting rural incomes and reducing poverty. Broad access to electricity leads to increased overall productivity, rising female employment, as well as more time to study and increased use of computers. Better transportation systems and safer roads raise school attendance. The investments in large infrastructure required to achieve the SDGs are estimated at US$ 900 billion to US$ 1.6 trillion per year through 2030.

4. Required investments in climate mitigation and adaptation are estimated at US$ 440 billion to US$ 780 billion per year over the same period. Adaptation investments are part of a broader set of resilience investments to be undertaken under comprehensive disaster risk management (DRM) strategies. These encompass a broad range of resilience infrastructure investments by governments, business investments by enterprises, and community and individual investments by households. Resilience investments yield a triple dividend, avoiding losses, unlocking suppressed economic potential, and generating co-benefit through increased employment opportunities in environmental services, value chain development in protected areas, and improved access to services through improved resilience of transport networks. Climate mitigation efforts face the challenge of designing more powerful incentive schemes to attract private capital, including investment funds, to clean energy research,
development and deployment. In addition to environmental tax policy, this requires investment incentives that bring the risk-return trade-off for private investors within the commercial realm for a larger range of clean energy investments.

5. A significant part of large infrastructure investments for growth, climate mitigation and adaptation are expected to be undertaken on balance sheet by national and sub-national governments as part of their public investment programs, and financed through taxation or sovereign and sub-sovereign borrowing. However, due to fiscal constraints, about 55% of these investments will need to be undertaken through PPP projects and financed from private commercial sources, at a cost of US$ 591 billion to US$ 1.3 trillion per year through 2030.

6. Private equity and debt funds can play a critical role in mobilizing resources from international and domestic institutional investors for the financing of SMEs and resilient infrastructure, as well as for climate adaptation and mitigation investments in EMDEs.

7. Globally, private equity (PE) assets under management have grown rapidly over the last decade, reaching US$ 3.8 trillion in 2014, of which about 10 percent are invested in EMDEs. The investor base for PE funds is broad-based and includes public and private pension funds, insurance companies, high net-worth individuals and family offices, private foundations, government agencies and Sovereign Wealth Funds (SWFs). Following the international financial crisis, venture capital (VC) funds have rebounded sharply following the international financial crisis, with new fundraising reaching about US$ 50 billion in 2014. VC funds now finance a broad range of SMEs, from angel deals to various rounds of VC funding in a broad range of sectors including internet, healthcare, IT and clean technology. In recent years, private debt funds have also emerged to complement bank lending to enterprises that has been constrained by regulatory pressures and deleveraging.

8. Over the past ten years, a new class of PE and debt funds has emerged that are dedicated to infrastructure investments, with assets under management reaching US$ 296 billion in 2014. The share of infrastructure equity and debt funds in emerging markets has increased steadily, reaching 10% of the total. The investor base encompasses a broad range of investors, including superannuation schemes, endowment plans, public and private pension funds, foundations, and asset managers. Infrastructure funds have consistently outperformed other private equity firms over the 2007-2014 period.

9. The development of PE and debt funds for SMEs, infrastructure, as well as climate mitigation and adaptation finance in EMDEs depends on three key pillars: (i) developing the PE/VC ecosystem; (ii) developing the framework for infrastructure PPPs; and (iii) developing Strategic Investment Funds (SIFs) and the domestic investment component of SWFs as anchor investors for international and domestic institutional investors in domestic projects and funds.
(i) Developing PE/VC ecosystems

10. The establishment of an efficient and transparent legal and regulatory framework is a critical element for the development of the PE/VC industry. This encompasses the broad legal and regulatory framework for the operations of off-shore and on-shore funds in the country, as well as the legal and regulatory framework for the domestic registration and supervision of on-shore funds. The second element is the legal and regulatory environment for investments by institutional investors, including pension funds and insurance companies, in the PE/VC asset class, both under rules-based and risk-based regulatory systems. The third element is the business enabling environment, encompassing a number of supply-side and demand-side policies. Supply-side policies include tax credits, seed funds that co-invest with qualified angel investor groups, and technical assistance and training for angel investor groups, as well as hybrid (public-private) funds to stimulate equity finance to early-stage enterprises and technical assistance funds to support VC funds reaching down to smaller deal sizes. Demand-side measures include entrepreneurship training and support to the development of a network of business incubators and accelerators linked with research centers and with angel investor groups and VC funds.

(ii) Developing frameworks for infrastructure PPPs

11. The development of a comprehensive framework for the delivery of the PPP program is critical to mobilize private equity and debt funds for infrastructure finance in a country, including clean energy and other climate mitigation or adaptation infrastructure. This includes framework objectives, scope, legal and administrative instruments, procedures and decision criteria, procedures for management of unsolicited proposals, and contract management including contract renegotiations. The preparation cost of PPP transactions ranges from 2-3% in middle-income countries that already have experience with PPPs, to 3%-10% of total project costs in new sectors in low-income countries. To overcome this constraint, several governments are considering the establishment of infrastructure PPP project venture funds, responsible for managing all stages of the preparation of PPP transactions up to financial close and taking an equity and/or mezzanine stake in the PPP project SPV.

(iii) Developing SIFs and the domestic investment component of SWFs

12. The third pillar is the development of SIFs and of the domestic investment component of SWFs, to serve as anchor investors for domestic and international institutional investors in domestic projects and funds. A number of SWFs established since the 1990s have been set up to undertake strategic domestic investments, starting with Malaysia’s Khazanah and continuing since 2000 with several oil or mineral-based funds in the Gulf and in Africa. In parallel with increased allocation by oil or mineral-based SWFs to domestic investments, a
growing number of EMDEs are establishing SIFs, funded by fiscal surpluses, borrowing, or other non-resource revenues, to serve as anchor investors for domestic and international institutional investors, including international private equity and debt funds interested in investing in the domestic economy. SWFs that invest domestically and SIFs take on very similar roles, investing for a combined financial and economic return in infrastructure PPP projects, SME funds and SOE investment or turnaround projects.

Program Activities

13. The Investment Funds Group delivers the Program through a mix of global and sub-regional and country engagements.

14. Global engagements include (i) management of the investment funds Community of Practice, including a private equity/venture capital C4D platform jointly managed with the Emerging Market Private Equity Association (EMPEA) and a SWF C4D platform jointly managed with the Fletcher Network for Sovereign Wealth and Global Capital; (ii) co-management with Treasury (TRE) of the SWF Corporate Secretariat and Advisory Group, (iii) preparation of a global review of SIFs, in partnership with the Public-Private Infrastructure Advisory Facility (PPIAF); (iv) preparation of guidelines for the design of SIFs, in partnership with PPIAF; and (v) co-management with the Sustainable Urban, Rural and Resilience Global Practice (SURR GP) of a feasibility study for a Global Resilience Investment Fund (GRIF), in partnership with the Global Fund for Disaster Relief and Recovery (GFDRR)/Disaster Risk Finance and Insurance (DRFI) window.

15. Sub-regional and country engagements are driven by country demand, internal partnerships across IFC, World Bank Global Practices (GPs), Cross-Cutting Sector Areas (CCSAs) and TRE, external partnerships with Governments through reimbursable advisory services (RAS), and with donors through multi-donor and bilateral trust funds, and line of sight (LSI) lending or guarantee operations aimed at achieving monitorable performance indicators towards the three SDGs of growth and employment, resilient infrastructure, and climate mitigation and adaptation. These engagements are structured around three business lines: (i) development of PE/VC ecosystems; (ii) development of SWFs in resource-rich LICs; and (iii) development of SIFs in EMDEs.
16. The objective of this Note is to discuss the development objective, intermediate outcomes, strategic relevance, program context/description, program risks, roles of clients and partners, and dissemination and outreach strategy for the Investment Funds for Development program managed by the Investment Funds Group team in Fin4Dev.

I: Development objective

17. The development objective of the Investment Funds for Development (IFD) program is to enable EMDE governments and regional economic communities to create the conditions to mobilize investment fund resources for SMEs and infrastructure finance, with the objective to contribute to the achievement of the SDGs of growth and employment (SDG8), resilient infrastructure (SDG9), and climate adaptation and mitigation (SDG13).

II: Intermediate outcomes

18. The program will have the following intermediate outcomes:

(i) Increase in penetration of private equity and venture capital assets under management (AUM) invested in EMDEs by 10% by 2020

(ii) Increase in private equity and debt funds AUM invested in infrastructure in EMDEs by 10% by 2020

(iii) Increase private equity and debt funds assets AUM invested in climate mitigation and adaptation in EMDEs by 15% by 2020

III Strategic relevance

19. The overall objective of the SDGs is to overcome poverty and save the planet. Following developments in the global economy over the last decade, large amounts of investable resources, mostly private, are available in advanced and emerging economies (See IMF-World Bank op.cit, 2015). To meet the SDGs, total incremental investment needs in developing countries through 2030 are estimated at US$ 1.5 to US$2.5 trillion per year, of which US$800 billion to US$ 1.4 trillion (or about 60%) from private sources. At $ 22 trillion per year, the world has adequate savings to finance the private investments in the SDGs, but to date private financing directed towards sustainable development remains vastly insufficient (See Sachs et..al, op.cit, 2015).
20. This is particularly the case for achieving the SDGs of growth and employment (SDG8), resilient infrastructure (SDG9), and climate adaptation and mitigation (SDG13). This raises the question on how to mobilize investment funds for financing SMEs that are prime contributors to job creation and growth, and for financing infrastructure and climate adaptation and mitigation investments.

(i) **Role of investment funds in SME finance for growth and employment**

21. Globally, young SMEs are the primary source of job creation. A recent OECD study across 18 countries over the 2001-2011 period shows that young SMEs (less than 5 years), although representing on average 17% of employment, contribute 42% of total job creation and only 22% of all job destruction, making them net job creators. By contrast, older SMEs are generally net job destroyers. The disproportionate contribution of young firms to employment creation holds across all economies, sectors and years considered (See Criscuolo, Gal and Menon, op cit. 2014). A similar relationship was found by a World Bank study in India, which showed a strong positive correlation between entrepreneurship and job growth across Indian states between 1989 and 2005 (See Ghani, E., W. Kerr and S. D. O’Connell, op.cit. 2015).

22. Access of young firms to finance varies greatly across countries. A recent OECD study across 23 OECD countries over the 2003-2010 period shows that resource flows to patenting firms tend to be stronger in countries with more developed financial markets, and this effect is particularly important for young firms. In particular, resources flow more freely to young patenting firms in countries with more developed markets for seed and early-stage venture capital. Access to seed and early stage venture capital therefore plays an important role for ensuring the growth of young patenting firms and the development of radical innovations. Specifically, the study shows that increasing access to early stage venture capital from the lowest level to the average of the sample implies that capital flows to patenting firms would be 30% higher than otherwise (See Andrews, Criscuolo and Menon, op.cit. 2014).

23. More broadly, increasing access of firms to private equity at all stages of their development from venture through growth to pre-IPO has a major impact on innovation, productivity, employment creation and competitiveness. A recent EVCA study showed that patents granted to private equity-backed companies tend to be more economically significant than patterns on average, with evidence from the US suggesting that private equity participation increases the number of citations of a patent by 25%. The study also shows that private equity-backing improves the operating performance of portfolio companies by 4.5% to 8.5% during the first three years after investment, and that private equity participation leads to improved productivity as measured by EBITDA per employee of 6.9% on average. The study also shows that private equity-backed firms are more focused on internationalization by comparison with other firms (See Frontier Economics Europe, op.cit. 2013)
24. Globally, private equity funds assets under management (AUM) have grown rapidly over the last ten years, reaching US$ 3.8 trillion in 2014 (See figure 1). The boom period from 2004 to 2007 was followed by a flattening out of AUM following the international financial crisis in 2008. The crisis resulted in a sharp decline in exit activity between 2008 and 2010, resulting in increases in unrealized values, lower capital returned to investors, and a more competitive fund raising environment. Since then, exit activity has increased, translating into higher levels of distributions and an upturn in new funds commitments, with global AUM breaking the US$ 3 trillion mark in 2012.

Figure 1: Private Equity Assets under Management December 2000 - June 2014 (US$ billion)

25. By type of fund, buyout funds are the leading asset class with 37% of global dry powder in 2013, followed by real estate funds (17%), venture capital funds (11%) and infrastructure funds (9%). However, the last ten years have witnessed a significant transformation among asset classes. Between 2004 and 2013, the share of buyout funds declined from 43% to 37% and the share of venture capital funds was halved, dropping from 23% to 11%. By contrast, the share of infrastructure funds increased from 3% to 9%, and the share of growth funds increased from 2% to 7% over the same period.

26. In terms of exits, after peaking at US$ 266 billion in 2007, private equity-backed exits dropped sharply following the international financial crisis in 2008, reaching a low of US$
82 billion in 2009. Starting in 2010 however, exits rebounded sharply and broke the US$ 300 billion mark in 2013. Among exit strategies, trade sales represented 51% of exit transactions in 2013, followed by sales to general partners (26%), and IPOs (19%).

27. The investor base of PE funds has undergone significant transformation over the last six years. Between 2009 and 2011, the largest investors were public pension funds, averaging 28% of the total, followed by fund of funds (13%) and endowment plans (8%). By contrast, over the 2012-2014 period, the share of public pension funds and of endowment plans dropped to 22% and 6% respectively, while the share of high-net-worth individuals, private sector pension funds and insurance companies, increased from 3% to 10%, from 7% to 10% and from 6% to 12% respectively. At the same time, the share of fund of funds managers remained stable.

Figure 2: Make-up of LPs in the Average Fund by LP Type (Capital Committed to Funds Closed in 2009-2014)

![Figure 2: Make-up of LPs in the Average Fund by LP Type](source)

28. In terms of performance, private equity horizon IRRs outperformed major market indices, generating a return of 21.7% at the 10 year 2013 horizon. However, this performance was driven primarily by buyout funds, while venture capital funds underperformed major market indices at those horizons. As of mid-2013, buyout funds generated a 10-year horizon return of 25.5%, compared to 4.5% for venture capital, 7.3% for the S&P 500 and 13.7% percent for the MSCI emerging markets.
29. Following the international financial crisis in 2008, private debt funds have emerged as a rapidly increasing asset class. Mezzanine funds represented 42% of private debt fund managers established since 2008, compared to 23% of direct lending and almost equal share of distressed debt funds (16%) and special situations funds (15%). In particular in Europe, the deleveraging of banks following regulatory pressures to replenish support funds and to recapitalize in the wake of the international financial crisis created opportunities for third parties to generate attractive risk-adjusted returns by acquiring loans and providing liquidity to the banking sector.

**Figure 3: Primary Strategy of Private Debt Fund Managers Established Since 2008**

![Circular graph showing the distribution of primary strategies among private debt fund managers. Direct Lending: 23%, Distressed Debt: 16%, Mezzanine: 42%, Special Situations: 15%, Venture Debt: 4%]

*Source: 2015 Preqin Global Private Debt Report*

30. Venture capital deals are a good proxy to evaluate the contribution of private equity and debt funds to SME development.

31. After reaching a peak of US$ 52 billion in 2008, venture capital fundraising dropped significantly following the international financial crisis. Fundraising rebounded significantly in 2011 to US$ 42 billion followed by decrease in 2012 and 2013, and significant increase to
US$ 46 billion in 2014. In 2013, 299 venture capital funds held a final close raising a total of US$ 31 billion globally, the smallest annual amount since 2010.

Figure 4: Proportion of Number and Aggregate Value of Venture Capital Deals by Industry 2012 – 2014

32. By geographical area, the main areas of focus are North America, with 55% of global dry powder in 2013, followed by Europe (25%) and Asia (15%). In recent years, PE investments have increased rapidly in EMDEs, reaching US$ 34.7 billion in 2014 (See figure 5) with emerging Asia leading with 77% of total EMDE investments (mainly driven by China and India), followed by Latin America, with 12% (mainly driven by Brazil), Sub-Saharan Africa (5.9%) and Central and Eastern Europe (2.8%).

33. Despite this positive evolution, the penetration of private equity and venture capital remains low across EMDEs to date. Private equity investment to GDP were at or below 0.2 percent of GDP across EMDEs in 2014, compared to 1.84% in Israël, 1.23% in the USA, and 0.81% in the US. The EMDE private equity financing gap is estimated at US$ 270 billion in 2014 (World Bank staff estimates).

Figure 5: Evolution on PE investments in Emerging Markets by region, in US$ billion
(ii) Role of investment funds in resilient infrastructure and climate mitigation and adaptation finance

34. Infrastructure is critical for promoting economic growth and social inclusion and for climate mitigation and adaptation.

35. There is widespread empirical evidence that infrastructure investments have a positive impact on growth. While the magnitude of the estimates vary greatly across empirical studies, growth regressions using infrastructure stocks almost invariably find significant growth effects: a 1 percent increase in physical infrastructure stocks temporarily raises GDP growth by as much as 1-2 percentage points, although the growth acceleration gradually tapers off as the economy approaches its long-run per capita income (See Calderon and Serven, op.cit, 2014). Some studies also find that physical infrastructure in roads and communications facilitates spatial access and information flows, raising labor mobility boosting rural non-farm economies, and reducing the incidence of poverty in some geographic areas. Recent studies on the roll-out of the electricity grid in South Africa show that electrification leads to rising female employment, with women working nearly 9 hours more per week in districts that experienced an average increase in electrification. Other studies show that better road transportation systems and safer roads help raise school attendance, while improved access to electricity allows more time to study and the use of computers (See Calderon and Serven, op.ci. 2014). The investments in large infrastructure
required to achieve the SDGs are estimated at US$900 billion to US$1.6 trillion per year through 2030 (See Sachs et. al, op.cit, 2015).

36. Investments in climate mitigation and adaptation are estimated at US$440 billion to US$780 billion per year over the same period. Investments in climate mitigation required to limit the rise in average global temperatures to no more than 2 degrees Celsius relative to pre-industrial levels (agreed at the UNFCCC in Cancun in 2010) are estimated to range from US$380 billion to US$680 billion per year through 2030 (See Sachs et. al, op.cit 2015). Investments in climate adaptation required to adapt to a 2 degrees Celsius warmer world are estimated in the range of US$70 billion to US$100 billion per year through 2050 (See World Bank, op.cit, 2010).

37. Energy production and use account for around two thirds of global greenhouse-gas (GHG) emissions. As of mid-October 2015, more than 150 countries accounting for around 90% of global economic activity and almost 90% of global energy-related GHG emissions have submitted national climate pledges (Intended Nationally Determined Contributions - INDCs). If the INDCs are implemented fully, they will help to achieve the necessary decoupling between growth and energy-related GHG emissions. The full implementation of INDCs will require the energy sector to invest US$13.5 trillion in energy efficiency and low-carbon technologies over the 2015-2030 period, representing almost 40% of total energy sector investment. Within this total, around US$8.3 trillion is needed to improve energy efficiency in the transport, buildings and industry sectors, while much of the remaining investments are required to decarbonize the power sector (See IEA, op. cit 2015).

38. However, the implementation of the INDCs will result in an average temperature increase of around 2.7 degree Celsius by 2100, falling short of the UNFCCC goal. Additional measures required to achieve the 2 degree Celsius goal (the IEA “Bridge scenario”) include improving energy efficiency in the industry, buildings and transport sectors, phasing out the use of least-efficient coal-fired power plants, further boosting investments in renewables-based power generation technologies, gradually phasing-out fuel subsidies, and reducing methane emissions from oil and gas production. This would translate into additional US$3 trillion (or 20%) of cumulative investments in energy efficiency and low-carbon technologies through 2030 (See figure 6 below).
39. Adaptation costs vary significantly across climate scenarios. Overall, the drier scenario (Commonwealth Scientific and Industrial Research Organization – CSIRO) requires lower adaptation costs compared to adaptation costs of under the wetter scenario (National Center for Atmospheric Research (NCAR)). Adaptation costs also vary considerable across regions. They are higher as a percentage of GDP in Sub-Saharan Africa in part because of the region’s lower GDP, but also because the higher cost of adaptation for water resources (See World Bank, op.cit, 2010). By sector, adaptation costs are estimated at US$ 28.5 billion per year for coastal zones, US$ 27.5 billion per year for infrastructure, and US$ 14.4 billion per year for water supply and flood protection under the NCAR scenario (See table 1 below).

Table 1: Comparison of adaptation cost estimates by the UNFCCC and the EACC

<table>
<thead>
<tr>
<th>Sector</th>
<th>UNFCCC (2007)</th>
<th>EACC Study Scenario</th>
<th>EACC Study Scenario</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>NCAR (wettest)</td>
<td>CSIRO (driest)</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>2-41</td>
<td>27.5</td>
<td>13</td>
</tr>
<tr>
<td>Coastal zones</td>
<td>5</td>
<td>28.5</td>
<td>27.6</td>
</tr>
<tr>
<td>Water supply and flood protection</td>
<td>9</td>
<td>14.4</td>
<td>19.7</td>
</tr>
<tr>
<td>Agriculture, forestry, fisheries</td>
<td>7</td>
<td>2.6*</td>
<td>2.5*</td>
</tr>
<tr>
<td>Human health</td>
<td>5</td>
<td>2</td>
<td>1.5</td>
</tr>
<tr>
<td>Extreme weather events</td>
<td>-</td>
<td>6.7</td>
<td>6.4</td>
</tr>
<tr>
<td>Total</td>
<td>28-67</td>
<td>81.5</td>
<td>71.2</td>
</tr>
</tbody>
</table>

*Note that the costs of adaptation in the agriculture, forestry and fisheries sector have changed as compared to the estimates presented in the EACC Global Report (The Cost to Developing Countries of Adapting to Climate Change:...
New Methods and Estimates, WB 2010) in which these costs stood at $7.6 Billion for the NCAR and $7.3 Billion for the CSIRO scenarios. The current costs are estimated as the difference in public spending in the scenario with climate change and adaptation as compared to the no climate change scenario, and use the same methodology as has been applied to the other sectors. In WB 2010, the costs were incorrectly reported as reflecting the difference in public spending in the scenario with climate change and adaptation as compared to the scenario with climate change but no adaptation. The difference lowers the EACC lower bound estimate of the global cost of adaptation from US$ 75 billion reported in WB 2010 to US$ 71.2 billion per year, rounded to US$ 70 billion per year. 

Note: NCAR is The National Centre for Atmospheric Research, and CSIRO is the Commonwealth Scientific and Industrial Research Climate.

**Source:** WB EACC The economics of adaptation to climate change

40. More broadly, adaptation investments are part of a broader set of resilience investments to be undertaken under comprehensive disaster risk management (DRM) strategies. Resilience investments encompass a vast array of infrastructure investments by governments, business investments by enterprises, and community and individual investments by households. Resilience infrastructure investments undertaken by governments include flood protection structures, community shelters, improved water supply systems, construction of drainage pipes, rehabilitation and construction of resilient public buildings, rehabilitation and construction of resilient energy facilities and transport systems, and installation of more resilient wireless communications. Resilience business investments by enterprises include investments in operational resilience (both on site and through relocation), and investments in the development of the resilience products and services value chains, including production of resilient construction materials, collection, recycling and reuse of waste materials, design and installation of micro water harvesting systems, design and installation of household solar energy systems, and design and delivery of disaster risk management services, including digital platforms for disaster risk information monitoring and dissemination. Community investments by households include resilient community facilities, community-based flood protection systems and resilient food storage facilities. Individual investments by households include resilient housing and solar energy. Access by governments, enterprises and households to disaster risk insurance instruments further enhances the contribution of these investments to society’s resilience to disasters (See Jha and others, 2013a and b, op.cit).

41. Investing in resilience as part of comprehensive disaster risk management (DRM) strategies yields a triple dividend in EMDEs. First, investment in resilience avoids losses by saving lives, reducing infrastructure damages, and reducing economic losses. Second, it unlocks suppressed economic potential and stimulates economic activity through encouraging households to save and build assets, promoting entrepreneurship and stimulating firms to invest and innovate. Third, resilience investments yield co-benefits through generating employment opportunities in environmental services, stimulating the development of value chains in protected areas, and improving access to employment and services through improved resilience of transport networks (See GFDRR, op cit., 2015). Resilience investments are on the critical path to achieving the twin goals of poverty eradication and shared prosperity, and play a central role in climate change adaptation.
42. A significant part of large infrastructure investments for growth, climate mitigation and adaptation and resilience are expected to be undertaken on balance sheet by national and sub-national governments as part of their public investment programs and financed through taxation or through sovereign or sub-sovereign borrowing. These public investments are estimated at US$398 billion to US$844 billion per year for large infrastructure and at US$140 billion to US$225 billion per year for climate adaptation and mitigation. Given fiscal constraints, the remaining investments will need to be undertaken off-government balance sheet through PPP SPVs financed through commercial sources. These investments amount to US$291 billion to US$755 billion per year for large infrastructure, or 47% of the total, and from US$300 billion to US$564 billion per year for climate adaptation and mitigation, or 72% of the total. Overall, 55% of large infrastructure and climate adaptation and mitigation investments will need to be undertaken through PPP projects and financed from private commercial sources, at a cost of US$591 billion to US$1.3 trillion per year through 2030 (See Sachs et.al., op.cit 2015)

43. With global savings of $ 22 trillion per year and high levels of liquidity, there would appear to be ample capital to finance these investments. However, there is a growing mismatch between long-term investment needs and short-term finance, particularly for infrastructure. This mismatch is particularly acute in lower middle-income and low-income countries. While long-term lending (above five years) represents 41% of bank lending in high-income countries, it constitutes 24% of bank lending in upper middle-income countries and only 12% in low income and lower-middle income countries (See Sachs, 0-.cit.2015 and figure 7 below)

Figure 7: Proportion of Bank Loan Maturities by Country Income Level
Institutional investors in OECD member states hold over US$79 trillion in AUMs but have only about 1 percent of their portfolio directly invested in infrastructure assets. In addition, the vast majority of these investments are concentrated in their home markets (See Inderst and Stewart, op.cit, 2014). In recent years, there have been increasing investments by EMDE pension funds in infrastructure. Of the 33 pension funds that reported infrastructure investments in 2013, 10 are from EMDEs (See Inderst and Stewart, op.cit, 2014 and OECD, op.cit, 2013). These funds invested US$22.3 billion in infrastructure, or 5.7% of total AUM in 2013. Investments in listed infrastructure equity amounted to 2.5% of total AUM, compared to 2.0% for listed debt equity and 1.3% for unlisted equity. More recently, EMDE pension funds have demonstrated an interest for investing in infrastructure funds (See para 34 and box 1 below).

Globally, the past ten years have witnessed the emergence of a new class of private equity and debt funds dedicated to infrastructure investments. Starting from a very low base of US$17 billion in 2004, AUM of unlisted infrastructure funds have increased steadily to reach US$296 billion globally in mid-2014. The growth of the fund class continued through the financial crisis, albeit at a slower pace in 2009 and 2010. Following the international financial crisis in 2008, infrastructure debt funds have developed as a small but increasing fund class. While an average of 5 new infrastructure debt funds were raised per year over the 2005-2009 period, the number of funds raised has increased to 20 in 2013, with an aggregate capital raised of US$7.5 billion in that year.

Over the period, the share of infrastructure funds’ investments in emerging markets has increased rapidly, reaching 10% of the total in 2013. By industry, the largest sector is renewable energy, which represented 33% to 41% of the total over the 2008-2014 period, followed by utilities (12% to 20%), transport (13% to 19%), social infrastructure (8% to 18%), and energy (8% to 15%) (See figure 9 below).
Figure 8: Unlisted Infrastructure Assets under Management December 2002 - June 2014

Source: 2015 Preqin Global Infrastructure Report

Figure 9: Breakdown of Infrastructure Deals by Industry 2008-2014

Source: 2015 Preqin Global Infrastructure Report
47. Superannuation schemes are the leading investor type in the infrastructure fund class, with 7% and 9% of AUM of average current and target allocations in 2014 respectively, followed by endowment plans (4.4% and 6.6%) and public pension funds (3.3% and 5.2%) (See figure 10 below).

**Figure 10: Breakdown of Average Current and Target Allocations to Infrastructure by Investor Type, 2014**

![Bar chart showing average current and target allocations to infrastructure by investor type in 2014.](chart)

Source: 2015 Preqin Global Infrastructure Report

48. In terms of performance, infrastructure funds outperformed other private equity funds over the 2007-2014 period. Specifically, taking 2007 as a base, the Preqin infrastructure index reached 161.0 in June 2014, compared to 142.8 for the all private equity index (See figure 11 below).
49. Since 2009, infrastructure debt funds have emerged rapidly albeit from a low base. As of January 2015, a record number of infrastructure debt funds were on the road, with aggregate capital sought increasing by 51% compared to 2014, with 31 funds seeking an aggregate US$ 22.7 billion, compared to 20 funds targeting US$ 15 billion in January 2014 (See figure 12 below). Among infrastructure funds providing debt financing, 38% are solely debt-focused IDF s, while the remaining 62% make both debt and equity investments. Recent examples include the Vantage Capital Green X Infrastructure Debt Fund launched as part of the Renewable Energy IPP Procurement Process in South Africa in 2013 (See box 1 below), and the Credicorp Capital/Sura Asset Management Fund launched as part of the Fourth Generation Concession Program (FCP 4G) in Colombia in 2015, with the participation of IFC.

50. Infrastructure debt fund investments in clean energy projects may be supported by a range of multilateral and private fund mechanisms that have been established to help increase investment in the clean energy sector. This includes multilateral funds that leverage and crowd in private financing in the sector such as the Green Climate Fund, the Climate Investment Funds, and other multilateral mechanisms such as the Global Environmental Facility (GEF), as well as regional initiatives such as the Multilateral Investment Fund. On the private sector side, the main mode of engagement has been through green bonds. The IFC is leading the way in this space, and well-known investors in IFC’s issuance include.
Blackrock, State Street Global Advisors, and CalPERS. Several standards for green bonds exists, including the Climate Bonds Standard, established by the Climate Bonds Initiative, and the voluntary Green Bond Principles, created to reflect the commitment of large investment banks such as JP Morgan Chase, Bank of America Merrill Lynch, Citi, HSBC, Morgan Stanley, and many others.

**Figure 12: Unlisted infrastructure debt funds in market over time: January 2006-January 2015**

Source: 2015 Preqin Global Infrastructure Report

**Box 1: The rise of infrastructure private equity and debt funds focused on Africa**

Over the last ten years, the number of unlisted infrastructure funds with Africa as the main fund focus has grown rapidly, reaching 36 in 2014 (see Graph B1). As a result, unlisted infrastructure funds primarily focused on Africa had approximately US$7.5 billion of AUM at the end of 2014. In addition, US$1.9 billion was being raised for this asset class (see Graph B2). The growth was fastest in the 2006-07 period, before the global financial crisis, and again in the post-crisis period with record high numbers in year 2014.

The vast majority of active investors in African infrastructure pursue unlisted routes to market. While almost half of the investors access African infrastructure directly, only small portion of
them pursue listed investment strategies. As a result, currently there are only 2 listed, Africa-focused, infrastructure funds active.

The top ten Africa-focused funds are presented in the table below (see Table B1). Almost all of these funds have originated in the past 5 years and half of them have started investing in the period since 2012.
Table B 1

<table>
<thead>
<tr>
<th>Fund</th>
<th>Fund Manager</th>
<th>Vintage</th>
<th>Strategy</th>
<th>Final/Target Size USD (mn)</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pan African Infrastructure Development Fund II</td>
<td>Harith</td>
<td>2014</td>
<td>Primary</td>
<td>1200</td>
<td>First Close</td>
</tr>
<tr>
<td>COMESA Infrastructure Fund</td>
<td>PTA Bank</td>
<td>2014</td>
<td>Primary</td>
<td>1000</td>
<td>Raising</td>
</tr>
<tr>
<td>Pan African Infrastructure Development Fund II</td>
<td>Harith</td>
<td>2007</td>
<td>Primary</td>
<td>630</td>
<td>Closed</td>
</tr>
<tr>
<td>African Infrastructure Investment Fund II</td>
<td>African Infrastructure Investment Managers</td>
<td>2011</td>
<td>Primary</td>
<td>500</td>
<td>Closed</td>
</tr>
<tr>
<td>Pembani Remgro Infrastructure Fund</td>
<td>Infrastructure Managers</td>
<td>2014</td>
<td>Debt/Mezzanine, Primary</td>
<td>500</td>
<td>First Close</td>
</tr>
<tr>
<td>I3PA - Infrastructure PPP Africa Fund</td>
<td>Edifice Capital</td>
<td>2013</td>
<td>Primary</td>
<td>400</td>
<td>First Close</td>
</tr>
<tr>
<td>Encha Fund</td>
<td>Encha Group</td>
<td>2014</td>
<td>Primary</td>
<td>400</td>
<td>Raising</td>
</tr>
<tr>
<td>Eaglestone Sub-Saharan Africa Fund</td>
<td>Eaglestone Asset Management</td>
<td>2014</td>
<td>Primary</td>
<td>350</td>
<td>Raising</td>
</tr>
<tr>
<td>Meridiam Infrastructure Africa Fund</td>
<td>Meridiam</td>
<td>2014</td>
<td>Primary</td>
<td>330</td>
<td>First Close</td>
</tr>
<tr>
<td>Mergence Renewable Energy Portfolio</td>
<td>Mergence Investment Managers</td>
<td>2012</td>
<td>Debt/Mezzanine</td>
<td>251</td>
<td>First Close</td>
</tr>
</tbody>
</table>

Box 2: The South Africa Green X Infrastructure Debt Fund

1. The Vantage GreenX Fund (GreenX) was launched as an infrastructure debt fund by Vantage Capital Group in South Africa in November 2013. The fund first close (Note I) raised ZAR 2.5 billion entirely from South African pension and provident funds. The fund invests in senior debt in energy and renewable energy projects in South Africa.

2. GreenX Note I focuses on deals that are structured along limited recourse project finance principles. Investments under Note I focus on projects that have been successful in the South Africa Department of Energy Renewable Energy IPP Procurement Process (REIPPPP). These projects include solar plants and wind plants in the provinces of Eastern Cape, Northern Cape and Mpumalanga. Note I focuses on refinancing of bank debt on the secondary market and is now fully invested.

3. Vantage Capital is now raising GreenX Note II, which will have a wider remit. In addition to projects under REIPPPP, Note II will also target investments in sustainable energy projects which will include natural gas and cogeneration projects run by the South Africa Department of Energy. By contrast with Note I, Note II is targeted at primary finance and aims to enter deals post selection as preferred bidder but before financial close.
IV: Program context/description

IV.1 Program context

51. The development of PE and debt funds for SME and infrastructure finance in EMDEs depends on three key pillars: (i) developing the PE/VC ecosystem; (ii) developing the framework for infrastructure PPPs; and (iii) developing Strategic Investment Funds (SIFs) and the domestic investment component of Sovereign Wealth Funds (SWFs) as anchor investors for international and domestic institutional investors.

IV.1.1 Developing the PE/VC ecosystem

(i) Legal and regulatory framework

52. The establishment of an efficient and transparent legal and regulatory framework is the first element for the development of the PE/VC industry in EMDEs. This encompasses the broad legal and regulatory framework for operations of off-shore and on-shore funds in the country, as well as the legal and regulatory framework for the domestic registration and supervision of on-shore funds.

53. The broad legal and regulatory framework for off-shore and on-shore fund operations in the country includes tax treatment (tax residency for foreign investment funds, tax implications of alternative fund legal structures, capital gains tax, withholding tax, tax efficiency for foreign investors in domestic funds, and double taxation agreements (DTAs)), investor protection (minority shareholder rights in investee companies, investors in funds), restrictions on issue or transfer of shares, buyout regulations (public auction, listed companies), protection of intellectual property rights, bankruptcy procedures and creditor rights/partner liability, exits (listing rules on main stock exchange and on SME exchange), exchange controls (inward investments, outward transfers of profits and capital gains), corporate governance requirements for listed companies, and contract enforcement (court system, dispute resolution framework) (See LAVCA, op. cit., 2013).

54. The legal and regulatory framework for the domestic registration and supervision of on-shore funds covers fund and fund manager laws and regulations, including fund legal structures (including fund compartments), qualified assets, qualified investors, management company legal structure, qualification and disclosure of persons who conduct the business of the management company, disclosure and resolution of conflicts of interest, delegation of core manager functions, own funds, asset valuation rules, contents of fund prospectus, disclosure to investors, auditing, reporting, depositary rules, cooperation with the supervisory agency, and penalties for non-compliance.
(ii) **Environment for investment by institutional investors in the asset class**

55. The second element for the development of the PE/VC funds in EMDEs is the environment for investment by institutional investors, including pension funds and insurance companies, in the asset class.

56. Across many EMDEs, regulators apply a rules-based approach to the regulation of pension funds and insurance companies, which includes the setting of fixed upper or lower limits on portfolio allocations to specific investment instruments. For example, among 28 on-OECD countries that responded to the OECD annual survey of investment regulation of pension funds, only 3 countries had no limits on pension fund allocation to private investment funds, 13 had limits, and 12 did not allow investment in the asset class (See OECD, op. cit., 2014a).

57. At the same time, in a growing number of EMDEs, regulators are developing and implementing multi-year roadmaps towards risk-based supervision of institutional investors, which imply the progressive removal of asset allocation limits and their replacement by allocations based on external or internal portfolio optimization models. This opens the door for greater investment by institutional investors in the private equity and debt asset class as part of their portfolio optimization strategies.

58. For pension funds, international best practice for the risk-based regulatory framework is the benchmark portfolio approach. In this framework, a body independent from the government and separate from the fund management industry establishes a target objective for pension funds. This objective is expressed in terms of the replacement rate, i.e., the expected pension income expressed as a percentage of final salary. Given the target replacement rate and the level of contribution to the funds, a target return asset and a benchmark portfolio established with the maximum probability of achieving the desired return with the minimum amount of risk based on projected returns, volatility and correlations among various asset classes. The benchmark portfolio should be a lifecycle portfolio which reduces exposure to risky assets as individuals reach retirement. The supervisory authority then integrates this analysis into their overall internal risk assessment of the pension funds. Under this framework, limits on investments in specific asset classes are removed, and pension funds are free to optimize their portfolios in line with the benchmark portfolio (Stewart, op. cit. 2014).

59. For insurance companies, the international best practice for risk-based regulatory framework is provided by EU Solvency II and comparable frameworks such as the US insurance financial solvency framework. Under Solvency II, companies may use either standard formula approach or the internal model approach. Under the standard formula approach, investments in European Venture Capital Funds (EuVECA) and in other closed-ended alternative investment funds, including private equity funds and infrastructure funds, receive favorable treatment in terms of capital charges (See EU, op.cit, 2015, art 168-169). Under the internal model approach, risk capital charges are determined by the internal model of the
company as approved by the regulator. Recent research suggests that insurance companies applying an economically sound internal model may expect significantly lower capital charges for private equity investments (See Braun, Schmeiser and Siegel, op. cit, 2012).

(iii) Business enabling environment

60. The third element for the development of PE and debt funds in EMDEs is the business enabling environment.

61. Globally, innovation tends to be underfinanced even in well-functioning markets as a result of information asymmetries and appropriation risks. This problem is exacerbated for new entrants and start-ups because they lack a track record to signal their ability to investors, and because they produce an intangible asset that does not constitute acceptable collateral (See Hall and Lerner, op cit, 2009). In many EMDEs, the lack of a robust and continuous pipeline of promising start-ups, stalls the development of a strong angel investor community which can back innovative companies in early stages, and of the associated legal and IP agreement services. This in turn hampers the development of a stream of promising early-stage companies in which venture funds can invest, and consequently the development of the venture capital and PE industry.

62. This market failure can be addressed through a carefully balanced set of supply-side and demand-side policies aimed at supporting the development of the angel investment and the VC market (See SME Finance Forum, op.cit. 2012)

63. To develop the angel investment market, key supply-side policies include tax credits for angel investors, seed funds that co-invest with qualified angel investor groups, and technical assistance and training for angel investor groups. Angel group training may include platform set-up, group management, deal sourcing and due diligence, investment tracking, entrepreneur mentorship, follow-on financing and exit management (See InfoDev, op.cit, 2014a and b). Key demand-side measures include entrepreneurship training and support to the development of a network of business incubators and business accelerators, based on three groups of best practices: (i) incubator creation and management, including strategy, positioning and long-term sustainability, and internal organization and governance; (ii) incubation process, including admission, incubation and exit mechanisms, and (iii) performance assessment, including monitoring and evaluation for incubator and added value of the incubator in fostering business development. In many countries, the development of the angel investment market requires resolution of coordination failures, in particular the development of close linkages between university research and business incubators and between business incubators and accelerators and angel investor groups (See Infodev, op.cit, 2002).

64. The development of the VC market also depends on a careful balance between supply-side and demand-side policies. On the supply-side, an increasing number of EMDEs are setting
up hybrid funds to stimulate equity finance to capital constrained but high potential, early-stage enterprises. In these hybrid structures, the government participates as a LP together with institutional investors and leaves full operational autonomy to the GP fund manager, following similar models developed in the US, UK and Australia. Hybrid funds employ a variety of investor return enhancing mechanisms including differential timing of investment draw-downs of public and private investors, leveraging the returns of private investors with debt, capping the profit entitlement of the public investor, and partial guarantee of compensation to the private investor for loss of invested capital. In addition, mechanisms are used to skew the risk-return trade-off for the GP to compensate for small fund size and/or the small carry of VC funds, with the objective to avoid adverse selection of fund managers with less experience and lower opportunity costs (See Murray, op cit. 2012). In parallel, several EMDEs are designing and implementing reimbursable technical assistance funds (TAFs) with the objective to support VC funds in reaching down to smaller deal sizes (See Divakaran et al, op.cit, 2014). On the demand-side, governments are developing comprehensive entrepreneurship policies, including networking, mentorship, and promotion of entrepreneurship training at all levels of the education system. Globally, the SME Finance Forum has developed “Enterprise for All” as a comprehensive entrepreneurship on-line training portal (See SME Finance Forum, 2013).

**IV.1.2 Develop the framework for infrastructure PPPs**

65. The development of a comprehensive framework for the delivery of the PPP program is critical to mobilize private equity and debt funds for infrastructure finance in a country. The framework covers the objectives of the PPP program, its scope, legal and administrative instruments, procedures and decision criteria, institutional responsibilities, management of fiscal commitments, and program oversight.

**Box 3: Definition of Private Finance PPP**

A long term contract between a public party and a private party, for the development (or significant upgrade or renovation) and management of a public asset (including potentially management of a related public service), in which the private party bears significant risk and management responsibility through the life of the contract, provides a significant portion of the finance at its own risk, and remuneration is significantly linked to performance and/or the demand or use of the asset or service so as to align the interest of both parties.


66. Framework objectives may vary considerably across countries. These may include enabling more investment in infrastructure by increasing project financing options, achieving value for
money, improving accountability in the provision of infrastructure and public services, harnessing private sector innovation and efficiency, and stimulating growth and development in the country (see World Bank, op.ci. 2015).

67. Framework scopes may be defined by jurisdiction, sector, project size, and contract type. In countries with established PPP programs, PPP frameworks are often applied across all sectors, and in some cases across multiple jurisdictions (sovereign and sub-sovereign levels). Unified frameworks have the advantage of great efficiency for the private sector resulting in greater bidder interest. On the other hand, unified framework are difficult to develop and inflexible to change, and may not be able to address unique infrastructure challenges in specific sectors. In federal systems, unified frameworks promulgated by the federal government may not extend to sub-national levels of government and may need to be supplemented by separate frameworks at the sub-national level. Unified frameworks may also vary in terms of sectoral coverage depending on the infrastructure development priorities of the country. Many frameworks also establish a minimum size for PPP projects below which it would not be economically feasible to structure a PPP given the high transaction costs of this contractual structure. Finally, the framework may define the types of PPP contracts allowed in the country, which may fall into two main categories: (i) government pay contracts, in which public bodies are purchasers of services from the private sector; and (ii) user-pay or concession contracts, in which the private sector leases a government asset, delivers public services and generates income from supplying the service. (See World Bank, op.cit. 2015).

68. The legal and administrative instruments to support the PPP framework vary greatly across countries based on their legal tradition. While concession contracts have a long history in civil law countries, investor-owned utilities have provided user-pay infrastructure services in common law countries. Common law countries also developed the government pays PPP model, which has progressively been adopted in an increasing number of civil law countries. At the same time, mixed models have emerged, in which user pays PPPs have some level of government payment. In general, common law countries often use policy documents, not laws to establish PPP frameworks, although some common law jurisdictions may pass PPP laws in order to override existing laws that prevent PPP transactions (See World Bank, op.cit. 2015).

69. At the core of the PPP framework are the set of procedures and decision criteria for the preparation and completion of PPP transactions (See Box 4 below).
Box 4: PPP framework: procedures and decision criteria

(i) Project identification and preparation
   a. Scoping of projects in the public investment program (central government and sub-national entities) and SOE investment program for PPP suitability;
   b. Confirmation of fit with sectoral strategies
   c. Confirmation of fiscal responsibility
   d. Submission of project documentation for approval by relevant agencies

(ii) Project appraisal
   a. Preparation of PPP business case incl economic, financial, fiscal, technical ESG and legal feasibility
   b. Submission of project documentation for approval by relevant agencies

(iii) Structuring of procurement process and project contract
   a. Preparation of risk matrix and allocation of risks
   b. Development of risk management plans
   c. Drafting of contracts
   d. Submission of contracts for approval by relevant agencies
   e. Development of procurement strategy
   f. Submission of procurement strategy for approval by relevant procurement agency

(iv) Project tender and award
   a. Marketing of PPP
   b. Undertaking OI
   c. Shortlisting of qualifying firms
   d. Development of criteria for proposals
   e. Selection of proposals based on VFM criterion
   f. Reaching financial close and sign contract

Source: World Bank, op.cit. 2015

70. The cost of preparation of PPP projects is substantial. Based on IFC experience, the share of preparation cost in total project costs ranges from 2-3% in middle-income countries and experienced low-income countries to 3%-10% in new sectors in low-income countries (See Fay, op.cit. 2011 and Figure 13 below)

71. The preparation cost of PPP transactions may act as binding constraint to the development of PPP projects in many EMDEs, in particular in low-income countries. To address this constraint, governments may consider establishing infrastructure PPP project venture funds. These funds would be responsible for managing all stages of preparation of PPP transactions up to financial close and would take an equity and/or mezzanine stake in the PPP project SPV. Investors in the funds would include international and domestic institutional investors including infrastructure private equity funds. The infrastructure venture funds may also be structured as a sub-fund under a Strategic Investment Fund (SIF) (See Section IV.1.3 below).
72. The PPP framework needs to integrate procedures for the management of unsolicited proposals (USP). Several approaches may be applied: (i) inclusion of USP in best and final offer round under two-stage bid processes; (ii) developer fee paid by the government or the winning bidet to the USP; (iii) bid bonus for the USP (ex. Chile); and (iv) Swiss challenge, in which the USP has the option to match the winning bid and win the contract.

**Figure 13: Infrastructure project preparation costs: experience of IFC**

![Graph showing preparation costs for different project types and industries, with percentages ranging from 0.5-1% to 3-10%]

*Source: Fay, op.cit. 2011*

73. The PPP framework also needs to include detailed procedures for the management of the contract. Of particular importance are procedures for conflict resolution and for contract renegotiations, which range from 40% to 78% depending on regions and sectors (See table 2 below).

**Table 2: Percentage of renegotiated contracts by region and sector**

<table>
<thead>
<tr>
<th>Region/country</th>
<th>Sector</th>
<th>% of renegotiated contracts</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latin America and Caribbean</td>
<td>Total</td>
<td>68%</td>
<td>Guasch 2004 (2012)</td>
</tr>
<tr>
<td></td>
<td>Electricity</td>
<td>41%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Transport</td>
<td>78%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Water</td>
<td>92%</td>
<td></td>
</tr>
</tbody>
</table>
IV.1.3 Develop strategic investment funds (SIFs) and the domestic investment component of SWFs

74. Sovereign Wealth Funds (SWFs) hold about US$6.5 trillion in assets. Responding to the funds’ objectives to sterilize large export windfalls, save for future generations, and balance risks and returns, their holdings have traditionally focused on external assets, primarily securities traded in major markets but also real estate and other investments. Some SWFs with long-term investment horizons have invested in infrastructure, but these investments have mainly been in other countries, in high-return existing infrastructure or low-risk new infrastructure projects located in middle and high-income economies. Until recently, domestic greenfield infrastructure investment was largely uncharted territory.

Figure 14: Aggregate Sovereign Wealth Fund Asset Under Management ($ tn), 2008-2015

Source: The 2015 Preqin Sovereign Wealth Fund Review
A number of the SWFs established since the turn of the millennium have been set up to undertake strategic domestic investment, including several of the Gulf funds, Kazakhstan’s Samruk-Kazyna and Malaysia’s Kazanah. During the last four years, Nigeria and Angola have established funds with a domestic investment function. More are in the making or are being discussed, including in Kenya, Myanmar, Mongolia, Tanzania, Uganda, Mozambique, Sierra Leone, and elsewhere. These funds will be capitalized by revenue from oil or mineral exports. Currently, 12 members of the International Forum for SWFs (IFSWF) have domestic and/or strategic mandates. The use of SWFs as a tool for strategic domestic investments opens up a range of new possibilities for deepening undercapitalized domestic financial markets and crowding in private capital to infrastructure in priority sectors such as power and transport. However, the approach also carries significant risk, and previous experience suggests great caution.

The interest in SWFs as a tool for strategic domestic investment is driven by four distinct factors. First, although several high-income countries have strategic investment funds, the countries currently contemplating strategic investment functions for their planned funds tend to be low and middle-income with a large infrastructure deficit and looking for ways to increase infrastructure investment. Second, amongst governments and international financial institutions, there has been a loosening in the interpretation of the permanent income hypothesis, which holds that countries should save enough of their revenues from non-renewable resources abroad to maintain a permanent income flow into the indefinite future. If returns are higher at home than abroad, or if future generations can be expected to be wealthier than the current one, it might make sense to save less and invest more at home now. Third, the global financial crisis and shrinking aid flows have led to decreased availability of long-term finance for developing countries, which have been looking to supplement foreign capital with their own. Fourth, public investment in low-income countries frequently poses significant management and governance challenges, including low capacity, weak governance and regulation, and lack of coordination among public entities. Given this type of shortcomings, many countries have not been able to offset the depletion of their natural resources by investment in produced capital, as is required to maintain wealth and sustain growth (Hartwick rule). In this type of setting, some governments may see a fund as a means to improve the quality of public spending, and crowd in private investors to strengthen investment discipline.

In parallel with the increased allocation by oil- or mineral-based SWFs to domestic investment, a growing number of EMDEs are establishing Strategic Investment Funds (SIFs), funded by fiscal surpluses, borrowing or other non-resource revenues, to serve as anchor investors for international private equity and debt funds interested in investing in the domestic economy, in particular in infrastructure PPPs and in SME funds. This is in line with similar funds established in advanced countries and regions, such as BPI (France), FSI (Italy), and more recently by the European Fund for Strategic Investments (EFSI).
78. SWFs that invest domestically and SIFs face many of the same challenges, whereas others are specific to each. SWFs that are capitalized by inflows of foreign exchange from oil or mineral sales must address macroeconomic challenges such as exchange rate appreciation (Dutch disease) and macroeconomic volatility. To avoid contributing to asset bubbles, macroeconomic volatility and exchange rate appreciation, SWFs domestic investment needs coordination with overall fiscal and monetary policy, especially if the fund is large relative to the size of the national economy. It is imperative to determine the appropriate allocations to domestic investment and foreign savings. Also, the political economy of resource-based SWFs differs from that of SIFs, since resource funds do not need to raise capital in financial markets, and do not rely on fiscal surpluses. This arguably makes SWFs that invest domestically more vulnerable than SIFs to political interference, in turn putting the wealth objectives of the SWFs at risk.

79. In terms of their domestic investment function, SWFs that invest domestically and SIFs take on very similar roles. In both cases, their main objective(s) is to i) act as anchor investors for strategic infrastructure PPPs that may provide economic externalities, such as the stimulation of private investments and jobs, which are not fully captured by its financial return; or they may (ii) be used to improve the access to capital for SMEs by co-financing with private investors in the SME financing space. The use of SWFs and SIFs for domestic investment generates a number of challenges with regard to governance, mandate, and policy.

80. The legal, regulatory, and institutional environment in LICs and MICs that wish to establish SIFs or SWFs with a domestic investment function may require significant upgrading for such funds to be able to operate efficiently. This may include reviews of the legal and regulatory framework for: i) private equity and private debt funds; ii) limited partnerships; iii) investments by domestic insurance companies and pension funds in the private equity and debt asset class; and iv) inward investment, outward repatriation of distributions and dividends, and double taxation treaties.

81. Although the risks of SWFs and SIFs domestic investment cannot be eliminated, mitigation of these risks is possible. For SWFs and SIFs alike there should be a clear separation between the type of investments that can be undertaken by the funds, and investments that should go through the government budget. In that regard, allowing the SWF/SIF to undertake only investments that can be expected to yield a combined commercial and economic return (double trigger) can strengthen the integrity and discipline of the investment process.

82. Investing with private investors, pooling with other SWFs, and co-financing with the regional development banks can help the fund to reduce risk, bring in additional expertise and enhance the credibility of the investment decision. As an example, the Nigeria Infrastructure Fund, the domestic subsidiary of the Nigeria Sovereign Investment Authority, has signed cooperation agreements with the Africa Finance Corporation, the IFC and, for power sector investments, with General Electric. Limiting investments to minority shares serves to reduce risks of politically motivated allocations.
83. Funds need strong corporate governance, professional staffing, transparent reporting, and independent audit. There is a large body of knowledge on effective corporate governance, including the Santiago Principles, the Revised Guidelines for Foreign Exchange Reserves, and general principles of corporate governance, including for state owned enterprises, published by the OECD. Independent nominating committees, as well as clear skill requirements, can facilitate the independence of boards. Ownership and supervisory roles should be clearly separated. To operate as an expert investor, fund need to be staffed with qualified professionals, a capacity that may need to be built up over time.

84. IFG support for the establishment of SWFs that invest domestically, mainly funded by RAS and TFs, has so far focused on early stage mapping and benchmarking of options with regard to the funds’ role; mandate; macroeconomic policy (stabilization, allocation to foreign savings vs. domestic investment); governance, ownership, and oversight structures; management structure; and investment strategy including investment horizon, liquidity requirements, eligible investment universe, and strategic asset allocation. Increasingly, as governments advance in the process of setting up SIFs/SWFs domestic investment function, demand includes contractual relations with the funds’ counterparts, in particular with external investment managers.

85. IFG support for the establishment of SIFs has been structured as to include i) international benchmarking of role and modes of intervention of Sovereign Wealth Funds and Strategic Investment Funds in infrastructure finance, ii) assessment of in-country infrastructure financing needs and demand, iii) assessment and definition of fund strategy to enable it to act as a financial adviser and a financier through the development of optimal financial instruments for PPP projects, iv) capacity building for the funds through the preparation of PPP pilot transactions, and v) support for the implementation of recommendations with regard to the above components through the establishment of the most optimal financial instruments (venture and/or equity and/or debt fund) and through the preparation of specific PPP transactions. In this space, IFG will be coordinating closely with multilateral and private funds and instruments aimed at crowding in private investment in climate adaptation and mitigation, including in green energy.

IV.2 Program activities

IV.2.1 Global engagements
IFG global engagements has five main components:

- Manage a global focus point for investment professionals in the SWF/SIF and PE/VC space, through the Investment Funds CoP and its two open online platforms. Co-hosts for the two open platforms are, respectively, The Fletcher Network for Sovereign Wealth and Global Capital at Tufts University (SWF C4D platform), and the Emerging Markets Private Equity Association (EMPEA (PE/VC C4D platform).
Jointly with TRE, manage the Sovereign Wealth Funds Secretariat, which functions as an internal one-stop shop for CMUs requiring support for SWF activities through the cross-GP Sovereign Wealth Fund Advisory Group.

Developing global knowledge to directly support operations in the evolving field of SWF’s domestic investments, SIFs, and PE/VC funds, in particular:

- Global review of SIFs
- Guidelines for the design of SIFs

Partnering with the International Forum of Sovereign Wealth Funds (ISWF) to further develop the Santiago Principles to include principles for domestic investment.

In partnership with the GFDRR/DRFI Program and SURREGP, carry out a feasibility study for the establishment of a Global Infrastructure Resilience Fund (GRIF), with the objective of increasing commercial investment in climate resilient infrastructure and SMEs.

86. The GRIF would contribute to increased resilience through mobilizing resources from global private equity and debt funds for the financing of resilience investments by SMEs and infrastructure PPPs in EMDEs. The fund would help unlock the triple dividend of resilience in EMDEs that is on the critical path to achieving the twin goals of poverty eradication and shared prosperity and it would contribute to climate adaptation. This triple dividend is reflected in the direct impact on the three SDGs of growth and employment (SDG8), resilient infrastructure (SDG9), and climate adaptation and mitigation (SDG13). Additionally, as an increasing number of infrastructure assets become uninsurable due to climate change, resilience investments through GRIF can leverage the original infrastructure investment by investing in existing infrastructure to bring it up to insurable standards.

87. The GRIF would be structured as a specialized investment fund with compartments in the form of a limited partnership by shares, registered in a major fund center that allows for a fund structure with compartments. The GFDRR/DRFI Program, FM GP and SURREGP would be the fund sponsors. GRIF would be marketed to international institutional investors including pension funds, insurance companies, Sovereign Wealth funds (SWFs), infrastructure private equity and debt funds, venture capital and private equity and debt funds, private foundations, as well as IFIs, multilateral and bilateral donors as limited partners (LPs). The fund would open staggered compartments based on (i) asset class (equity, mezzanine, senior debt); (ii) sector of investments (SMEs in the resilience value chains, resilient infrastructure PPPs); (iii) region/country; and/or (iv) investor appetite.

88. Table 3 below shows ongoing and planned global engagements of the Investment Funds Group team, including partnerships, status, LSI (as applicable) and relevant SDGs.
Table 3: IFG global engagements: ongoing and planned engagements

<table>
<thead>
<tr>
<th>Engagement</th>
<th>Partnerships</th>
<th>Status</th>
<th>LSI</th>
<th>SDG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Funds CoP</td>
<td>EMPEA, Tufts University</td>
<td>C</td>
<td>-</td>
<td>SDG8, SDG9</td>
</tr>
<tr>
<td>SWF Secretariat</td>
<td>TRE</td>
<td>C</td>
<td>-</td>
<td>SDG8, SDG9</td>
</tr>
<tr>
<td>Global review of SIFs</td>
<td>PPIAF</td>
<td>P</td>
<td>-</td>
<td>SDG8, SDG9</td>
</tr>
<tr>
<td>SIF design guidelines</td>
<td>PPIAF</td>
<td>P</td>
<td>-</td>
<td>SDG8, SDG9</td>
</tr>
<tr>
<td>Santiago principles for domestic investments by SWFs</td>
<td>IFSWF</td>
<td>P</td>
<td>-</td>
<td>SDG8, SDG9</td>
</tr>
<tr>
<td>GRIF</td>
<td>GFDRR/DRFI SURRGP</td>
<td>P</td>
<td>GRIF TA and financing operation</td>
<td>SDG 8, SDG9, SDG13</td>
</tr>
</tbody>
</table>

**IV.2.2 Sub-regional and country engagements**

89. The development of the PE/VC industry may be initiated in a broad range of EMDEs with varying levels of legal, regulatory, institutional and business environment for fund operations. Across many EMDEs, the PE/VC industry initially develops through funds registered offshore, thus providing investors and investee firms alike with an acceptable legal, regulatory and institutional framework for fund registration and operations and for dispute resolution. The limited development of the domestic stock exchange may not be a binding constraint, as globally the vast majority of private equity exits are executed through trade sales and buy-backs, and only 20% through IPOs (See preqin, op.cit, 2015). As the legal, regulatory, institutional and business environment framework for PE/VC fund operations develop, domestic registration may become an attractive option for fund managers as part of their fund structuring and marketing strategies. In particular, the development of infrastructure equity and debt funds aimed at domestic institutional investors may act as an incentive for domestic fund registration. Similarly, the development of infrastructure equity and debt funds by the domestic investment arm of SWFs or by SIFs as anchor investors for both international and domestic institutional investors may also act as a powerful incentive for domestic registration.
90. At the sub-regional and country levels, the Investment Funds Group team supports Regional FM GP and TC GP teams on three business lines: (i) development of PE/VC ecosystems; (ii) development of SWFs in LICs; and (iii) development of SIFs in low and middle-income countries. In each business line, ongoing and planned country engagements are selected on the basis of four fundamental criteria:

(i) Sub-regional/country demand through CMU  
(ii) Partnership across WBG (IFC, TRE, GPs, CCSAs)  
(iii) Partnership outside WBG (RAS, MDTFs, Multilateral TFs, Bilateral TFs, etc..)  
(iv) Line of sight instrument (LSI) towards relevant SDG(s)

91. In addition, a number of pilots may be undertaken in a few cases as a trigger for future engagements based on the above criteria.

**IV.2.2.1 PE/VC ecosystem development**

92. Table 4 below shows ongoing and planned engagements in the PE/VC ecosystem business line, including partnerships, status, LSI and relevant SDG

<table>
<thead>
<tr>
<th>Country</th>
<th>Engagement</th>
<th>Partnerships</th>
<th>Stat</th>
<th>LSI</th>
<th>SDG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Croatia</td>
<td>Innovation/VC Project</td>
<td>EU TF</td>
<td>C</td>
<td>Innovation/VC Project</td>
<td>8</td>
</tr>
<tr>
<td>West Balkans</td>
<td>PE/VC Development Program</td>
<td>EU TF</td>
<td>C</td>
<td>PE/VC Development Program</td>
<td>8</td>
</tr>
<tr>
<td>Morocco</td>
<td>Seed/VC Development Project</td>
<td>IFC Funds Group</td>
<td>C</td>
<td>Seed/VC Development Project</td>
<td>8</td>
</tr>
<tr>
<td>Turkey</td>
<td>PE/VC Market Analysis</td>
<td>SIDA (CM deep dive)</td>
<td>C</td>
<td>SIF Project (TBD)</td>
<td>8,9,13</td>
</tr>
<tr>
<td>Kenya</td>
<td>PE/VC Ecosystem Analysis</td>
<td>TCGP</td>
<td>C</td>
<td>TBD</td>
<td>8</td>
</tr>
<tr>
<td>Country</td>
<td>Engagement</td>
<td>Partnerships</td>
<td>Stat</td>
<td>LSI</td>
<td>SDG</td>
</tr>
<tr>
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</tr>
<tr>
<td>Republic of Congo</td>
<td>Feasibility Study of SWF/SIF</td>
<td>Gov. RAS</td>
<td>C</td>
<td>SIF Project (TBD)</td>
<td>8,9,13</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>Prog Approach SWF/SIF Advisory</td>
<td>PPIAF</td>
<td>C</td>
<td>IPPF2 Project (P)</td>
<td>9,13</td>
</tr>
<tr>
<td>Kenya</td>
<td>Prog Approach SWF/SIF Advisory</td>
<td>DFID TF</td>
<td>P</td>
<td>SIF Project (TBD)</td>
<td>9,13</td>
</tr>
</tbody>
</table>

C= Current  P= Planned  TBD = To be determined

*IV.2.2.2 SWF development*

93. Table 5 below shows ongoing and planned engagements in the SWF development business line.

**Table 5: SWF development business line: ongoing and planned engagements**
IV.2.2.3 SIF development

94. Table 6 below shows ongoing and planned engagements in the SIF development business line.

Table 6: SIF development business line: ongoing and planned engagements

<table>
<thead>
<tr>
<th>Country</th>
<th>Engagement</th>
<th>Partnerships</th>
<th>Stat</th>
<th>LSI</th>
<th>SDG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Caribbean</td>
<td>Caribbean Diaspora Initiative/Fund</td>
<td>CDB/DFID (P)</td>
<td>C</td>
<td>Carib Regional PPP Infra Fund (TBD) Carib SME Co-investment Facility (TBD)</td>
<td>8,9,13</td>
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<tr>
<td>Morocco</td>
<td>Morocco Investment Authority</td>
<td>Gov RAS (pilot)</td>
<td>C</td>
<td>NA</td>
<td>8,9,13</td>
</tr>
<tr>
<td>Sénégal</td>
<td>Support to Fund for Strategic Investments (FONSIS)</td>
<td>PPIAF/FIRST</td>
<td>C</td>
<td>FONSIS Financing Project (TBD)</td>
<td>8,9,13</td>
</tr>
<tr>
<td>Cameroon</td>
<td>Support to SIF</td>
<td>PPIAF</td>
<td>P</td>
<td>SIF Financing Project (TBD)</td>
<td>8,9,13</td>
</tr>
<tr>
<td>Côte d’Ivoire</td>
<td>Support to Infra PPP Venture Fund (I4PVF)</td>
<td>PPIAF</td>
<td>P</td>
<td>I4PVF Financing Project (TBD)</td>
<td>8,19,13</td>
</tr>
<tr>
<td>Gabon</td>
<td>Support to SIF</td>
<td>PPIAF</td>
<td>P</td>
<td>SIF Financing Project (TBD)</td>
<td>8,9,13</td>
</tr>
</tbody>
</table>

V: Program risks

95. The key risk to the program is rapidly growing demand for advisory and project support in the investment funds space vs small size of core Investment Fund Group (IFG) team in Fin4Dev.

96. To mitigate this risk, the team is taking the following measures:
a. Strengthen the core IFG team through partnerships with senior staff from Governance GP (DA assignment) and Energy and Extractives GP (cross-support)

b. Assign country engagement TTLship to Regional FMGP and TCGP colleagues and retain TL and/or co-TTL role only in core IFG team

c. Build cross-Group, cross-Practice and cross-CCSA task teams based on engagement technical and operational scope in particular with IFC Funds Group/SME Ventures, TRE, TCGP, SURRGP, Governance GP, Energy and Extractives GP, CC CCSA and PPP CCSA

d. Build strong cadre of senior consultant experts in PE/VC, SWF and SIF spaces to contribute to specific advisory and operational engagements

VI: Roles of clients and partners

97. As discussed in Section IV above, strong relationships with clients and partnerships with global and regional stakeholders are at the core of the investment funds for development program.

98. At the global level, critical partnerships are:

a. The Public-Private Infrastructure Advisory Facility (PPIAF), as multi-donor forum for building ownership and for supporting the preparation of the global review of SIFs and the preparation of guidelines for the design of SIFs.

b. The International Forum of Sovereign Wealth Funds (ISWF), as international standard setter for SWFs governance (Santiago Principles)

c. The Emerging Markets Private Equity Association (EMPEA), as co-manager of the PE/VC C4D platform

d. The Fletcher Network for Sovereign Wealth and Global Capital (FNSWGC), as co-manager of the SWF C4D platform

e. The Global Fund for Disaster Risk Reduction and Recovery (GFDRR)/Disaster Risk Finance and Insurance (DRFI) Window, as multi-donor forum for building ownership and funding mobilization for GRIF

99. At the sub-regional and country level, critical partnerships are:

a. The Public-Private Infrastructure Advisory Facility (PPIAF), as multi-donor forum for building ownership and funding mobilization for the SIF business line

b. The FIRST Initiative, as multi-donor forum for building ownership and funding mobilization for the development of PE/VC legal and regulatory frameworks and reforms under the PE/VC business line

c. The European Union Commission, as partner and donor for PE/VC development programs in EU candidate countries and in EU Eastern Partnership countries
d. The UK Department for International Development (DFID), as partner and donor for the proposed Caribbean Regional Infrastructure PPP Finance Fund (CRIP3F) and for the Kenya SWF/SIF advisory

e. The Caribbean Development Bank (CDB), as partner in the proposed CRIP3F and in the proposed regional diaspora co-investment facility

VII: Dissemination and outreach strategy

100. The core of the dissemination and outreach strategy for the investment fund for development program is the Investment Funds for Development Community of Practice (CoP), and its two dedicated C4D platforms co-managed and open to outside stakeholders in the investment funds space (see Section IV.2.1 above).

101. In addition, the IFG core team and regional engagement task team leaders and team members will participate actively through speaking and panel engagements in selected international forums and conferences, in particular the IFSWF Annual Meeting, the EMPEA/IFC Annual Conference, and the Fletcher Network Annual Infrastructure Forum.
### Annex I: Program Tables

#### Investment Funds Group FY16-FY20 Activity Plan

<table>
<thead>
<tr>
<th>Region</th>
<th>Project</th>
<th>TTL</th>
<th>Co-TTL/TL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global</td>
<td>Investment Fund CoP</td>
<td>Michel Noel</td>
<td>H Holland</td>
</tr>
<tr>
<td>Global</td>
<td>SWF Secretariat (Jointly with TRE, MFM GP, GOAP and EEAP)</td>
<td>Havard Halland</td>
<td>M Noel</td>
</tr>
<tr>
<td>Ghana</td>
<td>PE/VC Ecosystem Assessment</td>
<td>Andree Popovic</td>
<td>S Divakaran</td>
</tr>
<tr>
<td>Croatia</td>
<td>Innovation and Entrepreneurship Venture Capital Project</td>
<td>Marianna Iooy de Fas</td>
<td>M Noel</td>
</tr>
<tr>
<td>West Balkan</td>
<td>PE/VC Legal Regulatory Review</td>
<td>Ana Paula Cusolitto</td>
<td>M Noel</td>
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<tr>
<td>Morocco</td>
<td>Seed and Early Stage Equity Financing in Morocco</td>
<td>Randa Akeel</td>
<td>M Noel</td>
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<tr>
<td>Turkey</td>
<td>Capital Market/PE/VC Ecosystem Assessment</td>
<td>Alper Ahmed Oguz</td>
<td>M Noel</td>
</tr>
<tr>
<td>Republic of Congo</td>
<td>SWF RAS</td>
<td>Philippe Agueria</td>
<td>M Noel/H Holland</td>
</tr>
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<td>Morocco</td>
<td>MIA RAS</td>
<td>Philippe de Mennea</td>
<td>M Noel</td>
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<tr>
<td>Caribbean</td>
<td>Transformative Initiatives/Caribbean Diaspora Fund</td>
<td>Shantni Divakaran</td>
<td>M Noel</td>
</tr>
<tr>
<td>Kenya</td>
<td>PE/VC Ecosystem Assessment</td>
<td>Mehmaz Safavian</td>
<td>M Noel</td>
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<tr>
<td>Senegal</td>
<td>FORISIS – Leveraging Investments in PPP</td>
<td>Fatou Sadiq</td>
<td>M Noel</td>
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<td>Global</td>
<td>Investment Funds and Climate Change (SM Event) (KM)</td>
<td>Havard Halland</td>
<td>M Noel</td>
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<tr>
<td>Global</td>
<td>Global Resilience Investment Fund (GRIF) (GFDR)</td>
<td>Michel Noel</td>
<td>H Halland/A Zenon</td>
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<tr>
<td>Global</td>
<td>SIF Review Paper (PPIAF)</td>
<td>Havard Halland</td>
<td>S Torro</td>
</tr>
<tr>
<td>Global</td>
<td>Mobilizing PE and Debt Funds for Infra and SME Finance Projects (PA)</td>
<td>Michel Noel</td>
<td>H Halland</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>PE/VC Ecosystem (PA – EAP FM – SME Ventures TF)</td>
<td>Koro Ouattara</td>
<td>M Noel</td>
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<tr>
<td>DRC</td>
<td>PE/VC Ecosystem (PA – AFR FM - SME Ventures TF)</td>
<td>Philippe Agueria</td>
<td>M Noel/H Halland</td>
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<td>Bangladesh</td>
<td>Bangladesh SWF (Programmatic Approach – EAP FM)</td>
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<td>H Halland</td>
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<tr>
<td>Cameroon</td>
<td>Cameroon SIF (AFR FM – PPIAF)</td>
<td>Alphonse Achoum</td>
<td>M Noel/H Halland</td>
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<tr>
<td>Kenya</td>
<td>SWF Advisory (AFR FM/MFM/TRE – DFIID TF)</td>
<td>Mehmaz Safavian</td>
<td>M Noel/H Halland</td>
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<tr>
<td>Jamaica</td>
<td>PE/VC Market Development (Financial Inclusion Project)</td>
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<td>TBD</td>
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<tr>
<td>UEMOA</td>
<td>PE/VC legal/regulatory reform</td>
<td>Munahmadou Hayata</td>
<td>M Noel</td>
</tr>
<tr>
<td>CEMAC</td>
<td>PE/VC legal/regulatory review</td>
<td>Alphonse Achoum</td>
<td>M Noel</td>
</tr>
<tr>
<td>Côte d’Ivoire</td>
<td>SIF (AFR TC – PPIAF)</td>
<td>Munahmadou Hayata</td>
<td>M Noel/H Halland</td>
</tr>
<tr>
<td>Côte d’Ivoire</td>
<td>PE/VC Ecosystem Assessment</td>
<td>Munahmadou Hayata</td>
<td>M Noel</td>
</tr>
<tr>
<td>Gabon</td>
<td>Gabon SIF (AFR FM – PPIAF)</td>
<td>Alphonse Achoum</td>
<td>M Noel/H Halland</td>
</tr>
</tbody>
</table>

- **Active**
- **Planned**
Annex II: Team composition

Sevara Atamuratova  
Research Analyst

Shanthi Divakaran  
Sr. Financial Sector Specialist

Honglin (Holly) Li  
Learning Analyst

Samuel Schneider  
Consultant

Michel Noel  
Head

Thelma Ayamel  
Program Assistant

Havard Halland  
Sr. Economist

Patrick J. McGinnis  
Consultant

Jacob Owens  
Consultant


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