PART IV: STRUCTURE OF INVESTMENTS

Impact Investing within DFIs

Impact investing plays a different role within each DFI. While some DFIs have developed particular initiatives, funds, or teams around growing the impact investing space, others incorporate impact investing into pre-existing initiatives and investments. These differing levels of explicit engagement have different implications for how DFIs use the term impact investing.

Management of Impact Investing

The structure of impact investments varies across DFIs. The chart below highlights investments made by DFIs into impact investing funds. These funds are either managed by an outside firm or in-house and capital deployed from these funds can be co-invested with investment partners including other DFIs, private companies, foundations, high net worth individuals, or pension funds. A key factor to distinguishing impact investments from other investments in a DFI portfolio is the involvement of self-designated impact investors.

DFI	Fund	Fund Manager
AFD	FISEA	Proparco
DFID	DFID Impact Fund	CDC
EID	Social Impact Accelerator	EIF
FMO	SNS-FMO SME Finance Fund	SNS
FMO	FMO-Fairview Africa Fund	FMO-Fairview
KfW Development Bank	European Fund for Southeast Europe (EFSE)	Oppenheim Asset Management Services
Norfund	Voxtra East Africa Agribusiness Fund	Voxtra
OPIC	Latin Idea Mexico Venture Capital Fund III	Latin Idea
AfDB **FMO** **IFC** **OPIC**	Investment Fund for Health in Africa II	Africa Health Systems Management Company B.V.
OPIC	Manocap	Manocap
OPIC	Mpower Ventures	Mpower Ventures
OPIC	Sarona	Sarona Asset Management
OPIC	Terra Bella	Terra Global Investment Management

PART VI: ORGANIZATION BRIEFS

The following briefs draw from a series of interviews with participating DFIs.

CDC Group

Background: CDC is the UK's development finance institution. It is owned by the Department for International Development (DFID). CDC was founded in 1948. CDC's mission is to support the building of businesses throughout Africa and South Asia, creating jobs and making a lasting difference to peoples' lives in some of the world's poorest areas. The DFID Impact Fund is a fund of funds consisting of DFID's capital and is managed by CDC Capital. It is specifically designed to attract private investors and capital alongside DFID's initial capital, focusing in Africa and South Asia.

Ownership/Membership: DFID is responsible for CDC and manages its shareholder duties through the Shareholder Executive, which manages the UK Government's shareholder relationships with businesses owned or partially owned by the government.

Investments:

Investment Vehicles:

- Equity
- Loans

Investment Partners:

- Multilateral investment organizations

Investment Requirements: Businesses that receive CDC capital must adhere to its Code of Responsible Investing, which outlines ESG standards.

CDC's Sector/Social Priorities:

- Communications
- Education
- Energy
- Health
- Infrastructure
- Job Creation

CDC GROUP INVESTEE: BRIDGE INTERNATIONAL ACADEMY

How CDC defines impact investing:
CDC and DFID launched the Impact Fund in December of 2012 with a £75 million initial capital sum. The fund invests in intermediaries that provide capital to businesses and projects that improve the lives of the poor in sub-Saharan Africa and South Asia. The DIFD Impact Fund managed by CDC is invested through vehicles that have a clear strategy to invest in businesses that have a positive impact on the bottom of the period populations as consumers, producers or workers. CDC defines their impact investments to specifically exclude microfinance and to emphasize a focus on the poor, including women and girls, as suppliers or consumers of essential goods and services. The impact investments fit with CDC's mainstream portfolio geography and have a regional focus in Africa and South Asia. The Fund is open to all sectors and business that can demonstrate an unmet need for investments that achieve impact. CDC defines these businesses and sectors as 'pro-poor' institutions that are unable to attract commercial investors and thus require early-stage patient capital and technical support available through the Fund.

The outset goals of the Fund are to reach over 5 million poor men and women who can benefit from access to affordable goods and services such as health, agricultural services, food, energy, housing, education, and safe water and provide investments to over 100 enterprises. There are no set targets for financial return but social impact is clarified as the top priority. The intended life of the fund is 13 years.

Measuring Impact: All fund managers and investee businesses receiving CDC capital must sign up to and comply with CDC's Code of Responsible Investing. The Code requires companies to assess, monitor and improve ESG standards. Companies or projects with potentially significant environmental and social risks must work towards compliance with the IFC Performance Standards.

CDC's relationship with other DFIs: The CDC works with the European Development Finance Institutions (EDFI) to promote coordination and co-venture investments between DFIs. This network includes IFC, AfDB, ADB, EIB, and EBRD.

Entrepreneurial Development Corporation (DEG)

Background: DEG, a subsidiary of KfW, is one of the largest European development finance institutions for long-term project and company financing. In order to promote economic development and permanently improve people's living conditions, DEG finances and structures private sector investments in developing countries and emerging markets. Specifically, DEG finances private companies, financial institutions and funds. In addition, DEG provides long-term finance to banks and other financing institutions, such as private equity funds, dedicated to promoting SMEs. It invests in privately owned companies in emerging markets to promote positive social and environmental impacts. DEG emphasizes financial counseling and training as part of their sustainable development initiative. It has a specifically designed technical assistance program that works with investments partners through the various stages of development and growth. DEG offers special programs for private enterprises to help companies realize the potential of investing in emerging and developing markets.

Ownership/Membership: DEG is a subsidiary of KfW (thus public ownership) and is managed by a Management Board.

Mandate: DEG's purpose is to promote private enterprises in developing and transition countries as a contribution to sustainable growth and a lasting improvement in the living conditions of the local population. Therefore, DEG provides long-term capital and consultation for private enterprises investing in those countries.

Investments:

DEG has worked with over 1,700 companies. Its current portfolio comprises over 580 projects in 85 countries.

Investment Vehicles:

- Equity and mezzanine financing (40% of current portfolio)
- Guarantees
- Long –term loans

Investment Partners:

- DFIs and IFIs
- Foundations
- Local Finance Institutions

DEG's Sector/Social Priorities:

- Agribusiness
- Financial Sector
- Healthcare
- Infrastructure (energy, telecommunications, transit, health, education)
- Manufacturing Industries and Services
- Renewable energy, energy efficiency

How DEG defines impact investing:
DEG promotes private sector activities in developing countries through a number of ways. DEG targets investments that demonstrate the capacity to provide long-term success in emerging and developing markets.

DEG does not have a specified definition for impact investing yet, but is in discussions with stakeholder organizations and other DFIs on the topic. It sees all of its investments as having a positive social and environmental impact as well as improving the livelihood of the local population in-line with its mandate. DEG sees its primary role as one that promotes job creation, the implementation of international social & environmental standards and corporate disclosure in privately held enterprises, as well as in support of projects focusing on dedicated industries such as healthcare and renewable energy. Further, DEG strives to develop underserved financial (equity) markets in frontier countries.

A dedicated SME Frontier Initiative has been created support to SME Private Equity Funds that are active in high risk/low-income countries, providing dedicated financing structures or targeting the bottom of the pyramid (BoP). For SME funds, risk adjusted returns are expected to be lower than for funds with a focus on midsized or large enterprises. For SME investments that specifically target the poor (BoP), the return expectation is even lower. DEG specified however that even a SME Fund dedicated to serve the BoP needs to provide financial returns in order to be sustainable. To ensure sustainability, these funds are sometimes supported by technical assistance, usually via separate funds or vehicles.

Going forward, in addition to its current mandate, DEG sees itself playing a role as an advisor in emerging markets and serving as a link between socially minded and commercial investors. Various options are currently in discussion including deal sourcing for other corporations that do have a specific definition of impact investing, to help them find investments that suit their definition.

Sample SME Fund Investment: DEG is an investor in the Grassroots Business Fund (GBF) which invests in small to medium seized businesses with operations in emerging markets to drive economic development and improve local standards of living. In addition to providing investment capital, GBF provides clients with best-in-class business advisory services so they receive the information and expertise needed to overcome challenges.

Measuring Impact: In order to improve the measurability of the overall quality of its projects, DEG developed an integrated assessment tool in 2000: the Corporate-Policy Project Rating (GPR). The GPR is used to assess all project of DEG, both ex-ante (target parameters at the time of approval) and ex-post (monitoring of actual performance). The GPR is used for decision-making, monitoring as well as portfolio analyses. An important element of the GPR is the assessment of expected to realized development effects. As a standardized assessment tool, the GPR is only able to monitor effects on an outcome level.

The GPR also includes indicators on social and environmental performance. DEG only finances enterprises and financial institutions that already adhere to social and environmental standards or that are prepared to implement these standards in the future. DEG clients are requested to report annually on the status of and their progress implementing social and environmental standards. The biggest challenge has been relying on investees to self-report their data. A lack of standardization similarly makes it difficult as each enterprise and fund has different stakeholders.

DEG's Relationship with other DFIs: DEG has close working ties with its peer DFI and IFI institutions, notably EDFI and IFC.

European Bank for Reconstruction and Development (EBRD)

Background: The EBRD is a multilateral development bank that uses investments as a means to build market economies. It was initially created in support of countries of the former Eastern bloc, growing from this initial mandate to support 30 countries from central Europe to central Asia. The EBRD also has four potential recipient countries in the southern and eastern Mediterranean: Egypt, Jordan, Morocco, and Tunisia. The investment focus for the EBRD is mainly private enterprises and commercial partners. The EBRD provides project financing for banks, industries and businesses, both new ventures and investments in existing companies. The Bank also works with publicly owned companies. The EBRD provides loan and equity finance, guarantees, leasing facilities, and trade finance, and typically funds up to 35 per cent of the total project cost.

Ownership/ Membership: There are 64 member countries from five continents that are defined as owners in the EBRD. The largest shareholder is the United States. It is governed by a Board of Governors who oversees the Board of Directors and the President.

Mandate: The mandate of the EBRD stipulates that it must only work in countries that are committed to democratic principles. Respect for the environment is part of the strong corporate governance policy attached to all EBRD investments. A project must be located in an EBRD country of operations, have strong commercial prospects, involve significant equity contributions in-cash or in-kind from the project sponsor, benefit the local economy, and help develop the private sector and satisfy banking and environmental standards.[1]

Investments:

Investment Vehicles:

- Equity finance
- Guarantees
- Loans

The EBRD typically funds up to 35% of the total project cost for a green field investment or 35% of the long-term capitalization of the project company. It requires significant equity contributions from the sponsors, other co-financiers or equity can be generated through a "syndications program", which must equal or be greater than the EBRD's investment.

Investment Partners:

- Commercial banks
- Micro-business banks
- Equity funds
- Leasing facilities

EBRD's Sector/Social Priorities: In its inception, the EBRD was intended to serve the process of growing the private sectors in countries of the former Eastern Bloc. To this end, private sector investments are a focus for the bank.

- Agribusiness (food security)
- Energy efficiency
- Financial institutions (30%)
- Manufacturing
- Natural resources
- Power & energy
- Property
- Public works (transit, schools, water supply, waste disposal, pollution control)
- SMEs through financial and consulting services
- Tourism

1"About Us." EBRD.com. EBRD, n.d. Web. 23 Sept. 2014.

How EBRD defines impact investing: EBRD does not use the term impact investing, nor does it see it as the most useful one for classifying their work. Their work is slightly different from other DFIs. They function like a commercial bank and all investments must pass three tests:

1. Sound Banking: EBRD expects equity investments or loans to be paid back at market rate.
2. Additonality: EBRD invests only in projects that could not otherwise attract financing on similar terms.
3. Transition Impact: EBRD's mandate is to contribute to transitioning economies from socialist and communist regimes to capitalist markets

In line with their mandate to restructure former socialist and communist into well functioning market economies, this last point specifies that all projects they undertake should be profitable and contribute in some way to this transition process. There are different categories and mechanisms that support this as well as expected (although not necessarily intentional) positive social externalities. They maintain no specific focus on poverty alleviation but see themselves as long-term investors towards such. By shutting down dysfunctional state run businesses, they may in fact increase unemployment levels in the short term, but contribute to a more robust, stable, and inclusive economy in the long term.

While the philosophy has changed slightly over the past few years, EBRD remains focused on transition as opposed to social impact. EBRD began operations in the Southeast Mediterranean (North African countries including Tunisia, Egypt, Morocco, and Jordan). As these countries begin to stabilize, they are in need of funding to tackle rampant unemployment. In these instances, EBRD takes a more tailored approach that they deem 'inclusive business' that emphasizes the importance of economic equality. Ultimately, EBRD focuses on moving economies from state dominated to well-functioning market economies embedded in a sound and legal and institutional framework. Examples of instances where social impact is explicit could be investments that have a positive impact on the female labor force participation in rural Turkey. Knowing the female labor force is low, EBRD would argue that this investment has made a positive contribution to a broader and better functioning market economy. The same rationale is behind their investments in energy efficiency, which are a large part of the work they do. EBRD also does not make investments in defense-related activities, tobacco, selected alcoholic products, substances banned by international law and stand-alone gambling facilities.

Measuring Impact: EBRD uses a Transition Impact Monitoring System (TIMS). Every project that fulfills the sound banking requirement also must pass through an additionality and transition impact assessment conducted by the Office Chief Economist (OCE) of the EBRD. Each project is rated on the basis of potential source of transition impact. It then goes to the Operations Committee for the final lending decisions to be made (before the ultimate Board approval). Through this process, they create a number of benchmarks (4 or 5) that are intended to measure how this investment will impact the broader economy (positive externalities or transition impact). If undertaken, during the tenure of the loan or equity investment, EBRD will briefly revisit the project every year and check whether progress is being made. When the loan is repaid or in the case of equity, when EBRD exits, a final assessment of impact is undertaken. They also do randomized field experiments to measure impact in a more rigorous way, but only for a very limited number of projects.

EBRD's Relationship with other DFIs: EBRD works with other DFIs on a case-by-case basis. They have been very active in bank privatizations since the end of the 1990s and thus worked heavily with other IFIs.

The European Investment Bank (EIB) & The European Investment Fund (EIF)

Background: The EIB is the European Union's Bank, founded in 1958. The EIB was founded in 1958 after the implementation of the Treaty of Rome. The EIB Group was formed in 2000 and is made up of the EIB and the European Investment Fund (EIF), the EU's venture capital arm that provides finances and guarantees for small and medium enterprises (SMEs). While it is the primary bank of the EU, the EIB also works with over 150 non-EU states that receive roughly 10% of their funding.

Ownership/Membership: The EIB is owned by and represents the European Union member states who are the shareholders. It is governed by a Board of Governors, a Board of Directors, Audit Committee, and Management Committee.

Mandate: The EIB's mission is to contribute to a sustainable future for Europe and its partners through sound investments which further EU policy goals. The EIB works in these countries to support private sector development, infrastructure development, security of energy supply and environmental sustainability. The Cotonou Agreement is an International Treaty covering the period of 2000-2020 between the EU Member States and the African Caribbean and Pacific Partner countries (ACP). Under this mandate, the EIB manages the ACP Investment Facility, a revolving risk-bearing fund for private sector investments in the ACP countries to promote sustainable development for these economies.[1]

Investments:

Investment Vehicles:

- Bonds
- Equity
- Guarantees
- Loans
- Microfinance

Investment Partners:

- Commercial banks
- Regional banks
- Multilateral development banks

EIB's Sector/Social Priorities:

- Environmental sustainability
- Job creation
- Infrastructure
- SME development
- Sustainable energy

How EIB defines impact investing: While EIB would not call their daily activities impact investing, they do use the term. EIB understands impact investing to mean investments that achieve a high social impact where the financial return is not commensurate with the risks assumed. The EIB sees it very existence as dictated by the need to 'improve environmental and social impact, to foster governance, to strengthen the future viability of our counterparts' business activities.'

The EIB has developed Environmental and Social Principles and Standards that consists of three main themes:

1. EIB responsible lending hallmark: extensive review of nonfinancial performance, including ESG principles.
2. EIB responsible lending priorities focus on solving sustainability and environmental issues including climate risk, resource scarcity, energy efficiency, and water risk.
3. Advisory and technical services: assistance for clients in their ESG performance.

The African, Pacific, and Caribbean (ACP) countries that EIB supports are involved in a 20 year fund (10 year track record). For 2014-2020, EIB is creating an impact financing envelope within this fund. This capital will be used for projects that require taking on higher risk than they would normally undertake, and EIB is prepared to take a loss in these investments so long as they generate intended social impact.

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1 EIB Transport Lending Policy. Luxembourg: EIB, 2013. Eib.org. EIB, 13 Dec. 2011. Web. 24 Sept. 2014.

The Social Impact Accelerator (SIA) is a pan-European public-private partnership that supports social enterprises and continues to build upon existing market infrastructure for social impact investing. SIA works with private sector initiatives to support these goals. This initiative is seen as the first step for the EIB group to work its way into the impact investing field within Europe. It operates as a fund-of-funds and is managed by the EIF.

Measuring Impact:

All EIB financed projects must be bankable and comply with strict economic, technical, environmental and social standards. EIB's corps consisting of 300 engineers and economists, screen every project, before, during and after lending.

EIB has a REsults Measurement framework (REM) that assesses the ex ante results on both loan and equity investments for projects financed outside of the EU (10% of portfolio). EIB determines certain key performance indicators (KPIs) at the outset of the project that are monitored throughout the investment until 3 years after the finalization of the project. While KPIs are specific to individual projects, EIB does have a set of defined indicators across sectors and products. The EIB also releases a yearly Corporate Responsibility Report.

EIB's relationship with other DFIs: The EIB has a well-developed relationship with other DFIs. It works regularly with KfW, AFD, the World Bank Group, AfDB, the EDFIs, and others.

FMO Entrepreneurial Development Bank (Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.)

Background: Founded in 1970, FMO is one of the world's largest bilateral developmental financial institutions, providing financing solutions for private companies in roughly 60 developing countries. It operates as a commercial bank and was created jointly by the Dutch government, commercial banks, the national employer's association, labor unions, and private investors to carry out investments in the private sector of developing and emerging countries.

Ownership/Membership: FMO operates like a commercial bank. The Dutch government holds 51% of the shares while Dutch commercial banks, employers' association, trade unions and individual investors hold the remaining 49%.

Mandate: FMO has a strict policy on maximizing development impact with a methodology designed to ensure FMO's return on investment is not just financial but also creates positive environmental and social externalities.

Investments:

Investment Vehicles:

- Capital market transactions
- Guarantees
- Loans
- Mezzanine financing
- Private equity (fund of funds)

Investment Partners:

- Commercial banks
- Dutch Government
- Institutional investors
- Labor unions
- Locally based private equity fund managers: private equity investments that provide capital to SMEs

FMO's Sector/Social Priorities:

- Energy and agribusiness
- Entrepreneurship
- Food & water

How FMO defines Impact Investing: FMO invests with the understanding that ESG practices are the solution in a world facing a surging population and increased consumption. FMO sees the term impact investing as interpreted differently by individuals and agencies, noting a particular difference in definition between investors inside the U.S. and outside. They see impact investing as encompassing two approaches to investments: the former being investments that prioritize social return over financial and the latter being exclusionary investments from investments that would produce negative externalities (i.e. nuclear arms trade). FMO works to combine this two part understanding of the term, developing an extensive list of excluded investments and a great deal of due diligence towards selecting investments the provide both a social and financial return. FMO has a three part ESG policy that includes: FMO's Corporate Governance Policy, FMO's Environmental and Social Policy, and FMO's Human Rights Policy. FMO was ranked first out of 24 peer group financial institutions on sustainability in 2012 by the external rating agency Sustainalytics.

Going forward, FMO would like 100% of their investments to fit into this responsible investment category. As a licensed bank that needs to meet funding requirements in the capital market, this charge is not always an easy one to undertake but they are making steps. For example, while 75% of FMO's energy investments are in renewable energy, they still face dilemmas regarding the tradeoff between economic development and environmental standards. In a coal rich country like Mozambique, investing in coal power plants is necessary for the economic development of the country but has the potential to have negative environmental externalities (FMO does emphasize and support the development of clean coal). By 2020, FMO would like to double their impact and halve their environmental footprint (greenhouse gas emissions). To this end, FMO is working to develop ket performance indicators (KPIs) of specific social impacts for investment managers that must be met through investments.

Sample Impact Investment: FMO invested in Clean Energy (CE), a special purpose vehicle created by a leading Mongolian clean energy and infrastructure holding and investment management company to construct and operate the Salkhit Wind Farm in Mongolia. FMO owns a 15% stake in CE and will earn dividends on its capital investment, with an opportunity to exit the structure within a defined time period. FMO also arranged US $105 million in debt financing for Reliance Power, a solar power project in Rakasthan, India. This project aimed to deliver 100MW of solar power for India by 2013.

Measuring Impact: FMO has a unique approach to ESG management. Every year FMO has its clients and companies fill out a survey of their ESG practices. This survey has developed through the years to be more strategically targeted towards achieving the desired social impact goals of FMO. This process is highly documented through a proprietary monitoring system called Sustrack. Sustrack is not an impact measurement system but a system to monitor E&S action points to compliance. At least 85% of all the ESG demands from clients must be met. When companies achieve certification that they have met this 85% minimum, they can receive a reduction in their interest. FMO uses a proprietary "SHIFT" framework to measure impact and footprint, including elements of IRIS and other existing frameworks.

FMO's relationship with other DFIs: FMO has a well-developed relationship with its peer group DFIs including IFC, Proparco, ADB, EBRD, and DEG. They have a risk-sharing agreement with the ADB to promote trade finance in Asia. FMO is also a member of the European Development Financial Institutions (EDFI). Going forward, they feel DFIs can benefit from harmonizing their investments better. In many instances, even when they are making the same investment, the investee must report different information to each DFI involved. To avoid this duplicative work, FMO is working with DEG and Proparco to create one set of legal documents. FMO also set up a joint office with DEG in South Africa where they will carry out all investment deals together.

Venture Capital Trust Fund (VCTF)

Background: The Venture Capital Trust Fund was created in 2004 by the Government of Ghana with the intended purpose of providing financial resources to SMEs. Their goal is to create a strong venture capital industry across sectors that contributes to poverty reduction through job and wealth creation. SMEs currently account for over 90% of the economy in Ghana. However, many SMEs lack long-term investment capital due to their high risk nature. The VCTF attempts to fill this financing gap. It is not a bank, but provides capital to venture capital funds for onward investments into qualifying businesses. Funds are made available to VCs through Venture Capital Financing Companies. Funds target small and medium scale businesses across all sectors of the Ghanaian economy. Though the scheme is funded by the Government, monies invested with companies have to be paid back to VCTF to be recycled to other investee companies. For equity investments, the VCTF investment will be liquidated at time of exit by selling equity holdings back to the original owners, through a trade sale, or by listing on the stock market.

Ownership/Membership: The Government of the Republic of Ghana, established by Act of Parliament 680.

Mandate: VCTF's mandate is to provide financial resources for the development and promotion of venture capital financing for SMEs in Ghana by (1) providing credit and equity financing to eligible Venture Capital Finance Companies (VCFCs) to support SMEs; and (2) by providing the provision of monies to support other activities and programs for the promotion of venture capital financing, as the Board may determine in consultation with the Minister.

Investments:

Investment Vehicles:

- Equity and quasi-equity investments

Investment Partners:

- Banks
- DFIs Investment Funds
- Fund Managers
- Insurance Companies

VCTF's Sector/ Social Priorities: Although preference is not given to any sector over another, VCTF targets sectors that are "in line with the Government's economic growth policies and objectives." 62.6% of all investments are used as start-up capital for various investments across sectors:

- Aquaculture
- Beverage manufacturing
- Education
- Farming
- Healthcare
- Hospitality
- ICT
- Manufacturing
- Pharmaceuticals
- Real estate
- Savings and loans
- Waste management

How VCTF defines impact Investing: VCTF does not use the term impact investing although they do prioritize social impact, including social measures such as job creation, access to financial services, and wealth creation.

Sample Impact Investment: In 2007, VCTF established five venture capital funds to invest exclusively in SMEs to produce both financial and social returns. To date, these funds have created over 4,500 jobs.

Measuring Impact: VCTF measures impact on a project by project basis through fund managers. These managers are provided with technical assistance support to carry out impact assessments of a given investment and to measure the following outcomes: job creation, corporate governance structures, capacity development of owner-managers, improved access to financing, and growth of SMEs, to name a few. Success is also measured nominally through tax revenue generated from a given project.

VCTF's relationship with other DFIs: VCTF works regularly as a co-investor with other DFIs in a risk sharing capacity, including, FMO and the Swiss Investment Fund for Emerging Markets (SIFEM).

The Inter-American Development Bank Group (The IDB Group)

Background: The Inter-American Development Bank was created in 1959 with the intent to foster social and economic prosperity in Latin American and the Caribbean. It is the largest source of financing for these regions and supports the dual goals of social development and regional integration by lending to governments and government agencies, including state corporations. IDB funding comes from a callable capital pledge from the 22 non-borrowing countries. This capital serves as a guarantee for bonds sold by the bank. Loans are made directly to member countries and private sector companies through the Structured & Corporate Finance Department (SCF) and the Opportunities for the Majority Initiative (OMJ). Additionally, the IDB Group includes the Inter-American Investment Corporation (IIC) and the Multilateral Investment Fund (MIF) which are also focused on the private sector.

Ownership/Membership: The bank is owned by 48 sovereign states (including developing countries outside of Latin America and the Caribbean). Its 26 borrowing countries are the majority shareholders and control voting power. The IIC and MIF have similar but separate ownership and governance.

Mandate: The main mandate emanating from the charter of the Bank is to foster the economic and social development of the IDB's borrowing member countries, both individually and collectively. In the Ninth General Capital Increase, the Board of Governors mandated the Bank to pursue two overarching objectives: reducing poverty and inequality and achieving sustainable growth. Alongside these objectives are two strategic goals: addressing the special needs of the less developed and smaller countries and fostering development through the private sector.

The Report on the Ninth General Increase in the Resources of the Inter-American Development Bank, identifies five sector priorities to operationalize the Bank's Institutional Strategy: social policy for equity and productivity; infrastructure for competitiveness and social welfare; institutions for growth and social welfare; competitive regional and global international integration; and protection of the environment, response to climate change, promotion of renewable energy and ensuring food security.[1]

Investments:

Investment Vehicles:

- Loans (and loan syndications)
- Partial credit guarantees
- Private equity funds
- Venture capital funds

Investment Partners:

- Bi-lateral organizations
- Commercial Banks
- Foundations
- Governments
- High-Net-Worth individuals
- IFIs
- Institutional investors
- Private companies

IDB's Sector/Social Priorities:

- Innovation and productivity
- MSME finance
- Sustainable infrastructure (renewable energy, energy efficiency, and green technology)

How the IDB Group defines impact investing: The combination of financial returns as well as social and environmental impact is at the core of the IDB Group's work with the private sector, and its mission to reduce poverty and inequality in Latin America and the Caribbean (LAC). The IDB Group is a longtime impact investor, and in 2014, tagged its portfolio using three impact categories: Development Finance, High-Impact Sectors, and Impact Investments. The IDB Group defines impact investments as "investments made into companies, organizations and funds with the intention to generate social and/or environmental impact that is measured alongside a financial return."

1 "Private Sector Development Strategy Profile." Iadb.org. IDB, n.d. Web.

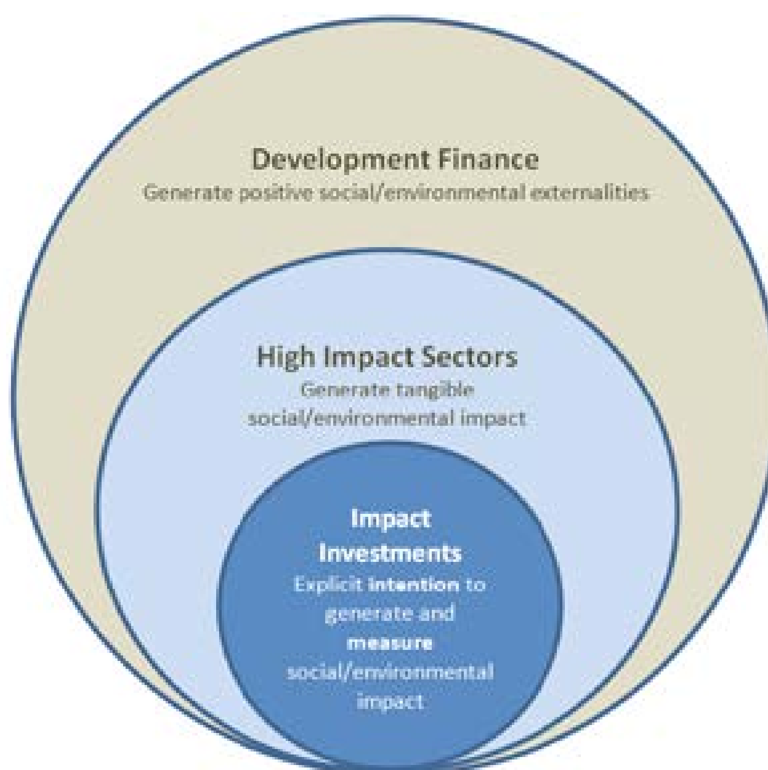
The IDB Group considers DFIs to have an important role in the impact investing space as financial institutions with mandates to finance projects with a development impact, significant resources to deploy, and a variety of instruments at their disposal. DFIs are well-positioned to: (i) finance and begin replication and scaling of innovative models, using knowledge-sharing to attract other investors to supplement DFI resources; (ii) bridge the gap between supply and demand for impact investment; (iii) share risk through innovative structuring; and (iv) finance impact and other evaluations to determine which models work and to quantify their impacts. DFIs also have the capacity to produce strategic research with partners on the ground and are an important source of knowledge dissemination through their global networks, their convening resources, and their focus on transparency and dissemination of public goods. To help harness the strengths of the DFIs for the benefit of the industry, the IDB Group and OPIC are co-chairing the DFI Working Group on Impact Investment in 2014.

Sample Impact Investment: The IDB (through the Inter-American Invesment Corporation) made a US$3 million investment in PymeCapital. PymeCapital is a fund headquartered in Managua, Nicaragua, whose mission is to provide credit, make investments, grant loans, and provide technical assistance, consulting services, and aid to SMEs. The Fund targets SMEs in Latin America, particularly under-developed ones that do not have sufficient structured mechanisms to support their business development. With that mission in mind, Pyme Capital has developed a full range of services aiming to upgrade these SMEs to play a more active role in their respective supply chains. In 2013, the IDB started disbursing its US$ 3million loan, which is helping PymeCapital to engage with 14,353 beneficiaries from the Base of the Pyramid who are part of manufacturing and agricultural supply chains, including 6,367 smallholder farmers. The company's portfolio is performing well, with a non-performing loans ratio at 90 days of only 3%. As of now, the Fund has developed projects in Nicaragua and Bolivia, and it is currently in advanced negotiations to support companies in Colombia and the Dominican Republic.

Measuring Impact: Each of the four IDB Group private sector units incorporates a set of financial and development performance indicators that are tracked during and after a project's operations. OMJ adopted IRIS metrics and is using PULSE, a cloud-based system developed for impact investors that allows it to capture information on the ground from each of the companies it has invested in. The MIF, IIC and SCF each have development effectiveness scorecards that are used in annual project supervision and require, among other things, a core set of developmental metrics (many of which are harmonized with IRIS and other DFIs).

The IDB Group's relationship with other DFIs: The IDB Group has well-developed relationships with other DFIs and works with many of them as counterparts for financing investments for its portfolio.

Impact Investing within The IDB Group's Investment Structure: (provided by the IDB Group)



International Finance Corporation (IFC), a member of the World Bank Group

Background: IFC, a member of the World Bank Group, is the largest global development institution focused exclusively on the private sector. Working with private enterprises in more than 100 countries, IFC uses their capital, expertise, and influence to help eliminate extreme poverty and promote shared prosperity. In FY13, their investments climbed to an all-time high of nearly $25 billion.

IFC's Vision and Purpose: IFC is a member of the World Bank Group, which has two main goals by 2030: decrease the percentage of people living on less than $1.25 a day to no more than 3% of the global population and to foster the income growth of the bottom 40% of the population for every country.

IFC's vision is that all people should have the opportunity to escape poverty and improve their lives. IFC support this vision through its purpose by:

- Mobilizing other sources of finance for private enterprise development;
- Promoting open and competitive markets in developing countries;
- Supporting companies and other private sector partners where there is a gap; and
- Helping generate productive jobs and deliver essential services to the poor and the vulnerable.

To achieve this purpose, IFC offers development-impact solutions through firm-level interventions (direct investments, advisory services, and the IFC Asset Management Company); by promoting global collective action; by strengthening governance and standard-setting; and through work to create a business-enabling-environment.

Investments: IFC uses blended finance (i.e. concessional donor finance invested alongside IFC's own funds) to catalyze investments that would not be made given current market conditions. Blended finance addresses market barriers to achieve commercial sustainability within a certain time frame. In FY13, IFC invested $18.3 billion in 612 projects, of which $6.6 billion went to the poorest countries eligible to borrow from the World Bank's International Development Association. IFC mobilized an additional $6.5 billion to support the private sector in developing countries. IFC now has a $50 billion portfolio of investment commitments spanning nearly 2,000 companies in 126 countries.

IFC's Financial Products and Investment Services:

- Equity finance (direct and fund of funds)
- Loans
- Local currency and financing
- Risk management products
- Structured finance
- Syndicated loans
- Trade finance

Investment Partners: IFC raises capital in the markets through bonds.

- Central banks
- Commerical banks
- DFIs
- Government agencies
- Pension funds
- Private wealth funds
- Sovereign wealth funds

IFC's Sector/Social Priorities:

- Strengthening the focus on frontier markets;
- Addressing climate change, and ensuring environmental and social sustainability;
- Addressing constraints to private-sector growth in infrastructure, including water; health, education, and the food supply chain;
- Developing local financial markets through institution-building, the use of innovative financial products and mobilization, focusing on micro, small and medium enterprises (MSMEs); and
- Building and maintaining long-term client relationships with firms in developing countries, using the full range of IFC's products and services, and assisting their cross-border growth.

How does IFC define Impact Investing: IFC's investments aim to eliminate poverty and spur long-term growth by promoting sustainable enterprises, encouraging entrepreneurship, and mobilizing resources that wouldn't otherwise be available. They have a robust risk approach and product structuring, which allows IFC to generate returns and achieve impact. They do not undertake an investment if there is no positive impact beyond financial return involved. In this context, all IFC investments qualify as –"impact investing" as all IFC investments have positive impact social and environmental impacts. IFC targets more specific social or environmental goals through portfolios that focus specifically on gender, climate change, and on inclusive business models . Inclusive business models include low-income customers, retailers, suppliers or distributors in core operations. Since 2005, IFC has committed more than $9.5 billion and worked with over 400 inclusive businesses in more than 85 countries.

Sample Impact Investment: Metropolitan Manila had one of the oldest and least efficient water systems among major Asian cities. Metropolitan Waterworks and Sewerage System (MWSS) is the government agency responsible for delivering water and sewage services to residents. In late 1995, the Government of Philippines hired IFC as lead transaction advisor for the privatization of MWSS. Following IFC's detailed review of the technical, financial, economic, and political considerations, the government decided to divide the MWSS system into two geographically separate concession zones. The east zone was home to 40 percent of the metro population, while the west zone housed 60 percent. Dividing the concession area would facilitate the tasks of the regulatory agency that was to be established and allow comparisons between the two. IFC helped the Government design, manage, and implement a competitive and transparent bidding process for two parallel 25-year concessions. For bidding and competitive purposes, it was ruled that the same bidder could not win both concessions. IFC also helped the government establish a Regulatory Office within MWSS to monitor and enforce the terms and conditions of the concession. Manila Water provides 24-hours access to water to over 6.2 million customers, including 1.7 million at the base of the pyramid.

Measuring Impact: In 2005, IFC launched the Development Outcome Tracking System (DOTS). IFC uses DOTS to measure the development effectiveness of its investment and advisory services. DOTS allows for real-time tracking of development results throughout the project cycle. At the outset of a project, IFC staff members identify standardized indicators with baselines and targets. They track progress throughout, which allows for real-time feedback into operations, until project closure. For Investments Services, the overall DOTS score is a synthesis of four performance categories that are informed by standardized industry-specific indicators. To obtain a positive rating, a project must make a contribution to the host country's development. For Advisory Services, the overall DOTS score or development-effectiveness rating is a synthesis of the overall strategic relevance, effectiveness (as measured by project outputs, outcomes, and impacts), and efficiency of the services. At project completion, intended results are compared with achieved results. Some results—medium-term outcomes and longer-term impacts—may be unknown at project completion but can be examined post-completion.

IFC also utilizes ex-ante evaluations at the beginning of their projects through a 'sustainability' or 'performance based' framework. These frameworks necessitate that an investee operates with due regard to the environment and the community.

IFC's relationship with other DFIs: IFC works closely with DFIs , including other members of the World Bank Group (e.g. the International Bank for Reconstruction and Development, the International Development Association). Other key multilateral partners include the ADB, IDB, EBRD, and EIB, among others.

KfW Development Bank
(origins: Kreditanstalt für Wiederaufbau in German, meaning Reconstruction Credit Institute)

Background: The KfW was formed in 1948 at the end of WWII as part of the Marshall Plan. Gaining development in reconstruction in post-war Germany, KfW went on to expand its services as a policy bank to promote the development of SMEs, municipal housing, and social infrastructure as well as environmental investments in Germany. In most promotional fields KfW, distributes its programs through the German commercial banking sector. Through its daughter, KfW IPEX Bank, KfW is active in international project and export finance. KfW Development Bank is Germany's leading development bank and carries out Germany´s Financial Cooperation (FC) with developing and emerging countries on behalf of the Federal Government. In large part, the requisite funds for the promotion of developing countries are allocated to KfW from the federal budget. However, KfW increases federal government funds by raising additional resources on the capital markets and deploying these for German development and climate protection finance. Its goal is to combat poverty, protect the environment and the climate, and make globalisation equitable. KfW is a competent and strategic advisor on current development issues. Through its daughter DEG, KfW supports the private sector in developing and emerging countries.

Ownership/Membership: KfW is owned primarily by the Federal Republic of Germany, who constitutes 80% of ownership while the States of Germany account for remaining 20% of ownership. Leadership is comprised of Supervisory Board as the ultimate executor featuring members of state and federal ministries, the Parliaments and commercial banks, supported by the Managing Board. The current chair of the Supervisory board is the German Federal Minister of Finance.

Investments: KfW does offer concessionary investments. Loan conditions depend upon the sector, the nature and cost-effectiveness of the project, the economic structure of the given partner country, its level of indebtedness and its state of development.

Investment Vehicles:

- Development loans from a mix of federal budget funds and KfW funds.
- Equity investments using federal budget funds, KfW funds (for microfinance), and through DEG.
- Loans from the federal budget funds.
- Promotional loans solely from the KfW fund.

Investment Partners:

- Commercial banks
- Foundations
- Governments
- Private Sector Microfinance Institutions
- Private Sector (through DEG)
- Public banks

Project Cycle: As part of Germany's bilateral development co-operation, FC projects are agreed upon between the government of a partner country and the German Government during intergovernmental negotiations (held about every one to two years) and serves as the basis for bilateral cooperation. The partner countries themselves propose projects and programs within the framework of these agreements and are responsible for their preparation and implementation. KfW is responsible for project appraisal, monitoring, and evaluation. Additionally it provides advisory services and support to its partners throughout the project cycle (preparation, implementation, operation).

KfW's Sector/Social Priorities:

- Education
- Environmental and climate protection
- Financial sector development
- Health
- Water sector (water supply/sanitation and waste management

How does KfW define Impact Investing: KfW does not use the term impact investing but sees creating social impact through their investments as core to their existence. As part of the Government's mandate, each program or project must be assessed for anticipated impact and monitored throughout using program specific criteria. They see the definition as less useful in that the term is not commonly understood across users. For KfW, social entrepreneurship is an important part of what they see as impact investing. They have identified social entrepreneurs, i.e. SMEs that put the bottom of the pyramid at the core of their business models and work to widen or improve the offer of products or service to them, as particularly worthwhile. They see this activity as taking the idea of microfinance and financial inclusion to a wider set of relevant sectors.

Looking forward, KfW sees DFIs as playing a similar trailblazing role that they played for establishing the microfinance business model. They consider the DFIs' role as crucial for the development of the market such that sustainable institutions are becoming well developed and poised to welcome other types of investors. One lesson learnt is that DFIs play a decisive role in helping to prevent mission drift, i.e. that institutions neglect their clients and their interests over excitement around growth.

Sample Impact Investment: KfW is a co-investor in Aavishkaar II , an investsment fund that focuses on enterprises active in the social infrastructure in rural underserved India on a commercially sustainable basis. They seek to 'harness the entrepreneurial spirit at the bottom of the pyramid to create inclusive economic development.'

Measuring Impact: For all of projects, KfW must analyze the expected impact on the country's economy and target group as required by the German Federal Government. All projects are measured by a well-defined set of criteria that leads to certain economic, social, and environmental impacts. They have, by the ministry, certain markers for their programs across sectors. Expected impact must be attributed to these markers and they must provide evidence that the markers are justified, as well as specify the monitoring criteria. The process is as follows: Design program, anticipate certain impacts, set certain benchmarks for ministry, monitor these benchmarks. This is individually done for each program. These results are self-reported during the program implementation stage and followed-up by KfW staff 3-5 years in a formal evaluation process after the project has been completed. They look in detail at the criteria and anticipated impact, marking the program on a scale of one to six in terms of achieving the impacts specified (1 being the best). KfW projects from 2009 and 2010 were at a success rate of 80% .

KfW's relationship with other DFIs: KfW works regularly with peer DFIs. KfW does financial cooperation with countries around the world. Amongst their partners are AfD, EIB, ADB, DFID, OeEB, IFC, CDC, Proparco, and others.

Norfund

Background: Norfund invests in the development of profitable and sustainable enterprises in developing countries to aid poverty reduction and economic growth by acting as a skilled business-oriented intermediary. Norfund funds are allocated to it from the Norwegian parliament (The Storting) through annual capital grants from its development assistance budget. Primary investments are in Eastern and Southern Africa and in select countries in South and Southeast Asia and Central America.

Ownership/Membership: Norfund is owned by the Norwegian government and is a tool in their development policy.

Mandate: The Norfund Act of 1997 states that Norfund shall "... establish viable, profitable enterprises that would not otherwise have been established because of high risk."[1]

Investment:
Norfund cannot be the majority owner in an investment. At the year end 2012, Norfund had 107 investments, 37% of those in least developed countries. 82% of new investments were in Africa. Their investment horizon is normally 4-10 years.
Investment Vehicles:

- Equity investments
- Loans

Investment Partners:

- International, regional, and local investors
- Norwegian companies
- Pension funds

Norfund Sector/Social Priorities:

- Agribusiness
- Greenfield projects
- Financial institutions
- Renewable energy (accounts for roughly 50% of the portfolio)
- SMEs

How Norfund defines impact investing: Norfund sees good financial returns as a prerequisite to contributing to development effects including profitable business that create jobs and higher tax revenues. Social and environmental sustainability are of equal importance for safeguarding people and natural resources. Norfund prioritizes contributing where the need is the greatest, while at the same time ensuring efficient use of development assistance funding.

Norfund defines impact investing as investments that include social impact in the calculation of IRR (Norfund currently only includes financial variables in the IRR-indicator). With this strict definition, Norfund is not, in itself, an impact investor, but has (as a fund of funds) invested in impact investors, like Voxtra. However, Norfund is not a strictly commercial investor either as the institutions is willing to take on higher risks and invest in more challenging projects, countries, sectors, and types of businesses. Norfund does not have a target IRR, but a positive return is fundamental.

Norfund sees all of their investments as creating a strong development impact in line with their mandate, however they find the impact investing term too narrow to encompass the breadth and scope of the projects undertaken. Expected social impact (positive and negative) is considered as well as the expected IRR (and several other business and operational characteristics/ issues). If the social/environmental consequences of an investment is considered too high or Norfunds additionality too low, Norfund will not invest, regardless of a promise for a high IRR. Similarly, if the business case is too weak despite positive social impacts, they will not invest.

Norfund feels they contribute to the impact investing space through their capacity building and contributions to creating an enabling environment. By targeting sectors in countries that are developmentally relevant and a focus on least developed countries (LDCs) and fragile states. Compared to other DFIs, Norfund has a much narrower investment strategy. They focus on a few sectors they believe have a strong impact on development in a given country. They have a number of investments in fragile, high-risk, and LDC states and 20% of their investments are green field investments (an investments wherein Norfund creates a new venture in a foreign country).

1 "Mandate: Additional and Catalytic." Norfund.no. Norfund, n.d. Web. 24 Sept. 2014.

Going forward, Norfund sees itself as a complimentary investor to the growing impact investing space, notably in their continued efforts in renewable energy. Norfund is currently invested in Voxtra, a small Norwegian impact investing fund. Norfund understands the growing interest among private investors, but sees DFIs (especially those funded by state funds) as a complimentary actor/instrument/investor because of their unique position being backed by government funds and their ability to take on higher risks. Norfund will continue to prioritize green field investments.

Sample Impact Investment: Norfund is invested in Voxtra, an impact investment fund based in Norway.

Measuring Impact: Norfund's works to use indicators that are in line with international practice (harmonized with other EDFIs and IFIs). They measure the effect of their development efforts through actual and ex-post information from their entire portfolio of investments. They have selected a few key indicators for companies that are easy to obtain and report on. They measure developmental based upon strategic achievements from portfolio results. Investment companies of Norfund do ex- post assessments of social targets at the end of the calendar year. Social standards are set by what makes strong business sense and failure to meet these standards does not necessarily trigger a change in investment strategy. Norfund is in constant discussion for how to best formalize ESG requirements. At present, they have requirements in their contracts with investees based upon IFC principles. Results are self-reported and accompanied by random site checks that are compared with annual statements.

Norfund's relationship with other DFIs: Norfund is a member of the European Development Finance Institutions (EDFI) and invests frequently with other DFIs.

Obviam

Background: Obviam is an independent investment advisor that focuses on long-term investments in emerging and frontier markets. They work with and advise the Swiss Investment Fund for Emerging Markets (SIFEM) which is the Development Finance Institution of the Swiss Confederation. Obviam has over 10 years of experience making emerging and frontier market private equity fund investments and are focused exclusively on emerging markets in Africa, Asia, Eastern Europe and Latin America.

Ownership/Membership: Obviam is an independent investment advisor.

Mandate: Obviam is mandated to foster sustainable private sector-led growth in emerging countries with an overarching goal to reduce poverty and increase living standards.

Investments:

Investment Vehicles:

- Private equity

Investment Partners:

- High Net Worth individuals
- IFIs
- Local banks
- Pension funds

Obviam's Social/ Sector Priorities: Obviam's investment philosophy is guided by the belief that investing in commercially viable companies in emerging and frontier markets can provide investors risk adjusted returns, as well as generate sustainable, long-term positive impact. Investing in Small and Medium Enterprises (SMEs), mostly via private equity funds and financial institutions, is core to this philosophy.

Obviam sees more opportunities in investing in emerging markets, including lower competition and a growing consumer base. Through private equity investments, Obviam hopes to contribute to long-term value creation. SMEs are seen as particularly important for driving impact in emerging markets, developing entrepreneurship, economic growth, and employment opportunities.

How Obviam defines impact investing: Obviam offers investors an opportunity to capture attractive returns and generate sustainable positive impact in emerging and frontier markets, via a proven and responsible investment approach. Aside from investment returns, Obviam seeks to drive entrepreneurship, create jobs, deepen and strengthen financial sectors, and stimulate economic growth through investment. Moreover, with an objective of investing responsibly in the creation and growth of viable private businesses, Obviam takes a rigorous approach to ESG standards.

Obviam lists integrating ESG principles as a tenant of their investment philosophy and sees themselves as a leader in this sense for other investors looking towards emerging markets. Obviam views investments that do not take these factors into consideration as counter to their mission and as working against their attempts to create sustainable and viable businesses. For example, the failure to identify poor pollution management practices at an SME in the chemical sector, or to identify poor safety standards at a company involved in labour-intensive manufacturing can result in significant liabilities. On the opportunity side, identifying companies that are developing new products and services, driving cost savings through innovation and efficiency, and increasing productivity as a result of a proactive approach to ESG management, can result in significant value creation.

Obviam has developed a Responsible Investing Policy as well as an exclusion list and ESG requirements for fund managers, financial institutions, and investee companies.

Obivam sees all the investments they advise as adhering to the G8 definition of impact investing, although they are currently working to better measure the social impact of these investments. They see the emphasis on intent in the G8 definition as most important as all of their investments cannot be made unless they are able to make an impact case. Their impact aims vary across their investments and is influenced by the country, terms of the investment, and sector. They have a bottom line standard on equity and cannot commit capital if the investment cannot generate a minimum of 8% return. Going forward, they see the role of DFIs as one where they continue to drive private sector investments to better understand the impact investing market.

Sample Impact Investment: Obviam advised a local fund in Cambordia to invest in Westline Education Group Ltd. in Phnom Penh, Cambodia, a private K-12 education provider that follows two curriculums: Khmer and U.S. educational programs. It also operates an Education Development Institute (EDI) that offers management education, research and consultancy services. The main clients of EDI are educators, managers, and young entrepreneurs.

Measuring Impact: Obviam has a system to measure impact, and in addition, provides in-depth impact case studies of its investments. They apply ESG screens in line with the IFC to aid their social impact measurement. In SMEs for example, the main priority is job creation, followed by the production of products for the bottom of the pyramid.

At present, they do not have a minimum standard for impact but are working to develop such. Before taking on a particular investment project, Obviam carries out an assessment of expected impact and then follows-up every two years to see if intended impact has been achieved. Some investments exceed impact expectations and some are below. Because they do not do direct investments but work through funds, assessing impact has an added layer of difficulty for them.

Obviam's relationship with other DFIs: Obviam works regularly with IFIs and DFIs.

Overseas Private Investment Corporation (OPIC)

Background: OPIC, established in 1971, is the U.S. Government's development finance institution. OPIC investments seek to address development challenges and advance U.S. foreign policy objectives. It helps U.S. businesses looking to gain footholds in emerging markets, currently operating in over 150 developing and post conflict countries around the world. When making investments, OPIC's enabling legislation statute focuses its support on U.S. small business and cooperatives, whether they be for or nonprofit. These investments target developing regions including but not limited to, Sub-Saharan Africa, the Middle East, North Africa, and South East Asia with the ultimate goal of creating stability and economic growth in countries where traditional investors are currently less likely to invest.

Ownership/Membership: OPIC's governing legislation is the Foreign Assistance Act of 1961 (P.L. 87-195). It is structured like a private corporation and operates on a self-sustaining basis, at no net cost to American taxpayers. A 15 member Board of Directors oversees operations.

Mandate: Mobilize and facilitate the participation of United States private capital and skills in the economic and social development of less developed countries and areas, and countries in transition from nonmarket to market economies.

Investments:

Investment Vehicles:

- Direct loans
- Guarantees
- Political risk insurance
- Senior debt into equity, debt and hybrid funds

Project Requirements:

- Involve the U.S. private sector in a meaningful way
- Have a commercially viable business plan and successful track record
- Maintain private sector control

OPIC Sector/Social Priorities:

- Agriculture
- Clean and renewable energy
- Critical natural resources (agriculture, water, and food security)
- Education
- Financial services
- Health
- Housing for the poor

How OPIC Defines Impact Investing: OPIC sees impact investments as those aimed to transform capital into answers for common challenges such as access to education, financial inclusion, housing, healthcare, and climate change, while at the same time generating sufficient returns to constitute viable investments. With over 40 years of history investing in emerging markets, OPIC continues to innovate with new products and services to support impact investing.

The intentionality of an investment is an important clarifying aspect of what makes an impact investment differ from any other investment OPIC makes. OPIC defines itself as the U.S. government's largest impact investor. OPIC committed $222 million to impact investments in 2012 as well as $2.7 billion in high-impact sectors. More than $2.4 billion of OPIC's investments over the last 6 years have been invested with the intent to generate social impact. Any project OPIC considers undertaking across its portfolio that may have a potential for adverse environmental impact is open to public comment for 60 days.

Sample Impact Investments: OPIC offers impact investments through three product lines: financing, political risk insurance, and investment funds. OPIC invests in the Grassroots Business Fund (GBF), an impact investment organization that provides financing and business advice to for-profit companies that have a strong commitment to bringing measurable and sustainable social and economic impact. Suppliers and customers consist of and employ a large number of people living at the base of the economic pyramid in developing countries. GBF used a OPIC loan of US $20 million to invest in high impact businesses in Latin America, Africa and Asia. GBF delivers a distinctive blend of investment capital and business advisory services through two vehicles working together: a private investment fund and a non-profit organization. GBF raised $49 million for the fund, approximately $14 million of which has already been committed to 16 companies as of January 2013, with an additional $11 million in grants from donors to support the advisory services provided to the fund's investees. Over the next five years, GBF expects to invest in 40 to 50 businesses, providing economic opportunity for millions of people.

OPIC is investing up to $15 million in the Global Partnerships Social Investment Fund 5.0, which works to expand opportunity for people living in poverty in the Latin America and Caribbean region. Global Partnerships provides loans to social enterprises and microfinance investment vehicles that combine financial support with other non-financial services such as healthcare, education, or training, in an effort to build sustainable solutions for people at the base of the economic pyramid. The Social Investment Fund 5.0 is focusing on providing loans in the areas of micro entrepreneurship, rural livelihoods, health services, and green technology.

Measuring Impact: OPIC employs a staff of about 20 economists, environmental experts and other analysts who conduct rigorous analysis of every potential project and its expected developmental impact. OPIC also monitors every active project from inception to conclusion with detailed annual self-monitoring questionnaires and random on-site monitoring. OPIC uses a series of metrics that track developmental returns. OPIC is continually working with other DFIs to standardize reporting and collecting data.

OPIC's relationship with other DFIs: OPIC currently does not work with other DFIs but hopes for better coordination and relationships going forward.

BRIDGE INTERNATIONAL SCHOOLS: **OPIC is supporting the expansion of Bridge International schools in Kenya with a $10 million loan. Bridge International has designed a system to bring education to hundreds of thousands of students through a model that is both affordable and scalable. In addition, Bridge schools provide a single standardized curriculum that instructors access from a tablet computer. By keeping tuition payments to less than $6 per student per month, the schools are affordable to even low income families.**

Société de Promotion et de Participation pour la Coopération Economique (Proparco)

Background: Proparco was created by the Agence Francaise de Developpement (AFD) 1977 as a development financial institution that emphasized the influential role the private sector can play towards development of countries in the global South.

Ownership/Membership: Proparco is managed through a public-private governance structure. It is owned by the AFD (57%), French financial institutions (26%), foreign financial institutions (13%), corporations (3%), and foundations/impact funds (1%).

Investments:

Investment Vehicles:

- Equity (10% of portfolio)
- Guarantees
- Medium and long-term loans (90% of portfolio)

Investment Partners:

Proparco must be a minority shareholders in all of their investments. A sponsor/majority shareholder who controls and manages the company is need for all of their investments.

- Institutional investors
- Large multinational to small local companies
- Local banks
- Multilateral Investment Guarantee Agency (MIGA)
- Private companies
- Private shareholders
- Private sponsors
- SMEs

Proparco's Social/Sector Priorities:

Proparco finances operations which are economically viable, financially profitable, environmentally sustainable and socially equitable. The goal is to promote sustainable private sector growth, job creation, and to catalyze investments and financing in priority sectors/geographies:

- Access to long term credit and development of financial markets
- Agrobusiness
- Climate change
- Infrastructure
- Manufacturing & services
- Microfinance
- SMEs

How Proparco defines impact investing: Sustainable investments are at the core of Proparco's mission and investment philosophy. They do not use the term impact investing as they feel the broadness of the definition encompasses the entirety of the investments they execute. They see this potentially changing as the conversation and interest develops within Proparco and through their membership in GIIN. Conversations around impact investing at Proparco have in many instances lead back to discussions around social business and base of the pyramid business promotion and activities. While Proparco currently does not have a dedicated fund that invests in social businesses projects, it manages an investment fund for AFD, FISEA, whose objective is to invest in equity and quasi-equity investments where risk is higher than what Proparco would typically undertake. Investments include green field operations, financial institutions, microfinance, the broader corporate and SME space, and funds with specific investing strategies (e.g. micro-insurance, etc.). The fund is geographically focused on Sub-Saharan Africa.

The AFD Group recently launched a study to look at various definitions among DFIs regarding social business and impact investing, as well as the status of the offer and demand of financial products for social business/impact investing projects. This study will also look at defining more precisely what activities and roles DFIs and donors could play in this sector. Going forward, Proparco sees DFIs playing and important leading role in the impact investment space, particularly with their ability to make investments in sectors and regions where other investors are less likely to engage. Given the unique position and expertise of DFIs, Proparco sees them as important drivers to making certain impact driven fields (notably sustainable energy) more investable.

Sample Impact Investment: Proparco invests in FISEA an investment fund that makes equity investments in businesses, banks, and microfinance institutions and investment funds operating in Sup-Saharan Africa. FISEA works to promote growth in businesses and financial institutions in Sub-Saharan Africa by giving them access to equity and helping them manage their investments.

Measuring Impact: Proparco assesses projected outcomes and impacts systematically through a tool created by DEG and utilized by other DFIs, GPR. This scoring device helps to define KPIs and develop a score that gives a global picture of the expected social impacts over time. Broadly, Proparco uses these results to make a more qualitative analysis of the projected outcomes of the projects in order to help the decision making process. Proparco also does an assessment 5 years after project implementation to see if the goals have been realized. In general, these monitoring evaluations are self-reported. Proparco has also developed specific indicators and impact assessments systems that are tailored to particular industries and sectors. One sector which utilizes very specific measurement techniques and audits is microfinance. They have an environmental and social score card as well as social ratings undertaken by third parties for microfinance investments.

Proparco first began their ex-ante outcome assessment in 2007 and is now initiating its first campaign of measuring actual results vs. expected results on the projects approved 5 years ago. Depending upon the results, they plan to monitor actual impact and noted that these results would either lead them to change their investment strategy or at the least be more conservative in the type of impact they specify. The GPR also integrates environmental and social performance indicators. They are linked to the due diligence requirements created by specialized consultants at the request of Proparco. Based on the results of these assessments, E&S action plans are drafted by Proparco and, once agreed upon by the client, are integrated into the legal documentation. During the monitoring phase, the implementation of these action plans is followed by Proparco.

Proparco's relationship with other DFIs: Proparco has a strong relationship with peer DFI institutions. DEG is a shareholder of Proparco. There is a co-financing agreement scheme signed with both FMO and DEG, and Proparco has also signed the Master Cooperation Agreement with IFC. They co-invest in both debt and equity with many other DFIs, including FMO, DEG, IFC, IDB, ADB, EIB, and IFD.

DFI Websites and References

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    - "Impact Investors in Asia: Characteristics and Preferences for Investing in Social Enterprises in Asia and the Pacific"
    - Independent Evaluation Department
    - Simpa Networks
    - Strategy 2020
- The CDC Group
- KfW (origins: Kreditanstalt für Wiederaufbau in German, meaning Reconstruction Credit Institute)
    - Aavishkaar
- Entrepreneurial Development Corporation (DEG)
    - Corporate-Policy Project Rating (GPR)
    - Grassroots Business Fund (GBF)
- European Bank for Reconstruction and Development (EBRD)
    - Transition Impact Monitoring System (TIMS)
- European Investment Bank (EIB)
    - Corporate Responsibility Report
    - REsults Measurement Framework (REM)
    - Social Impact Accelerator (SIA)
- FMO Entrepreneurial Development Bank (FMO)
    - Clean Energy
- Inter-American Development Bank (IDB)
    - Inter-American Investment Corporation (IAC)
    - PymeCapital
- The International Finance Corporation (IFC)
    - Development Outcome Tracking System (DOTS)
    - Manila Water Company
- Norfund
    - Voxtra
- Obviam
    - Swiss Investment Fund for Emerging Market (SIFEM)
    - Westline Education Group
- OPIC
    - Bridge International Academies
    - Grassroots Business Fund (GBF)
- PROPARCO
    - FISEA
- Venture Capital Trust Fund (VCTF)