

Gregory, Neil F.; Craviotto, Nerea; Getzel, Bianca; Fides Oltra, Laura

## Research Report

# DFI sponsorship of new platforms and ventures: Why and how? Synthesis report

ODI Report

## Provided in Cooperation with:

Overseas Development Institute (ODI), London

*Suggested Citation:* Gregory, Neil F.; Craviotto, Nerea; Getzel, Bianca; Fides Oltra, Laura (2025) : DFI sponsorship of new platforms and ventures: Why and how? Synthesis report, ODI Report, ODI Global, London,  
<https://odi.org/en/publications/dfi-sponsorship-of-new-platforms-and-ventures-why-and-how/>

This Version is available at:

<https://hdl.handle.net/10419/314356>

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## SYNTHESIS REPORT

# DFI sponsorship of new platforms and ventures: why and how?

Neil Gregory, Nerea Craviotto, Bianca Getzel and Laura Fides Oltra

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March 2025

### Key messages

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- Development finance institutions (DFIs) face a challenge in achieving their mission: important and unmet development needs they cannot address adequately by investing in existing firms. Some DFIs – including British International Investment (BII) and Norfund – have responded to this challenge by setting up new ventures themselves.
- Based on case studies of 12 ventures created or acquired by BII and/or Norfund, this report sets out the rationale for and practical implications of DFI sponsorship of new ventures, and draws lessons for other DFIs and their shareholders wishing to follow this approach.
- These ventures have big ambitions to generate critical investments in ports, power, healthcare, forestry, agriculture and other critical sectors in some of the most challenging low- and middle-income countries, while pioneering new approaches to investing in these sectors.
- DFIs can multiply their potential impact by setting up platform ventures, whose purpose is to create more investible opportunities. They can multiply their financing impact by mobilising private co-

investments in these ventures. These platforms can also generate co-investment opportunities for other DFIs at sub-project level.

- A range of options for structuring DFI-sponsored ventures have proven fit for purpose. To sponsor new ventures, DFIs need the capacity and authority to invest equity and to take control positions. This is a limitation for many DFIs.
- Sponsoring new ventures is a heavy lift for DFIs, in terms of operational and financial capacity, and staff and management time. As the owners of DFIs, governments play a key role in setting their strategy and structure, which determine the extent to which DFIs can sponsor new ventures.
- There are early indicators that the ventures studied are on track to achieve their intended objectives. The ventures have mobilised \$3 billion in private co-investments either in the venture or in projects developed by the venture.
- The ability to sponsor new ventures expands DFIs' potential to achieve impact. It enables them to pioneer new markets and finance activities that would be impossible under the traditional demand-led model. These new ventures can also be a vehicle for scaling up private capital mobilisation. The pioneering ventures sponsored by BII and Norfund offer lessons for other DFIs and their shareholders wishing to do more to promote private investment in places where investment opportunities are currently lacking.

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How to cite: Gregory, N., Craviotto, N., Getzel, B., Fides Oltra, L. (2025) DFI sponsorship of new platforms and ventures: why and how? ODI Report. London: ODI ([www.odi.org/publications/dfi-sponsorship-of-new-platforms-and-ventures-why-and-how/](http://www.odi.org/publications/dfi-sponsorship-of-new-platforms-and-ventures-why-and-how/))

# Acknowledgements

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The research has benefited from the active cooperation of the staff of BII and Norfund. We are grateful to Paddy Carter (BII), Steven Ayres (BII) and Signe Kolbye Sorensen (Norfund) for coordinating the sharing of materials, arranging interviews and reviewing the case studies. The study also received guidance and comments from a Sounding Board, which, in addition to Paddy Carter and Signe Kolbye Sorensen, included Soren Andreassen (IFU), Samantha Attridge (ODI Global), Marko Bergland (Finnfund), Frederique Dahan (ODI Global), Guido van Heugten (FMO) David Kuijper (EDFI), Hans Peter Lankes (ODI Global) and Frederic Lucenet (EBRD). We thank them for their contributions. We thank Frederique Dahan for overall supervision and Ben Campbell and Roo Griffiths for the editing and production of this report. All errors and omissions are solely the authors' responsibility.

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# Acronyms

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AFIP	African Forestry Impact Platform
AgDevCo	Agricultural Development Company Limited
AKFED	Aga Khan Fund for Economic Development
APP	Africa Power Platform
AWID	Africa Water Infrastructure Development
BII	British International Investment
CEO	chief executive officer
CHAI	Clinton Health Access Initiative
CIO	Climate Investor One
DFI	development finance institution
DP World	Dubai Ports World
DRC	Democratic Republic of Congo
EBRD	European Bank for Reconstruction and Development
EDFI	Association of European Development Finance Institutions
ESG	environmental, social and governance
EU	European Union
FMV	fair market value
FMO	Dutch Entrepreneurial Development Bank
GGEF	Global Green Economic Foundation
GIP	Growth Investment Partners
GP	general partner
HNW	high net worth investor
HR	human resources
IFC	International Financial Corporation
IFU	Danish Investment Fund for Developing Countries
IndiGrid	India Grid Trust
InVit	Infrastructure Investment Trust
IPO	initial public offering
IT	information technology
JV	joint venture
LLC	limited liability company
LLP	limited liability partnership
LP	limited partner
MDB	multilateral development bank
MSMEs	micro, small and medium enterprises
NIIF	National Investment and Infrastructure Fund
Norad	Norwegian Agency for Development Cooperation
SEC	Securities and Exchange Commission
SMEs	small and medium enterprises
SPV	special purpose vehicle
T&D	transmission and distribution
TCX	The Currency Exchange Fund
UJV	unincorporated joint venture
UK	United Kingdom
VC	venture capital

WASH      water, sanitation and hygiene



# Contents

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1	Introduction .....	9
1.1	Definitions and scope .....	10
1.2	Methodology and structure of the paper .....	12
2	Rationale for DFI sponsorship of new ventures .....	15
2.1	DFI strategies and venture sponsorship .....	15
2.2	Private capital mobilisation .....	19
3	Key achievements by DFI-sponsored ventures.....	22
4	Implications for DFIs.....	25
4.1	Long time horizon and risk tolerance .....	25
4.2	Staff skills and incentives.....	26
4.3	Operational support.....	27
4.4	Accounting implications of control.....	29
5	Design of DFI-sponsored ventures .....	31
5.1	Corporate structures.....	31
5.2	Capital contributions .....	37
5.3	Asset acquisition and revenue generation .....	39
5.4	Future growth and exits .....	39
5.5	Management team selection and compensation.....	41
6	Key lessons .....	44
6.1	Lessons for governments .....	44
6.2	Lessons for DFIs .....	45
7	Concluding remarks.....	47
	References .....	49

# 1 Introduction

Development finance institutions (DFIs) face a challenge in achieving their mission – that is, there may be important unmet development needs that private investment could meet but that DFIs cannot address adequately by investing in existing firms. This most often arises in smaller, lower-income countries characterised by few large productive firms, limited foreign investor interest and high investment risk. It can also arise in sectors where few private firms operate. In infrastructure, the high risks and long preparation process involved often result in existing firms developing too few investible projects. And yet these are exactly the places and sectors where DFIs are being asked to invest more.

Some DFIs – including British International Investment (BII) and Norfund – have met this challenge by setting up new ventures themselves to tackle key development priorities that suffer from a lack of private investment. This may involve developing the concept, investing equity (on their own or with others), hiring the management team and launching the venture. It then entails ongoing supervision and, often, follow-on rounds of financing. In short, they are playing the role of sponsor of the firm in the same way that an entrepreneur might found a firm.

These ventures have big ambitions to generate critical investments in ports, power, healthcare, forestry, agriculture and other critical sectors in some of the most challenging low- and middle-income country contexts, while pioneering new approaches to investing in these sectors. Full descriptions of the 12 DFI-sponsored ventures featured in this report, and their impact strategies and achievements to date, are annexed to this report.

Some highlights include Gridworks, which is working to expand electricity distribution in Burundi, where only 12% of the population have access, and to bring ‘mini-grid’ electricity to three isolated cities in Democratic Republic of Congo (DRC) for the first time. DP World, which is investing in the first deep-sea port in DRC. Ayana, has led the development of 4.1GW of renewable generation capacity in operation or under construction, and has recently been sold to Indian investors at enterprise value of \$2.3bn.

Growth Investment Partners (GIP) Ghana is piloting a new approach to providing long-term and flexible finance to small and medium enterprises (SMEs), meeting a need that commercial banks have been unable to respond to. BII is working on replicating this model in a second country, and others may follow. The African Forestry Impact Platform (AFIP) is creating markets for sustainable African forestry products, with huge potential for carbon sequestration and rural job creation. Arise channels equity capital to support the growth of banks

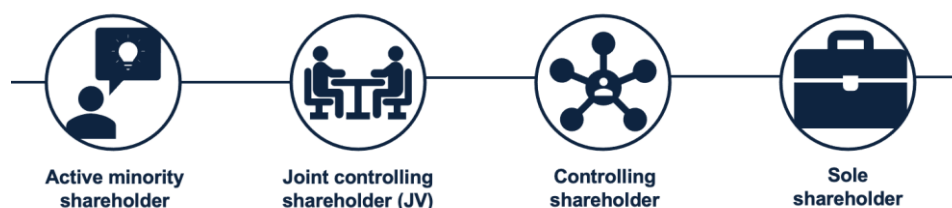
across Africa. MedAccess is providing guarantees that reduce prices of much-needed medical products in Africa.

Based on 12 case studies of ventures sponsored by BII and Norfund separately or together, this report sets out to learn from the experience of these DFIs in taking this approach, as a potential addition to the toolkit of approaches that DFIs can take to expand private investment to meet critical development challenges in low- and middle-income countries. It explores the rationale for DFIs undertaking sponsorship of new ventures, lays out the design options, discusses the operational implications and draws lessons for future DFI sponsorship initiatives.

By departing from their traditional demand-led business model and sponsoring new ventures, DFIs can scale up their development impact and reach, particularly in difficult markets, as well as their mobilisation of private capital. This report is intended to contribute to DFI learning about how to do this effectively. It may also be of interest to foundations and impact investors keen to play a more active role in sponsoring the creation of high-impact enterprises.

## 1.1 Definitions and scope

The focus of this study is on the activities of DFIs that relate to actively establishing and directing an ongoing commercial venture – that is, playing the role of what DFIs typically refer to as a ‘sponsor’. This differs from the normal DFI business model of lending and/or taking passive minority equity stakes in enterprises sponsored by others (usually private investors) for a limited period of time. The interventions in which DFIs play a more active role in setting up the enterprise and/or directing it lie along a spectrum (Figure 1). **Figure 1: The spectrum of DFI active** They range from being an active minority shareholder in a new joint venture to holding 100% of the equity in an enterprise; and from developing the concept for a new enterprise from scratch and bringing it into existence (creating a corporate entity, raising financing, hiring the management team, etc.) to playing an active role in an enterprise originally conceived and/or set up by other parties. DFIs can take an active role individually, or in partnership with other DFIs and/or private investors. In this study, we include various structures that give the DFI management control, on its own or in partnership with others, in ventures with an unlimited life span.

**Figure 1: The spectrum of DFI active involvement**

Source: Authors' elaboration

We do not include common forms of intermediaries such as closed-end funds, even where these are created by DFIs. These represent a well-established structure that DFIs frequently invest in as limited partners (LPs), and that some have managed as general partners (GPs). These models are well understood and, as limited life vehicles, do not meet our criterion of creating new ventures with unlimited life. However, we do include perpetual capital structures that have the characteristic of creating a new financial institution with an unlimited life (Figure 2). Within the infrastructure sector, the report includes only examples that illustrate the corporate financing of a new project development firm, rather than the “project finance” model of investing via a special purpose vehicle (SPV) to own an infrastructure asset, even if the DFI may have played a role in developing the asset. Investing in individual projects via an SPV represents a longstanding and well-researched approach. Moreover, project SPVs have a limited life tied to the development and/or operation of a single asset. However, the DFI-sponsored infrastructure development ventures featured in this report do often invest in infrastructure projects via project SPVs.

**Figure 2: DFI activities within and out of scope**

DFI activities within scope	DFI activities out of scope
<ul style="list-style-type: none"> <li>Active minority equity stake in a limited liability company or partnership (LLC or LLP) with management rights</li> <li>Participation in a joint venture (JV) (incorporated or unincorporated)</li> <li>Controlling shareholder in an LLC or LLP</li> </ul>	<ul style="list-style-type: none"> <li>Passive minority equity stakes in an LLC or LLP</li> <li>LP position in a fund, without involvement in creating the fund or selecting the GP</li> <li>Participation in any form in closed-ended investment fund</li> <li>Participation in SPVs for single investment</li> </ul>

<ul style="list-style-type: none"> <li>• Sole shareholder of an LLC or LLP</li> <li>• Creation of an open-ended, perpetual or evergreen fund where the DFI is the GP or selects the GP</li> </ul>	opportunities (typically in infrastructure)
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Source: Authors' elaboration

## Box 1 Glossary

**Sponsor:** A shareholder that has management control of an enterprise, including the ability to set strategy and appoint management.

**Venture:** A commercial enterprise with unlimited life, such as a corporation or partnership.

**Joint Venture:** Two or more sponsors that manage an enterprise together, typically based on an explicit agreement on how to do so. JVs may be unincorporated or have a corporate structure (e.g. partnership, LLC).

**Platform:** An enterprise set up with the purpose of developing multiple new assets and/or managing multiple existing assets. The assets may be on the balance sheet of the platform or structured as separate entities that the platform company participates in, alongside others.

**Development finance institution:** A financial institution that operates commercially to make debt and/or equity investments that further economic and social development, typically in low- and middle-income countries. DFIs are typically partly or wholly owned by governments.

## 1.2 Methodology and structure of the report

The analysis in this report is based on a set of 12 case studies of BII- and/or Norfund-sponsored ventures (**Error! Reference source not found.**), drawn from different sectors, including energy and transport infrastructure; forestry; financial services; water, sanitation and hygiene (WASH); and health. Most of the examples are from the infrastructure sector, as the sector where DFIs have placed greatest priority on scaling up investment. Most of the cases are located in Africa, where DFIs face the greatest challenges in finding privately sponsored firms to invest in, and reflecting BII and Norfund's investment priorities.

**Table 1 List of case studies**

Name	Abbreviation	Sector	Structure	Partners	Country/ region	Year
<b>Africa Power Platform</b>	APP	Infrastructure	JV	AKFED, BII	Uganda	2016
<b>Africa Water Infrastructure Development</b>	AWID	WASH	UK LLC	Metito, BII	Africa	2023
<b>African Forestry Impact Platform</b>	AFIP	Forestry	Partnership capital vehicle	BII, Norfund, Finnfund, New Forests	India, East Africa – regional	2023
<b>Agricultural Development Company Limited</b>	AgDevCo	Agribusiness	UK LLC	BII, FCDO, Norfund, US DFC	Global	2009
<b>Arise</b>	Arise	Microfinance	Dutch Private Ltd	Norfund, FMO	Sub-Saharan Africa	2016
<b>Ayana Renewable Power</b>	Ayana	Energy infrastructure	Incorporated JV	BII, NIIF, GGEF	India	2018
<b>Dubai Ports World</b>	DP World	Infrastructure – ports and logistics	Unincorporated JV	DP World, BII	Sub-Saharan Africa	2021
<b>Globeleq Limited</b>	Globeleq	Energy infrastructure	UK LLC	BII, Norfund	Africa	2015
<b>Gridworks Development Partners LLP</b>	Gridworks	Power transmission and distribution	UK LLP	BII	Africa, South Asia	2018
<b>Growth Investment Partners</b>	GIP	Financial institutions	Ghana: SEC-licensed permanent capital vehicle (limited liability) Zambia: SEC-licensed LLC	BII	Ghana, Zambia	2023
<b>Abler Nordic</b>	Abler Nordic	Microfinance	Alternative investment fund manager	Norfund, IFU	Africa and Asia	2008
<b>MedAccess</b>	MedAccess	Health	UK LLC	BII	Africa, South Asia	2017

Notes: Includes partners that joined after the venture was operational. Ayana was sold to new investors in February 2025, after the study was completed.

Source: Authors' elaboration

The cases were prepared based on internal documentation (investment committee papers, supervision reports, etc.) and interviews with investment staff. This approach was selected because there are too few examples of DFI-sponsored ventures, and most are too recent to have reached their full potential, for us to conduct a more quantitative analysis or to assess their performance or impact on a more systematic basis. We have avoided selection bias by studying all current BII and Norfund initiatives that meet our definition of a DFI-sponsored initiative. That is, we have not looked only at those that have succeeded by some metric, or only those that have reached financial self-sustainability.

The case studies are not evaluations of the development impact of these initiatives but are limited to an analysis of whether DFIs have succeeded in creating enterprises that are financially and operationally sustainable and pursuing the intended development impact. This is a prior condition for these initiatives to have their intended impact. In many cases, the examples are too recent for an assessment of their impact to be possible. In all cases, they are intended to reach their full development impact potential over a long period, thus an assessment based on a shorter operating period would necessarily be incomplete.

The analysis also draws on a literature review, publicly available information about other DFI-sponsored platforms/JVs/firms and a series of interviews with DFI staff and others involved in developing and implementing these initiatives. The research plan and initial findings were reviewed by a Sounding Board of DFI staff and ODI Global experts, including staff from BII, the European Bank for Reconstruction and Development (EBRD), the Association of European Development Finance Institutions (EDFI), Finnfund, the Danish Investment Fund for Developing Countries (IFU) and Norfund.

## 2 Rationale for DFI sponsorship of new ventures

### 2.1 DFI strategies and venture sponsorship

DFIs pursue their development objectives mainly through a combination of:

1. directly financing the growth and expansion of existing medium/large formal firms
2. indirectly financing the growth of micro, small and medium enterprises (MSMEs) and ventures through financial intermediaries (including banks, investment funds, non-bank financial institutions)
3. financing private infrastructure on a project finance basis (i.e. one infrastructure asset at a time)

Sometimes, this is with a general intent to support economic growth and job creation; sometimes, it is targeted at specific development challenges.<sup>1</sup>

These approaches rely on the availability of investible firms, financial intermediaries and infrastructure projects that are seeking to raise capital. In many low- and middle-income countries, this constrains DFI operations, particularly their ability to invest and mobilise private capital in high-priority sectors and countries.

There are relatively fewer large firms in low- and middle-income countries than there are in high-income economies. This gap – the ‘missing top’ – is especially pronounced in sectors requiring high degrees of specialisation and economies of scale (Ciani et al., 2020). It is rare for small or even medium-sized firms in these economies to grow into large enterprises, given challenges in obtaining raw materials, difficulties complying with regulations, corruption and weak connections to international markets (Freund and Pierola, 2020). Firms also find it harder to access growth capital to become large (ibid.). Banks in these countries often have limited capacity to provide long-term growth capital owing to regulatory constraints, collateral requirements and high interest rates (Keyton, 2007). Additionally, private equity markets are underdeveloped, and managing financial risk is challenging (Sinha et al., 2010). As a result, most large firms in

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<sup>1</sup> Such as adding value to agricultural or forest commodities by investing in agriprocessing and forestry firms, or improving healthcare by investing in the private provision of tertiary services to complement the public provision of primary healthcare.



these economies are either government-owned or foreign-invested (Keyton, 2007).

It is widely acknowledged that the standard DFI model of investing growth capital in existing firms often falls short, because there are insufficient large formal firms to invest in, requiring additional measures (Massa et al., 2016; Ciani et al., 2020; Henderson et al., 2021). This constraint is felt most acutely in lower-income, frontier and fragile/conflict-affected states, many of which are concentrated in Africa (Collier et al., 2019; Collier, 2024). Here, there is both a pervasive ‘missing top’ of large formal firms with the capacity to undertake investments large enough for DFIs to finance; and limited appetite for new sponsors (e.g. foreign investors) to enter the market and create new firms.

When faced with this constraint, DFIs have the following options:

1. provide support for upstream activities such as investment climate reforms, market development and business training with the objective of encouraging the formation and market entry of large formal private firms (including financial institutions) that DFIs can later finance. ‘Market creation’ activities of this type may have limited impact without the presence of large firms able to benefit from an improved investment climate or market opportunities.
2. provide support and financing for venture capital (VC) to support start-ups with the potential to grow into large firms, and private equity and debt to help medium and large firms grow. The technology sector is notable for the ability of start-ups to scale quite quickly and with limited amounts of capital. For example, International Finance Corporation (IFC) has developed initiatives like Startup Catalyst, which invests in nascent tech ecosystems (World Bank, 2005–2006; IFC, 2020). In other sectors, including infrastructure and financial services, there are fewer examples of successful start-ups that have started as small ventures. However, private equity funds have been successful in helping midsize firms grow across a wider range of sectors<sup>2</sup>.
3. take the initiative to sponsor the creation of new ventures (Sampablo and van Laer, 2024), including platforms that can generate further investment opportunities.

## **Box 2      Venture sponsorship in DFI strategies**

**BII:** BII’s current strategy (2022) emphasises using a flexible financial toolkit as a key element to achieve its productive, sustainable and inclusive development goals. It also stresses the importance of deploying varied investment vehicles to address diverse risk appetites. Additionally, the

<sup>2</sup> <https://www.bii.co.uk/en/news-insight/insight/articles/investing-for-impact-in-african-private-equity-funds/>

strategy highlights how partnerships with like-minded organisations can amplify both the impact and the financial success of investments.

Before formalising this strategy, BII had developed an internal document (2021) that outlined the rationale for creating large and structured platforms, JVs and firms dedicated to sustainable development. This practice aims to decouple financial risks and accelerate operations separate from other initiatives. Moreover, this approach directly impacts targeted regions and sectors, providing financial opportunities for local populations and fostering growth when other tools may be less effective.

**Norfund:** Norfund's strategy (2023–2026) is focused on impactful investments in its targeted goals. Norfund aims to operate in countries, sectors and instruments where capital is scarce and its development impact is likely to be strong. The strategy prioritises equity instruments because, 'in most developing countries, this is the scarcest type of capital that enterprises need'. Moreover, creating partnerships, and mobilising and circulating capital for increased additionality, is another key part of the impact strategy. This is why these platforms are relevant in Norfund's investment toolkit and have helped it create an impact.

As an example, the strategy showcases how Norfund sold SN Power, a platform created and built into a leading hydropower company in developing countries, and obtained \$1.17 billion to reinvest in developing countries, (Norfund, 2020). Further, Norfund's 2023 annual report illustrates how establishing new as well as strengthening existing partnerships 'can enable industrial investors to realise more projects and enter into new markets' and has 'multiplied the impact of Norfund's capital, and leading to sustainable business ventures'. Norfund reports also highlight how the establishment of these platforms through different levels of engagement has helped its goals and partnerships (Norfund, 2022).

A few DFIs, including BII and Norfund, have taken option 3, and sponsored ventures with the strategic objective of enabling investment and service provision in sectors and countries/regions that lack existing private firms (see Box 2). This includes setting up platforms, which in turn develop and/or finance other firms or infrastructure projects (Collier, 2024; Thioune, 2023; Sampablo and van Laer, 2024).

Based on the cases reviewed for this study, the rationale to launch this type of initiatives can include:

**a. to help develop new markets for private investment beyond the project,** especially in high development impact sectors such as infrastructure, health and agribusiness/forestry, through pioneering investments that:

- introduce new business models
- demonstrate investment opportunities in previously underinvested sectors/countries/regions, where there is a lack of suitable firms to undertake investments

or

**b. to mobilise more private capital for projects in impactful yet investible sectors/countries/regions, by:**

- generating an investible project pipeline, especially in infrastructure, at a scale beyond normal DFI project finance transactions
- taking private investors to new markets on a programmatic basis, beyond single transactions

There may be multiple rationales involved in the creation of specific ventures, with some being more important than others, as shown in Table 2, which summarises key objectives and other relevant objectives of BII- and Norfund-sponsored platforms.

The ventures examined in this report have big ambitions to generate critical investments in ports, power, healthcare, forestry, agriculture and other critical sectors in some of the most challenging low- and middle-income country contexts, while pioneering new approaches to investing in these sectors.

For example, Gridworks is working to expand electricity distribution in Burundi, where only 12% of the population have access, and bring grid electricity to three isolated cities in DRC for the first time. DP World is investing in a new deep-sea port in Senegal and the first deep-sea port in DRC (urgently needed essential trade infrastructure a country of over 100 million people). Globeleq has developed among the first grid-scale battery energy storage projects on the African continent, and is developing the first grid-scale wind project anywhere between South Africa and Kenya.<sup>3</sup>

Ayana, which differs from other platforms in this report because its role was to mobilize capital at scale in the Indian market with enormous demand for energy investment, has rapidly reached 4.1GW of renewable generation capacity in operation or under construction, and has recently been sold at enterprise value of \$2.3bn. GIP Ghana is piloting a new approach to providing long-term and flexible finance to SMEs, meeting a need that commercial banks have been unable to respond to. If this model works in Ghana, BII plans to be replicate it in other countries. AFIP is creating markets for sustainable forestry products, with huge potential for carbon sequestration and rural job creation. Arise channels equity capital to support the growth of banks across Africa. MedAccess is providing guarantees that reduce prices of much-needed medical products in Africa.

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<sup>3</sup> The first grid scale battery project to start operations in sub-Saharan Africa was the 20MW Golomoti PV and battery project in Malawi, supported by the Private Infrastructure Development Group. Globeleq's Cuamba project is the second. Globeleq has since been awarded the Red Sands storage project in South Africa, which will be the largest standalone battery in all of Africa

**Table 2 Key objectives of selected DFI-sponsored ventures**

	MedAccess	Gridworks	Arise	Globeleq	DP World
<b>New business/product</b>	✓ Champion commercially-viable volume guarantees	T&D is outside of BII-risk appetite	✓ First long-term FI platform, with minority holdings in SSA banks.		
<b>Investment opportunities in under-served areas</b>	Address market failure in supply and procurement of health commodities	✓ No equity pot/existing African platform for T&D Show commercially viable T&D opportunities		✓ Long-term approach to developing energy projects in the African energy sector	Demonstrating opportunities in African ports and logistics
<b>Mobilisation: generate investable project pipelines</b>		✓ Mobilisation at asset level (medium term/commercial) & platform-level (long-term/subcommercial)		✓ Mobilisation at asset level, mainly from other DFIs and/or MDBs.	✓ Look beyond single asset opportunities and commit to filling a pipeline by deploying capax
<b>Mobilisation: bring investors to new markets/sectors</b>			Mobilized Rabobank at platform level. (Minority) equity investor in banks pushing them to riskier sectors.	Attracted impact investment at the asset level (i.e. solar platform, Egypt)	✓ DPW struggled to find long-term investors to pursue an African expansion
<b>Talent + expertise</b>	Sector and product specialists	Sector and operational specialists	Sector and thematic specialists	Sector and operational specialists	Sector specialists w. networks
<b>Autonomy</b>	Enables, speedy and independent decision-making; provides a layer of separation for shareholders				

Note: The table is not a comprehensive picture of all objectives within each example. For full details see the individual cases studies annexed to this report.

Source: Authors' elaboration.

## 2.2 Private capital mobilisation

A key element of many DFI strategies is the mobilisation and catalysation of private capital. DFI-sponsored ventures can contribute to this objective in several ways:

1. **By creating financially sustainable private firms** in countries and sectors where they are lacking, DFIs can catalyse additional private investment by demonstrating the viability of such investments, and generating knowledge of value to private investors.

For example, AFIP and AgDevCo are investing in forestry and agribusiness in Africa, which private investors typically regard as too high-risk to invest in. Gridworks aims to demonstrate the viability of private transmission and distribution (T&D) investments, attracting more private capital to the sector. In 2019, with the exception of BII, there was little or no appetite among DFIs to take the risk of developing T&D projects in Africa. BII recognised that underinvestment in Africa's electricity networks was a significant market failure and needed to be addressed. In the almost four years since Gridworks was created, the sentiment towards encouraging private investment in this vital sector has slowly improved, among African governments and also among impact and commercial investors. Gridwork's market-shaping activity has prompted growing interest among other DFIs in offering private sector solutions to complement the public sector solutions African governments currently have to the funding shortfall.

2. **By creating permanent capital vehicles, DFIs can offer the opportunity for private capital to come into the venture** (at holding company level) at a later stage, either diluting or replacing DFI capital (allowing the DFI to exit). For example, private investors participate in Arise and Abler Nordic at the holding company level.

The most successful example of mobilising local capital is Ayana, which was initially established with 100% BII ownership. BII initially set a mobilisation target of \$50 million, and up to 2024 had mobilised around \$1.8 billion.<sup>4</sup> The platform grew fast, to the point that it became difficult for BII to continue to contribute enough new capital for it to maintain its growth trajectory, making BII's sole ownership a constraint to the business size and continued growth. It was successful in attracting Indian investment funds sponsored by the government to take equity stakes at the platform level, and over time BII relinquished management control.<sup>5</sup>

3. **In the shorter term, platforms can offer co-investment opportunities to private investors at the asset/project level**, including in subsidiaries developed by the platform. Ayana, DP World, Globeleq and Gridworks aim to generate infrastructure assets that can attract private co-investment. This can be done either before or after project completion. Since much of the risk of infrastructure development occurs pre-completion, the risk-return profile may be more attractive to private investors post-completion. Hence, some platforms finance the pre-completion phase fully, with the aim of refinancing by bringing in co-investors post-completion. For example, Ayana has been able to refinance some of its power projects' debt post-completion.
4. **In the longer term, mobilising private investors at the platform company level provides risk diversification and opportunities for larger ticket sizes.** In the first few years and during early/development stages, DFIs may accept higher risks and the distant prospect of financial returns at the platform level, because of the impact value of the activities and projects the platform undertakes. Yet private investors may not find these risk-adjusted returns attractive. Once the venture reaches scale and financial sustainability and the risks are reduced, mobilisation at the platform level may be more attractive to private investors than individual investments in sub-projects. For example, Ayana has been able to attract domestic investors at the platform level, while other vehicles like Gridworks and AgDevCo are aiming to attract private financing in the near to medium term.

Platform-level investments are more likely to be equity-financed, but the lack of a clear exit path can be a deterrent. Hence, platform-level investments may be of most interest to investors that share

<sup>4</sup> This figure includes debt and equity commitments that have not yet been fully disbursed (they are tied to the construction of projects).

<sup>5</sup> Ayana was sold to Indian investors in February 2025 at an enterprise value of \$2.3 billion, after the study was complete.

the patience and development impact orientation of the sponsoring DFI – for example other DFIs, family offices/high net worth investors (HNWs), mission-related investments of endowments and foundations, and donors. Because of the environmental, social and governance (ESG) and impact management systems that BII and Norfund have installed in them, some funds (e.g. Abler Nordic's funds, AFIP) can be categorised as impact funds (Article 9 under the EU Sustainable Finance Regulations). This may make them attractive to impact investors.

### 3 Key achievements by DFI-sponsored ventures

While most new ventures are too recent to have achieved their full development impact or mobilisation potential, we can see early indications of their potential to bring both DFI and private capital to priority sectors and countries. This section presents some successes to date. However, it is important to note that this study and the points presented below should not be considered a comprehensive overview. This report has not sought, for example, to capture platforms that failed to pass investment committees, and our input has relied on information provided to us on a voluntary basis by DFI counterparts.

The first indication of success is that the structures have been able to attract substantial financial commitments. Across 12 DFI-sponsored ventures examined in this report, total DFI commitments to date amount to more than \$4.2 billion, with the potential to attract more capital, including debt, as the ventures grow in size.

The second indicator of success is that although some of these ventures still have a steep climb ahead of them, all but one of them are on a path to operating with financial independence from the sponsoring DFI(s), aside from periodic capital infusions to finance expansion and growth. The exception is MedAccess, whose strategy relies on ongoing concessional funds for its operations, justified by its purpose of encouraging greater production of medical products and services at lower prices.

These indicators may appear trivial, but they are not. New ventures face substantial risks in attracting enough capital to become operational, particularly in capital-intensive sectors like infrastructure. They then face a range of operational risks in moving from start-up to financial independence. The high success rate of the ventures sponsored by BII and Norfund studied in this report in achieving these milestones shows that it is possible for DFIs to succeed in the difficult task of establishing new large firms.

A third indicator of success, for those ventures for which it is an objective, is mobilising private capital. As discussed above, the rationale for DFIs establishing and sponsoring new ventures is not always about mobilising private capital at *scale*, as these vehicles are often better placed to mobilise private capital for *impact* and market development in priority sectors. This of course does not preclude (i) crowding in new commercial players at scale as an externality of new venture creation or (ii) the opportunity for new platforms to prioritise scale as a strategic objective. Nevertheless, the ventures studied in this report have raised over \$3 billion, notably Ayana and Globeleq which have mobilised over \$2.6bn for infrastructure projects they have

developed. In other cases, mobilisation numbers can be expected to grow as the ventures grow and mature, and generate more investment opportunities for both DFIs and private investors, especially infrastructure platforms like Gridworks and DPWorld which expect to raise hundreds of millions of dollars of cofinancing for the large infrastructure projects they are developing. GIP also has the potential to mobilise capital at scale for SME lending, especially if the model is successfully expanded to more countries

**Table 3 Capital mobilised by cases studied (\$ millions)**

Platform	Total value of DFI commitments	Total private capital mobilised	PCM platform level		PCM asset level	
			Equity	Debt	Equity	Debt
MedAccess	200					
AgDevCo	280					
Gridworks	175					
GIP	50					
AFIP	200					
DP World	320					
APP	145					
AWID	15					
Ayana	235	1,800				1,800
Globeleq	1,322	835				835
Arise	1,000	177	177			
Abler Nordic	310	226			226	
<b>Total</b>	<b>4,252</b>	<b>3,038</b>	<b>177</b>		<b>226</b>	<b>2,635</b>

Note: PCM = Private capital mobilised (following the MDB/DFI definition, which includes capital from state-owned enterprises on commercial terms). Cumulative amounts committed by BII and Norfund (and IFU for Abler Nordic) since inception of the venture, based on publicly available information. Numbers are indicative and approximate only, and may not include all recent commitments. Includes mobilisation at platform and sub-project level. Does not include existing assets brought into the new venture.

Source: Authors elaboration based on case studies and public information on DFIs websites, which are published with a lag and hence may omit more recent DFI commitments into these ventures.

Finally, in addition to having projects under development with high potential impact, there are many indicators of achieved impact among



the platforms which have been in existence for some time.<sup>6</sup> Details of the activities to date of each platform can be found in the case studies annexed to this report; we present a few highlights here.

MedAccess has achieved two market ‘firsts’: charging a commercial fee for its guarantees and leveraging volumes with partial compensation rather than the full sales price, which has increased the supply and reduced the prices of medical products in the African market, including of virus testing equipment, tuberculosis treatments and next-generation malaria nets and malaria vaccines. Ayana and Globeleq have both developed many GWs of power infrastructure assets that contribute to meeting the growing demand for power in South Asia and Africa.

Arise, as the first long-term financial services investment platform in sub-Saharan Africa, is among the leading (minority) equity investors in banks across the region. Currently, Arise has equity stakes in eight banks and three non-bank institutions, with a fair value of approximately \$1 billion, which it intends to double in the next few years.

AgDevCo, one of the longest-established ventures examined in this report, has made and exited many highly impactful investments in agribusiness firms and primary agriculture that have strengthened supply chains while generating productive rural employment.<sup>7</sup> AFIP is managing sustainable forestry plantations that are providing employment for local communities, and it is developing new markets for African sustainable wood products.

These are indicators that the ventures studied are on track to achieve their intended impact objectives. As long-run strategic activities, any achievements in the early years of operations offer only a limited guide to what they may achieve over a longer period. Unlike regular DFI investments, which have limited upside to what they can achieve within the typical five- to eight-year holding period, platforms/JVs with unlimited life have much greater long-term potential.

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<sup>6</sup> Some of the platforms in this report had impactful operating assets transferred into them upon their creation, such as DP World, AWID and APP, and others have since acquired stakes in impactful operating assets as a foundation for future expansion, such as the Gridwork investments in Anzana and SPS.

<sup>7</sup> See <https://www.agdevco.com/news-and-resources/resources/>

## 4 Implications for DFIs

The creation and ongoing management of a new venture is a different type of activity from DFIs' core business of lending to and taking minority equity stakes in privately sponsored firms. It requires a long-term commitment from DFI management to design, incubate and supervise the venture, and to tie up its capital in it, as these are typically intended to be structures with long lives, and there may be limited prospects to exit in the short or medium term. While DFIs may intend to exit regular investments in 5–10 years, platforms and JVs may require commitments of capital and management attention in excess of 10 years. It requires capacity and willingness to provide operational support to new ventures until they can afford to build internal capacity. It can also require the ability to carry control positions in firms as investments on the DFI's balance sheet.

### 4.1 Long time horizon and risk tolerance

The establishment of a new venture is not a one-time activity, but involves a multi-year trajectory from start-up to operational and financial sustainability. This trajectory involves phasing of the development of operational capabilities and capital contributions in line with the growth of the business. This trajectory is likely to be shorter and easier to manage when creating a venture in an area where the DFI has existing experience and/or assets. Creating a venture that is innovating in terms of business model, or is entering a space that the DFI does not know well, is both riskier and more time-consuming.

Sponsoring new ventures involves a higher level of risk than does investing in existing enterprises – it is the difference between venture capital and private equity risk. Typically, private investors mitigate the higher risks of early-stage investing through diversification (funds investing in multiple start-ups), hands-on involvement in the new ventures, multiple go/no-go checkpoints (funding rounds) and willingness to pivot the venture in different directions. They also focus on business opportunities with rapid growth opportunities, so they can exit via initial public offering (IPO) or trade sales after three to five years.

DFIs can learn from some of these approaches in sponsoring new ventures, but not all of them can be adopted. There will typically be less upside potential when DFIs choose to invest in hard-to-invest sectors and countries, where the growth trajectory of the new venture may be slow, and prospects for a trade sale or IPO distant or non-existent. VC approaches are most relevant for investment opportunities with rapid growth potential.

A DFI's strategic development-oriented intent for the venture may also limit its appetite to pivot opportunistically to new opportunities. However, DFIs can adjust the business model as they learn through doing. For example, MedAccess found that the original expectation that charging fees to manufacturers, combined with returns on a capital endowment would generate sufficient income to cover operational costs, while still meeting impact objectives, was not realistic, so it changed tack towards mobilising concessional capital. Globeleq pivoted from a focus on building power generation capacity in difficult countries that suffered from a lack of well-resourced and experienced developers, to a more of a focus on renewables-based generation, including in larger more developed African markets. This reflected a shift in its shareholders policies as the viability of renewables projects improved. Ayana moved from only investing in greenfield projects to also acquiring assets, reflecting the priorities of new shareholders.

DFIs can take a hands-on approach and make use of regular funding checkpoints to review the trajectory of the business. For example, BII provided funding to Globeleq in multiple tranches, based on achievement of performance milestones. Likewise for MedAccess, BII financing was tranchised.

In the infrastructure sector, business development can take multiple years before it produces investible projects. In agriculture and forestry, it is the nature of the underlying projects to be slow to yield returns. Hence, a key challenge in sponsoring new ventures in these sectors is the long time horizon, and the scope for delays in generating revenues at the venture level. As discussed in Section 5, this can be managed by keeping the venture's overhead cost structure to a minimum, and outsourcing functions to the DFI or JV partner until the venture is generating enough revenue to bring all its operational functions in house. This can also help mitigate the risk that, in getting approval for the substantial capital and resource commitments required in sponsoring new ventures, teams are pushed to be over-ambitious in what the venture can achieve. Another risk is that the small number of investments in the early stages of new ventures makes the venture-level performance volatile – one good investment can make returns and impact look good, and vice versa.

## **4.2 Staff skills and incentives**

DFIs are staffed and organised to originate, structure and manage passive equity investments and loans to enterprises sponsored by others. This is a different skillset from developing a new venture from scratch, arranging financing, hiring a management team and guiding it through its set up and growth phase, and requires different internal processes. In the cases reviewed, BII and Norfund relied on existing workflows for approving investments, which may have slowed and complicated the preparation of new ventures.

DFIs can sometimes face challenges attracting staff with the requisite skills, because people with the ability to create viable new enterprises have alternative employment opportunities in the private sector, where success creating a new enterprise would be highly rewarded – staff of private platform companies and venture funds would typically be given ‘carry’ to share in the equity appreciation of the enterprises they create and nurture. DFI staff may not want to take the risk of working on developing a new venture – which may take years to achieve financial sustainability – if there is no financial or career development upside for them – as it may be career-limiting if the venture does not succeed.

### 4.3 Operational support

New ventures will typically rely (at least initially) on operational support, including human resources (HR), procurement, legal and accounting functions, supplied by the parent DFI. This can be beneficial in keeping overhead costs for the venture low in the start-up phase, and to give flexibility to staff up these functions only once the flow of business justifies it, but it loads costs onto the sponsor. In traditional DFI investments, the investee firms will have already built these capacities by the time the DFI invests. DFIs and other investment businesses usually pay close attention to the ratios of staff numbers and overheads to investment volumes. Moving from a model of traditional demand-led investing to the sponsorship of new enterprises implies higher staffing levels and costs, which requires justification both internally and externally, to shareholders.

In the cases examined, ESG, impact and business integrity<sup>8</sup> systems have been an area where DFIs have provided additional support during the start-up phase. This may be because DFIs set higher (and, in some cases, more onerous) standards for screening, supervising and reporting in these dimensions, which independent ventures would find hard to meet on their own – either because of the operational cost or because of the need for specialist skills that are not easy to find outside of DFIs. Although there is a risk that DFIs may place excessive requirements on ventures they sponsor, adding overhead costs and slowing operational performance, enterprises created by DFIs for developmental purposes need to get these things right.

As ESG and impact assessment and reporting becomes more mainstream in private firms, so it may become easier to staff these functions rather than rely on DFI capacity. And movement towards common standards for sustainability reporting may close the gap between DFI standards and what is required of private firms. The ability of DFIs to help new ventures set up systems to adhere to high ESG, integrity and impact standards may then be seen as part of the value-added of DFI involvement. It may also help attract investors seeking sustainable and impact investments. For example, AFIP is

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<sup>8</sup> Good corporate governance, anti-corruption, anti-money laundering, etc.

operated in line with Article 9 of the EU Sustainability Regulations (Article 9 is the highest category, for impact funds). However, it does impose additional impact and sustainability reporting requirements. In this case, New Forests as the GP has established capacity to manage funds for impact.

ESG and business integrity risks are more salient for DFIs where they have a controlling interest. Sole responsibility for an enterprise raises the reputational risks from breaches of ESG and integrity standards or negative impacts. Where DFIs are passive investors, they have less responsibility for such failings, because minority investors or lenders have more limited influence over the behaviour of the investee company. Where the DFI is the sponsor, it does not have this defence. However, DFI critics rarely recognise this distinction, and may be as critical of DFI investments regardless of their role in the venture. This reinforces the importance of strong systems and capacity to assess and monitor ESG and integrity risks, and impact.<sup>9</sup> It also reinforces the importance of strong DFI management commitment to the strategic intent of the platform, so that it is willing to take on the reputational risk.

For example, Ayana operated in a government-regulated sector with large sums of money involved, so business integrity and corruption were the highest risks. One of BII's rationales for establishing Ayana as a BII-owned platform, rather than investing in a privately-sponsored Indian renewables developer, was the possibility to build robust ESG and business integrity systems from the outset. With this objective in mind, BII designed and implemented Ayana's ESG framework and trained the whole Ayana team on these issues. Selling part of BII's equity in Ayana did not prevent it from continuing to play a role in upholding ESG and business integrity standards – BII retained the position as chair of ESG/business integrity and impact-related committees in Ayana. In addition, the quality of the management team, combined with tight control and processes, helped mitigate the risks related to business integrity and corruption. The Ayana case demonstrated to BII and future partners that it was possible to succeed commercially in India with high ESG and business integrity standards.

We do not have data to assess the cost of setting up and providing operational support new ventures. Once platforms are established, there could also be some cost savings from being able to invest in projects developed in alignment with DFI ESG, integrity and impact standards, rather than structuring projects with new sponsors. However, there is clearly a trade-off between incurring upfront costs versus incurring higher project development costs on an ongoing basis. DFIs that are under cost pressure or that have headcount constraints may find it difficult to incur the additional upfront costs. Strategic support from DFI boards and senior management will be needed to accept the sometimes-lengthy start-up costs. Co-sponsorship of ventures by multiple DFIs can spread the operational

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<sup>9</sup> BII-sponsored ventures have to comply with BII's responsible investment policies.

support costs across the DFIs, reducing the burden on any one of them (but potentially increasing coordination costs).

### **Box 3      Resourcing new ventures: insights from case studies**

AWID employed a small team, and relied on BII and Metito, the JV partners, for extensive operational support.

The development of Ayana required high involvement from the BII team – both in India and in London – which reduced as the platform and related management team acquired the expertise and skills needed (going from five BII dedicated staff to two, in two years). Thus, the allocation of sufficient time for the platform to develop and BII staff provided the time needed to build up the capacity of the Ayana management team and meet the milestones set, including the mobilisation of private sector developers.

## **4.4 Accounting implications of control**

In normal DFI operations, loans and equity stakes are treated as investment assets on the balance sheet, meaning that the assets and liabilities of the investee business are not consolidated onto the DFI's balance sheet for financial reporting purposes. In the case of ventures where the DFI has management control, the question arises of whether the venture needs to be consolidated onto the DFI balance sheet for financial reporting. This may be undesirable from the DFI point of view, as it may contribute to volatility of net income, asset values, etc. It could create difficulties for regulated financial institutions, and those that issue bonds and therefore have to maintain a credit rating. BII has avoided consolidation because it is structured as a perpetual fund itself, and as such is not required to consolidate, even where it holds majority or controlling minority equity stakes. Multilateral development banks (MDBs) are not structured in this way, which has proved to be an obstacle to them taking control positions in investee firms. For MDBs to be able to play the role of sponsor, they would need first to establish entities at arms' length from the MDB, which could hold such equity investments, including participation in unincorporated joint ventures (UJVs).

Most DFIs face limitations in their mandate or operating model that prevent them from taking majority or controlling equity stakes in companies. For example, Norfund and IFU limit their equity participation to 35% to avoid consolidating assets on their balance sheet. This limits their ability to invest in DFI-sponsored ventures individually, but by collaborating they may be able to overcome this constraint. Hence, Norfund has coinvested in several platforms with BII (e.g. AFIP, Globeleg) that it would not have sponsored on its own. Likewise, a consortium of several DFIs could collectively provide the equity base for a new venture without any one DFI having

management control. An example of this is the EDFI Management Company, which manages a pool of funds provided by its member DFIs. This has created investment programmes in power (Electrifi) and agriculture (Agrifi).


## 5 Design of DFI-sponsored ventures

There is a range of options for structuring DFI-sponsored ventures, either under sole DFI control or with control shared with private partners or other DFIs. The trajectory of launching a new venture requires appropriate phasing of capital contributions and may include the acquisition of existing assets (which can be used to generate cashflow to finance new project development). As ventures have unlimited lives, DFIs also need to choose a structure that will enable the venture to finance further growth, while allowing for the DFI to exit once the venture has matured. The corporate structure will also affect its ability to hire and motivate a strong management team.

### 5.1 Corporate structures

There is a range of legal forms that allow the DFI to play the role of a sponsor, a JV partner or an active minority shareholder – all of which represent a more active role than the regular business of DFIs. Table 4 shows which of the case studies adopted each type of legal structure.



**Table 4: Legal structures used in DFI platforms**


	Platform	Structure	Governance
Sole shareholder	MedAccess	UK LLC	100% BII
	Gridworks	UK LLP	100% BII
	GIP	Ghana: SEC-licensed permanent capital vehicle (limited liability); Zambia: SEC-licensed LLC	100% BII
Controlling shareholder	Globeleq	UK LLC	70% BII 30% Norfund*
	AFIP	Partnership Capital Vehicle	38% BII 38% Norfund 24% Finnfund
	AWID (Metito)	UK LLC	60% Metito 40% BII
Active minority shareholder	AgDevCo	UK LLC	64% AgDevCo 19% Norfund 17% BII
Active minority shareholder (JV)	DP World	Unincorporated JV	DP World and BII
	Ayana	Incorporated JV	35% BII 53% NIIF 13% GGEF
	APP (AKFED)	JV	50.1% AKFED 49,9% BII

\* BII is the controlling shareholder, with Norfund an active minority shareholder.

Source: Authors' elaboration

**Limited liability companies.** Most of the platforms examined are structured as LLCs, in which the DFI takes a controlling share – anywhere from 38% to 100%. In some cases, the company is limited by guarantee<sup>10</sup> (e.g. MedAccess and Globeleq), or is a public benefit corporation, so enshrining its development purpose in its corporate structure. Companies may be incorporated in the home country of the DFI, or in one of the countries of operation – the choice often depends on what will simplify tax and regulatory compliance. In some cases, such as for financial institutions, they may be required to incorporate in the country of operation, as was the case with GIP operations in Ghana and other countries where this model can be replicated. DFIs may also make use of reputable offshore financial centres as tax-neutral, low regulation locations, particularly where ventures operate in multiple countries.

#### **Box 4      Regional or country focus**

In most cases, platforms have been established with the intent to operate across multiple countries. However, in the financial sector, regulations require establishing ventures in each country, and cross-country variations in regulation may affect the available and optimal legal structure. For example, GIP follows a country-by-country strategy whereby a separate investment company is established in each market. This choice aligns with GIP's key features and objectives: delivering finance in local currency,

<sup>10</sup> A company limited by guarantee does not have any shares or shareholders but is owned by guarantors who agree to pay a set amount of money towards company debts in the case of liquidation.

mobilising local institutional capital, recruiting a local management team and reaching SMEs – all of which are often more easily achieved through a local investment company. These country-specific institutions can still benefit from a cross-country approach by being owned by a holding company that provides centralised corporate services (e.g. HR, IT). Also, BII has developed a ‘playbook’ for setting up operations, which can accelerate the creation of new country-based financial institutions.

Where the venture is a platform to develop sub-projects, it is usually structured as a holding company that holds equity in other companies/assets that it may or may not control. The holding company may be controlled solely by the DFI or jointly controlled under a JV agreement (such as AWID, where BII holds 40% and a private developer, Metito, holds 60% of the holding company equity). This structure allows for co-investment either at the holding company level, giving exposure to all the assets, or at the level of specific subsidiary companies or projects. An early example of this structure was SN Power, established in 2002 as a 50:50 joint venture between Norfund and Statkraft, the Norwegian power company, which developed and then invested in a series of power projects in Africa and Asia. Another option, albeit less common, is a UJV, where the assets remain with the partners. For example, DP World is not incorporated, as the assets it manages are held by DP World and BII in parallel holding companies.

## Box 5 SN Power

SN Power is a renewable energy company originally established as a JV between Norfund and Statkraft, Norway’s largest renewable energy producer. SN Power was created in 2002 to develop, finance and operate hydropower plants in emerging markets, combining financial resources, technical expertise and local partnerships to promote sustainable energy solutions.

### Key achievements:

- **Promoting renewable energy:** SN Power’s focus on hydropower was instrumental in reducing carbon emissions by replacing fossil fuel-based energy in countries like Lao PDR, the Philippines and Uganda.
- **Geographical impact:** Projects in 14 countries across Africa, Asia and Latin America are aimed at addressing energy deficits while supporting economic development.
- A model for **public–private collaboration** was pioneered, leveraging Norfund’s public funding and Statkraft’s technical expertise to attract private investment.
- **Circulating capital:** SN Power was acquired for \$1.17 billion in 2021 by **Scatec**, a leading renewable energy provider, allowing **Norfund** to reinvest the capital.

In 2017, Statkraft exited the joint venture by selling its stake to Norfund. In 2021, Norfund exited by selling SN Power to Scatec, a private Norwegian renewable energy developer. In 2024, Scatec sold SN Power to Total Energy, a large private European energy company.

Similarly, DFI-sponsored ventures to create investment funds involve the creation of an asset management company with the DFI and its partners as shareholders. The asset manager can both develop and manage funds (as in the case of Abler Nordic) and in some cases manage parallel project development or technical assistance facilities that generate assets to be financed by the funds it manages (as in the case of Climate Investor One – see Box 6).

### **Box 6 Climate Investor One: an FMO-sponsored innovation for renewable energy financing**

Climate Investor One (CIO) is a pioneering blended finance platform sponsored by the Dutch Entrepreneurial Development Bank (FMO). FMO led the design of the platform and created Climate Fund Managers as a JV with private asset manager Sanlam to manage the fund (Sanlam was also an anchor investor).

CIO is designed to accelerate the development of renewable energy infrastructure in emerging markets addressing critical financing gaps across the project lifecycle. The fund particularly targets solar, wind and hydropower projects to promote sustainable development and combat climate change.

CIO uses a three-stage financing model:

- 1. The Development Fund** provides risk capital for early-stage project development, including feasibility studies and environmental assessments.
- 2. The Construction Equity Fund** offers equity bridge financing to cover the high-cost construction phase, reducing reliance on debt and accelerating timelines.
- 3. The Refinancing Fund** facilitates long-term refinancing to stabilise projects and attract institutional investors.

This structure minimises project delays and risks, making renewable energy projects more attractive to private investors.

#### **Key achievements:**

- **Project pipeline:** As of 2023, the platform has supported over 20 renewable energy projects, contributing to more than 1,500 MW of clean energy capacity.
  - **Private sector mobilisation:** CIO has demonstrated the potential of blended finance by leveraging institutional and private capital alongside public funding.
  - **Carbon impact:** The platform has prevented millions of tons of carbon dioxide emissions annually by expanding production of renewable power.
  - **Job creation:** CIO has delivered economic benefits through job opportunities and infrastructure improvements in host communities.
- **Geographic reach:** CIO has funded projects across Africa, Asia and Latin America, bringing renewable energy solutions to millions.

**Perpetual and evergreen funds.** Ventures can also be structured as perpetual or evergreen funds, which do not have to return capital to

investors at a prescribed time (e.g. GIP Ghana, AFIP). This structure is well suited to investments in sectors that take a long time to generate returns, such as forestry. The fund may be managed by the DFI or a subsidiary that it controls as GP, or may be managed by a third party, with the DFI a LP with certain investor rights. Perpetual fund structures allow for platforms to have an unlimited lifespan, in the same way as LLCs. Fund structures may also allow the DFI to keep the venture's assets and liabilities from being consolidated onto its own balance sheet, depending on financial regulations in the DFI's home country. An example of DFIs establishing a permanent structure is the Currency Exchange Fund (TCX), created in 2007 by a consortium of 19 MDBs, bilateral DFIs and microcredit funds to provide foreign currency hedging solutions (see Box 7).

### **Box 7      The Currency Exchange Fund (TCX)**

TCX was established in 2007 by a consortium of 19 MDBs, DFIs and microcredit investment vehicles. It is structured as a fund, managed by TCX Investment Management Company, a subsidiary of the not-for-profit Stichting Cardano Development.

TCX's primary mission is to provide innovative foreign currency hedging solutions for investments in emerging and frontier markets, where such tools are typically unavailable or prohibitively expensive. By absorbing currency risk, TCX enables local currency financing for projects in sectors like infrastructure, microfinance and renewable energy, fostering economic stability and reducing dependency on foreign exchange.

Since its creation, TCX has hedged over \$10 billion in development finance flows across more than 100 currencies. Notable successes include creating local currency solutions for high-risk markets, fostering financial stability and catalysing private investments through innovative instruments like frontier bonds.

For example, the permanent capital vehicle structure<sup>11</sup> of AFIP provided the type of patient capital needed to support the needs involved in developing a sustainable forestry sector in Africa. This allowed AFIP to focus on optimising the performance of its forestry assets and maximising impact, rather than on returning capital to investors in the medium term.

**Unincorporated joint ventures.** JVs may be incorporated as LLCs, which allows them to jointly hold assets, or they may be UJVs, where the assets generated by the venture sit on the balance sheets of one or more of the partners.

As limited liability structures, corporate and fund structures can insulate DFIs from financial and operational risk, in a way that UJVs cannot. However, UJVs can be flexible vehicles for collaborating with partners on an investment programme without creating a new corporate structure or hiring staff. For example, BII partnered with

<sup>11</sup> AFIP provided a long-dated structure with investor liquidity windows in Year 10 and every six years thereafter.

ports operator DP World in a UJV to develop port and logistics investments in Africa. The actual investments in the projects developed can be made on a project finance basis, and the structure does not require pooling of any assets between BII and DP World. Likewise, existing assets managed by the JV are held on the partners' own balance sheets. The UJV between DP World and BII shows how, when partners are well aligned and strategic control is shared, a platform can maintain a very lean and flexible structure with little upfront capital investment and high value for money. From a DFI perspective, operating effectively at this end of the spectrum requires alignment on strategy, as well as negotiating substantive control and governance rights. In the case of DP World, this took four years to agree. In addition, it often requires an existing or well-advanced pipeline of projects that both parties share alignment over. In turn, it is more likely for UJVs to be following a mobilisation rationale regarding generating investible project pipelines and bringing investors into new and/or riskier markets. Overall, it is more difficult for UJV structures to be established based on solely strategic aspirations. JVs are easiest to negotiate and manage when they are between two parties. Adding additional parties adds management complexity.

### **Box 8 Partnership or sole ownership**

Sole ownership gives DFIs the greatest freedom to direct the venture. In creating MedAccess and GIP, BII chose to hold 100% of the equity so it had the freedom to move faster, take more risk and innovate, with the intent to bring in other equity partners later should the venture prove successful. In the case of Ayana, BII initially held 100% of the equity, but was able to bring in other investors once the business model was proven, bringing BII's shareholding down to 35%<sup>12</sup>.

In the case of MedAccess, 100% ownership has allowed it to be a patient investor as it tried to find a sustainable model for the business. However, the lack of a technical partner in the health space created challenges for BII, which had limited internal expertise in business or product development within the health sector. As a result, the initially envisioned commercially oriented fee model had to be redefined, leading to interim losses and deployment struggles. MedAccess and BII deepened collaborations with stakeholders like the Clinton Health Access Initiative, which helped deal flow during the first few years, as well as philanthropies like the Gates Foundation, which provided grant capital to help tailor MedAccess' model with the sub-commercial realities of the sector.

On the other hand, creating a platform with other investors limits the DFI's financial exposure; may provide access to technology, expertise, markets and assets; and can offer the operating experience that DFIs lack. It allows the platform to take larger stakes in the projects it develops while offering the partners greater diversification of assets. It can make it easier to bring in additional partners later, if the platform has been set up to accommodate multiple partners from the start.

<sup>12</sup> BII sold its remaining investment in February 2025 as part of the sale of Ayana to Indian investors

## 5.2 Capital contributions

In sponsoring new ventures, patience and flexibility are key requirements – the trajectory to financial and operational sustainability may take longer than anticipated, and venture creation involves substantial learning by doing. This may lead the DFI to make changes to the direction of the venture. For example, APP has spent 10 years developing the Ruzizi hydropower project in Burundi – few if any private infrastructure developers would be willing to stay the course for so long. Similarly, with APP, it took almost three years between the start of the conversations between BII and the Aga Khan Fund for Economic Development (AKFED) and agreement of the terms and setting-up of the platform. Strategic patience must be matched by careful monitoring, with periodic checkpoints at which performance against financial, operational and impact benchmarks are assessed. IFC's InfraVentures develops new infrastructure projects using a phased approach of this type (Box 9).

### Box 9      InfraVentures

InfraVentures is a \$150 million global infrastructure project development facility established by IFC. It aims to address the shortage of bankable infrastructure projects in developing countries by providing early-stage funding and technical expertise. It supports projects that address critical needs such as energy access, transportation and water supply, fostering economic growth and reducing poverty, with a focus on frontier and underserved markets where infrastructure deficits hinder economic growth.

#### Key features:

- **Early-stage risk capital:** InfraVentures offers critical equity funding during the initial phases of project development, when financial and technical risks are highest.
- **Expert project development support:** InfraVentures provides access to experienced professionals to help mitigate risks and build robust project pipelines.
- **Access to World Bank Group financial products:** As part of IFC, InfraVentures is able to arrange project financing from IFC, access World Bank and Multilateral Investment Guarantee Agency guarantees, and blend concessional finance from the International Development Association Private Sector Window for eligible projects.

Successive rounds of capital and technical assistance bring projects through the high-risk early development stages to the point at which they can attract private investment. Early-stage projects may face political instability, regulatory uncertainty and feasibility issues, which raise project risks. Aligning interests among multiple stakeholders, including governments and private investors, can also be challenging. Infrastructure projects often require significant time to reach financial close and implementation. By phasing capital and technical assistance contributions, InfraVentures mitigates its exposure to these risks.



InfraVentures has worked on the development of 46 projects since its launch in 2007, of which 33 have been exited without reaching implementation stage, 7 have reached financial close and are under implementation and 11 remain under development – demonstrating the long preparation times and low success rate of infrastructure project development. Nevertheless, InfraVentures has mobilised \$2.65 billion of private project financing over this period.

To accommodate this, DFIs may invest equity in multiple tranches linked to the achievement of performance milestones. For example, in the case of Gridworks, which is undertaking the time-intensive process of developing power distribution projects in countries where there has been little or no prior private investment in distribution, BII has set clear targets and triggers that guide Gridworks' progress. This method ensures that the platform's governance, team size, financing objectives and support levels evolve in alignment with investment activities. Further, by adjusting the remuneration structure of senior management as the platform grows, Gridworks avoids creating incentives that might prematurely increase overhead under the guise of necessary growth. Setting out a phased approach requires a realistic assessment of the time required to get to scale that helps focus team efforts and manage expectations.

As an innovative venture, MedAccess took two years from initial idea to establishment, starting as a concept between the UK Foreign, Commonwealth and Development Office (FCDO) and BII. BII had to navigate extensive internal processes to approve this atypical, long-term investment in a lesser-known sector. As it was testing a new business model, managing expectations was crucial, with the understanding that success was not guaranteed and impact would be visible only eight or so years later. Continuous internal marketing and setting realistic objectives regarding deal flow and financial performance was essential. MedAccess pivoted to prioritise financial sustainability and expansion into new markets. As the initial business model of covering costs through fees and investment income did not pan out, MedAccess then pivoted towards a blended finance model, mobilising concessional funds to improve its financial sustainability.

## **Box 10 Concessional finance**

In some cases, the DFI equity comes with the same financial risk and return expectations as its regular investments. In other cases, DFIs are willing to take more risk and/or accept a lower expected financial return in order to achieve the intended development impact. In the case of platforms intended to develop sub-projects for investment, DFIs may be willing to accept lower returns at the platform level in order to generate investible opportunities with higher returns at the sub-project level. DFIs can also attract concessional capital from third parties alongside their own commercial capital, in a blended finance structure, both at the holding company level and in sub-projects. Among the cases examined, MedAccess and Gridworks use concessional capital at the venture level. However, the creation of platforms and JVs offers new opportunities for blending concessional finance, at both the platform and

sub-project level. Concessional funding can also be used for parallel technical assistance and project development facilities that support sub-project development (e.g. Climate Investor One – see Box 6) or provide assistance to sub-investments by the platform (e.g. the financial institutions that Abler Nordic invests in can access technical assistance from a facility funded by the Norwegian Agency for Development Cooperation (Norad)).

### 5.3 Asset acquisition and revenue generation

A key challenge for new ventures is building up business and operating assets on which to earn revenue. Starting with a set of existing revenue-earning assets can accelerate the process of the venture achieving financial self-sustainability. Some ventures have included existing assets transferred by JV partners. This can present valuation issues but has the advantage of providing the new venture with a stock of assets from day one, on which it can earn income to finance its ongoing operations. For example, Metito contributed two operating water projects to the AWID water infrastructure development JV with BII. The DP World–BII JV to invest in African ports also focused initially on the expansion of existing port assets owned by DP World. AFIP was also formed with the acquisition of Green Resources, an existing forestry firm.

Where the platform is trying to innovate and develop a new business segment, there may be no existing assets with which to launch the business. In such cases, the DFI will have to commit to a longer incubation period, during which it provides additional support such as covering operating costs, providing support services and supporting business development efforts. For example, Gridworks' initial incubation period provided it with a strong pipeline of assets. Similarly, MedAccess was initially incubated by BII until it had a first set of transactions to finance. In the case of GIP, BII played an active role in fundraising and management prior to the launch of the Ghana fund, which helped it make its first loans soon after its launch. It will take some time for the loan portfolio to mature and reflows become available to finance new loans.

### 5.4 Future growth and exits

When selecting a legal entity for the venture, it is important to consider both future capital requirements and exit options. The open-ended structures involved in LLCs and perpetual funds raise the question of whether and how DFIs can exit from these structures. There are several reasons why they might want to exit:

- The platform is not delivering its expected impacts, or is not financially sustainable.



- The platform is succeeding and is financially sustainable, and continued DFI involvement is not needed to sustain its operations and impact.
- They want to make space for private investors to take control of the platform, so contributing to long-term private engagement in the sector/country.

Some platforms have clear sunset strategies defined in advance; in other cases, this is less clear. In principle, DFIs can sell their equity in companies and perpetual funds, but in practice this requires finding other investors willing to buy, or the venture to generate enough cashflow to buy back its equity, and requires a determination of the value of the equity stake. As with other unlisted companies and funds, this can be challenging. For example, BII aims to sell down its equity stake in GIP only after 10–15 years. In the case of SN Power, Statkraft exited the joint venture by selling its shares to Norfund in 2017. As sole owner, Norfund then sold the company to Norwegian renewable energy company Scatec in 2020 (see Box 5).

In some cases, it may be possible to identify investors interested in buying mature assets and pre-arranging sales of assets to them. This is the approach taken by Energrid, a BII–Norfund platform that generates transmission and power storage projects in India (Box 11).

### **Box 11      Energrid**

Norfund and recently announced the formation of Energrid, a partnership with India Grid Trust (IndiGrid), to develop greenfield transmission and standalone battery energy storage system projects.

India's electricity grid is dominated by coal (58%). To decarbonise, the country must reconfigure its grid away from historic energy centres towards locations of renewable power generation and build energy storage capacity so that renewable energy supply can be matched with demand. The Government of India has estimated that, to reach its goal of 500 GW of renewable electricity by 2030, cumulative investment of \$30 billion would be needed into national transmission infrastructure. IndiGrid is an infrastructure investment trust (InVit), which means it acquires transmission infrastructure assets after they are operational, which returns capital to project developers and provides a yield to its investors. Regulations constrain the proportion of its assets an InVit can have invested in projects under construction to 10%. This means that, despite being a listed entity with a market cap of around \$1.3 billion and an AAA credit rating, IndiGrid faces a tight limit as to how much capital it can allocate towards investments in new projects.

Developing and constructing transmission lines and energy storage facilities has high upfront costs and is risky and complicated. The Indian transmission market is oligopolistic, and there are only three major developers. Commercial investors are wary of the risks involved and, without patient and risk-bearing capital from Norfund and BII, IndiGrid could not have created Energrid. The new platform will bid for and fund upcoming greenfield opportunities in the Indian transmission and energy storage sector, where there is an enormous need for investment.

The partnership has an ‘assured exit’ structure, which means that, once the transmission and energy assets are commissioned, they will be acquired by IndiGrid with capital raised from private investors on public markets.

In the Ayana case, as the venture expanded and sought higher levels of financing, BII’s ability to meet those needs by itself approached its limit. At the same time, BII’s role in supporting Ayana’s start-up phase was ending. Thanks to its success, BII was able to attract new investors relatively quickly, and the business was sold in early 2025. The corporate structure of Ayana made these approaches feasible.

The most transparent way to exit, and to determine valuations, would involve listing the company or fund on a public exchange through an IPO. However, none of the ventures examined expect to do this. This reflects the limited development of capital markets in Africa, where most of the platforms operate, and the riskiness and limited upside of the ventures. They would likely require a long track record before they could attract public equity investors.

UJV agreements typically have provisions for termination of the venture and, because they do not create a new corporate vehicle, can be easier to wind up. The flip side of this is that they do not create a permanent vehicle that can continue to operate beyond the time horizon of the JV partners’ engagement.

In the case of DP World, the assets are expected to be managed by the JV for an extended period. For assets held over 15 years, BII may initiate an exit process triggering a DP World call option at fair market value (FMV); if the FMV is not favourable, BII can either retain dividends or explore an open market sale. Should an exit not materialise within two years, a dissolution mechanism allows for equity-to-debt conversion to self-liquidate.

## 5.5 Management team selection and compensation

The quality and performance of the CEO and management team selected to manage a new venture are key to its success. To ensure buy-in and ownership over implementation, it is important for the CEO to be brought on board while the business plan, budget, strategy and development objectives for the platform are being developed. While the views of the prospective CEO are key to shaping the final remuneration policy, every effort should be made to develop the high-level principles prior to onboarding the CEO.<sup>13</sup>

LLC structures offer the possibility of compensating management through stock or stock options. However, this may be less attractive because of the limited prospects for the company of being sold or listed, which would provide a way for management to cash out its

<sup>13</sup> Presenting a policy to the proposed CEO, including their salary for their acceptance and comment, is likely to lead to a better outcome for the platform and BII. The perception (both real and perceived) that the CEO has chosen their own salary must be avoided.

stock. Absent these opportunities, it can be challenging to value the stock and agree on terms when management wishes to sell some stock. For this reason, most of the ventures studied here relied on long-term compensation mechanisms linked to top-line revenue performance or earnings performance, as these metrics are more readily available. In the case of permanent funds, defined liquidity windows can provide opportunities to sell equity, but valuation of assets at these windows will be challenging. Most performance contracts also included impact metrics, to ensure management team alignment with the development impact goals of the DFI.

Platforms established as open-ended funds can contract established fund managers to manage them. These fund managers may have pre-existing management and operational capacities that can be deployed, as well as established hiring and compensation processes, which typically involve some carry in the fund. For example, AFIP is managed by New Forests, an established fund manager in the forestry industry.

DFIs may be more constrained than other sponsors in the financial compensation they can offer to management teams. For example, as a UK government-owned entity, BII is required to respect UK government limits on compensation in hiring management teams.<sup>14</sup> BII policy<sup>15</sup> requires that any flexible compensation structures (such as bonus schemes or long-term incentive plans) have clear reference to both commercial and impact objectives.

## Box 12 Challenges in hiring management teams

Finding and onboarding the right people was one of the most challenging aspects in setting up **Ayana**. At its origin, Ayana was a 100% BII-led initiative, thus a public-funded operation with the responsibility to compensate people in a way consistent with BII standards – the tension between bringing in the best quality management team, while sufficiently responding to compensation market standards, was not easy to solve and required a longer recruitment process.

In the case of **AFIP**, despite the difficulties in building a professional African-based team – long recruitment processes to identify the right skills and profiles – the regional and local knowledge of the team has been essential for managing demanding due diligence requirements, as well as for seizing market opportunities and developing the business and its impact in the sector.

Since **GIP** requires a high-calibre management team with country-specific expertise, it has attracted several nationals with international experience back to their home country. This has made it challenging to recruit CEO and director-level positions, given that a BII-compliant remuneration framework

<sup>14</sup> The platform's remuneration policy must be prepared in line with BII's policy document 'Principles for remuneration at CDC-controlled entities' (CDC was renamed BII in 2022). All BII-controlled entities must have a Remuneration Committee that is responsible for setting remuneration for senior management (with a BII-nominee director as a voting member). Any flexible structures ('bonus schemes' or long-term incentive plans) should have clear reference to both commercial and impact objectives.

<sup>15</sup> "Principles for remuneration at CDC-controlled entities" CDC, nd

has often not matched candidate expectations and private equity-level salaries.

# 6 Key lessons

## 6.1 Lessons for governments

As the owners of DFIs and MDBs, governments play a key role in determining the extent to which DFIs may sponsor new ventures.

Governments need to recognise that DFIs can achieve more when they are provided the space to proactively set up new ventures rather than being limited to investments in ventures sponsored by others. By sponsoring new ventures, DFIs have the potential to achieve key development and mobilisation objectives that they could not otherwise pursue, absent suitable firms to invest in. Platform ventures that in turn create new investment projects and ventures are a force multiplier for DFIs, creating multiple investments, with mobilisation opportunities, out of one DFI investment.

But this means taking bigger bets with longer payoffs and timelines. New venture creation also requires patience, risk tolerance and the ability to accept the uncertain payoff from lumpy upfront resource commitments (both capital and staff time). As shareholders, governments set the overall strategy for DFIs. They can create the conditions for DFIs to sponsor new ventures by choosing to be patient investors with higher risk tolerance and willingness to place larger strategic bets. They can also change the operating policies to allow for greater risk-taking and control.

For many DFIs, a general constraint to sponsoring new ventures is their lack of authority or balance sheet capacity to commit equity, especially through a majority stake. A key feature of new venture creation is the risk involved, with uncertain future cashflows and payback periods. Hence, debt financing is rarely suited to new venture development. Governments that want their DFIs to play a larger role in sponsoring ventures will need to give them the authority and balance sheet capacity to invest more equity and the leeway to do so with in a way that allows them to have some control over their mandate, development and financial performance.

BII is unusual among DFIs in having the mandate and the risk appetite to take controlling, majority or even 100% equity stakes in new ventures. This has enabled it to establish new ventures without relying on finding co-investors. This can simplify and speed up the process considerably, but requires BII to commit relatively large amounts of capital to each venture. Other governments could consider emulating this model in the mandate they give to their DFIs.

Governments can also look at their participation in MDBs and bilateral DFIs from a systems perspective. Having some institutions that are able to play the role of venture sponsor can increase the flow of investible opportunities for other institutions.

## 6.2 Lessons for DFIs

Financing ventures rather than transactions can allow DFIs to operate within a greater pool of opportunities. To do so, ventures may need a big enough addressable market to achieve scale, which suggests focusing on a wider range of countries and often taking a regional approach. However, too wide a country scope can lead to loss of focus.

Open-ended structures (LLCs, perpetual funds) provide the long time horizon and flexibility to adapt to changing circumstances. However, to avoid tying up capital and management attention for too long, DFIs should set clear, consistent financial and impact targets upfront, with regular checkpoints to monitor performance and decide on tranches of funding. It is also important to plan for the future growth of the venture beyond the support of the DFI, and the eventual exit of the DFI.

Platforms can be a vehicle for mobilising private capital, either at the holding company level or at sub-project level. But some platforms aim to operate in high-risk/high-impact sectors and geographies where the scope for mobilisation is limited, and financial returns may be low. It is important to set clear and realistic mobilisation objectives when setting up the platform and structure it accordingly.

DFIs have a menu of proven corporate structures to choose from. The choice will depend on the objectives of the venture, and whether a DFI can achieve most efficiently by going it alone or by partnering with others. Sole ownership can allow for greater innovation, risk-taking, speed and flexibility, while partnering with others brings access to capital and expertise beyond the DFI's own capacity. It can also bring existing assets into the new venture. Bringing existing assets into new platforms can generate revenue for the venture, and accelerate the process of it becoming financially and operationally self-sustaining.

DFI sponsored platforms can generate co-investment opportunities for other DFIs at sub-project level. Because these platforms follow DFI standards for ESG, integrity and impact management and measurement, the investments they generate are well aligned with other DFIs' deal acceptance criteria. DFIs should therefore adopt a streamlined approach to these co-investments, relying as far as possible on the platform's systems for ESG and integrity risk management and impact management and measurement. All DFIs therefore benefit from the ability of some DFIs to sponsor platform ventures that can generate co-investment opportunities.

Ventures should be managed at arms' length from the DFI, with appropriate governance structures, including an independent board

and a CEO with clear performance objectives and incentives. However, in the start-up phase, DFIs should be ready to provide key services to the platform so it can keep overheads low in pre-revenue and early-revenue stages. This can include ESG, integrity and impact assessment and monitoring functions, as well as legal and accounting services. DFIs need to organise to have the capacity to offer these services on a cost-recovery basis to platforms.

Developing and implementing platforms requires a different skillset from the normal DFI investment officer function. Staff with the requisite skills may need compensation linked to enterprise performance to attract them and to reward them for risk-taking. It may also require modifying business processes for approval and supervision of DFI-sponsored ventures to reflect the long time horizon, elevated risk and phased capital commitments involved.

Consolidation of assets under DFI control onto the DFI balance sheet is a particular obstacle to DFI sponsorship of ventures.

To be able to emulate the ability of some DFIs to take 100% stakes in new ventures, other DFIs would need to adopt corporate structures that allow them to hold equity stakes as investments rather than consolidate onto their balance sheet. This has been a critical constraint in the structures of MDBs, whose investments are held on the balance sheet rather than in a separate fund. MDBs may therefore consider creating funds at arms' length from the MDB, which could take controlling equity stakes.

One way to overcome this obstacle is to create a fund structure where financial and accounting regulations allow investments in funds to avoid consolidation. Another way is to participate in UJVs, so that only the DFI's own participation in the JV is recognised on its own balance sheet. This can allow DFIs to participate in sponsoring new ventures with limited capital commitments, and can minimise the need to finance and staff up new corporate structures. However, these advantages come with limitations – UJVs typically have a limited lifespan and do not leave behind a permanent corporate entity, and they have less flexibility to adapt to changing circumstances and less ability to mobilise additional private capital. They are therefore best suited to platforms that will in turn create investible projects, and where the operating experience of the partner complements the DFI's financing expertise.

Another option for DFIs that do not have the ability to sponsor new ventures alone or that lack the risk tolerance to take a majority stake would be to partner with a DFI or other like-minded investors (e.g. national/subregional development banks, impact funds, foundations) and nurture the idea from ideation phase, inputting into the mandate and expectations for the platform without having to overexpose itself. Arise is one such example, where Norfund through its 48% stake worked with FMO and Rabobank to establish a new important market player.



## 7 Concluding remarks

DFIs face challenges in investing in the sectors and countries that are most critical for achieving their strategic goals. They are therefore faced with a stark choice – continue chasing investments in the few large firms operating in these sectors and countries, which are often in competition with each other, or seek to expand the set of firms by playing a more active role in new venture creation.

The experiences of BII and Norfund in supporting new ventures offers insights into both the opportunities for DFIs to play a larger role and the limitations in their ability to do so.

The opportunity is that the cases examined in this report show that it is possible to start up new large ventures and see them reach operational and financial sustainability. Unlike project finance, which finances a single asset, these platforms create open-ended permanent vehicles capable of continuing to generate new assets and new opportunities for co-investment, thereby mobilising private capital.

More importantly, they generate knowledge about the risk/return of investing in sectors and countries that most investors know little about, and can provide proof of concept for new business models and technologies.

The operational limitation is that setting up new ventures is demanding in terms of DFI financial and operational capacity. This can be hard to carve out in the face of pressures to deliver on annual investment volumes. Supporting new venture creation requires risk tolerance, a long time horizon and staff skills and incentives that are different to normal DFI operations. Building this capacity requires an intent to play a more active role in venture creation, and a willingness to be a patient investor.

As the case studies show, there is now a range of structures for DFI-sponsored ventures that have proven fit for purpose for investing in different sectors, and with different levels of equity and managerial commitment from DFIs. This offers a menu of options for DFIs that wish to pursue new venture sponsorship. Some of these structures can accommodate multiple DFIs co-investing in a venture, thereby limiting each DFI's exposure and managerial burden. This may enable more DFIs to participate than the sole ownership model would allow.

The core business of DFIs will continue to be lending to, and taking passive minority equity stakes in, privately sponsored firms. But the capacity to sponsor new ventures offers an important additional tool



for the DFI toolkit. DFIs pursuing this approach can learn from the pioneering experiences of BII and Norfund and can contribute to further learning by experimenting with their own approaches.

The lessons of these experiences are also relevant to a wider range of foundations and impact investors interested in promoting flows of private capital into high-impact areas, but that currently face similar constraints of lack of investible opportunities. Family offices and HNW investors have the greatest freedom to play a more active role in venture sponsorship, which could generate investment opportunities for investors seeking impact.

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