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**Designing a financial platform to
promote the integration of Israeli
innovation in international
development**

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Table of contents

Table of contents.....	4
List of abbreviations	5
Executive summary	9
2.1. The SDG financing gap	13
2.2. Israel – The challenge and the opportunity	16
2.3. Israeli investment experience in developing countries	19
2.4. Bilateral development finance institutions (DFIs).....	22
3.1. Target countries	26
3.2. Solution criteria.....	29
3.3. Solution project types	35
3.4. Solution project examples	39
4.1. Israeli nexus: tied and untied aid	44
4.2. Sources of capital and government stake	48
4.3. Investment strategies to mobilize private capital	53
4.4. Financial sustainability and efficient use of capital.....	54
4.5. Project development-investment coordination	57
5.1. Business model overview	58
5.2. Non-profit (pipeline preparation and technical assistance) arm	62
5.3. For-profit (investment) arm.....	66
Appendix 1: List of bilateral DFIs	89
Appendix 3: MDB funds with Israeli involvement	91
Appendix 4: Target country candidate examples	95
Appendix 5: DFC Impact Quotient Indicators and Metrics, February 2023.....	103
Appendix 6: Project example 1 – Stand-alone solution (irrigation network).....	111
Appendix 7: Project example 2 – Solution bundle (smallholder farmer value chain).....	113
Appendix 8: Project example 3 – partnership platform (EIP).....	117
Appendix 9: BII Platform Companies.....	119
Appendix 10: DFI tying requirements and approaches to supporting national exports	120
Appendix 11: Selected project development, technical assistance and early-stage financing organizations.....	122

List of abbreviations

ADB	Asian Development Bank
AfDB	African Development Bank
AFAP	African Fertilizer and Agribusiness Partnership
AGRA	Alliance for a Green Revolution in Africa
BII	British International Investment
BIO	<i>Belgische Investeringsmaatschappij voor Ontwikkelingslanden</i> (Dutch: Belgian Investment Company for Developing Countries)
CDC	Commonwealth Development Corporation
CDP	<i>Cassa Depositi e Prestiti</i> (Italian: Deposit and Loan Fund)
COFIDES	<i>Compañía Española de Financiación del Desarrollo</i> (Spanish: Spanish Company for Development Finance)
DAC	Development Assistance Committee
DEG	<i>Deutsche Investitions- und Entwicklungsgesellschaft</i> (German: German Investment and Development Company)
DFC	Development Finance Corporation
DFI	Development Finance Institution
DOTS	Development Outcome Tracking System
EDFI	Association of bilateral European Development Finance Institutions
EU	European Union
Eurodad	European Network on Debt and Development

FAO	Food and Agriculture Organization
FMO	<i>Financierings-Maatschappij voor Ontwikkelingslanden</i> (Dutch: Financing Company for Developing Countries)
GCI	Grand Challenges Israel
GDP	Gross Domestic Product
GIF	Global Innovation Fund
GNI	Gross National Income
ICMA	International Capital Market Association
IDB	Inter-American Development Bank
IFC	International Finance Corporation
IFU	<i>Investeringsfonden for Udviklingslande</i> (Danish: Investment Fund for Developing Countries)
IMF	International Monetary Fund
KfW	<i>Kreditanstalt für Wiederaufbau</i> (German: Credit Institute for Reconstruction)
KPI	Key Performance Indicator
LDC	Least Developed Country
LMIC	Low- and Middle-Income Country
MASHAV	<i>המרכז לשיתוף פעולה בינלאומי</i> (Hebrew: Agency for International Development Cooperation)
MASSIF	Micro and Small Enterprise Fund
MDB	Multilateral Development Bank
NGO	Non-Governmental Organization

ODA	Official Development Assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
OeEB	<i>Oesterreichische Entwicklungsbank</i> (German: Austrian Development Bank)
OPIC	Overseas Private Investment Corporation
PP	Partnership Platform <i>PROPARCO Société de Promotion et de Participation pour la Coopération économique</i> (French: Corporation of Promotion and Participation for Economic Cooperation)
SDG	Sustainable Development Goal
SFPIM	<i>Federale Participatie- en Investeringsmaatschappij / Société Fédérale de Participations</i> (Dutch / French: Federal Participation and Investment Company)
SIFEM	Swiss Investment Fund for Emerging Markets
SIMEST	<i>Società Italiana per le Imprese all'Estero</i> (Italian: Italian Corporation for Enterprises Abroad)
SLB	Sustainability-Linked Bond
SME	Small- and Medium-sized Enterprise
SOFID	<i>Sociedade para o Financiamento do Desenvolvimento</i> (Portuguese: Corporation for Development Finance)
SPT	Sustainability Performance Target

SPV	Special Purpose Vehicle
SUGECO	Sokoine University Graduates Entrepreneurs Cooperative
TAHA	Tanzania Horticultural Association
UN	United Nations
UNCDF	UN Capital Development Fund
UNCTAD	UN Conference on Trade and Development
UNPRI	UN Principles for Responsible Investment
USAID	United States Agency for International Development
VC	Venture Capital
WEF	World Economic Forum

Executive summary

The United Nations General Assembly's Sustainable Development Goals (SDGs) serve as a common framework for achieving social and economic prosperity and for environmental protection around the world. However, one of the greatest obstacles to their implementation is a significant lack of financing, often referred to the "SDG financing gap," that is particularly acute in the developing world. In developing countries alone, the SDG financing gap amounts to 3.9 trillion dollars annually, and is expected to reach 4.3 trillion dollars by 2025, as demand for financing continue to grow at a much faster rate than funds provided.

Israel, due to its position as a high-income country and a world leader in technological and financial innovation, has significant contribution potential to the implementation of the SDGs worldwide. Israel is well-positioned to contribute to the economic development of low- and middle-income countries, especially in Sub-Saharan Africa, where the demand for innovative SDG solutions is particularly great and supply the is limited. However, much of Israel's contribution potential remains unrealized, and a significant obstacle is the lack of dedicated financing and business development solutions.

A key tool employed by sixteen other member states of the Organisation for Economic Co-operation and Development (OECD) to bridge similar gaps is their development finance institutions (DFIs). These are government-funded, independently managed facilities that identify investment opportunities in developing countries, provide them with financing and technical assistance services, and mitigate the risk of those investments in order to attract or "crowd in" additional private capital and stimulate demand in those countries. While most of these DFIs were established before the SDGs were defined, they are increasingly being re-tasked by their parent countries in recognition of their potential to support SDG implementation. The unrealized impact potential and business opportunities for Israel in developing markets mean that an Israeli DFI, or some development finance platform with an equivalent function, could significantly increase the involvement of the Israeli private sector in international development activities. This has been recognized by the Milken Innovation Center's joint lab with the Prime

Minister's Office in 2019, as well as the Inter-Ministerial Committee on International Development in 2020.

At the same time, the Israeli market, due to its focus on innovation and smaller companies, has unique characteristics that the traditional DFI model may be inadequate to address. Using a combination of established best practices from DFIs and other private, public, intergovernmental and philanthropic organizations, as well as innovative instruments for SDG financing, this paper proposes a blueprint for a development finance platform specifically adapted to the Israeli context.

A financial platform seeking to increase Israeli private sector involvement in the international development will need to engage in significantly more extensive business development activities than a conventional DFI. The rest of the platform's facilities and services will have to be designed to reinforce this component and ensure investments can receive the required support at every stage.

The main recommendations are as follows:

1. Establish an Israeli financial platform dedicated to international development.
2. The platform will have three primary goals, which will be reflected throughout its investment criteria, structure, and services:
 - Achieving SDG impact in developing countries.
 - Increasing Israeli private sector activities in developing countries.
 - Financial sustainability and profitability, yielding a return to investors, stakeholders, and beneficiaries.
3. The platform should have two distinct arms:
 - A non-profit arm, dedicated to generating a pipeline of new investments with Israeli components, and providing technical support to enhance the impact and financial performance of existing investments.
 - A for-profit arm with a tiered investment system, with a dedicated facility offering flexible financing solutions to high-risk investments in the early stages of project development, and another facility offering standardized financing to more established and lower-risk investments. The higher-risk investment facility will provide tailor-made services to ensure support for

the projects developed by the non-profit arm, while the low-risk facility will provide a stable cash flow to the platform, as well as unlocking international partnership and co-financing opportunities.

4. The desire to support Israeli businesses will have to be balanced with the desire to achieve development impact, create international goodwill, and establish partnerships within the international development ecosystem.
5. The platform should seek to mobilize as much private capital as possible, to achieve maximal results at minimal costs and with minimal market distortion:
 - Mobilize private capital into the platform itself, through a joint public-private capital structure, possibly enhanced through hybrid capital and diaspora bonds.
 - Mobilize private capital into the platform's investments, through the simultaneous employment investment criteria alongside impact criteria for project selection, and the use of financial incentives to encourage investees to raise as much private capital as possible.
6. The for-profit arm will have to provide support for high-impact investments that often struggle to obtain investment capital on their own, through the flexible use of innovative financial instruments and clearly defined exit strategies.
7. Non-profit activities should be as financially sustainable as possible to reduce dependence on donor funding, with a non-profit investment fund model in particular offering the potential to recycle a large portion of the non-profit arm's capital.

By offering a comprehensive solution to the obstacles currently preventing supply from matching demand in developing countries, the platform proposed in this paper has the potential to achieve widespread development impact globally, and break access barriers to some of the fastest-growing markets in the world. In doing so, it would also substantially contribute to Israel's own economic growth, diplomatic standing, and commercial opportunities, as well as position Israel as a global pioneer in SDG innovation. However, before the platform can be established, additional design work beyond the scope of this paper is required. The primary and most pressing design gap that needs to be addressed is the creation of a detailed financial model to determine the

scale of activities that the platform will be able to support at a given level of funding, and the precise returns it will offer its investors, stakeholders, and beneficiaries.

1. Research topic

The Israeli government has called for a strengthening Israel's economic ties with a variety of developing countries,¹ culminating on July 23, 2018 in Government Decision 4021, calling for the promotion of Israeli involvement in international development. Despite the enormous growth potential of developing countries, they account for only 25-30% of Israel's exports, with China and India accounting for more than half of that number. Furthermore, while many OECD member states have already established development finance institutions to promote private sector involvement in development activities in developing countries, Israel has yet to follow suit. This is despite Israel's great potential contribution in this area – drawing from its own recent experience as a developing economy – as well as its vibrant technological industries, which offer a variety of potential solutions to development challenges around the world.

This paper therefore examines what an effective and sustainable design for a dedicated Israeli financial platform for international development would look like. This question can be broken down into two parts:

Projects – In order to design the platform as a whole, it is essential to define its purpose in terms of the individual projects and companies supported by the platform. What are the characteristics of projects the platform will support? Where will these projects be carried out, by whom, and who will be their beneficiaries? What are the eligible activities and sectors? What are the financial and impact requirements for the projects, and what form of Israeli component will be required of the projects?

Platform – What will a financial platform to support these projects look like? How will this platform be structured? What are the types of financing the platform will provide to supported projects, under what terms and at what stage? How can the platform mobilize

¹ All non-high-income countries, using the World Bank's 2023 definition: low-income countries – up to USD 1,085; lower middle-income countries – USD 1,086–4,255; upper middle-income countries – USD 4,256–13,205; high-income countries – USD 13,206 and higher (World Bank, 2023).

private capital into its investments? What are the types of investment that the platform itself will require to support its activities? Who will be the primary stakeholders, and what form of capital will be raised from them? How will the different components of the platform interact to create a self-sustaining financial platform that can successfully achieve development impact, promote Israeli exports to developing countries, and offer attractive risk-adjusted returns to investors?

The proposed model will serve as a blueprint for the establishment of a development finance platform to promote the SDGs in a financially viable manner in developing countries. Such a platform also has the potential to bolster the Israeli economy by increasing exports to high-growth economies and by supporting the innovation sector in Israel, as well as to improve Israel's diplomatic ties and standing in the world.

Section 2 presents the background, covering the financing gap for the SDGs in developing countries, Israel's unique challenges and opportunities and its experience supporting investments in developing countries, and the concept of DFIs. Section 3 characterizes the type of solution projects the platform should support, in terms of target countries, solution criteria, and types of solutions, as well as providing demonstrative examples. Section 4 presents the key principles that will guide the design of the platform, including approaches to supporting Israeli exports, sources of capital for the platform and relevant government partners and stakeholders, investment strategies to mobilize private capital into the platform and its investments, strategies to ensure efficient use of capital, and a self-sustaining financial model for the platform. Section 5 proposes a design for the platform, outlining its business model and structure, its different facilities, the functions that each will serve and the services they will offer, and the way in which these different elements will interact with each other. Section 6 concludes the paper.

2. Background

2.1. The SDG financing gap

The SDGs are a set of seventeen objectives adopted by all United Nations (UN) member states in 2015, as part of the UN's Post-2015 Development Agenda. The official mission statement of the SDGs is to provide "a shared blueprint for peace and

prosperity for people and the planet, now and into the future.” These seventeen goals contain 169 targets and 232 indicators, with the objective of reaching these targets by 2030 (UN Department of Economic and Social Affairs, 2023). According to the UN’s Business and Sustainable Development Commission, implementation of these goals by 2030 represents business opportunities worth USD 12 trillion in the areas of food and agriculture, smart cities, renewable energy, and health (Lubanov, 2020).

However, UN member states are not legally bound by the SDGs, and their definitions are broad enough to allow a wide range of interpretations. These two factors, alongside the complexity and unattractive risk-return profile of many SDG investments, have contributed to the creation of a large financing gap that has significantly hindered realization of the goals (Biermann et al., 2022). This gap has become considerably more acute since the COVID-19 pandemic, as countries have shifted their resources to address the immediate effects of the pandemic within their own borders. In the wake of the pandemic, the annual financing gap in developing countries reached USD 3.9 trillion in 2020, up by 56% from the pre-pandemic figure of USD 2.5 trillion, and it is projected to reach USD 4.3 trillion by 2025 (OECD, 2022b). This has been further exacerbated since the escalation of the Russo-Ukrainian War in February 2022, which has had particularly strong effect on the food and energy markets in developing countries (Sachs et al., 2023).

Figure 1. International private investment in SDGs: 2021 project numbers compared to pre-pandemic levels (%)



Source: UNCTAD, 2022.

As the official development assistance (ODA)² provided by the governments of high-income countries covers only a small fraction of the required funding, in recent years there has been a growing understanding that private sector financing is required to close the gap (IFC, 2011b). Institutional investors in OECD countries alone manage a total of over USD 100 trillion in assets. In other words, less than 4% of that money, if redirected effectively, would be sufficient to close the financing gap (UNPRI, 2022).

Private sector involvement is important not only in the high-income countries where capital originates. It is particularly important in the developing countries on the receiving end, as the governments of most of these countries have poor credit ratings,³ and suffer from high borrowing costs that they cannot afford, making long-term, sustainable government borrowing virtually impossible as a result (Sachs et al., 2023).

Investing directly in the private sectors of these countries offers a way to complement and reinforce governmental financial support. It would allow capital to reach beneficiaries much more directly, bypassing the challenges of government bankruptcy or corruption, reaching sectors and populations that government policy often struggles to reach, and with reduced risk of political meddling. Investment in successful businesses in a country can continue even if that country's government encounters financial difficulties, and a robust private sector could significantly extend the resilience and capability of the government as well.

In practice, however, several challenges prevent this from occurring. First and foremost, SDGs address market externalities, and the broad social returns from their realization are often not captured in the returns of an individual investment. Outcomes such as environmental benefits, reductions in global inequality or improved access to essential goods and services, while desirable from a broad perspective, typically provide limited direct benefit to companies and investors. Second, lack of familiarity with developing

² ODA is defined by the OECD as 'government aid that promotes and specifically targets the economic development and welfare of developing countries' (OECD, 2022c).

³ In fact, according to all the major credit rating agencies, not a single low-income country has an investment-grade rating (i.e., a low risk of default). Among lower middle-income countries, only three (India, Indonesia, and the Philippines) have an investment-grade rating (Sachs et al., 2023).

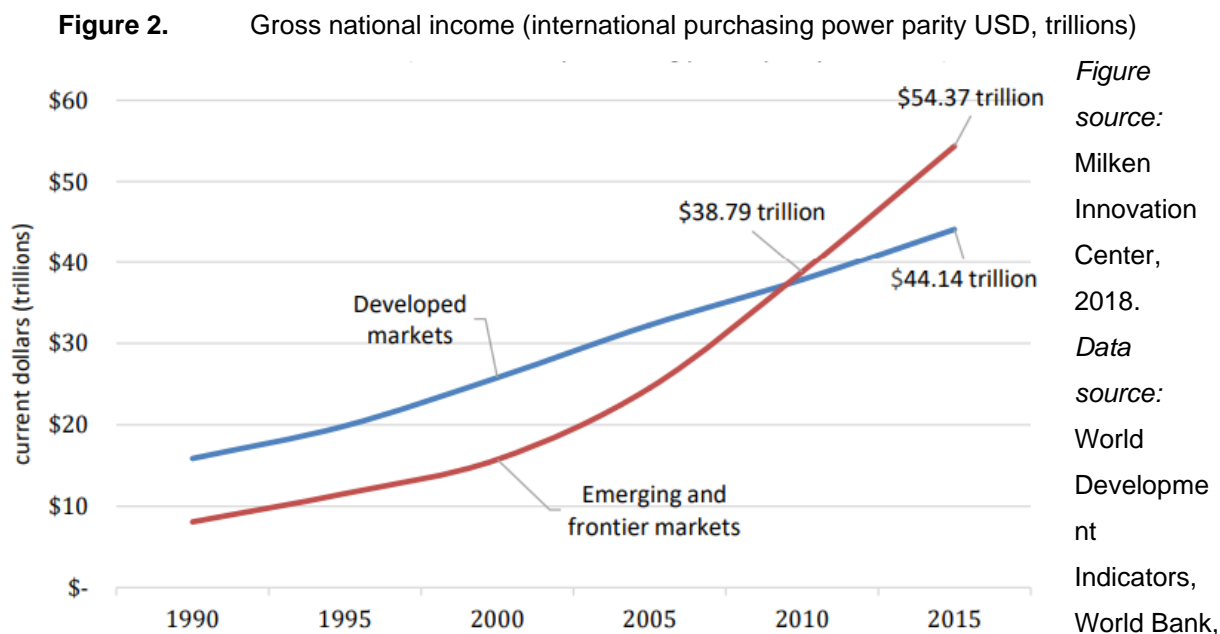
countries results in information gaps and high transaction and market entry costs, deterring many potential investors. Adapting to local regulations and market conditions, as well as identifying partners and customers, can be a costly and protracted process. Finally, the real and perceived risk of these markets also serves to put off many investors, and expected returns are often not high enough to compensate for this risk. As a result of these factors, without some kind of intervention, the private sector lacks sufficient incentive to invest in developing countries to the extent required to bridge the SDG financing gap (Convergence, 2022a).

2.2. Israel – The challenge and the opportunity

Israel is one of the lowest ODA givers among OECD countries. The total ODA given by Israel in 2021 amounted to just 0.08%⁴ of its gross national income (GNI) (OECD, 2022a), compared to an average of 0.33% for the thirty member countries of the OECD's Development Assistance Committee (DAC) (OECD, 2022c).⁵ In fact, most DAC member countries, in addition to contributing more in terms of direct ODA, have also established DFIs. While the government's contribution to these institutions counts as ODA, some of them are in fact joint public-private organizations, and the private contribution does not count as ODA (Devex, 2022). The numbers shown above therefore represent an understatement of the disparity in terms of contribution to international development between Israel and many of its counterparts.

⁴ It is worth noting here that this number also includes water transfers to Jordan and the Palestinian Authority, as well as funds dedicated to aliyah and integration, so the true percentage directed towards development in countries beyond Israel and its immediate vicinity is even lower than the cited 0.08% (OECD, 2022a; Morrow, 2023).

⁵ For comparison, the ODA target set by the UN is 0.7% of GNI, a figure met only by Denmark, Germany, Luxembourg, Norway, and Sweden (OECD, 2022c).



Furthermore, Israel consistently exports less than the OECD average as a share of its gross domestic product (GDP). Of these exports, only approximately 25-30% reach developing countries, with more than half that number going to China and India, and a mere 1% reaching the entirety of Sub-Saharan Africa (Israel Ministry of Economy and Industry, 2022; OECD, 2018). This is despite the fact that by 2030, developing countries are projected to constitute approximately two-thirds of the global economy and 70% of global economic growth, while the growth rate and productivity of established economies is expected to decline (Bhattacharya et al., 2018).

Several factors contribute to Israel's limited contribution to developing countries. One is a general aversion to doing business in these markets, due to their real and perceived risk, which is too high to justify investment. This is exacerbated by extensive knowledge gaps, and absence of an extensive Israeli professional network in many developing countries, most notably in Africa. A second factor is the high cost of raising capital in Israel. Although this factor is not specific to investments in developing countries, it exacerbates the problem, particularly considering the uniquely challenging nature of these markets, which require dedicated funding. A third factor is the high frictions and transaction costs in these markets, which tend to be fragmented, difficult to access, frequently with weak, unstable or unreliable institutions and limited access to capital.

While large companies in high-income countries have the resources to invest in the market development activities required to overcome these obstacles, Israeli companies tend to be smaller. This means they lack the capacity to overcome these costs without assistance, putting them at a disadvantage compared to other countries where major development-aligned companies are often much larger. As smaller companies tend to be more innovative, while larger companies often prioritize cost reduction, innovative solutions with high impact potential often cannot be introduced into the markets of developing countries without some form of dedicated assistance (Milken Innovation Center, 2019; Morrow, 2023; Taskforce for Sustainable International Development, 2023).

At the same time, however, this situation offers a unique opportunity. Israel has a large, innovative technological industry, as well as first-hand domestic development experience thanks to its own recent history as an emerging economy. At least six hundred Israeli technology companies are developing and producing technologies that offer solutions to development challenges (“SDG technology”), with hundreds more operating in adjacent fields, developing and producing products for which there is great demand in developing countries. By accessing the markets of these countries, Israel has the potential to become a leader in SDG technology, significantly boosting its tech sector, as well as promoting the achievement of SDGs around the world. The positive spillovers from the growth of this sector would likely also advance the achievement of the SDGs within Israel itself (Lubanov, 2020).

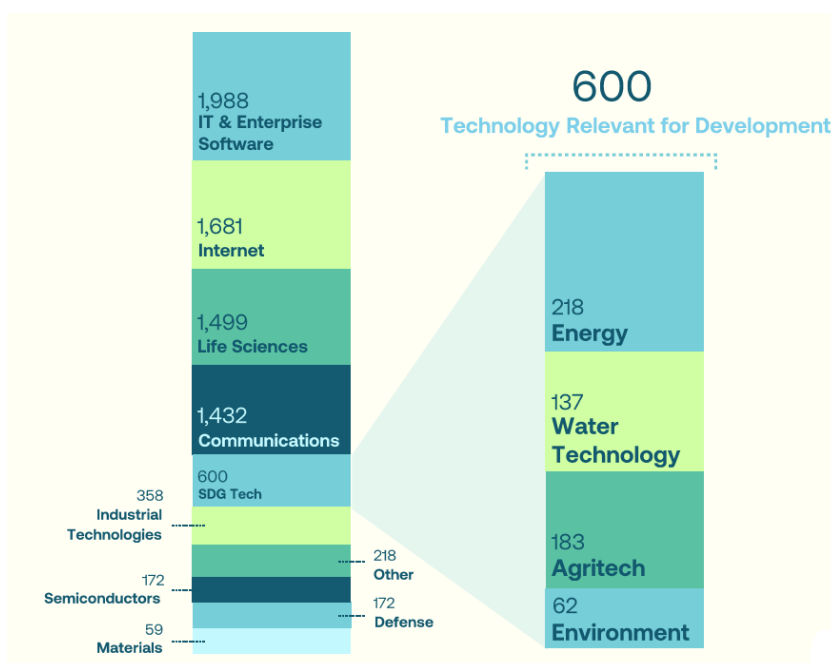
Figure 3. Breakdown of Israeli technology companies by sector

Figure source: Taskforce for Sustainable International Development, 2022.

Data source: Start-Up Nation Central Finder, Mapping of Companies in Israel's Technology Sector.

In addition to the development impact opportunity, there is a significant economic opportunity for Israel, as well as potential for positive spillover effects. Developing countries constitute some of the largest and fastest-growing markets in the world, offering the opportunity to not only expand the volume of Israel's exports, but also diversify those exports in terms of sectors and geographies. In turn, investment in developing countries may serve to boost Israel's start-up and innovation sectors. This would also lead to a diversification of employment opportunities, creating new, high-paying jobs beyond programming and engineering. Indirectly, increased exports to developing countries would generate additional tax revenue for the Israeli government. Israel would also likely enjoy improved diplomatic relations, reputation and goodwill, which would lead to additional market opportunities (Taskforce for Sustainable International Development, 2023).

2.3. Israeli investment experience in developing countries

The Israeli government's involvement in supporting private investments in developing countries has manifested in two primary forms: dedicated funds within multilateral

development banks (MDBs), set up the Israel Ministry of Finance; and export insurance through Ashra, Israel's official government-owned export insurance corporation.

MDBs are financial institutions under the joint ownership of multiple national governments and international organizations. MDBs use the capital provided by their members to invest in developing countries and leverage private and institutional capital into those countries. The Israel Ministry of Finance's MDB division is dedicated to working with the MDBs in which Israel is a member, and has secured Israeli government funding to set up various funds within them (see the Inter-American Development Bank Water Fund case study for an example). These funds have been effective at disseminating a wide range of Israeli technologies and expertise in developing countries, reducing information gaps, increasing demand and establishing market access for Israeli industries in those countries. However, the funds tend to be limited in sectoral and geographic focus, and they have primarily been focused on pilot testing. This limits the funds' ability to employ long-term strategies, follow up and scale these pilot-stage investments, and build capacity within the Israeli private sector (Trigger, 2021). See Appendix 3 for more details on MDB funds with Israeli participation.

Case Study: Inter-American Development Bank (IDB) Water Fund

The Water Fund was established in 2018 as a partnership between the IDB and the Israel Ministry of Economy and Industry. The Israeli government contributed USD 1 million to the fund, while the IDB contributed USD 0.5 million. The Fund's objective was to identify innovative Israeli technological solutions to water-related challenges in Latin America, through pilot testing, training and technical assistance, with USD 100 thousand invested in each pilot project.

The Water fund has had great success identifying reliable local partners in target countries and their needs through a call for bids process, and has effectively collaborated with the Israel Innovation Authority to identify relevant Israeli solutions for those needs. Employing Israeli personnel in the Fund has also contributed considerably to its ability to match Israeli solutions with Latin American challenges, and the Fund's success has unlocked numerous business opportunities for Israeli companies, as well as new mechanisms for collaboration between Israel and the IDB.

At the same time, the Fund is severely limited in mandate, focusing exclusively on Latin America and on a very narrow sector, excluding many Israeli companies from participating. It has also been limited in its ability to scale up the supported technologies, due to its limited budget, inability to offer large-scale, long-term funding or engage in capacity building within the Israeli market, and lack of international partnerships (Trigger, 2021).

Ashra offers a variety of export insurance and guarantee services, covering medium- and long-term export deals (from one year up to ten years) and protecting them against political and commercial risks. It also provides exporters with comprehensive macroeconomic and political information, as well as assessments on countries. While not exclusively dedicated to developing countries, approximately 80% of Ashra's services are provided to Israeli exporters operating in developing countries (Ashra, 2023). Ashra's services are generally restricted to supporting Israeli companies with large government contracts in developing countries, resulting in direct exposure to the credit risk of those governments and limiting the potential for private sector development in those countries. Furthermore, Ashra's development impact potential is limited since it is not committed to the SDGs, and it is not barred from supporting harmful sectors and industries (Kurtz, 2022).

Case Study: Export insurance for Israeli companies in Ghana

In December 2022, Ghana found itself in an economic crisis, in part due to the COVID-19 pandemic and the Russo-Ukrainian war, leading to high inflation and currency depreciation. As a result, Ghana's Ministry of Finance announced that it would put many of its debt payments on hold until the country's debts could be restructured with the assistance of the International Monetary Fund.

This has affected numerous Israeli companies working with Ghanaian agencies. For example, Lesico, which is conducting an EUR 85 million water infrastructure project for the Ghana Water Company, is insured by Ashra and its Italian counterpart. E.D.C. – Engineering, Development & Construction Ltd. signed a EUR 140 million deal to construct a hospital, which is insured by Ashra and its counterpart in the UAE. Elbit has sold nineteen armored fighting vehicles to the Ghanaian military, in a deal the Ghanaian government financed through a USD 86 million loan.

Many of these deals, which amount to a combined total of hundreds of millions of dollars, are partly insured by Ashra. Similar challenges are encountered in numerous other developing countries, creating significant exposure for the Israeli government to the default risks of the governments of developing countries (Kurtz, 2022).

The experience of the MDB funds and Ashra offers valuable lessons, and reveals an important gap. While dedicated funding for pilot-stage SDG-aligned projects is essential to successfully introduce Israeli products, services, and knowledge into developing countries, its effectiveness is limited without the ability to support the scaling up and long-term operation of these activities. Moreover, as MDB funds are limited in scope and complex to establish, many sectors and geographies remain unaddressed. Export insurance has proven to be a valuable tool to promote Israeli exports to developing countries, but it currently fails to cover smaller-scale, innovative SDG solutions in the

private sector, that can bypass the risks and complexities of dealing with national governments. Therefore, there is a clear need for dedicated, comprehensive, flexible, and long-term financing solutions specifically designed to support a broad range of innovative, SDG-aligned, Israeli private-sector projects.

2.4. Bilateral development finance institutions (DFIs)

A key tool employed by other countries, that has the potential to effectively address this need, are bilateral DFIs. A typical DFI is a fully or partly government-funded, independently managed organization that identifies investment opportunities in developing countries, to which it offers investment capital and other forms of support. It uses its funding as catalytic capital, mitigating the risks of its investments to create an investment portfolio that draws private capital into developing countries, encouraging the initiation of new projects and entry of new companies, as well as stimulating demand for imports in those countries (Milken Innovation Center, 2019; USAID, 2023).

A key mechanism used to achieve this is blended finance, defined by the World Economic Forum (WEF) as “the strategic use of development finance and philanthropic funds to mobilize private capital flows to emerging and frontier markets.”⁶ Blended finance extends the capacity of public or philanthropic capital by strategically leveraging that capital to manage the risks associated with impact investments and development projects, and ensure that they can deliver risk-adjusted returns in line with market standards. This risk management serves to make these investments attractive for commercial investors, drawing in a large volume of private capital. Thus, not only can the public investment itself be profitable, but every dollar of public funds invested further attracts an additional five to twelve dollars of private capital. Blended finance has impacted millions of beneficiaries around the world, and has been shown to consistently achieve its development impact targets while yielding market-rate risk-adjusted returns or better (Convergence, 2022b; Convergence, 2023).

⁶ DFIs are not the only type of organization that makes use of blended finance – it is employed by a variety of other international and non-governmental organizations, among the most notable of which are the Sustainable Development Investment Partnership (SDIP) and Convergence, which both bring together coalitions of public, private, and philanthropic organizations.

In addition to absorbing some of the risk by providing more risk tolerant investment capital, another method DFIs employ to reduce the risk of their investments is offering technical assistance services to their investees. Technical assistance, whether direct or in the form of grant funds or loans to cover external consultant fees, supports the private sector by reducing information barriers and lowering transaction costs. By combining risk-tolerant capital with technical assistance, the DFI essentially serves to absorb some of the risks private investors would otherwise face when investing in impact investments in developing countries, thereby increasing their willingness to invest in these markets (Milken Innovation Center, 2019).

Sixteen OECD member countries have established DFIs (see Appendix 1 for a list, and Appendix 2 for a more detailed overview of the activities of fourteen European DFIs). These range from large DFIs with portfolios of over USD 10 billion, such those of Germany, the Netherlands, and the United States, to smaller ones with portfolios of under USD 5 billion, such as those established by Denmark, Norway, and Sweden. The most recent country to join the list is Canada, with the establishment of FinDev Canada in 2017,⁷ whose portfolio grew from an initial USD 75.5 million to USD 479 million in 2021 (Devex, 2022). Between 2012 and 2021, the combined assets under management of all these DFIs grew by 75.4%, reaching a total of more than USD 84 billion. This is a considerably faster growth rate than the growth rate of ODA, as well as the overall growth rate of the global economy (Devex, 2022).

As stated above, Israel lacks a dedicated DFI. An Israeli DFI or equivalent entity could be a highly effective tool to reduce information gaps and lower the cost of transactions and capital, identifying needs in developing countries, and serving as a bridge between the Israeli tech industry and those who would benefit the most from its products. At the same time, the technological focus and smaller size of Israeli companies, the small size of the Israeli economy, and the relatively limited experience working abroad in

⁷ In fact, the most recent DFI to be established is the United States International Development Finance Corporation (DFC), which was formed in late 2019. However, this was not an entirely new organization, but rather a reorganization and consolidation of several existing entities, including the Overseas Private Investment Corporation (OPIC), which had been operating since 1971 (Devex, 2022).

developing countries, pose unique challenges that will require significant adaptations to the DFI models that have been implemented by other countries. It is important to note in this context that not all DFI investments are comparable to each other. To avoid crowding one another out, many DFIs tend to focus on specific SDGs, sectors, and geographic regions, based on national priorities and relative advantages (Devex, 2022). Therefore, while some of the specific adaptations to the Israeli context may be unique, there are many precedents of different countries taking the DFI model and adapting it to their needs.

There is broad agreement that an Israeli DFI could ultimately be beneficial in principle, and, in fact, DFI-like concepts have already been proposed to support Israeli involvement in specific sectors and countries, for example in the context of water technologies and infrastructure in India (Asaf, 2022). However, a detailed plan for an Israeli DFI-like financial platform – including what the platform would look like, how it would operate, and what its funding sources would be – has not been devised until this point (Milken Innovation Center, 2019). Given that the establishment of a DFI would require extensive funding and resources, and that it would take time for it to begin operations and become profitable, the Israeli government has shown an understandable reluctance to commit to the concept (Inter-Ministerial Committee on a Strategy to Promote Israeli Activity in the Field of International Development, 2020). The fact that the concept is currently unproven in the Israeli context, with uncertainty regarding precisely how much funding will be required, what projects will be supported, what returns can be expected and how long it will take to realize those returns, are likely major contributing factors to such reluctance.

An Israeli DFI or similar financial platform for international development (henceforth simply referred to as the “platform”) will have three main goals, which must be balanced against one another: 1) achieving meaningful and substantial development impact, 2) increasing Israeli exports to developing countries, and 3) achieving financial sustainability and profitability of the platform itself. The relative precedence that these three goals receive will ultimately be decided based on the priorities of the Israeli government and any other stakeholders the platform might have. A central component

to achieving all three of these goals is the mobilization of as much private capital as possible to ensure their achievement is cost-effective and creates as little market distortion as practicable.

DFIs have historically been focused primarily on investment returns, leading to substantial returns but limited impact. An increased focus on impact in recent years has diminished those returns, but allowed these

DFIs to transform themselves into financially sustainable, impact-generating platforms. It is important to note here that even if the platform itself merely breaks even, it will still provide a net benefit to the Israeli government, both financially, through greater tax revenues due to increased exports, and in its ability to serve as a cost-effective tool for both impact and foreign policy. Due to the nature of the Israeli market and the obstacles facing the Israeli private sector, there is a significant opportunity for an Israeli platform to benefit from an active approach of generating investable solutions to development

challenges, rather than the more conventional DFI approach of primarily passive investment in existing solutions (Milken Innovation Center, 2018). An active approach would require the Israeli platform to engage in a larger share of risky project development activities than most existing DFIs, including smaller-scale solutions, new business models, and investment earlier in the project development cycle. In fact, the traditional risk aversion of DFIs and the limitations it imposes on their ability to mobilize the private sector and achieve their full impact potential has been receiving increasing criticism in recent years (Convergence, 2023). An Israeli platform with greater risk tolerance, making extensive and strategic use of blended finance, and able to invest in

Case Study: British International Investment (BII)

BII* has traditionally enjoyed strong financial returns, and in 2012-2017, had average annual returns of 12.8%. However, this represents many older investments in China and Latin America. Since 2012, its strategy has shifted towards riskier markets, particularly in Africa and South Asia, with a more innovative approach focusing increasingly on impact. To accommodate this strategy change, BII's required returns were lowered to a minimum of 3.5% annual returns on a ten-year rolling average basis on its commercial portfolio. These returns allow BII to bear the additional risks of the high-risk portfolio and achieve greater impact, while simultaneously remaining financially sustainable without requiring additional capital injections (CDC, 2017).

* To be more precise, at the time, the UK's DFI was called the Commonwealth Development Corporation (CDC); it was renamed to British International Investment (BII) in 2022.

early-stage project development, would address this criticism. Its pioneering model could serve as an example for other DFIs seeking to reform their mandate.

These adaptations would necessitate an innovative design to allow the platform to attain its intended goals. The rest of the paper will examine the design of this platform, and the mechanisms that will allow it to achieve these goals. First, the paper will examine the desired characteristics of target countries and investments. Then, the paper will introduce the structure of the platform itself, including its primary facilities and services. Finally, the paper will examine several key issues in the platform's capital structure and investment strategies that could contribute to the platform's success. The proposed design will incorporate both proven practices employed by DFIs and other development finance actors, as well as innovative financial solutions whose potential to transform the development finance sector is receiving growing recognition.

3. Supported solutions

To design the platform, it is essential to first understand what kind of investments (henceforth referred to as solutions) it will be making. This section will define the criteria to be accounted for, both in selecting target countries and in selecting solutions within those countries, as well as proposing indicators to measure these criteria. Each of the three goals (development impact, supporting Israeli exports, and financial sustainability and profitability) will be represented among the criteria.

3.1. Target countries

Due to the platform's active project development services, the choice of target countries in which to establish a presence will be particularly important. Such services cannot be offered without extensive market expertise and networks, which can only be established through long-term relationships. Therefore, the platform cannot be purely opportunistic about its choice of target countries. Rather, target countries must be selected strategically.

While different DFIs focus on different geographical regions, Africa is being increasingly recognized as an underserved market, with great needs in many countries across the continent, particularly in the context of addressing food insecurity (Shay, 2022). This is

equally true in the Israeli context – despite Africa’s rapid growth in population as well as economically, Israeli commercial and official government presence on the continent remain limited, offering considerable untapped potential. Therefore, it is likely that Sub-Saharan Africa will be the primary (but not necessarily exclusive) area of focus for an Israeli development finance platform. Examples of potential target countries in Sub-Saharan Africa that meet the threshold criteria include Ghana, Kenya, Nigeria, Rwanda, Tanzania and Uganda. If the geographic scope is expanded to the entire African continent, Morocco, as a recent signatory of the Abraham Accords, is another likely candidate.

To allow the platform to promote its three goals, a country selection framework with criteria accounting for each of the goals must be devised.⁸ This framework is not meant to deliver a definitive choice of target countries, but rather to allow an informed decision balancing the three goals. Appendix 4 shows how this framework may be applied to two candidate target countries, Ghana and Tanzania.

3.1.1. Criteria

Development impact

- Need – The standard DFI practice is to restrict eligible countries to the DAC list of ODA recipients.⁹ In other words, all target countries must be developing countries with significant SDG gaps. While least developed countries (LDCs)¹⁰ generally have the greatest SDG gaps, they also tend to be riskier and more challenging to

⁸ Norfund, Norway’s DFI, employs a similar strategy. It selects core countries where it creates a pipeline of investable solutions and makes direct investments, based on three criteria: competence – familiarity and expertise in the country; additionality – the presence of needs and the absence of other investors to cover those needs; and attractiveness – the presence of relevant investment opportunities. Additionally, Norfund invests directly in a smaller number of countries defined as “fragile,” as well as in other countries where partners are available on an opportunistic basis (Norfund, 2023b).

⁹ This is generally equivalent to the definition of developing countries used in this paper, except G8 members, European Union (EU) members, and countries with a firm EU entry date, which are excluded from the list (OECD, 2023a).

¹⁰ Forty-six countries designated by the UN as LDCs based on income and a variety of health, education, and economic and environmental vulnerability metrics (UNCTAD, 2023).

invest in than other countries. A financially sustainable platform such as the one proposed here would likely be poorly suited to exclusive investment in LDCs. LDCs therefore need not and should not be the sole focus of the platform, and investment in them should be offset through investments in other, less risky markets, where market-based tools are more likely to achieve significant impact.

- Contribution potential – Many other DFIs, non-governmental organizations (NGOs) and other development organizations and institutions are active in a wide range of developing countries. As the objective of this platform is not to compete with them but to complement them with the added value of Israeli innovation and industry, it is important to select countries with sectors that have not yet been saturated by development aid and finance, and where substantial investment gaps exist.

Investment potential

- Total addressable market – The target market within the country must be large enough to offer significant business opportunities and potential for scaling up supported solutions to reach a wide customer base and improve the lives of a large number of beneficiaries. In this context, since the platform aims to be active in the country in the long term, preference should be given not only to the current size of the market but also to its growth prospects. In addition to the target country itself, it is worth considering additional neighboring countries that may offer expansion potential.
- Ease of doing business – The local government must be committed to removing excessive regulatory and bureaucratic barriers to facilitate entry and access to the market. Local institutions must also be sufficiently reliable in order to avoid the hurdles of corruption and political meddling. A range of indicators can be used here, such as the World Bank's ease of doing business index or its governance effectiveness, control of corruption and rule of law indicators.

Israeli nexus

- Potential for Israeli added value – There should be a significant gap in the market that innovative Israeli solutions are particularly well suited to filling. In other

words, on top of the existence of an investment gap in the country, this gap must be aligned with the competitive advantages of the Israeli market.

- Presence of Israeli partners – In order to facilitate the effectiveness of the platform, it would be helpful to select markets where Israeli NGOs, government representatives, or private companies are already active, in order to leverage the trust and networks they have already established.

Additional partnership and market access criteria

- Local government priorities – The local government should be committed to a development agenda that includes goals that are relevant to the sectors in which the platform will operate.
- Presence of local partners – Local organizations with experience working with Israeli partners, or with their international equivalents, would also be essential to allow the platform to identify needs and connect to the market. This will serve both to increase the reach of the platform and to reduce costs, as it will not be necessary to set up extensive infrastructure from scratch.
- Presence of development partners – Other DFIs, MDBs, NGOs and other development partners active in the market could provide additional expertise and access beyond that of Israeli partners, as well as opportunities for collaboration, risk sharing and co-financing. At the same time, it is important to balance these benefits with caution, to ensure that the market is not saturated by these organizations and the platform is not crowding them out. This will require open communication and close coordination with any potential partners.

3.2. Solution criteria

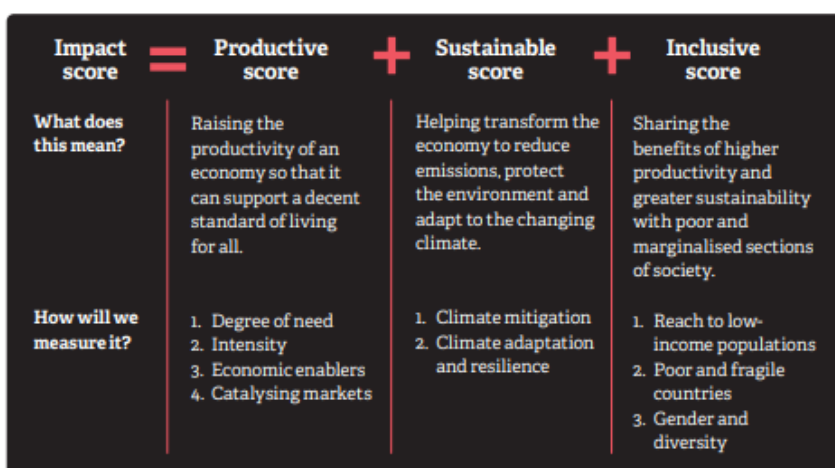
The required criteria for a solution reflect the three-pronged desire to generate investments that are both commercially successful and impactful, while simultaneously containing an Israeli component. Some are purely exclusion criteria, to rule out solutions that fail to meet them, while some can be used to rank and prioritize investments. A performance tracking system to assess the overall effectiveness of investments in achieving all three goals, similar to the International Finance Corporation's (IFC) Development Outcome Tracking System (DOTS), which examines a project's performance in terms of financial returns, economic growth, environmental and social

impact, and private sector development (IFC, 2011a). The platform’s tracking system will use a similar scoring system, incorporating indicators for impact, financial performance, and Israeli involvement. Solution projects will receive a score for each of these three goals, which will be aggregated into an overall project score.

Development impact

These criteria are drawn from the impact frameworks commonly followed by DFIs, primarily those of BII (2022a) and the DFC (2020), and are adapted to suit a platform dedicated primarily to Israeli innovation. A combined impact score accounting for the contribution to the various development impact criteria will be put together, with solutions only eligible for investment if they score above a certain threshold. Such a practice is increasingly being adopted by DFIs.

Figure 4. Impact score example: BII Impact Score



Source: BII, 2022a.

An evidence-based approach to assessing the above criteria must be implemented to systematically measure the development impact of projects. Primary measurement categories will include economic growth, inclusion of underserved populations, and innovation, with multiple standardized indicators for each category, aggregated into an impact score to rank and prioritize individual investments, and assess the overall impact of the platform’s investment portfolios. For an example of such a framework, see Appendix 5, which contains the full list of the DFC’s Impact Quotient indicators and

metrics. All projects will be pre-screened to determine eligibility for investment using this framework. Subsequently, selected indicators will be used to monitor projects closely throughout the investment cycle, with investees required to report their impact achievements in accordance with the platform's impact framework, and regular auditing and field visits by platform personnel or trusted partners to ensure accuracy of reporting. Even after the platform's active investment has been completed, periodic monitoring will be conducted to assess long-term impact. The same metrics will be applied to the platform's portfolio as a whole, to provide a framework for measuring the platform's overall effectiveness.

- Economic growth – The solution must contribute to the economic growth of its country of operations, the size of the market, the growth of the private sector, income, job creation, and infrastructure. Indicators to measure this could include the number of jobs created, the change in income for beneficiaries, the number of households provided with access to energy, clean water, food security, or financial services, the change in agricultural yield and percentage of yield sold commercially, and the total value of the project itself.
- Inclusion of underserved populations – The solution must be implemented in close collaboration with local partners in the target country. This should involve extensive knowledge transfer and capacity building of those local partners, and local ownership or co-ownership wherever possible. Solutions will be scored on indicators such as the percentage of their clients, employees, or managers belonging to underserved sectors and demographics (such as small- and medium-sized enterprises – SMEs, rural areas, and women), the extent to which local partnership is involved and local project ownership and profit sharing is incorporated, and the income level of the country or countries targeted by the project.
- Innovation – Employing innovative solutions to maximize impact wherever possible should be a priority. Development finance has traditionally been fairly risk averse, which has stifled investment in innovation. This is a gap which DFIs are increasingly recognizing and seeking to address (DFC, 2020). Innovation should not be restricted to specific products and technologies, but expanded to

include services, business models, distribution methods, and knowledge transfer to grow the local innovation ecosystem in target countries. Beyond the development impact potential, innovation is also an area where Israel excels and enjoys considerable competitive advantages. Focusing on this aspect would provide substantial opportunities for Israeli companies (Milken Innovation Center, 2018). Solutions will be scored for innovation according to indicators such as the volume of carbon emissions avoided or sequestered, the volume of waste recycled or prevented, the number of clients to which new market access is established, the number of local recipients of knowledge transfer, share of private capital raised in support of the project, and scale of adoption of new technologies.

Additional scoring and exclusion criteria will include the following:

- Do no harm – It is crucial to strictly avoid any investment that could have significant harmful effects. These include, but are not limited to, environmental damage, unfair working conditions, creating a dependency on foreign assistance, or taking away local jobs or business opportunities and providing them to foreigners. Beyond such obvious and immediate effects, such investments could generate mistrust and hostility towards future development attempts. A risk assessment of every investment, as well as continued monitoring will be required to ensure that this requirement is met, as well as a designation of certain ineligible sectors, including defense, mining, or fossil-fuel-based energy.
- Additionality¹¹ – The solution must provide some kind of added value that the market and development activities currently cannot provide. It should not crowd out private investors or other DFIs. Without such demonstrable additionality, a project will be ineligible for investment. Additionality can be incorporated into the impact score framework proposed above, using indicators such as the scale of DFI, MDB and impact fund investments into the sector to which the project belongs, the number of international development organizations active in the country, and the volume of new capital mobilized into the market as a result of

¹¹ This is a common guiding principle of many DFIs, including BII, FinDev Canada, Norfund, and others.

the project, with penalty points subtracted from the score in cases where alternative investors or development organizations can already fill the gap.

- Local development agenda alignment – The solution should be aligned with the development goals of the local government of the target country. In addition to ensuring local priorities and desires are respected, this will have the added benefit of facilitating collaboration with the local government.
- Priority sectors – In addition to the general focus on SDG impact presented above, it is also possible to select certain sectors to prioritize, which will be given additional scoring points. For example, investment in sectors in which Israeli companies already have a competitive advantage, such as energy, food security, financial inclusion, and water and sanitation, could be encouraged in this way. Accordingly, indicators pertaining to SDGs 1 (no poverty), 2 (zero hunger), 5 (gender equality), 6 (clean water and sanitation), 7 (affordable and clean energy), 9 (industry, innovation and infrastructure), and 13 (climate action) could be given greater weight.

Investment criteria

As with the development impact criteria, these investment criteria are based on DFI investment eligibility criteria (DFC, 2023a), adapted to the context of an Israeli development finance platform. A rigorous screening, reporting and monitoring process will similarly be adopted to ensure all investment criteria are met. A scoring mechanism could be introduced here as well. It is worth noting that some of the proposed investment indicators, such as those pertaining to scalability and private capital mobilization, have closely corresponding impact indicators, that will contribute to ensuring alignment between the two goals.

- Ticket size – The scale of investment required from the platform for a solution project (“ticket size”) will be smaller than that of many other DFIs and MDBs (which can invest tens or even hundreds of millions of dollars into a project), generally not exceeding USD 10 million. This is a more appropriate size to support smaller, innovation-focused companies and projects, which is not only a

significant gap for development finance, but also well suited to the type of contributions that the Israeli private sector can offer.

- Financial feasibility – A solution must ultimately be able to become financially self-sustainable. While a solution certainly requires support from the platform to reach that stage, it must eventually be profitable enough able to begin operating independently of the platform, based on its own revenues and the private investors it can draw in. Measurable indicators include the duration of time until the start of commercial operations, profitability, self-sustainability, and the amount of investment capital and technical assistance support required to achieve the same.
- Scalability – A solution must have the potential to be scaled up to reach a wide customer base. As well as providing an impact to as many beneficiaries as possible, this will allow the solution to reach a ticket size large enough to attract investors. Measurable indicators include the expected size of the project's customer base, the project's expected value, and a measure for the extent to which the project benefits from increasing returns to scale.
- Risk – The risks associated with the solution must be clearly defined, assessed, and understood, and must be within acceptable bounds for investors. Measurable indicators include the probability of a range of endogenous and exogenous risks, and the estimated probability of success or failure.
- Availability of private capital – The platform seeks to draw in rather than crowd out private investment. Therefore, solutions will only be eligible for platform investment if 1) sufficient private capital is currently unavailable, and 2) if platform investment will provide access to such private capital. Measurable indicators include the volume and percentage of private capital expected to be raised by the project.
- Availability of equity – In an extension of the previous point, the platform will avoid investment strategies that deter or replace private capital. The platform will therefore avoid investment in solutions that lack an adequate core of private equity. It will not provide loans to investments if those loans would result in an excessive leverage ratio, which would deter private investors. It will generally

avoid equity investments if that equity will turn the platform into the primary shareholder, as this would imply that only small amounts of private capital can be drawn in. Indicators could include the expected equity stake of the platform and the debt-to-equity ratio of the solution project.

- Track record and expertise – The platform will only invest in solutions whose management has a proven track record of successful business ventures and good governance. Relevant indicators could include the investee’s credit rating, compliance record, and years of relevant experience.

Israeli nexus

The Israeli nexus requirement is important to guarantee support for Israeli businesses, to diversify Israel’s exports, increase Israel’s tax revenue, and improve Israel’s diplomatic standing and reputation. This nexus could have many different definitions, and the level of Israeli involvement required for different projects may differ based on the investment or impact potential (e.g., a highly risky solution may require considerably more Israeli involvement than a relatively safe one). The following possibilities are ordered from most restrictive to least restrictive:

- Ownership – A solution may be (wholly or partly) owned by an Israeli company,¹² or by a foreign company with significant Israeli ownership stakes.
- Product origin – The products or services (all or some of them) being promoted as part of the solution may have been invented or produced by an Israeli company, even if the company does not own the solution project itself.
- Personnel and expertise – Israeli managers or technical experts may form a key part of the personnel working on the project, regardless of the solution’s ownership or origins.

3.3. Solution project types

This section proposes a typology for the solutions that will be supported by the platform. It is worth noting that this is not an exhaustive categorization but rather an illustrative

¹² “Israeli company” itself can be defined in multiple ways, e.g., requiring some form of incorporation in Israel, requiring a controlling ownership stake by an Israeli-registered corporation or individual, or having Israeli citizens in senior management positions.

one, and additional classes may be proposed. Furthermore, the boundaries between the three solutions are not clear-cut, and a given solution may occasionally fall into multiple classes. The three primary solution project classes are as follows:

- 1) Stand-alone solutions – Projects to disseminate a specific existing product or service produced by a specific company. This solution type is the one most similar to a typical investment of a DFI.
- 2) Solution bundles – Projects that bundle one or several individual solutions into a comprehensive solution with financing solutions throughout the entire value chain. A similar concept has been employed by the UN Capital Development Fund (UNCDF), to actively create partnerships between its investees supporting of synergies between them (UNCDF, 2022).
- 3) Partnership platforms (PPs) – Platforms that, rather than being solution projects themselves, create scalable solutions and build demand for them, essentially serving as infrastructure to generate an entire pipeline of investable solutions. Region-, country- and sector-specific platforms, preferably with some form of local government ownership as well, can allow development partners to unlock investments and maximize contributions as a group. Similar platforms have been recommended by the G20 Eminent Persons Group on Global Financial Governance (2018), and a number have been established by BII as part of its Catalyst strategy (BII, 2022b).¹³

¹³ Due to the size of BII and the resources it has at its disposal, these platform companies are mostly fully- or majority-owned subsidiaries of BII (BII, 2022b). In the case of the Israeli platform, which will be considerably smaller, PPs will probably be joint ventures between the platform and additional development partners.

Table 1. Solution class comparison

	Stand-alone solutions	Solution bundles	Partnership platforms
Definition	Projects to disseminate a specific existing product or service (e.g., drip irrigation or rooftop solar with a pay-per-use service distribution model) produced by a specific company.	Projects that bundle (one or several) technologies into a solution, with comprehensive value chain financing.	Platforms that create value-added and scalable solutions and build demand for these solutions. Not specific solution projects, but rather infrastructure to generate a pipeline of solutions, facilitate knowledge transfer and ensure the widespread adoption of solutions.
Ownership	Typically owned by a single company, in joint ownership with a local commercial partner or partners.	Local commercial or non-profit entity, dedicated special purpose vehicle (SPV) or collective, preferably with some component of ownership by end beneficiaries (primarily individuals or households in poor rural areas).	Likely a joint venture by consortium of commercial and non-profit entities, both local and foreign.
Support required	<p>Companies may require business support to refine or validate business models or products, or to establish partnerships with local counterparts that will provide services on the ground.</p> <p>Either commercial or concessional financing may be required for project development and scale-up.</p> <p>Continued technical assistance to identify opportunities to enhance impact and provide grants or concessional financing to make those opportunities commercially viable.</p>	<p>Extensive support will likely be required in coordinating between the local partners and the multiple companies producing the various products.</p> <p>Concessional financing should be offered throughout the value chain to ensure that not only can the project owners afford to purchase the products and create a solution bundle, but that end beneficiaries throughout the value chain can afford to purchase or lease that solution bundle.</p>	<p>Extensive support will be required coordinating between the various organizations involved.</p> <p>Concessional financing, and likely grants as well, will be needed to support the establishment of the PP.</p> <p>Some long-term support (both technical and financial) may be required to ensure the PP's continued operations and coordination with the Israeli platform.</p>
General features	Exclusive focus on promoting widespread adoption of a product or service, with considerable	Complex investment, requiring coordination of larger number of	Financing/design partnership and larger scaling potential.

	flexibility to adapt company's product and business model.	participants.	Creation of a sustainable delivery mechanism will likely be complex.
Development impact	Focus on a specific solution rather than a complete problem may fail to address the problem comprehensively.	Addresses multiple challenges in the value chain, allowing for synergies and efficiencies to maximize impact.	Can comprehensively address multiple challenges by developing an entire pipeline of solutions.
Investment potential	Single company provider simplifies design, development, delivery, and operations and allows for faster deployment.	Can have multiple revenue sources built on performance. Potential for financing partnerships at multiple points along the value chain	Can have multiple revenue sources built on performance. Co-financing and risk sharing will be built into the PP due to its nature as a joint venture.
Israeli nexus	Pipeline may be restricted to a limited number of Israeli companies with experience in emerging markets. Israeli focus may limit ability to draw international development co-financers.	Likely to source some bundle components from Israeli providers, and others from the non-Israeli market.	Likely to involve partners and promote solutions from the Israeli and non-Israeli market alike.

Source: Milken Innovation Center, 2023.

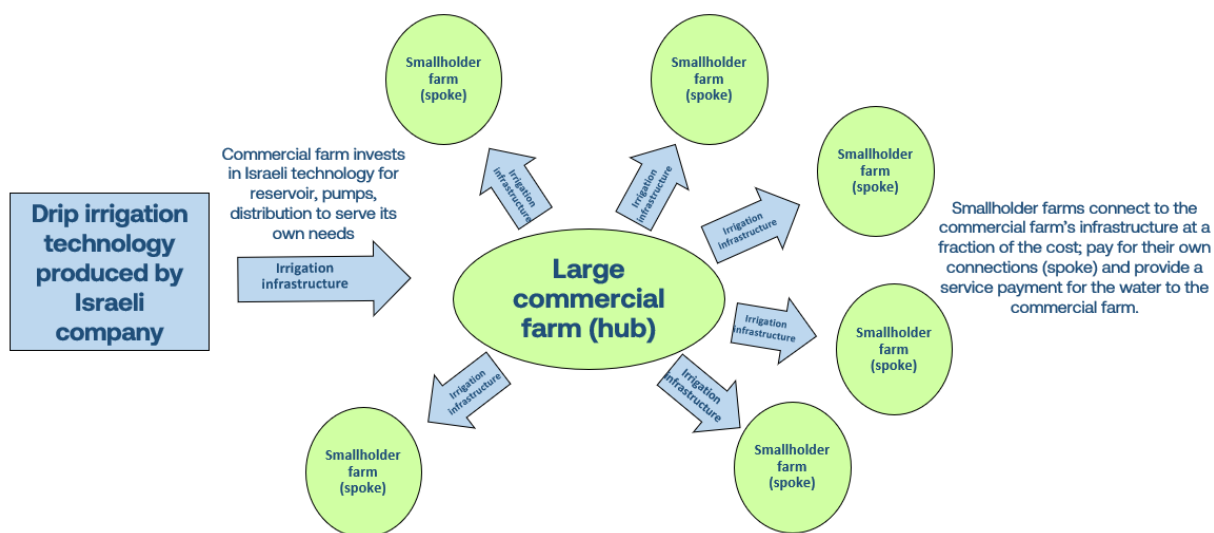
Each solution class is accompanied by distinct benefits and drawbacks. Specific technology solutions allow a relatively rapid implementation, quick profits, and easy impact enhancement opportunities, but at the cost of more limited impact potential and a restricted pipeline of Israeli companies. Solution bundles offer an innovative and comprehensive solution to all aspects of a development challenge, as well as many partnership opportunities between Israeli and non-Israeli companies, but are typically more complex, slower to implement and riskier. PPs can create an entire pipeline of revenue-generating, high-impact solutions, but require particularly complex coordination and alignment of interest and may struggle to generate revenue themselves.

A successful platform balancing impact, financial returns and Israeli industry support will therefore likely require a blend of all three solution types. Solution bundles will be essential to allow the platform to realize its full innovation and impact potential, while stand-alone solutions will be more modest in impact but offer a quick pathway to investment and profitability that will allow the platform to finance the development of its more complex investments and mitigate their risks. PPs will likely be less common, but where they can be set up, they could allow the platform to greatly expand its reach by establishing new market access, developing new solutions in a cost-effective manner, and creating easily accessible opportunities for co-financing and risk sharing. The blend of solution types in the platform’s portfolio will likely evolve over time. Initially, it will probably predominantly comprise stand-alone solutions, due to their simplicity and speed of implementation. Solution bundles will gradually become more common, eventually becoming a large portion of the portfolio. PPs will only be established in small numbers, as the platform seeks to increase the scale of its operations or expand into new markets.

3.4. Solution project examples

3.4.1. Example 1: Stand-alone solution – irrigation network

Figure 5. Stand-alone solution – irrigation network



Source: Milken Innovation Center, 2023.

In this hypothetical example, drip irrigation technology is sold by an Israeli company to a commercial farm that is large enough to afford to purchase the solution. This model has been tried and proven in countries such as Kenya and India.

The commercial farm is provided with technical assistance and financing to allow it to connect surrounding smallholder farms to its new irrigation network, providing water to them in exchange for a service payment. The commercial farm's revenue increases thanks to both its own increased yields and the water service payments from surrounding smallholders.

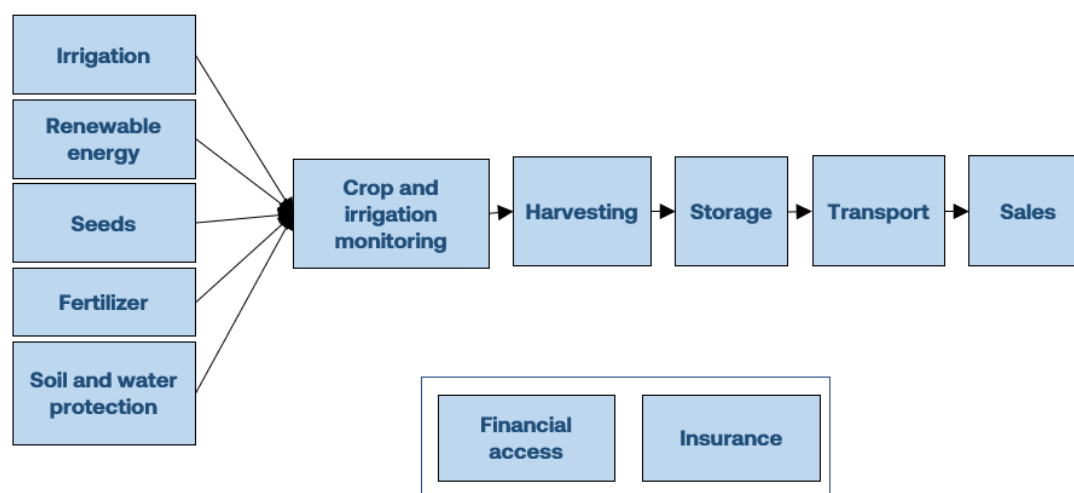
Smallholder farms in turn gain reliable access to irrigation water, significantly improving their yields, increasing both their own food security and their commercial sales, allowing them to afford to pay for the water system while simultaneously increasing their profits.

In this example, the platform may invest in either the Israeli company, the commercial farm, or both. It may also provide technical support to facilitate the transaction between the Israeli company and the commercial farm

See Appendix 6 for a more detailed presentation and financial analysis of this example.

3.4.2. Example 2: Solution bundle – smallholder farmer value chain

Figure 6. Solution bundle – smallholder farmer value chain

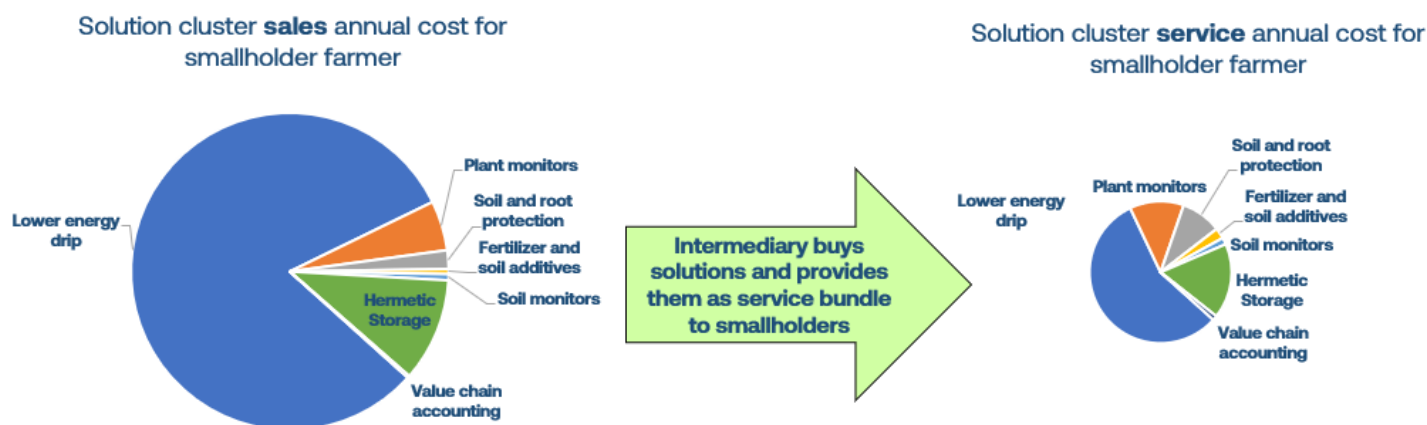


Source: Milken Innovation Center, 2023.

In this hypothetical model, a comprehensive solution bundle covering every stage in the value chain from the smallholder farm to the market will be offered, with access to financial services and crop and climate insurance in support of this value chain. Each stage will contain a solution product produced by a different company (some of which may be Israeli, while others may not).

The cost of providing solutions to individual smallholder farms will likely be too high both for the solution providers, for whom reaching smallholder farms is costly and difficult, and for the smallholder farms themselves, whose income is insufficient to purchase these solutions. Therefore, instead, solutions will be sold to an intermediary¹⁴ with access to both companies and smallholders. This intermediary can purchase solutions at a lower wholesale cost, bundle them up and offer them as a service to smallholders. Access to financial services will be provided to smallholders through partnerships with financial institutions to grant them access to the capital required to pay for the service bundle.

Figure 7. Smallholder farmer value chain – creating an affordable solution



Source: Milken Innovation Center, 2023.

¹⁴ In many cases, these intermediaries are likely to be collectives or producer groups made up of a cluster of smallholder farms. Such clusters are increasingly being formed in agriculture-dependent areas of developing countries and have been shown to be effective at tackling new international value chains, reducing poverty, improving food security, and promoting economic growth (Bernard et al., 2007; Markelova & Mwangi, 2010).

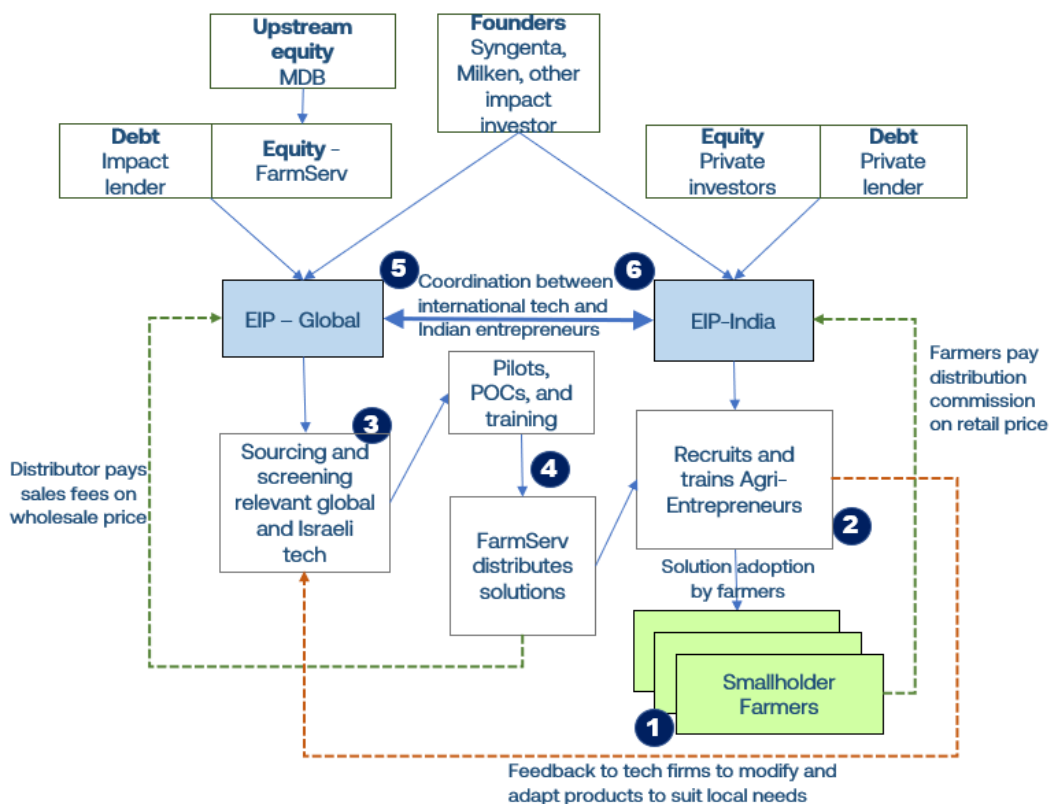
Companies profit by making a relatively easy sale to an accessible intermediary. Intermediaries, which are locally owned, can profit both from the service fees paid by smallholders, and by distribution fees paid by companies in exchange for the market access provided by the intermediary. Smallholders profit from significantly increased yields and sales, as well as reduced losses, while enjoying increased financial and food security. Furthermore, if the intermediary is a locally-owned collective, smallholders may recoup some of the service fees they pay to the collective thanks to their ownership stake.

The platform may invest in any of the companies providing the solutions, the intermediary, or the financial institutions providing support for the project. Technical assistance may be required to connect and coordinate the various actors involved, and to support the design of a sustainable business model for the intermediary.

See Appendix 7 for a more detailed presentation and financial analysis of this example.

3.4.3. Example 3: Partnership platform – Evergreen Impactech Platform (EIP)

Figure 8. Partnership platform – Evergreen Impactech Platform



Source: Milken Innovation Center, 2023.

The EIP is a scalable for-profit platform to adapt technologies and work with farmers throughout India to facilitate adoption of those technologies. The EIP was established as a partnership between the Swiss-based Syngenta Foundation and the Israel-based Startup Nation Center and Milken Innovation Center, to create a network for coordination and collaboration between international tech companies and Indian entrepreneurs.

The global arm of the EIP sources and screens relevant technologies from companies Israel and the world, while the Indian arm recruits and trains local agri-entrepreneurs, who collaborate with the companies to conduct pilot testing of new technologies, and ultimately provide those solutions to Indian smallholder farmers through a local distributor. Smallholder farmers pay a commission to the EIP in exchange for the new technology, while the local distributor also pays a sales fee on the wholesale price of the

technology provided through the EIP. The EIP has increased crop yields, reduced input costs, improved financial security and lowered the carbon footprint of millions of smallholder farmers.

Support to set up an equivalent PP would involve extensive technical assistance to identify a coalition of partners, ensure their coordination, and support the design of the platform itself. Debt and equity may be provided to the PP itself, including the possibility of long-term equity to ensure a lasting relationship between the Israeli platform and the PP. Additional investments may also be made into the various companies working with the PP.

See Appendix 8 for a more detailed presentation and financial analysis of this example. Additional examples of PP-like entities may be found in Appendix 9, which lists the platform companies established by BII and some of the projects supported by those platform companies.

4. General platform design questions

This proposed platform raises several key questions and issues that will have to be addressed in its design. First is the question of tied aid, and the implications of the platform's goal of promoting Israeli exports. Second is the platform's ownership, the government's stake in it, and that of additional non-governmental partners. Third is the mobilization of private capital. Fourth is the financial sustainability of the platform itself. Fifth is the question of coordination between the different functions of the platform, to ensure alignment between project development and investment activities.

4.1. Israeli nexus: tied and untied aid

"Tied aid" refers to foreign aid money that must be spent on products or services that originate in the country providing the aid. "Untied aid" refers to aid with no requirement for any sort of national connection.

The notion of aid tied to the exports of a particular country has been the target of considerable criticism. Already in the 1960s, it was recognized that untying all aid could result in a 10-15% increase in aid volume, and that tying resulted in cost increases of as much as 20-30% (Jalan, 1969; Jepma, 1991). The OECD's DAC issued a

Recommendation on Untying ODA to the least developed countries in 2001, and since then its member states have increasingly committed to untying an ever-growing share of their aid money. DFIs, to promote their mission of achieving development impact, are moving away from a tied model with a national requirement to an untied one indifferent to the nationality of investments (OECD, 2022d).¹⁵

The only countries whose DFIs maintain an explicit tying requirement have DFIs that are either extremely small (Portugal), willing to invest in countries and sectors with more limited impact potential (Italy), or rely on close historical, political and economic ties with target countries (Spain). At the same time, DFIs do enjoy greater market knowledge, reputation, networks, and government support in their home countries, which if tapped into can greatly contribute to the DFI's activities. As a result, many other DFIs do maintain some form of national connection in the form of dedicated services for domestic companies. For more details, see Appendix 10 for a list of DFIs with such facilities or some form of tying requirement.

As one of the purposes of this platform is to support the entry of the Israeli private sector into developing markets, it is important to consider that this requirement may conflict with the other goals of profitability and development impact. As a result, it is worth considering three approaches to this goal: a strict tied approach (Israeli nexus requirement for all solutions), an untied approach (no explicit national requirement requirement), and a hybrid approach combining both.

Fully tied approach

The strictly tied approach would allow for the dedication of all resources towards promoting Israeli exports, and be likely to engage a larger number of elements in the Israeli government and Jewish organizations around the world. On the other hand, it would likely limit the platform's ability to achieve development impact, representing an approach that the international development community increasingly considers outdated

¹⁵ For instance, while OPIC primarily worked with the US private sector, when it was reformed into the DFC its mission statement became considerably more agnostic regarding the national origin of its investments (OPIC, 2017; DFC, 2023c). The Danish IFU similarly eliminated its national requirement in 2017 (IFU, 2017).

and restricting partnership opportunities with other nations' DFIs, MDBs and other development-focused organizations as a result. Adopting a strict tied approach may even foster antagonism by creating the perception that Israel's development activities are motivated primarily by self-interest (Arvin & Baum, 1997). Furthermore, given that the pipeline of investable, development-oriented Israeli solutions is rather limited, it may be challenging to create a sufficiently large and diversified investment portfolio required for the financial sustainability of the platform.

Fully untied approach

The fully untied approach, conversely, would open many more partnership opportunities with other development finance organizations, and allow a greater focus on development while enabling the creation of a considerably more diversified portfolio. It is possible that untied investment will generate goodwill in target countries that may, in the long term, increase their desire to purchase Israeli exports (Arvin & Baum, 1997). On the other hand, without dedicated support for the Israeli private sector, it is likely that the mere fact that the platform is based in Israel will be insufficient to attract many Israeli companies or large amounts of Israeli capital. A fully untied platform will prefer to invest in mature, investable non-Israeli solutions over Israeli solutions requiring considerable support. Such limited support for the Israeli private sector may also restrict partnership opportunities with Israeli government entities and Jewish organizations.

Hybrid approach

A hybrid approach, with a primary portfolio with no official tying requirement but additional services and sourcing mechanisms favoring Israeli solutions, could offer a good balance between the goals. This would allow the platform to promote specifically Israeli solutions, while at the same time creating a diversified portfolio with acceptable risk levels. A hybrid approach would also facilitate partnership and co-financing opportunities, as well as generating goodwill towards Israel and Israeli solutions. While only a handful of bilateral DFIs maintain an explicit tying requirement, the majority of untied DFIs have some mechanism favoring investments with a domestic component. Examples of relevant mechanisms include:

1. Focus on sectors and geographies where Israel enjoys competitive advantages and has significant contribution potential, as reflected in the country and solution criteria, without an explicit tying requirement for individual projects.
2. Hold the bulk of the portfolio in untied investments, but require that a certain percentage be tied.
3. Take an active approach to the sourcing of Israeli solutions, including proactively identifying and reaching out to Israeli companies with impact and investment potential, as well as identifying market opportunities for Israeli products and services. Non-Israeli solutions, meanwhile, will be sourced passively, through a standardized application process to determine eligibility.
4. Offer matchmaking services for Israeli companies, by identifying international and target country partnership and joint venture opportunities, or creating a database of screened and approved potential partners in target countries interested in working with Israeli companies.
5. Establish desks in target countries offering a range of dedicated services for Israeli companies, including assistance with language and culture gaps, and networking opportunities with local financial institutions and businesses.
6. Offer a basic set of investment services to all investments regardless of nationality, and an extended set, including services such as guarantees and export credits, exclusively to investments with an Israeli connection. These could be offered either directly by the platform itself, or by relevant Israeli partners.
7. Establish strategic partnerships with Israeli entities offering support exclusively to Israeli companies, such as Ashra, to provide export credits; the Innovation Authority, to provide additional support to Israeli start-ups with relevant innovative solutions; the Ministry of Economy and Industry, for connections and market knowledge; or a variety of accelerators and incubators supporting Israeli start-up companies' project development. While the platform's own services will be indifferent to the nationality of investees, these partnerships will allow it to offer significantly more support to Israeli solutions, and make it considerably easier for Israeli solutions to meet the platform's eligibility criteria.

4.2. Sources of capital and government stake

Government partners

There is currently no government agency dedicated to development finance. However, multiple agencies operate in adjacent areas and could both support the platform's operations as well as benefit from them, including the Ministry of Foreign Affairs, Ministry of Finance, Ministry of Economy and Industry, Ashra, the Israel Export Institute, and the Israel Innovation Authority. The development finance platform is not meant to replace any of these but rather to complement them. The platform would benefit greatly from the technical expertise, networks, and financing solutions of these agencies. At the same time, the platform could support those agencies as well, serving as a power multiplier by allowing them to significantly scale up their activities in the platform's target sectors and countries (see Table 2 below for an overview of these government entities and their interaction with the platform). Any of these entities could be shareholders in the platform itself. Indeed, for every single one of these Israeli entities, there are foreign equivalents which hold an ownership stake in their government's bilateral DFI (EDFI, 2023; Kingombe et al., 2011).

Table 2. Potential government partners for the platform

	Role	Contribution to the platform	Benefits from the platform
Ministry of Foreign Affairs	MASHAV is Israel's official foreign aid agency, which operates under the Ministry of Foreign Affairs. MASHAV has operated in in approximately 140 countries around the world, facilitating knowledge transfer and carrying out pilot projects and demonstrations in fields such as agriculture, healthcare and technology (Israel Ministry of Foreign Affairs, 2020).	MASHAV's in-country networks, reputation and technical expertise could make it a valuable partner for an Israeli development finance platform.	MASHAV does not make investments or leverage its funds to attract private investments, and its focus is aid and knowledge transfer rather than financially sustainable projects. Additionally, its budget rarely exceeds USD 10 million, limiting its ability to carry out its development agenda (Morrow, 2023) The platform could complement MASHAV by drawing in additional private-sector partners and facilitating the commercial scale-up of MASHAV projects.

Ministry of Finance	The Ministry of Finance's MDB Division is responsible for collaboration with the World Bank, the Inter-American Development Bank (IaDB), the European Bank for Reconstruction and Development (EBRD), and the Asian Infrastructure Investment Bank (AIIB), as well as upcoming membership in the Asian Development Bank (ADB). Israeli collaboration with these banks typically occurs in the form of dedicated funds with funding support from the Israeli government, supporting sector-specific pilot projects for a period of several years (Trigger, 2021).	The Ministry of Finance could contribute to the platform's pipeline through Israeli projects supported by MDB funds, which could be picked up by the platform for co-financing or scaling up. The Ministry's relationship with the MDBs could also create additional opportunities for MDB co-financing and collaboration beyond the dedicated funds.	An Israeli development finance platform could benefit from the Ministry of Finance's ties with the MDBs and some of the MDB pilot projects could potentially form part of the platform's pipeline. The platform could provide financing to scale up some of those pilot projects, as well as unlock new partnerships with other institutions in additional regions and sectors.
Ministry of Economy and Industry	The Ministry of Economy's economic attachés support business transactions and bilateral trade between Israel and the countries in which they are posted. Their goal is to promote trade and economic ties with the country to facilitating connections for Israeli businesses in the country. There are three Israeli economic attachés in Africa, in Ghana, Kenya and South Africa (Israel Ministry of Economy and Industry, 2023)	The economic attachés' connections in the local government and private sector, and their knowledge of the local market could be valuable for the development finance platform, allowing it to identify and seize investment opportunities	Impact and development are not the primary focus of the economic attachés. Additionally, there are only three Israeli economic attachés on the entire African continent (compared to sixteen in Europe, four in the US, and three in India). The platform could therefore greatly expand the attachés' reach, both in development-related sectors and in providing access additional countries in the regions where they are based.
Ashra	Ashra is Israel's official foreign trade risk insurance corporation, whose goal is to raise financing for Israeli investments and exports abroad. It is fully backed by a state guarantee. While it offers a range of products, it primarily operates in developing	Due to Ashra's experience insuring Israeli exports to many potential target countries, it could be a valuable partner in offering guarantees to Israeli companies supported by the platform.	While Ashra acknowledges Africa's potential as a future export market, its insurance portfolio currently focuses primarily on other markets, and primarily insures large government contracts (Ashra, 2019; Ashra, 2023). The platform could significantly expand and

	countries, insuring contracts between Israeli companies and government entities against political and commercial risk (Ashra, 2023).		diversify Ashra’s portfolio to new countries and sectors that are currently underrepresented.
Israel Export Institute	The Israel Export Institute is a non-profit joint venture between the State of Israel and the Israeli private sector. It promotes Israeli exports, supporting Israeli companies in networking and identifying business opportunities, as well as offering training and professional advisory services (Israel Export Institute, 2023).	The Export institute is skilled at providing business development and supporting companies in identifying business opportunities, customer bases and partners in target countries, services which could be valuable in supporting the platform’s operations.	The Export Institute does not have a particular focus on developing countries or high-impact technologies, and its reach in those countries, particularly in Africa, is limited by the small number of Israeli diplomatic missions on the continent. The platform could allow the Institute to expand its services offered in its focus countries and sectors.
Israel Innovation Authority	The Israel Innovation Authority is an independent public agency offering a range of tools and funding solutions to support Israeli innovation at all stages of commercial maturity, including start-ups, early-stage entrepreneurs, academia and multinational corporations (Israel Innovation Authority, 2023).	The Innovation Authority’s Grand Challenges Israel (GCI) Incentive program, which supports impactful innovation with commercial potential in developing countries, offers project development grants, networking opportunities and technical expertise that could provide valuable additional support to the platform’s investees.	High-impact investments in developing countries are not the Innovation Authority’s primary focus, and the platform could therefore expand the range of support services provided to GCI program beneficiaries, expand the pipeline of potential GCI beneficiaries, and offer an alternative for promising projects deemed ineligible for Innovation Authority support.

Source: Milken Innovation Center, 2023.

Government stake and non-government capital

Some DFIs are fully government owned, while others have a joint public-private ownership structure. Full government ownership of a DFI may ease regulatory requirements, and allow the government to ensure that the platform’s investment mandate is fully aligned with the government’s development agenda or foreign policy.

A semi-private entity, meanwhile, would probably be subject to stricter regulatory restrictions. It would require coordination and compromise with private investors, which would likely involve a greater focus on financial performance at the expense of impact

(Runde et al., 2016). On the other hand, a semi-private structure would open the platform to additional sources of funding, reducing the government commitment required. The semi-private structure could also offer an opportunity to support another item on the government's agenda – creating engagement with Jewish communities in the diaspora through partnerships with Jewish organizations, investors, and donors throughout the commercial and non-profit sectors.

Hybrid capital

Hybrid capital could offer a balance between the two options. Hybrid capital has been proposed as a way for DFIs and MDBs to leverage additional private capital, The World Bank and the African Development Bank are currently piloting hybrid capital instruments (AfDB, 2022; Kharas & Bhattacharya, 2023; World Bank and International Monetary Fund Development Committee 2023).

Hybrid capital combines properties of both debt and equity. Like debt, it is a fixed-income instrument, does not dilute the investee's equity and does not come with voting rights. Like equity, it is an investment with perpetual maturity, allowing investors to take a permanent stake in the investee, and it does not affect the investee's credit rating. Due to its hybrid nature, it is ranked higher than equity but lower than debt in the repayment order. Hybrid capital permits additional leverage to issue bonds and raise even more capital, including the possibility of thematic bonds (such as green bonds or SDG bonds) to finance activities in specific sectors. Issuing hybrid capital of this sort could allow the government to maintain greater influence over the platform's mandate, while simultaneously unlocking additional sources of capital for the platform.

Sustainability-linked bonds (SLBs)

Sovereign SLBs¹⁶ are increasingly being considered as a tool to reduce the cost of high-impact capital, with a framework for their use developed by the World Bank (2021). Chile and Uruguay were the first countries to issue sovereign SLBs in 2022 (Stewart & Silva, 2022). Essentially, these are bonds with varying terms depending on the impact

¹⁶ Not to be confused with sustainability bonds or green bonds, which function like conventional bonds, but with proceeds used exclusively for sustainability- and climate-related projects respectively.

achieved by the borrower. They are used as a tool by impact investors to subsidize impact and incentivize borrowers to focus on impact.

By using one or more measurable and quantifiable indicators (key performance indicators – KPIs) to measure an investment’s impact, while setting clearly defined goals (sustainability performance targets – SPTs) for those KPIs, the bond can be structured so that if SPTs are achieved, the debt is paid off under considerably more comfortable terms for the borrowers than if the project fails to achieve those targets. Thus, it is possible to significantly lower the cost of credit for high-impact investments and incentivize investees to maximize impact. In this context, the Israeli government could issue SLBs to raise capital for the platform at a relatively low cost (ICMA, 2023).

Diaspora Bonds

Diaspora bonds could serve as an additional source of capital for the platform. The Development Corporation for Israel, informally known as Israeli Bonds, is an underwriter for bonds issued by the State of Israel. These bonds have been issued since 1951, to Jewish communities in the diaspora, and have made a considerable contribution to the Israeli government’s budget, and contributed to Israel’s transition into a global leader in innovation (Israel Bonds, 2023). At the same time, it has been criticized for being an outdated instrument, more representative of Israel’s history as a young, developing country than its current high-income status (Barkat, 2021). Furthermore, in the US, which is home to the largest Jewish population outside of Israel, younger generations of Jews are becoming less engaged with Israel, putting the future of these bonds in question (Pew Research Center, 2021).

Creating a dedicated diaspora bond mechanism to support the platform’s investments in developing markets could serve as a complement to the traditional Israel Bonds. These dedicated bonds would be a modernized version of the Israel Bonds, in keeping with Israel’s current status as a high-income innovation hub with great contribution potential, rather than a developing country in need of support. The bonds would allow Israel to raise large amounts of cheap capital in support of the platform. They would also increase diaspora engagement with Israel, particularly among younger generations, giving them an opportunity to make impactful investments with an Israeli connection.

4.3. Investment strategies to mobilize private capital

As one of the goals of the platform is to create self-sustaining investments with a development impact that are also attractive to commercial investors, it is essential to ensure that the incentives of investees are aligned with this goal. The following four parts address this issue.

Project development cost coverage

In the development stages, full grant or concessional loan coverage of project development costs may reduce investees' commitment to the project's success, as they have no financial stake in it themselves. Development finance solutions often address this by capping their participation in project development costs to a certain percentage or fixed amount, with the investee required to provide the remaining capital.¹⁷

Minority stakes and exit strategies

In the investment stages, excessive investment by DFIs may create a dependence on them, harming the incentive for the investee to secure additional funding, and limiting the ability of DFIs to draw in additional investors. For this reason, it is common practice for DFIs to hold only minority stakes in most investments (BII, 2022b; IFU, 2017; Norfund, 2023b). An additional component here is the adoption of an "originate to share" model, i.e., investing with a clear exit strategy and divesting of investees once certain pre-defined goals have been achieved. This approach would mobilize greater volumes of private capital, as the platform's investment capital is replaced by private capital over time (BII, 2022b; Gregory, 2023; IFU, 2017; Norfund, 2023b).

Results-based financing and SLBs

In this context, another valuable tool could be results-based financing. This type of financing is currently underutilized, and is increasingly recognized by both researchers and practitioners as a tool transformative potential for development finance (Kharas & Bhattacharya, 2023). These instruments offer a tailor-made financing solution for project

¹⁷ See for example, Climate Investor One, a blended finance facility dedicated to renewable energy infrastructure projects, co-sponsored by the Dutch FMO and the private sector. Climate Investor One's project development fund covers up to 50% of project development costs (Convergence, 2021).

support, with concessional funding provided to recipients upon achievement of pre-agreed results subject to independent verification. For instance, after an investee receives initial funding from the platform, additional funding could be offered at a later point on the condition that certain pre-defined development impact goals have been met. Alternatively, repayment terms for a loan could differ, with subsidized interest rates or longer repayment terms granted if pre-defined development impact goals have been met.

While performance indicators can be financial as well, impact-linked financing instruments can provide the right incentives to motivate investees to achieve high impact (OECD, 2023b). SLBs could once again be a valuable tool, at the investment level as well as at the platform level. By including them as part of its investment toolkit, the platform can significantly lower the cost of debt for high-impact projects and incentivize investees to maximize their project's impact. The platform could also assist investees in designing SLBs to be issued to other impact investors.

Guarantees

The platform could also make use guarantees to protect investees from external risks (for example, market, political or environmental risks). Guarantees serve as a form of insurance, and, particularly in conjunction with the results-based financing solutions mentioned above, could significantly contribute to ensuring that investees will optimize financial performance. Guarantees would prevent the real or perceived risks of the target country from deterring potential investors, allowing investees to attract private capital based on the performance of the project itself. Guarantees have been increasingly used by DFIs, MDBs, and other development organisations, and have been shown to be particularly effective at turning near-bankable projects into bankable ones (Wade, 2022; Kharas & Bhattacharya, 2023). Such guarantees could also potentially be provided by Ashra, Israel's export credit insurance agency, in support of the platform's activities.

4.4. Financial sustainability and efficient use of capital

DFIs have historically been focused primarily on investment returns, leading to substantial returns but limited impact. More recently, the trend has been for DFIs to

compromise financial returns in exchange for riskier or less profitable investments generating greater impact. Due to the need to grow a currently limited pipeline of projects with Israeli involvement, the Israeli platform will likely require a larger share of high-risk project development activities than most existing DFIs. This will necessitate an innovative design to allow the platform to achieve its intended goals in a financially sustainable manner in order to achieve its intended impact in a financially sustainable manner.

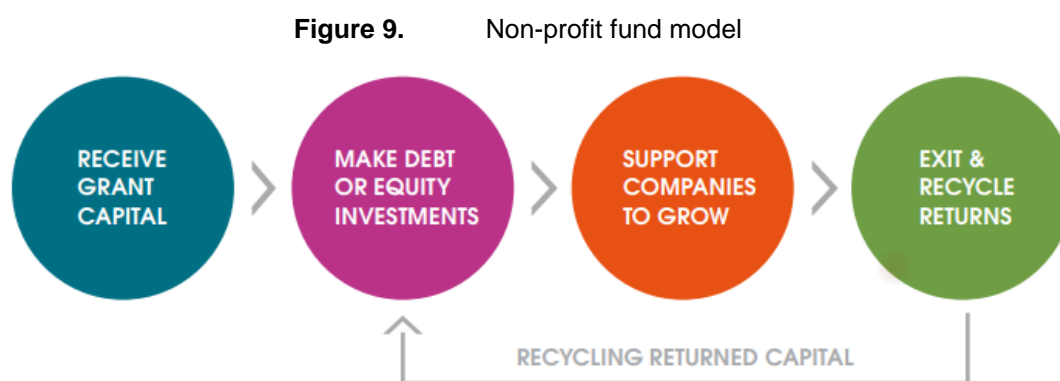
Profit recycling and “originate to share” investment model

To ensure the financial sustainability of the platform, investment proceeds should be recycled and reinvested wherever possible, both to finance new investments, and to provide financing for the non-profit arm. For example, the non-profit arm could charge service fees for every incubated project that enters the investment portfolio, or for technical assistance services provided to companies within the portfolio. DFIs have traditionally employed an “originate to hold” strategy of holding assets to perpetuity, or at least for extended periods of time. However, an “originate to share” approach, of investing for limited amounts of time and then reinvesting the proceeds, is growing in popularity (BII, 2022b; Gregory, 2023; IFU, 2017; Norfund, 2023b), and will be essential to the Israeli platform’s success. For every investment, a clearly defined exit strategy should be devised, and the stake in the investment should be sold off after a certain amount of time or once a certain performance milestone has been reached. In addition to mobilizing more private capital as noted above, this approach will allow the platform to recycle a greater portion of its capital into new investments with greater catalytic potential.

Impact venture capital fund model

Project development activities should aspire to be as self-sustainable as possible, to minimize its cost to the platform itself and its dependence on external sources of capital. Non-profit impact funds could offer a model to facilitate this. These funds employ patient capital, long-term investment capital which prioritizes sustainable growth and high impact over financial returns. While not fully self-sustaining, this model is significantly more financially sustainable than grants or aid money that have no financial returns

whatsoever. At the same time, it can achieve considerably more impact than market-rate investments (Acumen, 2022; Global Innovation Fund, 2022). Drawing on this model, wherever possible, recoverable investments should be made. Instead of grants, patient loans under comfortable terms, repayable once the project reaches commercial viability or obtains a certain amount of funding. These loans will effectively function as grants if the project fails, but enable the recovery and recycling of capital from successfully developed projects. A number of donor-funded funds, including Acumen Fund, Climate Investor One's Development Fund, and the Global Innovation Fund, employ similar strategies of providing loans or reimbursable grants wherever possible (Acumen, 2022, Convergence, 2021, Global Innovation Fund, 2022).



Source: Acumen, 2022.

Case Study: Acumen Fund

Acumen is a non-profit impact investment fund, established in 2001. It has invested USD 115 million into 123 organizations around the world, with the goal of catalyzing growth for companies and early-stage social enterprises with high impact potential. These include off-grid energy companies, farmer-owned cooperatives, and non-profit organizations, that typically struggle to attract return-seeking capital, and the impact from these investments has benefited millions of people across the world (Acumen, 2022).

Acumen relies on grant capital, which it uses to make debt or equity investments to support the development and growth of its investees. While this capital has a high risk tolerance and is flexible with regards to returns and time horizons, it also includes an exit strategy. Once the desired impact has been achieved, the fund exits the investment, and recycles its capital into new investments. Of the USD 115 million invested, USD 36.8 million have been recovered, and the current portfolio is valued at USD 68.6 million, for a net loss of just USD 10 million. In other words, Acumen's investment portfolio successfully manages to recover 91% of its investment capital, significantly reducing Acumen's dependence on donor funding. Had Acumen employed traditional grants and aid money, it would have recovered no capital at all and would have been fully dependent on donor funding (Acumen, 2022).

4.5. Project development-investment coordination

A common challenge to project development is the lack of investment-side coordination, with projects often featuring inappropriate ticket sizes, risk levels, scaling potential, sectoral or geographic focus, which make them unappealing to investors. Pre-validation stages are typically the domain of NGOs and international organizations with limited capacity to offer financial support. The validation, preparation for investment, and scale-up stages feature more commercially-oriented organizations such as venture capital funds and some DFIs, with limited coordination between the two. This lack of coordination often causes these projects to become stranded in what has been called the “valley of death,” where the project development work has been completed and the project is waiting for investment, but no investors wish to pick it up before it can generate sufficient revenues (ODI, 2018; BII & Gatsby Africa, 2022).

Investment criteria integration into project development

The inclusion of an integrated in-house project development program can alleviate this challenge, by offering greater potential for integration and strategy alignment. However, for this to succeed, all the investment criteria must be taken into consideration and trained investment professionals must be involved in the project development process from its earliest stages (BII & Gatsby, 2022).

This coordination will have to be accounted for in the sourcing and screening of solutions. Solution projects will be sourced in multiple ways. Some will be projects originated by the pipeline development facility, while others will be investment applications submitted by companies with prepared and bankable solutions. Still others will be projects referred to the platform by either project development partners or financing partners, while a few may be co-financing opportunities primarily led by other DFIs, MDBs or private funds. Solution projects sourced from other development finance organizations will already have been screened by them, significantly reducing screening costs and risk. Efforts should therefore be made to identify such co-investment opportunities relevant to the platform’s mandate wherever possible. Projects originating from other sources, while allowing the platform considerably more flexibility in choosing its portfolio, will require much more careful screening.

Impact criteria integration into investment

At the investment stage, it is important to ensure that the impact and Israeli involvement criteria are not neglected. Insufficient focus on impact criteria at the investment stage could result in an investment portfolio that does little more than reflect current market trends and commercial interests, without a significant catalytic, market-shaping impact (Kwakkenbos, 2012). Investment activities should therefore remain committed to these criteria and avoid investments that may be profitable but fail to meet the non-investment criteria. It should also be flexible enough to be able to offer financing solutions to high-impact projects that may otherwise fall through the cracks and be unable to raise capital.

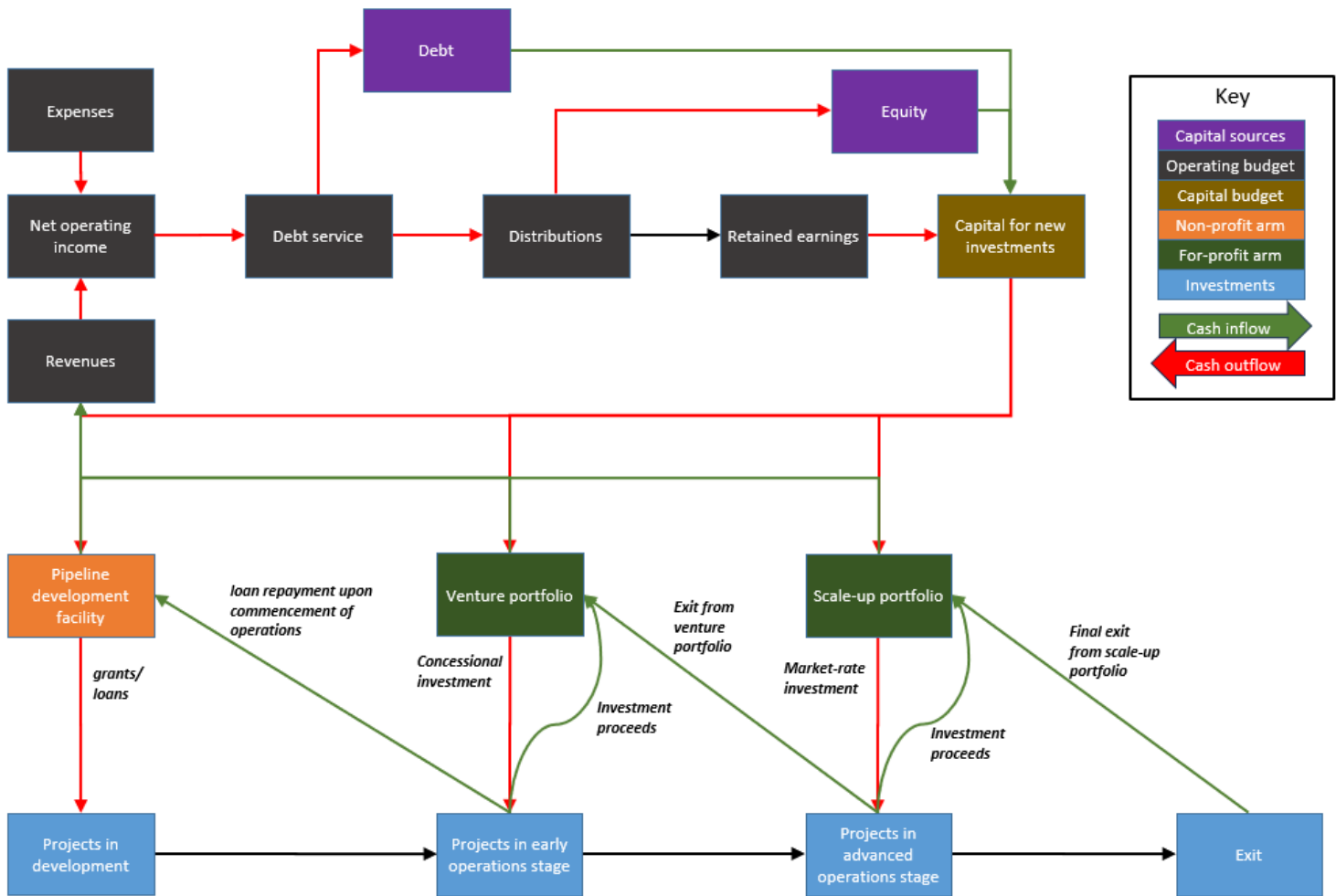
At the project development stage, creating in-house project development capacity requires considerable investment. Creating partnerships, whether structured and long-term or opportunistic and ad-hoc, could therefore significantly increase capacity in a much more cost-effective manner. This requires thorough ecosystem mapping to identify relevant partner organizations, and likely also training for those organizations to provide them with the expertise to align their projects with the platform's investment criteria. Similar mapping of the investment ecosystem could offer opportunities for project development even if the resulting project is not one that is suited for the platform's own investment portfolios, if other relevant investors willing to support the project can be identified.

5. Proposed platform model

5.1. Business model overview

In order to encourage SMEs to enter developing markets, and larger companies to increase their engagement, the platform must provide support at each one of these stages to ensure barrier-free entry, market knowledge and access, product and business model adaptation and validation, and financing. However, it is important to note that project development support alone is insufficient. Once projects have been developed, substantial financing is required to allow them to be scaled up and reach commercial viability.

Figure 10. Development finance model



Source: Milken Innovation Center, 2023.

The proposed platform will therefore have two key components, a non-profit arm dedicated to project development and technical assistance, and a for-profit arm offering commercial and concessional investment capital, which will work in close conjunction with each other. The non-profit arm will have a pipeline development facility dedicated to vetting and supporting early-stage projects, identifying, adapting, and validating solutions to develop a pipeline of investments; and a technical assistance facility, providing support to more mature solutions to increase both financial performance and impact. The investment arm will include a venture portfolio providing concessional and market-rate capital required to scale up validated solutions, draw in private investors,

and bring solutions to self-sustainability; a scale-up portfolio providing market-rate investment capital to mature solutions to allow them to increase the scale of their operations; and an ecosystem portfolio for indirect investments that will contribute to the platform's pipeline through funds, financial institutions and other platforms. Figure 10 shows a simplified version of the platform's proposed model.

Capital sources

The non-profit arm will require an initial injection of donor capital from the government and philanthropic sources, to allow it to initiate its activities and support them for the first five years of operations.¹⁸ The for-profit arm will require an initial capital injection to allow it to begin investment operations, which will be raised through a combination of government equity and private equity and hybrid capital, which will be leveraged to allow the platform to raise additional private debt. The aim is for the platform to become fully self-sufficient within five years.

Financial sustainability of operations

The for-profit arm's scale-up portfolio should be able to begin making investments in existing solutions even before project development activities have been completed, providing the platform with a steady cash flow. Once project development of the first batch of solutions is completed, the venture portfolio can begin investing in them, with the scale-up investments serving as a risk management tool to mitigate the risk of the venture investments. Indirect ecosystem investments will complement this process wherever external project development is more cost effective than in-house project development.

The platform will recycle its capital wherever possible to increase its reach and effectiveness. The for-profit arm will recycle its capital through the adoption of clearly defined exit strategies based on time and performance. Most of this recycled capital will be reinvested, while some will be used to finance the activities of the non-profit arm, and some will be repaid to investors.

¹⁸ Within five years, the initial solution projects developed by the platform should start generating sufficient revenue to support the platform's activities. While they should start generating revenue even sooner, five years provides a sufficient safety margin to account for unexpected delays.

The platform's non-profit arm will be structured as a non-profit investment fund. Wherever possible, it will offer concessional loans rather than grants, to allow it to recover as much of its capital as possible. While this will likely be insufficient to fully fund its operations, it will sufficiently reduce its dependence on external funding to allow proceeds from the for-profit arm to finance the balance, eliminating the need for additional donor capital beyond the first five years.

Finally, to increase both the likelihood of successful investments, and the efficiency of the platform's use of capital, private capital will be mobilized in support of all the platform's investments. This will be a strict condition for investment – every investment must be supported by private capital in addition to the platform's support, and the platform's support will be complementary, and never a replacement where private capital can be employed. Investment criteria, exit strategies, and performance-based investment instruments will align investees' incentives with this goal.

Goals for the first five years

The platform will initially select a small number of target countries (4-5) to establish a presence in for active project sourcing and development by the pipeline development facility. These will be a mix of LDCs and middle-income countries, in order to balance impact potential with ease of investment and risk mitigation.

Approximately twenty solutions will be developed by the pipeline development facility within this timeframe, and successful ones will be invested in through the venture portfolio. These will primarily be a blend of stand-alone solutions and solution bundles, although a small number of PPs may also be developed if practical. At the same time, in order to generate an initial cash flow for the platform and mitigate the pipeline development risks, the scale-up portfolio will identify existing investment opportunities, with a more flexible mandate allowing it to invest in a broader range of geographies and sectors, as well as relevant projects with no Israeli connection – if required to diversify the portfolio.

By the end of the first five years, the platform will aim to become fully financially sustainable, with sufficient investment proceeds and recycled capital to allow it to

operate independently and gradually expand its active project development operations to additional countries and regions. External funding will only be needed if the Israeli government or other stakeholders wish to accelerate the platform’s expansion beyond that which it can sustain on its own.

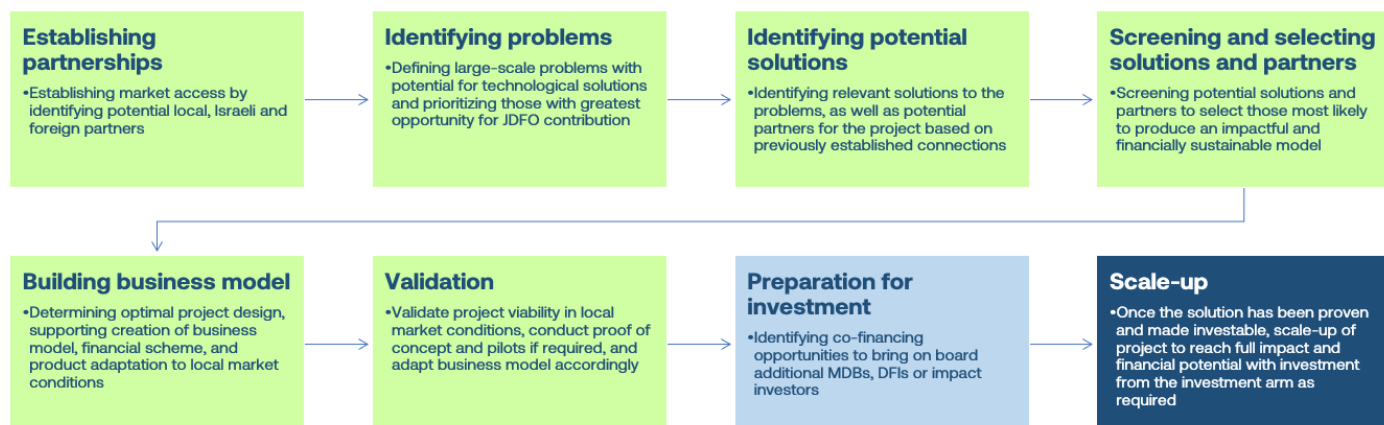
5.2. Non-profit (pipeline preparation and technical assistance) arm

This non-profit arm will have two distinct functions: first, project development to generate a pipeline of new Israeli investments; and second, providing technical assistance to mature, established investments to improve their performance, increase their capacity and enhance their impact. Therefore, in addition to providing business support, this arm will also function as a dedicated source of concessional funding to support projects that may not be able to generate investable cash flows on their own but do offer significant impact potential.¹⁹ For an overview of some facilities with equivalent functions, see Appendix 11.

Pipeline development facility

The purpose of the pipeline development facility is to support projects from the early stages of the project development process, in order to bring them to the point of commercial viability and generate a pipeline of investable solutions with an Israeli component. It will also be tasked with conducting due diligence and ensuring all generated projects are in line with the platform’s investment criteria. This facility will be structured as a non-profit impact venture capital fund to recycle as much capital as possible and ensure maximal financial sustainability.

Figure 11. Pipeline preparation and technical assistance arm work process



Source: Milken Innovation Center, 2023.

This pipeline development facility is the key novel and innovative component of the platform,²⁰ and will form the core of the platform's activities, which the rest of its activities will be designed to support. There is a growing recognition of the importance of pre-investment technical assistance to grow the pipeline of bankable development finance investments and create a more supportive ecosystem (Shaw, 2021).

However, given the goal of increasing specifically Israeli involvement in international development, and given the currently rather small number of Israeli companies active in developing markets, such a facility will be essential for this Israeli platform. Accessing markets in developing countries is a challenging process that requires substantial resources and expertise. While larger companies may be able to establish this sort of access on their own,²¹ smaller companies require assistance in this matter. Given the generally smaller size of most Israeli companies, a pipeline development facility is required to ensure the involvement of these companies in the international development sector.²²

Eligible applicants: Companies, joint ventures, or special-purpose vehicles. The solution's beneficiaries must be underserved communities in a target country, and the solution must meet all threshold investment and impact criteria. Priority will be given to

²⁰ Although some other DFIs (e.g., BII, FMO, Norfund and Swedfund) have facilities dedicated to generating projects, these facilities typically constitute a minor component of the DFI, and these pipelines are generally either not integrated into their broader investment activities, or limited to working with companies that the DFI has already invested in previously.

²¹ And indeed, some larger Israeli companies, such as ICL Specialty Fertilizers, NaanDanJain and Netafim, are already active in a range of developing countries around the world (ICL Specialty Fertilizers, 2023; NaanDanJain, 2023; Netafim, 2023).

²² Loans of this sort are employed in development finance contexts to partially cover project development costs. For example, the FMO-led Climate Investor One program for renewable energy infrastructure projects in emerging markets contains a fund offering reimbursable loans covering 50% of project development costs, which are only repaid once the project secures financing. This fund is based on donor capital, allowing it to absorb the costs of failed projects (Convergence, 2021).

solutions with an existing Israeli component, or to non-Israeli applicants who demonstrate potential to establish Israeli partnerships and express interest to do so.

Eligible sectors: Energy, water, agriculture, financial inclusion, and climate adaptation and mitigation. Incorporation of technological or financial innovation into the solution is required, as is SME participation.

Solution project classes: Primarily stand-alone solutions and solution bundles, some PPs.

Sourcing: Passive sourcing through a standardized application process for both Israeli and non-Israeli projects; proactive identification of potential projects with Israeli component.

Eligible project activities: Project development activities, including creating partnerships between non-Israeli applicants and Israeli partners, and between Israeli applicants and target country partners; developing and adapting business models; validating and conducting pilot testing; identifying investors for business growth.

Investment activities: Senior or junior debt, bridge debt, venture debt, project financing.²³

Terms and conditions: Up to USD one million, or 80% of the total project cost (whichever is lower); interest rates at or close to local treasury rates; term of up to ten years, with possible deferral of loan payment of up to two years, or until the start of revenue operations, or until commercial financing for growth can be secured (whichever is earliest); collateral generally not required.

Underwriting criteria: Ownership and management with relevant expertise and experience and a proven track record of commercial success, good governance, and good credit; sufficient equity to cover remaining project development costs.

²³ Concessional loans of this sort are employed in development finance contexts to partially cover project development costs. For example, the FMO-led Climate Investor One program for renewable energy infrastructure projects in emerging markets contains a fund offering reimbursable loans covering 50% of project development costs, which are only repaid once the project secures financing. This fund is based on donor capital, allowing it to absorb the costs of failed projects (Convergence, 2021).

Expected outcomes: Project begins revenue operations, reaches initial profitability, and secures venture capital to initiate growth.

International comparison: Although some other DFIs (e.g., BII, 2022b; FMO, 2022a; Norfund, 2023a; and Swedfund, 2020) have facilities dedicated to generating projects, these facilities typically constitute a minor component of the DFI, and these pipelines are generally either not integrated into their broader investment activities, or limited to working with companies that the DFI has already invested in previously. They generally do not actively source projects for development or engage in the development process, primarily offering financial support.

Technical assistance facility

The technical assistance facility will offer continued technical assistance to established solutions, to either increase commercial capacity or enhance impact.

Eligible applicants: Any company or project within any one of the platform's investment portfolios; projects with an Israeli connection or seeking to establish an Israeli connection within the portfolio of any DFI.

Solution project classes: All types.

Sourcing: Passive sourcing through a standardized application procedure.

Eligible project activities: Hiring experts and consultants in support of capacity growth (e.g., business training to improve governance or risk management or developing new revenue sources), or impact enhancement (e.g., carbon credits, smallholder integration into commercial agricultural value chain, and increasing gender and minority representation), or similar in-house activities.

Investment activities: Typically, debt for activities with commercial returns, and grants otherwise.

Terms and conditions: Generally, no more than USD 100 thousand; debt at close to treasury rates, to be repaid within two years.

Underwriting: Already pre-screened for investment.

Expected outcomes: Improved performance on either impact or investability criteria, or successful integration of Israeli component into non-Israeli solutions.

International comparison: This facility is equivalent to the technical assistance facilities of many other DFIs, such as BII Plus or FMO's Capacity Development program (BII, 2023a; FMO, 2023a).

5.3. For-profit (investment) arm

The investment arm will provide the capital necessary to support and scale up solutions. It will aim to be financially self-sustaining and profitable and to offer attractive risk-adjusted returns to investors, and in order to do so it will have to carefully manage the risk of its investments and draw in additional sources of capital to support them. This arm will therefore be split into two investment tiers: venture investment, to support promising projects through the establishment and early operations phase; and scale-up capital, to support established projects through their growth stage and enhance their financial performance and returns. A third investment category that could support the platform's activities is ecosystem investment, which involves long-term investments into ecosystem-building entities such as venture capital (VC) funds, financial institutions, incubators, accelerators or PPs, leveraging the platform's capital to ensure those entities' activities are aligned with those of the platform.

Venture investment portfolio

The venture investment portfolio will invest in innovative solutions at the venture stage, to support their early operations and initial growth. The venture portfolio will form the core of the platform's investment arm as its primary catalytic blended finance mechanism. It will offer a response to the challenge often faced by SMEs that struggle to obtain the financing required to scale up their solutions, by offering risk-tolerant or concessional capital that will absorb some of the risks of these investments and draw in additional private capital. This portfolio is essential to the integration of Israeli SMEs into international development activities.

The venture investment portfolio will adopt a targeted approach, focusing on the specific sectors and companies the platform is interested in supporting. This will provide it with

the expertise and versatility required to offer financing solutions specifically tailored to the needs of these companies, which are often overlooked by traditional DFIs as they are considered too small, too risky, or insufficiently mature to meet the DFI's stringent screening standards.

Eligible applicants: Companies, joint ventures, or special-purpose vehicles. The solution's beneficiaries must be underserved communities in a target country or a country eligible for target country status, and the solution must meet all threshold investment and impact criteria. Priority will be given to solutions with an Israeli component.

Eligible sectors: Energy, water, agriculture, financial inclusion, and climate adaptation and mitigation. Incorporation of technological or financial innovation into the solution is required, as is SME participation.

Solution project classes: Similar to the pipeline development facility; primarily stand-alone solutions and solution bundles, some PPs.

Sourcing: Either actively, through a dedicated process for solutions developed by pipeline development facility or other project development partners, or passively, through a standardized application procedure.

Eligible project activities: Early-stage revenue operations and initial growth.

Investment activities: Market-rate venture equity and debt, concessional equity, debt, and hybrid instruments, guarantees, or a combination of several types.

Terms and conditions: Up to USD 5 million or 40% of the solution's capital requirement (whichever is lower); flexible terms tailor-made to the needs of the specific investment; interest at market rate or close to it wherever possible, and lower otherwise, with performance-based and sustainability-linked terms included where relevant; investment period of up to ten years, but more typically four or five years; collateral may be required depending on the specific investment.

Underwriting: Ownership and management with relevant expertise and experience and a proven track record of commercial success, good governance, and good credit; must

demonstrate that the platform's investment cannot be obtained from private sources in the market, that sufficient sources of capital can be identified to cover the remaining capital requirement after the platform's contribution, and that collateral (where required) is available; streamlined underwriting process may be possible for projects developed by the pipeline development facility.

Expected outcomes: Solution should be able to maintain self-sustaining operations and growth; financial returns for platform at exit point; possible graduation of investment into scale-up or ecosystem portfolio.

International comparison: While DFIs traditionally invest in larger, more established companies, the need for concessional investment of this type is increasingly being recognized, and a tiered structure based on project stage and risk level, similar to the one proposed here, has incorporated into the investment strategies of a number of DFIs, including BII, FMO, IFU, and Norfund. However, venture investment is often carried out indirectly, through funds. The primary innovation of the venture portfolio is therefore in its primary focus on direct investment in SMEs, which will allow it to offer uniquely flexible terms and actively source investments (BII, 2023b; FMO, 2023c; Norfund, 2023a; Wade, 2022).

Scale-up portfolio

The scale-up portfolio will function much like an impact investment fund investing in high-impact solutions and companies in target countries or countries that meet the criteria for a potential target country. This portfolio will include mature SDG-aligned companies with an established presence in developing markets as well as non-Israeli companies in similar sectors and geographies, and may co-finance on companies already included in the portfolios of other DFIs, impact funds or institutional investors.

While the scale-up portfolio will be limited in its ability to directly support the early-stage solutions promoted by the platform, it will likely be essential to the platform's success. First and foremost, as it will invest in mature solutions, many of which have already been thoroughly screened by other reputable investors, it will serve as a relatively low-risk, low-cost investment portfolio to ensure a stable cash flow to finance the platform's

more innovative activities and mitigate their risk. Second, it will allow for considerably more co-investment opportunities with other organizations in the development finance sector, facilitating risk sharing as well as the establishment of long-term relationships that could contribute to the platform's pipeline.

Eligible applicants: Companies, joint ventures, or special-purpose vehicles. The solution's beneficiaries must be located in a developing country (which may or may not be a target country), and the solution must meet all threshold investment and impact criteria.

Eligible sectors: Primarily (but not restricted to) energy, water, agriculture, financial inclusion, and climate adaptation and mitigation.

Solution project classes: Primarily stand-alone solutions, some solution bundles.

Sourcing: Primarily passively, through a standardized application procedure; active sourcing through graduation of companies from the venture portfolio or through collaboration with DFIs or MDBs also possible.

Eligible project activities: Scaling up of current business activities or supporting targeted technical assistance activities.

Investment activities: Debt, equity and guarantees, or a combination thereof.

Terms and conditions: Up to USD 10 million, or 15% of costs (whichever is lower); generally offered at market-equivalent rates, with performance-based and sustainability-linked terms included where relevant; investment period of up to ten years, but more typically four or five years; collateral generally required for debt.

Underwriting: Mature applicant with proven track record of commercial success, good governance, and good credit; must demonstrate that the platform's investment cannot be obtained from private sources in the market, and that sufficient additional capital is already available to maintain operations, and that collateral is available; streamlined underwriting process may be possible for projects developed by the pipeline development facility, or co-investments with DFIs or MDBs that have been vetted by them.

Expected outcomes: Exit upon completion of scaling up of operations or technical assistance involvement, with platform capital replaced by private capital and financial returns to the platform.

International comparison: The scale-up portfolio will be similar to the primary investment portfolio of a conventional DFI, functioning much like an impact investment fund investing in high-impact solutions and companies in target countries or countries that meet the criteria for a potential target country. However, due to the platform's focus on innovation and SMEs, ticket size will be considerably smaller than the average of most DFIs. An additional innovation is the universal employment of the "originate to share" model, with an exit strategy for all investments. While this is increasingly recommended as a good practice for DFIs, it is by no means universal, with gradual implementation only initiated in recent years (BII, 2022b; Gregory, 2023; IFU, 2017; Norfund, 2023b).

Ecosystem portfolio

An additional portfolio that could offer considerable support to the solutions in the platform's pipeline is the ecosystem portfolio. This portfolio will not invest directly in the solutions themselves, but rather in supporting the surrounding ecosystem that is essential to the successful introduction and scaling of those solutions. Compared to the platform's other investment activities, investments within this portfolio will likely consist of a smaller number of larger investments, which will serve to establish long-term working relationships with organizations that have the potential to augment the platform's pipeline, or to stimulate demand for solutions within the platform's pipeline.

Eligible applicants: Funds, financial institutions, and PPs, based in or operating in target countries.

Eligible sectors: Energy, water, agriculture, financial inclusion, and climate adaptation and mitigation, with a focus on supporting innovation and SMEs in these sectors.

Solution project classes: Directly: PPs; indirectly: all types.

Sourcing: Primarily active sourcing, through in-house development of PPs by the pipeline development arm, and active identification of other relevant investments within the ecosystem; opportunistic passive sourcing is also possible.

Eligible project activities: Extending financial services for SMEs, start-ups, or underserved communities; project development support.

Investment activities: Mostly equity.

Terms and conditions: Up to USD 20 million; primarily minority stakes, with majority stakes in PPs permissible; long-term equity holdings at market rates.

Underwriting: PPs must have already been screened by the platform's pipeline development facility; other applicants must be established organizations with a proven track record of commercial success, good governance, and commitment to impact; must demonstrate that equivalent pipeline or demand growth or cannot be achieved (or would be costlier to achieve) through direct investments by the platform; must demonstrate commitment to strict disclosure and transparency standards to ensure that the platform's funds are indeed directed toward their intended purpose, with penalties in case that mandate is violated.

Expected outcomes: Long-term collaboration and measurable demand growth or pipeline expansion in target countries.

International comparison: Similar ecosystem growth investments are made by a number of DFIs, with examples including FMO's Micro and Small Enterprise Fund (MASSIF), which indirectly invests in entrepreneurs by financing local financial institutions and intermediaries, and Norfund's Frontier Facility, which, in addition to direct investments in early-stage project investment, also invests in a number of VC funds (FMO, 2023b; Norfund, 2023a). While indirect investments are widely employed by many DFIs, their use by the platform will be considerably more restrictive, limited to cases where direct investment will be less effective. Implementing strict transparency and disclosure standards from the outset will be another key component of the platform's indirect investment strategy, to avoid the lack of transparency that is a common pitfall of such investments (Kwakkenbos, 2012).

6. Conclusion

Israeli innovation has significant potential for international development that remains unrealized due to the challenges of raising capital and establishing market access in developing countries. This paper offers a blueprint for a financial platform designed to overcome these obstacles through a combination of dedicated finance, project development and technical assistance, and other risk mitigation techniques, to allow these innovative solutions to reach their full contribution potential in achieving the SDGs.

The proposal began with a set of suggested exclusion and ranking criteria both for target countries and for specific investments, based on commonly accepted development standards and adapted in accordance with Israel's competitive strengths and contribution potential, and with a particular focus on Sub-Saharan Africa, where the gap is currently greatest. This was followed by a typology of the main types of projects likely to be supported by the platform, the advantages and disadvantages of each, and examples of each type.

Then, general design principles for the platform were introduced, regarding the capital structure and investment strategies of the platform, that would maximize its use of blended finance instruments to increase its financial sustainability, mobilize as much private capital as possible, and expand its partnership opportunities. Finally, a blueprint for the overall design of the platform was presented, introducing the platform's different facilities and their roles as well as the platform's overall business model. This was centered on the pipeline development facility that would be crucial to such a platform's success, with the other facilities designed to support this facility and ensure the success of the projects developed by it, as well as the financial sustainability of this mechanism.

The platform proposed in this paper offers an opportunity for Israel to significantly grow its contribution to achieving the SDGs internationally. It would have the added benefit of contributing to Israel's own long-term, sustainable economic growth by increasing exports to some of the fastest-growing economies in the world. It would also support the SDG innovation sector in Israel with valuable capital, experience, knowledge and networks that would position Israel at the forefront of SDG innovation.

While this paper presents the case for a dedicated Israeli development finance platform and proposes mechanisms to ensure its success, additional work is required to complete its design. This would primarily involve the development of a detailed financial model to determine the precise terms that will be offered on all the financial services offered by the platform, the returns the platform will be able to offer to investors, and the scale of project development activities that its investment activities will be able to support. An in-depth market analysis of eligible target countries would also have to be conducted in order to select the countries to focus on, identify specific investment opportunities in those countries, and establish in-country and international partnerships.

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8. Appendices

Appendix 1: List of bilateral DFIs

	Austria – <u>OeEB</u> (Austrian Development Bank)		Netherlands – FMO (Financing Company for Developing Countries)
	Belgium – BIO (Belgian Investment Company for Developing Countries)		Norway – <u>Norfund</u> (Norwegian Investment Fund for Developing Countries)
	Belgium – SPFIM-International		Portugal – SOFID (Corporation for Development Finance)
	Canada – <u>FinDev</u> Canada		Spain – COFIDES (Spanish Company for Development Finance)
	Denmark – IFU (Investment Fund for Developing Countries)		Sweden – <u>Swedfund</u> International
	Finland – <u>Finnfund</u> (Finnish Fund for Industrial Cooperation)		Switzerland – SIFEM (Swiss Investment Fund for Emerging Markets)
	France – PROPARCO (Corporation of Promotion and Participation for Economic Cooperation)		UK – BII (British International Investment)
	Germany – DEG (German Investment and Development Company)		USA – DFC (Development Finance Corporation)
	Italy – SIMEST (Italian Corporation for Enterprises Abroad)		

Source: Milken Innovation Center, 2023.

Appendix 2: Detailed overview of European bilateral DFI's

Name	Ownership	Portfolio size	Technical assistance	Financial instruments	Investment focus	Overseas offices
OeEB	Austrian Government – 100%	€1.62 billion (178 projects)	€0.8 million (7 projects); 100% own funding	30% equity; 67% debt; 3% guarantees	OECD-DAC developing countries; renewable energy, infrastructure, financial inclusion, MSMEs	N/A
BIO	Belgian Government- 100%	€993 million (190 projects)	€1.5 million (19 projects); 100% government funding	43% equity; 57% debt	OECD-DAC developing countries; financial sector, enterprises and infrastructure	Côte d'Ivoire, Kenya
IFU	Danish Government – 100%	€1.20 billion (167 projects)	€0.5 million; 81% own funding, 19% government funding	75% equity; 24% debt; 1% guarantees	Any developing country; green energy and infrastructure, financial services, healthcare and sustainable food systems	Brazil, China, Ghana, India, Kenya, Ukraine
Finnfund	Finnish Government – 99.9%; Confederation of Finnish Industries – 0.1%	€1.26 billion (181 projects)	N/A	60% equity; 40% debt	OECD-DAC developing countries	Kenya
PROPARCO	French Government – 74%; financial institutions, companies, funds and foundations – 26%	€9.50 billion (1,248 projects)	€6 million (19 projects); 57% government funding, 2% own funding, 41% other funding	23% equity; 65% debt; 12% guarantees	OECD-DAC developing countries; agriculture, financial sector, infrastructure, manufacturing, healthcare, education, tourism and real estate	Brazil, Cameroon, China, Colombia, Côte d'Ivoire, Ghana, India, Kenya, Mexico, Morocco, Nigeria, South Africa, Thailand, Tunisia, Turkey
DEG	German Government – 100%	€9.89 billion (603 projects)	€9.3 million (99 projects); 34% own funding, 66% government funding	37% equity; 63% debt	OECD-DAC developing countries; agribusiness, financial institutions, infrastructure, and manufacturing	Brazil, Colombia, India, Kenya, Nigeria, Peru, Singapore, South Africa, Thailand, Turkey, Panama
CDP	82.77% Italian Government; 15.93% banking foundations	€856 million (29 projects)	N/A	24% equity; 76% debt	OECD-DAC developing countries; primarily financial sector, and infrastructure	N/A
FMO	51% Dutch Government; 49% private sector	€8.93 billion (558 projects)	€16.6 million (112 projects); 16% own funding, 50% government funding, 34% other funding	35% equity; 62% debt; 3% guarantees	World Bank definition of low- and middle-income countries; financial institutions, energy, and agribusiness, food and water	Costa Rica, South Africa
Norfund	Norwegian government – 100%	€3.01 billion (226 projects)	€1.2 million (15 projects); 100% government funding	72% equity; 26% debt; 2% guarantees	Primarily Sub-Saharan Africa, with selected countries in Asia and Latin America; clean energy, financial institutions, green infrastructure, agribusiness and SMEs	Costa Rica, Ghana, Kenya, South Africa, Thailand
SOFID	Portuguese Government – 80.54%; financial institutions – 19.46%	€14 million (10 projects)	N/A	100% equity	Any developing and emerging country, with a focus on Africa, Asia and the Americas; manufacturing, infrastructure, tourism and financial sector	N/A
COFIDES	Spanish Government – 61%; financial institutions – 39%	€1.35 billion (210 projects)	N/A	33% equity; 67% debt	Any developing or emerging market, primarily in Latin America; all industries except real estate, defense, and other harmful sectors	N/A
Swedfund	Swedish Government – 100%	€849 million (64 projects)	€1.9 million (25 projects); 100% government funding	63% equity; 37% debt	OECD-DAC developing countries; energy, climate, financial sector, healthcare	Kenya
SIFEM	Swiss Government – 100%	€859 million (98 projects)	N/A	73% equity; 27% debt	Developing and emerging markets as defined by the IBRD; manufacturing, industry, transport, storage, communication, trade,	N/A

					renewable energy, health and education	
BII	UK Government – 100%	€10.55 billion (431 projects)	€7.5 million (61 projects); 26% own funding, 74% government funding	69% equity; 25% debt; 6% guarantees	Developing countries in Sub-Saharan Africa and South Asia; manufacturing, agribusiness, infrastructure, financial institutions, construction, health and education	Côte d'Ivoire, Egypt, Ghana, India, Nigeria, Singapore, Zimbabwe

Appendix 3: MDB funds with Israeli involvement

	Israel-EBRD bilateral fund	Digital Development Partnership	2030 Water Resources Group	TechEmerge
Year established	2018	Established: 2016 Israel joined: 2019	Established: 2008 Israel Joined: 2019	2016
MDB	EBRD	World Bank	IDB	IFC
Israeli partner agencies	Ministry of Economy and Industry, Ministry of Environmental Protection	Ministry of Energy and Infrastructure	Ministry of Economy and Industry	Israeli Ministry of Economy and Industry
Additional partner countries	N/A	Denmark, Finland, Germany, Japan, Netherlands, Norway, Sweden, Saudi Arabia, South Korea, UK	Hungary, Sweden, multiple other MDBs and private partners	Finland, Japan, UK
Israeli contribution	USD 1 million	USD 1 million	USD 3 million	
Geography	Europe and Central Asia (Kazakhstan, Kosovo, Poland, Romania)	Africa, Asia, Latin America, Eastern Europe	Africa, Latin America, Asia	Brazil, India, East Africa
Sectors	Clean-tech (primarily water and energy).	Cybersecurity.	Sustainable water management (desalination, irrigation, water infrastructure).	Health technology, climate resilience, sustainable cooling.
Rationale	Israel's private sector has considerable expertise in clean-tech, particularly water and energy. The EBRD seeks to bring this expertise to its target countries as part of its commitment to supporting climate mitigation and adaptation.	The growing use of digital technologies in the developing world comes with significant security risks. Israel's expertise in cybersecurity is valuable for the cyber resilience of developing countries.	Israel is a world leader in sustainable water management, with demand considerably higher than its natural supply. It has come up with a variety of innovative solutions to address this that other countries could benefit from.	Israel's life sciences and climate tech industries are highly innovative and can significantly contribute to providing reliable access to quality healthcare in developing countries.
Additional information	Grant funding, training, and consulting services to provide technical assistance to projects in EBRD target countries.	Grant funding as well as advisory services, knowledge products, and convening services bringing together multiple stakeholders. These services are offered to governments, private sector entities, NGOs, academic institutions, and development partners.	Israeli involvement has primarily taken place in India, with a number of knowledge sharing events and partnerships set up by the Israeli trade mission in India. Israel has also helped shape tenders for irrigation projects, through which Netafim signed a USD 85 million	Offers up to USD 500,000 in grant funding to conduct pilots. Conducts matchmaking between solution providers and local partners. Multiple Israeli companies have won tenders and successfully conducted pilots as part

			deal in India.	of the program.
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	Water fund	Water and energy fund	Climate-smart agribusiness fund	Cybersecurity fund
Year established	2018	2023	2022	2022
MDB	IDB	IDB	IDB	IDB
Israeli partner agencies	Innovation Authority, Ministry of Economy and Industry	Ministry of Energy and Infrastructure	Ministry of Agriculture and Rural Development	National Cyber Directorate, Ministry of Economy and Industry
Israeli contribution	USD 1 million	USD 1 million	USD 3 million	USD 2 million, with possible future USD 1 million contribution
Geography	Latin America (Argentina, Brazil, Colombia, Ecuador, Guyana, Mexico, Peru)	Latin America and the Caribbean	Latin America and the Caribbean	Latin America and the Caribbean
Sectors	Desalination, water recycling, smart water infrastructure, policy strengthening.	Water and energy solutions at high technical readiness, including all water fund sectors as well as energy solutions (smart grids, renewable energy, energy storage, distributed energy in public buildings, cybersecurity of energy systems).	Avoidance of deforestation, regenerative agriculture, transition to low-carbon and resilient business models	Development of national and public-sector organizational cybersecurity capacity, development of cybersecurity in specific IDB-supported sectors (e.g., financial, transportation, healthcare, utilities, and law enforcement).
Rationale	Only 75% of the population of Latin America has access to safe water and only 34% has access to reliable sanitation. Israel's history of managing water shortages gives it a significant competitive advantage in innovative water policies and technologies.	Israeli has a vibrant start-up ecosystem with hundreds of companies offering innovative solutions for energy challenges. Significant synergies also exist between water and energy, as evidenced by the fact that over 90% of homes in Israel use solar energy for water heating.	Agriculture, forestry, and other land use contribute approximately 50% to carbon emissions in the region. Innovation in agriculture can contribute to both mitigation of these effects and adaptation to them. Israel has considerable contribution potential in advanced agricultural technologies and practices.	Many countries in the region have limited cybersecurity capabilities, with only 63% having cybersecurity incident response teams, and only 15% of those effectively coordinating their responses. Israel is a global leader in cybersecurity, and as such has significant competitive advantages and contribution potential.
Additional information	Grants offered by the fund cover either the cost of the pilot or USD 100,000 grant (whichever is lower) with no matching requirement. Two rounds have been conducted covering nine	Adaptation of the 2018 water fund. This is currently in the invitation to tender stage for Israeli companies as of August 2023, with an open call for local partners as well to identify challenges.	The fund was set to commence operations in 2023, but stalled due to the protracted recovery from the COVID-19 pandemic.	The fund was set to commence operations in 2023, but stalled due to the protracted recovery from the COVID-19 pandemic. This is an extension of a successful cybersecurity fund established in 2016 with an Israeli

	<p>projects in seven countries.</p> <p>Unaddressed sectors and lack of comprehensive, holistic solutions have resulted in the fund's expansion to the energy sector in its third round (see water and energy fund column).</p>			<p>contribution of USD 2 million.</p>
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Table source: Milken Innovation Center, 2023.

Data Source: 2030 Water Resources Group, 2019; Digital Development Partnership, 2023; EBRD, 2023; IDB, 2022a; IDB, 2022b; IFC, 2016; Israel Innovation Authority, 2020; Israel Innovation Authority, 2021; Israel Ministry of Economy and Industry, 2021; Israel Ministry of Energy and Infrastructure, 2023; Israel Ministry of Finance, 2021; Katz, 2016; Trigger, 2021.

Appendix 4: Target country candidate examples

Appendix 4a: Target country candidate examples – Ghana and Tanzania comparison

	Ghana	Tanzania
Development impact	<p>Ghana's GDP per capita places it in the middle of the lower middle-income range.</p> <p>Significant parts of the population suffer from poverty, food insecurity and limited access to clean water and reliable energy.</p> <p>While much of Ghana's population relies on agriculture, and particularly smallholder farms, this sector receives only a small fraction of foreign investments.</p>	<p>Tanzania's GDP per capita places it at the extreme low end of the lower middle-income range. Significant parts of the population suffer from poverty, food insecurity and limited access to clean water and reliable energy.</p> <p>75% of the population lives in rural areas where these needs are the greatest, and of these the majority are smallholder farmers, whose needs are the greatest.</p>
Investment potential	<p>Ghana's GDP is USD 77.59 billion, its population is 32.83 million, and its economy experienced rapid growth, at a rate of over 5% per year, but in recent years has found itself in a state of crisis.</p> <p>Ghana's institutions are among the highest-rated in Sub-Saharan Africa for their good governance and lack of corruption. Ghana could also serve as a base to access neighboring markets such as Côte d'Ivoire.</p>	<p>Tanzania's GDP is USD 69.84 billion and its population is 63.59 million. Tanzania's economy grew at a rate of 5-7% per year before the COVID-19 pandemic, and is currently in the process of rebounding.</p> <p>Tanzania neighbors Kenya, Rwanda and Uganda, all potential target countries themselves, and investment in the country could offer expansion potential to those countries as well.</p>
Israeli potential	<p>Agricultural technologies in which Israeli companies specialize, such as irrigation, improved seeds and fertilizers, are all areas with considerable potential in Ghana. Fintech could also improve the currently limited access to financial services.</p> <p>The Israeli embassy in Accra hosts an Economic and Trade Mission as well as MASHAV representatives. The Pears Program for Global Innovation has also operated in Ghana with a range of local partners, and a small number of Israeli companies sell their products through local distributors.</p>	<p>Israeli solutions relevant for the Tanzanian market include irrigation technologies, off-grid renewable energy solutions, fertilizers, and fintech solutions. While the use of improved seeds is relatively widespread, there is still room for expansion.</p> <p>There is no permanent Israeli diplomatic mission in Tanzania, but the Israeli embassy in Kenya operates in Tanzania to a limited extent. Few Israeli companies are active in Tanzania, but several Israeli agricultural development NGOs operate in the country.</p>
Partnerships and market access	<p>Development challenges are high on the government's agenda, including a specific interest in agricultural innovation and collaboration with Israeli partners.</p> <p>Local academic institutions, private companies and NGOs also have experience partnering with Israel</p>	<p>While food security is part of the Tanzanian government's development agenda, collaboration with the government has proven to be challenging in practice.</p> <p>On the other hand, there several local academic institutions and NGOs which</p>

	to address development challenges, and a significant local innovation and start-up ecosystem is also present in Ghana.	regularly collaborate with foreign development partners, including Israeli organizations.
Opportunities	<p>The agricultural sector in Ghana offers a significant, mostly untapped investment and development opportunity, with opportunities in the financial sector as well.</p> <p>The country's institutions and development agenda mean that the Ghanaian government is likely to be a strong, supportive partner, and the presence of an official Israeli mission is also likely to facilitate activities in the country.</p>	<p>The agricultural and financial sectors in Tanzania offer a major investment and development opportunity to which Israeli solutions are highly suited, and the presence of dedicated Israeli development partners in the country will greatly facilitate their introduction.</p> <p>Tanzania's economy is stable and has experienced sustained economic growth, and is expected to rebound from the COVID-19 pandemic and the Russia-Ukraine war, offering a promising investment environment.</p>
Challenges	Ghana has recently been experiencing an economic crisis, with high inflation, currency depreciation and restricted access to credit. This exacerbates the pre-existing challenge of reaching small farmers in rural areas, where the needs are greatest. The variety of terrains, climate types and crops in different regions in the country pose another obstacle to scaling up any solution across the country. Furthermore, while an Israeli government mission is stationed in the country, there no Israeli organizations dedicated to development currently have a permanent presence in the country.	<p>Collaboration with the Tanzanian government is likely to be limited, and reliable alternative partners should be identified, which is likely to make market entry and expansion challenging and time consuming.</p> <p>The absence of an extensive official Israeli government presence in the country will also serve to make government partnerships unlikely, and the limited presence of commercial ties means the existing Israeli pipeline of readily investable solutions in the country is quite limited.</p>

Table source: Milken Innovation Center. *Data source:* See Appendices 3b and 3c for Ghana and Tanzania respectively.

The above table demonstrates how the country criteria apply to two potential target countries, Ghana and Tanzania (see Appendices 3b and 3c for more detailed information on Ghana and Tanzania respectively). While Ghana's population has more buying power, Tanzania's overall economic state is much more stable. On the other hand, the Ghanaian government is likely to be a more reliable partner than the Tanzanian government, and a better Israeli diplomatic infrastructure is in place in Ghana as well. In terms of development needs, while Tanzania's population is generally poorer than Ghana's, some relevant technologies already enjoy much more widespread adoption in Tanzania. While the final country selection requires in-depth market analysis that is beyond the scope of this paper, this form of analysis will allow decision makers to identify and prioritize target countries.

Appendix 4b: Target country candidate example 1 – Ghana

GDP (2021): USD 77.59 billion

Annual GDP Growth (2021): 5.4%²⁴

GDP per capita (2021): USD 2,363.3

Population (2021): 32.83 million

(Above numbers from <https://data.worldbank.org/>)

Need: While not considered an LDC, Ghana is a lower middle-income country. Major challenges remain in SDG implementation, with significant parts of the population suffering from poverty, food insecurity, and lack of access to clean water and reliable energy (Republic of Ghana, 2019).

Contribution potential: Foreign investment in the agricultural sector is quite low, typically at less than 1% of the total flow of foreign direct investments (Republic of Ghana, 2019). Limited access to irrigation, improved seeds and fertilizers results in low agricultural yields. Restricted access to both credit and formal markets serves as an additional obstacle. While women produce 70% of Ghana's food crops, only a small minority of them are independent farmers (FAO, 2023). An Israeli contribution could therefore address SDGs 1, 2, 3, 5, 6, 7, 10 and 13.

Total addressable market: Agriculture contributes 37% to Ghana's GDP, 80% of which consists of smallholder farms, of which there are 2.8 million in the country with a maximum farm size of 30.76 hectares and an average size of 2.56 hectares (FAO, 2023). Due to its geographic location, Ghana could serve as a base to access markets with similar needs in countries such as Burkina Faso, Côte d'Ivoire and Togo.

²⁴ The growth rate slowed significantly in 2022 (from 5.1% to 2.9%) due to the COVID-19 pandemic and subsequent economic crisis, due to inflation, currency depreciation and external debt, with a recovery plan announced in October of that year that is in the process of implementation (International Trade Administration, 2022).

Ease of doing business: Ghana is among the highest-rated countries in Sub-Saharan Africa for government accountability and lack of corruption, such as the Corruption Perceptions Index (Transparency International, 2022). Ghana has been a stable democracy since 1992, with peaceful transitions of power and strong protections on individual rights. However, some challenges regarding corruption, rule of law and judicial independence remain (Freedom House, 2023). The recent economic crisis, high inflation rates, currency depreciation and limited credit access serve as additional hurdles (International Trade Administration, 2022).

Local government priorities: The government of Ghana is committed both to the SDG framework and to economic, social, environmental, and institutional development. This includes a commitment to building a resilient economy, modernising agriculture, and investing in innovation, improve water quality and increase the use of renewable energy (Republic of Ghana, 2019).

Presence of Israeli partners: The Israeli embassy in Accra hosts an Economic and Trade Mission as well as MASHAV representatives, both of which take an interest in agriculture and entrepreneurship (Israel Ministry of Economy and Industry, 2023; Israel Ministry of Foreign Affairs, 2023). The Pears Program for Global Innovation conducted its 2022 Challenge titled “Resilient and Sustainable Agriculture and Food Systems” in Ghana, with multiple private and public local partners (Freud, 2023).

Presence of local partners: In terms of government partners, a prime candidate is the Ministry of Food & Agriculture is both interested both in agricultural innovation and has experience working with Israeli partners. It hosts the annual Agritech West Africa conference in Accra (Agritech West Africa, 2023), and has also collaborated with MASHAV and sponsors Ghanaian agricultural students for internships in Israel (Embassy of Israel in Ghana, 2018).

Likely non-governmental partners include established local distributors for Israeli companies like Netafim; a number of other companies in various sectors that collaborated with the Pears Program; Stanbic Bank Ghana, which operates an incubator to support entrepreneurs and start-ups, and is active in twenty countries across Africa; the University of Ghana West African Center for Crop Improvement, which has

collaborated with a variety of foreign academic and NGO partners to train plant breeders working on crop improvement; Kosmos Innovation Center, an incubation hub focused on agricultural innovation which is also active in a number of other West African countries; the Ghana Israel Business Chamber, a bi-national chamber of commerce promoting trade between Ghana and Israel, which takes specific interest in fintech, energy and agriculture; and the Agrihouse Foundation, an NGO promoting capacity building and innovation in agriculture.

Presence of additional development partners:

A number of DFIs and MDBs are active in Ghana, including the IFC, BII, DEG, FMO, and Norfund, investing in a variety of sectors, including agriculture, financial services, health, infrastructure and energy. Other organizations with significant development activities in Ghana include Solidaridad, an international NGO promoting sustainable agricultural practices, climate resilience and market integration for smaller enterprises and smallholder farms; Alliance for a Green Revolution in Africa (AGRA); a Pan-African NGO providing solutions for smallholder farmers; and the African Fertilizer and Agribusiness Partnership (AFAP), a Pan-African organization supporting sustainable development projects and market-based solutions for the agriculture sector.

Challenges

The ongoing economic crisis is a significant challenge, destabilizing the country's economy and severely reducing access to credit. Further challenges include the difficulty of reaching small farmers in rural areas, where the needs are greatest. These farmers have limited access to financial services and struggle to obtain credit, creating a significant barrier to the implementation of any kind of solution in rural areas. The size of the country, with the variety of terrains, climates, and crops in different regions, poses another obstacle to the ability to scale up any kind of solution in Ghana.

Appendix 4c: Target country candidate example 1 – Tanzania

GDP (2021): USD 67.84 billion

Annual GDP Growth (2021): 4.3%

GDP per capita (2021): USD 1,099.29

Population (2021): 63.59 million

(Above figures from <https://data.worldbank.org/>)

Need: Tanzania's GDP per capita places it at the extreme low end of the lower middle-income range, a status it gained in 2020, having previously being considered a low-income country. Despite this classification upgrade, significant parts of the population suffer from poverty, food insecurity and limited access to clean water and reliable energy. 75% of the population lives in rural areas where these needs are the greatest, and of these the majority are smallholder farmers, whose needs are the greatest (Battaile, 2020; FAO, 2023).

Contribution potential: Just 1.4% of smallholder farms use motorized equipment, and 1.9% of land is covered by irrigation. 41% of farms use improved seeds (covering 43% of all seeds purchased), but just 9% of farms have received extension services such as training or technological transfers from government agencies, private businesses or NGOs. Just 2% have internal running water, and 4.1% use electricity for lighting. Farmers have limited access to fertilizers, resulting in low yields. Due to lack of other opportunities, family labour is overused on smallholder farms. Just 35% of agricultural production is sold, of which 98% is sold through informal channels, in local markets in the immediate vicinity of the farm (FAO, 2023). An Israeli contribution could therefore certainly address SDGs 1, 2, 3, 6, 7, 8, 10 and 13.

Total addressable market: Agriculture contributes 29% to Tanzania's GDP, 75% of the population lives in rural areas. There are 4.9 million smallholder farms (smaller than 3.31 hectares) in Tanzania, with over 19 million people living and working on these farms. Food and cash crops account for 70% of rural incomes and 70-90% of own source revenues for local governments (FAO, 2023). Tanzania shares a border and

maintains close ties with several other potential target countries, including Kenya, Rwanda and Uganda.

Ease of doing business: Limited access to financial services and infrastructure, high tax rates, widespread corruption, and excessive bureaucracy are among the main hurdles when doing business in Tanzania. Tanzania ranks lower than many of its neighbors in the World Bank's Ease of Doing Business index. At the same time, the government has expressed commitment to addressing all these hurdles, and reforms, while slow, have been initiated, and the overall economy is characterized by stability and high growth rates (AfDB, 2023; Netherlands Enterprise Agency, 2020).

Local government priorities: The Tanzanian government has expressed commitment to the implementation of the SDG framework and to economic, social, environmental, and institutional development. Priorities include climate resilience, poverty, and food insecurity reduction, and increased private sector involvement in development activities. The government has established the Tanzania Agricultural Development Bank, a state-owned DFI for domestic agricultural development (United Republic of Tanzania, 2021).

Presence of Israeli partners: While there is no Israeli embassy in Tanzania, the embassy in Kenya also covers Tanzania, and its MASHAV team operates in the country (Embassy of Israel in Nairobi, 2021). Israeli NGOs CultivAid, Fair Planet, and Innovation: Africa all have a significant presence in the country, with in-country testing and knowledge transfer facilities and projects reaching hundreds of thousands of people (CultivAid, 2023; Fair Planet, 2023; Innovation: Africa, 2023).

Presence of local partners: Partners will likely be primarily NGOs and academic institutions, with notable organizations including Sokoine University, the Sokoine University Graduates Entrepreneurs Cooperative (SUGECO), and the Tanzania Horticultural Association (TAHA), all of which have experience collaborating with Israeli academic, private, and NGO partners (CultivAid, 2022; Sokoine University, 2020; SUGECO, 2023).

In terms of government partners, the Tanzania Agricultural Development Bank, as well as the Tanzania Investment Centre, a government agency to promote investment in

Tanzania, would be likely candidates. At the same time, government partnerships have proven to be quite difficult to establish and maintain due to both corruption and bureaucratic hurdles (Netherlands Enterprise Agency, 2020; United Republic of Tanzania, 2021).

Presence of additional development partners:

Various DFIs and MDBs are active in Tanzania, including the IFC, BII, FMO, and PROPARCO, investing in a variety of sectors, including agriculture, financial services, health, infrastructure, and energy. Other organizations with significant development activities in Tanzania include Solidaridad, an international NGO promoting sustainable agricultural practices, climate resilience and market integration for smaller enterprises and smallholder farms; AGRA; a Pan-African NGO providing solutions for smallholder farmers; the AFAP, a Pan-African organization supporting sustainable development projects and market-based solutions for the agriculture sector; and Water 4 Mercy, a US-based NGO dedicated to providing food and water to rural areas around Africa, that has also collaborated with Israeli NGO Innovation: Africa.

Challenges

Overcoming government bureaucracy and corruption will likely be a significant challenge. Additional challenges include the difficulty of reaching small farmers in rural areas, where the needs are greatest; as well as size of the country, with the variety of terrains, climates, and crops in different regions, as a result of which scaling up solutions would likely require adaptation on a regional basis.

Appendix 5: DFC Impact Quotient Indicators and Metrics, February 2023

Pillar	IQ Indicator	IQ Scored Metric	Metric Definition	Unit Type
Economic Growth	Balance of Trade	Value of Export Sales	Value of export sales of the product or service (USD)	USD
Economic Growth	BONUS: Quality Jobs	Employee Benefits Offered: Other Description	Project Company offers benefits to all employees above local law that have meaningful impacts on families, such as extended maternity/paternity leave, subsidized childcare, nursing rooms, benefits for employee family members, and/or flexible work schedules.	Categorical
Economic Growth	BONUS: Quality Jobs	Women Employee Advancement Description	Project Company offers non-management employees tuition reimbursement for advanced education, coursework, and/or has a formal mentorship program for employee advancement, including programs to recruit and promote women.	Text
Economic Growth	Critical Infrastructure Resilience	Energy Storage Capacity	Energy storage capacity as of the end of the reporting period	MWh
Economic Growth	Critical Infrastructure Resilience	Market Share Increase	Estimated percent increase in market share gained by the project during the reporting period	Percentage
Economic Growth	Critical Infrastructure Resilience	Frequency of Power Outages	Frequency of power outages measured as SAIFI - total number of customer interruptions / total number of customers served (annual).	SAIFI
Economic Growth	Critical Infrastructure Resilience	Length of Transmission Lines Built or Improved	Length of transmission lines built or improved	Km
Economic Growth	Critical Infrastructure Resilience	Number of Data Center Racks	Number of data center racks	Subscriptions
Economic Growth	Factors of Production	Non-Renewable Energy Generated	Amount of Non-Renewable Energy produced	GWh
Economic Growth	Factors of Production	Renewable Energy Generated	Amount of Renewable Energy produced	GWh
Economic Growth	Factors of Production	Number of Vehicles Using Roads Daily	Annual total vehicles using road / 365 days	Vehicles
Economic Growth	Factors of Production	Number of Fixed Data Subscriptions	Number of fixed data subscriptions (ADSL, Broadband, Fibre, etc.). Includes both post-pay and pre-pay subscriptions	Subscriptions
Economic Growth	Factors of Production	Number of Fixed Voice Subscriptions	Number of fixed voice (telephone) subscriptions. Includes both post-pay and pre-pay subscriptions.	Subscriptions
Economic Growth	Factors of Production	Number of Mini Grids Connections Installed	Number of micro-grid connections installed	Connections
Economic Growth	Factors of Production	Number of Mobile	Number of mobile subscriptions (GSM, CDMA, BGAN,	Subscriptions

Growth	Production	Subscriptions	VSAT, EDGE, UMTS, WiMax, 3G, 4G, LTE, etc.) including voice and/or data. Includes both post-pay and pre-pay subscriptions.	
Economic Growth	Factors of Production	Number of Household Connections to Energy	Number of new residential connections	Connections
Economic Growth	Factors of Production	Number of Connections to Off-Grid Power Systems: Businesses	Number of off-grid power systems installed for businesses	Connections
Economic Growth	Factors of Production	Number of Connections to Off-Grid Power Systems: Households	Number of off-grid power systems installed for households	Connections
Economic Growth	Factors of Production	Number of Passengers	Passengers using transportation service	Passengers
Economic Growth	Factors of Production	Volume of Bulk Cargo Transported	Tonnes of bulk cargo transported through the road/railway/port/airport	Metric tonnes
Economic Growth	Factors of Production	Number of Cargo Containers Transported	Twenty foot equivalent units of cargo containers transported through the road/railway/port/airport	Twenty-foot equivalent units
Economic Growth	Financial Intermediaries	Value of Outstanding Portfolio: Total (USD)	Total value of the project financing portfolio for the purpose of providing capital to individuals and/or local companies.	USD
Economic Growth	Financial Intermediaries	Number of Clients, Active: Total	Number of clients served by the investment.	Clients
Economic Growth	Human Capacity Development	Volume of Waste Disposed: Total	Amount of waste disposed	Metric tonnes cubed
Economic Growth	Human Capacity Development	Average Agricultural Yield	Average agricultural yield (per hectare)	Tons/hectare
Economic Growth	Human Capacity Development	Median Download Speed	Median download speed of data subscriptions	Mbps
Economic Growth	Human Capacity Development	Number of Clients: Loans, Education	Number of education loan clients served by the financial intermediary	Clients
Economic Growth	Human Capacity Development	Number of Clients: Loans, Healthcare	Number of healthcare loan clients served by the financial intermediary	Clients
Economic Growth	Human Capacity Development	Number of Clients: Loans, Housing	Number of housing loan clients served by the financial intermediary	Clients
Economic Growth	Human Capacity Development	Number of Patients Served: Total	Number of individual patients served by the client company	Patients
Economic Growth	Human Capacity Development	Number of Residential	Number of new residential dwellings (≥ 1 family per unit) constructed by the client company.	Units

		Dwellings: New		
Economic Growth	Human Capacity Development	Number of Residential Connections to Water and Wastewater Services	Number of residential connections resulting from the project	Connections
Economic Growth	Human Capacity Development	Number of Residential Dwellings: New, Low-income	Number of residential dwellings (≥ 1 family per unit) refurbished by the client company.	Units
Economic Growth	Human Capacity Development	Number of Students Enrolled: Total	Number of students enrolled, both full-time and part-time, where each discrete student is counted regardless of number of courses.	Students
Economic Growth	Human Capacity Development	Number of Subscribers: Affordable Data Plan	Number of subscribers to an affordable data plan (priced at less than 2% of local average annual income)	Subscribers
Economic Growth	Human Capacity Development	Number of Clients: Loans, Waste, Water, and Sanitation Sector	Number of WASH loan clients served by the financial intermediary	Clients
Economic Growth	Human Capacity Development	Students Promoted: Percentage	Percentage of students promoted to next grade/academic level	Percentage
Economic Growth	Human Capacity Development	Students Passing: Percentage	Percentage of students receiving a passing score on standardized tests	Percentage
Economic Growth	Human Capacity Development	Number of Residential Dwellings: New, Sustainable	Total new residential dwellings certified as green buildings (green buildings refer to resource-efficient buildings that are third-party certified, for example, Edge, LEED, etc.)	Units
Economic Growth	Human Capacity Development	Number of Residential Dwellings: Refurbished, Sustainable	Total residential dwellings refurbished certified as green buildings (green buildings refer to resource-efficient buildings that are third-party certified, for example, Edge, LEED, etc.)	Units
Economic Growth	Human Capacity Development	Volume of Wastewater: Disposed	Volume of wastewater disposed	Metric tonnes cubed
Economic Growth	Human Capacity Development	Volume of Wastewater: Treated	Volume of wastewater treated	Metric tonnes cubed
Economic Growth	Human Capacity Development	Volume of Water Produced	Volume of water produced	Metric tonnes cubed
Economic Growth	Jobs	Number of Full-time-equivalent	Number of full-time equivalent workers employed by the project	Jobs

Employees				
Economic Growth	Local Income	Value of Payments to Government	All transfers to the government made by client company. At a minimum, this includes payments to the government in the form of corporate income or profit taxes. Additional forms of transfer to be reported as appropriate include (i) sales taxes, (ii) net VAT, (iii) royalties, (iv) dividends and related taxes, (v) management and/or concession fees, (vi) license fees, (vii) tax on payment of interest, and (viii) other material payments net of any direct subsidies received.	USD
Economic Growth	Local Income	Amount of Gross Revenue	Gross value of sales over the reporting period.	USD
Economic Growth	Local Income	Value of Procurement: Local Country	Value of company's purchases of goods and services from domestic suppliers (including raw materials, security, gardening, cleaning and marketing & research from local companies)	USD
Economic Growth	Financial Intermediaries	Number of Clients Served: Enterprise, Total	Total number of companies in which Fund or Facility has invested	Companies
Economic Growth	Financial Intermediaries	Value of Capital Available: Total	Value of capital available to the organization for lending and investing	USD
Inclusion	BONUS: Projects with inclusive governance	Value of Charitable Contributions	Amount of money spent by the client towards activities that benefit local communities.	USD
Inclusion	BONUS: Projects with inclusive governance	Percent of Investment Committee Members: Women	The percentage of Investment Committee members who are counted as voting members of the investment committee of a Debt or Equity investment Fund or other Financial Intermediary that are women	Members
Inclusion	BONUS: Projects with inclusive governance	Percent of Board Members: Women	The percentage of women on the 'Board of Directors' of the client company. A board of directors is the governing body of a corporation, composed of a group of individuals that is legally/fiduciarily responsible for overseeing the organization's management and operations and guiding its strategy. The board is accountable to the shareholders and other relevant stakeholders. A governing body with a different name (e.g., "advisory body") may be considered a Board of Directors provided it has a fiduciary responsibility to shareholders and/or other relevant stakeholders.	Members
Inclusion	BONUS: Projects with inclusive governance	Percentage of Company Ownership: Women	The percentage of an enterprise's shares that are directly owned, by vote or value, by a woman or women, where such woman or women direct or cause the direction of management, policy, fiscal and operational matters.	Percentage
Inclusion	BONUS: Projects with inclusive governance	Percent of Senior Managers: Women	The percentage of full-time senior managers employed by the project who are women	Managers

Inclusion	Inclusive Customer Base	Percent of Clients Served: Low-income	The percentage of clients served by the investment that are low income.	Clients
Inclusion	Inclusive Customer Base	Percent of Clients Served: Women or Women-owned/led Enterprises	The percentage of clients served by the investment that are women or women-owned/led enterprises	Clients
Inclusion	Inclusive Customer Base	Percent of Clients Served: Smallholder Farmers	The percentage of clients served by the investment that are smallholder farmers.	Clients
Inclusion	Inclusive Customer Base	Percent of Clients Served: MSMEs	The percentage of clients served by the investment that are micro, small, and medium enterprises.	Clients
Inclusion	Inclusive Customer Base	Percent of Clients Served: Other Disadvantaged Groups	The percentage of clients served by the investment that are members of disadvantaged groups other than those contained in other metrics.	Clients
Inclusion	Inclusive Customer Base	Percent of Clients Served: Rural	The percentage of clients served by the investment that are rural	Clients
Inclusion	Inclusive Customer Base	Percent of Outstanding Loans: MSMEs	The percentage of the value of the DFC client company's total assets that is the value (USD) of the outstanding loan portfolio at the end of the reporting period for the loan portfolio that supported the DFC project	USD
Inclusion	Inclusive Customer Base	Percent of Clients: Young Adults	The percentage of individual customers or clients reached by the project that are young adults	Clients
Inclusion	Inclusive Customer Base	Percent of Outstanding Loans: Rural	Total value of the project financing portfolio for the purpose of providing capital to rural clients.	USD
Inclusion	Inclusive Customer Base	Percent of Outstanding Loans: Low-income	The percentage of the value of the project financing portfolio for the purpose of providing capital to low-income individuals and/or local companies.	USD
Inclusion	Inclusive Customer Base	Percent of Outstanding Loans: Women or Women-owned/led Enterprises	The percentage of the value of the project financing portfolio for the purpose of providing capital to individuals and/or local companies.	USD
Inclusion	Inclusive Customer Base	Percent of Outstanding Loans: Smallholder Farmers	The percentage of the value of the project financing portfolio for the purpose of providing capital to smallholder farmers.	USD
Inclusion	Inclusive Customer Base	Percent of Outstanding Loans: Other Disadvantaged Groups	The percentage of the value of the project financing portfolio for the purpose of providing capital to members of disadvantaged groups other than those included in other metrics.	USD
Inclusion	Inclusive Employment	Percent of FTEs: Other	The percentage of full-time local employees that are members of other disadvantaged groups (not included	Employees

		Disadvantaged	in Women or Young adults)	
Inclusion	Inclusive Employment	Percent of FTEs: Women	The percentage of full-time local employees that are women.	Jobs
Inclusion	Inclusive Employment	Percent of FTEs: Young Adults	The percentage of full-time local employees that are young adults.	Jobs
Inclusion	Inclusive Supply Chains	Percent of Local Suppliers: Women-owned/led	The percentage of local suppliers that are women-owned or -led enterprises.	Suppliers
Inclusion	Inclusive Supply Chains	Percent of Local Suppliers: Smallholder Farmers	The percentage of local suppliers that are smallholder farmers.	Suppliers
Inclusion	Inclusive Supply Chains	Percent of Local Suppliers: Other Disadvantaged	The percentage of local suppliers that are members of disadvantaged groups other than those included in other metrics.	Suppliers
Inclusion	Inclusive Supply Chains	Percent of Local Suppliers: MSMEs	The percentage of local suppliers that are micro, small, and medium enterprises.	Suppliers
Inclusion	Investment in LMICs	Value of Investments in Low or Lower Middle Income Countries	Total value of investments in low income or lower-middle-income countries	USD
Innovation	Benefits to People and Communities	Producer Price Premium	Average percentage premium paid to producers due to the product or service innovation during the reporting period	Percentage
Innovation	Benefits to People and Communities	Client Savings Premium	Average percentage savings premium to customers accessing the innovative product or service during the reporting period	Percentage
Innovation	Benefits to People and Communities	Target Population: Product Design	During the reporting period, how has the project incorporated the needs and preferences of target populations in the design and delivery of products and services?	Categorical
Innovation	Benefits to People and Communities	Number of Clients: New Access	Number of customers receiving new access to the project's product or service during the reporting period	Clients
Innovation	Benefits to Planet	Building Area of Energy Efficiency Improvements	Area of buildings receiving energy efficiency improvements during the reporting period	Meters squared
Innovation	Benefits to Planet	Greenhouse Gas Emissions: Avoided	Total amount of GHG emissions avoided by the project during the reporting period in short tons of CO2e per year	Metric tons
Innovation	Benefits to Planet	Greenhouse Gas Emissions: Sequestered	Total amount of GHG emissions sequestered by the project during the reporting period in short tons of CO2e per year.	Metric tons
Innovation	Benefits to Planet	Greenhouse Gas Emissions: Total	Total amount of GHG emissions generated as a result of the project's activities during the reporting period? Please report in short tons of CO2e per year.	Metric tons
Innovation	Benefits to Planet	Land Directly	Area of land directly controlled or supported by the	Hectares

		Controlled: Sustainably Managed	project under sustainable cultivation or stewardship during the reporting period	
Innovation	Benefits to Planet	Number of Clients Served: Climate-linked	Number of portfolio companies of the Fund or Facility that are climate-linked or sustainability-focused	Companies
Innovation	Benefits to Planet	Number of Clients Served: Enterprise, Total	Total number of companies in which Fund or Facility has invested	Companies
Innovation	Benefits to Planet	Ocean Protected / Sustainably Managed	Area of ocean or other marine habitat directly controlled or supported by the project under sustainable cultivation or stewardship during the reporting period	Square kilometers
Innovation	Benefits to Planet	Value of Outstanding Portfolio: Climate-linked (USD)	Total value of the project financing portfolio for the purpose of providing capital to individuals and/or local companies that is climate-linked or sustainability-focused	USD
Innovation	Benefits to Planet	Value of Outstanding Portfolio: Total (USD)	Total value of the project financing portfolio for the purpose of providing capital to individuals and/or local companies.	USD
Innovation	BONUS: Voluntary environmental sustainability measures to reduce environmental footprint	Number of Sustainability Certifications: Suppliers	Number of Project Company suppliers or investment fund investees that have obtained or will obtain a third party, internationally-recognized environmental sustainability certification, such as IFC EDGE or LEED.	Suppliers
Innovation	BONUS: Voluntary environmental sustainability measures to reduce environmental footprint	Project Sustainability Certification: Description	Project Company has or will obtain a voluntary, third party, internationally-recognized environmental sustainability certification, such as IFC EDGE or LEED.	Text
Innovation	Demonstration Effects	Volume of Capital Received from Private Sector Investors	Capital received by the Project Company from private sector investors in the form of a loan or cash for stock.	USD
Innovation	Knowledge and Technology Transfer	Number of Technical Assistance Beneficiaries	Number of beneficiaries of technical assistance programs for customers, investees, suppliers, or the community. This includes the value-add that equity fund managers provide to their investees.	Clients
Innovation	Knowledge and Technology Transfer	Number of Companies with Board Seats	Number of Companies for which Fund or Facility has Board Seat	Companies
Innovation	Knowledge and	Number of Clients	Total number of companies in which Fund or Facility	Companies

	Technology Transfer	Served: Enterprise, Total	has invested	
Innovation	Market Innovation	Average Tenor, Loan	The average tenor of all loans made to clients	Months
Innovation	Market Innovation	Effective Interest Rate	The interest over a specified period of time, factoring in any compounding that takes place within that period of time	Percentage
Innovation	Market Innovation	Units or Volume Sold	Total units or volume of product/service sold (if applicable)	Units
Innovation	Benefits to Planet	Volume of Energy Consumed	Total amount of energy consumed by project activities	kWh
Innovation	Benefits to Planet	Volume of Waste Disposed: Recycled/Reused	Total amount of waste recycled or reused by project activities	Cubic meters
Innovation	Benefits to Planet	Volume of Waste Produced	Total amount of waste produced by project activities	Cubic meters
Innovation	Benefits to Planet	Volume of Water Consumed	Total amount of water consumed by project activities	Cubic meters

Source: DFC, 2023b.

Appendix 6: Project example 1 – Stand-alone solution (irrigation network)

Drip irrigation technology is sold by an Israeli company to a commercial farm that is large enough to afford to purchase the solution. Financing and technical support may be provided to facilitate the transaction between the Israeli company and the local farm.

The commercial farm is provided with technical assistance and financing to allow it to connect surrounding smallholder farms to its new irrigation network, and provide water to them in exchange for a service payment. The commercial farm's revenue increases thanks to both its own increased yields and the water service payments from surrounding smallholders.

Smallholder farms in turn gain reliable access to irrigation water, significantly improving their yields, increasing both their own food security and their commercial sales and allowing them to afford to pay for the water system while simultaneously increasing their profits.

Capital Budget	
Uses of Funds	
Water Infrastructure for commercial farm	\$ 242,954
Smallholder irrigation system	\$ 1,873,119
Equipment & structures	\$ 274,319
Commercial farmland Lease	\$ 309,722
Total Uses of Funds	\$ 2,700,114
Sources of Funds	
Equity	\$ 552,676
Debt 1	\$ 274,319
Debt 2	\$ 1,873,119
Total Sources of Funds	\$ 2,700,114

Operating Budget	1	2	3	4	5
Revenues	\$ 732,314	\$ 742,391	\$ 1,554,302	\$ 1,916,253	\$ 2,646,916
Expenses	\$ 588,542	\$ 497,107	\$ 888,500	\$ 712,717	\$ 1,148,488
Net Operating Income	\$ 143,772	\$ 245,284	\$ 665,802	\$ 1,203,536	\$ 1,498,428
Total Debt Service	\$386,548	\$386,548	\$386,548	\$386,548	\$386,548
After tax cashflow	\$ (232,427)	\$ (145,044)	\$ 194,517	\$ 630,335	\$ 867,014
Return on Equity	-42%	-26%	35%	114%	157%

Source: Milken Innovation Center, 2023.

Joint investment by the platform is made into the commercial farm with private investors, and technical assistance is provided to support the expansion of the irrigation network to cover smallholder farms and integrate them into the commercial farm's value chain, and develop a business model for the farm incorporating a double revenue source:

1. Income from increased agricultural sales to the smallholder farmers (smallholder cooperative structure to support the investment and income to provide affordability for smallholders).
2. Income from water service fees paid by smallholder farmers to the commercial farm.

The platform will create a blended financing structure, offering junior debt (Debt 1 in the capital budget), with a longer term and lower interest rates than the senior debt, which will draw in much larger private market-rate equity and debt investments. This blended structure will allow the commercial farm to enjoy a positive net operating income from year one, and by year three the farm will break even and become profitable, even accounting for loan payments, with return on equity exceeding 100% by year four.

Appendix 7: Project example 2 – Solution bundle (smallholder farmer value chain)

In this solution model, a comprehensive solution bundle covering every stage in the value chain from the smallholder farm to the market will be offered, with access to financial services and crop and climate insurance in support of this value chain. Each stage will contain a solution product produced by a different company (some of which may be Israeli, while others may not).

However, as the smallholder farm revenue model and the solution capital structure tables demonstrate, the solution bundle is not affordable for the individual smallholder farm, whose annual income of approximately USD 750 covers less than 10% of the retail cost of the solution bundle (almost USD 9,000). Furthermore, dealing with smallholder farmers individually is likely to be too complex and costly to be profitable for solution provider companies.

The wholesale price (USD 1,838) is considerably lower than the retail price, providing significant advantages to bulk purchases while still allowing all solution technology providers to remain profitable.

Smallholder farm - as-is without solution	
Average acreage per farmer	1.5
Farmer revenues	\$ 1,890
Farmer expenses	60%
Net Operating Income	\$ 756

Solutions - capital structure								
Illustrative	Capital Items			Operating items				
	Lower energy drip	Plant monitors	Soil and root protection	Fertilizer and soil additives	Soil monitors	Hermetic Storage	Value chain accounting	
Product Sale.								
Total retail sales	\$ 7,200	\$ 450	\$ 169	\$ 45	\$ 56	\$ 938	\$ 19	\$ 8,876
Cost of sales	20%	15%	40%	10%	40%	25%	10%	
Gross cost of product (wholesale)	\$ 1,440	\$ 68	\$ 68	\$ 5	\$ 23	\$ 234	\$ 2	\$ 1,838
Operating costs	3,168	210	56	22	19	387	9	
Net Operating Income	\$ 2,592	\$ 172	\$ 46	\$ 18	\$ 15	\$ 316	\$ 8	
Profit	2,074	138	36	15	12	253	6	
Profit margin	29%	31%	22%	32%	22%	27%	32%	

Source: Milken Innovation Center, 2023.

Solutions service organization

Capital budget			
Uses of Funds	Estimated Amount		
Solutions (capital costs)	4,601,448		
Technical/design	368,116		
Capitalized losses/start-up	1,000,000		
Total Uses	5,969,564		
Sources of Funds		Interest	Term
Equity	1,193,913		
Debt 1	1,790,869	8%	5
Debt 2	2,984,782	6%	15
Other	-		
Total Sources	5,969,564		

Operating Budget	Year 1	Year 2	Year 3	Year 4	Year 5
Revenues					
Number of farms in clusters	250	300	360	432	518
Total distribution and service revenues	466,791	616,164	813,336	1,073,604	1,417,157
Losses					
Net Revenues	450,453	595,676	787,645	1,041,387	1,376,757
Total Expenses	220,000	225,500	231,138	236,916	242,839
Net Operating Income	230,453	370,176	556,507	804,471	1,133,918
Total Debt	755,856	755,856	755,856	755,856	755,856
DCR	0.30	0.49	0.74	1.06	1.50
Cash Flow					
Cash Flow	(525,403)	(385,680)	(199,349)	48,615	378,062
ROE	-44%	-32%	-17%	4%	32%

Source: Milken Innovation Center, 2023.

A solutions service organization catering to hundreds of smallholder farms could afford to purchase the solution bundle from the solution providers for the wholesale price, and

then rent out the solutions to smallholder farmers as a service, which smallholder farmers would then be able to afford.

A blended debt structure would finance the service organization's purchase of the solution bundle. The platform will provide part of the junior concessional debt (Debt 2 in the service organization's capital budget), with the remainder likely provided by co-financing partners such as impact funds or DFIs.

Technical assistance would also be provided to the service organization, to assist in training and business model development. The service organization would have a dual revenue model, renting out solutions to smallholder farms and charging service fees from them farmers in exchange, and charging distribution fees from the technology providers, who would otherwise lack access to smallholder farmers and be unable to sell their products in the market at all.

Smallholder farm clusters provide increasing returns to scale – the larger the cluster is, the more profitable the service organization serving it is. The cluster will likely grow considerably from its initial size as the service organizations demonstrates the effectiveness of its solution bundle, and within five years it will more than double in size, from 250 farms initially to over 500. With a cluster of this size, the service organization will break even in year four, and offer a 32% return on equity by year five. A cluster with a larger initial size would offer even greater returns.

Smallholder farms – with solution

Smallholder farmers will take out loans to cover installation and service fees for the solution bundle. Collaboration with local financial institutions to provide smallholders with credit access would likely be required to facilitate this. The benefits provided by the solution bundle to the smallholder farm, in terms of increased yields and commercial sales, as well as reduced operating costs and losses, will more than double the smallholder farm's net operating income already in the first year, from approximately USD 750 without the solution bundle to over USD 1,600 with it, with significant growth in subsequent years as well. Even when deducting the loan repayments owed by the smallholder farm, its cash flow will still be over 40% greater than without the solution

bundle, and by the time the loan has been repaid in full it will have more than tripled. This will ensure that farmers benefit considerably from the solution bundle from the very beginning, incentivizing them to acquire it.

Capital budget				
Uses of Funds			Estimated Amount	Share of the project
Fees	8,876	7%	621	34%
Solutions (installation only)	8,876	12%	1,065	58%
Design, feasibility, installation			150	8%
Total Uses			1,836	100%
Sources of Funds			Estimated amount	Share of capital structure
Equity			92	5%
Senior debt			1,745	95%
Total Sources			1,836	100%

Operating budget	Year 1	Year 2	Year 3	Year 4	Year 5
Revenues (with solution package)	6,048	6,653	7,318	8,050	8,855
Expenses					
Solution package (expenses) 25.0%	2,219	2,441	2,685	2,954	3,249
Expenses	4,404	4,689	4,998	5,334	5,699
Net Operating Income	1,644	1,964	2,320	2,716	3,156
Debt payment	574	574	574	574	-
Cash flow	1,070	1,389	1,745	2,141	3,156

Source: Milken Innovation Center, 2023.

Appendix 8: Project example 3 – partnership platform (EIP)

Simplified for-profit financials										
Scheme year	1	2	3	4	5	6	7	8	9	10
Income statement										
Revenues	0	0	480	652	1,051	1,875	3,283	5,241	7,442	9,884
Cost of sales	245	331	404	431	468	478	501	527	556	586
Expenses (excl ITDA)	621	566	843	1,139	1,403	1,469	1,540	1,615	1,695	1,779
Earnings after tax	(883)	(938)	(834)	(1,024)	(965)	(224)	902	2,440	4,170	6,094
Balance sheet										
Total assets	77	149	145	471	856	428	929	2,489	5,240	9,318
Debt outstanding	100	300	500	850	1,200	995	775	536	278	0
Total shareholders' equity	(23)	(151)	(355)	(379)	(344)	(567)	154	1,953	4,962	9,318
Total Liabilities + equity	77	149	145	471	856	428	929	2,489	5,240	9,318
Cash flow										
Starting cash	0	30	69	34	333	699	266	767	2,324	5,073
Cash from operating	(874)	(921)	(807)	(986)	(917)	(168)	964	2,501	4,233	6,158
Cash from investing	(56)	(50)	(57)	(65)	(67)	(60)	(62)	(64)	(66)	(68)
Cash from financing	960	1,010	830	1,350	1,350	(205)	(401)	(880)	(1,419)	(2,016)
Closing cash	30	69	34	333	699	266	767	2,324	5,073	9,147

Source: Milken Innovation Center, 2023.

The EIP is a scalable for-profit platform which adapts technologies for the Indian market and works with farmers throughout India towards their adoption. The EIP was established as a partnership between the Swiss-based Syngenta Foundation and the Israel-based Startup Nation Center and Milken Innovation Center, to create a network for coordination and collaboration between international tech companies and Indian entrepreneurs. The global arm of the EIP sources and screens relevant technologies from Israel and the world, while the Indian arm recruits and trains local agri-entrepreneurs, who receive training and collaborate with the companies to conduct pilot testing of new technologies, and ultimately provide those solutions to smallholder farmers through a local distributor. The EIP has increased crop yields, reduced input costs, improved financial security and lowered the carbon footprint of millions of smallholder farmers.

The EIP's sustainable business model relies on two revenue sources. Smallholder farmers pay a commission to the EIP in exchange for the new technology, while the companies participating in the platform pay distribution fees on the wholesale price of the goods sold to entrepreneurs in exchange for the market access provided by the EIP.

The EIP's capital structure includes sufficient assets and equity to leverage debt and allow it to initiate operations. External financing is initially required to maintain a positive cash flow, but by year six the EIP is already self-sustaining and does not require external financing, and in year seven it begins to receive a positive cash flow from its operations, allowing it to break even and offer positive returns on equity. By year ten all debt has been repaid.

Appendix 9: BII Platform Companies



BII platform companies

Gridworks portfolio examples

Table Source: Milken Innovation Center.

Data Source: Ayana Power (ayanapower.com); BII (bii.co.uk); Globeleq (globeleq.com); Gridworks (gridworkspartners.com); MedAccess (medaccess.org).

Appendix 10: DFI tying requirements and approaches to supporting national exports

Country	Name	Investment portfolio tied to national interests	Dedicated facility for projects with national interest
Austria	OeEB	Untied (Runde et al., 2016)	<p>African-Austrian SME Investment Facility (OeEB, 2023):</p> <ul style="list-style-type: none"> - EUR 30 million facility offering support for SMEs based in Austria or the EU seeking to invest in Africa or LDCs worldwide, with the venture preferably led by an Austrian-based company. - Offers up to EUR 3 million equity capital, with an ownership stake of no more than 25%, under terms equivalent to those of private investors. - Alternatively, mezzanine capital of EUR 0.5-3 million for project co-financing at market conditions. - Technical assistance where necessary for risk mitigation and capacity building, covering environmental and social risk management and business, legal and technical support.
Belgium	BIO	Untied (Runde et al., 2016)	Country priorities set according to potential for private sector development as well as Belgian national priorities (BIO, 2019).
Denmark	IFU	Untied – tied until 2017 (IFU, 2017)	<p>Danida Sustainable Infrastructure Finance (IFU, 2022):</p> <ul style="list-style-type: none"> - Separate fund managed by IFU. - Water, energy and other infrastructure projects. - Proactive sourcing for pipeline building, identification and support of projects involving Danish solutions and expertise; passive sourcing approach to projects with no Danish strategic interest or value added. - 2/3 of investments in Africa, 1/3 in the rest of the world. - Offers technical assistance grants, export credit subsidies, concessional loans with grant component to reduce loan principal.
Finland	Finnfund	Untied (Craviotto, 2022)	<p>While officially untied, in practice, one of Finnfund's stated goals is the financing of companies with a Finnish interest (Craviotto, 2022).</p> <p>Finnpartnership (Finnpartnership, 2023):</p> <ul style="list-style-type: none"> - Managed by Finnfund. - Provides business support to Finnish companies with impact potential in developing countries. - Support for creation long-term business partnerships in target countries, through joint ventures, subsidiaries, imports, subcontracting, service agreements, or development of existing business in target country; piloting and demonstration of solutions carried out as part of an ODA-eligible organization; feasibility studies for investment projects; and supporting projects such as capacity building, establishing innovation platforms, or knowledge transfer. - Grants to support research, training, and business development. - Matchmaking for Finnish companies with target country opportunities through a database of potential partners registered and approved by Finnpartnership.

Germany	DEG	Untied (Runde et al., 2016)	<p>German Desks (DEG, 2023):</p> <ul style="list-style-type: none"> - Dedicated service for German SMEs and their local partners, adapted to their needs, established by DEG in partnership with local financial institutions and German Chambers of Commerce. - Assists in bridging cultural and language gaps, establishing connections with local financial institutions and businesses, and facilitating access to financing solutions beyond those offered by DEG. - Desks exist in Bangladesh, Ghana, Indonesia, Kenya, Nigeria, Peru, and Vietnam.
Italy	CDP	Tied/Untied	<p>SIMEST (EDFI, 2023; SIMEST, 2023):</p> <ul style="list-style-type: none"> - While CDP group as a whole works with both Italian and international partners, subsidiary SIMEST is dedicated specifically to supporting the internationalization of Italian companies. - SIMEST offers soft loans, equity loans, venture capital, and export credit to Italian companies. - Can invest in operations in all countries and sectors if the supported company is based in Italy, leading to reduced focus on high-impact sectors and lower-income countries.
Netherlands	FMO	Untied	<p>Development Accelerator (FMO, 2022a):</p> <ul style="list-style-type: none"> - Finances early-stage projects with a Dutch interest, as well as Dutch start-ups with innovative SDG-oriented solutions for emerging markets. - Sectors include health, agri-food, water, renewable energy and climate. - Total fund capital of EUR 5.1 million, invested in five active projects and five start-up companies. <p>Partnership Development Facility (FMO, 2022b):</p> <ul style="list-style-type: none"> - Establishes partnerships with Dutch companies to support the development of high-impact projects in developing countries. - Primary sectors include agri-food, water and climate. - Total fund capital of EUR 14.6 million, invested in seven active projects.
Portugal	SOFID	Tied	<p>Dedicated to supporting the internationalization of Portuguese companies with projects in developing countries and the cooperation policy of the Portuguese government (EDFI, 2023; SOFID, 2023).</p> <ul style="list-style-type: none"> - Offers debt, equity, and guarantees to projects, as well as risk mitigation instruments, technical assistance and business support. - Alongside national goals, also committed to sustainable development in developing countries. - Supports projects in Africa and Latin America. - Very small portfolio, of just EUR 14 million invested in ten companies.
Spain	COFIDES	Tied (Runde et al., 2016)	<ul style="list-style-type: none"> - Committed to the internationalization of companies and the Spanish economy, alongside the economic and social development of developing and emerging countries (COFIDES, 2023). - Serves as a public-private instrument for the Spanish government to promote investment abroad, finance sustainable development, and

			offer venture capital services abroad (COFIDES, 2023). - 60% of portfolio invested in Latin America (EDFI, 2023).
Sweden	Swedfund	Untied (Runde et al., 2016)	Strategic partnerships with Swedish entities dedicated to supporting Swedish businesses (Swedfund, 2014): <ul style="list-style-type: none"> - Business Sweden, a public-private organization offering strategic advice and support free of charge to Swedish companies operating in foreign markets. - Exportkreditnämnden (Swedish National Export Credits Guarantee Board) offers export guarantees covering most countries in the world to both larger companies and SMEs. - SEK (Swedish Export Credit Corporation) offers a variety of financing solutions to Swedish companies, including a variety of impact loans, sustainability-linked loans, export credits and guarantees. - ALMI Företagspartner offers business support, debt and venture capital to both established businesses and start-ups. - Tillväxtverket (Swedish Agency for Economic and Regional Growth) offers a range of business support initiatives for Swedish SMEs, including dedicated financial consultation and marketing services for Swedish cleantech companies.

Source: Milken Innovation Center.

Appendix 11: Selected project development, technical assistance and early-stage financing organizations

1. British International Investment (BII)

	BII Plus	Climate Innovation Facility	Catalyst
Mission	Technical assistance and support facility for pipeline and portfolio companies.	Seeding pioneering climate solutions, including for adaptation and resilience.	Shaping nascent markets, taking a flexible approach to risk in exchange for pioneering impact.
Activity scope	£100 million in UK government funding, supporting 258 projects for 110 businesses.	£200 million blended capital portfolio.	High-risk, high-impact VC portfolio, amounting to approximately £750 million of BII's total portfolio of £6 billion; Loss tolerance of 30% funded by BII's other investments.
Focus regions	Primarily Africa, secondary focus on South- and Southeast Asia; regional offices in Egypt, Ghana, Kenya, Nigeria, South Africa, Zambia and Zimbabwe, and investments in most countries in Africa.		

Investees	Companies within BII's portfolios (typically small grants to hire consultants).	Companies (risk-tolerant, often uncollateralized loans), equity funds (first-loss position), infrastructure projects (grants).	Investment capital (equity, debt, trade, supply chain finance, or indirect investments) for early-stage companies and projects using innovative technology and business models.
Focus sectors	All BII investment sectors, with objectives focusing on work conditions, gender equality, smallholder supply chain inclusion, resource management and capacity building.	Innovative solutions for climate mitigation, adaptation and resilience.	Off-grid clean energy access, high-impact infrastructure, healthcare, high-value crop and forestry; establishment and support of platform companies as targeted investment vehicles for specific sectors/regions.

Table Source: Milken Innovation Center. *Data Source:* BII website (bii.co.uk).

BII Project examples

	Base country	Target country	Description	Project	Funding provided	Funding provider
Gridworks	UK	Africa	Wholly-owned subsidiary platform of BII to address the market gap in energy infrastructure.	Investing in, growing and establishing companies dedicated to energy infrastructure and energy access to off-grid households and businesses.	\$108 million equity	Catalyst
Sustainable Power Solutions (SPS)	South Africa	South Africa, Namibia, Kenya, Indian Ocean islands	Fully integrated service provider providing funding, engineering and maintenance services to provide businesses with clean, affordable energy solutions.	Support to grow SPS's services and offer fully integrated solar PV and battery storage across Sub-Saharan Africa.	\$31 million equity	Gridworks
Virunga Energy	DRC	DRC	Clean power projects to provide energy to communities in the area of Virunga National Park in the eastern DRC.	BII Plus support for growing a local, in-house E&S team to ensure sustainable, long-term E&S management and create local employment opportunities.	\$9 million equity + grants	Catalyst, BII Plus
14Trees	Switzerland, UK	Malawi, Rwanda, Tanzania, Zambia	Production of an affordable and eco-friendly alternative to traditional clay burnt bricks, as well as other innovative building solutions.	Established as a joint venture between BII and Swiss LafargeHolcim to expand production and distribution to additional parts of Africa; BII Plus support to incorporate carbon credits into the revenue model.	\$5.23 equity + grants	Catalyst, BII Plus

Table Source: Milken Innovation Center. *Data Source:* BII website (bii.co.uk); Gridworks website (gridworkspartners.com).

2. FMO

	• Development Accelerator	• Partnership Development Facility	• Capacity Development Program	• MASSIF
• Mission	<ul style="list-style-type: none"> Co-financing early-stage projects with a Dutch interest in emerging markets. 	<ul style="list-style-type: none"> Building partnerships with Dutch companies to develop high-impact projects in developing countries. 	<ul style="list-style-type: none"> Finance the hiring of consultants, trainers, and experts to facilitate knowledge transfer and provision of technical expertise. 	<ul style="list-style-type: none"> Early-stage, high-risk investments in financial services for micro-, small- and medium-sized entrepreneurs.
• Activity scope*	<ul style="list-style-type: none"> €5.1 million in grants to five active projects. 	<ul style="list-style-type: none"> €14.6 million in grants to seven active projects. 	<ul style="list-style-type: none"> €24.18 million in grants to 223 investments since 2016. 	<ul style="list-style-type: none"> Almost €500 million in fund capital and a portfolio of €500 million in 231 investments.
• Focus regions	<ul style="list-style-type: none"> Emerging markets, including Kenya, Nigeria and Rwanda 	<ul style="list-style-type: none"> Developing countries, including Ethiopia, South Africa, Tanzania and Zambia. 	<ul style="list-style-type: none"> Developing countries, including 18 in Africa. 	<ul style="list-style-type: none"> Developing countries, including 18 in Africa.
• Investees	<ul style="list-style-type: none"> Early-stage projects with Dutch involvement. 	<ul style="list-style-type: none"> Dutch companies working in developing countries. 	<ul style="list-style-type: none"> Companies in FMO's main investment portfolio. 	<ul style="list-style-type: none"> Mostly financial institutions.
• Focus sectors	<ul style="list-style-type: none"> Water, climate, health and agri-food sectors. 	<ul style="list-style-type: none"> Water, climate and agri-food sectors. 	<ul style="list-style-type: none"> Gender equality, environmental sustainability, ESG risk management. 	<ul style="list-style-type: none"> Supporting MSMEs in with limited financial access, particularly agricultural and rural areas.

*For comparison, FMO's total portfolio size is approximately EUR 9 billion

Table Source: Milken Innovation Center. Data source: FMO website (fmo.nl).

FMO project examples

	Base country	Target country	Description	Project	Funding provided	Funding provider
DSM International	Netherlands	Ethiopia	Bioscience company focusing on human and animal health and nutrition.	Establishing a partnership with an Ethiopian company to produce and distribute fortified food for children and mothers.	€0.82 million grant	Partnership Development Facility
WWF Netherlands	Netherlands	Zambia, Myanmar	Wildlife and environmental preservation NGO.	Pre-feasibility studies to identify bankable wastewater treatment solutions and match Dutch technology providers with local partners.	€0.35 million grant	Partnership Development Facility
Ecom Agrotrade	Côte d'Ivoire	Côte d'Ivoire	Commodity trading and sustainability services company specializing in cocoa.	Establishing a microfinance institution offering services specifically tailored to smallholder farmers.	€0.23 million grant	Capacity Development Program
Invest in Africa	Ghana	Ghana	Non-profit company with programs to increase partnership and investment opportunities for SMEs.	Establishing a business skills programme to connect SMEs with experts to improve business models and organizational structures.	€0.06 million grant	Capacity Development Program
Zanzibar Sugar Factory	Tanzania	Tanzania	Sugar estate and mill manufacturing raw sugar and ethanol.	Increasing cane sourcing from smallholders, facilitating smallholders transition from subsistence to revenue farming.	€0.13 million grant	Capacity Development Program
Agora Microfinance	Zambia	Zambia	Microfinance institution serving low-income rural households.	Lending to smallholder farmers and entrepreneurs in rural areas, mostly women.	\$2.5 million loan	MASSIF
Umati Capital	Kenya	Kenya	Fintech start-up providing value chain finance to agricultural SMEs.	Early-stage loan portfolio growth.	€0.3 million loan	MASSIF

Table Source: Milken Innovation Center. Data source: FMO website (fmo.nl).

3. Norfund – Frontier Facility

Norfund – Frontier Facility	
Mission	Enabling early-stage project development within Norfund's investment areas, and mitigating risk for commercial investors seeking to invest in Norfund-funded projects throughout the project cycle.
Activity scope	Provides funding to companies and VC funds to support early-stage project development and start-ups through small loans (up to 8.52 million NOK / \$777,000) that can be converted into equity at a later stage. Holds equity stakes in VC funds and some companies (up to 27.54 million NOK / \$2.51 million) as risk mitigation to allow private investors to invest in Norfund-funded projects.
Focus regions	Norfund focus regions, primarily in Sub-Saharan Africa and Southeast Asia.
Investees	Companies as well as funds and financial institutions in Norfund's investment areas. Projects form a separate portfolio but may be incorporated into Norfund's main investment portfolio at a later stage.
Focus sectors	Financial inclusion, clean energy, scalable enterprises.

Table source: Milken Innovation Center. Data source: Norfund, 2023a.

Norfund Frontier Facility project examples

	Base country	Target country	Description	Project	Funding provided
Arnergy Solar	Nigeria	Nigeria	Home solar energy system start-up.	Business support and management training, to support expansion to private homes and SMEs and promote gender equality.	€2 million equity
Katapult Africa	Norway	Africa	Combined seed funding/accelerator programme for start-ups in the agri-tech, climate-tech and impact-tech sectors.	Pilot fund offering a combined seed funding/accelerator programme for start-ups specifically based in or seeking to operate in Africa.	NOK 2.5 million equity

Table source: Milken Innovation Center. Data source: Norfund, 2023a.

4. Global Innovation Fund (GIF)

	Norfund – Frontier Facility
Mission	Non-profit impact VC fund, dedicated to testing and scaling up products, services, processes and policy reforms to improve the lives of the world's poorest people (social value rather than financial value).
Activity scope	<p>\$112 million invested in 58 investments.</p> <p>Seed capital for field testing and small-scale pilots; funding for promising innovations with small-scale success requiring further testing and development support, including impact assessments and commercial assessments; more substantial financing to scale up of investments, supporting adaptation, technical assistance, replication tests obtaining support from commercial investors and establishing partnerships with commercial firms.</p>
Focus regions	Low- and middle-income countries all around the world.
Investees	Various, including both commercial and non-commercial (typically, grants to NGOs and policy initiatives with potential for significant social impact, and risk capital for commercially oriented initiatives).
Focus sectors	Innovation with strong impact and scalability potential, including commercial ventures, policy initiatives, civil society organizations and social infrastructure.

Table Source: Milken Innovation Center. *Data Source:* Global Innovation Fund website (globalinnovation.fund).

GIF project examples

	Base country	Target country	Description	Project	Funding provided
AgriTask	Israel	Africa and Southeast Asia	Digital platform to manage the value chains of international food and beverage companies, that include smallholder farmers in low-income countries	Developing and testing the platform and scaling up its operations in Africa and Southeast Asia to increase sustainability and accountability throughout the value chain.	\$3 million convertible loan
PoaPower	Kenya	Kenya	Pay-as-you-go energy service provider with no upfront equipment costs for low-income off-grid households.	Pilot testing (100-200 households) to validate capability, test distribution channels and demonstrate household adoption.	\$240,000 convertible loan
One Acre Fund	Kenya	Burundi, Kenya, Malawi, Rwanda, Tanzania, Uganda	System for testing, evaluating, and scaling agricultural technologies relevant to rural smallholder farmers.	Testing and scaling up new farming innovations through the Fund's farmer network, improving the sustainability of its model, and creating public and private partnerships.	\$15 million grant

Table Source: Milken Innovation Center. *Data Source:* Global Innovation Fund website (globalinnovation.fund).



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