

## Appendix 1 – Investment and Technical Assistance Appetite Statement

The below table sets out the high-level indicative parameters of the nature of the investment and technical assistance funding contribution that FCDO would be willing to make to investment products identified during the MOBILIST Window closing 30/09/2022.

Type of Securities
FCDO will consider applications that aim to list a product on a stock exchange
Securities must be capable of being traded in the secondary market, and FCDO will therefore not, for example, accept applications pertaining to participations in open ended funds or listings of securities for which no secondary market can be reasonably expected to exist.
FCDO may not invest in debt securities, or structures categorised as debt products, but such products may qualify for Technical Assistance Funding.
FCDO may not invest in listed derivatives.
Nature of Investment
FCDO may provide equity to a product as a minority investor. Therefore, applicants should have identified one or more anchor investors committed to supporting the listing of the product.
Without prejudice to remaining a minority investor, the size of FCDO's investment will be determined by the ability of an FCDO investment to help deliver a successful launch, optimise value for money and comply with the ITAAS (in particular in relation to not creating a non-departmental public body).
Any investment will only be made in GBP, unless otherwise agreed with FCDO Finance (currency exposure on FCDO's balance sheet is normally not permitted).
Support for any particular product must be predicated on the reasonable expectation that the product will be listed on a stock exchange.
FCDO requires its participation to count as Official Development Assistance <sup>1</sup> , meeting both structural requirements (developmental impact), and broader tests on primary purpose and additionality <sup>2</sup> . It is not necessary for all fund activities to take place in ODA-eligible countries, and the relative share will be determined by a coefficient, as per OECD-DAC Guidelines.
FCDO must not be able to exert a controlling role in the new product and is not intending to create a controlling stake. FCDO's investment must not create a NDPB in compliance with Her Majesty's Treasury Rules and ESA 10 guidance <sup>3</sup> .
It is not envisaged that FCDO will consider making an investment in securities junior to the main tranche being listed.

<sup>1</sup> Reporting on Private Sector Instruments as ODA will be subject to a specific procedure consisting of i) an assessment of the mandate and objectives of the product providing PSI, in particular the extent to which it has the economic development and welfare of developing countries as the main and primary objective of its operations (developmental criterion of ODA) and provides finance which is additional (characteristic of operations for PSI to be in line with the concessional in character criterion of ODA); ii) provision of flow data in the CRS at the activity level; and iii) publication of data on PSI under agreed transparency provisions and rules on data disclosure.

<sup>2</sup> We use the instrument approach for our investment portfolio in FCDO India, which includes our investment in the Green Growth Equity fund under India's National Infrastructure Investment Fund (NIIF). FCDO India's investments are equity investments, which are 100% ODA-eligible.

<sup>3</sup> <https://ec.europa.eu/eurostat/documents/3859598/10042108/KS-GO-19-007-EN-N.pdf/5d6fc8f4-58e3-4354-acd3-a29a66f2e00c>

Any selected product will apply IFC performance standards or their relevant equivalent as part of the product's risk management framework.

### **Relevance, Impact and Additionality**

Development impact, and a Monitoring & Evaluation framework are critical elements of the assessment of the product.

There will be strong preference toward higher asset exposure in LICs and LMICs (while recognising the investment rationale for diversification) and a high bar of additionality for UMICs.

Any FCDO participation must be compliant with Subsidy Control Rules, with advice from HMT and Legal.

Applicants must demonstrate a commitment to mobilising institutional capital for SDG financing.

Applicants must demonstrate an ability to source, develop and execute on the product's strategy based on its team, geographic presence, asset origination capability, etc.

Applicants will be expected to demonstrate how they intend to raise institutional and/ or retail capital to achieve a public listing.

Strong evidence that the listing of the product on a stock exchange is feasible.

The applicant should propose products that can demonstrate additionality in the target countries and/or sectors.

The proposed product should be demonstrably scalable and replicable.

### **Ability to deliver**

Attainment of certain minimum due diligence thresholds, such as relevant authorisation by, and their good standing with, all relevant regulatory bodies

The applicant must have a demonstrable track record relevant to the proposed product.

The applicant must have demonstrable knowledge of the relevant sector(s) in one or more of the selected geographies

The applicant must demonstrate the product is a fit for the investment mandates of its target investor base.

The applicant must be able to demonstrate the product is a fit for the listing rules and regulatory framework relevant to its target market.

The applicant must demonstrate the product is commercially viable by providing evidence of relevant experience of managing a similar strategy. This may have been achieved in a different but comparable context (such as, for example, in private markets, a different geography, or different sector).

### **Nature of Technical Assistance Funding**

FCDO may provide Technical Assistance Funding to applicants.

Such Technical Assistance Funding will need to contribute to public good interventions that can be reasonably expected to produce a more supportive investment context. Such interventions should not be exclusively for the benefit of the applicant.

Technical Assistance Funding may take the form of a grant, a returnable grant or the underwriting of specific non-recoverable costs incurred as part of the listing process.

To ensure alignment of incentives, Technical Assistance Funding cannot exceed 50% of the value of a specific service.



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