Agadir, Morocco
March 20th – 24th, 2017

SUPPORTING THE LDN FUND PROJECT
by sharing the EIB experience in structured layered funds – 23th March 2017

James RANAIVOSON
Managerial Adviser
Environmental & Infrastructure Funds
Climate Action Operations
Directorate General Operations
European Investment Bank (EIB)
Private assets

Land use asset classes
- Sustainable Forest Plantation
- Afforestation/Reforestation
- Sustainable Agriculture
  - Agroforestry, farming conservation with nature-based approaches
  - Pro-Biodiversity Businesses: "Green/Bio" Production, Ecotourism...

Sustainable Forest Plantation
- Forest Conservation
- Restoration of Natural Capital on Private or Public Lands

Green Infrastructure
e.g. natural corridors

Protection of Various Ecosystem Services:
- Flood protection
- Fire Prevention
- Erosion Control
- Air Control
- Endangered Species
- Pollination
- Water Purification
- Soil nutrients etc

Investors
<-----Financial Investors, private equity & VC funds, commercial banks
Philanthropists
Governments
DFIs, impact investors
<----------------------------------->

Financing Instruments
- Loans to Public Sector
- Blending
- Grants

Direct or intermediated to private sector: equity, senior or mezz loans
- VC funds or seed funding
- Private equity/debt funds
- Classic or layered equity/debt funds with activation of revenues (carbon, PES, offsets...)
- Green Bonds?

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How do layered funds work?

EIB is invested (and is still considering to invest) in such tranched funds [or facilities]:

- Micro-Finance: EFSE (S-E Europe, Caucasus, Turkey)
- Renewable Energy & Energy Efficiency: Green for Growth (S-E Europe), EEEF (EU), GEEREF (worldwide)
- Natural Capital: NCFF (EU)
Example of Green for Growth Fund – Funding Evolution

Tranched structures ideal for phasing in private investors over time

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Why layered structures make sense in development space

Segregation into tranches allows each investor to optimize balance of results

N = Note in debt impact fund
B = B Share in debt impact fund
SE = Senior equity in social PE fund
E = Equity in social PE fund
\( \text{Tree} \) = Equity in sustainable forestry fund
A PUBLIC-PRIVATE INVESTMENT PLATFORM COMBINED WITH A TA FACILITY

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LAYERED FUND: DIFFERENT CAPITAL TRANCHES, SUITED TO EACH INVESTOR’S PROFILE

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**Notes** reduce cost of capital:
- Low risk and associated low cost
- Creates wider participation in impact

**Senior Shares**, redeemable capital:
- Reduced level of risk
- Lower cost than pure equity
- Allows for DFI funding

**Junior Shares** play a critical role:
- Take first loss risk
- Development orientated
- Efficient use of donor money
- Critical for sustainability of vehicle

**Comments**
- Or 15+1+1
- Y5-6 only for debt
- Limited commit. period
- Only for equity investments

**Supporting the LDNF...EIB experience**