The essential glossary of global development financing for BD pros

A business development tool kit for sourcing diverse funding in a complex landscape

Executive summary

The global development finance landscape is undergoing a seismic shift. As traditional grants shrink and public aid faces mounting political pressures, those sourcing funding must adapt — fast. The world is filling up with new funders and new types of funding — including hybrid mixtures of traditional models. And it is transforming how development gets funded.

This glossary is designed to equip global development professionals with a practical understanding of the most relevant finance terms and mechanisms — from concessional loans to catalytic equity, from impact investing to results-based finance. Whether you're responding to a DFI tender, building a consortium for an outcomes fund, or simply trying to decode donor jargon, this guide is your starting point.

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1 HOW DEVELOPMENT IS FINANCED: KEY TOOLS

Let's start with the go-to building blocks of global development finance — whether you're designing a project, responding to a tender, or structuring a deal, you need to be familiar with all these terms.

Grants

Known as the bedrock of development funding, grants are nonrepayable funds provided by governments, foundations, or multilaterals to support development outcomes. While traditional grants still dominate in the NGO space, today's landscape offers more nuance in how grants are structured and deployed.

- **Traditional grants:** These are earmarked for specific activities, projects, or geographies, usually with rigid reporting and delivery requirements. Think: European Union funding civil society organization projects or (former) USAID cooperative agreements.

- **Unrestricted or flexible funding:** A growing number of donors are shifting toward unrestricted funding, which trusts organizations to decide how best to spend funds — whether on overhead, salaries, advocacy, or innovation. Read more.

- **Design-phase grants:** Think of this as seed capital for development: Grants specifically to explore, test, and plan big ideas before scaling. For example, Co-Impact provides $300,000 design grants to co-develop strategies with local partners before unlocking $3 million–$8 million for implementation. Read more.

- **Repayable or convertible contributions:** These are hybrid grants with a built-in clause requiring repayment if certain conditions are met — such as generating revenue or attracting follow-on investment — or may convert to equity. These instruments blur the line between grants and concessional capital, helping catalyze new markets. Read more.

BD Insight:

If you're pitching innovation or systems change, design-phase and flexible grants are where you start the conversation.

Spotlight: Cash transfers

Not a funding mechanism but a delivery model — direct cash payments to individuals or households, often used in humanitarian response, poverty reduction, or social protection programs. GiveDirectly is a leading example, distributing unconditional cash transfers to vulnerable populations in Africa and beyond. Read more.

Concessional loans

Also known as "soft loans," these could come with a mixture of low interest rates, long repayment periods, or grace terms — making them accessible to governments or projects where commercial lending is not an option.

What's new? Multilateral banks like the World Bank and Inter-American Development Bank are increasingly including climate-contingent clauses in concessional loan agreements. This means repayment can be paused if a country faces a major disaster — helping governments stay afloat during crises without defaulting.

BD Insight:

If you're responding to infrastructure or resilience opportunities with MDBs or DFIs, expect concessional finance to play a central role — especially as part of blended deals (see below) or public-private partnerships.

Equity

Equity investments involve taking a share of the ownership in a company, project, or fund — often in return for a share of profits or value appreciation. In development finance, equity is used to support high-impact ventures that need patient, risk-tolerant capital.

Catalytic equity: This is the riskiest and often the earliest money in. Backed by philanthropic or public sources, catalytic equity helps launch new funds, de-risk early-stage ventures, or demonstrate viability to attract private investors. For example, Allied Climate Partners used $15M of catalytic equity to help raise a $175M green infrastructure fund in Southeast Asia. Read more.

Philanthropically-backed equity: This form of equity is underwritten by foundations, family offices, or donor-advised funds — and often prioritizes impact over financial returns. The Gates Foundation, for instance, uses program-related investments, or PRIs, to make equity investments in global health and innovation. Read more.

BD Insight:

Equity can't be "won" like a grant — but it can be secured through partnerships, pitch readiness, and a clear impact thesis.

Debt vs. Equity — what's the difference?

Debt is borrowed money that must be repaid (often with interest). It's less risky for the lender, but requires repayment regardless of success.

Equity means ownership: the investor shares in risk and reward. It doesn't require repayment, but gives up some control and future returns. Typically, overall, equity involves paying more, but only if you're successful.

Guarantees

Guarantees are like insurance for private investors - they are meant to reduce the perceived risk of lending or investing. A third party — often a DFI, MDB, or donor — agrees to cover a portion of the loss if a borrower defaults on a loan, or a project fails. Guarantees help derisk high-stakes or unfamiliar markets and crowd in commercial capital.

BD Insight:

If your proposal is high-risk or in a fragile market, ask if a guarantee instrument can be layered in.

Why it matters: Guarantees are generally viewed as vastly underused in development finance, despite their power to unlock billions in private finance with limited public money. Read more.

Blended finance

Defined as the strategic use of public or philanthropic capital to mobilize private sector investment for development outcomes, it typically "blends" concessional (risk-tolerant) finance with commercial finance to make projects investable. It works by layering different types of capital — grants, concessional loans, guarantees, and equity — into a single investment vehicle. The public or philanthropic capital takes on more risk (first loss, subordinate positions), creating a risk-return profile that appeals to private investors.

BD Insight:

You don't need to be a fund manager to be a player in blended finance. There are opportunities for NGOs and implementers in being strategic partners — not recipients. By offering technical expertise, local insight, or risk mitigation, your organization can become essential to structuring investable deals. Lean into what you know, and bring in the right financial partners to do the rest. Read more

Example: Gavi, the Vaccine Alliance *and the* Asian Infrastructure Investment Bank partnered to blend grant and loan capital to strengthen vaccine access and health infrastructure in low-and middle-income countries. Read more.

Why does it matter? Blended finance is viewed as a key mechanism to support the "billions to trillions" ambition. Without it, many SDG-aligned projects might remain commercially unviable.

Impact investing

Investments made with the intention to generate measurable social and/or environmental impact alongside a financial return. Impact investors range from dedicated funds to foundations, DFIs, and even pension funds. They invest in enterprises that deliver impact in areas such as education, health, climate, and gender equality — typically through equity, debt, or mezzanine financing — a hybrid form of finance that lies between the two. Their key feature is that the impact should be intentional and measurable. Watch our explainer and read more about impact investing here and here.

BD Insight:

Foundations and DFIs are blending grantmaking with impact investing. Don't pitch them like you would a donor — pitch them like a mission-driven investor.

2 WHO IS FUNDING WHAT?

Get to know the major players shaping the global development finance ecosystem — and what drives them.

While traditional government donors — such as the United States, the European Union and its member states, Australia, or Canada — continue to provide large volumes of official development assistance (ODA), today's development capital is increasingly shaped by development finance institutions (DFIs), multilateral development banks (MDBs), and philanthropic actors deploying a wider mix of instruments: loans, equity, guarantees, and pooled capital.

Development Finance Institutions (DFIs) & Multilateral Development Banks (MDBs)

DFIs and MDBs are public investment institutions that deploy capital to advance development. They are central to financing climate resilience, infrastructure, health systems, and private sector growth across low-and middle-income countries.

Multilateral Development Banks: MDBs are international financial institutions whose shares are owned by multiple governments. Their most common function is to lend to sovereign governments — often to fund infrastructure, energy, and social sector programs. The sovereign lending arms of MDBs — such as IBRD and IDA within the World Bank Group — provide concessional or market-rate loans, technical assistance, and manage large trust funds for global development priorities.

Most MDBs also operate private sector arms that function as DFIs. These arms invest directly in companies, funds, or blended finance structures — using debt, equity, and guarantees to crowd in private capital. Examples include the IFC (World Bank Group) or IDB Invest (Inter-American Development Bank).

Development Finance Institutions: DFIs invest public capital with the explicit goal of mobilizing private finance for development. They typically back high-impact projects and enterprises that may be too early-stage for commercial investors. Some DFIs are bilateral — backed by a single government — such as Proparco (France), Norfund (Norway), or British International Investment (UK). Others are the private sector arms of MDBs, as noted above.

DFIs commonly offer: debt (both concessional and market-rate), equity (including catalytic and patient capital), guarantees (to de-risk transactions for private co-investors), and Permanent Capital Vehicles, or PCVs (investment structures designed to operate indefinitely — with no fixed end date for capital return. They can reinvest returns and adapt strategies over time). Read more.

BD Insight:

DFIs and MDBs increasingly publish procurement notices, fund local intermediaries, and co-finance through blended structures. If you're pursuing climate, infrastructure, or enterprise-building programs, understanding their instruments and entry points is critical.

Philanthropies

Philanthropic capital is playing a growing — and increasingly strategic — role in global development. While some foundations still focus on traditional grants, which often involve relatively restricted and short-term project funding, some are moving beyond this approach to embrace risk-tolerant capital, flexible support, and systems change investment.

Key philanthropic funding terms BDs must know:

- **Trust-based giving:** Multiyear, unrestricted funding designed to support organizational resilience and local leadership. It is especially common among funders pushing power-shifting approaches. Read more.
- **Program-related investments, or PRIs:** Equity or loan investments made by foundations to advance mission-aligned initiatives. PRIs often carry below-market returns or higher risk tolerance.
- **Donor-advised funds, or DAFs:** These fast-growing philanthropic vehicles allow individuals or institutions to contribute funds (receiving immediate tax benefits) and recommend grants or impact investments over time. Some DAFs are beginning to back early-stage ventures or social enterprises through equity or recoverable capital.
- **Collaborative philanthropy:** Multiple funders pool resources under shared goals — often around systems change, field building, or policy reform. Think: Co-Impact or Segal Family Foundation.

Philanthropic endowments: The large pools of capital held by foundations and invested to generate annual returns. Typically, foundations will spend only a small percentage, typically around 5%, each year on grants. While they help ensure the long-term sustainability of the foundation's mission, most endowments are invested for growth, not impact. However a growing number of funders — such as the Ford Foundation and the MacArthur Foundation — are deploying portions of their endowments into impact investing vehicles. Read more.

BD Insight:

Philanthropy offers unmatched flexibility — often able to fund early-stage ideas, take reputational risks, or de-risk private capital. For BD professionals, it's not just about pitching a project — it's about aligning with a funder's strategic worldview. Foundations often value storytelling, systems change, and policy influence as much as direct delivery.

Philanthropic actors to watch

High Net Worth Individuals (HNWI): These are Individuals with substantial personal wealth, typically defined as having $30 million or more in net worth. Increasingly, this group is shaping global giving and impact investing trends through personal foundations, family offices, and direct philanthropic engagement. Their gifts can be transformational — often six- to eight-figure commitments. HNWIs appear to be more frequently drawn to high-impact opportunities, startups, and field-building initiatives, and are less constrained by institutional timelines or bureaucratic restrictions.

BD Insight:

Some HNWIs work through DAFs or have bespoke structures, but especially in fragile markets or innovation-focused sectors, they offer financial agility and rapid decision-making. Understanding the mindset of the individual giver is vital, including whether they are driven by evidence of impact or alignment with personal values.

Diaspora funders: Members of diaspora communities who mobilize capital for development — through remittances (in 2023, global remittances to low- and middle-income countries were estimated at $669 billion, surpassing total ODA and foreign direct investment, or FDI, combined), community giving, investment vehicles, or co-financed programs.

BD Insight:

Diaspora funding represents untapped potential — especially where diasporas have strong civic ties. Tools such as pooled funds, matching schemes, or diaspora bonds, tapping this form of capital can significantly expand funding opportunities for local and regional projects.

Private sector investors and financial institutions

As traditional ODA shrinks, the private sector is no longer a silent partner — it's becoming a core player in development finance. While still cautious, private capital is increasingly entering the space through blended finance, outcome-based bonds, corporate sustainability strategies, and impact advisory platforms.

How it shows up: From solar farms to supply chains, private capital is flowing into development — often alongside DFIs and MDBs. Big banks such as Standard Chartered and J.P. Morgan are structuring impact-linked deals and advising clients on development outcomes, while asset managers and institutional investors are backing ventures in energy, health, and logistics, especially where risk is shared through public guarantees. Read more.

BD Insight:

Private capital is hungry for impact — but wary of risk and complexity. Your edge as a BD pro lies in bridging that gap: understand how to position development projects to attract private investment, structure guarantees or TA components, and speak the language of ROI and SDGs.

3 TYING FUNDING TO RESULTS

Performance-based funding models tie money to results, not just activities — shifting risk, encouraging innovation, and changing how success is measured.

Outcomes-based finance or results-based finance

These are funding approaches where funders pay only if agreed outcomes — such as increased school attendance or reduced carbon emissions — are achieved. No results, no payment.

Why it matters: Outcomes-based finance, or OBF, and results-based finance, or RBF, push implementers to prove what works. It''s a process which rewards outcomes over inputs, but demands strong data, measurement systems, and risk appetite. Read more.

BD Insight:

If you're bidding on an OBF contract, make sure you have monitoring capacity, adaptive programming chops, and partners with performance credibility.

- **Development impact bonds (DIBs):** A specific OBF model where private investors — often charitable foundations or philanthropists, although sometimes commercial investors too — front the money for service delivery. If outcomes are met, donors or governments pay them back — often with a return. Watch our explainer.

- **Working capital:** This refers to the short-term financing needed to bridge the gap between delivering services and receiving payment. In outcome-based finance, implementers can often wait months (or years) to get paid and this capital helps them operate before outcomes are verified.

Why it matters: No org can deliver at scale without liquidity. If you're pitching in an RBF setting, line up your working capital early.

Example: The Utkrisht Impact Bond is the first DIB focused on maternal and child health, supported by USAID and launched in partnership with the UBS Optimus Foundation and MSD for Mothers. UBS provided up to $3.5 million in initial working capital to enable service delivery with private facilities.

If outcomes were met, additional outcome funding of up to $8 million will be disbursed. This allowed implementing partners to start operations before any payment flowed from outcome funders. Read more.

Advance Market Commitments (AMCs)

A financial mechanism where donors commit to purchasing a product — like vaccines — which once developed, will provide a guaranteed market and de-risk R&D. Read more.

BD Insight:

AMCs are now being explored in climate tech, carbon markets, and food systems. Keep them on your radar.

4 BD ESSENTIALS

This section isn't about capital — it's about access. If you want to win donor funding, enter new markets, or get through a partner's vetting process, these are the terms you need in order to speak fluently. They're the backbone of how development money actually moves.

Procurement

The formal process donors and DFIs use to purchase goods and services — including research, consulting, and technical assistance. Procurement is often governed by strict guidelines (e.g., EU PRAG, the World Bank procurement framework) and may involve frameworks, prequalification, or competitive bidding.

BD Insight:

Understanding procurement rules is essential when responding to tenders or partnering with larger primes. Failure to comply with technicalities can eliminate strong proposals.

Open competition

An open call for proposals, expressions of interest, bids, or concept notes. Anyone meeting the eligibility criteria can apply — making these processes transparent but highly competitive. Often used by traditional government funders, but also to channel some philanthropic funding such as the multibillion-dollar grants from Lever for Change.

BD Insight:

These are opportunities to break into new funding relationships. But expect rigorous compliance, detailed M&E frameworks, and multistage reviews.

Due diligence

The background checks funders conduct before awarding grants or contracts. This includes financial audits, safeguarding policies, risk assessments, board structures, and operational track records.

BD Insight:

You don’t have to be perfect — but you do need to be prepared. Have your policies, financials, and impact stories ready. Increasingly, foundations are streamlining this process to be less burdensome for small organizations.

Localization

The push to shift funding and decision-making to locally led leaders or organizations. Major donors have pledged to increase direct funding to national and community-based groups — though progress varies. Read more.

Technical Assistance (TA)

This is support — often grant-funded — provided to partners, investees, or ecosystems to build capacity, improve systems, or strengthen delivery. TA can take many forms: feasibility studies, digital tools, ESG support, or supply-chain improvements. Read more.

BD Insight:

TA is often part of a blended finance or investment deal, but also shows up as stand-alone funding (especially from DFIs or multilaterals). If you're a TA provider, position yourself with a clear value-add and measurable outcomes.

5 LOOKING AHEAD: WHAT BD PROS NEED TO KNOW NOW

Global development finance is in flux. Official aid is under pressure and the cracks are widening. At the same time, new capital is entering the space: Catalytic philanthropy and institutional investors are being asked to fill the gap.

But this new funding isn't coming in the form of traditional grants. It's coming with conditions — tied to performance, scale, and systems-level change. For business development professionals, this means new players, new tools, and new expectations. If you're still using the old rulebook, you're already behind.

That's where Devex Pro Funding comes in. From daily opportunity alerts to exclusive intelligence on donor trends, Pro Funding gives BD professionals the edge they need to navigate today's complex finance landscape — and win.

As a Pro Funding member this is what you need to keep front of mind:

- Follow the capital, not just the donors: Money isn't disappearing — it's shifting. Blended finance, catalytic philanthropy, and impact investing are growing rapidly. The savviest organizations are adapting by learning the language of risk, return, and leverage.
- Your role is changing: You don't need to be a financial expert — just find the right partners. Implementers are no longer just grantees. They're becoming structurers, technical advisers, and risk mitigators in deals that blend public, philanthropic, and commercial finance.
- New players, new expectations: Whether it's the U.S. International Development Finance Corporation's potential increased role, the Gates Foundation doubling its payout ahead of its sunset, or private equity entering the health and infrastructure space — the field is getting more complex, and more political. Funders increasingly expect measurable outcomes, co-investment, and sustainability strategies baked in from day one.
- **Narratives matter:** With philanthropies and outcome funders, how you tell your story — your theory of change, systems lens, and long-term strategy — can unlock capital just as effectively as financial projections.

Bottom line

The business development, partnerships, or resource mobilization roles of tomorrow aren't just focused on grant writing — they're translators, coalition builders, and capital mobilizers. This glossary is just the beginning. What comes next is how you apply it — in partnerships, proposals, and the way you frame your value in a fast-changing finance landscape. The Devex Pro Funding membership will equip you with the information you need to succeed.

How do organizations use Devex Pro Funding to advance their funding strategy?

Devex Pro Funding

Pro Funding is the sector-standard membership for business development, fundraising, and partnership teams working in international development.

1. It includes access to our premium news, analyses, and events, as well as the Devex funding platform and the Devex candidate database.

2. Teams can access funding intelligence and early-stage sector information, as well as tenders and grants, with over 850 funding sources tracked each day.

3. The platform goes beyond simply monitoring publicly available funding information to connect you with daily news and analysis from traditional development, foundations, emerging donors, and private sector sources.

4. With the ability to customize information according to your interests and needs, membership suits organizations of any size, from small to large. There is 24-hour support during the workweek and access to our team of analysts for those hard-to-answer questions.

The Devex funding search

We offer the most comprehensive access to funding opportunities in the sector. Your team can directly receive email alerts for funding opportunities each day.

Funding activity database

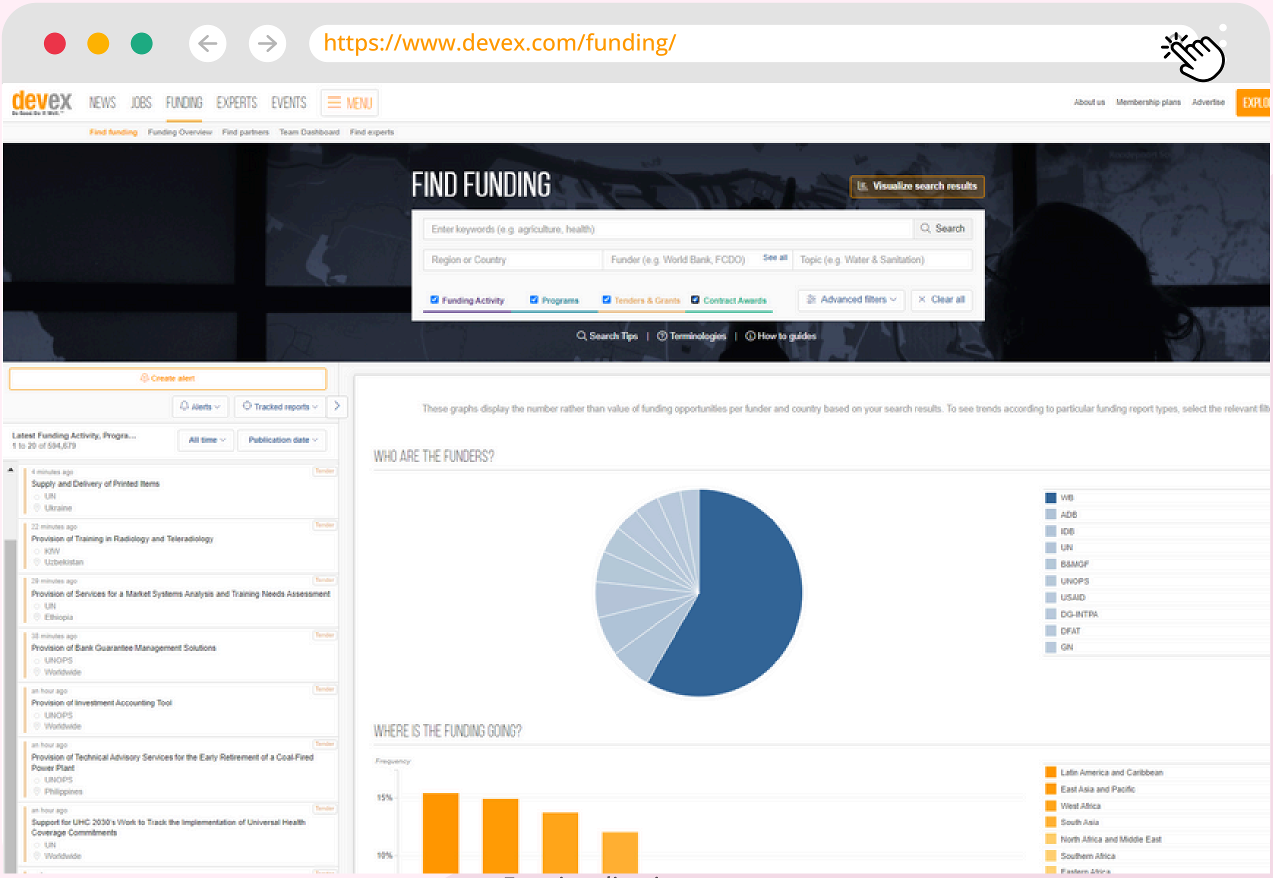
Gain early information on future funding by accessing a database that tracks 600,000 sources for the latest news on funding from local, national, and global media and donor sources daily.

Tender, grants, and open opportunities

Efficiently identify and track programs, tenders, grants, and open opportunities from over 850 national donors, emerging foundations, and private sector funding sources. See a sample of sources here.

Contract awards

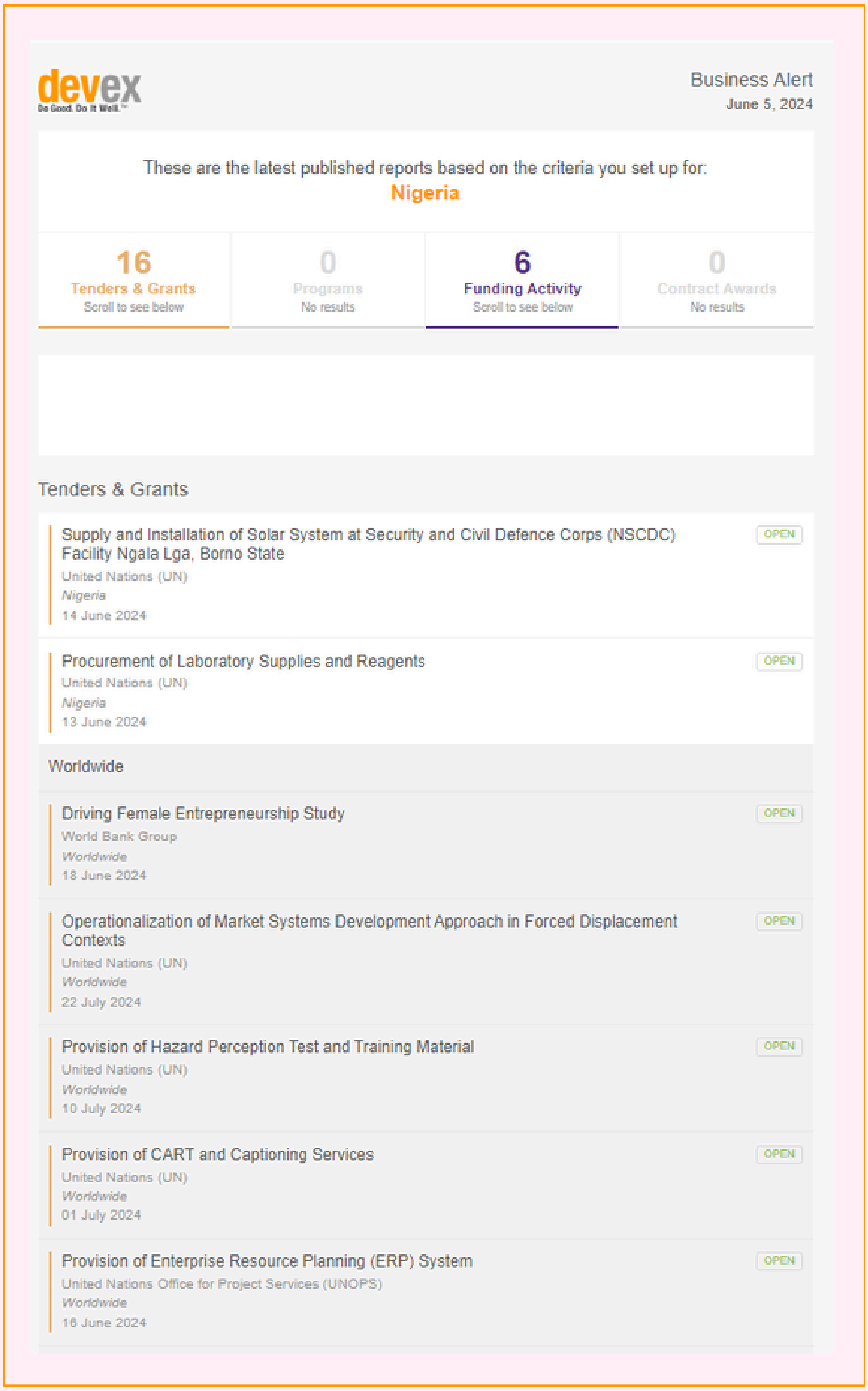
Discover the right partner organizations, and learn more about your competitors, through the contract awards and shortlist announcements database.



For visualization purposes

What a Devex alert looks like in your inbox

We offer the most comprehensive access to funding opportunities in the sector. Receive email alerts on funding opportunities directly to your team each day.



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For visualization purposes

What is the Devex Pro Funding for Organizations membership?

The sector-standard membership for **business development, fundraising, partnerships, advocacy, resource mobilization, strategy, leadership, programs, and communications** teams working in international development.

It provides organizations with access to: Devex Pro — in-depth news, analyses, and exclusive events — as well as the Devex Funding Platform, the Devex People Database, and collaboration tools designed to share content and knowledge across teams.

Designed for professionals in organizations, the membership enables each user to customize information according to their interests. You'll get 24/5 support as needed and access to our team of analysts for those hard-to-answer questions.

How and why do organizations use the Devex Funding Platform?

- Efficiently track and identify funding opportunities.
- Getting donor intelligence at the right time.
- Build partnerships/competitor analysis.
- Know their space.
- Save time.
- Develop a deeper understanding of funding trends, funder priorities, and donor program focus.

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