

# A Resource for Structuring Blended Finance Vehicles

Utilizing junior equity, subordinated debt, first-loss capital, guarantees, or technical assistance

## About This Resource

### Overview

Blended finance is a strategy that combines capital with different levels of risk in order to catalyze risk-adjusted, market-rate-seeking financing into impact investments. The providers of the risk-tolerant, “catalytic” capital in blended finance structures aim to increase their social and/or environmental impact by accessing larger, more diverse pools of capital from commercial investors.

Given the diversity of investors across the risk-return spectrum involved in the impact investing industry, a great opportunity exists for collaboration to mobilize significant capital toward positive impact. However, the process of designing a specific blended finance approach is not without challenges. In February 2018, the GIIN launched a Blended Finance Working Group to address the bespoke nature of designing blended finance structures in order to decrease transaction costs and to scale the use of blended finance. (A list of GIIN members involved in the Blended Finance Working Group can be found in the Appendix at the end of this resource.)

The Blended Finance Working Group identified a number of challenges that arise in structuring blended finance investments. Since these investments often involve a variety of stakeholders, the Working Group found that difficulties frequently occurred during negotiations over the design and specific terms of the investment vehicle. Specific issues included opposing expectations between risk capital providers and market-rate providers, as well as a lack of common language among the stakeholder group. At best, these issues led to a lengthy negotiation process; at worst, they caused deals to fall apart.

To address these challenges, the Working Group has created a suite of resource documents for stakeholders who have decided to utilize a blended finance structure that leverages one of the following catalytic tools:

- Junior equity\*
- Subordinated debt\*
- First-loss capital
- Guarantee\*
- Technical assistance

*\*deployed at concessionary prices*



More information about the Global Impact Investing Network can be found at [thegiin.org](http://thegiin.org)