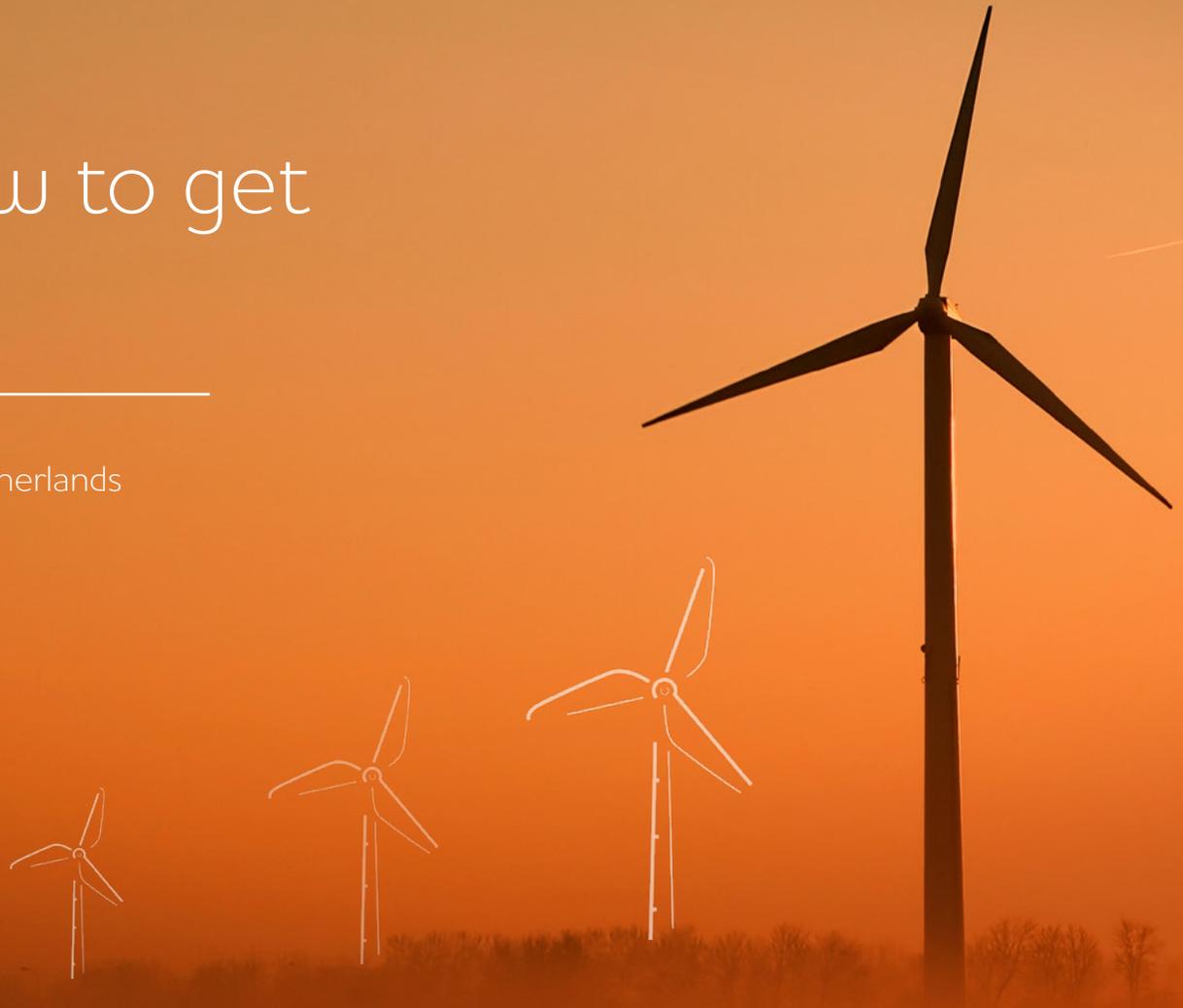


Blended finance: How to get investors on board

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Introduction

It is generally understood and agreed that public resources will not be sufficient to meet the investment quantum required to achieve the Sustainable Development Goals (SDGs) and the goals set by the Paris Agreement (“SDGs” thereafter), estimated at US \$4.5 trillion per year between 2015 and 2030 in emerging markets alone.ⁱ Even if all OECD-DAC countries met their 0.7% development funding to GNI target, there would remain an immense gap to fill. Therefore, achieving the SDGs requires a massive increase in capital flows to developing countries on a scale that requires close coordination between public and private actors.

Luckily, recent years have seen significant increases in private capital flow directed at emerging markets. In 2016, about 40% of the nearly US \$1.75 trillion worldwide foreign direct investment (FDI) was directed at developing countries, mainly driven by equity investment flows.ⁱⁱ Yet, the financing required to achieve the SDGs remains largely unmet by current FDI inflows, especially in least developed countries where FDI has actually decreased by 13% compared to 2015.ⁱⁱⁱ To put private capital to work towards achieving the SDGs, private capital needs to be directed to projects, sectors, and/or geographies where private sector investors typically do not venture because they are deemed unattractive from a risk-return perspective. In other words, while there are investment opportunities, few match the risk-return expectations of the private sector investors. To meet the risk-return perspective, governments play a role by financing technical assistance to grow facilities and companies that are still in earlier stages of development, link them to investors and mitigate risk through technical assistance. Furthermore, governments also have a key role to play to create the enabling environment in which investments can flourish and assist in the development and growth of investible initiatives to enable the allocation of more private capital towards achieving the SDGs.

Blended Finance is another way through which the governments and other public sector and philanthropic organisations can improve the risk return profile of investments with the purpose to make the SDGs more investible. Although such structures have been in use for many years, the label ‘Blended Finance’ is relatively new. Its introduction has triggered a strong interest in deploying this concept in support of development. In this article, Blended Finance is defined as the leveraging of public funds to catalyse private-commercial capital.^{iv} So it blends capital which has a development mandate with capital which does not, in a way that makes the SDGs more investible. The table below identifies the types of stakeholders involved in Blended Finance.



Table 1 – Actors involved in Blended Finance

TYPE OF ACTORS	MANDATE	ROLE IN BLENDED FINANCE
Public and philanthropic donors	<ul style="list-style-type: none"> • Use development capital to achieve sustainable development goals • Public donors: follow development cooperation agenda of their government and targets set for OECD’s Official Development Aid criteria. 	<ul style="list-style-type: none"> • Provide grants for technical assistance to develop projects and make initiatives investable. Grants are especially important in riskier countries and less mature sectors • De-risk projects through the use of several de-risking instruments • Convene different stakeholders • Advocate for the sustainable development agenda • Increase sustainable development impact of investments
Private-philanthropic investors (Foundations, non-profits, impact investors with sub-commercial return expectations, etc.)	<ul style="list-style-type: none"> • Direct private-philanthropic capital towards achieving social development goals with no or sub-commercial expectation of financial return 	<ul style="list-style-type: none"> • Given their higher risk tolerance, are well positioned to experiment in projects, sectors, and/or geographies with high potential development impact and influence capital flow through demonstration as well as by taking subordinated positions
Multilateral Development Banks (MDBs) and Development Financial Institutions (DFIs)	<ul style="list-style-type: none"> • Invest public capital in entities or vehicles where it will generate both financial return and development impact • Financiers require maintenance of capital which limits their risk tolerance 	<ul style="list-style-type: none"> • Signal the market about commerciality of certain investment opportunities through demonstration • Provide large ticket sizes (compared to other public investors and private-philanthropic sources) • Mitigate risks by taking risk layers, providing guarantees, etc. • A critical intermediary to get institutional investors on board as they can meet the ticket size and risk-return expectations of institutional investors and get them on board



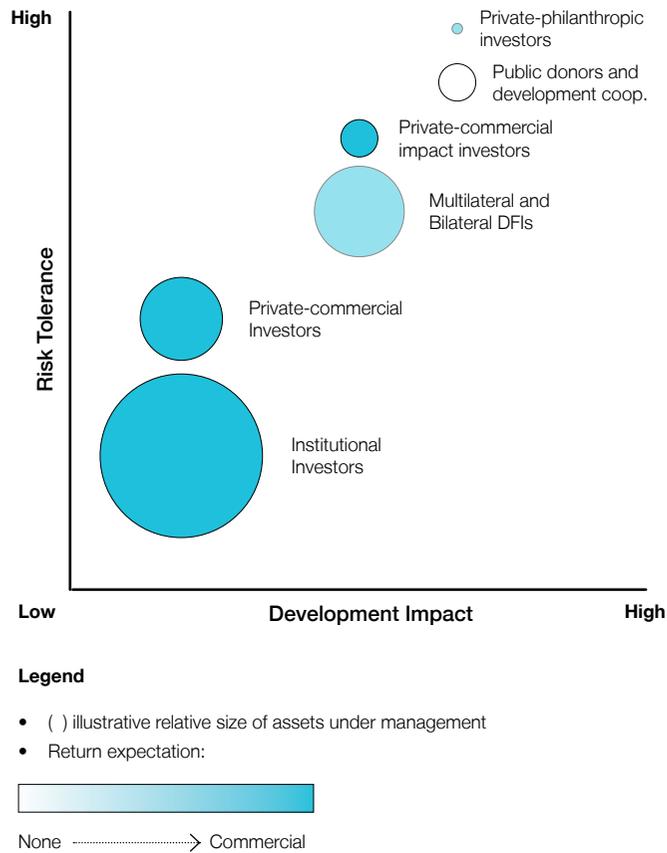
TYPE OF ACTORS	MANDATE	ROLE IN BLENDED FINANCE
Private-commercial investors (Funds/PEs/VCs, impact investors with commercial return expectations)	<ul style="list-style-type: none"> Investing at commercial terms and expecting a risk-adjusted market rate of return in order to preserve and grow capital 	<ul style="list-style-type: none"> Hold the resources necessary to bridge the funding gap to achieve the SDGs Can manage a large spectrum of investments, from small venture stage to large size investment Play an important role in aggregation
Institutional Investors	<ul style="list-style-type: none"> Fiduciary duty to maintain value and achieve good risk-return profile Pension funds: require ability to sell illiquid assets and have restrictions in some asset classes and geographies. Insurance companies: Risk-based capital requirements that impose high capital charges for investments with high levels of risk (e.g., equity and non-investment grade debt). 	<ul style="list-style-type: none"> Hold the resources necessary to bridge the funding gap to achieve the SDGs Due to large amount of capital held, have to deploy capital in large amounts, limiting their ability to invest in smaller propositions Focus on less risky sectors and countries due to low risk appetite
Banks (especially those based in emerging markets)	<ul style="list-style-type: none"> Fiduciary duty to safeguard savers' money Low risk tolerance, typically require collateral Need to adhere to strict International Financial Reporting Standards constrain risk appetite. 	<ul style="list-style-type: none"> Aggregating role at the national level Often small scale investments (or larger projects through scale syndicated loans) Focus on less risky sectors due to low risk appetite. Guarantee mechanisms in combination with TA often effective to demonstrate new business models

More specifically, this article looks at how public sector actors can use Blended Finance to mobilise private capital by addressing risks that deter private sector investors from making such investments. This is possible given the different mandates, missions, risk appetites, and return expectations – both financial and impact – of each actor.

Blended Finance, however, is not intended to eliminate risk completely. Rather, Blended Finance improves the risk-return profile in order to incentivize private sector investment without distorting functioning markets. Blended Finance is relevant for those projects that are inherently too risky for more commercial capital to consider, or in those situations where a demonstration is required because the perception of risk is not aligned with actual risk.



Figure 1 – Illustrative Blended Finance’s risk-return-impact mapping of actors



Understanding the risk for private sector investors

As indicated earlier, one of the main barriers for private sector investment in the high development impact projects, sectors and/or geographies is that the ticket size and risk-return profile of those opportunities are seen as unattractive. Understanding the risks factored into their analysis is therefore critical in order to work towards mobilising private capital.

However, before looking into those risks, it is important to remember that stakeholders vary widely in their investment mandates, missions, ticket sizes, risk appetites, and return expectations. While the public sector players and philanthropic investors may tolerate additional risk in order to achieve development objectives, private sector investors have fiduciary duties that may preclude them from taking a similar position (e.g. capital preservation, maximise risk-adjusted returns, etc.). Therefore, the analysis of risks and how each of them are taken into account in the investment decision will also differ. In other words, what may be perceived as a low risk for one may be considered high risk for another. Blended Finance structures need to be designed with each party’s respective development or commercial mandate in mind. Figure 1 below depicts each party’s concerns with risk-return and development impact as well as size of assets under management for illustrative purposes.

Specific risks that are considered by private sector investors and that may hold them back from allocating more funds towards the achievement of the SDGs in emerging markets include:

- Geopolitical and security risk:** Private sector investors are typically reluctant to invest in markets that are deemed to have high political instability and where security risk, such as adverse political and/or criminal events – e.g. coup d’etat, war, corruption, terrorism and civil unrest – could interfere with a business’ normal operations. The heightened geopolitical and security risk in fragile states often prohibits private sector investors from investing in such countries and also limits the amount that can be invested.
- Macroeconomic and investment climate risk:** Markets with relatively low growth rates compared to peers as well as the lack of transparent regulatory, tax and legal systems, capital controls, tax barriers, and tariffs are significant deterrents of private capital flows because they increase the uncertainty and cost of investing in those countries and, therefore, reduce the attractiveness of the investment.
- Currency risk:** Investment returns are often realized in the local currency where the investment is made which then needs to be converted to the funder’s reference currency, therefore exposing the investor to fluctuations in foreign exchange rates. The currency



markets of most emerging economies are such that mitigation of this risk cannot be achieved, or cannot be achieved in a cost effective manner through hedging. Currency risk may also occur indirectly in other forms, for example when a loan is provided in hard currency to clients whose business is in local currency.

- **Liquidity risk:** Given the uncertainties and underdeveloped financial sectors, other private sector investors may not be willing to invest in the projects, sectors, and/or geographies of the investment opportunity, therefore limiting the ability of the investor to get out of the investment and to realise any gain from the investment. Depending on the investment mandate and the type of investor, this can be a deal breaker. For instance, regulatory requirements and internal policies set the proportion of their assets under management that may be invested in illiquid instruments, typically between 15-25%.^v Likewise, if a private equity firm managing a limited life fund has serious doubts about the potential exit avenues within the life of the fund, it is unlikely to go forward with the investment.
- **Business model risk:** The business case of the investment often depends on a variety of factors. Often, the cases for business models targeting the SDGs (such as climate) remain to be proven. Private sector investors usually require a history of positive returns to invest. Investing in the SDGs often involves innovative models where the financial viability is yet to be proven. For example, while new models of medical service delivery leveraging mobile technologies have the potential for tremendous development impact, the business model of a for-profit health clinic is more easily validated as it has been demonstrated before. Depending on the investment mandate, it may be difficult to justify investing in unproven models when other proven opportunities exist.
- **Sector-specific risks:** Every sector has associated risks that are specific to that sector which will be factored into the risk assessment. Similar to business model risk, some sectors are

generally perceived as more risky than others, e.g. agriculture tends to be considered as riskier than financial services which is again riskier than energy infrastructure.

- **Climate risk:** Climate risk is a new category of risk that is not yet widely taken into consideration but that is particularly relevant to private sector investors looking at sectors that depend on natural resources such as agriculture and forestry. That said, while the impact may be less direct, many if not most other sectors also face climate risk, especially on a longer timescale. For example, while the immediate impact of increased extreme weather events on agriculture is commonly understood, the longer-term impact of rising sea levels on real estate investment may less likely be considered. Ultimately, if it is taken into account, the focus of the assessment tends to be on the impact on the financial return of the investment rather than on how the investment may cause climate change (which is more akin to the public sector's way of analysing climate risk).
- **Environmental and social (E&S) risk:** Some private sector investors may also look at E&S risk more broadly. However, not only is this not a widespread practice, but the ways in which E&S is included in the analysis differ substantially, from simple exclusion lists to stringent E&S responsibility criteria.
- **Reputational risk:** Especially since the 2008 crisis, there is increased consumer interest in aligning their investment with their E&S concerns. While they want to reward companies for focusing on impact, they are also prone to penalizing ones with tainted reputations. This new reputational scrutiny and the risk of falling on the wrong side of the public's grace have resulted in private sector investors being more selective in the sectors to invest in as well as pushed them to invest in green economy.



Blue Bond: Sovereign Debt Swap for Climate Adaption and Impact Investments

NatureVest's Blue Bond is an innovative impact investment/sovereign debt-swap deal designed to finance marine conservation in the Seychelles. At its core, the debt-restructuring converted the Seychelles' debt into a more manageable one, thereby increasing the country's ability to service the loan making it more commercially interesting for private sector investors. The restructuring used a combination of commercial capital and grants – US \$29.6 million in impact capital loans and US \$5 million in grants – to buy-back Seychelles debt from its Paris Club creditors and the Government of South Africa. The debt service payments are redirected to an independent, public-private trust fund called the Seychelles Conservation and Climate Adaptation Trust (SeyCCAT). Debt service payments will fund three streams: i) repaying of impact investors, ii) climate risk reduction activities through improved management of coasts, coral reefs, and mangroves; iii) capitalisation of SeyCCAT's endowment. The amount going to the last two thanks to the debt swap is estimated to reach US \$13 million.

Risks for public sector actors engaged in Blended Finance

One of the key principles of Blended Finance for public sector funders is additionality.^{vi} Additionality, in this context, is defined as the extent to which the use of public capital results in private sector investments being made in projects, sectors, and/or geographies where they would not have otherwise been made and where they will drive development impact. At its core, there are three risks faced by public sector actors that might undermine the additionality when engaging in Blended Finance. These public sector risks are very different from the private sector risks, and highlight the difference in interest in the matter.

- **Political and public image risk:** There is an ongoing public debate on the effectiveness and efficiency of private sector leverage to meet the SDGs. Development capital used in Blended Finance can be perceived by some government representatives or by taxpayers as capital used to subsidise private sector activities, and of which the additionality is not proven. In addition, policy makers are restricted to allocate public resources for private sector leverage by the international criteria and development frameworks to ensure they meet the ODA targets that have been set.

This risk can be mitigated by clearly integrating the attainment of the development objective in the Blended Finance structure/transaction. For example, some innovative structures such as the Blue Bond in the Seychelles (see left) are being directly tied to climate risk reduction, whilst private sector investment is de-risked.

Another mechanism through which the public sector can promote development impact is through technical assistance. In the context of Blended Finance, the purpose of providing technical expertise to investees and investors can be threefold: 1) to ensure that inclusive and environmentally sound business models are developed and/or become bankable, 2) to reduce the business model risk and 3) to increase capacity to achieve and monitor the social and environmental impact. Such technical assistance interventions can be effective at mobilizing capital, especially if they are preceding and/or accompanying the Blended Finance transactions in innovative projects, sectors with higher risks and investments in fragile countries. They are often essential to the success of the investment in delivering development results while also achieving commercial sustainability and financial return. This was the case with Foreign Trade Bank in Cambodia, as detailed in the textbox below.

Foreign Trade Bank in Cambodia

AFD provided a concessional line of credit to the Foreign Trade Bank (a Cambodian commercial bank), a bank that had expressed interest in diversifying its lending portfolio in the water sectors. The goal of the project was to accelerate access to piped water supplies in small towns and rural parts of Cambodia, areas in which access to piped water is low (7% of rural households). Technical assistance and training programmes were provided at supply and demand side, with the objectives of developing the capacity of FTB to assess investments in the water and energy sectors and supporting water operators in becoming investment-ready.



- **Crowding out risk:** In addition to development impact safeguarding, ensuring additionality also requires that public sector funding only be used where private capital would not otherwise have been deployed and only in the amount required to leverage a maximum of private capital. Otherwise, private sector investors would be competing with public sector investors for opportunities. This counterproductive competition would lead to an inefficient use of public capital, over-subsidisation, and distort the financial market, leading to inefficient financial allocation mechanisms.

The risk of crowding out is bigger in the sectors of Energy & Climate and Health that attract most private capital. About 30% of the capital mobilised goes to each of these sectors. 15% goes to the financial services sector and only 1% of blended finance is allocated to agriculture, which is a very high impact sector.^{vii} Similarly, 70% of blended finance flows to middle income countries.^{viii}

One way through which this risk can be mitigated is by going beyond leverage. Typically, leverage is measured as the ratio of private capital to public capital, e.g. a US \$5 million public capital loan supplemented by US \$25 million from private sector investors would equate to a 1:5 leverage ratio. However, this ratio provides no answers to the qualitative question “Could this transaction have gone through without public capital?”. In other words, leverage in itself is not enough. Wherever public capital is used to leverage private capital, there must be a conviction that it is absolutely required.

The ambitiousness of the international climate objectives and the policies of development investors pose another problem. These put an incentive to invest in sectors with the highest climate contribution and crowded out low climate contributing sectors.

- **Dependency risk:** Blended Finance can also distort the market by creating a dependency on cheap sources of finance, which are

not sustainable in the long term. To avoid this, the path towards commercial sustainability should be emphasized with the investee. This includes having a clear view on the duration and the timeline to exit of the concessionary capital.

Blended Finance instruments used in the market

Through Blended Finance, public sector and philanthropic investors can use various financial instruments in innovative ways in order to catalyse private capital and direct it where it will have a development impact. Instruments can be used to address many of the barriers blocking private capital from investing in emerging markets or in high development impact projects or sectors. However, it should be noted that even within one instrument, some usage of Blended Finance can be more effective than others depending on the situation. For example, the use of grants to subsidise financing cost is not an effective use of public funding. However, other uses such as first loss layers or grants for pipeline/project development can be very effective at incentivising private sector investment.

Most importantly, financial instruments can be used to improve the risk-return profile of opportunities by mitigating risks prohibiting private sector investors from investing or to proof new business models or proof of concepts. This can be achieved through grant, debt, equity, and/or risk underwriting as detailed below (and further details on structures analysed are provided in Annex 1):

- **Grant** capital can be used at multiple stages in the investment process to either demonstrate the business case, reduce business model risk through training/capacity building, or improve the development impact of the investment. For example, a non-repayable convertible grant from public capital was used to finance up to 50% of development costs for projects by private sector developers under the Climate Investor One initiative.^{ix}



If the private sector developers go through with the project, the grant converts to an equity stake with commercial terms. Other grants can be used to build capacity at the investee level pre- or post-investment. Another example is the Technical Assistance Facility (TAF) of the African Agriculture Fund (AAF), where TAF assesses the need for and implements technical assistance of AAF's investees to increase the development additionality and reduce business model risk.^x

- **Debt** financing can be provided by public sector investors wanting to de-risk private sector investors can also take subordinated debt positions that act as a capital loss risk protection. For example, the Africa Agriculture And Trade Investment Fund – an open-ended debt investment fund launched by KfW in 2011 to invest in agriculture value chains to eradicate extreme poverty and hunger – was structured with three different levels of capital, each with a different risk-return profile and with interest/ dividends paid following a waterfall principle. All of the A-level and half of the B-level were subscribed to by private sector investors.^{xi}
- **Bonds** to fund projects focusing on meeting the SDGs can be issued by MDBs and DFIs, such as the IFC Green Bonds Penonome. These are attractive to institutional investors, because the structure and risk-return profile is familiar to them. As the desire of institutional investors to move capital into impact-oriented investments continues to increase, so does the demand for climate-aligned bonds and green bonds. In 2015, green bonds almost quadrupled compared to 2013 (US \$42 billion from US \$11 billion). This same mechanism could apply to a broad set of SDG objectives.
- Similarly, public capital can be invested in an **equity** stake in a subordinated position, therefore conferring a capital loss protection to the private sector co-investors. Peak II (Providing Employment and Knowledge) was designed with three layers. FMO invested in about 20% of the total size of the fund in equity-like class C. All losses were borne first by class C, then B, then A. Inversely, proceeds were first distributed to class A, then B, then C. Both class A and B were funded by private capital.
- Both debt and equity with commercial terms can be used as to signal the private sector investors that a particular investment is financial viable. Althelia Climate Fund's first close came in June 2013 at €60 million from several public or philanthropic investors (EIB, Finnfund, FMO, and the Church of Sweden) and a USAID portfolio guarantee for 50% of fund level losses. The fund had its final close in December 2015 at €101 million, which included AXA Impact Management and Credit Suisse.
- **Guarantees** can be used to protect private sector investors (partially) against capital losses or can be used by the investee to access debt capital by reducing risk to the debt finance provider. For its US \$150 million Frontier Markets Fund 2, Sarona leveraged a US \$15 million (Canadian) first loss guarantee from the Canadian government's aid agency and a loan and credit guarantee from OPIC to lower the fund's risk, which lead to US \$85 million from private investors, including individuals, pension funds and endowments.
- Other innovative uses of public funds to de-risk include **insurance** schemes to address specific risks that limit private sector entities from engaging in activities that will contribute to the achievement of the SDGs. For example, participating African Union member countries can subscribe to an extreme weather event insurance scheme through which the subscribing governments receive a payout from the African Risk Capacity (ARC) – funded through member countries' premiums – and the Extreme Climate Facility – funded with private capital – in case of extreme weather event. The governments invest payouts in climate adaptation and resilience.^{xii} Similarly, TCX, funded by 22 MDBs, DFIs and MIVs, as well as the Dutch and German governments, provides a specialized currency risk management tool for investors through hedging.^{xiii}

Finally, governments play an important role in creating an enabling environment, for example by creating stronger and more transparent tax and legal systems. This is especially important for more fragile countries and riskier sectors. Local governments can also think about other policies that address business model risks. For example, many western governments provided subsidies and tax benefits for consumers and companies buying



solar panels and electric cars. This greatly improved the business model for companies active in this business.

Moreover, Blended Finance can be structured at multiple levels (based on the Convergence database, about 74% of Blended Finance happens at the fund level and accounts for more than 60% of total capital mobilised, the rest are direct investments).^{xiv} While most financial instruments can generally be applied at all levels, the level has a bearing on the specific structuring of the instruments. For example, a junior equity position at the transaction level could mean that the public sector investor owns common shares in a social venture where the private sector investors owns preferred shares. At a fund level, public sector capital can be structured as an equity-like grant to form a first-loss layer which absorbs the fund's losses and only receives return distributions after the other layers of investors have received their minimum return.

Trends and moving forward

1. The Blended Finance market doubled over the last 5 years. Infrastructure equity and debt funds have delivered strong long-term returns globally and offer **opportunities for institutional investors** that align with their mandate and focus on financial returns.^{xv}
2. The industry needs **quantitative information on financial and impact performance of transactions**. Without any returns data institutional investors will not come on board at the scale that is required to meet the SDGs. An open anonymised database where data on successful Blended Finance models can be freely accessed by practitioners would assist to improve overall performance of Blended Finance initiatives and assist to bring in additional private capital. An interesting initiative to mention here is the Impact Loan Exchange sponsored by Cardano Development, which is a long term debt fund to invest in B-Loans syndicated by leading development banks such as IFC, EBRD and others targeting Dutch pension funds.^{xvi}
3. There is also need for **qualitative information on Blended Finance transactions** – e.g. blended finance arrangements, subsidies, risk-reduction measures, SDGs objectives. Convening platforms like the Sustainable Development Investment Partnership, Climate Finance Lab and Convergence are working to connect, educate and support investors to execute blended finance transactions that increase private sector investment in emerging markets and produce figures and trends on the overall market of Blended Finance.^{xvii}
4. **MDBs and DFIs play a crucial role to get institutional investors on board**. They do have the historical data, are respected partners for the pension funds and are capable to speak the same language. They can act as the intermediary to get the pension funds on board.^{xviii}
5. The appropriateness and feasibility of the leverage instrument used by the public actors needs to be assessed on a case-by-case basis. **Leverage should not be a goal in itself**. Which leverage can be achieved depends on the sector, country and past returns. Furthermore, **it must be analysed in parallel with additionality**. What is the overall impact on achieving the SDGs and is the public money needed to attract the private capital to co-invest? That nuance is often lost in the way leverage is currently measured by most public sector investors. Moreover, there are multiple definitions of leverage used by different stakeholders which contributes to the confusion.^{xix}
6. Creating a better understanding within the public sector as well as the MDBs and DFIs on Blended Finance instruments, tools to assess leverage and additionality and strategies to get institutional investors on board are crucial to strengthen the partnerships between the different Blended Finance stakeholders and significantly grow the Blended Finance market.
7. Private actors have a commercial interest not to disclose all information on structures, actual return rate and terms as well



as the costs of project and pipeline development or technical assistance provided post-investment. However, **the use of public capital to arrive at acceptable risk levels comes with expectations on transparency and accountability.** Enforcement of this transparency will greatly benefit the success of blended finance.

8. **There is a clear need to focus on smaller, riskier and less profitable sectors and countries to achieve the SDGs.** This often requires grants to prepare and develop projects and strengthen capacity as well as risk mitigation instruments to also demonstrate the business case. These grants are riskier but can be highly catalytic.
9. **Public actors should be mindful of the overall impact when developing their funds deployment policies.** Different agencies within governments have different agendas and entry points. This may result in a mismatch between public policies and the private sector capital mobilisation objective. Examples of such policy mismatch include: central bank regulations requiring pension funds to be able to sell illiquid assets and restrictions in some asset classes and geographies and the OECD-DAC ODA criteria which implies that loans used to achieve SDGs cannot count as ODA. There are also insufficient incentives in place for the MDBs and DFIs to create a catalytic intermediation system. Another example is that climate objectives and policies of MDBs and DFIs may create an unintended incentive to favour energy projects due to the higher climate contribution compared to investments in, for example, agriculture or water where less private sector capital is going and, thus, where public capital could have a greater demonstration effect.
10. Finally, local governments play a crucial role in increasing the attractiveness to invest in their country as well as in certain sectors. First and foremost, having an enabling environment is important to manage the geo-political and security as well as macro-economic and investment climate risks. Furthermore, local governments can play a crucial role by providing incentives that improve the business case for investments in the SDGs.

Endnotes

- i Blended Finance Vol. 1: A Primer for Development Finance and Philanthropic Funders; OECD-WEF (2015).
- ii Statistics and World Investment Report 2017; United Nations Conference on Trade and Development (2017).
- iii Ibid.
- iv The definition used for this paper is based on the OECD's definition. It should be noted, however, that numerous broader and narrower definitions exists. For instance, the DFI Working Group on Blended Concessional Finance for Private Sector Projects adopted the following definition: *Combining concessional finance from donors or third parties alongside DFIs' normal own account finance and/or commercial finance from other investors, to develop private sector markets, address the Sustainable Development Goals (SDGs), and mobilize private resources.* The latter is a much narrower definition of Blended Finance. We highlight this to stress the need for stakeholders align their definitions so as to build the evidence base for Blended Finance.
- v Pension fund's illiquid assets allocation under liquidity and capital constraints; Broeders, Jansen, Werker (2017).
- vi Both the OECD DAC Blended Finance principles and the DFI Working Group highlight additionality as the first principle to adhere to when engaging in Blended Finance.
- vii The State of Blended Finance; Convergence and Business and Sustainable Development Commission, (July 2017)
- viii Ibid.
- ix <https://www.climatefinancelab.org/project/fmo-climate-development-finance-facility/>
- x Transforming Agriculture by linking TA to Blended Finance: Trends & Lessons from Africa, http://encladesolutions.com/wp-content/uploads/2017/09/Transforming-Agriculture_20170831.pdf
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- xiv <https://convergence.finance/deal-database>
- xv Better Finance Better World; Blended Finance Taskforce, Business Sustainable Development Commission, Systemiq (2018)
- xvi Better Finance Better World; Blended Finance Taskforce, Business Sustainable Development Commission, Systemiq (2018)
- xvii Better Finance Better World; Blended Finance Taskforce, Business Sustainable Development Commission, Systemiq (2018)
- xviii Better Finance Better World; Blended Finance Taskforce, Business Sustainable Development Commission, Systemiq (2018)
- xix DFI Working Group on Blended Concessional Finance for Private Sector Projects; DFI Working Group on Blended Finance (October 2017)