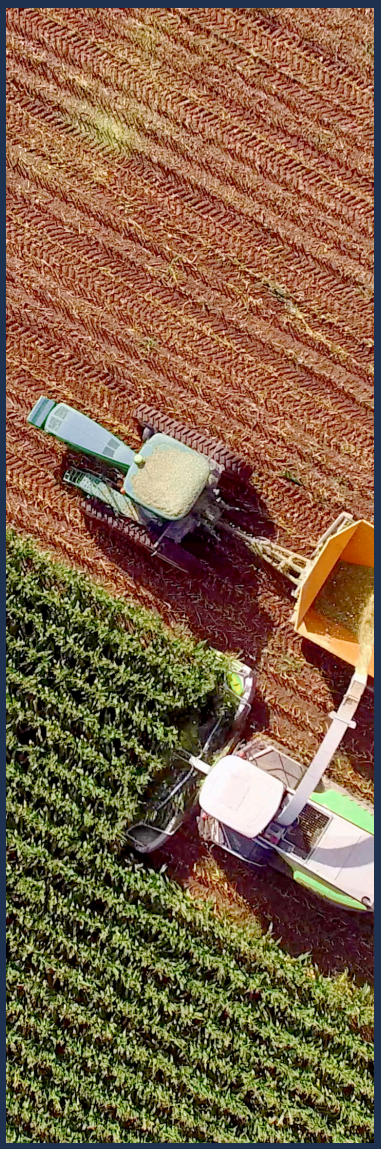
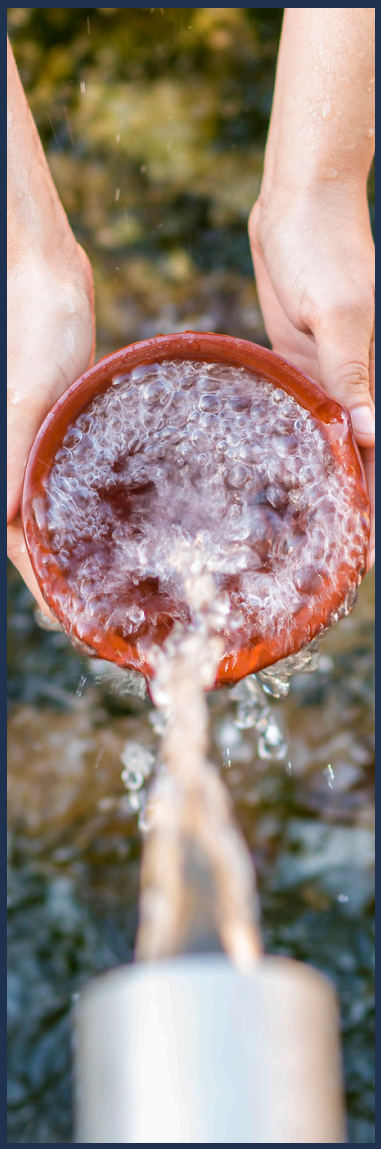
BUSINESS-LED BLENDED FINANCE







A PRACTICAL PLAYBOOK

United Nations
Global Compact



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FOREWORD BY SANDA OJIAMBO

Genuine alignment across governments, multilaterals and business can be hard to find. Economic resilience is one area where agendas converge.

The challenge lies in determining how best to achieve it. That challenge is playing out in a global economy increasingly buffeted by political turmoil, market volatility and compounding risk. Foreign direct investment flows remain uneven, official development assistance is under pressure and the estimated $4 trillion annual financing gap for the Sustainable Development Goals (SDGs) continues to widen.

Risk, both real and perceived, is a deterrent to investment, particularly in the markets and sectors where it is needed most. Blended finance exists to address this challenge. By strategically deploying concessional and catalytic capital, it redistributes risk and creates the conditions for private capital to flow where it otherwise would not. In doing so, it transforms paralysis into participation and delivers tangible results, from cleaner steel production in the United Kingdom to clean water access across India.

What is increasingly clear is that blended finance works best when it is not simply done for business, but with business.

This is where the United Nations Global Compact offers a distinct advantage. With more than 25,000 companies and stakeholders across 160 countries, it operates with unmatched scale. More importantly, it convenes across the ecosystems that make blended finance possible, connecting companies with governments, development finance institutions, multilateral development banks and investors to translate that shared ambition into coordinated action.

Through initiatives such as the CFO Coalition for the SDGs, a clear shift is underway: from commitment to implementation, from fragmented approaches to greater alignment, from bespoke transactions to the beginnings of standardization. This combination of scale, trust and practical collaboration is critical to moving blended finance from proof-of-concept to universal deployment.

As this Playbook shows, businesses are ready to lead in blended finance. – Sanda Ojiambo, Assistant Secretary-General of the United Nations Global Compact.



Sanda Ojiambo

UN Assistant Secretary-General
CEO & Executive Director
UN Global Compact

OPENING LETTER

Chief Financial Officers sit at the crossroads of financial discipline and strategic foresight. Every capital allocation, risk calculation and financing structure reflects a view on future value. In today's environment, those decisions are not just shaping individual companies; they are shaping the direction of global markets.

Economic volatility, geopolitical fragmentation and tighter financing conditions are shifting investment behavior and risking the deprioritization of long-term, resilient investments that underpin sustainable growth. For CFOs, the challenge is clear: manage immediate financial exposures while maintaining commitments to strategic investments that will ensure competitiveness.

Blended finance offers a way forward. Traditionally a tool associated with governments and development institutions, blended finance is gaining increased relevance for business. At its core, it does something simple but powerful: it rebalances risk. By improving risk-return profiles and lowering the cost of capital, it opens up opportunities for sustainable investment that would otherwise remain out of reach.

But the model isn't yet working as well as it should.

Blended finance transactions are often too complex, too slow and too difficult to navigate for businesses. Unclear partnership structures, inconsistent approaches to risk and impact and protracted timelines are roadblocks to private sector engagement. The result is a gap between capital available and capital deployed.

Closing that gap requires a shift in how the blended finance market is structured and deployed, including the often overlooked role that businesses play. When businesses are engaged early and meaningfully in deal design, sustainability goals are better aligned with commercial viability over the long term.

This Playbook is built on that premise. As one of the few blended finance resources designed specifically for businesses, it equips companies to move from participants to architects, shaping transactions that deliver both financial performance and measurable impact.

The CFO Coalition for the SDGs exists to drive exactly this kind of change. It brings together financial leaders with the reach and influence to move markets and the shared interest in doing so more effectively. We invite you to use this Playbook, apply it, challenge it and help build the next generation of blended finance defined not by complexity, but by clarity, scale and results.

Sincerely,

CFO COALITION FOR THE SDGS



EXECUTIVE SUMMARY

Blended finance is becoming an increasingly valuable tool for companies navigating rising geopolitical and economic uncertainty, **but its full potential to mobilize large-scale private sector participation has yet to be realized.**

- **Blended finance is growing, but impact remains concentrated among mega-deals:** The market increased from $14 billion in 2020 to $24 billion in 2024, yet growth has been driven largely by a small number of mega-transactions rather than a proportional increase in the number of projects financed.
- **Companies represent over 90 percent of blended finance market deployers, yet corporates continue to have limited influence over deal-making:** Companies are largely excluded from how blended finance structures are designed and negotiated.
- **The knowledge ecosystem is skewed toward capital providers, entrenching barriers that keep businesses on the sidelines:** Nearly all existing guidance is designed for public and institutional financiers, leaving businesses without clear pathways to engage or support to navigate the high transaction costs, lengthy due diligence and complex development finance system that makes participation feel out of reach.

To close the opportunity gap, the market must embrace new approaches, including what we call **business-led blended finance: shifting real economy players from passive recipients of blended finance to active architects.**

- **Infrastructure and energy are key entry points for business-led blended finance and major drivers of the SDG financing gap:** With the global infrastructure investment gap projected to exceed $15 trillion by 2040 and developing countries facing an estimated $2.2 trillion annual energy transition financing gap, blended finance is uniquely suited to mobilize capital toward critical investment needs while supporting businesses' long-term sustainability and supply chain resilience goals.
- **Businesses hold a unique structural advantage through their on-the-ground presence:** When directly involved in deal design, companies can better align and embed commercial objectives with localized sustainability and development needs across industries, value chains and communities.
- **More collaborative blended finance design approaches can improve both effectiveness and scale:** Stronger collaboration and earlier integration of private sector perspectives can help reduce structural barriers, align incentives, improve information flows and support the development of more integrated, efficient and scalable deal structures.

Despite the bespoke nature of blended finance according to geography and sector, some models help demystify deal design and implementation. **This playbook showcases eight business-led blended finance cases that offer a roadmap.**

1. A £500M UK government grant enabled **Tata Steel UK** to accelerate decarbonization efforts, reduce emissions and preserve the country's steel manufacturing industry through the introduction of sustainable steelmaking technologies at Port Talbot.
2. **Safaricom** and a consortium of other telecom companies expand access in Ethiopia through support from the International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA).
3. **Snam** partnered with the EU and peers to connect green hydrogen from North Africa to Europe, utilizing a blended approach to derisk a nascent industry, drive sustainability growth in Europe and open economic opportunities for North African nations.
4. **FCC Construcción** developed a platform to fast-track the development approval process for infrastructure with 13 organizations across five countries, enabled by the EU's Horizon Europe programme.
5. The Aguas Firmes program, driven by **AB InBev** subsidiary **Grupo Modelo**, the German Agency for International Cooperation (GIZ) and Coca-Cola deployed nature-based solutions for the sustainable management of Mexican aquifers, expanding financing opportunities for local farmers.
6. The **Joint SDG Fund**, which is enabling solar power development through the Zimbabwe Renewable Energy Fund.
7. The **United Nations Multi-Party Trust Fund for Peace** supported the development of sustainable, agroforestry value chains in Colombia
8. The **Water Access Acceleration Fund**, the first private equity blended finance fund dedicated to scaling businesses focused on water access in South and Southeast Asia, Latin America and Sub-Saharan Africa.

Tailored guidance is key to unlocking business-led blended finance. This playbook includes practical tools to help companies overcome blended finance challenges.

- **A toolkit for blended finance risk management and capital structuring:** To determine the best blended finance structure for a project, companies should first identify and prioritize investment barriers, match those risks to appropriate instruments and design a capital structure that efficiently allocates risk across stakeholders.
- **A checklist for navigating due diligence and project preparation:** Across time, resources and capital, due diligence is often the costliest hurdle on the path to bringing a blended finance project to bankability, but early planning and preparation can significantly reduce these burdens.

Blended finance will only achieve scale through coordinated action and shared ownership across all stakeholders. This includes greater country-level ownership, with blended finance integrated into national development strategies so businesses can play a more central role in deal design. This Playbook is a practical step toward that shift, equipping real economy companies with the tools, frameworks and confidence to deliver business-led blended finance solutions for all.



WHY BLENDED FINANCE?

Blended finance has the opportunity to move billions for sustainable, equitable growth. Greater business leadership can help it go further, faster.

Geopolitical fragmentation, economic uncertainty and tightening public and private balance sheets are constraining capital flows just as pressure on businesses to decarbonize and increase operational resilience accelerates. Risk, the central barrier to investment, is rising on every front.

In this environment, blended finance emerges as a critical tool. By aligning public and private capital around shared objectives and redistributing risk, blended finance unlocks investment in markets and sectors that neither player could reach independently.

But the full potential of blended finance remains untapped, particularly when it comes to business leadership. Structural barriers, from lengthy due diligence processes and costly transaction structures to the challenge of navigating the multilateral development system, have pushed business leaders to the sidelines.

This is a missed opportunity.

Blended finance can improve the risk-adjusted returns on investments that companies need to make by bringing in co-investors who absorb downside risk, effectively lowering hurdle rates in markets that would otherwise be out of reach. As project developers and economic engines across sectors and geographies, businesses are uniquely positioned in the blended finance market, not just as beneficiaries, but as drivers.

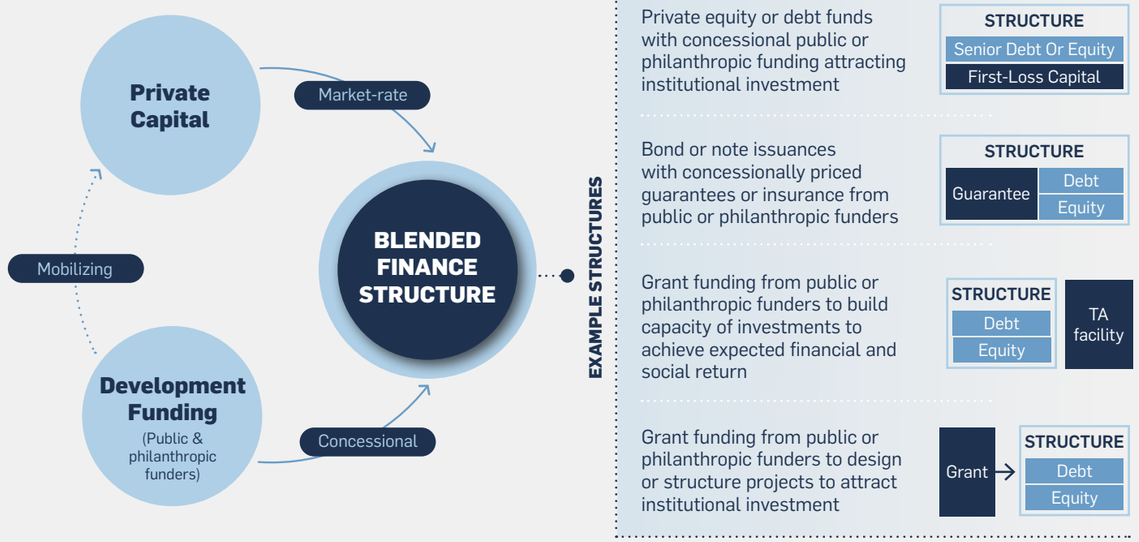
This distinction matters. While Development Finance Institutions (DFIs) and public funders catalyze markets from the outside, businesses can grow them from within. A corporation that commits to a long-term offtake agreement with smallholder suppliers makes those suppliers bankable in a way no financial guarantee can replicate. When smaller enterprises play an active role in designing a blended finance structure, their proximity to local markets provides valuable insight into cash flow realities and community dynamics to local friction points that distant institutions cannot see.

Success stories like those detailed in this Playbook from companies and blended funds show blended finance in action: proof that when directly engaged in the process of project and deal design like this, businesses – from multinationals to Small and Medium Enterprises (SMEs) in emerging markets – can embed financial and sustainability impacts into value chains and communities alike, shaping long-term growth.



WHAT IS BLENDED FINANCE?

Blended finance is the strategic use of catalytic or concessional capital from public, philanthropic or development sources to improve the risk-return profile of investments, unlocking private capital flows into underserved markets and sectors to generate measurable social, environmental and economic impact.[1]



And these benefits extend beyond an individual company. When a business successfully structures and executes a blended finance transaction, it creates proof of concept, paving the way for increased investment. Done well, business leadership in blended finance can have ripple effects, mobilizing capital and impact at a scale no single actor can achieve alone.

Despite this opportunity, nearly all existing blended finance guidance is written for catalytic capital providers: governments and public funders, DFIs and Multilateral Development Banks (MDBs),[2] often geared toward highly specific geographies, sectors and blended finance ratios. Business leaders eager to become active architects of blended finance are largely left without a roadmap and catalytic investors eager to mobilize private capital are left with frameworks that don't fit commercial interests.

This playbook seeks to fill that gap and show how businesses can move from passive recipients of blended finance to become active architects of deals, an approach we call **"business-led blended finance"**.

In traditional blended finance, transactions are designed top-down: governments, MDBs or DFIs identify an objective, structure the deal and deploy capital that eventually reaches businesses and communities on the ground. Business-led blended finance flips this – the companies and implementers who would typically sit at the end of the capital flow are involved in the design process from the start, shaping the transaction around operational realities and on-the-ground needs.

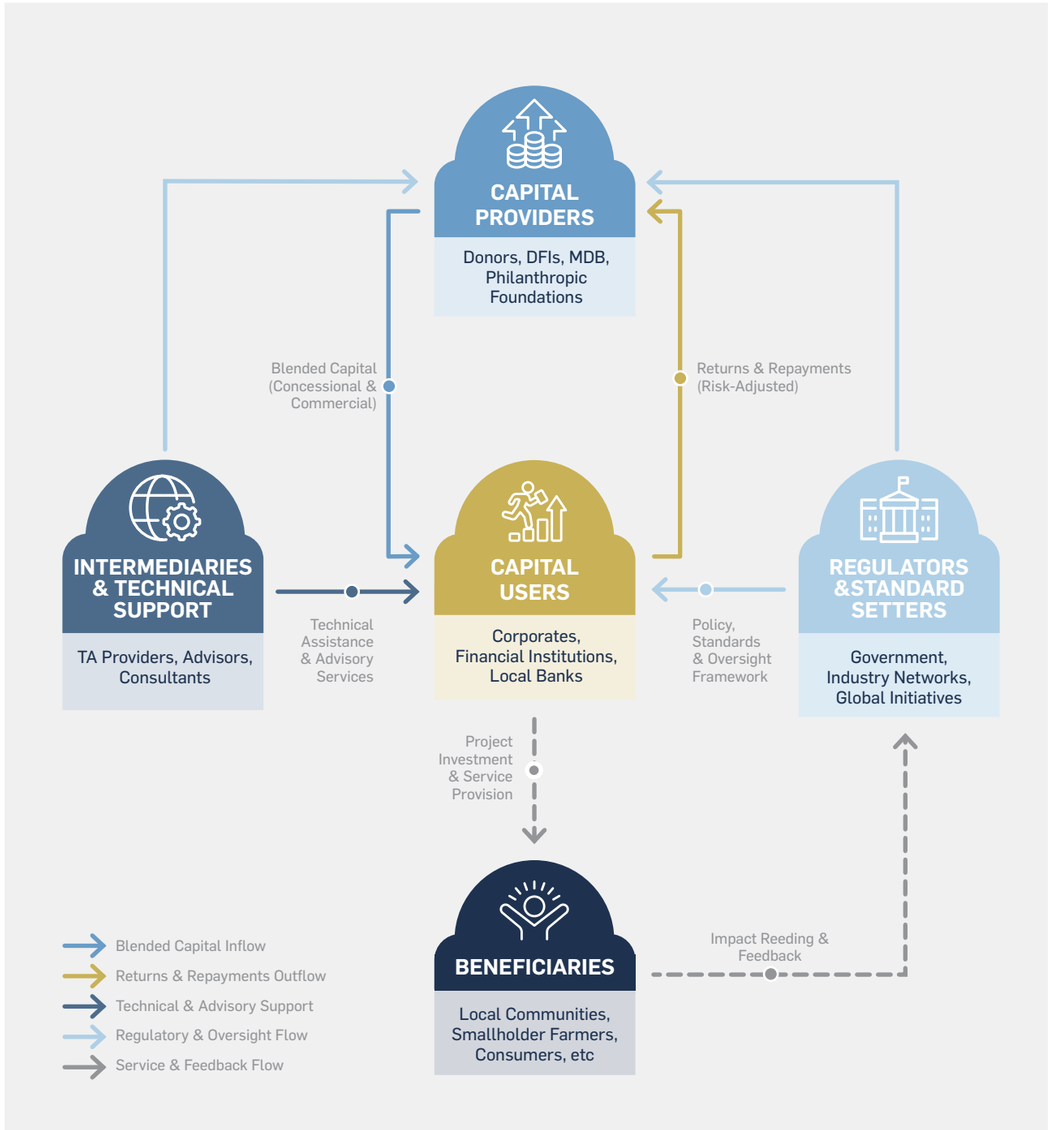
Despite headwinds and increased pressures businesses face today, more than 30,000 private-sector participants and signatories are champions of sustainable finance through longstanding United Nations platforms, including UN Global Compact, Global Investors for Sustainable Development (GISD), Principles for Responsible Investment (PRI) and United Nations Environment Programme Finance Initiative (UNEP-Fi). It is clear that commitment to finding solutions has not waned and business leaders stand at the ready to play a leading role in blended finance.

Grounded in empirical research and interviews with these private sector leaders, the playbook highlights real-world success stories of companies leading in blended finance, frankly examines the challenges they face and offers practical tools to help overcome them.

1. Convergence and OECD.
2. OECD DAC Blended Finance Guidance 2025; DFI Enhanced Principles; WEF/OECD; SMI/ILN Best Practice Playbook (2024); IFC- Using Blended Concessional Finance to Invest in Challenging Markets; BCG, The Blended Finance Market: A Growth Opportunity for Banks to Build. (2025)

KEY STAKEHOLDERS IN THE BLENDED FINANCE ECOSYSTEM

Effective deployment of blended finance deals relies on a clear understanding of the stakeholders involved and the mechanisms that connect them. In general, there are five key stakeholder groups, each with different mandates, risk appetites and points of leverage:



Source: UN Global Compact analysis, based on publicly available information from UNESCO, AllianceBernstein

The real power of blended finance lies in how these groups are combined; no single actor can move the needle alone. In practice, partnership building and structuring vary significantly. Some deals involve two or three of these stakeholders in straightforward arrangements, while others weave together six or more parties across multiple phases or instruments. Regardless of deal complexity, what matters most is aligning stakeholders with the project's risks, timeline and complexity.

Companies play a critical part within this ecosystem and often serve multiple roles within a given blended finance transaction.A multinational corporation might act as an equity sponsor with capital at risk, as an offtaker whose long-term purchase agreement underpins the project's revenue model and as an anchor buyer whose procurement commitments de-risk investments further down its own supply chain – all within the same structure. SMEs may serve primarily as capital recipients, but can play a critical role in shaping deal design to ensure long-term viability and stronger local impact.

Where DFIs and institutional investors engage primarily through financial instruments, corporates engage on a much broader economic spectrum through contracts, standards, supplier relationships and market access. It is this web of commercial relationships, as much as the capital structure, that often determines whether a blended deal delivers durable outcomes.



BENEFITS & CHALLENGES OF BUSINESS-LED BLENDED FINANCE

As blended finance continues to mature and its use cases solidify, it is not one-size-fits-all. The benefits and challenges outlined below are not universal; they shift materially depending on the market, sector, deal size and sustainability objectives a transaction is designed to serve.



> ***"While blended finance offers attractive opportunities, the structuring process can be intricate and resource-intensive. Clear, standardized tools are key to simplifying execution and enabling companies to access financing more effectively and on competitive terms."***
> *Maher Al-Haffar, CFO, Cemex*

BENEFITS

Unlocking capital at better terms: Blended finance opens the door to concessional loans, guarantees and catalytic capital from development banks, finance institutions and philanthropies.

De-risking market entry and innovation: Expansion into frontier markets or new technologies often stalls due to high perceived risk. Grants, first-loss capital, political risk guarantees and Foreign Exchange (FX) hedging transfer part of that exposure to development partners, making investments more bankable. This allows companies to pursue growth opportunities while preserving upside and limiting downside risk.

Improving financial performance and resilience: Outcome-based concessional models (e.g., sustainability-linked loans) can reduce borrowing costs when sustainability targets are met, or provide concessional top-ups that stabilize returns. The results are tangible: stronger project IRRs, lower volatility in cash flows and more predictable debt service.[3] At the same time, embedding these mechanisms builds resilience across supply chains and operations, ensuring long-term financial stability.

Meeting rising investor and regulatory expectations: CFOs face increasing pressure to align with evolving disclosure standards and taxonomies. Blended finance, often paired with technical assistance, supports sustainability frameworks, impact measurement and reporting—reducing compliance burden and aligning financing with science-based targets, the Paris Agreement and standards such as ISSB.

Building credibility for long-term strategic value: Beyond financing, blended structures strengthen a company's license to operate and its relationship with regulators, investors and communities. For CFOs, blended finance is a potential way to future-proof growth, protect shareholder value and ensure the company is positioned as a leader in sustainable markets.

CHALLENGES

Transaction complexity and cost: Blended finance requires coordination among donors, DFIs, MDBs, commercial lenders and philanthropic actors, each with different mandates, documentation and risk appetites. Compared with conventional financing, it involves greater structuring, legal work and due diligence. For CFOs, the added time and cost can raise uncertainty about whether concessional benefits justify the effort.

BBVA Leasing México partners with the International Finance Corporation (IFC) and the Government of Canada to blend $15 million in concessional donor funds into a larger $116.5 million commercial package. This integration can mean interest rates below market, grace periods that ease cash flow, or repayment structures that align with project cycles. The effect is a lower weighted average cost of capital and more diversified funding sources, making projects financially viable that would otherwise remain out of reach, therefore enabling BBVA to offer affordable financing to SMEs for "climate-smart" assets that standard commercial pricing could not support.



3. IDB Invest, Outcome-Based Financing Rewards Investors Upon Achieving Impact. (2025)

CHALLENGES IN ACTION: A FOUR-YEAR EFFORT TO EXPAND SOLAR ENERGY IN ZAMBIA

YSM Chartered Accountants is supporting a 50 megawatt solar photovoltaic and battery storage project aligned with Zambia's Nationally Determined Contribution Implementation Framework. The project would significantly reduce reliance on hydropower (currently 84 per cent of supply and increasingly unstable due to recurrent drought), curb charcoal-driven deforestation, continue to cut down on national carbon emissions and bring electricity access to rural areas.

Since its launch in 2022, the project has faced delays in securing financing and partners, as well as navigating complex application requirements. YSM's experience illustrates broader constraints faced by small companies in emerging markets when accessing concessional finance. Given that such funding is often critical for project viability and crowding in additional investment, projects may stall or be abandoned when teams lack the technical, financial and operational capacity to sustain multi-year approval processes. Strengthening access to early-stage project preparation support, such as Project Preparation Facilities (PPFs), can help address this gap.

The timeline below highlights repeated procedural and technical bottlenecks the project has faced at each stage:



> ***"Projects from small companies in emerging markets can often get stuck in structural deadlock... deals cannot be approved without reaching 'advanced development,' yet financing the work required to get there depends on the deal being in place. After four years, this cycle remains unresolved for YSM."***
>
> *Paul Siame, Head of Sustainability and ESG, YSM*

2022

Project kick-off & Initial submission

YSM submitted a concept note to a major multilateral fund through Zambia's National Designated Authority (NDA). Zambia's climate investment architecture was still evolving, requiring the company to navigate early-stage processes without established templates.

Key challenges:

- **Feasibility and preparation costs:** early-stage feasibility studies, environmental assessments and technical evaluations required significant upfront capital with no guarantee of approval.
- **Procedural uncertainty:** evolving national processes and lack of standardized templates slowed preparation and submission.
- **Lack of clear guidance:** a lack of clear instructions, examples, or hands-on technical support made the application process lengthy and resource-intensive, stretching limited in-house capacity.

2023

Revisions, policy transition and procedural bottlenecks

The initial submission received a "B" rating, requiring revisions and resubmission under updated procedures. Approval timelines for submission were delayed because the technical review committee only convenes once a minimum number of applications is received, creating a procedural bottleneck.

Key challenges:

- **Procedural delays:** multi-stage reviews and resubmissions significantly extended the project timeline.
- **Policy transition risk:** updated submission procedures required reformatting and technical adjustments mid-process.
- **Technical capacity gap:** limited familiarity with revised criteria increased the time and cost of compliance.

2024

Accredited entity joins

Zambia National Commercial Bank (ZANACO) formally joined the process as the accredited entity to channel submissions to the multilateral tund, adding a layer of coordination between the NDA, the technical review committee and investors.

Key challenges:

- **Coordination complexity:** aligning documentation, risk assessments and structuring across multiple institutions increased transaction time.
- **Cost of local capital:** commercial lending rates (30 per cent) and short tenors (up to five years) underscored the necessity of concessional funding to make the project viable.

2025

No-objection secured

In April 2025, YSM received a no-objection ruling, enabling ZANACO to advance the submission to the Fund, but the proposal had to be reformatted to comply with updated requirements. The final concept note was submitted in July.

Key challenges:

- **Procedural reformatting:** compliance with updated templates and technical requirements added time and advisory costs.
- **Financing uncertainty:** continued dependence on concessional funding created delays in closing complementary financing.
- **Preparation cost burden:** ongoing transaction and advisory expenses accumulated over the extended development timeline.

2026

Awaiting next steps, continued efforts to secure partners

YSM continues to await feedback on its application while seeking to formalize key operational partners (land leasing, construction, equipment). However, progress remains constrained in the absence of confirmed concessional funding.

Key challenges:

- **Financing gap risk:** without confirmed concessional capital, commercial debt remains prohibitively expensive.
- **Extended development risk:** prolonged approval timelines increase transaction costs and investor fatigue, potentially threatening project progress.

Limited standardization and replicability: Most blended finance deals are bespoke, requiring unique legal structures, impact frameworks, reporting templates and governance arrangements. This reflects the flexibility of blended finance to tailor solutions to specific market contexts and risk profiles, but can make scalability difficult.

Compliance and reporting burdens: Concessional and impact-linked funding requires additional Key Performance Indicators (KPIs) for Environmental, Social and Governance (ESG) metrics, along with verification and monitoring systems. While this strengthens credibility, it increases resource demands, coordination needs and reputational risk. Many companies, especially SMEs, lack the internal systems to track data at the required level of granularity and frequency.

Limited access to viable deal pipelines: A gap exists between available concessional capital and investment-ready projects. Firms often struggle to source bankable opportunities or structure internal projects to meet blended finance criteria. Without reliable off-takers or regulatory certainty, building a pipeline rarely justifies the high cost of developing internal blended finance capabilities.

Internal capability and coordination gaps: Successful blended finance transactions require close coordination across finance, sustainability, legal, operations, procurement and business units. In many real-economy companies, sustainability and finance teams remain siloed, with limited structures to enable cross-functional collaboration and external partnerships. These gaps can create internal friction and slow decision-making.

These challenges are real, but they are not insurmountable. **Below are five high-level recommendations for business leaders to better position themselves for success in blended finance:**

1

BUILD READINESS NOW SO YOUR COMPANY CAN MOVE WHEN OPPORTUNITY STRIKES

The groundwork for a successful blended finance transaction, including sound financial models, clear impact metrics and thorough due diligence, is within a company's control to develop in advance, ensuring you are positioned to act decisively when the right opportunity emerges.

2

ALIGN BLENDED FINANCE TO YOUR COMPANY'S LONG-TERM GROWTH AND REACHING SUSTAINABILITY TARGETS

Blended finance involves lengthy timelines and complex structures, making it best suited for projects that advance both long-term business growth objectives, while simultaneously advancing corporate sustainability commitments, not as a quick-turn capital solution

3

INVEST IN CROSS-SECTOR RELATIONSHIPS EARLY AND BE INTENTIONAL ABOUT WHO YOU ENGAGE

Rather than waiting for a project to materialize before approaching partners, companies should proactively cultivate relationships with MDBs, DFIs and public sector capital providers, prioritizing partners best positioned to help advance the next phase of a project over those with the largest balance sheets.

4

UNDERSTAND YOUR RISK TOLERANCE AND BE PREPARED TO NAVIGATE THE UNEXPECTED

Blended finance structures are complex and companies should enter with a clear-eyed understanding of their project's full risk profile, the structural tools available to address it and the organizational resilience to adapt when conditions shift.

5

PRIORITIZE PEER LEARNING ACROSS SECTORS, REGIONS AND COMPANY SIZES

Peer learning is a vital accelerant for blended finance adoption and drawing on examples from companies across different industries, geographies and scales can offer a playbook for how an organization could unlock transformative investment through blended structures, with networks like the CFO Coalition offering a strong starting point.

Artificial Intelligence and Blended Finance

Artificial Intelligence (AI) has the potential to revolutionize blended finance. It can be deployed to help identify investable opportunities, strengthen project preparation, lower transaction costs, improve the matching of projects with capital providers and enhance the monitoring and verification of sustainability outcomes and SDG alignment.[4]

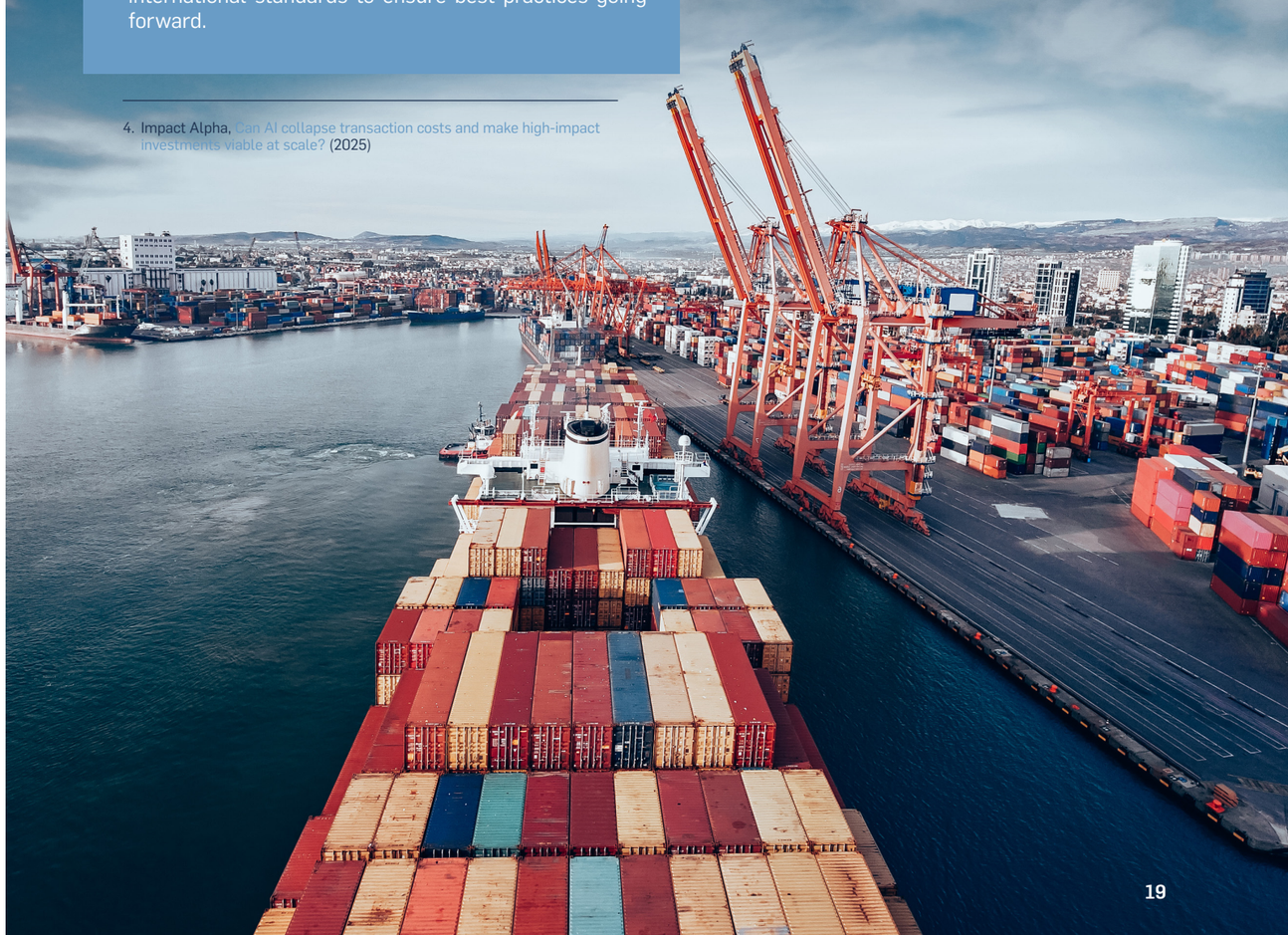
Moreover, the nuts-and-bolts tasks that come with each blended finance project — doing due diligence, improving the accuracy of risk assessments and keeping a lid on transaction costs — are also chores that can likely be made easier with the help of AI.

It's going to take some time, however, for this revolution to take place. The financial sector is already heavily regulated; amid rising concerns over the potential abuse of AI, governments are likely to layer AI-specific regulations over existing rulebooks. The standards and regulatory frameworks that will shape and define AI's impact are still being written and there's a real danger that a patchwork of conflicting regulations will impede cross-border projects.

The real value in AI is not in the technology, but how it is put to use. For AI to become a trusted tool in blended finance, organizations will need to ensure that their use of the technology conforms with current regulatory frameworks and regulators will need to develop harmonized international standards to ensure best practices going forward.

4. Impact Alpha, Can AI collapse transaction costs and make high-impact investments viable at scale? (2025)

> ***"The potential for blended finance remains largely untapped because the roadmap has historically been written for capital providers, not the companies building on the ground. This playbook changes that."***
>
> *Muhsin Alrustom, CFO, Asyad Group*



MARKET OVERVIEW: MOVING FROM PROOF-OF-CONCEPT TO SCALE

The blended finance market has grown rapidly, reaching $24 billion in 2024. However, this growth is concentrated in large transactions and does not translate proportionally into broader project scale, while an estimated $4 trillion SDG financing gap persists.

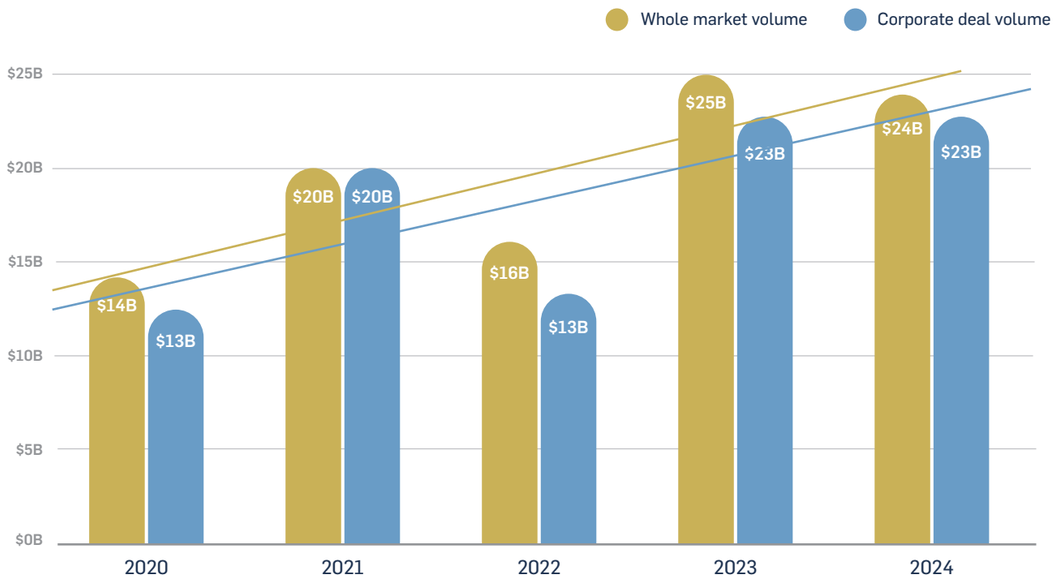
- Corporate participation remains narrow and under-structured, with companies primarily engaging as capital recipients (receiving over 90 per cent of total in 2024) rather than active participants in structuring transactions, limiting their role in scaling blended finance.
- Blended finance is globally applied but remains concentrated in higher-risk regions, with Sub-Saharan Africa as the primary anchor.
- Blended finance effectiveness depends on how capital is structured (archetypes) and deployed (vehicles) to manage risk and mobilize private investment.
- Corporate participation concentrates in energy and infrastructure, where investments align with core operations and tangible asset ownership.

All data[5] is provided by Convergence, the global network for blended finance, as of February 2026.

5. Note that a single blended finance transaction can involve multiple vehicles or archetypes, and cover numerous sectors or regions, resulting in a total of over 100 per cent for several of the charts in this section

The blended finance market began in earnest in 2015. Since then, it has been on an upward trajectory.[6] Looking at the five years between 2020 and 2024, annual capital inflows started at approximately $14 billion; by 2024, that figure had soared to $24 billion. Headline growth has been driven in large part by a small number of mega transactions – billion—dollar deals – meaning that higher aggregate capital flows don't necessarily translate into a proportional increase in the number of projects financed.[7]

Annual blended finance deal volume (USD): overall market and corporate participation



Source: UN Global Compact analysis, based on Convergence data (Feb 2026)

Notably, in 2024, $23 billion of the total $24 billion in capital was directed to corporate recipients. This 93.8 per cent allocation suggests that the blended finance ecosystem is becoming more effective at channeling funds to the real economy. However, significant gaps persist, particularly in the context of the $4 trillion annual financing gap for the SDGs.

One reason is that many companies still struggle to navigate the blended finance ecosystem, finding project and transaction design too complex to justify. This points to a gap between how the market is designed and how it is used. Although real-economy companies are the primary recipients of blended capital,[8] they remain underrepresented in market design. Instead, structures are largely shaped by DFIs, donors and public investors, often resulting in approaches that are overly complex and misaligned with business realities.

> ***"The dollar volume alone doesn't tell the full story of blended finance. The more important question is where that capital actually lands. If we're only enabling deals in markets and at deal sizes that already attract private investment, we're not solving the problem."***
>
> *Lisa Kurbiel, Head of the United Nations Joint SDG Fund Secretariat*

6. Convergence, Market Size, (2026). All data reflects information available as of March 2026.
7. Convergence, State of Blended Finance, (2025).
8. Convergence, State of Blended Finance, (2025).

BUSINESS-LED BLENDED FINANCE: STRATEGIC OPERATORS, NOT PASSIVE FINANCIERS

A clear and widening divide has emerged between companies as recipients of blended finance and as capital providers. This gap indicates that while the market is increasingly effective at using blended finance to direct capital toward corporate projects, mobilizing the real economy as a source of investment capital has been incremental and relatively fixed.

Between 2015 and 2024, financing flowing to companies consistently exceeded their own investment contributions, with the gap increasing from $16 billion in 2015 to $18 billion in 2024. While capital deployed to companies has continued to rise, corporate participation as investors has remained largely stagnant. Aside from a one-off spike in 2016, when corporate investment briefly reached $11 billion, levels have since flattened and failed to regain momentum.[9]



CORPORATES AS INVESTORS VS. RECIPIENTS

For the purposes of this playbook, 'corporates' refer to privately or publicly owned companies or businesses that operate in the real economy (producing goods or delivering services for profit generation), distinct from financial intermediaries like banks, funds, or development finance institutions.

Corporate participation is defined as any transaction where at least one large corporate entity is involved. Within this framework, corporate engagement in the blended finance market is defined through two primary lenses: the role of the corporate as a Recipient of capital or as an Investor providing it.

1. Corporates as Recipients
In this role, the corporate is the beneficiary of the blended finance structure, utilizing optimized capital to fund projects that may otherwise struggle to secure traditional commercial financing.

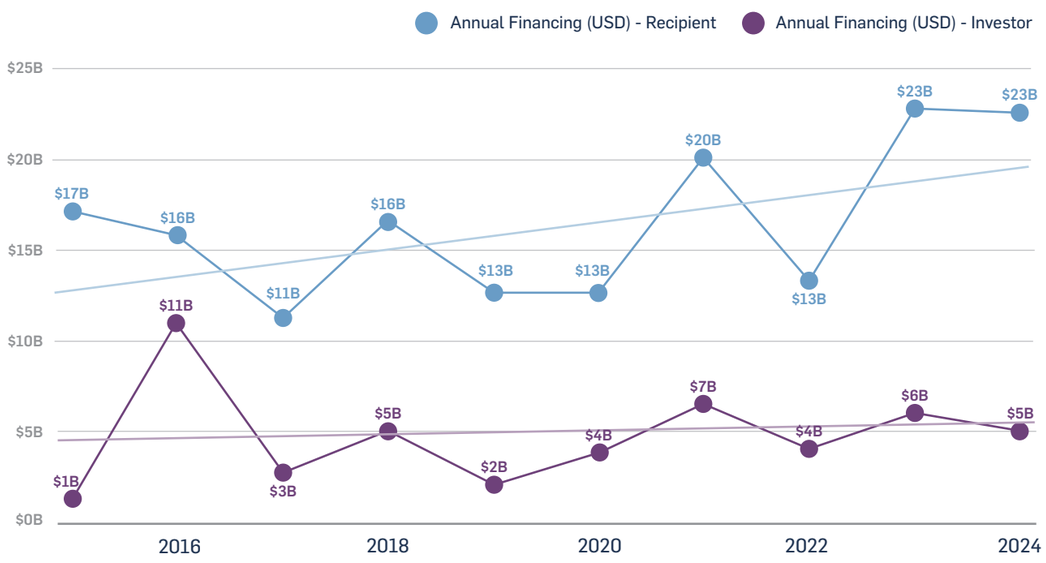
This category is defined by the proximity of the corporate to the capital source:

- **Direct Recipients:** Corporates that receive financing directly from a specific blended finance transaction or specialized vehicle.
- **End Recipients:** Corporates that ultimately benefit from capital deployed through intermediated structures, such as financial institutions or private funds, which aggregate blended capital to reach a broader market.

2. Corporates as Investors
Corporates in this category act as capital providers, participating in blended finance deals to achieve strategic or financial objectives. This role allows CFOs to leverage their balance sheets alongside public or philanthropic capital to achieve strategic capital allocation and market catalyzation.

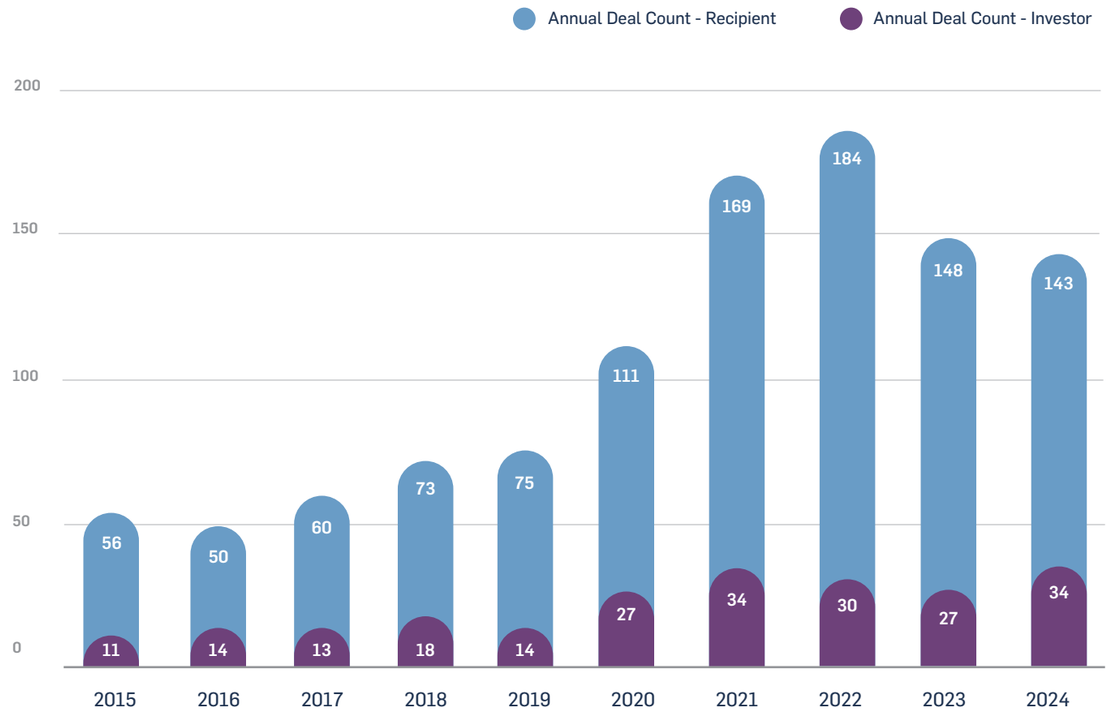
9. Note: All data (including visualizations) are sourced from Convergence (2026).

Blended finance annual financing (USD) - corporate as recipient and investor



Source: UN Global Compact analysis based on Convergence data (Feb 2026)

Annual blended finance deal count — corporate as recipient and investor



Source: UN Global Compact analysis based on Convergence data (Feb 2026)

These financing volumes are closely mirrored by transaction frequency, with deal counts for corporates as recipients rising in line with capital inflows. From 56 transactions in 2015, deal flow peaked at 184 in 2022 before stabilizing at 143 in 2024 — nearly triple 2015 levels. By contrast, corporate participation as active investors has remained limited throughout the decade, with deal counts consistently below 34 per year and showing no sustained upward trend.

DATA LIMITATIONS AND INTERPRETATION

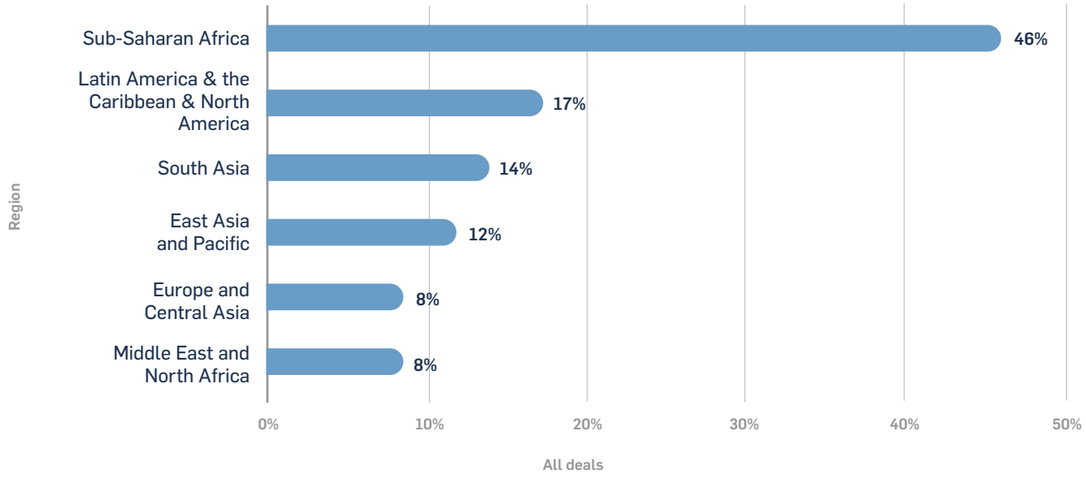
Across the market, financial confidentiality limits full visibility. Financing flowing to companies is easier to measure, as deal totals are often publicly reported, while tracking private sector capital contributions is more difficult given that commitment sizes are rarely disclosed. Even so, the data suggest corporations are using blended finance primarily to support their own growth, infrastructure build-out and supply chain security, rather than acting as systemic providers of capital to others.

> ***Closing the funding gap requires focus—bringing partners together to invest deeply in a few priority systems rather than spreading resources too thin."***
>
> *Ingrid De Ryck, CSO, AB InBev*

REGIONAL DISTRIBUTION OF BLENDED FINANCE

Sub-Saharan Africa remains the primary anchor for blended finance transactions, capturing 46 per cent of total market deals. It's followed by Latin America and the Caribbean (17 per cent) and South Asia (14 per cent). East Asia and Pacific accounts for 12 per cent of the broader market, while Europe and Central Asia and the Middle East and North Africa both account for 8 per cent. For the CFO, this geographic spread demonstrates that blended finance serves as a global mechanism applicable across diverse risk-return profiles.

All deals across regions



Source: UN Global Compact analysis based on Convergence data (Feb 2026)



BLENDED FINANCE STRUCTURES: VEHICLES AND ARCHETYPES

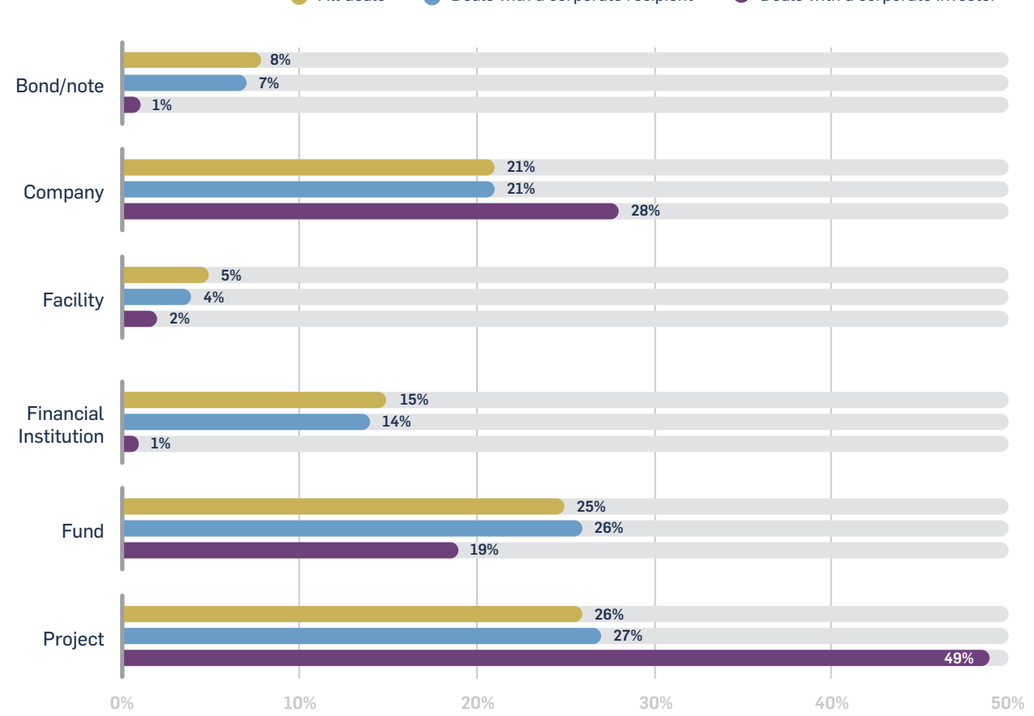
Blended finance is a way to structure deals and various components can be used to define a transaction's approach. **"Archetypes"** refer to common structural approaches used in blended finance transactions, or the ways in which catalytic capital is deployed to improve the risk–return profile for investors and attract private sector participation. Convergence categorizes deals across the four most common archetypes: concessional debt/equity, guarantees/risk insurance, technical assistance funds and design-stage grants. **"Vehicles"** are the legal or financial structures through which blended finance transactions are executed, describing the form the investment takes and how capital is pooled and deployed. Convergence tracks and categorises blended finance deals across five vehicles: bonds/notes, company, facility, financial institution, fund and project.

While archetypes describe how catalytic capital is structured to manage risk and attract private investment, vehicles describe what legal or financial form that capital takes. A single vehicle, such as a fund or facility, may employ one or more archetypes and conversely, the same archetype can be executed across different vehicle types.

VEHICLES

Because private businesses overwhelmingly act as capital recipients, dominating the market's overall financial outflows, the distribution of vehicle types for corporate recipients reflects the prevailing structural trends of the broader market.

Percentage of transactions by blended vehicle type (deals with corporate recipients vs. overall blended finance market), all years



Source: UN Global Compact analysis based on Convergence data (Feb 2026)

However, when businesses serve as investors, vehicle preferences change dramatically and diverge from market norms. Corporate investors exhibit a heavy concentration in direct, ring-fenced structures, with project-level vehicles accounting for nearly half (49 per cent) of their investment activity, followed by direct company-level investments (28 per cent). This highlights the structural nature of corporate participation: direct investments at the project level allow for project finance structures (combining sponsor equity with debt), while company-level deals often facilitate value chain financing. Furthermore, this distribution reflects market requirements, as many institutional investors (such as MDBs) typically mandate an equity injection from the corporate recipient as a prerequisite for participation. Consequently, capital is naturally channeled into project and company levels rather than indirect, diversified vehicles like funds (19 per cent), facilities (2 per cent), bonds/notes (1 per cent) or financial institutions (1 per cent).

CORPORATE ENGAGEMENT WITH BLENDED FUNDS: DANONE AND THE WATER ACCESS ACCELERATION FUND

The Water Access Acceleration Fund (W2AF), managed by Incofin Investment Management, illustrates a business-led, fund-based blended finance initiative. Danone partnered with Incofin — a pioneer in impact investing in underserved markets — to create a blended finance fund structure focused on Water Access, and to look for DFIs, Non-Profit and Corporates willing to join forces to help this underinvested sector get investment ready. In order to be catalytic, Danone allocated 50 per cent of its commitment to first-loss shares, and plays a foundational role as anchor investor and sponsor of the fund. Investing through this fund structure enables to maximize positive social impact through access to safe drinking water, with a limited financial risk thanks to first-loss shares and to the selection of financially robust impact businesses in which the fund invests. *For an illustration of how a business can engage with and benefit from W2AF, see the Rite Water case example.*

FINANCIAL INSTITUTIONS AS A VEHICLE FOR BLENDED FINANCE IN ACTION

Over the past five years, Cassa Depositi e Prestiti (CDP) has mobilized approximately €300 million in EU-backed blended finance programmes, primarily using portfolio guarantees, investment grants and technical assistance to de-risk lending by local financial intermediaries in Africa, the Western Balkans and selected partner countries. These programmes, such as Inclusifi and Green Finance for Inclusion, enable local banks to extend credit to higher-risk segments, particularly SMEs, while aligning with macro-economic development, financial inclusion and climate objectives and crowding in private capital through improved risk-return profiles.



ARCHETYPES

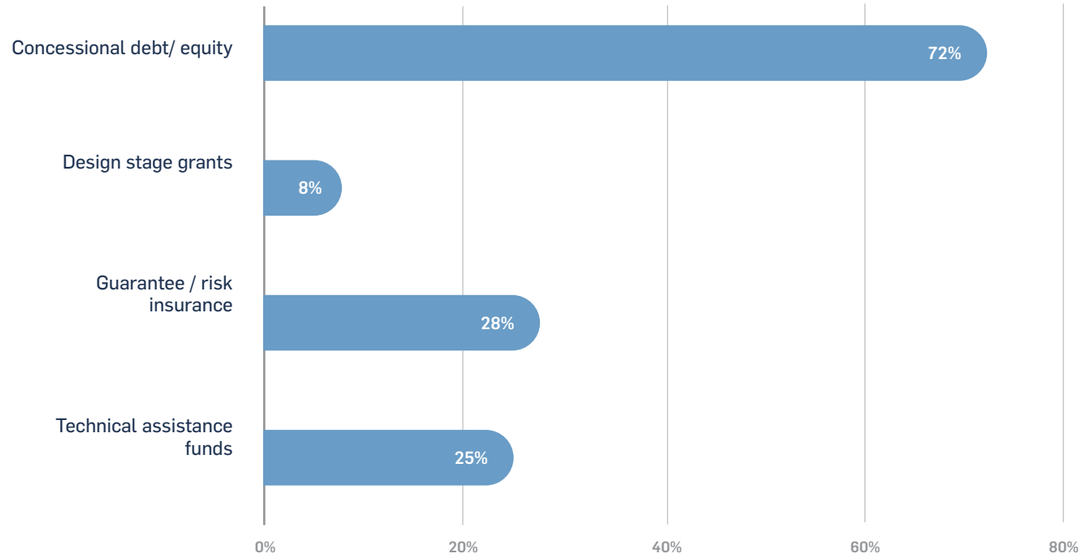
Across the blended finance market, there is a clear and consistent hierarchy in the use of financial archetypes. Market actors show stronger preference for "hard" financial protections over "soft" operational support. Concessional debt and equity dominate by a wide margin, around 70 per cent, followed by guarantees and risk insurance, about 30 per cent. Both are capital mobilization tools, working to make investment viable by absorbing or transferring the risk (both real and perceived) that would otherwise push required rates of return beyond feasibility.

The dominance of concessional debt and equity reflects strong demand for debt in emerging markets, limited institutional capacity to provide guarantees and the lower perceived risk of debt instruments. Concessional equity is particularly impactful as it absorbs first-loss risk across the entire investment – from investor to borrower. By contrast, guarantees typically target specific risks and are highly capital efficient, as unfunded guarantees don't sit on the provider's balance sheet except for the expected loss amount.

Technical assistance (TA) and design stage grants, which serve as pipeline and capacity builders rather than direct capital mobilization tools, appear less frequently (20 per cent and 8 per cent, respectively). TA supports feasibility, capacity building and operational readiness, while design stage grants help fund the preparation work needed to reach bankability. Although smaller in share, both remain catalytic upstream tools that enable projects to become investment-ready and ultimately attract larger volumes of concessional and commercial capital.

The Toolkit for Blended Finance Risk Management and Capital Structuring (page 62), provides a deep dive into these archetypes and vehicles and their relevance to businesses.

Percentage of transactions by blending archetype, all years[10]

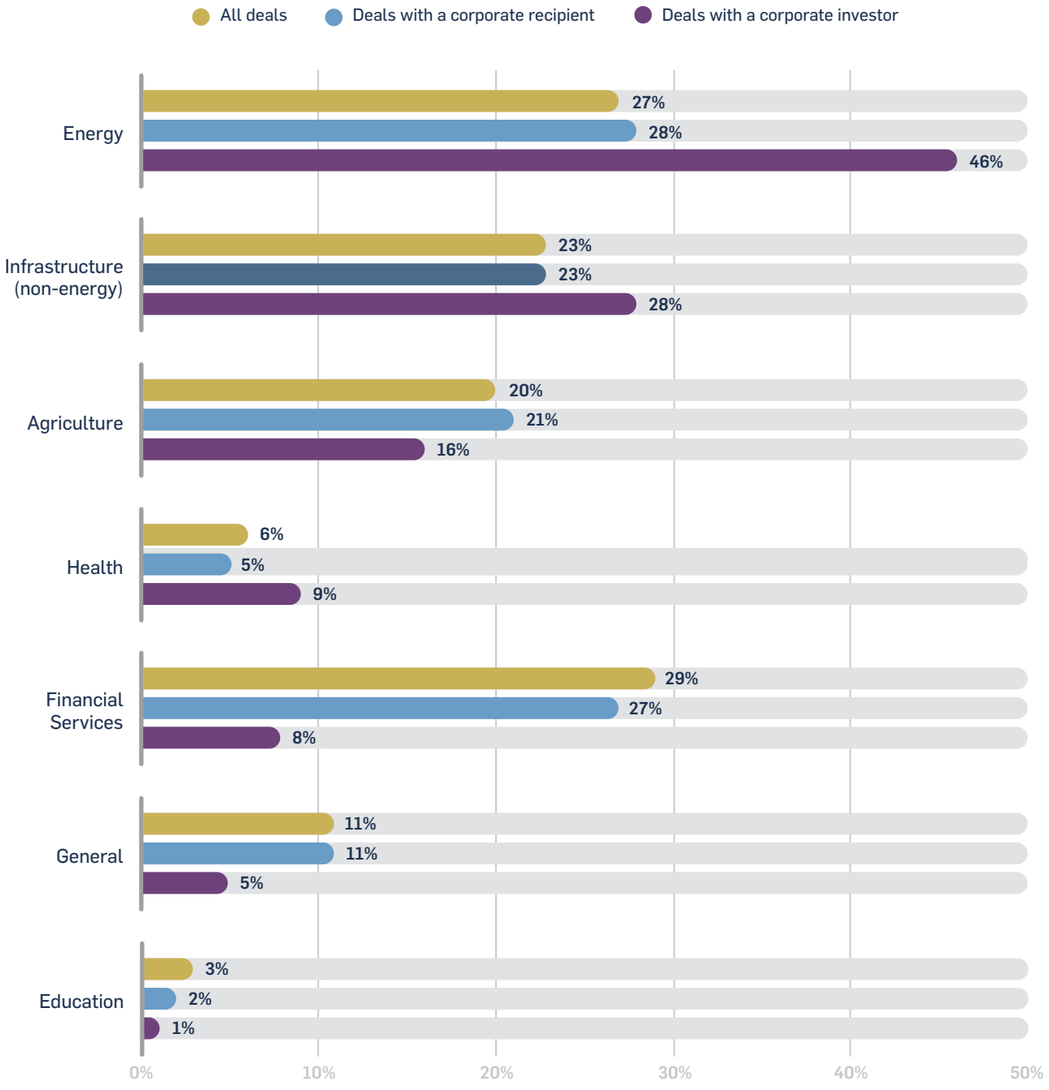


Source: UN Global Compact analysis based on Convergence data (Feb 2026)

10. Because these mechanisms operate at the deal level rather than being specific to investors or recipients, we use overall market data to highlight the most common and scalable approaches, rather than disaggregating by participant type.

KEY SECTORS FOR BLENDED FINANCE

Percentage of transactions by sector (deals with corporate recipients vs. overall blended finance market), all years



Source: UN Global Compact analysis based on Convergence data (Feb 2026)

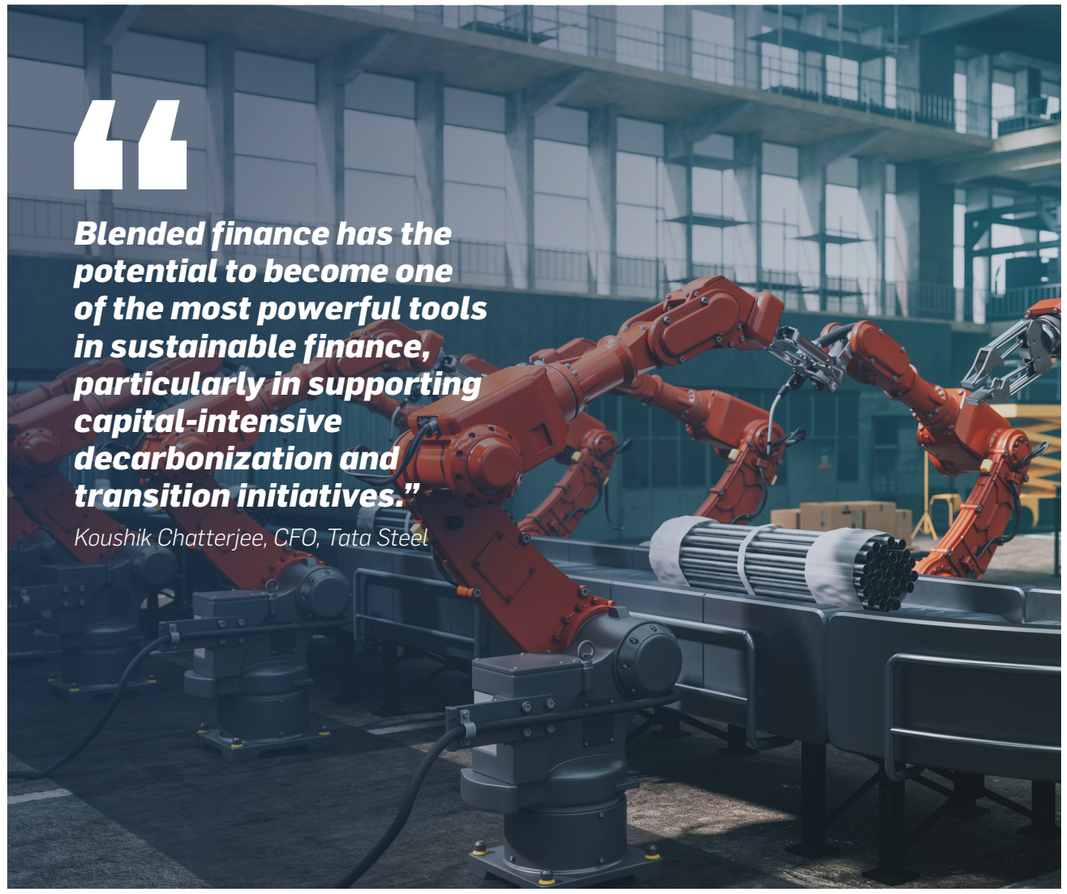
Corporate investment in blended finance doesn't follow the market when it comes to sector – it concentrates where control, strategy and tangible assets intersect.

Unlike the broader market, which often prioritizes market building through financial intermediaries, corporate commitments as investors are heavily skewed toward energy (46 per cent) and infrastructure (28 per cent). Together, these sectors account for nearly three-quarters of corporate activity. Many of these private enterprises are energy or infrastructure companies and thus, these investments are central to their core business, tied to project development and operational objectives.

In contrast, companies in other sectors may also use blended finance to fund energy or infrastructure projects that address specific operational challenges, reduce costs, or advance sustainability goals (e.g., a small manufacturing firm located in an emerging market using blended finance to install a solar field to lower energy expenses and cut emissions).

This preference for direct asset ownership is most evident when compared to the financial services sector, which represents the largest category in the overall market, while for corporates as investors, it accounts for only 8 per cent of deals. This divergence suggests that corporate capital from the real economy is generally less willing to act as passive limited partners in credit funds, where they have little control over the underlying assets. Instead, corporates favor hard assets, using blended finance structures to reduce market risks while investing in projects that offer both strategic alignment and tangible, infrastructure-backed value.

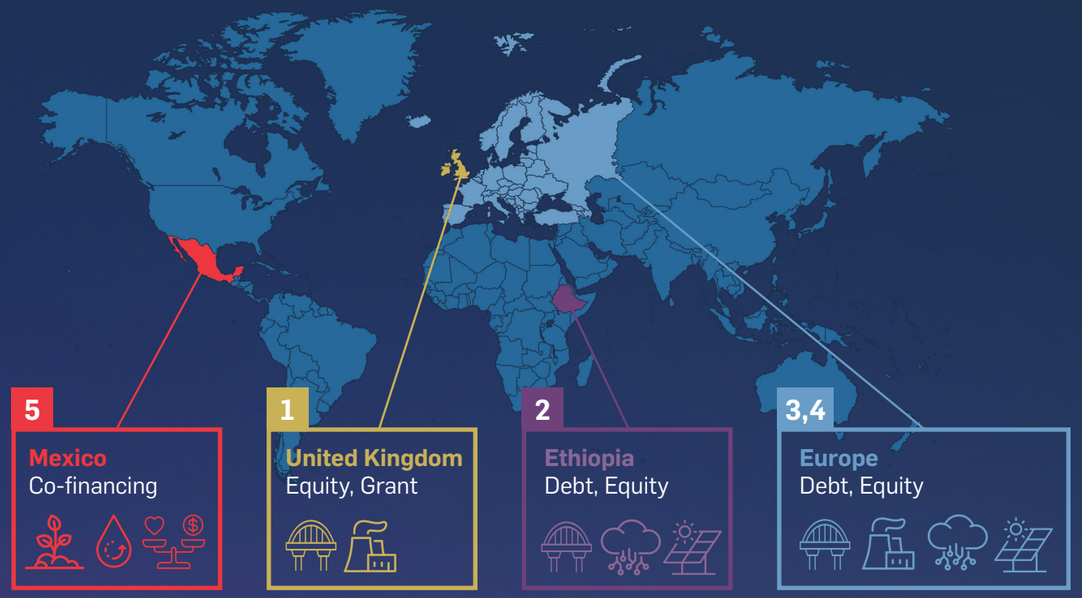
By contrast, when companies act as recipients, their sectoral distribution shifts toward a "universal risk absorption" profile that mirrors the broader market average. In this capacity, corporates utilize blended finance across a wider array of sectors, such as agriculture (21 per cent) and financial services (27 per cent), not as a primary investment target, but as a mechanism to subsidize the high cost of localized operations and bridge the bankability gap in fragmented markets.



BUSINESS-LED BLENDED FINANCE IN PRACTICE

These case examples highlight blended finance transactions spanning diverse regions, sectors, financial structures and sustainability focus areas.

Presented from the perspective of the companies involved, these examples aim to demystify the complexity of blended finance deal design and implementation and highlight the range of approaches and structures possible. They dive into the specific challenges companies face in the process of developing blended finance deals, from financial structuring to partnership navigation. While these examples don't capture the full range of ways companies engage in blended finance, they offer practical insights into how businesses can approach the structuring and execution of blended finance transactions.





CASE EXAMPLE 1

HOW BLENDED FINANCE SAVED TATA STEEL'S WELSH FACTORY



Port Talbot Steelworks first opened in 1901, serving as an economic pillar of its namesake Welsh town ever since. The largest steel plant in the United Kingdom and one of the largest in the world, it has been owned and operated by India's Tata Steel since 2007.

Despite its critical role in the UK's steel industry, Tata Steel's subsidiary there had been operating at a loss almost continuously since 2007. At Port Talbot, the blast furnaces were nearing the end of their operational life and Tata Steel UK lacked the capital or creditworthiness to invest in replacement assets. At the same time, the UK's emissions reduction plans and rising carbon costs made reinvestment in the traditional, high-carbon steelmaking process untenable. Without intervention, the UK risked losing its primary flat steelmaking capacity altogether, along with the 31,000 direct and indirect jobs the plant supported.

Tata Steel UK identified Electric Arc Furnace (EAF) technology as a lower-carbon and more resource-efficient alternative, leveraging the UK's abundant supply of scrap steel. However, despite these advantages, transitioning to electric furnaces would entail an estimated £1.25 billion in essential capital expenditure, along with additional significant transition costs, including plant closures, workforce reductions and maintaining supply chains during the interim period.

This was a sum impossible for Tata Steel UK to cover and far beyond the level of commercial investment it could attract for this project. Tata Steel UK's financial position and credit profile would not have supported raising external capital at scale and the project's risk-return profile was insufficient on a standalone basis. Blended finance was therefore necessary to bridge this viability gap, with a £500 million grant from the UK Government (approved in September 2024) enabling project returns at a level that made it viable and opened the door to future investment.

The electric furnace systems are expected to be fully installed and functioning before 2030.

BLAST FURNACES

Blast furnaces produce new steel from iron ore using coal (in the form of coke), which both fuels the process and chemically reacts with the ore. They are the most common process for steel production globally and one of the most carbon-intensive industrial processes, releasing large amounts of CO_2 and other greenhouse gases. Blast furnaces often operate for 20-40 years, making the transition away slow and costly.

ELECTRIC ARC FURNACE (EAF)

Electric arc furnaces primarily melt scrap steel, where the iron is already in metallic form. By using electricity instead of coal to generate heat, they avoid the carbon-intensive chemical reaction and significantly reduce CO_2 emissions (particularly when run on renewable energy sources). Importantly, EAFs rely on access to scrap steel, which can constrain their scalability and viability in certain markets.

11. IEA, Driving Energy Efficiency in Heavy Industries. (2021)

RESULTS DELIVERED

IMPACT

Indicator	Result
Climate and environment	The EAFs will cut direct CO_2 emissions from Port Talbot by approximately 90 per cent, reducing annual emissions from 6.4 million to 0.6 million tonnes. In addition, this project will significantly reduce particulate matter and other emissions [see box below]. This equates to around 50 million tonnes of emissions avoided over a decade and a roughly 7 per cent reduction in the UK's total industrial emissions.
Social co-benefits	Secured more than 5,000 jobs in the company and many thousands of jobs indirectly. Just transition: 2,000–2,500 exits, more than 95 per cent voluntary. Support includes: • Enhanced severance packages including a comprehensive training programme as an alternative for up to 12 months • Furloughs for up to 100 employees (60 per cent salary for up to 3 years) • £100m transition fund (£80 million provided by the government, £20 million from Tata Steel), providing: ○ Grants for local SMEs to help them transition into new markets or start new businesses ○ A sponsored training programme for impacted individuals to retrain and find new jobs ○ Mental health and well-being support to provide additional help to those affected
Country alignment	Preserves UK steelmaking and advances progress on the government pathway for industry emissions[12]
SDG Alignment	8 DECENT WORK AND ECONOMIC GROWTH · 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE · 13 CLIMATE ACTION

FINANCIAL PERFORMANCE

Indicator	Result
Returns (preliminary)	With grant funding and required policy interventions, the project's CapEx costs were able to justify a target rate of return, which was higher than the cost of capital of the company and which it otherwise would not have been able to achieve. The costs of temporary loss funding or restructuring were separate sunk costs for the business.
Market demand	Strong domestic demand in the UK; during transition, Tata Steel sourced slabs and coils from India, Europe, Brazil, Korea and elsewhere to keep rolling mills operating and customers supplied. The UK's The UK Carbon Border Adjustment Mechanism (CBAM), effective in Jan 2027, will apply comparable carbon costs to imported steel, levelling the playing field and strengthening the long-term competitiveness of low-carbon UK steel — reducing market and investment risk for the project.

ENVIRONMENTAL AND HEALTH IMPACTS OF THE SHIFT TO ELECTRIC ARC FURNACES

In addition to GHG emissions, blast furnaces emit particulate matter – solid particles and liquid droplets with significant environmental and health impacts. The transition from blast furnaces at Port Talbot resulted in reductions across a range of PMs:

Sulphur dioxide (SO2)	Primary industrial pollutant	**↓ 79 per cent**
Nitrogen oxides (NOx)	Key contributor to smog	**↓ 74 per cent**
Particulate matter (PM10)	Coarse breathable particles	**↓ 88 per cent**
Fine particles (PM2.5)	Deep-lung penetrating particles	**↓ 86 per cent**

12. UK Parliament, House of Commons, Research Briefing: The UK's plans and progress to reach net zero by 2050. (2026)

PARTNERSHIP BUILDING

Given the scale of this project, it required far-reaching engagement across government, industry and civil society. Discussions with the UK Government began in 2021, with multiple project structures explored over the following two years. A key milestone was a high-level agreement between Tata Group's Chairperson and the UK Prime Minister in early 2023, followed by a term sheet in September 2023.

STRATEGIC GOAL ALIGNMENT TO UNLOCK CAPITAL

Critically, the project aligned with the UK's national goals for both emissions reduction and maintaining a domestic steel industry, reflected in its survival through significant political turbulence and two changes of government between 2021 and 2023. Core terms remained intact when leadership passed from the Conservative to the Labour party and the final agreement was concluded in 2024, broadly unchanged.

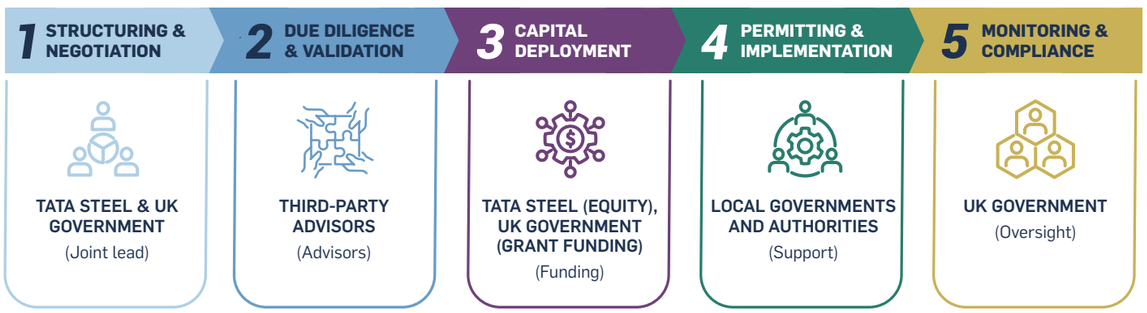
Local Welsh authorities were closely involved in permitting electricity grid access for the electric arc furnace systems, a process streamlined by the strong, long-standing partnership between Tata Steel and the central government. Given that the project was aligned with national priorities, the government provided support in navigating regulatory and administrative processes efficiently.

In addition to government partners, Tata Steel developed strategic partnerships with fellow industry leaders to deliver the Port Talbot EAF project. In October 2024, Tata Steel and Tenova, an Italian metals technology manufacturer, signed a contract for the supply of electric furnaces and related equipment, an agreement that had been in development since spring 2022. This, along with complementary agreements with ABB for electrification and automation systems and JASO Group for high-capacity process cranes in 2025, was made possible by the joint investment from Tata Steel and the UK Government. The government grant provided critical financial certainty, enabling Tata Steel to secure long-lead equipment contracts and move the project into the engineering and construction phase.

Throughout the whole project development process, Tata Steel UK was also in negotiations with the trade unions. Given the labor impact of closing the blast furnace, Tata Steel had to account for around 2,500 job reductions across the business while prioritising employee care and wellbeing. A multi-stage consultation process with the UK Steel Committee ran from February 2024, covering national issues before moving to site-specific consultations at Port Talbot and downstream locations. Despite an initial ballot for industrial action by Unite the Union, all action was suspended on 1 July 2024, enabling negotiations to continue.

A comprehensive support package was agreed on 22 May 2024 and a voluntary redundancy process was launched on 10 July to minimise compulsory job losses. Tata Steel also engaged with the Department for Work and Pensions, Careers Wales and Neath Port Talbot Council to provide practical transition support to affected employees.

KEY STEPS AND STAKEHOLDERS AND RESPONSIBILITIES MAPPING



ROLE OF PUBLIC AUTHORITIES BEYOND FINANCING

Beyond capital, public authorities played a decisive role in resolving structural and regulatory barriers that financing alone could not address. The electricity required to operate the new furnaces made a high-voltage grid connection to Port Talbot essential for the project to be technically and financially viable. Additionally, this supply needed to be developed on the same timeline as the project's construction to avoid lag time in bringing the new systems online. After nearly four years of negotiations with the National Energy System Operator, a deal was signed in May 2024 to have the connection in place by 2027.[13]

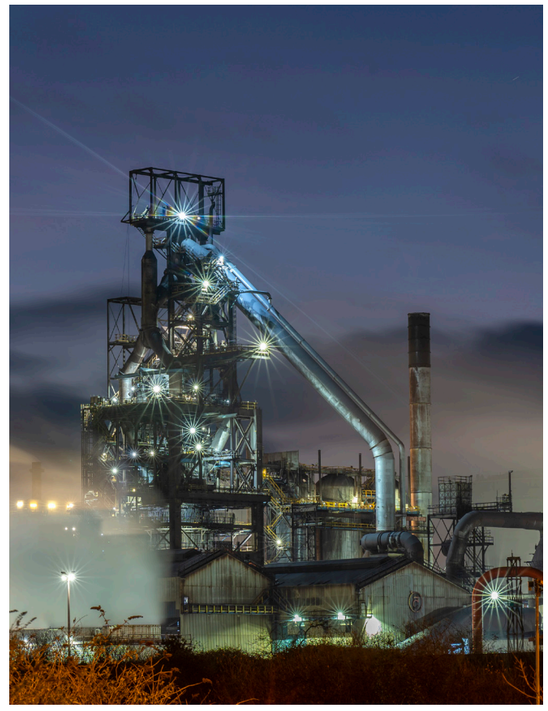
The government also addressed the structural cost challenges facing low-carbon steel production. The UK Government's December 2023 announcement of a Carbon Border Adjustment Mechanism (CBAM), effective January 2027, was a critical policy enabler for the Port Talbot project. Given high upfront capital costs, electricity prices and the UK's carbon pricing model, steel produced in the electric furnaces is likely to be marginally more expensive than high-carbon imported alternatives. CBAM addresses this by applying comparable carbon costs to imports, levelling the playing field and strengthening the long-term competitiveness of low-carbon UK steel, reducing market and investment risk for the project.

In 2025, the government further announced an increase in the relief provided under the Network Charging Compensation scheme, which provides energy-intensive industries relief from electricity network charges, from 60 per cent to 90 per cent (effective April 2026), materially reducing Tata Steel's operating costs. The Trade Remedies Authority also worked proactively to fast-track a review of steel import quotas, ensuring continuity of supply to customers during the transition period.

Public sector engagement extended to the social dimension of the transition. The UK Government and Tata Steel co-funded a £100 million transition fund (£80 million and £20 million respectively) governed by the Tata Steel/Port Talbot Transition Board, which includes representatives from the UK and Welsh governments, local authorities and trade unions. The fund supports reskilling, income assistance and targeted support for local businesses. As of March 2026:[14]

- 60 companies in Tata Steel UK's supply chain awarded grants
- 140 local businesses awarded grants
- 85 new businesses created using grants for equipment and training
- 2,520 training courses procured and 1,100 qualifications and accreditations funded

> ***The Port Talbot project in the UK demonstrates how blended finance can enable companies and the public sector to pursue sustainability and financial objectives in close partnership. The scale of decarbonisation and economic resilience of this project in the UK would not have been possible without strong collaboration between our company, the government and local communities. While there are execution challenges, once implemented, this project will demonstrate the power of just transition to all stakeholders."***
>
> *Koushik Chatterjee, CFO, Tata Steel*

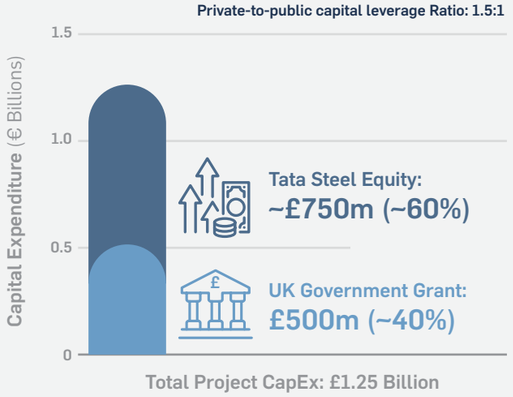


13. Tata Steel, Electricity connection agreed for green steelmaking. (2024)
14. UK Government, Statement on behalf of the Tata Steel / Port Talbot Transition Boar,,d. (2026)

FINANCING STRUCTURE AND SCALING

The Port Talbot transition was structured as a blended finance transaction combining public grant funding with corporate equity. The core project capital expenditure, which was estimated at the time to be approximately £1.25 billion, included a £500 million grant from the UK Government (approximately 40 per cent), with the remaining £750 million (approximately 60 per cent) provided by Tata Steel as equity investment from its parent entity in India. In addition, Tata Steel funded the transition and restructuring losses incurred by the business in the interim.

Port Talbot transition: funding structure & CapEx breakdown



Above the cost of capital for the Tata Steel UK

Achieved with grant funding.

The capital requirement extended well beyond core expenditure. Legacy asset closure, workforce restructuring, settlement of existing obligations and interim supply chain costs pushed the total transition commitment to over £2.5 billion. The UK government grant played a catalytic role in enabling the investment. Without public support, Tata Steel assessed that the project would not have met internal return thresholds. By de-risking the project, the grant also enabled the execution of contracts with industry partners for the construction and deployment of the electric furnace systems. Looking ahead, the company expects that once these systems are operational and generating stable cash flows, it will be well-positioned to raise working capital facilities and financing for sustaining and routine capital expenditure.



RISK MITIGATION AND CAPITAL ALLOCATION

The Port Talbot transaction reflects a structured allocation of risks between Tata Steel and the UK Government, where public capital and policy support were used to address risks that could not be absorbed commercially. The project faced multiple layers of risk, including financial viability, execution complexity, regulatory uncertainty and social transition challenges.

Through a combination of grant funding, policy commitments and conditional agreements, the UK Government mitigated key downside risks, while Tata Steel retained responsibility for delivery, operational performance and long-term commercial outcomes. The government covered a minority portion of the project's capital expenditure, focusing on the most traceable form of risk: funding new assets. Public funds were not used to cover operating losses or transition costs, showcasing the respective roles of private and public sector partners in making blended projects like this viable.

RISK CATEGORY	KEY RISK	RISK BEARER	MITIGATION MECHANISM
Capital expenditure (new assets)	High upfront cost for technology and equipment	Shared	Blended finance structure (Government grant + Tata Steel equity)
Transition, operating costs and execution risk	Costs related to blast furnace closure, restructuring, interim operation of Port Talbot and construction	Tata Steel	Tata-led execution; global sourcing during transition
Policy / regulatory risk	Carbon pricing, electricity cost uncertainty	UK Government	Government policy commitments (e.g., carbon mechanisms, energy considerations)
Performance / compliance risk	Failure to meet emissions, timeline and job-related conditions	Tata Steel	Grant conditions, milestones, reporting obligations (repayment if unmet)
Social / workforce risk	Job losses and community impact	Shared	"Just transition": £100m transition fund

DUE DILIGENCE AND CONDITIONS

Given the public nature of the funding, the Port Talbot project was subject to significant political and public scrutiny and involved an extensive and multi-layered due diligence process, reflecting both the scale of public funding and the strategic importance of the project.

The UK Government undertook comprehensive financial, legal, technical and operational assessments. Trade Unions also engaged an independent expert to test the feasibility and robustness of the company's plan. Additional political scrutiny was applied through parliamentary inquiries where company leadership provided evidence on the project's rationale, transition strategy and expected outcomes, as well as analysis from union-appointed advisors on the social and economic impacts.

Independent advisors were appointed to assess different dimensions of the project:

- **Financial** (Financial consultant appointed by the Government): review of financial projections, tax compliance and existing financing arrangements
- **Technical and engineering** (Technical team appointed by the Government): Asset condition, feasibility of the proposed electric arc furnace solution and validation of CapEx assumptions.
- **Legal** (Legal firm appointed by the Government): review existing financing arrangements, draft the Grant Funding and ancillary agreements.
- **Workforce-focused assessment** (Advisors appointed by the union, paid for by Tata Steel): Assessment of the business case from a workforce perspective, including evaluating alternatives to asset closure and the implications for employment.

The process was rigorous and time-intensive, taking over a year to complete. To ensure independence, the government covered the majority of due diligence costs, deducting from the grant £187,100 from the grant value to cover the final due diligence report. This arrangement reflected the public nature of the project and its close alignment with government priorities.

The grant agreement included conditions beyond typical commercial financing, covering delivery timelines, emissions targets, workforce treatment, reporting obligations and standards for small businesses and contractors. Enhanced transparency and information sharing with the government were also required. Failure to meet agreed milestones or compliance obligations could trigger repayment.

CHALLENGES

- **Securing government commitment:** Multi-year negotiations were needed to align on both funding (£500m grant) and policy support.
- **Timeline coordination:** Such a complex project required multiple workstreams to be completed on the same timeline to ensure the project's technical and financial viability, increasing the need for consistent, close engagement with all stakeholders.
- **Policy dependency and uncertainty:** Project viability relied on future policy conditions (carbon pricing, energy costs, grid infrastructure), which required assurance from the government.
- **Complex due diligence:** Multi-party due diligence (government, technical advisors, unions) took over a year, adding time and coordination complexity.
- **Conditionality of public funding:** Grant funding came with strict conditions (milestones, emissions, jobs, reporting), increasing the risk of noncompliance and performance.
- **Intense public and political scrutiny:** The transaction was subject to significant public accountability and scrutiny due to its impact on the local workforce of Port Talbot, raising reputational and execution pressure.

LESSONS LEARNED

- **Blended finance can unlock doors:** The introduction of a public grant improved the risk-return profile, shifting the project from a negative internal rate of return to an acceptable level exceeding the cost of capital for Tata Steel UK, thereby enabling internal investment approval and unlocking corporate capital deployment.
- **Policy alignment is as critical as capital:** Carbon pricing mechanisms, energy pricing considerations and infrastructure commitments were key to making the project viable for public capital injection.
- **Execution risk is significant in brown-to-green transitions:** Managing asset closure, workforce transition and interim operations requires substantial planning and operational capability.
- **Just transition is critical:** Early and structured support for workers and communities was essential to navigating sensitive industrial transformation and requires intentional time allocation to ensure a truly equitable transition.
- **Long timelines must be anticipated:** Multi-year negotiations across changing governments highlight the importance of persistence and cross-party alignment.



CASE EXAMPLE 2

DIGITAL ACCESS FOR ALL IN ETHIOPIA

Ethiopia, with the support of the World Bank Group (WBG) and the International Monetary Fund (IMF), embarked on a broad liberalization program in 2018 to attract foreign investment and stimulate economic growth. A central pillar of this program was focused on the country's telecommunications system. Until then, Ethiopia was one of a few countries with a national monopoly on its telecommunications infrastructure, a system that led to limited penetration of digital access, particularly in rural areas. As of 2022, only 21 per cent of the country had internet access, nearly half the Sub-Saharan African average, curtailing participation in critical economic and social tools such as e-commerce, digital payments and online education.[15]

In 2019, the Government opened a second license to expand digital access and connectivity. Twelve firms submitted bids, but in 2021, a consortium led by Safaricom (Kenya), comprising Vodafone (UK), Vodacom (South Africa), Sumitomo (Japan) and British International Investment (formerly the UK's Commonwealth Development Corporation) was awarded the license with a bid of $850 million. This marked one of the largest foreign direct investments in Ethiopia's history.[16] As part of this investment, the consortium pledged a long-term commitment to build nationwide digital infrastructure aimed at improving access, coverage and quality of connectivity. The same year, the consortium incorporated Safaricom Telecommunication Ethiopia PLC to lead this transformative effort, leveraging the consortium's operational expertise, frontier-market experience and patient capital to deliver inclusive digital services.

The World Bank Group, via the IFC and Multilateral Investment Guarantee Agency (MIGA), provided another direct investment in 2023 to support the Safaricom Ethiopia investment and development framework. This additional support aimed to reinforce the funding structure with more patient, long-term capital, enhance operational resilience and ESG standards and foster alignment between government and regulatory priorities in a complex and evolving market.

Due to Ethiopia's high-risk profile for infrastructure investment, driven by chronic factors including foreign exchange shortages, high inflation, exchange rate overvaluation and unsustainable external debt,[17] the World Bank Group's investment played a catalytic role in advancing the project. IFC invested $157 million in equity and a $100 million long-tenor loan, while MIGA provided $1 billion in guarantees, including a $76 million first-loss layer from the International Development Association's Private Sector Window. This blended architecture matched risk to the right capital, lowered funding costs and introduced long-term debt while mitigating political and early-stage risks through IFC and MIGA support.



> ***"As CFOs, our edge is staying forward-looking while grounded and leveraging relationships to support strategy and leadership. That's blended finance: aligning capital and partnerships to achieve what none can do alone."***
>
> *Dilip Pal, CFO, Safaricom*

15. IFC, PPP Project Briefs; Ethiopia: Telecom Liberalization (2022)
16. IFC, PPP Project Briefs; Ethiopia: Telecom Liberalization (2022)
17. IMF Staff Country Report No. 2024/253, Federal Democratic Republic of Ethiopia (2024).

RESULTS DELIVERED

IMPACT	
Indicator	Result
Job creation	Up to 1.5 million direct and indirect jobs expected (20,000 enabled so far through Safaricom's distribution partners and brand ambassadors)
Infrastructure improvement	Expanded 4G/5G coverage in urban and rural areas
Country strategy alignment	Contributed to Ethiopia's Digital Ethiopia 2025 strategy (connectivity + financial inclusion)
SDG Alignment	

FINANCIAL PERFORMANCE	
Indicator	Result
Market share	11.1 million customers by September 2025
Market positioning	Secured a mobile money license and launched M-PESA Ethiopia
Risk-return profile	The project is ongoing, but it is expected for Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) to break even in FY27

PARTNERSHIP BUILDING PROCESS

Once the Government opened up the new licensing opportunity, Safaricom and Vodafone affiliates began building the core operator consortium, bringing essential operating expertise and a proven track record in telecom rollouts across Africa and beyond, before inviting Sumitomo and British International Investment (BII) to broaden the group's expertise and government relationships. The consortium was formally solidified ahead of the license award in May 2021.

The selection and integration of these partners was driven not only by their capacity to invest capital, but also by soft influence, including government support from Kenya, South Africa, the UK and Japan, as well as technical know-how in frontier markets and previous partnerships with the DFIs involved.

Aware that additional support was needed to deliver the project, IFC and MIGA were brought in. This was a natural progression of over four years of World Bank Group activities and engagement in Ethiopia, focused on the telecommunications sector and mobilization of private sector investment. With past relationships and shared goals between the consortium and IFC and MIGA, their support for the project (in the form of equity investment, loans and guarantees) was announced in June 2023.[18] The deal was formally closed at a funding ceremony in Addis Ababa, Ethiopia, in August 2023.

This project illustrates how blended finance deals can bring together a wide range of stakeholders in complex configurations. The success of these partnerships was largely due to Safaricom beginning the process early and leveraging its existing relationships across the sector. The team also found that progress moved faster when engaging the local offices of multilateral partners rather than their global operations teams, as local offices had a sharper understanding of Ethiopia's political and economic context at the time.

Government	The Ethiopian government (namely the Ministry of Finance and the Ethiopian Communications Authority) liberalized and opened the telecom sector to private development, issued Safaricom a licence to operate in the country and provided the regulatory framework and spectrum needed to attract investors.
Operator consortium	Vodacom (South Africa) and Safaricom (Kenya) — provided core operating expertise and a track record in telecom rollouts across Africa and beyond.
Strategic investor	Sumitomo (Japan) joined in 2022, bringing frontier-market experience (e.g., Myanmar telecom liberalization) and appetite for long-term equity risk.
Development finance investors	British International Investment (UK) added patient capital and sovereign backing from the UK government, IFC brought structuring expertise and investor credibility as an anchor investor and MIGA mitigated political risk through guarantees — together reinforcing credibility in international markets and crowding in private capital.

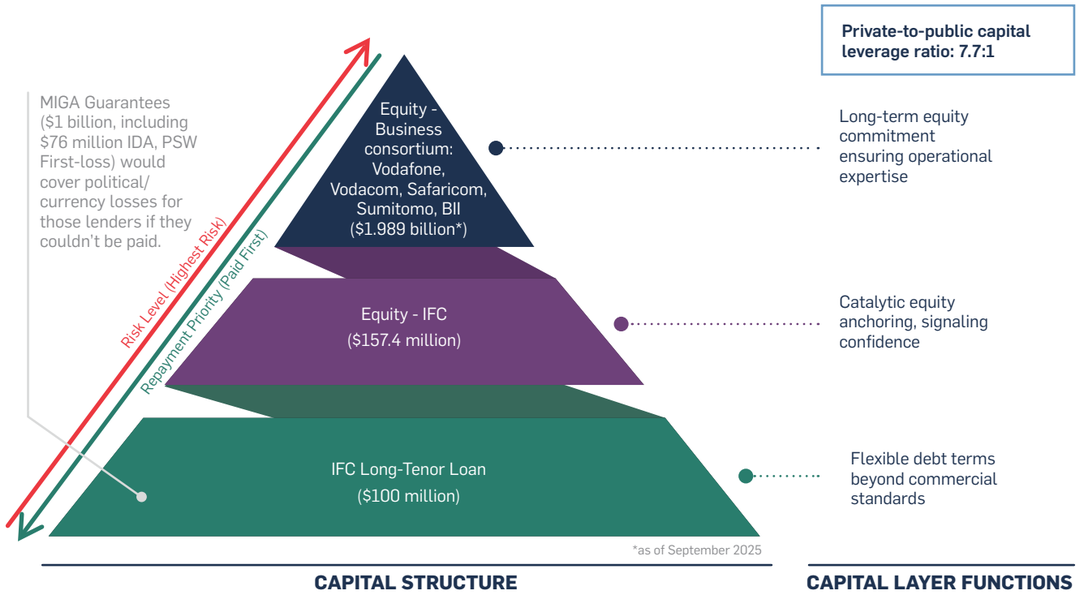


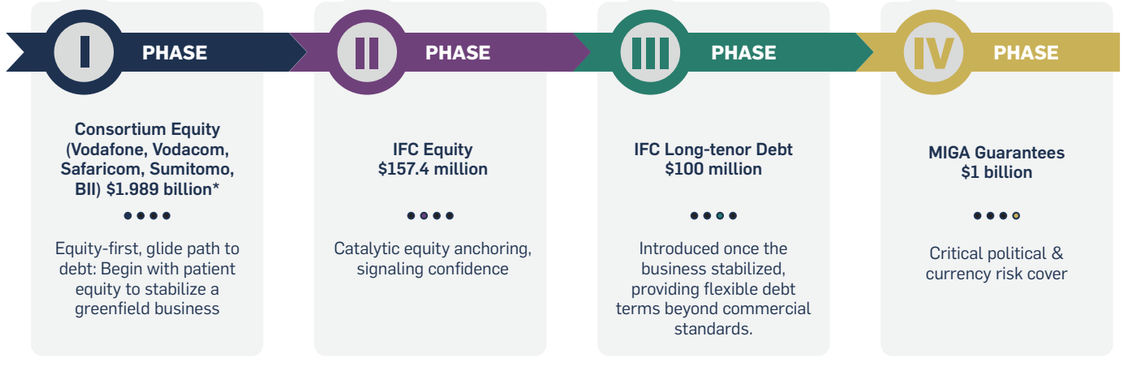
18. IFC, Flagship Telecommunications Project to Bring Affordable, Reliable Internet and Mobile Services to Millions More in Ethiopia. (2023)

FINANCING STRUCTURE AND SCALING

This blended package addressed Ethiopia's high political and foreign exchange risk, providing private sector partners with the confidence needed to accept a longer time horizon and frontier-market exposure.

Equity-focused at inception	Given the startup nature of the investment, the initial capital structure was heavily equity-based to ensure stability and flexibility for growth.
IFC participation	IFC joined as both an equity investor ($157 million) and lender ($100 million long-tenor loan), introducing patient, flexible capital beyond typical commercial terms.
MIGA guarantees	$1 billion in risk cover, including a $76 million first-loss layer from the IDA Private Sector Window, providing political and currency risk protection for consortium investors.
Consortium capital investment	Just under $2 billion has been invested by the Consortium, as of September 2025.





*as of September 2025

GUARANTEES IN BLENDED FINANCE

Guarantees are often structured with a first-loss or subordinated layer funded by concessional capital. For example, MIGA's provision of $1 billion in guarantees, supported by a $76 million first-loss layer from the IDA Private Sector Window, allowed early losses to be absorbed by public capital and mobilized larger volumes of private investment. For more information about guarantees, please check Section 3 — Capital Structuring.

While guarantees have been identified to be the most effective instrument for mobilising private finance,[19] they are not the perfect fit for all projects or blended finance deals. Guarantees usually only cover defined risks (e.g. political risk or defined credit events) rather than overall project performance, making them best suited for projects with high upfront CapEx costs (e.g. infrastructure and renewable energy) where project finance and long debt tenors are the norm, rather than projects that are more operational, fragmented or where revenue is less predictable. For more information about risk management instruments, please check Section 3 — Risk Management.

RISK MITIGATION AND CAPITAL ALLOCATION

RISK TYPE	CHALLENGE MITIGATION	CAPITAL LAYER
Currency risk	FX shortages, non-floating exchange rate	Scenario planning in bid pricing; confidence in World Bank and IMF reforms toward floating regime
Political and regulatory	Nascent liberalization, federal governance, instability	$1billion MIGA guarantees (including $76million IDA PSW first-loss); World Bank/IMF-backed legal and policy reforms
Capital allocation	Need for patient, long-term capital	Consortium equity bore early-stage risk; IFC equity ($157million) plus long-tenor debt ($100million); MIGA shifted sovereign/political risk



19. OECD, Development Co-operation Working Paper 97: The Role of Guarantees in Blended Finance. (2021)

CHALLENGES

- **Slow policy and cultural shifts:** Legal reforms passed, but implementation required behavioral and cultural changes in government and institutions, slowing execution. Regulatory delays also meant we couldn't launch financial services as planned; we were locked out of key use cases.
- **Currency volatility:** Despite scenario planning, FX availability remained unpredictable, creating ongoing financial stress. The Ethiopian Birr devalued by 117 per cent in FY25 and continues to depreciate (16.9 per cent additional depreciation as of September 2025).
- **Aggressive competition:** The market responded aggressively—the incumbent dropped prices below benchmarks, launched mobile money solutions early and banking apps penetrated faster, negating some use cases.
- **Challenges in accessing local funding to drive operations:** Local funding was still required to drive operations, which was difficult to secure as Ethiopia's financial sector is still maturing. Safaricom leveraged parental guarantees and its Kenyan strengths to unlock capital.
- **Multilateral pace:** IFC/MIGA due diligence and approval cycles were slower than typical corporate decision-making, testing patience and flexibility.

LESSONS LEARNED

- **The consortium approach:** Multi-level partnerships with multilaterals and the strategy of first engaging with their in-country teams, are replicable for other markets. However, certain aspects were unique to the Ethiopian context, such as its specific political and legal framework, closed-market conditions and the complex liberalization process.
- **Equity first, debt later:** Begin with patient equity, where investors aren't in a rush to reap gains, to stabilize a greenfield business, then add long-tenor debt as operations mature. Match your funding to your business phase.
- **The role of finance as a strategic business partner:** Anticipating currency risks, funding gaps and regulatory shifts is critical. Leverage previous experience and success to identify and unlock innovative funding and operational models.
- **Be transparent:** Be frank with your stakeholders even when the message is tough. Transparency builds trust and credibility.
- **Anticipate FX and political risks:** Factor currency volatility into bids and secure political risk insurance early and engage with partners such as the World Bank to understand the country's liberalization process.
- **Engage in-country stakeholder teams:** Local teams can help bridge gaps in local economic, political and cultural understanding that global teams may lack, helping corporates navigate multilateral processes more effectively.



CASE EXAMPLE 3

THE CLEAN ENERGY CROSSING: UNLOCKING HYDROGEN ACROSS CONTINENTS



In the global push for decarbonization, hydrogen is playing an increasingly important role. Renewable hydrogen can support the decarbonization of heavy, hard-to-abate industries like steel production, chemical manufacturing and heavy transportation. The European Union (EU) has made hydrogen central to its energy and net-zero transition plans, but securing a reliable supply remains a key challenge.[20]

Producing renewable hydrogen demands access to abundant renewable energy, a resource that can be generated at scale and competitively in neighboring regions like North Africa. The European Commission (EC) has identified the region as a priority partner for renewable hydrogen imports, citing both its geographic proximity to Europe and its vast renewable energy potential.[21] The question now is: how to transport that hydrogen to demand centers across Europe?

The 3,300-kilometer Southern Hydrogen ($SouthH_2$) Corridor[22] aims to answer that question, delivering North African hydrogen to emerging demand clusters in Italy, Austria and Germany. Snam, the energy infrastructure company, will lead the development of the Italian section of the $SouthH_2$ Corridor — running from Sicily to the Austrian border — supported by EU policy and funding.

WHAT IS RENEWABLE HYDROGEN AND HOW DOES IT REDUCE SCOPE 1 AND 2 EMISSIONS?

Hydrogen is a carbon-free molecule widely used in industrial processes and increasingly viewed as a key energy carrier for decarbonizing hard-to-abate sectors; however, its climate impact depends on how it is produced. Renewable hydrogen is hydrogen produced using renewable energy sources, such as solar, wind, or nuclear, reducing both Scope 1 and Scope 2 emissions:

- Scope 1 (Direct emissions): reduces direct onsite emissions by substituting fossil fuels traditionally used in industrial processes and energy generation with a zero-emission fuel.
- Scope 2 (Energy-use emissions): reduces electricity-related emissions when hydrogen is produced using renewable power sources.

Renewable hydrogen enables hard-to-abate sectors to transition away from carbon-intensive fuels, thus significantly lowering their carbon footprint while maintaining production efficiency and global competitiveness.

20. European Commission, A Hydrogen Strategy for a Climate-Neutral Europe (2020).
21. IRENA, Enabling Green Hydrogen Development: North Africa. (2025). NOTE: the scalability of North Africa as a provider of green hydrogen requires improved regulatory conditions, expansion of renewable power generation and deployment and increased technical capacity, reliant on increased investment and development.enables
22. SouthH2Cooridoir

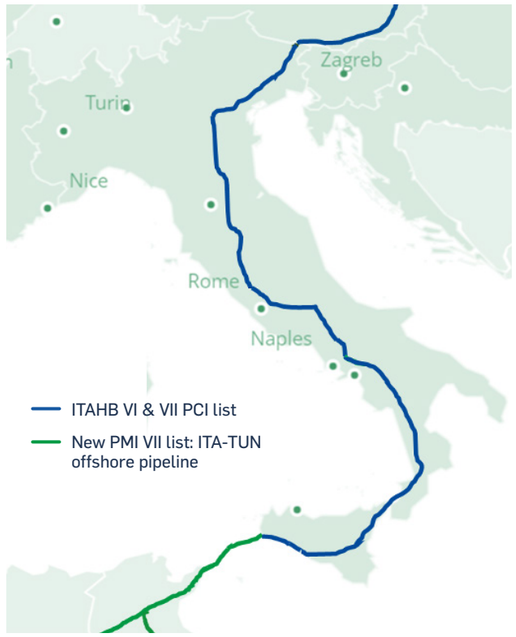
The Italian H_2 Backbone will repurpose over 60 per cent of Snam's existing gas pipeline network and build new hydrogen-ready pipeline sections of the infrastructure, providing transport capacity up to 4.4 million tonnes per annum (Mtpa) of renewable hydrogen supply to Europe, enabling up to 1.7 Mtpa of cross-border hydrogen flows from Italy to Austria.[23] With an estimated total cost of €4 billion, the project represents one of Europe's earliest large-scale infrastructure hydrogen investments led by a transmission system operator.

The project is being developed in a nascent hydrogen market where:

- Regulatory frameworks are still under development, with tariffs, cost-recovery mechanisms and cross-border rules not yet fully defined.
- Market demand is emerging but not yet crystallized, creating a typical chicken-and-egg dynamic: infrastructure is needed to stimulate the market, but market signals are required to justify investment.
- Technical standards and cross-country operational harmonization are ongoing, introducing coordination and implementation risks.

Given the early development stage of the hydrogen market and pending the definition of a regulatory framework, in 2024, Snam sought public funding to de-risk early-stage activities, specifically engineering and feasibility study costs and enable the implementation of preliminary phases of the project. The company applied for the Connecting Europe Facility for Energy (CEF-Energy) grant programme, an EU funding programme managed by the European Commission, dedicated to relevant cross-border infrastructure. In June 2025, Snam signed the grant agreement with the EU Commission for a €24 million grant.

The CEF-Energy grant covers 50 per cent of the project's engineering and feasibility study costs, with a total eligible budget of €48 million. Snam will then support the share of incurred spending not covered by the grant with its own resources. This blended finance approach enables early-stage activities to progress while limiting Snam's exposure to market risk in an immature sector.



Indicator	Result
Hydrogen import capacity	Up to 4.4 Mtpa from North Africa to Italy
Hydrogen export capacity	Up to 1.7 Mtpa from Italy to Central Europe
Market demand	Letters of Intent (non-binding commitments) for 2.5 Mtpa as early demand signals from producers and off-takers confirming the strategic relevance of the asset
Climate contribution	Enables replacement of fossil fuels in hard-to-abate sectors (steel, chemicals, refining) aligned with European Green Deal objectives
SDG alignment	7 AFFORDABLE AND CLEAN ENERGY · 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE · 13 CLIMATE ACTION

23. SouthH$_2$Corridor

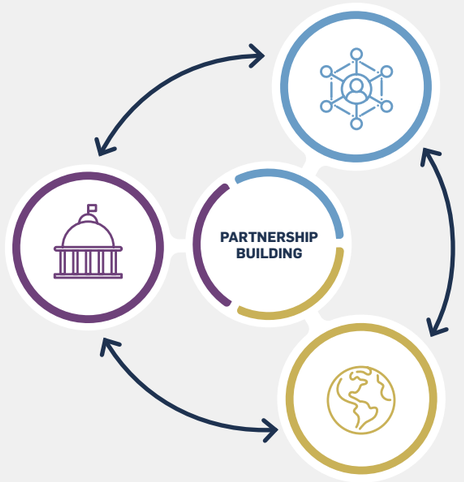
PARTNERSHIP AND COLLABORATION STRUCTURE

Building the partnership and collaboration structure for the Italian H_2 Backbone required the involvement of multiple stakeholders within a supranational governance framework, including partner Transmission System Operators (TSOs) in Italy (Snam), Austria (TAG and GCA) and Germany (Bayernets), national governments and regulators, European institutions, financial institutions and emerging hydrogen producers.

This framework relies on periodic cross-country coordination to align project development, financing options for hydrogen transport infrastructure, shared timelines and evolving regulatory conditions.

ENGAGEMENT WITH THE EUROPEAN COMMISSION

Snam applied for CEF- Energy funding in 2024 and the Italian Ha Backbone was selected for funding by the European Commission. The coordinated engagement of project promoters across different Member States strengthened the overall credibility, maturity and European added value of the Italian section of the SouthH$_2$ Corridor.



MULTI-TSO AND VALUE CHAIN COORDINATION

This continuous dialogue reduces project uncertainty and strengthens the overall investment case, thereby improving eligibility and competitiveness for public funding instruments.

COORDINATION ACROSS NATIONAL GOVERNMENTS

Engagement with national authorities on aspects such as development of H_2 regulatory framework, permitting and hydrogen quality standards, is critical to ensure consistency across all phases of the project and reduce implementation risk.

The key steps for partnership building were:

- **Multi-TSO and value chain coordination:** Snam has engaged in mutual coordination with TSOs in Austria and Germany to jointly assess the feasibility and implementation of a hydrogen corridor from North Africa to Central Europe, covering technical design, system harmonisation and the overall SouthH$_2$ Corridor concept. In parallel, Snam and the other TSOs have engaged with North African governments, renewable hydrogen developers and infrastructure stakeholders (formalising in 2025 a Joint Declaration of Intent between Italy, Germany, Austria, Algeria and Tunisia).[24] This continuous cross-border and value-chain dialogue reduces project uncertainty, supports the alignment of development timelines and strengthens the overall investment case, thereby improving eligibility and competitiveness for public funding instruments.
- **Coordination across national governments, regulators and institutions:** Snam and its partners worked with national authorities to align on the development of H2 regulatory frameworks, project design, permitting and hydrogen quality standards. Continuous coordination over these aspects is critical to ensure consistency across all phases of the project and to reduce implementation risk. Such alignment also strengthens the project's readiness and credibility vis-à-vis public funding authorities, supporting eligibility under public funding programmes.
- **Engagement with the European Commission:** Following Snam's 2024 application for CEF–Energy funding and subsequent project evaluation phase, the Italian H_2 Backbone was selected for funding by the European Commission. As part of the broader SouthH$_2$ Corridor, parallel project segments in neighboring countries have also been selected for EU funding, reinforcing the corridor's cross-border coherence. While each infrastructure promoter maintains independent financing arrangements, the alignment of the national segments strengthened the overall credibility and added value of the corridor as a strategic transnational hydrogen infrastructure initiative.

24. Federal Ministry for Economic Affairs and Energy, Joint political declaration of intent to develop the Southern Hydrogen Corridor signed by five countries in

FINANCING STRUCTURE AND SCALING

Snam structured the initial development phase of the Italian H_2 Backbone around a blended financing architecture focused on feasibility and engineering activities, combining:

- A grant from CEF–Energy, covering 50 per cent of eligible study costs equal to €48M; and
- Snam's own resources, covering 50 per cent of the incurred cost not covered by the grant and ensuring strong sponsor commitment and long-term ownership of the project.

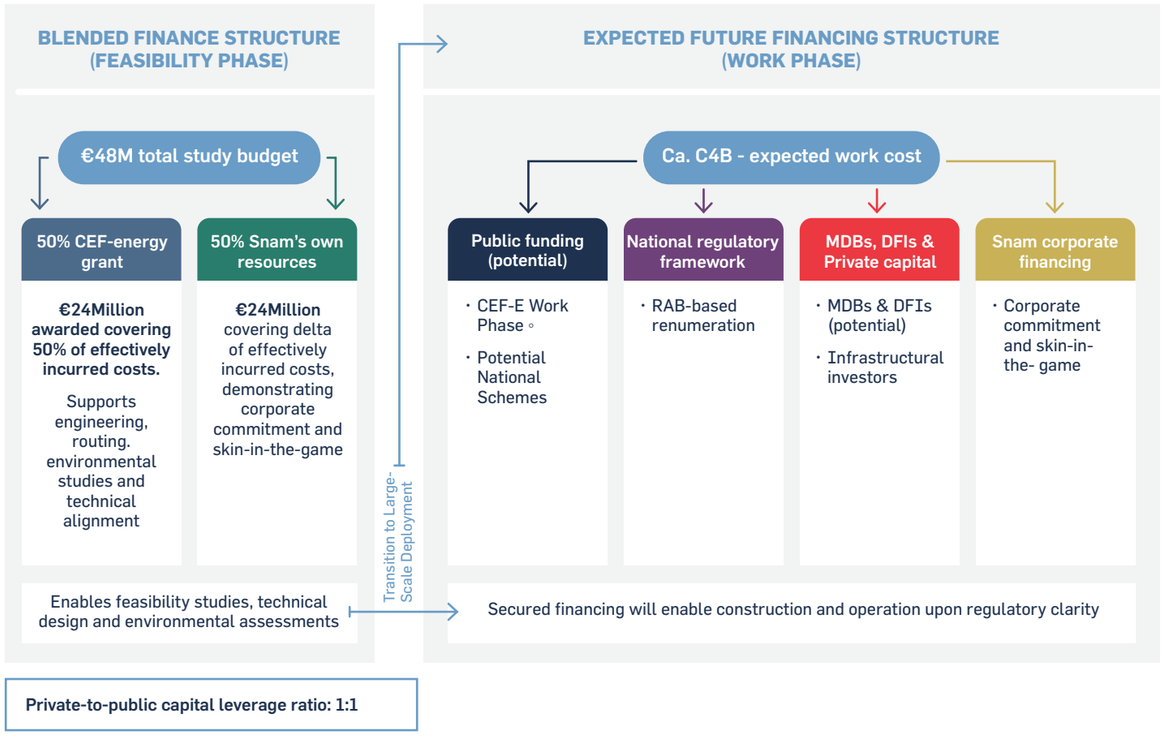
This structure supports a phased investment approach in a nascent market with regulatory frameworks under development. Rather than committing to full-scale infrastructure upfront, Snam limits its initial exposure to the feasibility and engineering phase, co-financed by the grant, while retaining the option to scale the project to an estimated €4 billion investment.

By leveraging public funding in early and subsequent phases, Snam can progressively scale the project while reducing upfront financial exposure.

This, in turn, lowers the level of investment that would otherwise need to be recovered through tariffs during the early market ramp-up, improving affordability for end users and supporting market uptake.

Given the scale, complexity and cross-border relevance of the project and the potential to further leverage CEF-Energy or other public funding sources in later phases, the involvement of MDBs and DFIs will be essential to complement public funding and mobilize private capital. Their capacity to manage country-specific risks through sovereign relationships and institutional presence is particularly relevant for projects such as the SoutH2 Corridor, which depend on stable partnerships between Europe and North Africa. Early engagement with these institutions can help identify appropriate financing structures and risk-mitigation solutions to be implemented later.

Italian H_2 Backbone financing structure



Private-to-public capital leverage ratio: 1:1

CAPITAL ALLOCATION AND RISK SHARING

In the absence of established tariff structures and cost-recovery mechanisms, early investment in hydrogen transport infrastructure entails significant non-remunerated risk. For the Italian H_2 Backbone, the awarded CEF-Energy grant reduces Snam's financial exposure during this phase without pre-empting future regulatory outcomes. At the same time, Snam retains execution risk, technical responsibility and long-term asset risk.

Co-financing the feasibility phase with corporate equity ensures strong alignment of incentives and demonstrates continued commitment to the project. Moreover, beyond financial risk mitigation, the blended finance structure provides an important institutional signal that enhances the project's strategic credibility and reduces key uncertainties related to costs, timelines and implementation.



CHALLENGES

- **Regulatory uncertainty:** The lack of a defined framework for hydrogen transport tariffs and cost-recovery mechanisms creates significant revenue risk for infrastructure operators. Additionally, cross-border rules and harmonization are still in development, which increases uncertainty in tariff design and adds complexity in operational coordination.
- **Market immaturity:** A classic "chicken-and-egg" problem exists where the initial hydrogen demand is currently insufficient to commercially sustain the massive infrastructure costs required for the ramp-up phase. There is also limited precedent for cross-border hydrogen tariff design.
- **High barrier to entry for funding:** Applicants are required to demonstrate a robust project framework, strong European relevance and committed partnerships at an early stage.
- **Coordination across countries and stakeholders:** Multi-country project development introduces complexity. Aligning TSOs, regulators and investors across borders requires significant coordination to maintain timelines and ensure harmonization of technical standards.

LESSONS LEARNED

- **Project interdependence strengthens funding eligibility:** Strong alignment among linked infrastructure segments and complementary initiatives along the hydrogen value chain enhances project coherence, maturity, cross-border impact and European added value. These factors directly improve competitiveness for grants like CEF-Energy.
- **Early engagement with MDBs and DFIs strengthens future bankability:** Multilateral development banks and development finance institutions are essential to mobilize private capital and provide structured risk mitigation tools. Involving MDBs and DFIs at the pre-FEED stage helps align projects early with stringent ESG, governance and technical standards, which can support future investment. While demanding, these requirements enhance project maturity, sustainability and bankability, better positioning large-scale infrastructure projects to crowd in private capital in later phases.

CASE EXAMPLE 4

HOW SPAIN'S FCC CONSTRUCCIÓN FAST-TRACKED THE DEVELOPMENT APPROVAL PROCESS



In markets shaped by decentralized governance, such as the United States and Europe, construction permitting has long been slow, fragmented and manual, leading to delays, low transparency and reduced competitiveness in tenders. Uneven levels of digital maturity make compliance even more challenging, limiting efficiency and scale.

FCC Construcción, one of Spain's largest construction companies, partnered and coordinated 13 organizations across five countries in 2021 under the EU's Horizon Europe programme[25] to pilot a modular, interoperable digital platform for permits and compliance. With a €6.5 million blended finance structure (70 per cent EU Horizon Europe grant, 30 per cent private consortium co-financing), DigiChecks was designed as a "platform of platforms" – integrating Building Information Modeling (BIM), Geographic Information Systems (GIS), Artificial Intelligence-based compliance engines and open European standards to streamline approvals, ensure regulatory transparency and enable scalability across markets.[26]

DIGICHECKS IN ACTION: ENVIRONMENTAL PROTECTION AND INFRASTRUCTURE DEVELOPMENT

In FCC Construcción's A465 dual carriageway extension project in Wales, DigiChecks was deployed to manage a complex web of environmental and construction permits, including sensitive wildlife protections for great crested newts and bats. Using BIM, GIS and blockchain, the platform coordinated compliance across design, construction, health and safety and waste management, streamlining communication between multiple stakeholders in real time. The successful pilot confirmed DigiChecks' ability to handle the full lifecycle of permit management on a major live infrastructure project.[27]

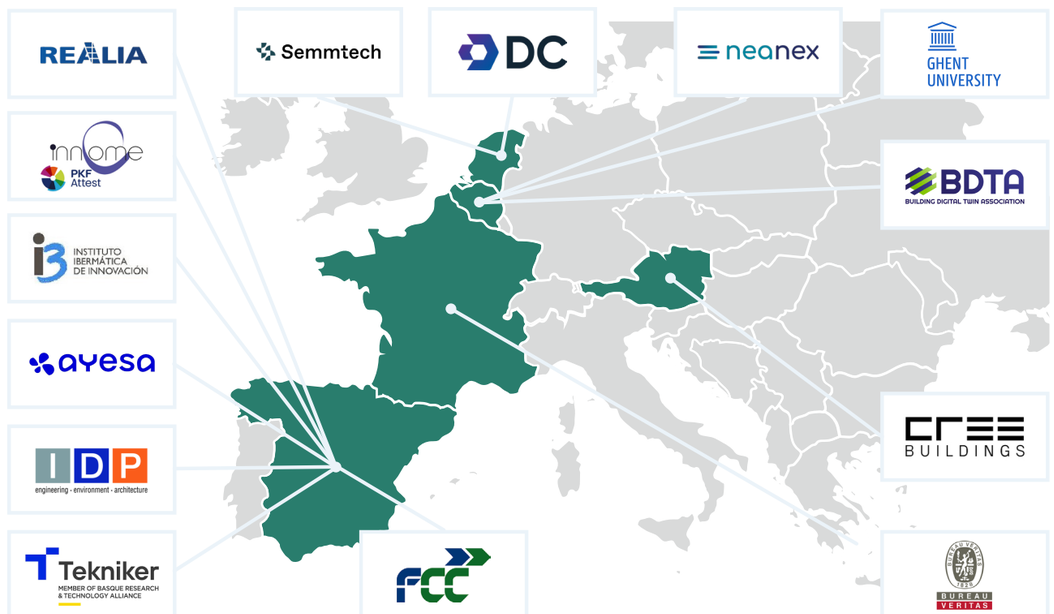
Rome. (2025)
25. European Commission, Horizon Europe: Cluster 4: Digital, Industry and Space
26. For more information, see an overview video about DigiChecks here
27. FCC Construcción, DigiChecks 'platform' validated on A465 motorway extension project (Wales). (2024)

RESULTS DELIVERED

IMPACT	
Indicator	Result
Cost savings	Up to an 8 per cent reduction in deviations
Time efficiency	30–50 per cent faster approval times
Information quality	Up to 70 per cent improvement
SDG alignment	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 11 SUSTAINABLE CITIES AND COMMUNITIES; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

FINANCIAL OUTCOMES	
Indicator	Result
Return on Investment (ROI)	157 per cent
Market adoption	Pilots in **Spain, Austria and the UK** across diverse digital maturity levels

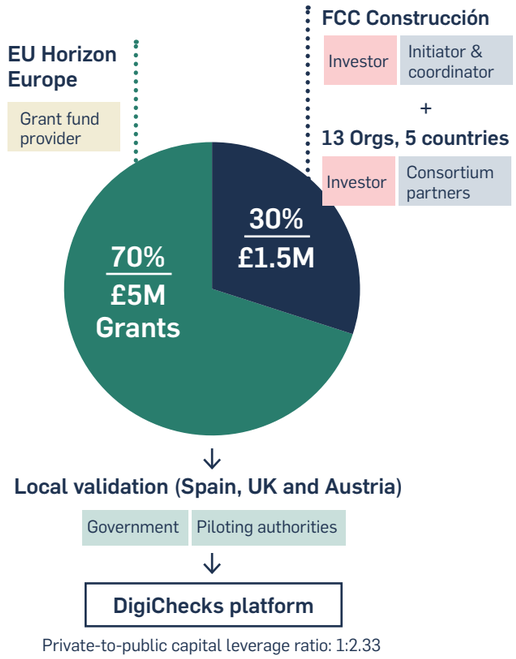
DigiChecks, like many blended finance projects, is built on a consortium of partners, led by FCC Construcción. The 12 partners and two affiliated entities include construction firms, research institutes, digital tech providers and standardization bodies. Local municipalities have participated by validating the system in Spain, Austria and the UK, ensuring relevance and fit across different legal and technical contexts.



FINANCING STRUCTURE AND SCALING

Capital stack design: public grants + private co-financingg

- **Total project budget:** €6.5 million
- **Public grant (Horizon Europe):** €5 million (70 per cent)
- **Private co-financing (consortium partners, led by FCC Construcción):** €1.5 million (30 per cent)
- **Investment mix**: CapEx (digital infrastructure, automation systems) + OpEx (training, maintenance, technical support).
- **Replication potential:**
  - Concessional public funding de-risks early-stage digital innovation, enabling private sector participation with reduced exposure.
  - Co-financing aligns incentives by ensuring corporate commitment while broadening adoption across stakeholders.
  - The modular, standards-based architecture makes the model replicable across geographies and sectors, including other EU markets and regulated industries such as energy, water and health.



Private-to-public capital leverage ratio: 1:2.33

RISK TYPE	CHALLENGE	MITIGATION / ROLE
Innovation risk	Early-stage digitalization, untested at scale	EU Horizon grant absorbed first-mover costs
Financial risk	Private firms required 30 per cent co-financing	Risk is distributed across the consortium partners
Regulatory risk	Divergent levels of digital maturity across EU markets	Semantic interoperability + modular design allowed adaptability
Adoption risk	Local authorities are hesitant to adopt new tools	Pilots co-designed with municipalities (Spain, Austria, UK)

CHALLENGES

- **Complex structuring and reporting requirements:** EU Horizon grants brought concessional capital that made the project possible, but also imposed heavy compliance, auditing and reporting obligations, which require strong internal technical or financial capacity, all of which may be prohibitive to smaller firms.
- **Fragmentation across partners:** With 13 organizations in 5 countries, aligning co-financing shares and eligible costs created coordination challenges. This shows the importance of clear upfront agreements on capital allocation.
- **Scaling grant-funded pilots into commercial rollouts**: Public funding de-risked R&D, but transitioning to market-scale deployment requires new rounds of financing (commercial lenders or private equity), which are not automatically unlocked by the pilot.

LESSONS LEARNED

- **Digital transformation can be financed like infrastructure:** CFOs should treat digital systems (e.g., compliance, permitting, ESG reporting) as capital projects, where concessional funding can unlock early adoption just as it does for renewable energy or transport.
- **Consider the "reputational dividend":** Beyond direct financial returns, FCC Construcción gained credibility as a digital innovation leader in Europe. For CFOs, blended finance projects can enhance corporate positioning in tenders, ESG rankings and stakeholder trust.
- **Plan the "after-grant" strategy:** CFOs should anticipate how to finance scale-up once concessional funds expire or expand the pilot projects by preparing a clear pathway from grant-funded pilot to a commercially viable business model.

CASE EXAMPLE 5

GRUPO MODELO TAPS BLENDED FINANCE FOR WATER SECURITY IN MEXICO

In Mexico, water scarcity is no longer a distant environmental concern. Due to the growing population and increased economic and agricultural activity, local aquifers are experiencing water stress.[28] That's why in 2021, Grupo Modelo, a subsidiary of AB InBev, launched Aguas Firmes, a blended finance platform, in partnership with the German Agency for International Cooperation (GIZ) to secure long-term water availability for both communities and industrial users.

The platform brought together multiple restoration and water stewardship solutions, each operating independently but aligned under a shared, landscape-level approach to aquifer management. The platform is designed to:[29]

- Restore aquifer balance through Nature-Based Solutions (NbS)
- Strengthen climate-resilient agriculture systems
- Enable financial inclusion for smallholder farmers, who are critical actors in water management

The first phase (2021-2024) mobilized $10 million (Grupo Modelo: 60 per cent, GIZ: 40 per cent), targeting two aquifers:

- Calera (Zacatecas)
- Apan (Hidalgo)

Building on early results and validated impact pathways, the initiative entered a second phase in 2024, expanding into the Mexico City Metropolitan Area aquifer, with $14.4 million in co-financing, including Coca-Cola as a new corporate partner.

By 2027, total mobilization is expected to reach $24.4 million across three aquifers.

> ***"Closing the funding gap requires focus - bringing partners together to invest with intent in a few priority systems and build platforms for collaboration, rather than spreading resources too thin."***
>
> *Ingrid De Ryck, Chief Sustainability Officer, AB InBev*



28. GIZ, Scaling Up Aguas Firmes. (2025)
29. Aguas Firmes

RESULTS DELIVERED

IMPACT & FINANCIAL OUTCOMES	
Indicator	Result
Water infiltrated	7.6 million m^3
Hectares under sustainable agriculture	8,990
Farmers with insurance/ credit access	890
SDG alignment	• Improved groundwater recharge • Reduced climate vulnerability in agricultural systems • Increased productivity and income stability for farmers
Financial outcomes	The “return” is not cash yield; value is realized through risk reduction and resilience.

FINANCING STRUCTURE AND SCALING

Aguas Firmes is structured as a phased, corporate-led blended finance platform, where capital is deployed progressively to validate, de-risk and scale aquifer restoration interventions.

Phase 1: Anchor investment & model validation (2021–2024)

The initiative began with a $10 million blended investment, co-financed by Grupo Modelo and GIZ. The platform had a simple and effective structure: GIZ funding provided concessional capital and technical expertise through the develoPPP program,[30] and Grupo Modelo acted as the anchor corporate investor, aligning capital deployment with long-term water security objectives.

This phase focused on piloting NbS,[31] including reforestation, soil restoration and sustainable land management, in the Calera and Apan aquifers. It demonstrated the viability of a blended finance approach to watershed restoration, delivering measurable outcomes across water infiltration, sustainable agriculture and farmer inclusion. Strong on-the-ground results, coupled with effective multi-stakeholder governance, helped de-risk the model and build confidence among partners.

develoPPP and Aguas Firmes

develoPPP is a programme implemented by GIZ on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ). It supports partnerships with the private sector by providing development co-financing and technical support for projects that generate both business and sustainable development outcomes.

In the Aguas Firmes project, develoPPP provides grant-based development co-financing through GIZ, helping strengthen project governance, technical implementation and catalytic risk-sharing mechanisms that support sustainable agriculture and de-risk local lending.

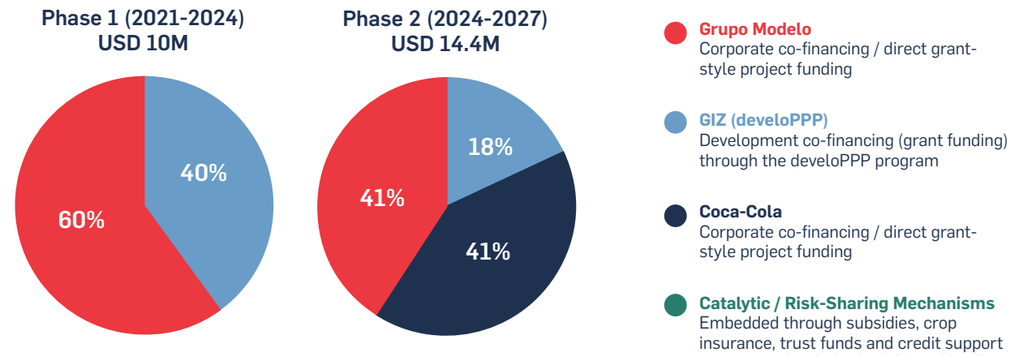
30. Partners in Transformation, develoPPP
31. GIZ, Sistematización de la experiencia del proyecto Aguas Firmes. (2024)

Phase 2: Corporate co-investment & platform scaling (2024-2027)

Building on this foundation, the second phase of the project expands geographic reach and the partnership base. Coca-Cola joined as a co-investor, bringing additional capital and participating in shared governance. Total mobilization is projected at $24.4 million by 2027, demonstrating a strong level of corporate development co-financing in Mexico’s water sector.

The project is also piloting outcome-based metrics tied to water infiltration, hectares of farmland under climate-smart practices and farmer access to financial services. These indicators provide a potential basis for future outcome-based financing structures, strengthening accountability and enabling further scale.

Aguas Firmes - capital stack



This blended finance structure combines corporate co-financing, development grant co-financing and catalytic mechanisms to maximize impact, de-risk private capital and build long-term sustainability.



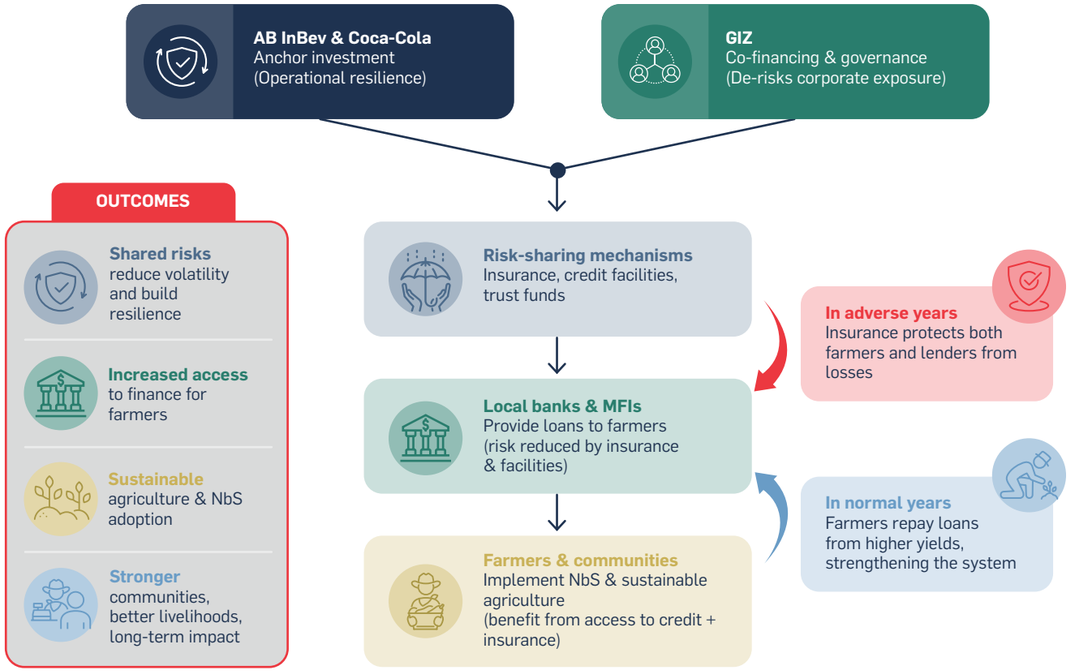
CAPITAL STRUCTURE & RISK-SHARING

The Aguas Firmes project applies a blended finance model to channel corporate and development partner capital into local financial systems, while reducing risk across the value chain. Corporate co-financing and direct grant-style project funding from Grupo Modelo and Coca-Cola supports long-term water resilience for its operations and surrounding communities. In parallel, GIZ's development co-financing lowers overall risk exposure and strengthens project oversight.

Together, these contributions enable catalytic and risk-sharing mechanisms embedded through subsidies, crop insurance, trust funds and credit support structures that de-risk local lending to smallholder farmers. These instruments can help reduce the exposure of local banks and microfinance institutions, allowing them to extend financing to farmers who would otherwise be considered too high-risk.

With these safeguards in place, farmers often gain access to credit and insurance to invest in sustainable and conservation agriculture practices, such as improved soil management and efficient irrigation. In favorable conditions, loans are repaid through increased productivity, while in adverse conditions, insurance and buffer mechanisms protect both farmers and lenders from losses.

> ***"Every successful partnership starts with trust and it scales through alignment and shared ownership. In Aguas Firmes, each partner adapted their role: corporates committed to long-term execution, development partners brought flexibility and expertise and NGOs ensured solutions worked on the ground. That combination is what made the model both scalable and effective."***
>
> *Fernando Tennenbaum, CFO, AB InBev*

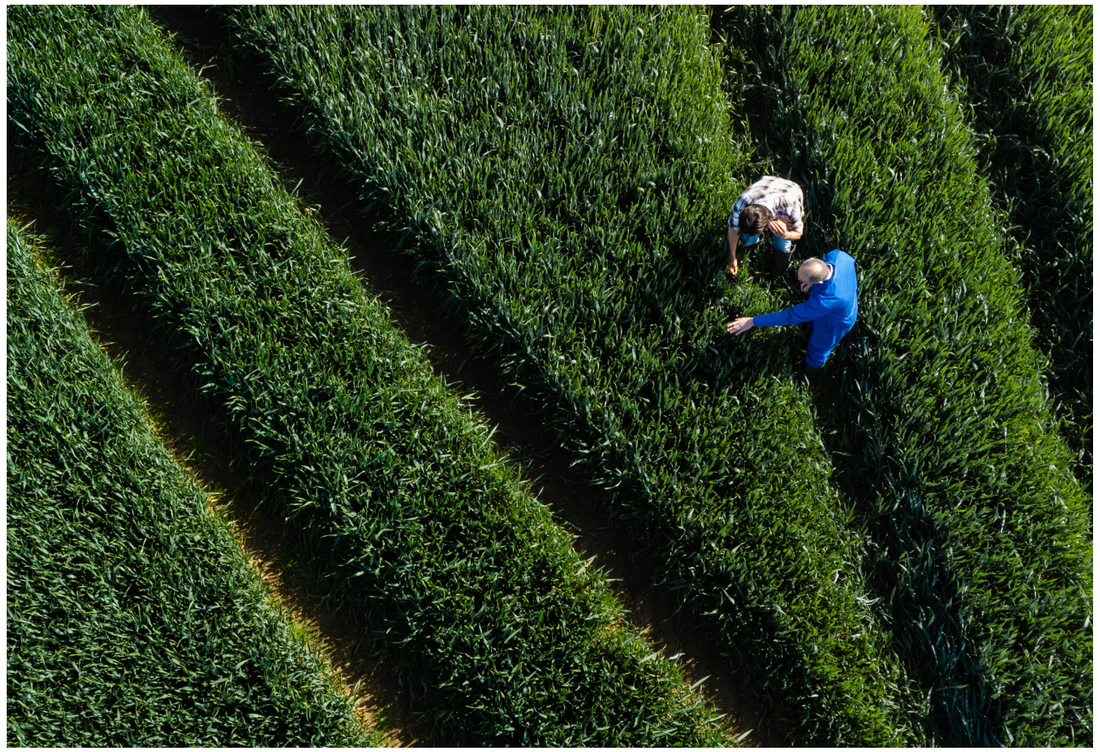


CHALLENGES

- **Building trust takes time.** Community engagement requires sustained investment to build trust and demonstrate the value of nature-based solutions to beneficiaries beyond direct supply chains.
- **Multi-stakeholder alignment requires deliberate coordination.** Aligning KPIs across corporate, public and development partners can be time-intensive and require structured workshops and joint planning to balance different priorities and timelines.
- **Long-term sustainability depends on local ownership.** Ensuring governance structures and farmer networks can maintain nature-based solutions beyond the duration of external funding remains a critical priority.

LESSONS LEARNED

- **Keep partnerships focused to enable speed and accountability.** The Aguas Firmes initiative limited the number of corporate partners to avoid governance complexity and excessive reporting. Smaller, well-structured collaboration with trusted partners can accelerate decision-making while maintaining accountability, with additional partners introduced over time once governance structures are established.
- **Time partner entry to encourage shared ownership.** AB InBev brought Coca-Cola on board at a natural inflection point by structuring participation around a new project phase. This ensured alignment from the outset and allowed each partner to shape priorities, highlighting the importance of timing entry points so partners engage as co-owners rather than late joiners.
- **Anchor partnerships within the value chain**. By selecting partners with a direct stake in water resources, from corporates to farmers, AB InBev ensures natural alignment of incentives. Partnerships built along a shared value chain reduce conflicts of interest and accelerate alignment around KPIs.



RESOURCES FOR PRACTITIONERS:
RISK MANAGEMENT, CAPITAL STRUCTURING AND DUE DILIGENCE

The flexible and bespoke nature of blended finance is one of its core strengths, making it possible to tailor capital structures to specific markets, risk profiles and stakeholder makeup. This means that there is no way to lay out specific pathways or entry points that apply across all potential scenarios. That said, companies should follow three key steps as they explore blended finance:

1. **Assess whether blended finance is the right tool.** Does the project or business goal present a risk-return profile that justifies concessional support? Is there a clear development impact rationale and a market failure that public or philanthropic capital could credibly help address?
2. **Understand the landscape.** What financial structures and instruments are available and relevant? Which DFIs, MDBs or funds are active in this geography, sector or deal type and what are their mandates, ticket sizes and entry requirements?
3. **Match and engage.** Which instrument and partner combination best fits the company's profile, project stage and objectives? And what is the right channel — direct approach, intermediary fund or platform — to initiate that relationship?

The following two sections are designed to support businesses to navigate this process within their specific contexts.

TOOLKIT FOR BLENDED FINANCE RISK MANAGEMENT AND CAPITAL STRUCTURING

A successfully structured transaction is one that balances the goals and objectives of all parties involved, from financial return to SDG impact, alongside risk capacities and appetites.

To design a bankable project and successful blended finance transaction, companies need to understand the project's risk profile, identify the most appropriate financial interventions to address those risks and meet the financing requirements and embed those interventions into a coherent capital structure. Aligning these two processes — risk identification and capital structuring — can be a complex and multifaceted process.

This toolkit is designed to help companies to navigate this process and more effectively:

- Identify and prioritize investment barriers
- Match risks to appropriate instruments
- Identify the capital structures that efficiently allocate risk across stakeholders



RISK MANAGEMENT

In blended finance, risk management instruments are specialized financial tools used by public or philanthropic organizations to absorb specific risks that prevent private investors from committing capital to high-impact projects. These instruments de-risk an investment by shifting potential losses away from commercial investors, thereby improving the project's risk-return profile to meet market standards.

Risks addressed by these instruments

Blended finance instruments are strategically deployed to mitigate various types of risk. The table below can be used to determine, at a high level, which instrument is the best fit for a project or project developer's risk profile:

RISK TYPE	DESCRIPTION	TARGETED INSTRUMENT
Credit risk	The possibility of borrower default	Guarantees, First-loss tranches
Market risk	Uncertainty regarding product prices or sectoral volatility	Subordinated loans, Equity contributions.
Political/policy risk	Sudden changes in government policy or instability	Risk insurance, Guarantees
Currency risk	Losses due to fluctuations in exchange rates	Local currency hedging, FX facilities
Liquidity risk	Inability to exit an investment or meet short-term obligations	Contingent lines of credit, Securitization
Structural/ contagion risk	Risk that the parent company's financial distress contaminates the project, or that liabilities from the project flow back to the sponsor	SPV (Special Purpose Vehicle)
Inflation risk	Risk that rising price levels diminish the purchasing power of returns or inflate project costs	Indexed tariffs/offtake agreements, first-loss guarantees, local currency facilities
Impact safeguard risk	Failure to meet environmental or social safeguard standards, including harm to communities, labour rights violations, or environmental damage, potentially triggering reputational or legal consequences for all parties	Impact compliance frameworks, IFC Performance Standards, third-party impact audits
Reputational/ attribution risk	Project outcomes are misrepresented or impact is overstated, leading to green-washing allegations or loss of investor confidence	Independent verification, transparent public reporting; impact management frameworks

What is a Special Purpose Vehicle (SPV)?

A Special Purpose Vehicle (SPV) is a legally independent entity created to develop, finance and operate a specific project. For example, in infrastructure and renewable energy transactions, the SPV could serve as the Independent Power Producer (IPP) and hold all project-level contracts, assets, revenues and liabilities.

In blended finance transactions, SPVs are often used because they:

- **Ring-fence risk:** Isolate project risks from the parent company's balance sheet, protecting sponsors while providing clarity to investors.
- **Enable structured capital stacking:** Allow concessional, commercial and catalytic capital to be layered within a single vehicle, with clearly defined risk-return profiles (e.g., junior concessional debt, senior commercial debt, equity).
- **Enhance bankability:** Provide transparent governance, financial reporting and contractual structures that meet the due diligence requirements of multilateral funds and institutional investors.
- **Facilitate scalability:** Enable replication across multiple sites by creating standardized, investable project units.
- **Improve investor confidence:** Offer a clear revenue model (e.g., power purchase agreements, carbon credits) tied directly to project performance.

CAPITAL STRUCTURING

Clearly defining the risk profile of a project enables the determination of the right capital structure for a blended finance deal. The landscape of available mechanisms is broad and companies must navigate not only the technical merits of each vehicle but also the strategic fit with their business model, the appetite of potential capital providers and the regulatory environments in the geographies in which they operate.

There is no one-size-fits-all framework: what works for a renewable energy infrastructure project in Southeast Asia may be entirely unsuitable for an agricultural value chain initiative in East Africa. The tables below provide an overview of the most common archetypes and vehicles of blended finance and the relevance or use case of each for businesses to inform deal design considerations.



ARCHETYPES

Blended archetypes type	Relevance to businesses

CONCESSIONAL DEBT AND EQUITY

Concessional debt and equity remain the dominant blending archetype across the market, largely provided by development agencies and multi-donor funds, followed by DFIs and MDBs. This is largely due to its provision of financial downside protection while directly addressing the primary barrier to investment — risk. Concessional debt and equity enable companies to lower their Weighted Average Cost of Capital (WACC) and crowd in commercial lenders for their own strategic, perceived high-risk projects.

Concessional debt provides more favorable terms than commercial borrowing with lower interest rates, reducing the corporate cost of capital at below-market interest rates, including subordinated or first-loss debt and impact-linked loans.

- Subordinated or first-loss debt absorbs early losses and protects senior lenders, improving project bankability.
- Impact-linked loans reduce interest rates when the corporate meets sustainability KPIs (e.g., emissions reduction, supplier uplift). These instruments ease repayment burdens and incentivize companies to pursue high-impact investments.

Concessional equity accepts lower or delayed returns relative to commercial investors, helping crowd in private capital. It may offer upside sharing to reward impact achievements or take reduced returns to de-risk the structure. This form of equity is particularly useful for early-stage ventures, new business models and high-risk markets where commercial equity may be hesitant to enter.

Companies prioritize Concessional Debt and Equity for the core strategic reasons:

- Concessional (either subordinated or below-market) capital lowers the overall cost of capital for a project, elevating the company's specific risk-adjusted returns to meet strict internal commercial mandates.
- Traditional commercial bank loans often lack the maturity needed for long-term physical asset creation. Concessional debt provides extended repayment horizons (tenors or flexible repayment schemes) that actually match the delayed cashflow generation of large-scale infrastructure or supply chain overhauls.
- Unlike soft tools like grants, debt and equity require borrowers to adhere to covenants and repayment obligations, creating greater accountability. For businesses investing alongside concessional debt or equity, standard legal frameworks, predictable schedules and clear exit strategies ensure borrowers act prudently, reducing the risk of overly speculative behaviour that free grant capital might encourage.
- By taking a first-loss or subordinated position, businesses de-risk the capital stack, crowding in the commercial senior debt required to fully fund massive supply chain overhauls.

GUARANTEES AND RISK INSURANCE

The use of guarantees and risk insurance as a blending archetype has been increasing. It is important to note that this growth is almost entirely driven by guarantees, with risk insurance remaining in the single digits. Guarantees are primarily provided by development agencies and multi-donor funds, with a focus on local financial institutions. For corporate borrowers, guarantees are more likely to be extended to large companies, insulating long-term projects from macroeconomic shocks and unlocking lower-cost institutional capital.

- Guarantees protect lenders and investors from risks such as payment default, political disruption, regulatory change and currency inconvertibility. For infrastructure and long-tenor assets, they boost creditworthiness, reduce collateral needs and lower financing costs—especially effective at mobilizing local banks and institutional investors.
- Subsidized risk insurance helps corporates manage shocks including currency depreciation, expropriation, conflict and extreme weather. By lowering premiums and widening coverage, it stabilizes cash flows and safeguards investments in high-risk markets, enabling market entry and sustained engagement.

Companies use guarantees for the following reasons:

- While concessional debt enables appropriate risk-adjusted returns, guarantees can protect the principal and, in some cases, interest payments, depending on the terms agreed upon with the guarantor. They transfer severe risks like political expropriation or extreme FX devaluation off company balance sheets.
- By letting a public or philanthropic entity absorb the first-loss risk, companies can improve their internal assessment of risk, enabling them to pursue larger impact initiatives without overcommitting internal resources. However, under most current regulations, this does not automatically reduce the formal risk capital some investors are required to hold.

DESIGN STAGE GRANTS

The low representation of design stage grants across deals is indicative of the lack of standardization and difficulty for donors to tailor them for each deal — how much capital is needed, at what point and for what specific purposes. It makes the grants difficult for many investors to wield effectively. As a tool for project preparation, though, they can be a critical driver of increased bankable projects in the pipeline. There is a clear opportunity for additional stakeholders, such as foundations or philanthropies, to play a larger role in this area, increasing investor confidence by providing design stage grants to risky transactions.

Grants provide fully concessional capital that does not require traditional repayment, helping absorb early-stage risks or support activities that are not yet commercially viable.

- Recoverable grants allow funders to reclaim capital if the project succeeds, recycling funds for future use.
- Recyclable grants are repaid and redeployed into similar interventions, extending developmental impact.
- Convertible grants can turn into equity if the enterprise meets predefined milestones. These flexible mechanisms lower initial costs for corporates, provide upside for providers and help unlock investment in innovation, feasibility work and community benefits.

Design stage grants help companies to:

- Cover the legal, financial and technical consulting fees required to bring a project to financial close without exhausting their own operational budgets.
- For pioneering sustainability projects or new market entries, companies use grants to fund feasibility studies and pilot programmes. This allows them to prove a business case to their own internal boards before committing significant corporate capital.

TECHNICAL ASSISTANCE (TA) FUNDS

Companies can utilize TA as a kind of operational subsidy, leveraging donor funds to cover costs that a project developer could not otherwise absorb, including transaction costs, feasibility studies and due diligence support, in order to bring a project to bankability.

TA facilities provide grant-funded support for project preparation, capacity building, digitalization, impact measurement and operational improvement. They enhance commercial viability by addressing bottlenecks such as weak supplier capacity, data gaps, regulatory compliance and poor project design, while strengthening credit readiness. TA is typically paired with concessional finance to reduce risk and accelerate impact and can be deployed pre- or post-investment.

Company participation in TA-enabled deals is deliberate, focused on market shaping rather than philanthropy:

- As anchor investors, companies embed their quality and compliance standards into local operating systems, creating long-term value chain advantage.
- When TA is available, corporates can deploy internal engineering and legal teams while preserving capital for hard de-risking tools like guarantees.
- Projects often fail not due to interest rates but lack of technical capacity or structuring to meet due diligence standards. TA bridges this gap, converting non-bankable concepts into investable assets — something debt or equity alone cannot achieve.

VEHICLES

Blended vehicle type	Use cases for companies as investors (their own value chain Investments)	Use cases for companies as recipients
PROJECT		
In project-structured deals, investors allocate capital into a specific project (typically infrastructure) or programs focused on project development. • **Target:** Specific infrastructure assets (i.e., greenfield or brownfield) and broader programs financed with a mix of market-rate and concessional capital, such as renewable energy plants, water treatment facilities or large-scale development projects. • **Use of proceeds:** Capital is ring-fenced to a single asset; returns are generated solely from that project's cash flows, not the sponsor's broader balance sheet. • **Forms:** Typically structured and mobilized through concessional senior debt, investment-stage grants and instruments that enhance bankability by lowering capital costs or improving credit quality.	• **Risk isolation** (Ring-fencing): Project vehicles allow corporations to sponsor large initiatives without exposing the broader balance sheet. If a project fails, losses are confined to that asset and do not affect the parent company's financial stability. • **Clearer impact measurement metrics**: Projects support direct, measurable outputs aligned with corporate ESG goals (e.g., megawatts generated from a solar farm), improving sustainability reporting and target tracking.	• **Defined cash flow utility:** Repayments come solely from project cash flows, giving lenders clearer control and fewer counterparties. This creates a predictable structure for international investors and DFIs to participate in. • **Off-balance sheet treatment:** Standalone structuring can keep debt off the sponsor's balance sheet, improving leverage metrics and enabling large-scale infrastructure or energy investments without affecting the parent's credit profile.
COMPANY		
Blended finance is injected directly into a company, rather than into a specific project or a pooled fund. • **Target**: Typically, SMEs, Social Enterprises, startups or growth stage private companies. • **Use of financing:** The capital goes onto the company's balance sheet and is used for operations, business expansions, R&D or general corporate purposes, rather than being ring-fenced for a single infrastructure project. • **Forms:** Direct private equity, corporate debt or mezzanine capital (venture equity and debt).	• **Strategic alignment:** By directly investing in another company (e.g., a green tech startup or an upstream supplier), a corporation can gain access to new technology, market entry or supply chain security. This is not just for financial return; it is a strategic layout. • **Corporate venture capital (CVC)**: Many large corporations invest directly in impactful small companies through their internal venture arms. • **Operational influence:** Compared to investing in a fund, direct investment allows corporate investors to have more influence or a stronger voice within the portfolio company, with no intermediation.	• **Scaling operations:** Companies receive concessional "patient" capital directly onto their balance sheets to fund expansion, R&D and new market entry without immediate commercial pressure. • **De-risking the balance sheet:** Absorbing blended finance (like first-loss equity) strengthens the company's financial position, with the potential to improve Free Cash Flow to Equity (FCFE) and Return on Equity (ROE) for other shareholders. • **Building enterprise value:** Capital injected at the company level strengthens the overall balance sheet and equity value of the firm. For startups, this stronger equity base improves creditworthiness and borrowing capacity, signaling to venture capital and private equity investors an ability to attract formal investment into its core operations.
FUND		
The fund vehicle type refers to a pooled investment vehicle (sometimes called a Collective Investment Vehicle (CIV)) that is managed by a professional third-party manager. • **Target:** A diversified portfolio of multiple underlying assets, which could be a mix of various companies, projects or bonds dependent on the investment strategy. • **Structure:** Investors act as Limited Partners (LPs), providing capital to a General Partner (GP) who identifies the investment opportunity pipeline, performs due diligence and calls down capital from LPs for allocation to selected opportunities. • **Use of financing:** Capital is aggregated into a "pool" at the fund level and then deployed across a diverse set of investment opportunities to reduce concentration risk. • **Forms**: Typically structured as private equity funds, debt funds or funds-of-funds, but can also include tiered funds with a waterfall distribution structure or a flat fund with investors sitting pari passu to one another, sharing returns equally.	• **Diversification and risk spreading:** Investing in a fund allows a corporation to gain exposure to a broad basket of deals rather than betting on just one, reducing concentration risk. • **Outsourced expertise:** It allows corporations to enter complex or unfamiliar markets (e.g., emerging markets and developing economies or niche technologies), paying the Fund Manager to handle sourcing, due diligence and management. • **Systemic supply chain de-risking:** Acting as a fund sponsor or general partner (GP) allows a large corporation to aggregate concessional capital to finance numerous suppliers simultaneously. This stabilizes the entire ecosystem through a single vehicle, avoiding the administrative burden of managing individual vendors on the corporate balance sheet. • **"Testing the waters":** For many businesses, investing in a fund is a passive way to learn about a new sector or geography before committing to the heavy operational lift of direct investment. • **Resource consideration:** It is important to note that identifying the appropriate or best-fit fund manager can be resource-intensive, even for large entities.	• **Scalable SME access:** High transaction costs often preclude institutional investors from funding startups or SMEs directly, where the ticket size is too small for large investors. A fund structure therefore, allows the corporate sponsor to act as an intermediary, pooling capital to provide smaller, ticket-sized"investments to numerous early-stage ventures that would otherwise be inaccessible. • **Access and efficiency:** A fund can deploy larger, more structured financing packages than most companies could negotiate bilaterally with a multilateral or DFI. • **Better terms:** Blended finance funds can blend grant, concessional and commercial capital to offer rates and tenors that no single commercial lender would match. First-loss tranches absorbed by the fund protect senior investors and can unlock cheaper capital for borrowers. • **Credibility and signal:** Association with an established fund lends credibility to smaller or earlier-stage companies that lack a track record with institutional investors. Funds may provide technical assistance alongside capital, strengthening the company's bankability for future financing.
FACILITY		
Facility typically refers to a structured financing programme or a dedicated platform designed to channel capital toward a specific theme or sector, often using standardized terms. • **Target:** Instead of funding one large asset or buying shares in a company, a facility often provides wholesale financing to a group of beneficiaries (e.g., a credit line for local banks to lend to farmers, or a guarantee facility for small businesses). • **Structure:** It acts as a standing arrangement or a conduit. Unlike a fund, which is an active investment entity seeking high returns, a facility is often designed for efficiency and speed – setting up rules to deploy capital repeatedly (e.g., a revolving credit facility). • **Forms**: Common examples include risk-sharing facilities, guarantee facilities or syndicated co-financings.	• **Supply chain resilience:** Companies often establish facilities to support their own upstream suppliers (e.g., small farmers or manufacturers) who cannot access traditional bank loans. By backing a facility, the business ensures its suppliers have the working capital needed to deliver goods reliably. • **Scalability and efficiency**: It is hard for a large global corporation to manage thousands of tiny loans to small vendors. A company can therefore provide a pool of capital (or a guarantee) to be distributed by the facility. • **Achieving scope 3 ESG targets**: Corporates use facilities to finance the green transition of their supply chain. For example, a fashion brand might back a facility that offers low-interest loans specifically for its suppliers to upgrade to energy-efficient machinery, thereby reducing the corporate's overall scope 3 emissions.	• **Operationalizing sustainable targets at scale:** Facilities channel concessional green capital toward scope 3 emissions reduction. Instead of funding single projects, they create a repeatable mechanism upgrade equipment, effectively turning corporates into platforms for sustainable finance across their ecosystem. • **Efficiency over direct control:** Compared to projects and company-level investments, facilities prioritize scale over control. Corporates use them to automate high-volume, small-ticket de-risking that would be impractical to manage individually.

BOND/NOTE

This vehicle refers to tradable debt securities issued either as private placements or listed on public exchanges to raise capital from investors in capital markets. In blended finance, these are sometimes labeled as Thematic Bonds (e.g., Green Bonds, Blue Bonds, Social Bonds).

- **Target:** The capital raised is often use-of-proceeds based, meaning it is earmarked for eligible sustainability or social projects and targets.
- **Structure:** Unlike a private loan, these instruments are typically structured with fixed terms (coupon rate, maturity date).
- **Forms:** Common examples include Green, Blue or Sustainability-Linked Bonds.

- **Issuance:** Companies may issue a thematic bond or note where blended finance features (e.g. guarantees or anchor investments from a DFI) help to de-risk the instrument, improve pricing or broaden the potential investor base particularly in markets where long-tenor sustainability-linked bonds are still relatively new.
- **Investing:** Companies may deploy treasury or balance sheet capital into thematic bonds or notes issued by DFIs, sovereigns or strategic partners. These investments generate market returns while helping crowd in private capital, support blended finance structures and signal commitment to priority sustainability outcomes.

- **Unlocking institutional liquidity:** Donor-backed guarantees boost the bond's credit rating, allowing corporates to tap into massive mainstream investor pools (like pension funds) that are otherwise restricted from buying high-risk emerging market debt.
- **Securing better terms:** Blended features lower interest rates and extend debt maturity, providing the patient capital needed for large-scale sustainability transitions.
- **Signaling market readiness:** Issuing a blended thematic bond proves the corporate's financial and impact rigor to public markets, establishing a track record that paves the way for future, purely commercial debt issuances.

FINANCIAL INSTITUTION

This vehicle refers to investing directly into a financial intermediary, such as a commercial bank, a Microfinance Institution (MFI), an insurance company or a Non-Bank Financial Institution (NBFI).

- **Target:** The investment goes into the balance sheet of a regulated financial entity, which then "on-lends" or deploys that capital to a specific target market (e.g., women-owned SMEs).
- **Structure:** The investor provides Tier 1 or Tier 2 capital (equity or subordinated debt) to strengthen the institution's capital base, allowing it to expand its lending portfolio.
- **Forms:** Common examples include equity stakes in microfinance banks, green lines of credit provided to local commercial banks, risk-sharing mechanisms with local banks or investments in fintech lending platforms.

- **Enabling customer consumption:** A business might invest in or lend to a specialized financial institution to help its customers afford its products. For example, a solar home system manufacturer might invest in a microfinance bank to ensure its customers can get loans to buy the solar kits.
- **Strengthening local supply chains:** Similar to facilities, a corporate might provide liquidity to a local bank with the specific condition that the bank lends to the corporate's local distributors or suppliers who lack credit history.
- **Fintech and payments strategy:** In emerging and developing markets, corporates (especially tech or telecom giants) often invest in digital banks or payment platforms to build the financial infrastructure necessary for their own digital services to thrive.

- **Credit access:** SMEs can access credit otherwise not available to them through local financial institutions using tailored risk-sharing arrangements that reduce lender risk and enable growth.
- **Mitigate FX risks:** Utilizing local financial institutions backed by blended guarantees allows companies to access subsidized, local-currency credit, protecting their operations from foreign exchange volatility.
- **Local knowledge:** In emerging markets or areas with political instability, accessing blended capital via a local financial institution can help ensure an accurate and holistic understanding of the local context, including policy shifts, regulatory changes, currency dynamics and community-level risks that external fund managers may overlook or deem too risky for investment.

CHECKLIST FOR NAVIGATING DUE DILIGENCE AND PROJECT PREPARATION

Due diligence requirements are one of the highest hurdles companies must overcome if they want to participate in blended finance projects. A lack of standardization across capital providers means that timelines, requirements and costs vary considerably from one transaction to the next, making the process resource-intensive for companies of all sizes.

This is not to say that due diligence is unnecessary. It is a critical safeguard for investors and project developers alike to understand a project's financial viability and sustainability impact. Within this landscape, the key to success is preparation and the earlier preparation begins, the better. This section lays out steps and considerations for teams to pave the way for a smooth approval process. Requirements will vary depending on the size, risk profile and nature of each transaction and the considerations outlined below are intended as a general guide to support preparation rather than a fixed or exhaustive set of requirements.

PRE-DUE DILIGENCE CONSIDERATIONS

1. Internal team alignment

Due diligence preparation requires significant cross-team coordination within companies. Teams must be involved early to avoid internal bottlenecks and duplication of efforts and ensure documentation is accurate, consistent and audit-ready well in advance of investor engagement.

Common internal functions include:

- Finance or treasury (financial model, capital structure)
- Legal (SPV structuring, contracts, regulatory compliance)
- Tax and accounting teams (internal or external)
- Sustainability / ESG (e.g., Energy Storage System (ESS) compliance, monitoring, reporting and verification systems, impact metrics)
- Technical and engineering teams (feasibility, capacity factors, technology validation)
- Public funding / institutional affairs (call eligibility, government alignment)
- Executive leadership (sign-off on risk allocation and capital commitments)
- Employee unions (when applicable)

2. External advisors and consultants

External advisors are frequently required in the due diligence process of blended finance transactions. Some funders, particularly governments, DFIs and MDBs, may insist that reviews be completed by their own teams or external consultants they appoint and only cover a portion of the cost. Finance teams should anticipate and budget for these costs early, as advisor procurement and onboarding can cause delays.

Typical use cases include:

- Financial feasibility modelling
- Grant strategy and structuring
- Environmental and social impact assessments
- Regulatory and permitting advisory
- Budget validation

3. Timeframes

Protracted timelines for project approval are major barriers to engagement for many real-economy project developers and due diligence is often the most time-intensive aspect of the process. These timelines are also highly variable depending on the project and stakeholders involved, making planning difficult. Beyond the duration itself, uncertainty around process requirements, timelines and expectations can represent an even more significant source of friction for companies seeking to engage.

Sustaining the internal capacity required across finance, legal, technical and impact teams over an uncertain timeline places significant demands on management bandwidth and operating budgets — all without guarantee of a successful close. Developer fatigue is a genuine and underappreciated risk that can erode appetite and capacity for future deals, even when projects are ultimately viable. In many cases, this uncertainty, rather than duration alone, drives inefficiencies and contributes to developer fatigue. To best prepare, it is important for companies to maintain flexibility throughout the process, budgeting both financial and capacity resources accordingly by building in contingency for extended timelines within their wider operational planning.

At the same time, managing this flexibility effectively requires greater visibility into the due diligence process. To better navigate these challenges, companies should proactively seek clarity on due diligence processes early in the engagement. This includes understanding indicative timelines, expected documentation requirements and the extent to which requirements are fixed versus adaptable. Where possible, early engagement with counterparties to clarify expectations and prepare documentation in advance can help reduce delays and improve the efficiency and quality of execution.

Public funds, DFIs, MDBs, climate funds

When working with public development finance providers, timelines for the due diligence process vary considerably. Timelines of six to nine months for this portion of a deal's development are common, but large, complex projects (e.g., projects with significant land or resource use) can take over a year or more from the beginning of the due diligence process to final approval.

PUBLIC AND MULTILATERAL INSTITUTIONS	PRIVATE INVESTORS
Public capital providers typically have longer timelines due to multi-layered approval processes, safeguard requirements and accountability standards tied to public capital. Timelines may extend further where: • Full Environmental and Social Impact Assessments (ESIA) studies are required • Policy and integrity alignment verification • Guarantees are involved • First-of-its-kind technologies are deployed • Projects are located in higher-risk locations	(E.g., impact funds, commercial lenders, private equity and venture capital) When working with private investors, a typical due diligence timeline is approximately 6 to 16 weeks, but that can extend depending on: • Transaction complexity • First-time borrower risk • Cross-border structuring • Data availability and model readiness In some cases, timelines may be shorter where the structure is more standardized or bond-like.

4. Due diligence costs

Costs related to deal preparation are material but highly deal-specific. Transaction costs can be high and should be carefully considered when assessing overall efficiency and net returns, particularly in blended finance structures. Due diligence in blended finance is more intensive and more expensive than in conventional financing and while some capital providers will also offer access to dedicated technical assistance or Project Preparation Facility (PPF) funding, these are few and far between.

Companies should inquire early about potential cost-sharing structures a capital provider may have for their due diligence requirements, or specifically target blended funds with built-in support and include extra budget for unforeseen costs.

PUBLIC FUND	PRIVATE FUND
It's hard to come up with an average estimate for blended finance due diligence costs as they vary enormously by deal size, sector and geography. Costs may also differ across layers of the capital stack, depending on the type of capital and associated risk-return expectations. However, the consensus across the The Organisation for Economic Co-operation and Development (OECD), IFC, Convergence and World Economic Forum[32] is that costs are disproportionately high relative to deal size. That makes cutting these expenses – through standardization, joint due diligence, aggregation or expanded technical assistance – a central policy focus right now.	Due diligence costs are also difficult to generalise as they are highly deal-specific. What is relatively consistent, however, is the cost-sharing structure: private investors usually cover 70–80 per cent of total due diligence costs, with the company receiving the funds to cover the remaining 20–30 per cent. The private investor's internal threshold is less than 1 per cent of the transaction value for their share of due diligence costs. This sets a practical floor on viable deal size, because transactions that are too small make the investor's due diligence spend disproportionate and will likely be passed over or pushed into an aggregation structure.

32. OECD, DAC Blended Finance Guidance 2025; IFC, How blended finance works.; Convergence, Blended Finance 101; WEF, Blended finance: How setting up a financial intermediary can accelerate sustainable development. (2023); DFI Working group, DFI Working Group on Blended Concessional Finance for Private Sector Projects. (2023).



THE SHORTAGE OF INVESTMENT-READY PROJECTS IS WIDELY RECOGNISED AS THE PRIMARY CONSTRAINT ON SCALING BLENDED FINANCE, NOT A LACK OF AVAILABLE CAPITAL.[33]

To increase the number of bankable projects, technical assistance for project developers — from governments to corporations — is critical.

TECHNICAL ASSISTANCE: HOW IT IS DEPLOYED TODAY

Technical assistance (TA) in blended finance strengthens investee and value chain capacity, reduces transaction costs and improves the enabling environment for investment. It is most critical in new or uncertain markets and is typically deployed alongside concessional capital to support capacity building and de-risk investment.

TA can be deployed at different points during a deal's development, namely, during pre- or post-investment:

- **Pre-investment TA** is essential in developing markets with a lack of bankable projects. It is deployed to support a fund, business or project through the feasibility or due diligence processes and achieve bankability. PPFs largely fall under this form of TA.
- **Post-investment TA** is utilized to integrate sustainability reporting frameworks into a project's function or to provide capacity building and training for increased operational efficiency.

2023 data from Convergence shows that within blended finance deals that include TA, over half utilized post-investment TA and only 25 per cent deployed pre-investment TA. This represents a large gap, where companies in emerging markets or sectors, or those hoping to invest in them, lack the kind of early-stage support needed to bring blended finance deals and projects to fruition.

Source: Convergence, Data Brief: Blending with Technical Assistance. (2023)

WHAT ARE PROJECT PREPARATION FACILITIES (PPFS) AND WHY ARE THEY SO HARD TO ACCESS?

PPFs, a form of technical assistance, are dedicated facilities designed to support the development of investment-ready projects by funding the early-stage design and development. They typically take the form of concessional or grant funding provided by MDBs, bilateral donors or philanthropies, often embedded within wider funding applications.

The gap for private sector companies

Most PPFs are designed for discrete infrastructure assets with government or MDB counterparts, rather than private firms originating blended finance transactions. They often have narrow mandates, high minimum thresholds and slow disbursement processes.

Costs most relevant to real-economy originators, such as transaction design, financial structuring and investor engagement, typically fall outside eligibility criteria. Where support exists for developers, it is usually available only after a project reaches a minimum level of maturity, leaving early-stage structuring largely unsupported.

RESOURCES IN TODAY'S MARKETPLACE

Real economy companies designing blended finance deals should reach out to potential capital providers early to identify technical assistance funds they may be eligible for. Outside of funding connected to capital providers, there are some external funds, such as Convergence's Blended Finance Accelerator.[34]

33. Convergence, State of Blended Finance 2024.
34. Convergence, State of Blended Finance 2024.

BLENDED FINANCE DUE DILIGENCE PREPARATION CHECKLIST

In blended finance transactions, companies are typically required to provide comprehensive information across financial, legal, operational and impact-related areas to satisfy the due diligence requirements of public and private capital providers. However, the specific information required under these areas varies considerably depending on a funder's mandate, risk appetite and regulatory obligations.

The categories outlined below are illustrative, not exhaustive: a specific funder may request only a subset of these materials or, in some cases, require additional documentation beyond what is presented here. The checklist is designed to help guide corporate teams through the due diligence process, providing a clear understanding of the kinds of information they can expect to provide ahead of time.

1. FINANCIAL DUE DILIGENCE

This is critical for assessing not only the financial health of an organization and the project, but also bankability, financial additionality and alignment with blended finance objectives. The following checklist includes common areas a finance team should consider and plan to provide information on when beginning a blended finance deal:

Financial models and additionality

- Detailed project-level cash flow projection models (typically 15–25 years), including internal rate of return, net present value, debt service coverage ratio, break-even analysis and scenario/sensitivity testing (e.g., fx, interest rates, commodity prices, offtake risk, macroeconomic risks, etc.)
- Detailed financial forecasts and underlying assumptions for the next three to five years
- Clear demonstration of financial additionality, including comparison against benchmark returns (e.g., commercial lending rates) or evidence of a financing gap
- Analysis of liquidity buffers and cash flow resilience

Macroeconomic risk model integration

While macroeconomic risks are largely outside of a CFO or finance team's control, incorporating them into financial models and planning through explicit assumptions and scenario analysis can provide structure, security and flexibility. The following factors should be reflected in blended finance deal models:

- Tariffs and supply chain disruptions: reflect potential increases in CapEx (e.g., equipment import costs) and account for possible delays in project timelines
- Inflation: apply inflation assumptions to both CapEx and OpEx and assess the downstream impact on operating margins
- Currency volatility (FX risk): model mismatches between revenue and debt currencies, including sensitivity analysis on exchange rate movements
- Interest rate changes: test the impact on debt servicing costs and DSCR under different rate environments
- Scenario analysis: run downside and stress-case scenarios to assess impacts on investment returns, debt service and break-even thresholds.

Historical and projected financial performance

- Audited financial statements, including disclosure of contingent liabilities

Capital structure and funding readiness

- Existing debt obligations, covenants and capital structure (including SPV-level structuring)
- Evidence of early-stage investor/lender interest, which is often required even before full bankability is achieved

Tax compliance and financial liabilities

- Full review of tax compliance and potential exposure to penalties or retroactive liabilities

Exit strategy

- Anticipated timeline for concessional or public capital providers to exit the transaction, including any milestone or performance triggers
- Evidence of a credible transition plan, demonstrating how concessional capital will be replaced by commercial financing once the project has an established track record

2. LEGAL AND CORPORATE INFORMATION

Investors need to ensure the company has a sound legal structure and no hidden liabilities when considering the bankability of blended finance deals. Finance teams should coordinate with legal counsel early to ensure the following areas have been reviewed and resolved, with the appropriate documentation in place:

Corporate structure and governance

- Articles of incorporation, certificates of good standing and organizational charts, organizational structure (corporate and SPV), shareholder agreements, board composition and decision-making authority

Material contracts and revenue visibility

- Offtake agreements (e.g., Power Purchase Agreements), engineering, procurement and construction contracts, operations and maintenance agreements
- Status of contract negotiations (signed, draft, under negotiation), which is often a key gating factor for financing

Regulatory and permitting status

- Documentation confirming ownership of patents, trademarks and copyrights
- Evidence of required licenses, permits, environmental approvals, grid connection approvals and land rights

Litigation and compliance

- A schedule and status report of any pending or threatened legal actions, administrative proceedings or governmental investigations
- Documentation demonstrating compliance with relevant industry-specific regulations, environmental laws and data privacy laws

3. OPERATIONAL AND PROJECT DEVELOPMENT READINESS

This helps evaluate the business's efficiency, market position and management team. This process likewise requires cross-organization coordination and should be initiated early in project and deal structuring to avoid delays when investors enter the process:

Business plan and strategy

- A well-documented business plan, operational metrics and growth strategy

The early-stage project readiness paradox

In blended finance, particularly in infrastructure and energy, companies face a sequencing paradox: projects must be bankable to attract investors, yet achieving bankability often requires upfront capital that has not yet been secured.

Land and asset readiness illustrates this clearly. Securing leases or purchases and meeting due diligence requirements often requires significant upfront capital, long before financing is in place. These processes can take many months, involving stakeholder engagement, land-use approvals and ongoing operational and reputational risk. This creates a structural mismatch: projects cannot secure financing without land readiness, but cannot secure land without financing.

As a result, developers bear disproportionate upfront costs and uncertainty, causing otherwise viable projects to stall before reaching financial close.

Market analysis

- Information on market size and growth potential, competitive landscape, unique value proposition and customer satisfaction metrics

Management team

- Biographies and experience of key executives, organizational structure and details on human resources policies and employee benefits

4. IMPACT, SUSTAINABILITY AND FIELD VERIFICATION INFORMATION

Blended finance specifically requires information related to developmental impact and sustainability performance and sometimes on-the-ground verification. Unlike conventional financing, impact due diligence and management is not a compliance formality; it is central to justifying the use of concessional capital and is weighted accordingly by public funders. This is particularly important when seeking investment from DFIs, MDBs, philanthropies or governments, as these bodies carry explicit impact mandates that can be difficult to align with private sector project priorities and timelines.

SDG contribution framework, alignment and impact metrics

- An explicit mapping of the project's results to relevant SDGs, with indicative targets. Broad or blanket SDG alignment claims are generally insufficient; funders look for a focused, substantiated contribution to a small number of goals. Sources like the UN Development Programme's SDG Impact Standards can be a useful reference.[35]
- Quantified SDG contributions (e.g., emissions reduction, energy generation, jobs created)
- Alignment statement with internationally recognized standards (e.g., Performance Standards of the IFC,[36] Country Nationally Determined Contributions or National Adaptation Plans)

Impact measurement, reporting and management

- Details on how the company collects and monitors impact data (i.e., internal or third-party verification), its theory of change or impact pathways, linking how the investments are intended to lead to expected developmental outcomes
- Information on environmental compliance, social responsibility initiatives and governance structures
- For deals involving physical assets or land use, site visits, community consultations or local partner assessments may be required to validate operational claims and impact assumptions on the ground

Impact additionality

- Evidence of how the project will achieve additional development impact that would not have occurred without the blended finance support
- Availability for field visits or third-party verification to validate reported impact performance

Financial and impact additionality

Simply put, additionality is the principle that an investment enables outcomes that would not have otherwise occurred under normal market conditions. In blended finance, there are two key forms of additionality:

Financial additionality indicates that without the presence of blended finance, additional investment would not have occurred. This is critical to ensure commercial investment is not being crowded out by concessional funding.

Impact additionality (sometimes referred to as development additionality) refers to the impact that was enabled directly by the presence of blended finance (e.g., emissions reductions, jobs created, etc.).

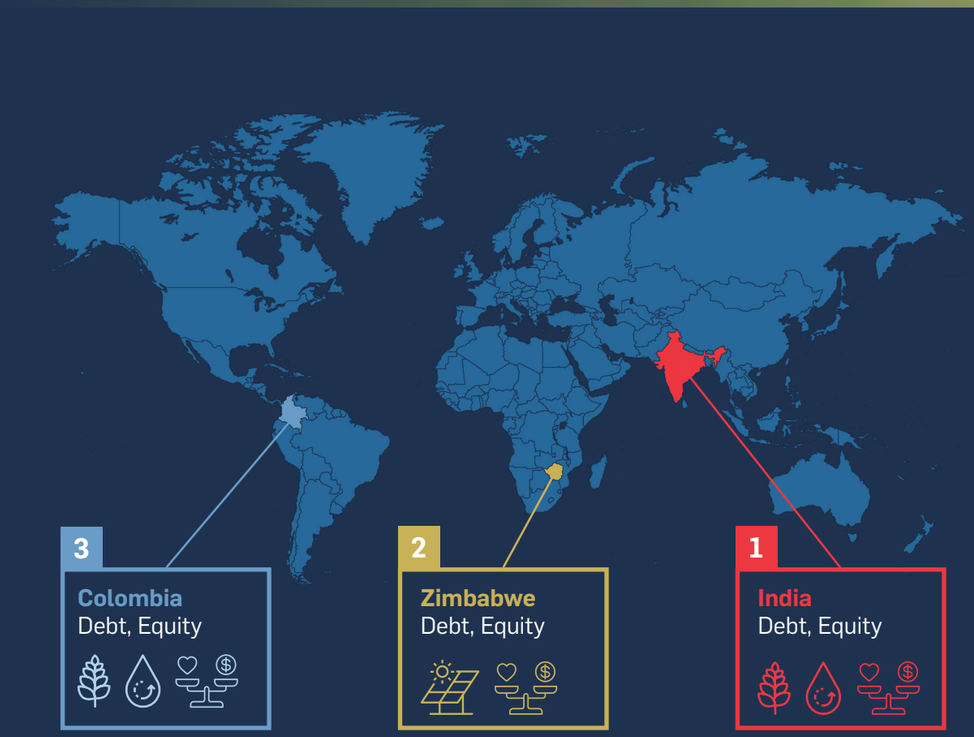
Methodologically, proving additionality can be a difficult task, as the idea itself relies on the counterfactual that something would have happened without the intervention. That said, many capital providers have developed their own frameworks, such as the Multilateral Development Banks' Harmonized Framework for Additionality in Private Sector Operation, which can help a company determine if a project meets these criteria.[37]

35. UNDP SDG Impact, About the SDG Standards. (2023)
36. IFC, IFC's Performance Standards on Environmental and Social Sustainability. Note that IFC is currently updating its Sustainability Framework, which includes its Performance Standards.
37. IFC, Multilateral Development Banks' Harmonized Framework for Additionality in Private Sector Operations. (2018)

BLENDED FUNDS IN ACTION: CASES FROM OUR UN PARTNERS

Blended finance offers companies a strategic pathway to mobilize private capital for projects that deliver both financial returns and measurable social or environmental impact. For companies operating in emerging markets or specific sectors such as climate-resilient infrastructure, water access or sustainable agriculture, blended funds can provide access to capital that aligns with both business growth objectives and broader development goals.

This approach not only de-risks early-stage ventures or market-entry strategies but also signals credibility to other investors, often catalyzing additional private sector participation and enabling companies to scale solutions that address critical global challenges. The case examples included below showcase three innovative blended funds, including two of our UN partners, giving an insight into how businesses can engage with these structures



Agriculture · Water · Infrastructure · Manufacturing · Digitization & technology · Energy · Social wellbeing

1. THE CASE FOR WATER AS AN ASSET CLASS: HOW BLENDED FINANCE IS BRINGING SAFE DRINKING WATER TO MILLIONS

The Water Access Acceleration Fund (W2AF) is the first private equity blended finance fund dedicated to scaling businesses focused on water access. Launched at the 2023 United Nations Water Conference, the Fund was initiated by a partnership between Danone, drawing on its long-standing commitment to improving the health of vulnerable populations and supporting social businesses that provide affordable access to safe drinking water and Incofin Investment Management, a pioneer in impact investing with over three decades of experience deploying capital in underserved markets.

W2AF targets impact-aligned private equity and quasi-equity investments in the water sector, investing in enterprises across the safe water access value chain within Sub-Saharan Africa, South and Southeast Asia and Latin America. The Fund invests growth capital alongside strategic technical assistance to support companies to optimize technology, governance, environmental sustainability, gender equity and financial performance. **By 2030, W2AF aims to deliver 20 billion liters of safe drinking water to 30 million low-income beneficiaries and scale 8–12 high-impact water SMEs.** To date, the fund has made investments in two companies — Rite Water Solutions in India and Spouts International in Uganda and Rwanda. **These investments have enabled them to provide a total of around 9 billion litres of safe drinking water to 11 million low-income people.**

FINANCIAL STRUCTURE

In April 2025, Incofin closed W2AF at €61 million, exceeding the original target by €11 million and is backed by 10 limited partners (LPs), including private enterprises, DFIs and private impact investors. Catalytic capital is provided by: Danone (anchor investor), Aqua for All, Impact Fund Denmark, European Investment Bank and the Swiss Agency for Development and Cooperation.

W2AF also provides a dedicated Technical Assistance Facility (TAF), enabled by Aqua for All and Norfund. By 2028, the TAF aims to deploy €550,000 to investees and potential investees of the fund, with a target to reach at least five tailored technical projects, five impact measurement initiatives and two knowledge-sharing events.

Support is directed to six key areas:

- Water technology and delivery systems
- Corporate systems enhancement
- Climate action
- Gender equity
- Impact measurement
- Knowledge sharing

incofin
invest for impact

Fx Loss tranche | First Loss tranche | Normal shares | GP Shares



Committed EUR 61.2 m

DANONE ONE PLANET. ONE HEALTH
USAID FROM THE AMERICAN PEOPLE
Swiss Agency for Development and Cooperation (SDC)
DFC U.S. International Development Finance Corporation
IMPACT FUND DENMARK
Aqua for All
European Investment Bank
BNP PARIBAS
Confidential Investors

RISK AND RETURN PROFILE

The Fund targets an IRR in the low-double digits over a ten-year life with up to two one-year extensions, with end-of-life liquidity for investors. All investors are aligned around a common return objective, while risk and cash-flow timing are differentiated through a tiered distribution waterfall rather than different IRR targets. Senior share classes receive distributions earlier and benefit from greater downside protection, while junior (catalytic) classes absorb losses first, including operational and foreign exchange losses in Least Developed Countries portfolios, enabling commercial investors to participate alongside catalytic capital providers.

INVESTMENT CRITERIA AND DUE DILIGENCE

W2AF invests growth-stage equity at the company level rather than through project finance. It targets established but still-scaling businesses with a demonstrated operating history of typically five to six years and a clear path to expansion and profitability, participating generally at Series A or early Series B with an average ticket size of $4-5 million.

Company sourcing is led by in-country teams using both external and internal channels. External sources include investment banks, intermediaries, co-investors and conference outreach. Internal sourcing draws on Incofin's network, including limited partners, DFIs, corporate partners, the debt portfolio and referrals. Due diligence focuses on fundamentals and scalability (assessing business model, financials, management, governance, operations and growth) alongside sector-specific impact in water and SDG 6.



W2AF in action

FROM CAPITAL TO CLEAN WATER: RITE WATER'S GROWTH STORY

Rite Water, founded in 2004, is an Indian company operating in the clean-tech space, deploying solutions for clean energy and water access aligned with India's climate and rural development priorities. Despite strong operational traction across thousands of villages, the company faced a common barrier for high-impact SMEs: India's banking system typically requires 40-50 per cent collateral, making it difficult to access the debt needed for working-capital-intensive water and energy deployments, especially for an Engineering, Procurement and Construction (EPC) player operating with a light asset business model.

To overcome this constraint, Rite Water pursued a company-level blended finance investment — not project financing, but direct equity to strengthen its balance sheet and unlock commercial borrowing. In 2023, the Water Access Acceleration Fund (W2AF), the first water-focused blended finance impact fund, managed by Incofin, invested €7.5 million in equity, alongside technical assistance and governance support. This anchor investment catalyzed an additional €3.65 million in follow-on equity, strengthening the company's balance sheet and crowding in commercial lenders.

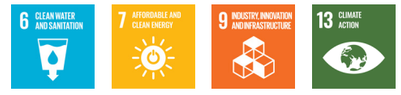
As a result, Rite Water increased its commercial debt exposure from €5.68 million to €16.3 million, a nearly threefold increase, enabling the company to rapidly scale its decentralized water and energy solutions. In December 2025, Rite Water demonstrated this capacity by installing nearly 3,000 solar water pumps in just 30 days, contributing to a broader effort that delivered 45,911 pumps across the state of Maharashtra, an achievement that resulted in a Guinness World Record.[38]



38. Guinness World Records, Most solar pumps installed in one month, (2025)

RESULTS DELIVERED

FINANCIAL OUTCOMES	
Indicator	Result
Company valuation	The valuation correspondingly increased fourfold over the next 3 years
Revenue growth	Fourfold growth post-investment; Enabled by expansion in water, Internet of Things (IoT) and clean energy operations

IMPACT PERFORMANCE	
Indicator	Result
Safe water access	Roughly 16,000 villages and 12.5 million people provided with safe water access; about 28,000 villages, including for Solar Pumping Systems and IoT devices installed
Clean energy deployment	Over 28,000 solar irrigation pumps installed, 2,842 installed in December 2025
SDG alignment	

PARTNERSHIP BUILDING

Rite Water's blended finance transaction was shaped through a multi-stakeholder partnership involving DFIs, impact investors, technical experts and governance institutions. Because this is a company-level blended finance investment, not a project financing deal, the partnership focused on strengthening the enterprise rather than structuring a single asset.

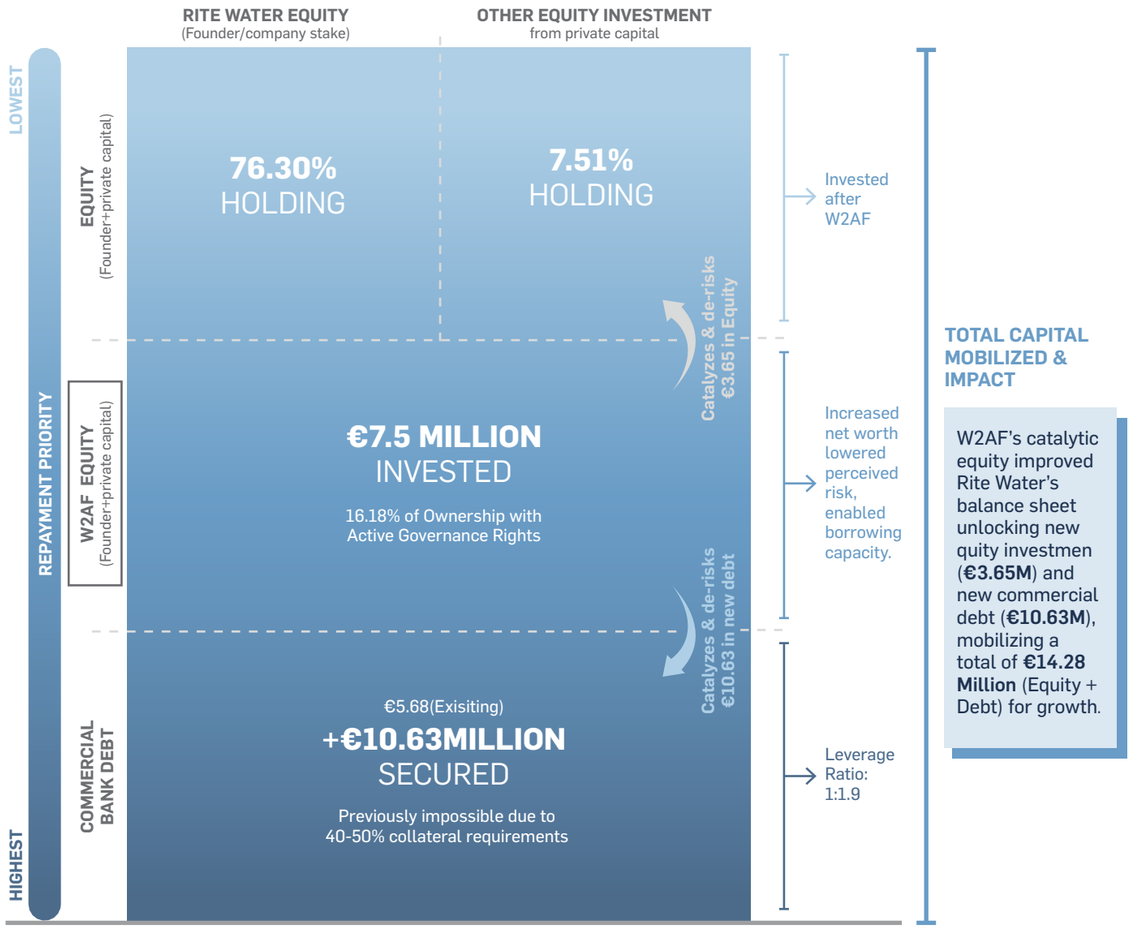
2014 – 2021 Phase 1: Pre-Partnership Context	While Rite Water was establishing operational readiness (retaining auditors for over a decade and validating its impact data) and securing early backing from the UK Government, W2AF was in the early stages of its formation. During this period, W2AF deployed market-screening mechanisms and identified Rite Water as a high-potential investment opportunity, based on its verified track record.
2021 – Mid-2022 Phase 2: Early Engagement	Proactive contact was established during W2AF's two-year setup period. Rather than taking a transactional approach, the stakeholders engaged in a long lead-time relationship-building process. Preliminary scoping discussions verified strategic alignment on growth projections and business models well before formal capital was available.
Mid-2022 – Late 2023 Phase 3: The "Stress Test" (Due Diligence)	A rigorous six - to nine-month due diligence process included a specialized technical review and on-site impact verification by RTI International. Rite Water demonstrated commitment by agreeing to a cost-sharing framework, sponsoring about 20 to 30 per cent of the total external diligence costs. Simultaneously, a Shareholder Agreement was negotiated to formalize governance, exit requirements and IRR safeguards.
End of 2023 Phase 4: Investment and Catalyzation	The transaction was finalized with a €7.5 million equity investment from W2AF, which took a 16 per cent stake in the company. This equity injection immediately strengthened Rite Water's balance sheet, reducing its risk profile. Consequently, the deal successfully catalyzed an additional €3.65 million in equity.
2024 – Present Phase 5: Value Creation and Expansion	Post-investment, governance was integrated via Board and Committee seats. The partnership drove active value creation: implementing sustainability upgrades, establishing carbon finance mechanisms and executing a strategic pivot to solar irrigation to fulfill large government contracts.
2026 Phase 6: Exit Strategy and Outlook	Following a valuation surge over the partnership period, Rite Water is currently filing for an Initial Public Offering (IPO). The exit strategy aligns with W2AF's intent to divest its stake during the public listing to realize significantly attractive returns on investment.

FINANCING STRUCTURE AND SCALING

India's rural water and solar pump programs require significant upfront working capital. The equity plus debt combination enabled Rite Water to bridge delays in government disbursements, deliver large-scale infrastructure at speed and compete for new state-level tenders that would otherwise have been inaccessible.

W2AF's involvement also strengthened Rite Water's credibility with commercial banks, future impact investors and potential pre-IPO institutional buyers. This signal of strong governance, verified impact performance and professionalized systems positioned the company for subsequent funding rounds and eventual IPO preparation.

Financial Stack & Capital Mobilization



- Equity investment (catalytic capital):
  - €7.5 million equity invested by W2AF
  - Represented 16 per cent ownership with active governance rights
  - Increased Rite Water's net worth, lowered perceived risk and enabled borrowing capacity
- Catalyzed commercial debt:
  - An improved balance sheet allowed Rite Water to secure an additional €10.63 million in commercial bank debt, which was previously impossible due to India's 40–50 per cent collateral requirements for SMEs



ROLE OF ACTIVE GOVERNANCE RIGHTS IN BLENDED FINANCE

Active governance rights in blended finance are used mainly to manage risk and align stakeholders, not to control daily operations. For early-stage or catalytic investors (e.g. DFIs or impact funds), these rights, such as board representation, information access and approval of key decisions, ensure capital supports agreed objectives. They can also substitute for stricter financial protections by improving oversight, reducing risk and attracting future commercial investors while preserving management autonomy.

RISK MITIGATION & CAPITAL ALLOCATION

Risk-sharing focused on strengthening Rite Water's long-term financial resilience, governance systems and bankability, rather than allocating risks within a single project.

RISK	WHO BORE THE RISK	MITIGATION METHODS
Early-stage financial risk	W2AF	Patient equity investment; rigorous financial/legal/technical due diligence; structured shareholder agreement with exit and reporting safeguards.
Working capital and payment delay risk (government programs)	Rite Water, supported by the Government	The government covered CAPEX in many programs; blended finance equity provided liquidity to bridge delayed disbursements and execute large tenders.
Lending and collateral risk	Commercial Banks	Enhanced significantly after W2AF's equity infusion strengthened net worth; equity reduced credit risk and enabled debt access under India's high collateral norms.
Governance and compliance risk	W2AF + Rite Water	W2AF board seat and participation in Finance, Audit and CSR Committees; formalized oversight through shareholder agreement.
Impact performance risk	W2AF + Rite Water + RTI International (shared)	Independent third-party technical review by RTI International; on-site impact verification; strengthened impact measurement systems.



CHALLENGES

- **Collateral-heavy lending environment,** India's banks typically require 40–50 per cent collateral, making debt inaccessible for early-stage clean-tech companies. Without equity from W2AF to strengthen its balance sheet, Rite Water could not have unlocked commercial loans.
- **Working capital gaps in government programs:** Large rural water and solar pump programs often involve delayed reimbursements. Before blended finance, Rite Water lacked sufficient liquidity to prefinance deployments at scale.
- **Cost-sharing for technical assessments:** The company had to co-fund 20-30 per cent of the due diligence costs, which can be a barrier for SMEs operating in thin-margin sectors.

LESSONS LEARNED

- **Legal due diligence for cross-border transactions:** W2AF engaged legal counsel to assess Rite Water's compliance with Company Law, the Foreign Exchange Management Act and labor regulations and to finalize the Share Purchase and Shareholders Agreements, including veto rights, representations and warranties and exit provisions. The process also required record updates and helped strengthen the company's systems and operational controls.
- **A strong auditor is a strategic investment:** Rite Rite Water has used the same auditor for over ten years. This continuity ensured clean, transparent financial records, critical for passing blended finance due diligence. Although audit costs may appear high, they are essential for investment readiness.
- **Financial and impact metrics must be captured from day one:** Clear data (e.g., number of plants installed, volume of water treated, number of people reached) was essential for investor confidence. Consistent measurement of outcomes significantly accelerated approval.
- **Early alignment with funders reduces friction:** W2AF communicated expectations early, allowing Rite Water to prepare documentation and systems in advance. This early engagement helped streamline diligence once W2AF was formally operational.
- **Track record matters:** Rite Water's previous investment from the UK Government and its verified performance history made it easier for W2AF to identify it as a suitable candidate. A proven track record and evidence of growth potential significantly increase eligibility for blended finance.

2. FINANCING CLEAN ENERGY GROWTH IN ZIMBABWE THROUGH BLENDED CAPITAL



The Joint SDG Fund, launched in 2019, is the United Nations' flagship innovative financing mechanism for accelerating progress toward the SDGs by 2030. Unlike traditional grant-making vehicles, it operates as a catalytic financing platform, pooling resources from public and private partners to support transformative, locally tailored development programmes.

In support of integrated policy and financing solutions for key SDG transitions—such as energy and food systems—the Fund has mobilised $430 million, leveraging over $8 billion in additional financing (1:20 ratio). Through its SDG investment and financing portfolios, it has deployed over $100 million, catalysing more than $5 billion across more than 30 instruments spanning sectors and regions. Together, these efforts have supported over 350 joint programmes, reaching over 200 million people across 125 countries.

What distinguishes the Joint SDG Fund is its dual focus: it not only provides capital but builds the ecosystems that enable sustainable investment. Rather than just co-investing, it works with public and private partners to strengthen institutional capacity, develop pipelines and design financial structures that allow markets to scale. The Fund's blended and innovative finance vehicles follow structured approaches that balance commercial viability with advancing the SDGs:

- Concessional public capital from the Joint SDG Fund and/or other DFIs typically takes higher-risk positions or accepts below-market returns to derisk the investments.
- Commercial capital from local banks, international investors, or impact funds provides the bulk of financing at market or near-market terms
- Government contributions from host country governments demonstrate commitment and often provide policy support or co-financing.

These capital sources are layered into structures tailored to the investment context: credit lines through local financial institutions, direct project investments, or hybrid instruments that combine debt and guarantee features.

RISK AND RETURN PROFILE

As a United Nations pooled fund, the Joint SDG Fund does not pursue a target return rate on its investments per se. Rather, its strategic role is to provide derisking and concessional financing that opens up new market opportunities and crowds in public and private capital to sectors and geographies where markets have not yet invested, particularly in areas with high development impact potential.

In many cases, the Fund absorbs first-loss risk to make investments commercially viable for other stakeholders, enabling conditions for sustainable markets to scale. The financial instruments supported by the Fund (i.e., credit lines, green bonds or project finance facilities) maintain risk-return profiles that correspond broadly with local market rates. These range from 5–10 per cent returns, though rates vary based on country context, investment tenure and product type. This market-aligned pricing is essential to attract diverse sources of capital, from local commercial banks to international investors, ensuring that the instruments can function sustainably beyond the Fund's initial catalytic support.

Joint SDG Fund blended/innovative finance vehicles maintain rigorous investment standards while recognizing the specific contexts of emerging markets:

- Financial viability: Investments must demonstrate sustainable business models with clear paths to profitability, even if near-term returns are below commercial market rates
- Development impact: All investments are assessed against clear SDG contribution frameworks, with specific targets for job creation, emissions reduction, service delivery, or other measurable outcomes
- Institutional capacity: Both investee companies and financial intermediaries are evaluated for governance, management capability and technical capacity, with technical assistance provided where gaps exist

Beyond capital provision, Joint SDG Fund blended and innovative finance vehicles provide comprehensive implementation support:

- Technical assistance for project preparation, financial modeling and capacity strengthening
- Market development support, including regulatory dialogue, industry convening and knowledge sharing
- Performance monitoring using both financial metrics and SDG impact indicators
- Adaptive and inclusive management allows structures to evolve based on market response and implementation learnings from various stakeholders

Within it's Blended Finance work, the Joint SDG Fund supports numerous country-specific financing models to unlock capital flows for sustainability to benefit local markets and communities. The case examples outlined below showcase the use of the Joint SDG Fund's Zimbabwe Renewable Energy Fund.



ZIMBABWE RENEWABLE ENERGY FUND

Zimbabwe faces an acute energy crisis despite strong policy commitments to renewable energy, including a national strategy and incentives for independent producers. National electrification stands at just 40 per cent and only 16 per cent in rural areas,[39] leaving nearly half of the population without access to electricity. Additionally, coal remains a large portion of the country's energy mix, set to increase by 10.5 per cent in 2025,[40] further increasing national emissions and pollution.

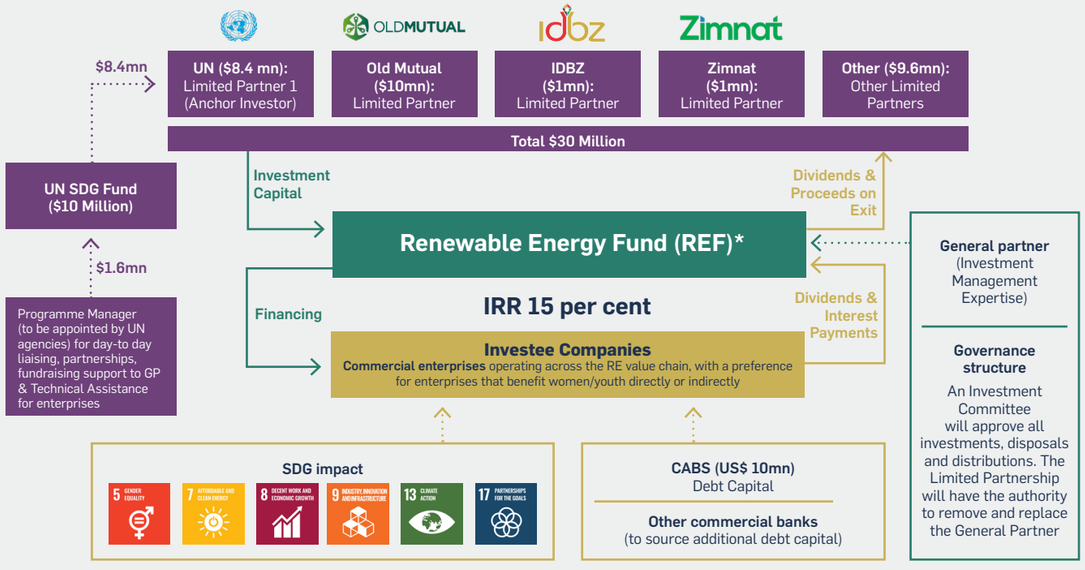
The Zimbabwe Renewable Energy Fund (ZimREF), supported by the Joint SDG Fund, provides technical assistance and investment to unlock at least $31 million for renewable energy. It targets 750 jobs and 180 GWh of capacity. To date, $21 million has been committed, with a further $10 million pipeline. The long-term goal is to scale to $100 million, with deal sizes of $1–4.5 million (up to 15 per cent of fund size).

FUNDING AND STRUCTURE

ZimREF has four investor groups:

- Joint SDG Fund – $10 million
- Old Mutual – $10 million (equity)
- Government of Zimbabwe – $1 million
- Other investors – $13 million

Old Mutual Investment Group Zimbabwe (Private) Limited, the largest investment management firm in Zimbabwe, serves as the fund manager and on-the-ground lending institution for ZimREF's project portfolio. It functions as the primary conduit for funding applications and is responsible for conducting the majority of project-level due diligence and investment assessments.



RISK ALLOCATION AND RETURN EXPECTATIONS

Risk is shared equally across capital partners at the portfolio level. All investors absorb the full credit risk of the underlying investments, while return rates range from 10–15 per cent, with long-term ('buy and hold') horizons.

- **Old Mutual:** Structured as equity, not a fixed-income return.
- **Equity investors:** Target returns that meet or exceed the Fund's hurdle rate of 10 per cent.
- **United Nations Capital Development Fund (UNCDF) loan tranche:** Expected return of 13.31 per cent, structured as a revolving fund where principal and interest received are reinvested into new projects.

CAPITAL DEPLOYMENT

ZimREF disburses funds directly to SMEs, either to project promoters or directly to service providers, ensuring efficient capital flow and reducing transaction friction for early-stage renewable-energy businesses.

The cases below showcase the ZIMRef in action.

39. UN ResQ Energy Compact
40. Africa Energy Week, AEW 2025: Zimbabwe Introduces 5-Pillar Energy Strategy Amid $9B Investment Drive

ZimREF in action

POWERING HEALTHCARE WITH RENEWABLE ENERGY IN ZIMBABWE

Mater Dei Hospital in Bulawayo is one of southern Zimbabwe's leading private healthcare providers, with more than 160 beds and offering specialized services from maternity and pediatrics to dialysis and emergency care. Like many facilities in high-risk frontier markets, it faces chronic power interruptions from theft, grid failure and up to 18-hour load-shedding cycles.[41] Currently, the hospital pays roughly $20,000 to $25,000 per month to Zimbabwe Electricity Transmission and Distribution Company for electricity. A more reliable energy supply is critical to sustain life-saving operations and can unlock savings to improve hospital offerings.

To secure continuous power and cut operating costs, the hospital designed a 749 kilowatt peak (kWp) solar power system with a 1 megawatt-hour (MWh) Battery Energy Storage System (BESS) and a grid connection. In this way, the system is optimized for uninterrupted service. During the day, direct solar power covers the hospital's energy needs, charges the battery to 100 per cent and exports any surplus to the national grid. At night, the battery supplies power until it reaches 40 per cent capacity, after which the hospital draws from the grid. This avoids Zimbabwe's 15 per cent grid retention fee on the majority of its overnight power needs.[42] Additionally, in the event of both solar and grid failure, the remaining battery reserve and the hospital's existing backup generators provide a final layer of protection.

The project was enabled by a $810,000 investment from ZimREF – funded by the UN's Joint SDG Fund and anchored and disbursed by Old Mutual Investment Group Zimbabwe. Upon repayment in 2030, the hospital will assume full ownership of the plant, securing free, low-carbon electricity for a further 15–20 years.

INDICATOR	RESULT	IMPACT
Installed capacity	749 kWp + 1MWh battery storage	Resilient energy for critical medical operations
Annual generation	≈ 1.33 gigawatt hours (GWh)	Optimizes national grid capacity by exporting surplus power during peak daytime demand and drawing back at night; includes a 15 per cent energy retention fee paid to ZESA Holdings (Zimbabwe's state-owned energy company), supporting grid stability and utility revenue
Financial return	Immediate 25 per cent plus cost reduction: achieves better than break-even from year one via $5,700 per month tenant revenue; reducing the hospital's liability to less than $15,000, which will grow with each future tariff increase and 100 per cent free power after five-year payback	Converts operating expenses of ($20,000–25,000 per month) into CapEx savings
Emissions reduction	More than 2,500 tonnes of CO_2 per year	
Gender impact	70 per cent female staff, 90 per cent female management	Retains and empowers the health-sector workforce

41. World Bank Group, 2023. Country Economic Update: Electrifying Zimbabwe's Growth Through Reliable and Universal Energy Access; Afrobarometer, 2025. AD952: Zimbabweans grow increasingly dissatisfied with government's provision of electricity
42. The 15 per cent retention fee applies when power is exported to the grid and later drawn back. For every 100 units sent out, only 85 return. By using the battery to cover most of the hospital's overnight demand, far less power makes that round-trip and the fee applies to a much smaller amount as a result.

PARTNERSHIP BUILDING

This initiative was spearheaded by the Mater Dei Hospital Board of Trustees, who had long sought to establish a more stable energy supply for the hospital through solar power. The hospital nearly signed a Power Purchase Agreement (PPA) (see box below) and a 12-year equipment leasing arrangement with a Lebanese funder, but was concurrently pursuing ZimREF funding through Old Mutual after learning about the fund in a local newspaper.

> ***The process from preparing a finance application to completing loan documentation is lengthy and highly rigorous. Applicant fatigue is real and common. Be open and genuine, but above all, be fully committed to the proposal so it can be defended from the outset through to completion. Believe in it and be ready to justify every aspect with enthusiasm—the end goal is well worth the effort.***
>
> *Ray Smithwick, Chairman of Mater Dei Trust*

The initial application was submitted to Old Mutual in October 2024 and revised in March 2025 based on feedback. Although loan repayments were about 40 per cent higher than the initial purchase agreement's monthly cost, the Board chose direct ownership via debt financing to retain full control and capture long-term savings. A key factor was avoiding rising electricity tariffs, which increased by 15 per cent as the system came online. With fixed loan repayments, the project delivered near-immediate cost savings.

To finalize the loan, Mater Dei underwent a lengthy technical, legal and accounting due diligence process. Old Mutual appointed legal consultants to validate the ability of Mater Dei to enter such a transaction and a technical expert to collaborate with Belmont Electrical, the firm contracted for construction and installation. A firm of forensic accountants conducted the accounting and financial due diligence. Mater Dei's finance and accounting capacity was limited, with a single trustee leading the legal and accounting reviews.

The technical due diligence team initially indicated that a license from the Zimbabwe Energy Regulatory Authority was required, a process that could have taken several months. However, the Board engaged directly with the Authority and clarified that, since the project would not sell the energy produced, a license was not necessary, highlighting the importance of local knowledge from businesses when finalizing blended-finance transactions.

WHAT ARE PPA AND LEASING ARRANGEMENT MODELS?

Power Purchase Agreement (PPA): A developer installs and owns the solar plant, selling power to the off-taker (often at a price below the utility tariff). Tariffs track national price changes; the off-taker never owns the asset.

Leasing Arrangement: An investor buys the equipment and leases it to the user for a fixed term (e.g., 10–15 years). Ownership transfers only after final payment. It reduces up-front costs but locks the user into long-term rental fees that increase annually and limited control over maintenance and performance.

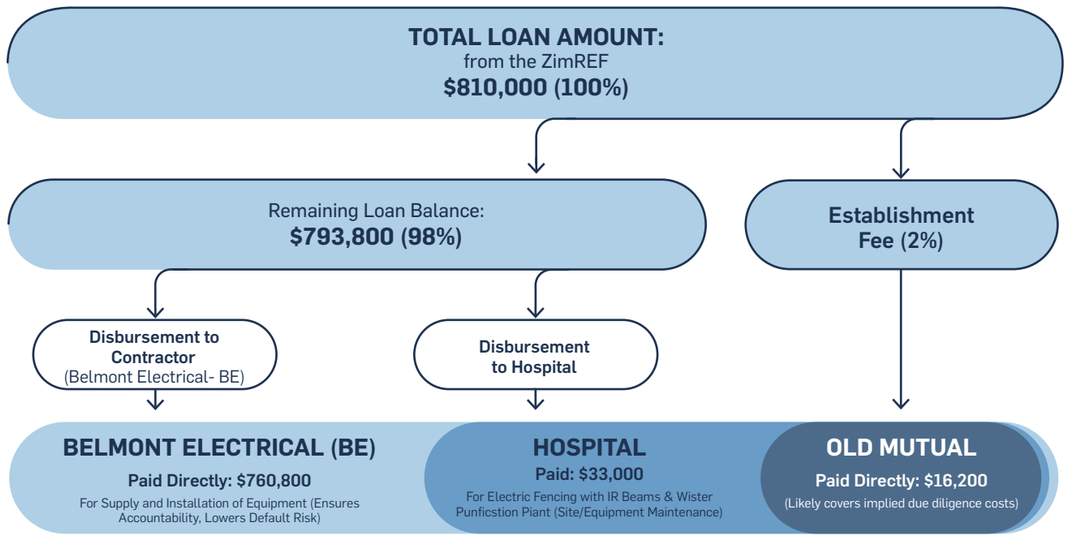
Mater Dei opted for direct borrowing to avoid these constraints and achieve permanent energy independence.



Photo provided by Mater Dei Board

FINANCING STRUCTURE AND SCALING

The external investment of $810,000 from the ZimREF was structured as a straightforward loan, not a grant or concessional facility. Loan proceeds were largely paid directly to the contractor, Belmont Electrical, to ensure accountability and reduce default risk. A 2 per cent establishment fee ($16,200) was deducted and paid to Old Mutual, covering due diligence costs. The remaining $793,800 was disbursed as follows: $33,000 to the hospital for site security and a water purification system and $760,800 to the contractor for equipment supply and installation.



Tenor	5 Years
Interest rate	13 per cent per annum compounded monthly
Currency	U.S. dollars
Repayment	Monthly, matching the hospital's average historical power bill ($20,000–25,000)
Collateral	The loan is secured through a layered structure: • Movable asset security: Old Mutual holds first-priority claims over all movable assets, including the solar plant (panels, storage batteries and related equipment). • Contingent security: A signed power of attorney allows Old Mutual to register a mortgage over immovable property in case of default. • Buffer funds: An escrow account holds three months of repayments to cover potential shortfalls.

This structure minimizes lender risk while avoiding unnecessary administrative burden for the borrower unless a default occurs. Repayments and tenant contracts are legally denominated in US dollars under a 2019 Supreme Court of Zimbabwe decision that allows US contracting. Several tenants (e.g., radiology and laboratory services) pay the hospital in US dollars for their electricity consumption, generating a stable internal cash flow to service the loan. Once repaid, the hospital will retain full ownership of the plant, enjoying roughly two decades of cost-free, stable electricity access.

RISK BEARER	RISK EXPOSURE	RETURN PROFILE	MITIGATION/STRUCTURE
UN Joint SDG Fund (first-loss / catalytic capital)	Takes the highest portfolio-level risk—covers early defaults or underperformance in small renewable projects.	Sub-commercial / impact-driven return focused on SDG delivery (energy access, climate action, gender jobs)	• Diversification across projects • Development-agency oversight • First-loss capital explicitly structured to absorb early-stage losses and de-risk commercial tranches
Government of Zimbabwe / Infrastructure Development Bank of Zimbabwe (seed capital)	Policy and enabling-environment risk, supporting early pipeline development	Non/low financial return — policy credibility, green jobs, expanded energy access	• Close coordination with energy regulators • Leverages multilateral partners (UN Development Programme, UN Joint SDG Fund) for implementation assurance
Future Debt Investors (impact / commercial banks)	Credit risk on the fund portfolio once the debt layer is added; repayment depends on SME performance	Fixed-income return (interest-bearing debt)	• Enter later once a track record is established. • Protected by existing equity and first-loss layers
Old Mutual Renewable Energy Fund (commercial tranche)	Credit and performance risk of SME borrowers	High commercial return; strengthened SDG portfolio	Fund blended with concessional capital to provide a risk cushion; direct disbursement to the supplier
Mater Dei Hospital (borrower)	Full repayment and operational risk	Long-term ownership of solar asset after five years; 15–20 years of cost-free power thereafter	Stable revenue from tenants; US dollar-denominated contracts





CHALLENGES

- **Limited internal capacity:** A single trustee managed complex documentation and compliance, highlighting gaps in technical expertise and financial resources typical of smaller enterprises.
- **High compliance burden:** Meeting institutional-lender requirements proved difficult without dedicated teams or external support.
- **Operational delays:** Solar equipment was held in customs for two or three weeks, slowing project timelines.
- **Regulatory uncertainty:** Lack of clarity on renewable-energy licensing created delays until resolved directly with the regulator.
- **Macroeconomic risks:** Hyperinflation and foreign-exchange constraints required careful financial structuring.
- **Creditworthiness constraints:** Limited borrowing history raised lender concerns, complicating access to financing.

LESSONS LEARNED

- **Direct ownership unlocks long-term value:** When cash flows are predictable, borrowing to own may outperform PPAs or leases. It also avoids power tariff increases during the loan period.
- **Governance equals credibility:** Transparent accounts and legal discipline can substitute for collateral in blended-finance transactions.
- **Structure around cash reality:** Match loan terms to existing expenses, turning OPEX into CAPEX stability.
- **Use legal literacy to de-risk:** Understanding national regulation and currency policy is vital in frontier markets where external institutional funders may lack knowledge of local contexts.

3. MOBILIZING CAPITAL FOR STABILITY: LESSONS FROM COLOMBIA

The UN Multi-Partner Trust Fund for Peace (MPTF) in Colombia is a pooled financing mechanism uniting the Colombian government, the UN system and international donors. Its goal is to support coordinated peacebuilding and stabilization in pursuit of the 2016 Final Peace Agreement with the Revolutionary Armed Forces of Colombia – People's Army. Administered by the UN Multi-Partner Trust Fund Office, the Fund applies blended finance principles to mobilize and align public, concessional and private capital in conflict-affected regions.

A 2019 call for proposals tested innovative mechanisms to de-risk investments, expand access to finance where market solutions were unavailable and generate social and financial returns. These pilots advanced peace stabilization, local economic development and private capital mobilization through concessional public resources. Building on those lessons, MPTF Colombia launched a second blended finance round in 2023, led by four UN Agencies in partnership with the private sector.

FUNDING AND STRUCTURE

Across the two investment rounds (2019 and 2023), the Fund has allocated approximately $4.2 million, facilitating 12 investments and leveraging $18.6 million in private sector capital, representing an average leverage ratio of approximately 1:4, with some initiatives achieving leverage of up to 1:6–1:7.

The Fund deploys a range of financial mechanisms to mitigate key investment risks, including:

- Technical assistance
- Seed and patient capital
- Impact fund investments
- Interest rate subsidies
- Credit enhancements
- Offtaker risk agreements and
- Local currency and foreign-exchange guarantees

These tools help unlock commercially viable investments that might otherwise be constrained by risk, while strengthening local agribusinesses, financial intermediaries and inclusive business models in conflict-affected markets. Overall, MPTF Colombia demonstrates how pooled public and concessional capital can be strategically deployed to catalyze private investment, test scalable financing mechanisms and deliver peace dividends in fragile and post-conflict contexts.

INVESTMENT CRITERIA AND DUE DILIGENCE

The first call for proposals was launched through the MPTF Colombia Non-Governmental Window, with the support of the UN Peacebuilding Fund, which operates under a dedicated management structure to ensure effective coordination, financial administration and oversight, monitoring and evaluation and capacity strengthening.

A designated Management Agent provides end-to-end operational support, including contracting, fund management, audit and monitoring oversight, performance reporting and capacity-building for implementing partners. This role is currently performed by the Colombia office of the United Nations Development Programme (UNDP), in accordance with the MPTF Colombia Operations Manual.

Investment criteria and resource allocation procedures follow recommendations from the Fund's Technical Committee and final approval by the Steering Committee. For blended finance proposals, two additional criteria apply:

- The quality, coherence and financial viability of the blended finance structure and its linkage to peacebuilding outcomes
- The proposed leverage ratio – project and investment due diligence is conducted in line with the relevant UN entity's programme and operational policies for private sector engagement.[43]

The example below outlines how a company utilized this Fund to expand their work and community impact.

43. See UNDP's UNDP Policies and Procedures Portal: https://popp.undp.org/

MPTF in action

DE-RISKING AGROFORESTRY IN COLOMBIA: AMAPURI AND CORPORCAMPO

Agroforestry in Colombia offers a commercially viable alternative to destructive mining and logging practices, but long crop maturation periods, fragmented smallholder supply and social and security risks have historically made it difficult to finance. While demand for products such as açaí and palm hearts exists, the early-stage risk profile discouraged private investment.

For one agroforestry enterprise, the solution was a dual-entity blended finance structure that separated social and environmental risk from commercial operations. Public and philanthropic grants were channelled to Corpocampo, an environmental non-governmental organization (NGO) and natural foods company that produces and exports Amazonian superfoods and drives farmer engagement, agroforestry development and conservation activities. In parallel, Amapuri, a family-owned agribusiness company, mobilized private equity, local bank financing and impact debt to build processing capacity and commercialize the products.

Long-term offtake agreements linked smallholder farmers to Amapuri's processing and export business, providing supply security for the company and income certainty for farmers. By allocating early-stage risks to catalytic capital and reserving private capital for bankable assets, the structure made a previously uninvestable agroforestry supply chain commercially viable.

RESULTS DELIVERED

IMPACT	
Indicator	Result
Smallholder farmers engaged	1,500 producers across agroforestry and wild-harvest programs
Inclusion and livelihoods	42 per cent women; participation from Indigenous, Afro-descendant communities and ex-combatants
Land restoration and forest conservation	1,500 hectares restored through agroforestry systems; 4,500 hectares under legal management and conservation plans
Carbon impact	~990,000 tons of CO_2 sequestered (estimated over 20 years)
Waste reduction	20,700 tons of organic waste repurposed for soil enrichment
SDGs	

FINANCIAL OUTCOMES	
Indicator	Result
Annual revenues	$3.5–3.8 million in sales
Cash flow timing	Production begins in year three
Payback period	Approximately seven years
Expected returns	Estimated 19 per cent IRR over a 13-year horizon

PARTNERSHIP BUILDING

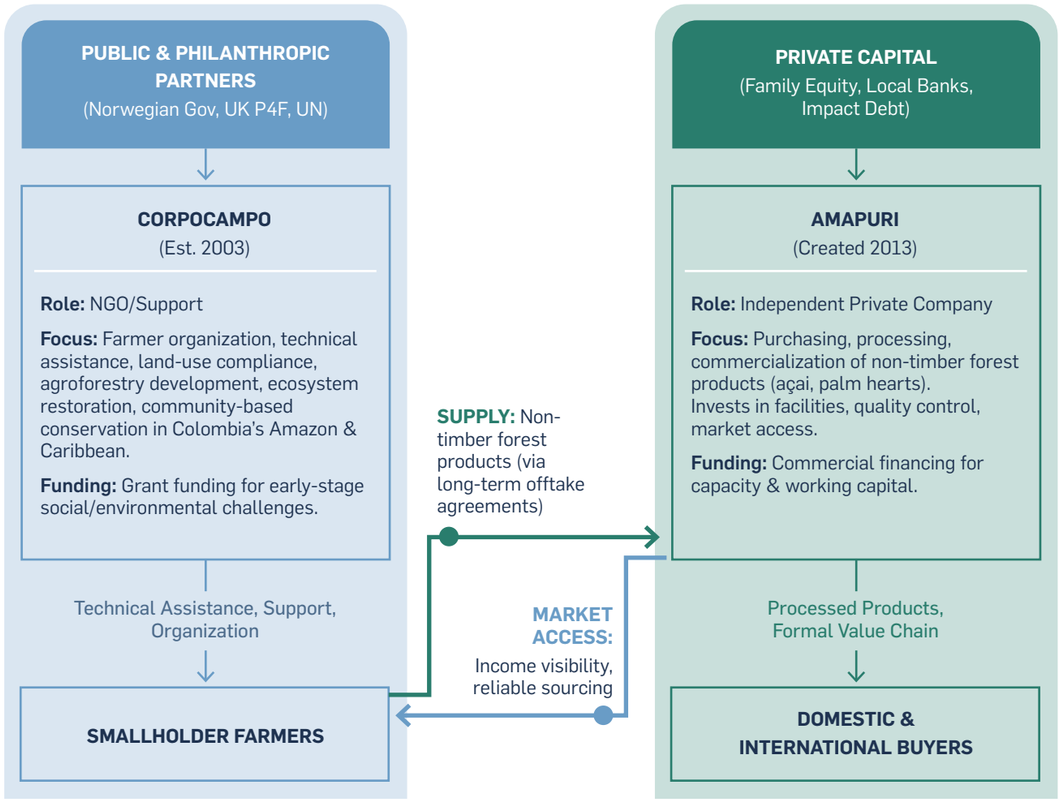
This solution evolved from two complementary organizations with distinct but aligned roles. Corpocampo, established in 2003, has long worked with smallholder farmers in Colombia's Amazonian and Pacific regions on agroforestry development, ecosystem restoration and community-based conservation. Its focus has been on farmer organizations, technical assistance, land-use compliance and livelihood support in regions affected by conflict and dominated by informal economic activity.

As the model matured and commercial opportunities emerged, Amapuri was created in 2013 as an independent private company to handle purchasing, processing and commercialization of non-timber Amazonian products such as açaí and palm hearts. Amapuri invested in processing facilities, quality control and market access, enabling products grown by smallholders to reach domestic and international buyers through a formal value chain.

Public and philanthropic partners, including the Norwegian government, the UK's Partnership for Forests and the United Nations Multi-Partner Trust Fund for Peace (MPTF), provided grant funding to Corpocampo to support farmer transition, agroforestry establishment and conservation activities. This funding addressed early-stage social, environmental and execution challenges that could not be financed on commercial terms, while allowing Amapuri to operate as a market-facing business.

Private capital is mobilized at the commercial level to expand Amapuri's operations. The company combines family equity, local bank financing and impact-oriented debt to build processing capacity and working capital. Long-term offtake agreements linked farmers supported by Corpocampo to Amapuri's operations, providing producers with income visibility and the company with supply security.

Together, this partnership enabled social and environmental investments to translate into a stable, scalable supply chain. Farmers gained long-term market access and technical support, while the commercial entity secured reliable sourcing without assuming risks that could not be managed on its balance sheet.



TOGETHER: Partnership enables social & environmental investments to translate into a stable, scalable supply chain. Farmers gain long-term market access & support; commercial entity secures reliable sourcing with managed risk.

FINANCING STRUCTURE AND SCALING

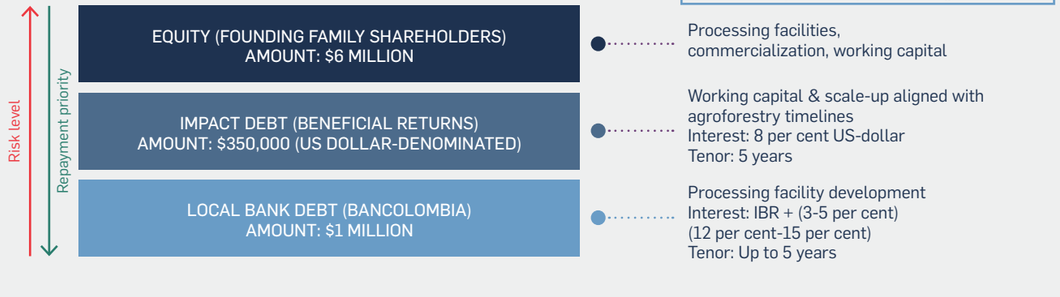
Public and philanthropic capital financed non-commercial social and environmental activities through Corpocampo, while private capital was deployed exclusively at the commercial level through Amapuri. The two entities are linked operationally via long-term offtake agreements, not through financial transfers.

Corpocampo (NGO)

CAPITAL TYPE	SOURCE	AMOUNT (APPROX.)	USE OF FUNDS
Grants	Norwegian Government; UK Partnership for Forests; United Nations; others	$6–7 million (aggregate)	Farmer engagement, agroforestry establishment, technical assistance, conservation programs and regulatory compliance

Amapuri (Private Company)

CAPITAL TYPE	SOURCE	AMOUNT (APPROX.)	USE OF FUNDS
Equity	Founding family shareholders	$6 million	Processing facilities, commercialization and working capital
Local bank debt	Bancolombia	$1 million	Processing facility development
Impact debt	Beneficial Returns (US dollar-denominated)	(US dollar-denominated) $350,000	Processing facility development



RISK MITIGATION AND CAPITAL ALLOCATION

Public capital absorbed risks that could not be priced, while private capital was deployed only where cash flows were visible and scalable.

RISK TYPE	CAPITAL LAYER	HOW IT WAS MITIGATED
Long establishment period	Public and philanthropic grants (Corpocampo)	Non-revenue-generating years financed without reliance on cash flows; Upfront funding for training, inputs and agroforestry establishment, avoiding farmer debt
Supply reliability risk	Commercial contracts (Amapuri)	Long-term offtake agreements providing demand certainty for farmers
Processing and capex risk	Private equity and local bank debt (Amapuri)	Asset-backed investment in processing facilities and logistics
Credit risk	Impact debt (Amapuri)	Longer tenors and flexible repayment are aligned with supply ramp-up
Currency risk	Commercial revenues (Amapuri)	US dollar-denominated export revenues matched to US dollar-denominated loans



WHAT ARE ASSET-BACKED INVESTMENTS?

Asset-backed investments deploy capital against tangible, cash-generating assets that can also serve as collateral. Rather than betting on early-stage concepts, investors underwrite proven physical infrastructure (e.g., facilities and equipment) embedded in the value chain.

In blended finance, this approach brings in private capital where risks are measurable and priced. Returns hinge on asset performance and contracted revenues—not on social or environmental outcomes alone—making it best suited to later-stage projects with validated demand, supply and operations. Public or philanthropic capital can then absorb non-commercial risks, enabling private investors to participate without taking on unpriceable or unrecoverable exposure.

CHALLENGES

- **Long production timelines:** Agroforestry crops such as açaí require several years to reach full productivity, creating pressure on early cash flows and requiring patience across both grant-funded and commercial activities.
- **Operating in post-conflict and remote regions:** Security concerns, informal land tenure and limited documentation among smallholder farmers slowed onboarding and increased the cost and complexity of implementation.
- **Execution capacity:** Recruiting and retaining qualified local teams capable of managing farmer engagement, monitoring and compliance at scale proved challenging in remote regions.
- **Coordination across entities:** While Corpocampo and Amapuri had clearly defined roles, aligning grant-funded activities with commercial timelines required continuous coordination to ensure that supply development matched processing capacity.
- **Pandemic disruption:** Project implementation coincided with COVID-19, which disrupted logistics, restricted movement in rural areas and delayed field activities at a critical stage of scaling.

LESSONS LEARNED

- **Anchor demand before scaling supply:** In value chains with long production cycles, long-term offtake agreements are critical. Guaranteed demand enables upstream investment and reduces reliance on ongoing concessional support — but must be secured early, before the supply chain is built.
- **Design for scale from the outset, but grow incrementally:** Build platforms that can expand through modular investments as supply stabilizes, rather than over-capitalizing before risks are fully understood. The dual-entity structure and long-term offtake approach are replicable, but success depends on local conditions, security dynamics and commitment to multi-year horizons.
- **Calibrate expectations to the context:** In frontier and post-conflict settings, financial models, return expectations and internal approvals must reflect realistic implementation timelines, not standard corporate investment cycles. Slow progress is often the cost of doing this work responsibly.
- **Separate capital by risk type, not impact ambition:** Use grants or philanthropic capital to absorb social, environmental and early-stage execution risks that are hard to price and reserve private capital for activities with identifiable assets, contracted revenues and predictable cash flows.

CONCLUSION

The estimated $4 trillion annual financing gap for the Sustainable Development Goals continues to widen as public and private balance sheets are constrained by growing economic and geopolitical uncertainty. Expanding the use of sustainable finance approaches, such as blended finance, is no longer optional.

As some of the largest recipients and on-the-ground deployers of blended capital, increased knowledge of and participation in blended finance by business represents a significant opportunity for scale. Empowering business to structure deals and tap into the over $24 billion[44] blended finance market, requires expanded collaboration and inclusion across the public and private spheres, with businesses treated as strategic partners from the outset.

By approaching blended finance from the business perspective, this Playbook fills a gap in knowledge and guidance materials designed for the real economies' participation in the blended finance ecosystem. It aims to demystify the process and provide practical examples, insights and approaches for companies across sectors and geographies.

Grounded in consultations from across the financial ecosystem and data from Convergence, the Playbook draws on real-world transactions, practitioner experiences and blended fund structures to illustrate what business-led blended finance looks like in practice and what it can achieve.

The real-world examples cited in this report show the power of blended finance in improving the lives of people around the world. It has helped keep the lights on at a steel factory in Wales that is a linchpin of the local economy. It is enabling a hydrogen power corridor that will transport green energy from North Africa to Italy, Austria and Germany, while financing clean water access for millions in sub-Saharan Africa, Southeast Asia and Latin America.

Recognizing that blended finance's inherent flexibility is part of its unique power, the included Toolkit and Checklist are designed as practical resources to help companies navigate the blended finance landscape in ways tailored to their specific contexts.

Just as the blended finance market itself continues to expand, so too will the work of CFO Coalition to bring in business as architects. Additional examples of business-led blended finance will be published on the website of the UN Global Compact CFO Coalition for the SDGs, broadening the range of regions, sectors and financial structures represented and deepening the evidence base for what business-led blended finance can achieve.



44. Market size in 2024, Convergence data

ACKNOWLEDGEMENTS

This Playbook is an independent output of the UN Global Compact CFO Coalition for the SDGs.

The insights and recommendations included are based on an analysis of how blended finance has been deployed around the world and the role businesses play through original research and dozens of consultations with major companies, financial institutions, development banks, market regulators and others. Tailored data on the blended finance market and corporate participation was provided through a partnership with Convergence.

Business-Led Blended Finance: A Practical Playbook adds to a robust collection of blended finance insights and analysis but offers a new approach by examining the market from a business perspective and highlighting the roadblocks that challenge business involvement. Our hope is that the Playbook can be a practical tool to expand the effective utilization of blended finance across sectors and geographies.

The CFO Coalition extends its appreciation to its members for their valuable engagement and insights, particularly those who contributed case examples: AB InBev, Cassa Depositi e Prestiti (CDP), Danone, FCC Construcción, Safaricom, Snam and Tata Steel. Additionally, the Playbook benefited from guidance and contributions from UN and external partners, including Banco Bilbao Vizcaya Argentaria (BBVA), Incofin and the Water Access Acceleration Fund (W2AF), the Joint SDG Fund and the UN Multi-Partner Trust Fund for Peace.

The research, writing and editing team was composed of Claire Baumann, Yuchan Wang, Zoe Ann Dansdill, Carleigh McFarlane, Susan Stawicki, John Corrigan and Alex Gee.

NOTE: the inclusion of company names and/or examples in this publication is intended strictly for learning purposes and does not constitute an endorsement of individual companies or organizations by the UN Global Compact.

THE TEN PRINCIPLES OF THE UNITED NATIONS GLOBAL COMPACT

HUMAN RIGHTS

1 Businesses should support and respect the protection of internationally proclaimed human rights; and

2 make sure that they are not complicit in human rights abuses.

LABOUR

3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

4 the elimination of all forms of forced and compulsory labour;

5 the effective abolition of child labour; and

6 the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

7 Businesses should support a precautionary approach to environmental challenges;

8 undertake initiatives to promote greater environmental responsibility; and

9 encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

10 Businesses should work against corruption in all its forms, including extortion and bribery.

The Ten Principles of the United Nations Global Compact are derived from: the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and the United Nations Convention Against Corruption.

ABOUT THE UNITED NATIONS GLOBAL COMPACT

As a special initiative of the United Nations Secretary-General, the **UN Global Compact** is a call to companies worldwide to align their operations and strategies with Ten Principles in the areas of human rights, labour, environment and anti-corruption. Our vision is clear: to mobilize business to transform sustainability ambition into action at the scale the world demands. With more than 25,000 participants and a presence in over 100 countries through 5 Regional Hubs and more than 70 Country Networks and expansion territories, the UN Global Compact is the world's largest corporate sustainability initiative.

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