

ReDesigning Development Finance Initiative
A joint initiative of the World Economic Forum and the OECD

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OF THE WORLD

Blended Finance Vol. 1: A Primer for Development Finance and Philanthropic Funders

An overview of the strategic use of development
finance and philanthropic funds to mobilize
private capital for development

September 2015



**BLENDED
FINANCE**

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Preface



Richard Samans
Managing Director
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This Primer outlines the significant opportunity that Blended Finance presents for public-private cooperation to support international development efforts. There is a huge, and largely untapped, potential for public, philanthropic and private actors to work together towards win-win-win solutions: wins for private investors, as they make an attractive return on their capital; wins for public and philanthropic providers, as they make their limited dollars go further; and most importantly, wins for people in developing countries as more funds are channeled to emerging and frontier markets, in the right way, to help transform economies, societies, and lives.

The development challenges of the 21st century remain vast. Poverty has fallen, and will continue to do so, but developing economies will need to be transformed if they are to ensure long-term development. The needs for infrastructure, health, education, agriculture, and other development challenges loom large.

The good news is that there is enough money to go around. Capital markets are growing, and frontier and emerging markets are particularly attractive. Private investment into developing countries has been growing at much faster rates than development funding, and the potential to do more is huge. But to realize this potential, key bottlenecks which prevent private investors targeting the sectors and countries in which they are needed most must be addressed.



Erik Solheim
Chair, Development
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operation and
Development
(OECD)

This new context creates incredible new and exciting opportunities for collaboration. Through Blended Finance, development finance and philanthropic funders can help to address development challenges, ensuring that private investors can identify and support key investment opportunities in the developing world. By guaranteeing investments, development finance and philanthropic funders can help to reduce risk. By supplementing private investment with grant financing, development finance and philanthropic organizations can raise private returns, creating better incentives for the private sector to invest in strategic sectors. By providing technical assistance, they can support the development of strategic projects and help improve the investment climate in key markets.

To help development finance and philanthropic organizations to seize these opportunities, this Primer outlines the Blended Finance approach, clarifies the key concepts, and explains the benefits such approaches can bring.

Section 1: Executive Summary

The international community will shortly agree on a new set of Sustainable Development Goals (SDGs) to shape global development priorities for the next 15 years. The SDGs envisage a world in which poverty is eradicated, economies are transformed, and development takes place within planetary boundaries. The resources required for this endeavor are immense, as much as \$4.5 trillion per annum according to some estimates^{1a}. Public resources, including Official Development Assistance (ODA) are not sufficient to implement this ambitious new agenda.

Private investment will be vital to augment the efforts of development finance and philanthropic funders. Only a fraction of the worldwide invested assets of banks, pension funds, insurers, foundations and endowments, and multinational corporations, is targeted at sectors and regions that advance sustainable development. A key challenge for the SDG era is how to channel more of these private resources to the sectors and countries that are critical for the SDGs and wider development efforts.

This is the opportunity presented by Blended Finance, which for the purposes of this primer refers to ‘the strategic use of development finance and philanthropic funds to mobilize private capital flows to emerging and frontier markets’. For development finance and philanthropic funders, Blended Finance represents an opportunity to drive significant new capital flows into high-impact sectors, while effectively leveraging private sector expertise in identifying and executing development investment strategies.

This Primer, a product of the ReDesigning Development Finance Initiative (RDFI), aims to clarify the definition of ‘Blended Finance’, and provide practical insights on how development funders^{1b} can meet their impact objectives and use tools to address knowledge gaps and execute using approach.

Section 2 outlines the scale of the funding challenge. It highlights the scale of the capital needed for the SDGs, and the need to attract additional financing over and above what development funders can provide. Although private flows to developing countries have grown significantly over the past decade, only a small proportion of these flows target financing needs that promote sustainable development. This is the funding gap that Blended Finance aims to address.

Section 3 explains the concept of Blended Finance. It highlights that Blended Finance has three key characteristics:

- Leverage: use of development finance and philanthropic funds to attract private capital into deals.
- Impact: investments that drive social, environmental and economic progress.
- Returns: financial returns for private investors in line with market expectations, based on real and perceived risks.

Sections 4 explains the role of Blended Finance. It identifies the main challenges that prevent private capital from being deployed into emerging and frontier markets:

- Returns are seen as too low for the level of real or perceived risks.
- Markets do not function efficiently, with local financial markets in developing economies particularly weak.
- Private investors have knowledge and capability gaps, which impede their understanding of the investment opportunities in often unfamiliar territories.
- Investors have limited mandates and incentives to invest in sectors or markets with high development impact .
- Local and global investment climates are challenging, including poor regulatory and legal frameworks.

Through Blended Finance, development funders can help to overcome investor barriers and increase the supply of private capital to key sectors and countries by:

- Shifting the investment risk-return profile with flexible capital and favourable terms.
- Sharing local market knowledge and experience.
- Building local capacity.
- Shaping policy and regulatory reform.

Section 5 identifies and outlines how development funders can use *Supporting Mechanisms and Direct Funding to enable a Blended Finance* transaction. It provides real world examples of different approaches to address investor barriers faced by companies and projects in emerging and frontier markets.

Use of Supporting Mechanisms – usually grants or guarantees – can attract and support private sector investment and financing by managing risks and reducing transaction costs. These Mechanisms can be structured to provide:

- **Technical Assistance**, to supplement the capacity of investees and lower transaction costs.
- **Risk Underwriting**, to fully or partially protect the investor against risks and capital losses.
- **Market Incentives**, to provide results-based financing and offtake guarantees contingent on performance and/or guaranteed payments in exchange for upfront financing in new or distressed markets.

^{1a} Sachs, J and Schmidt-Traub, G. (2014). ‘Financing Sustainable Development: Implementing the SDGs through Effective Investment Strategies and Partnerships’. Unedited draft for public consultation, and UNCTAD. 2014. ‘World Investment Report 2014. Investing in the SDGs: An Action Plan’. UNCTAD: Geneva; accessed at <http://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=937>

^{1b} For the remainder of this paper, we will use the term ‘development funders’ for the full range of development finance and philanthropic actors involved in Blended Finance, recognizing that not all of these will be public actors but motivations may be similar.

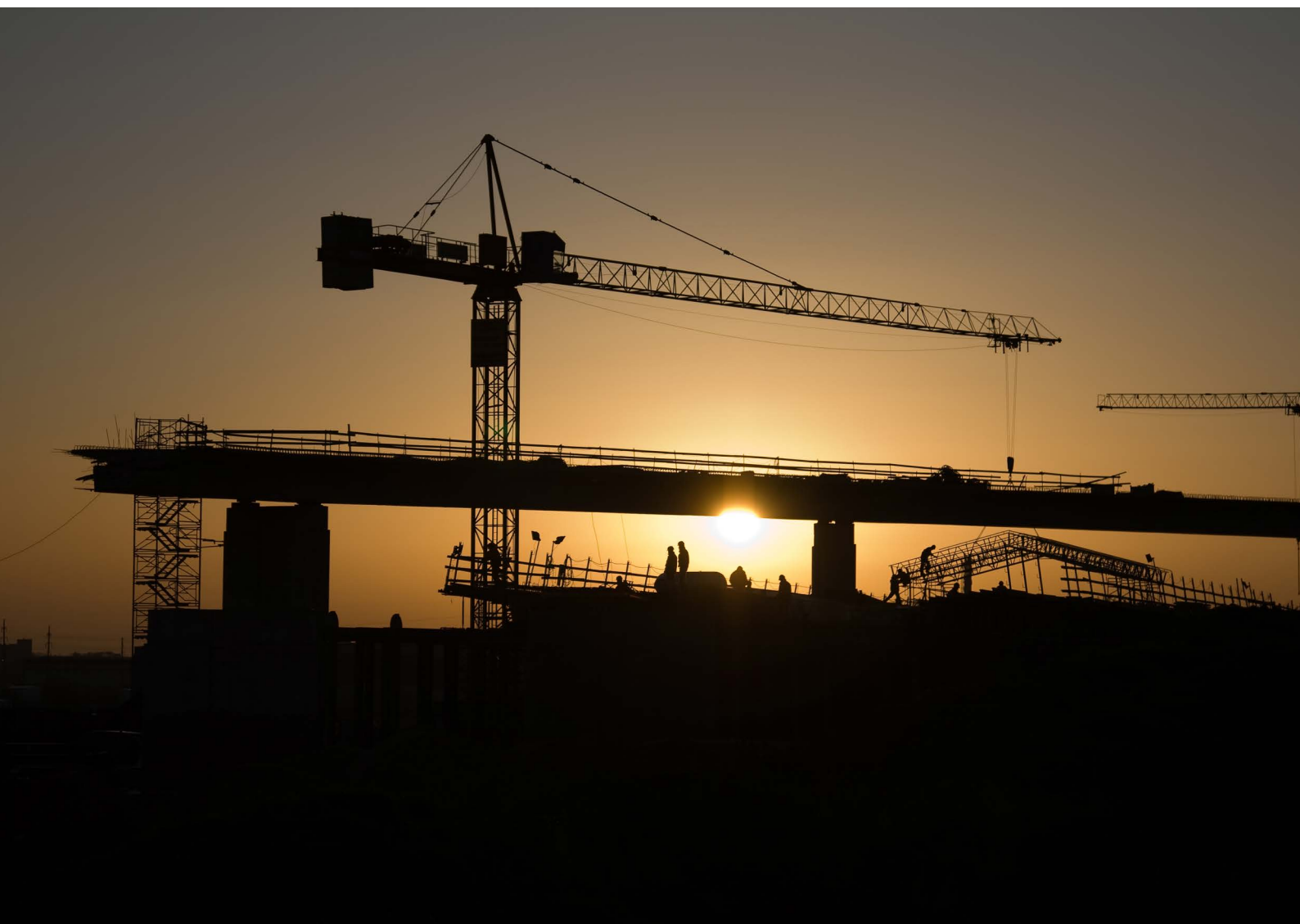
Direct Funding provided by development funders to a project or enterprise can also enable Blended Finance. Financial instruments such as grants, equity, and debt can all help facilitate Blended Finance. Such funding supports private investors and financiers to overcome perceived barriers in emerging and frontier markets at various stages of the investment life cycle:

- **Preparing**, reducing uncertainty and high initial costs before commissioning of a project.
- **Pioneering**, helping manage the failure rates and elevated transaction costs associated with high-risk enterprises or projects that are experimenting with, testing and piloting new business approaches.
- **Facilitating**, deferring returns or providing more generous terms than the market to encourage investments with high expected development impact but limited commercial returns.
- **Anchoring**, ‘Crowding in’ private capital on equal terms for mature or credible projects by signalling that macro risks can be managed and that the investment is commercially viable.
- **Transitioning**, providing a cultivated pipeline that meets the needs of private investors to source mature transactions and deploy capital at scale.

Section 6 highlights the path towards *Mainstreaming and Scaling Blended Finance*. It highlights that over the past year, Blended Finance has evolved from a niche activity to a mainstream focus of development finance with the potential to accelerate inclusive growth and development. However, more work is needed to ensure that Blended Finance can be scaled up, which requires institutional development around:

- Awareness and common language.
- Analytics and education.
- Institutional readiness.
- Partnerships.
- Definitional alignment on impact.
- Consolidation of the market.

Section 7 concludes with the potential of Blended Finance. It outlines how Blended Finance can become a major component of future development efforts and serve as a key pillar of the financing framework for the United Nations Sustainable Development Goals (SDGs.)



Section 2:

Financing an Ambitious Sustainable Development Agenda

The proposed United Nations Sustainable Development Goals have huge funding needs. The SDGs being formulated to replace the Millennium Development Goals (MDGs) require significant increases in investment in broad-based economic transformation. Up to \$4.5 trillion² per year in investment will be required in developing countries between 2015 and 2030, which compared with current investment levels leaves an annual investment gap in sectors critical to the SDGs of around \$3.1 trillion³. Though this gap is far greater than available ODA funding, which reached an all-time high of \$135 billion in 2013⁴, filling this investment gap is not impossible⁵. The financing gap constitutes approximately 3% of global GDP, 14% of global annual savings⁶, or 1.1% of the value of global capital markets, estimated at \$218 trillion⁷.

Involving the private sector is critical. Current levels of private sector investment in sectors related to the SDGs are relatively low. Only a fraction of the worldwide invested assets of banks, pension funds, insurers, foundations and transnational corporations is in sectors critical to the SDGs. Translating these assets into SDG-compatible investments will be key, with the potential being greater in sectors such as infrastructure (power, renewable energy, transport), telecommunications, and water and sanitation, which together have an estimated shortfall of up to \$1.6 trillion per year.⁹

The role of private sector in filling this gap is recognized by the international development community. Since the 2002 Monterrey Consensus on Financing for Development, discussions on external resources have acknowledged that private international capital flows, in particular foreign direct investment (FDI), are vital complements to development efforts funded through domestic resources and ODA.

This reflects the fact that the development finance landscape has changed dramatically over the past two decades, While ODA that could address the SDGs would more than double if all OECD-Development Assistance Committee (DAC) countries were to meet the 0.7% ODA/GNI target,

funding for the SDGs would still face a sizable gap. Given the significant investment needs of the SDGs, the use of Blended Finance to engage private capital with strategic development funding in a complementary, rather than substitutive, manner is gaining momentum as one solution to these funding issues.

Global capital markets represent a significant and scalable supply of capital to fund sustainable development.

Currently valued at \$218 trillion, global capital markets appear to be entering a protracted period of high liquidity and low cost which could last a decade or more¹⁰. This is because the main factors contributing to the decline in real interest rates are unlikely to be reversed¹¹. At the same time, owing to downward pressures on returns in developed markets, investors and financial institutions are seeking to invest in emerging and frontier¹² markets. These markets are particularly attractive since they offer above-average returns and are less affected by prevailing developed world challenges. High GDP growth in these economies also signals that there are opportunities for investors to “buy” into the country’s overall prospects or seek out opportunities by identifying undervaluation in specific sectors.

However, there are significant barriers impeding capital flows into these markets. Despite emerging and frontier markets contributing over 49% of global GDP, a fraction out of the roughly \$218 trillion in global capital markets flows annually to these high-potential markets due to risks¹³ (real or perceived) and market inefficiencies¹⁴. The most significant barrier to private capital flows in these markets is that returns are often not proportionate with the level of perceived risks, which tends to be much higher than in more mature markets, given often weak regulatory frameworks and enabling environments. Ultimately, if risk-adjusted returns are less attractive relative to other markets, investors will not allocate capital to emerging and frontier markets. Development funding can therefore play an important role in mitigating risk and bringing risk-adjusted returns in line with investor requirements.

² There is currently no comprehensive assessment of financing needs of the proposed 17 Sustainable Development Goals. These estimates are preliminary and incomplete and based on several reports that have consolidated publicly available estimates to arrive at a preliminary assessment of financing needs.

³ UNCTAD. 2014. ‘World Investment Report 2014. Investing in the SDGs: An Action Plan’. UNCTAD: Geneva; accessed at <http://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=937>

⁴ The country programmable component (CPA) of ODA was \$101 billion in 2013 and is projected to increase slightly by \$2.5 billion between 2013 and 2017. CPA is the portion of ODA that donors programme for individual countries and over which partner countries could have a significant say. Source: OECD 2014 Global Outlook on Aid: Results of the 2014 DAC Survey on Donors’ Forward Spending Plans and Prospects for Improving Aid Predictability’. OECD Publishing; accessed at <http://www.oecd.org/dac/aid-architecture/GlobalOutlookAid-web.pdf>

⁵ From Billions to Trillions: Transforming Development Finance Post-2015 Financing for Development: Multilateral Development Finance prepared jointly by the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the European Investment Bank, the Inter-American Development Bank, the International Monetary Fund, and the World Bank Group for the April 18, 2015 Development Committee meeting

⁶ Calculation based on the World Economic Outlook — Recovery Strengthens, Remains Uneven (Washington, D.C., International Monetary Fund, April 2014), at purchasing power parity exchange rates.

⁷ Sachs et al 2014 op cit, UNCTAD 2014 op cit.

⁸ UNCTAD 2014 op cit

⁹ UNCTAD 2014 op cit., Sachs et al 2014 op cit

¹⁰ Kharas, H. Prizzon, A. and Rogerson, A. (2014). ‘Financing the post-2015 Sustainable Development Goals: A rough roadmap’. London: Overseas Development Institute.

¹¹ These factors include: i. Emerging market economies’ saving rate increased significantly between 2000 and 2007, driving down interest rates. This increase is expected to be only partly reversed; ii. Increased demand for risk-free assets, as a result of increased accumulation of foreign exchange reserves in the emerging market economies and an apparent rise in the perceived riskiness of equities relative to bonds; iii. Decline in investment rates in advanced economies as a result of the global financial crisis is likely to persist.

¹² For the purposes of this primer, emerging and frontier markets refers to countries included in the “OECD DAC List of ODA Recipients (2014-2016)”. <http://www.oecd.org/dac/stats/documentupload/DAC%20List%20of%20ODA%20Recipients%202014%20final.pdf>

¹³ Risks include: macroeconomic; political; regulatory; business; hard and local currency; liquidity; tax conditions; and market segmentation.

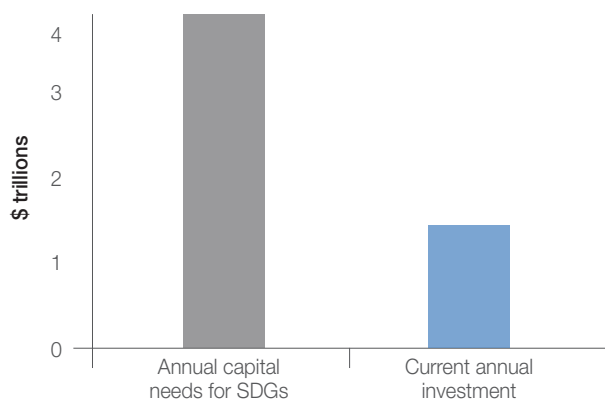
¹⁴ OECD and World Economic Forum 2015, op cit.

Prospective sources of new capital that can help finance SDG outcomes range from large institutional investors, such as pension funds, to the private wealth industry. Pension funds have at least \$1.4 trillion of assets invested in developing markets and the value is growing, both from developed and developing countries. Flows of cross-border bank lending to developing countries were roughly \$325 billion¹⁵ in 2013, making international bank lending the third most important source of foreign capital after FDI and remittances. 28% of the total \$31 trillion in international cross-border bank claims came from developing countries at end of 2014. Philanthropic foundations, recognized as significant contributors to development as providers of additional funding in the 2011 Busan Partnership agreement, are another source

¹⁵ UNCTAD 2014 op cit

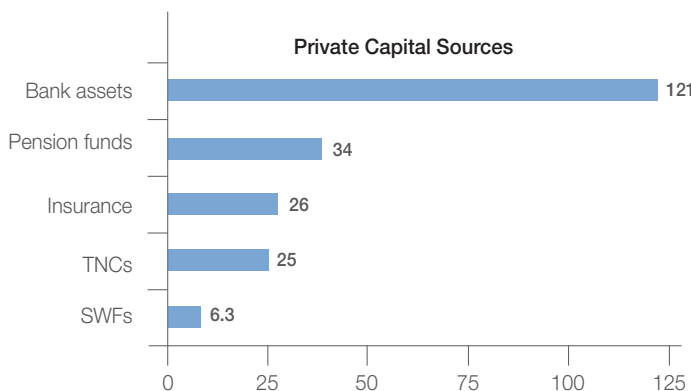
Figure 1: Financing the Sustainable Development Gap

A significant financing gap exists for the SDGs¹⁷ ...



Source: UNCTAD, 2014

Filling the gap is not impossible, as there are a number of potential sources of investment...



However, several barriers have hindered the flow of capital to emerging and frontier markets ...



¹⁷ Based on mid-point estimates.

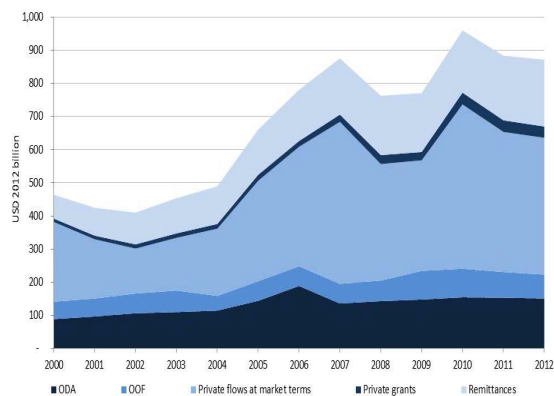
Sources: Development Committee, 2015; MSCI indices; OECD 2014a; UNCTAD, 2014

of capital for investment in the SDGs. Available data suggest that philanthropic contributions to development have nearly multiplied by ten in less than a decade from around \$3 billion in 2003 to \$30 billion in 2012¹⁶.

Ultimately, sustainable development will require investments of all kinds: public and private, domestic and international. It requires making the best possible use of each public dollar, beginning with the \$135 billion in ODA. Capital for development also needs to include domestic and foreign direct investment, bonds, bank-lending and philanthropy, all of which can be mobilized and used just as effectively through innovative financing models such as Blended Finance.

¹⁶ OECD. (2014a). 'Development Co-operation Report 2014: Mobilising Resources for Sustainable Development'. OECD Publishing.

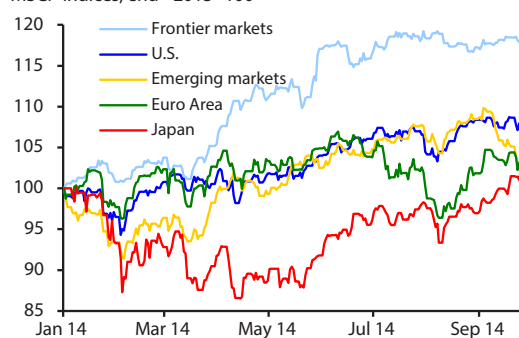
... that requires more than ODA, given the decline as a share of external financing for developing countries.



... that could be attracted by returns in emerging and frontier markets.

Global Equity Market Performance, 2014

MSCI indices, end -2013=100



... where Blended Finance can play a critical role in bringing risk-adjusted returns in line with investor requirements



Section 3:

Blended Finance: An Opportunity to Unlock Wider Actors and Resources for Development

Blended Finance is the strategic use of development finance and philanthropic funds to mobilize private capital flows to emerging and frontier markets. Blended Finance enhances the impact of limited philanthropic and development resources by using those funds to tap into the trillions of dollars of private capital available in global markets. It offers promising potential as an ecosystem solution to close the development funding gap.

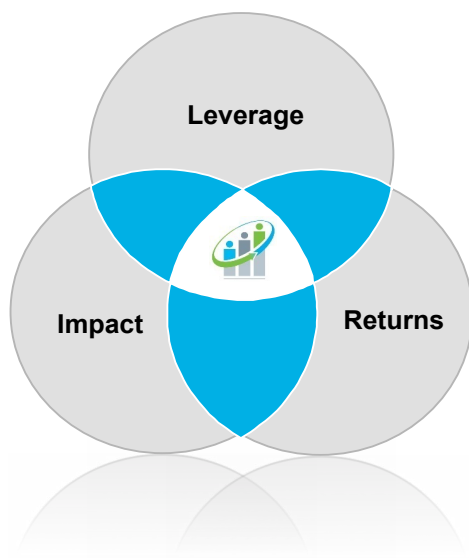
3.1 Defining Blended Finance

Blended Finance has three key characteristics:

- **Leverage:** Use of development finance and philanthropic funds to attract private capital into deals.
- **Impact:** Investments that drive social, environmental and economic progress.
- **Returns:** Financial returns for private investors in line with market expectations, based on real and perceived risks.

Blended Finance can be used across a range of structures, geographies and sectors using a range of instruments. Deals bring together different stakeholders that partner in a fund or transaction, involving a mixture of development funding and private investors.

Figure 2: Pillars of Blended Finance



Blended Finance Definition

For purposes of the RDFI, the World Economic Forum and OECD define Blended Finance as ‘the strategic use of development finance and philanthropic funds to mobilize private capital flows to emerging and frontier markets’. Blended Finance deliberately channels private investment to sectors of high-development impact while at the same time delivering risk-adjusted returns.

One investment approach that is commonly confused with Blended Finance is ‘Public Private Partnerships’ (PPPs). PPPs are a sub-set of Blended Finance, in which some services and infrastructure that are usually public sector responsibilities are provided by the private sector under an agreed funding model (e.g., water or roads.) Blended Finance can also involve public support to private investors in sectors where it is not usually provided by the public sector (e.g., mining or manufacturing).

Another approach conflated with Blended Finance is ‘Impact Investing’. Blended Finance is an approach to structured finance that enables development & philanthropic funding to mobilize private capital into a project or company that promotes development outcomes, by mitigating risk and/or ensuring commercial risk adjusted returns. Blended Finance attempts to achieve similar goals to Impact Investing (intentional approach to create societal and financial impacts) by using a structuring approach to “blend” the different intents of a range of investor motivations to achieve these development objectives at scale.

3.2 Why is Blended Finance Important?

For development funders¹⁸, the primary motivation to engage in Blended Finance is the ability to mobilize additional and external sources of finance for development, to increase the impact of their investment and accelerate progress towards the SDGs.

Significant experimentation is already underway demonstrating the ability of Blended Finance to mobilize private capital. RFDI's recent survey of Blended Finance funds and facilities identified 74 pooled public and private funds, accounting for a total of \$25.4 billion in committed assets. The development funders involved are diverse, including donors, development finance institutions and foundations. These funds are already having an impact in sectors where Blended Finance occurs most often, including climate resilience and clean energy; financial services; food & agriculture; healthcare; infrastructure.

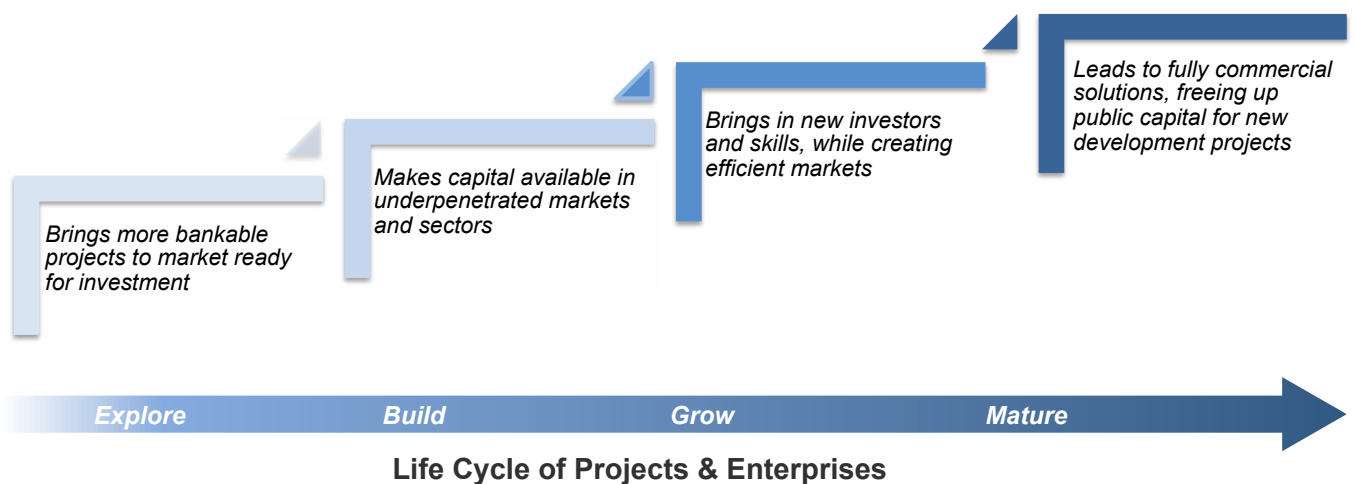
Other beneficial outcomes of Blended Finance for development include:

- Sharing of best practices for investment.
- Enhancing skills including investment management and structuring expertise, as well as sector-specific and operational expertise.

- Demonstrating viability in under-penetrated sectors and markets, overcoming market failures and bringing about a functioning market where none exists.
- Improving terms for borrowers by lengthening the time horizons for capital providers, avoiding the risks associated with short-term capital flows faced by recipients of capital in emerging and frontier markets.

Blended Finance allows development funders to address structural needs for project/companies at different stages of their life cycle and market maturity. By providing an improved risk-return proposition for the private sector, Blended Finance can help to bridge funding gaps that impede development objectives in situations where there is a market failure that needs to be overcome.

Figure 3: Blended Finance Benefits by Stage



Section 4:

The Role of Blended Finance

4.1 Overcoming Barriers to Private Capital in Emerging and Frontier Markets

Deploying capital in emerging and frontier markets can be an attractive source of financial returns and portfolio diversification for private sector capital providers. However, financing projects with development impact gives rise to a set of risks, both real and perceived.

Private sector capital has largely stayed on the sidelines from deploying funds into emerging and frontier markets due to five fundamental barriers, of which the first is the most significant:

- **Returns are seen as too low for the level of real or perceived risk.** Private capital providers have a fiduciary duty to maximize risk-appropriate returns while ensuring capital is preserved. While there is a wide range of investment opportunities in emerging and frontier markets that will deliver strong development impact, often transactions will not meet investor return requirements because of the level of risk. If risk-adjusted returns are less attractive relative to other markets, investors will not allocate capital. The challenge is therefore to either reduce the level of perceived and real risk or increase the return.

Specific risks faced by investors in emerging markets include business model risk (nascent markets, new projects, new business models), technical feasibility, macroeconomic and corporate governance risks, funding shortfalls, and liquidity risk (such as the inability to refinance and / or exit). In addition, transaction costs associated with learning new markets, capital intensive projects, small deal sizes and lengthy transaction times can be high, dampening return expectations. Other factors influencing returns include sector performance, and market growth rates among others.

- **Markets not functioning efficiently.** Local financial markets in emerging and frontier economies are often in a much earlier stage of development than in developed countries, and thus lack the infrastructure, expertise, deep pools of capital, and seamless connection of supply to demand required to function efficiently. For example, bond and equity markets are often under-developed and illiquid, introducing high uncertainty about whether an investor will be able to exit the investment and receive their money back. Institutional investors usually require investment managers to have a verifiable history of positive returns while many local fund managers are new and do not have sufficient

experience and results. Finally, there is a limited universe of financial institutions with the structuring expertise and ability to package the right financial and non-financial solutions in countries and sectors of high development impact, resulting in a lack of scalable, standardized, investable products.

This market gap of local and global investment managers to source deals, develop a pipeline of bankable projects, effectively connect supply of capital to demand, and access efficient capital markets, results in investors' perception of risk being very high in these markets, leading to inflated return expectations.

- **Knowledge and capability gaps of private investors.** In many cases, private capital providers lack the in depth understanding of emerging and frontier markets or sector expertise (particularly related to development) to accurately assess risk and make informed investment decisions, increasing the cost of investment and reducing the likelihood of success. Gaps also include limited understanding of local business practices when structuring and executing investments as well as limited market data (including historical financial returns) on which to base investment decisions. Finally, private investors and fund managers may be unfamiliar with the challenge of assessing development impact of investments, resulting in communication issues with development oriented funders.
- **Limited mandates and incentives to invest in sectors or markets with high development impact.** Private sector investors often lack explicit or flexible mandates to invest in emerging and frontier economies and/or in sectors that have potential to deliver social, environmental and economic impact. With high competition for capital in the global markets across geographies and sectors, without a clear directive to invest, capital is often not allocated to markets and sectors that are perceived to have more challenging environments.
- **Difficult local and global investment climates.** The lack of strong, transparent local regulatory and legal systems in emerging and frontier markets is a significant deterrent of private capital flows. Capital controls, tax barriers, labor policies, inconsistent tariffs, and visa challenges reduce the attractiveness of investment, given the complexity these build into a transaction and the difficulty in realizing the returns from a successful financing or investment. These limiting factors are amplified when considering currency risks, illiquid local capital markets, and political instabilities.

Certain regulatory policies in developed markets have also impacted the ability of private capital providers to transact in emerging and frontier economies. Many global banks have reduced their presence in emerging and frontier markets since 2008 as a result of policies such as Basel III which introduces stricter capital adequacy, leverage, and liquidity requirements that raises the cost of long term and riskier lending for banks. While not an intended consequence, these policies have created a capital shortfall in critical sectors, such as long-term lending for infrastructure, clean energy and local currency lending.

4.2 The Role of Development and Philanthropic Capital

Development and philanthropic actors possess a unique set of financial and non-financial tools that can be applied to help private investors overcome these barriers, unlocking significant new resources for development. It is important to note that Blended Finance is not intended to replace ODA, provide excessive subsidies to private capital, crowd out the financial sector, or completely eliminate risk in a transaction. Rather, Blended Finance helps to facilitate risk-taking at acceptable levels to incentivize investment and finance without distorting functioning markets.

Development funders can play a variety of roles to address capital flow barriers:

- **Shifting the investment risk-return profile with flexible capital and favorable terms.** Development funders can assume exposure to greater risk potential and forego commercial returns in an investment in exchange for development impact. For example, a partial credit guarantee can attract new investors by improving a project’s creditworthiness by limiting the downside losses, reducing the required return for that level of risk for other investors. Similarly, preparation facilities significantly improve project financial viability by offsetting high up-front transaction costs, reducing the uncertainty of a project becoming operational.
- **Sharing local market knowledge and experience.** Development funders can utilize their local expertise and presence to help bridge knowledge gaps of investors and banks necessary for a successful transaction. Leveraging their local partners and networks can facilitate the sourcing of deals, due diligence, and deal structuring, creating a pipeline of investable opportunities and introducing global investors to new markets.
- **Building local capacity.** Development funders can finance specialized strategic, financial and technical advisory services that may be required to advance local markets, but lack the commercial viability to self fund. For example, training for Small and Medium Enterprises (“SMEs”) in preparing and managing their balance sheets can help businesses operate more efficiently while increasing the pipeline of projects ready for investment.

Spotlight: ADB Cornerstone Investment Role

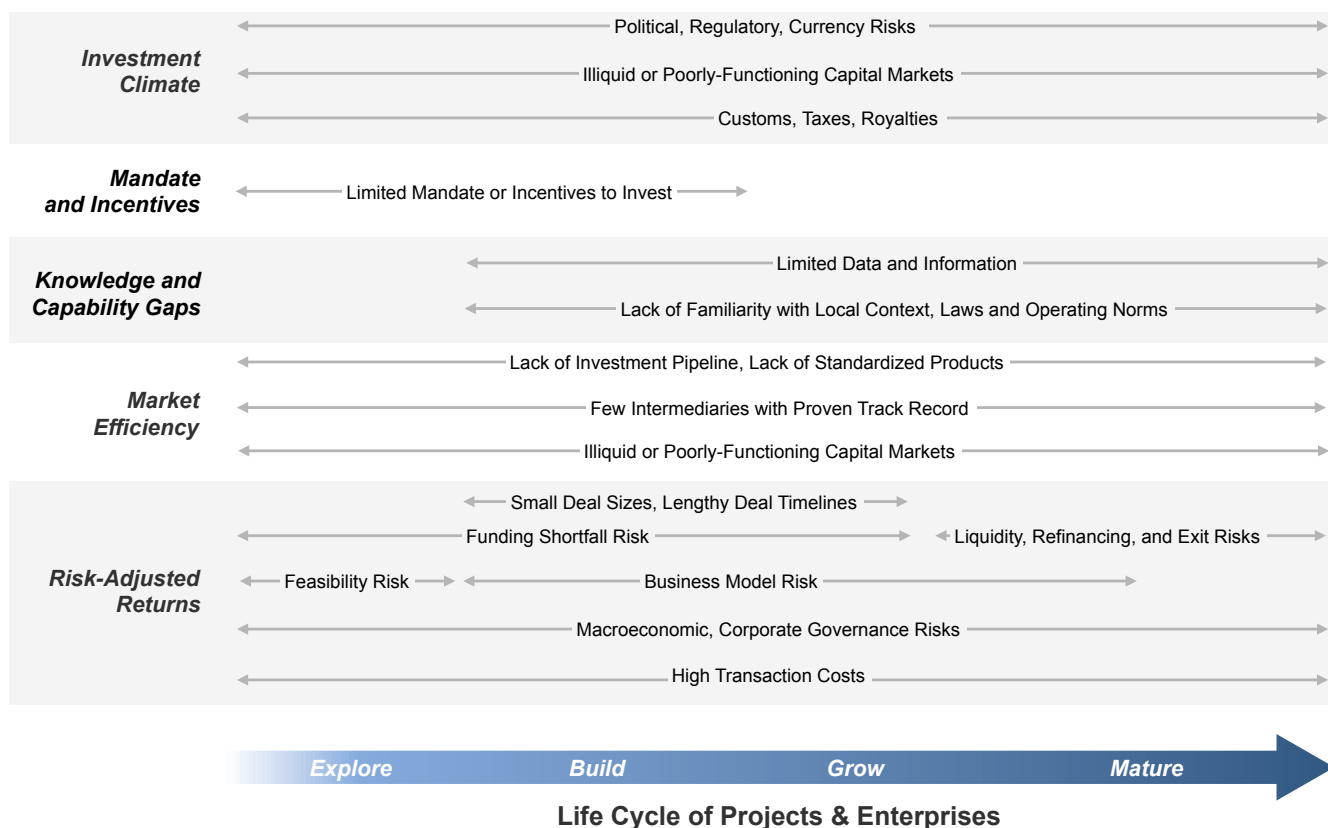
In unfamiliar markets, donor agencies and regional development banks can often supplement investor knowledge gaps with long track records and deep local knowledge. The Asian Development Bank (ADB) was an early investor in OrbiMed Asia Partners II LP Fund (“OrbiMed Fund”), a private equity fund focusing on healthcare sector in China and India. Through their investment, ADB played a key role in signaling viability to help crowd in other fund investors, while also contributing to refining OrbiMed’s investment strategy for the health sector in Asia and identifying a robust investment pipeline. Importantly, ADB’s presence as an anchor investor ensures that the fund’s investee companies comply with environmental and social standards. Expected long-term impacts include 1) improved access and affordability of healthcare goods and services in China and India and 2) the establishment of new health-focused funds in Asia and the Pacific, catalysing future private equity activity in the region.

- **Shaping policy and regulatory reform.** Development and philanthropic actors undertake many activities that directly support improvements to the local investment climate in emerging and frontier markets. For example, engagement with governments on procurement processes and strategic investment plans can help align incentives with capital providers and drive new sources of capital flows.

4.3 Investor Barriers across Stages of Maturity

Projects or enterprises at each stage of growth face a variety of challenges and require different capital contributions from investors and financiers to address the balance between risk and return. These needs and challenges mean that the financing barriers vary based on stage of maturity of an investee project or enterprise. An understanding of these barriers over the investment life cycle will enable development and philanthropic investors to tailor Blended Finance strategies to overcome specific barriers at different points in time.

Figure 4: Investor Barriers over the Lifecycle of Investee Projects & Enterprise



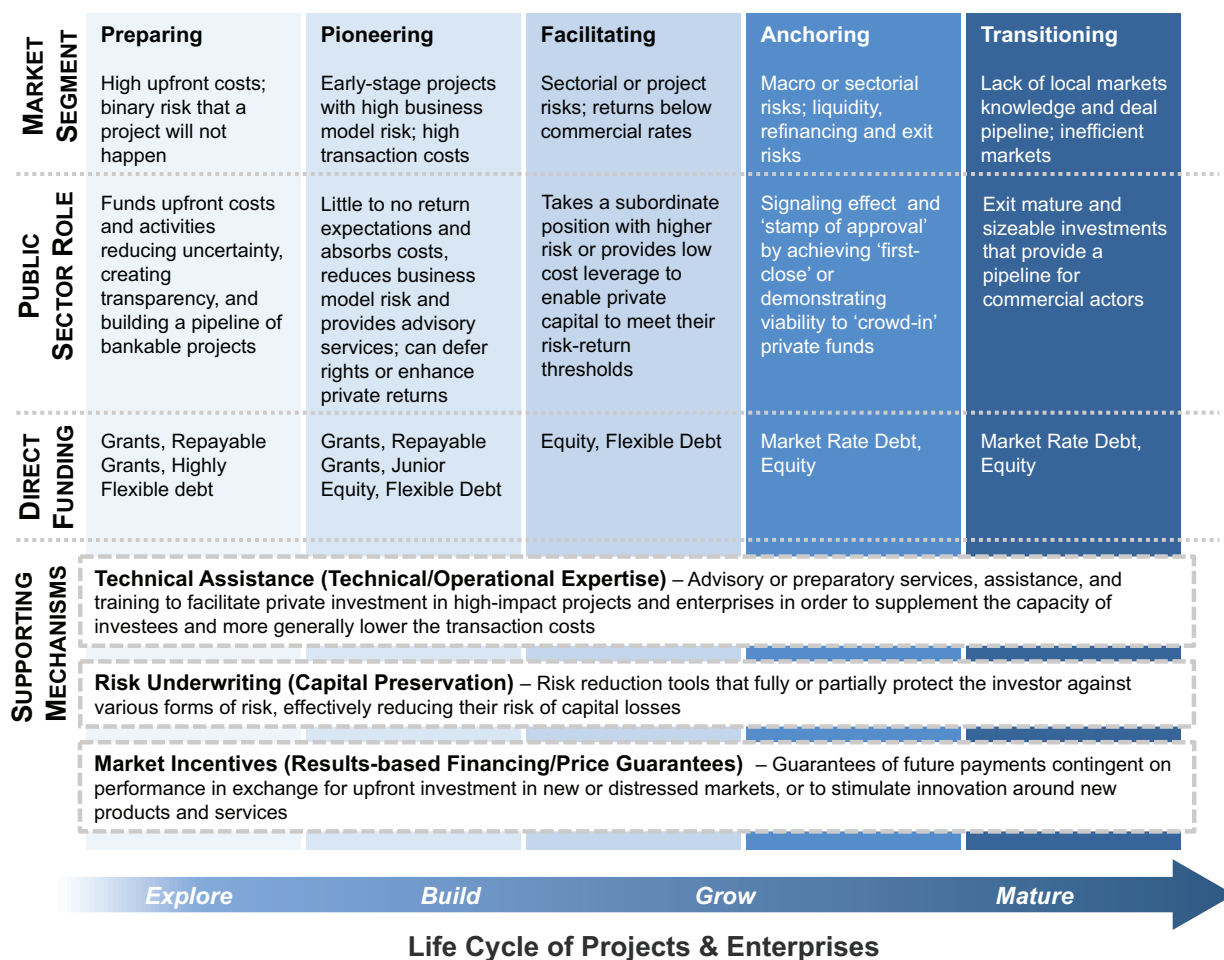
Investor barriers can be classified into five *Market Segments* based on maturity of the company and the market. Each segment is differentiated by the type of capital needed by projects and enterprises at a specific stage of the investment life cycle and the role played by philanthropic and development actors to overcome the investor barriers that exist at that stage.

Table 1: Market Segments

Preparing	Pioneering	Facilitating	Anchoring	Transitioning
Significant initial costs, coupled with uncertain viability and visibility into whether a project will be approved for construction/operation or a company will launch, can cause investors to restrict their capital exposure.	In very early stage investments where entrepreneurs are experimenting with new ideas, products and business models, it can be difficult for private investors to justify the time and funds to support innovation.	Projects and enterprises seeking growth require capital to fund expansion and/or ongoing operations. While they may offer strong development returns at this stage, the risk-adjusted returns for private investors may be below commercial thresholds.	As mature or credible enterprises/projects are seeking capital for scaling or replicating in critical areas of development, capital providers may be hesitant to invest due to real and perceived macro risks, such as political, sectoral and currency risks and uncertainty around exits.	Projects and enterprises at a very mature stage are well suited for commercial viability and access to commercial markets. However, many private investors lack access to a pipeline of deals that are sufficiently sizeable and scalable to fit within investor mandates.

Given the diverse universe of projects and enterprises across sector and geographies, Blended Finance can be provided in many forms to address these barriers, either as tools to facilitate capital inflows through Supporting Mechanisms (grants, guarantees) or as complementary Direct Funding (grants, equity, debt).

Figure 5: Blended Finance Barriers and Interventions



4.4 Blended Finance Tools

Supporting Mechanisms have been the traditional tools for development funders to engage private capital in development projects to address financing gaps. They are particularly powerful as they typically would not otherwise be available to private sector, and their flexible terms are “game changers” given their potential for innovative solutions tailored to market needs. Such mechanisms are applicable across all five Market Segments:

Table 2: Supporting Mechanisms

Technical Assistance (Technical/Operational Expertise)	Technical Assistance addresses risks in new, uncertain and fragmented markets for investors. Costs and risks associated with exposure to new markets, technical uncertainty, and the inability to build a pipeline can be reduced through this mechanism, lowering the high transaction costs for investors and reducing operational risks which often dissuade a commitment of funds.
Risk Underwriting (Capital Preservation)	Risk Underwriting reduces specific risks associated with a transaction. This mechanism provides direct compensation or assumes losses for specific negative events, addressing the concern of private capital providers to ensure their capital can be preserved related to macro and project/company specific risks.
Market Incentives (Results-based Financing/Price Guarantees)	Market Incentives address critical sectors that do not support market fundamentals. This helps new and distressed markets that require either scale to be commercially viable or reduced volatility, by providing fixed pricing for products in order for private capital to justify committing to the sector.

In addition, *Direct Funding* can be provided in a structured manner to address funding gaps that occur in each Market Segment. Direct Funding in the form of debt, equity and grants can provide capital in exchange for a share in a project or company, for repayment to the lender, or with no expectation of return.

Table 3: Direct Funding for each Market Segment

Preparing	Preparing funding addresses the high upfront costs associated with pre-commissioned projects and feasibility exercises for new businesses. Funding at this stage is most often applicable to large infrastructure projects. It is typically in the form of grants, repayable grants or highly flexible loans.
Pioneering	Pioneering funding addresses the high risk and uncertain returns associated with early stage investments, or projects using new technologies or in new markets. It is typically in the form of seed or venture capital that helps entrepreneurs to test and experiment with new ideas, markets, and / or business models.
Facilitating	Facilitating funding assists projects and companies that may offer low returns relative to the risks, which investors do not find to be commercially viable. By investing in the riskiest parts of the capital structure, development and philanthropic investors can make the private sector investment more attractive. Direct funding at this stage takes a variety of forms including most often flexible or subordinate debt (i.e. mezzanine) and junior equity.
Anchoring	Anchoring funding from a development funder on the same terms as private sector investment can provide comfort to investors, lowering the perceived ability to manage macro risks and increasing the perceived quality of the investment. Anchoring funding can be in the form of either market rate debt or equity.
Transitioning	Transitioning funding allows funding pools looking to invest in development sector access to a pipeline of deals that are sufficiently sizeable and scalable to fit within investor mandates

Spotlight: The Building Blocks of Blended Finance

The innovation of Blended Finance comes from the deliberate use and structuring of financial instruments to catalyze private capital. The three defining pillars of Blended Finance – Leverage, Impact, Returns – influence why and how development and philanthropic capital providers use financial instruments. Mobilizing private capital to new markets or sectors can require support, either by reducing risks or increasing returns when the risks are high. For example, providing grants to absorb transaction costs or certain risks can improve investment viability, while incorporating debt or equity into the capital structure with highly flexible or favorable terms can unlock financial returns. On the other hand, development actors investing on the same terms as private investors can attract increased capital to development projects by signaling viability or leveraging preferred creditor status to increase the speed at which funds can be committed.

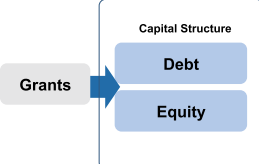
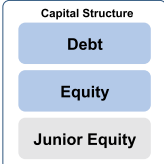
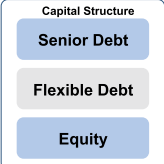
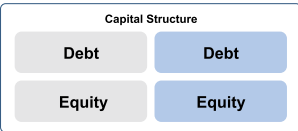
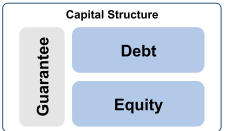
Basic financial instruments include debt, equity, grants and guarantees, all of which are familiar to and applied regularly by development finance and philanthropic funders.

Table 4: Blended Finance Instruments

Instrument	Description
Grants	A financial award with no expected repayment or compensation over a fixed period of time
Guarantees	Protection from various forms of risk intended against capital losses for investors
Debt	Money lent for repayment at a later date, usually with interest. <ul style="list-style-type: none"> – <i>Market Rate Debt</i>, when rates and terms are determined based on capital markets prices and tenors, but can be subordinate to senior debt (i.e. mezzanine) – <i>Flexible (Concessional) Debt</i>, with favorable terms or rates for the borrower relative to market pricing
Equity	Ownership in a company - value determined at time of investment <ul style="list-style-type: none"> – <i>Junior Equity</i>, accepts higher risk for lower financial returns in exchange for social, environmental and economic impact, typically in a position to take the first losses

Development and philanthropic actors typically apply these financial instruments in five different ways to encourage private capital flows into emerging and frontier markets:

Table 5: Common Uses of Financial Instruments in Blended Finance

Grants	Junior Equity	Flexible Debt	Market Rate Debt or Equity	Guarantees
Funds costs and activities that lead to investment	Subordinate position absorbs highest risk	Favorable terms shift risk-return profile	Investment on same terms demonstrates viability and provides investor comfort	Risk reduction tools that protect investors against capital losses or provide credit enhancement
				

Section 5:

Blended Finance Approaches and Case Studies

This section explores the use and attributes of Supporting Mechanisms, and provides insight into how Direct Funding is most commonly used in each Market Segment based on actual examples.

5.1 Supporting Mechanisms

5.1.1 Technical Assistance (Technical/Operational Expertise)

Technical Assistance is a core tool to attract private capital to development projects. It enables knowledge gaps to be overcome and new projects to be developed and assisted. Development funding can be used to provide advisory services, incubation, operational assistance, training and other professional services to improve the business viability of investee projects or enterprises and thus enhance investment performance. Technical Assistance can be integrated directly within a Blended Finance fund or facility, or operate as a separate entity. The advantage of Technical Assistance is the ability to highly leverage capital which can lead to considerable benefits, including:

- Greater project viability.
- Improved performance of investee enterprises, leading to enhanced investment performance.
- Enhanced local knowledge and capacity, which benefits across the full project cycle.
- Ability to cover upfront costs (e.g. project preparation) which would otherwise have been covered by investors, thus increasing the return on investment.
- Increasing the efficiency of local markets.

Case Study: WB-IFC Micro, Small and Medium Enterprise Facility for MENA (“MSME Facility” or “Facility”)

Investment Manager: WB-IFC

Development Funders: UKaid, SECO, DFATD, DANIDA, and the Government of Japan

Launch Year: 2011 | **Size:** \$29 million | **Sector:** Financial services | **Region:** Middle East & North Africa (MENA)

Market Opportunity: Micro, small and medium enterprises (“MSMEs”) in emerging and frontier markets can present an attractive investment opportunity due to high growth rates in underdeveloped markets. Yet, in MENA, only 26% of SMEs have a loan or a line of credit - this is lower than all other regions except Sub-Saharan Africa (23%).²⁰ - resulting in a significant gap in access to finance for SMEs that needs to be filled to attract further private sector investment.

Model: The MSMEs Facility is a multi-donor technical assistance facility that supports access to finance for MSMEs in the MENA region by 1) providing advisory services to financial institutions that serve MSMEs, creating a more inclusive financial system with a focus on helping youth and women; 2) building the capacity of MSMEs through analytical work and technical assistance; and 3) supporting policy, legal, and regulatory reforms to ease access to finance. In addition to the above services, the Facility provides a line of credit from WB-IFC that can also be accessed by investees to ensure greater liquidity for the MSME sector in MENA.

Rationale for Blended Finance: The Facility promotes MSME finance as a viable asset class by supporting the growth of projects and enterprises and creating enabling regulatory and legal environment. This mitigates macro and operational risks and improves investor perception of the MENA markets, allowing for private capital to come in.

Impact: The Facility ensures local financial institutions have the capacity to provide financing to SMEs, which increases the efficiency of local markets and enhances SME financial viability, improving risk-return profile for investors. The improved access to capital for MSMEs is expected to promote sustainable job creation, and encourage private-sector led growth.

Source: http://www.ifc.org/wps/wcm/connect/REGION_EXT_Content/Regions/Europe+Middle+East+and+North+Africa/IFC+Middle+East+North+Africa+and+Southern+Europe/MSME+TAF/

²⁰ Enterprise Surveys (<http://www.enterprisesurveys.org>), The World Bank

5.1.2 Risk Underwriting (Capital Preservation)

Risk Underwriting instruments can either improve the credit profile of companies and projects seeking to raise more or cheaper capital, or provide comfort to investors that they will be able to recover their investment or absorb smaller losses if events negatively impact their returns, effectively shifting the risk-return profile of an investment opportunity.

Two of the most common types of Risk Underwriting tools are insurance policies and guarantees. Insurance policies are contracts issued by a third party agreeing to make a payment in the event of a particular event happening, preserving the capital for the lender. Risks could include expropriation, war, terrorism, civil disturbance, breach of contract, all of which may impact on the value of the investment. In this way, they can reduce actual or perceived risks.

A guarantee is a commitment that if a negative event occurs, the guarantor will take action if the guaranteed party can not or will not. For example, a guarantee can be used to ensure that if a company fails to repay the lender, a development funder will cover part of the repayment. Guarantees can help to ensure that investors receive a minimum level of returns, or can limit an investor's losses if an investment underperforms expectations. 'First-loss' guarantees are one particular guarantee instrument which states that the development funder will absorb the initial losses associated with an investment. Donors have found these to be powerful tools.

Other forms of Risk Underwriting include currency hedges and interest rate swaps which can be used to smooth out volatility in the market and protect investors against excessive volatility and losses.

Benefits of Risk Underwriting include:

- Making more development projects commercially viable, by shifting the risk-return ratio and reducing the cost of capital.
- Enabling development funders to support a larger number of projects than other instruments. Instruments such as guarantees and insurance policies typically require no immediate outlay of capital and only require funding when called, which will only happen in a proportion of cases. This enables a given pot of funding to be spread across multiple projects.
- The ability to respond to project needs and/or investor needs, to ensure funds are channeled into the highest impact sectors.

Case Study: GuarantCo (“GuarantCo” or “Facility”)

Investment Manager: Frontier Markets Fund Managers Limited (FMFML)

Development Finance Funders: DFID, SECO, Sida, DGIS through FMO

Launch Year: 2006 | **Size:** \$300 million (as of December 2013), \$450 million guarantee capacity

Sector: Infrastructure | **Region:** Africa and Asia

Market Opportunity: Significant needs for medium term and long-term infrastructure financing in developing countries can present an attractive opportunity for investors. However, infrastructure projects featuring long tenors and high upfront costs, coupled with uncertainties associated with investing in emerging and frontier markets (such as unpredictable inflation and currency fluctuations) can limit the participation of domestic and international capital providers. Subsequently, companies in emerging and frontier markets seeking debt to improve or expand their infrastructure often suffer from being unable to attract foreign capital, limiting their financing to domestic debt providers that offer mismatches of tenors and interest rates.

Model: GuarantCo is a facility for providing guarantees to lenders that enhance the credit for local currency debt issuance by the private, municipal and parastatal infrastructure sectors in low and low-middle income countries. Specifically, GuarantCo allows the length of debt offerings (tenor) to be extended and other terms improved for borrowers by providing partial credit guarantees, partial risk guarantees, political risk guarantees, tenor extension guarantees and on-demand guarantees. This approach helps to overcome constraints in the supply of local currency financing to infrastructure projects, repair local market inefficiencies and attract private capital flows.

Rationale for Blended Finance: managed organization committed to opening up domestic capital markets to support essential infrastructure. The Facility seeks to attract private infrastructure finance on terms that are aligned with the projects by enhancing investee's credit profiles, increasing liquidity for essential infrastructure beyond the limited resources of development and philanthropic funders.

Impact: The Facility has allowed local financing partners to gain experience and confidence to offer support to further projects in the future. In this way, GuarantCo has contributed to repairing market failures in target countries, attracting follow-on private capital while self-sustaining capital market development. The Facility is expected to benefit 23 million people and produce fiscal benefits of \$1,325million while creating 63,381 short-term jobs and 210,532 long-term jobs. As of December 31, 2013, GuarantCo had catalysed \$3.3 billion in private capital - 77% coming from local commercial sources, with private capital flowing to GuarantCo projects at a rate of 16 times the GuarantCo commitment.

Source: PIDG Annual Report 2013. <http://www.pidg.org>

5.1.3 Market Incentives (Results-based Financing/Price Guarantees)

Market Incentives aim to support investment in sectors which are high-impact, but in which normal market fundamentals do not exist. They are particularly important in Market Segments which require innovation around new products and services that address development outcomes, creating potential for commercial markets where they did not originally exist. They are generally structured as a guarantee for payments against products and services based on performance or supply, or in exchange for upfront investment in new or distressed markets. Examples include advance market commitments, awards, prizes, challenge funds, matching funds, and development impact bonds, among others.

Market Incentives can provide investors with visibility on pricing and revenue in order to create new markets. For example, by guaranteeing the pricing of products above currently prevailing market prices, investors remove elements of market uncertainty by locking in a margin. This can encourage scaling production to naturally reduce overall pricing in the future. In such instances, visibility into financial returns enables investors to quantify the risks and make informed investment decisions. For example, Sida supports several challenge funds targeting different development issues. These include the Innovations Against Poverty Programme that acts as a risk sharing mechanism, providing matching grants (up to 50%) on a competitive basis to innovative businesses with high potential to reduce poverty, enabling them to scale up and penetrate new markets.

Market Incentives can also be used to address capital intensive activities where investors provide upfront funding for development interventions and donors or governments repay them with a premium based on the outcomes of the intervention to help smooth out sometimes unpredictable grant flows when there is an immediate capital need.

Benefits of Market Incentives include:

- Providing investors with visibility on pricing and revenue, removing market uncertainty.
- Smoothing out cash flows for development projects
- Encouraging capital to move into sectors with high development impacts

Case Study: The Pneumococcal Advance Market Commitment (AMC)

Investment Manager: GAVI Alliance

Development Funders: Governments of Italy, the United Kingdom, Canada, Russia, Norway, BMGF

Launch Year: 2009 | **Size:** \$1.5 billion | **Sector:** Healthcare | **Region:** Global

Market Opportunity: There is a strong demand for vaccines in Asia and Africa where pneumococcal disease is a main cause of pneumonia, taking 1,500,000 lives each year,

which presents a sizeable market opportunity for vaccine manufacturers. However, expanding manufacturing capacity to produce new vaccines requires significant capital outlay and assumption of market risk, given the lack of visibility on market demand and pricing that would justify such a capital commitment.

Model: AMC is an innovative approach which combines market-based financing tools with public intervention. AMC guarantees the price of certain vaccines once they have been developed, providing vaccine manufacturers with an incentive to expand manufacturing capacity against a guaranteed price point subject to a commitment to provide the vaccines at an affordable price to developing countries in the long term.

In 2009, the pilot AMC was launched with \$1.5 billion in funds from Italy, the United Kingdom, Canada, Russia, Norway and the BMGF, guaranteeing manufacturers a market price of \$7.00 for each dose of pneumococcal vaccine on the first 20% of vaccine doses procured from each manufacturer. In return, the manufacturers committed to provide vaccines to AMC-eligible countries at a maximum price of \$3.50 per dose for at least 10 years (estimated marginal cost of production).

Rationale for Blended Finance: Without an AMC, prices for new vaccines have tended to remain high in the years following market introduction, declining only after several manufacturers enter the market. The objective of the AMC was to catalyze a broader range of manufacturers, ensuring healthy competition and long-term supplies. By providing a temporary price incentive to ensure a profitable vaccine prices for manufacturers, AMC allowed vaccine manufacturers to justify the investment to expand their production capacity and develop a new product. This has been beneficial for the companies who developed a new profitable vaccine product lines, as well as development efforts by increasing available vaccines that improve the health outcomes of populations in low-income countries.

Impact: It is estimated that more than 25 million children have been vaccinated as of the end of 2013 with AMC-supported pneumococcal vaccines, with a projection of more than 80 million children vaccinated by 2015. The continued scale up of the vaccine is expected to result in the prevention of 1 million deaths by 2020.

Source: 2015 Pneumococcal AMC Annual Report. <http://www.gavi.org/library/documents/amc/2015-pneumococcal-amc-annual-report>; <http://www.gavi.org/funding/pneumococcal-amc/timeline/>; <http://www.gavi.org/funding/pneumococcal-amc/how-the-pneumococcal-amc-works/>

5.2 Direct Funding

5.2.1 Preparing

Some pre-project activities require significant upfront investor cash outlays (typically 5-10% of total project costs¹⁹). Costs include permits, project design feasibility studies, environmental and social impact studies, and due diligence. These large upfront costs, coupled with the high risk of project non-completion, are the most significant barriers for investors in the pre-project phase. A project can be derailed by failing to clear regulatory hurdles, secure necessary personnel, or prove project feasibility, causing investors to forfeit a significant cash outlay.

¹⁹ Source: World Bank. Financing for Development Post-2015, October 2013

The Preparing Role of Development and Philanthropic Capital
Development funders can lower barriers to investment by assuming some preparatory costs. This financing can be leveraged during subsequent investment rounds, reducing transaction costs and increasing investor returns, to help projects reach financial completion where it is more likely to meet existing investor mandates due to reduced uncertainty and increased transparency. Overall, this kind of support from development funders is critical to create a pipeline of investable projects, and often leads directly to private investment.

Direct Funding and Supporting Mechanisms

Direct Funding during the Preparing phase most commonly takes the form of concessional or, repayable grants, and highly flexible loans from development funding sources. In addition, projects in the Preparing phase often benefit from Technical Assistance funding to assist in preparation of feasibility studies, due diligence and other early-stage operational assistance.

Case Study: Inter-American Development Bank's InfraFund ("InfraFund" or "Fund")

Investment Manager: IDB

Development Funder: IDB

Launch Year: 2006 | **Size:** \$94 million | **Sector:**
Infrastructure | **Region:** Latin America & the Caribbean

Market Opportunity: Latin America's robust economic growth has highlighted a growing need for infrastructure investment. IDB estimates that the region needs an additional \$200 billion a year in investment for infrastructure sector, which presents a tremendous opportunity for long-term institutional investors to fill this financing gap.

Model: InfraFund is an infrastructure project preparation facility. A key goal of InfraFund is to mobilize private financing for infrastructure projects in Latin America and the Caribbean and to develop and structure sustainable public-private partnerships in the region. The InfraFund provides grant funding to assist public, private and mixed-capital entities in Latin America and the Caribbean in the identification, development and preparation of "bankable" and sustainable infrastructure projects that have the potential of reaching financial closure. Specifically, the Fund finances the following activities: 1) feasibility studies, project design, stakeholder consultation, viability studies and 2) targeted business climate enhancement measures and public sector capacity-building.

Rationale for Blended Finance: IDB's ability to effectively source investment opportunities due to strong local networks and knowledge of the region coupled with financing to offset high upfront costs improves the financial viability of infrastructure projects in the region. This helps to reduce overall project costs and increase efficiencies for investors, making investments in infrastructure projects in Latin America & the Caribbean more attractive to long-term private investors. Funds for specific project preparation activities are reimbursed to IDB when projects formalize their external financing.

Impact: Since inception, 158 projects have been approved for a total amount of \$88 million across a range of sectors with a focus on the transport and energy sector.

Source: <http://www.iadb.org/biz/ppt/0407basanes.pdf>

5.2.2 Pioneering

New and innovative projects and companies can address some of the most important development challenges while providing a potential basis for the growth of SMEs. However, these projects and companies carry significant risks for investors based on their very early stage and unproven ability to develop their business or execute the project. Often they have relatively high transaction costs due to their smaller deal sizes and need for significant funds to test and experiment with various solutions. In addition, while such investment opportunities can offer substantial returns, the high failure rate and long-term investment horizon to transform an idea into a successful company means that access to local start-up capital is limited, given the significant time and costs required to invest in and support early-stage investments and pilot projects.

The Pioneering Role of Development and Philanthropic Capital

The goal of development funders is to create and develop enterprises, projects and industries that can alleviate socio-economic and environmental issues, create jobs, and provide affordable goods and services. Blended Finance enables entrepreneurs and new industries to adopt new business models and promote, product and technological innovation, resulting in jobs that lift people out of poverty and provide stable livelihoods, and enabling access to more affordable goods and services that improve the quality of life for target communities.

Development and philanthropic capital with little to no return expectations ('soft', 'patient' or 'highly concessional' capital) can be used to enable innovative business models and projects to develop and grow by mitigating potential losses, ensuring that returns are sufficiently attractive or reducing transaction costs that may limit the number of opportunities investors will pursue in order to diversify their portfolios.

Pioneering funding expands the pool of capital available for bringing new skills and sources of capital into development finance (e.g., intermediaries, high net worth individuals and corporations). Moreover, given the private sector's expectations of returns and financial upside, Pioneering investments can also have positive effects on the long-term viability of the investment by helping to drive business and financial discipline.

Direct Funding and Supporting Mechanisms

Unlocking investment capital in the Pioneering approach is likely to require both Direct Funding and Supporting Mechanisms. Financial instruments most commonly applied to mitigate business model risk include concessional or, repayable grants, and junior equity. In some instances, highly flexible loans with longer tenors or favorable terms (lower interest rates) are also used. In turn, private sector investments can provide seed capital, venture capital or debt depending on the specific investment context.

Supporting Mechanisms are critical to unlocking additional capital in the Pioneering phase. In particular, significant Technical Assistance is often applied for capacity building, help in developing and testing a business idea, and training of companies and employees. In addition, Risk Underwriting is often utilized to reduce investor risk and improve favorable terms. Given the specific risks, first loss capital is particularly

helpful to protect against capital losses in opportunities that are considered high risk. Market Incentives, such as development impact bonds and advance market commitments, can be used at this stage to encourage upfront investment in sectors or projects that would otherwise not be funded.

Case Study: Aavishkaar India II Company Limited (“AVI II” or “Fund”)

Investment Manager: Aavishkaar

Development Funders: IFC, KFW, FMO, CDC

Private Investors: CISCO, TIAA-CREF

Launch Year: 2011 | **Size:** \$94 million | **Sector:** Multi-Sector | **Region:** South Asia

Market Opportunity: A rapidly growing low-income consumer base in India is leading to increasing demand for basic services such as health, education and energy. Local entrepreneurs that could provide these services and take advantage of this market opportunity need patient capital to grow. These high-growth businesses can offer attractive returns to private investors that are looking to diversify their portfolios and capitalize on this expanding market.

Model: AVI II is a venture capital fund focused on providing capital to entrepreneurs serving India’s rural poor. Aavishkaar identifies capable entrepreneurs, provides them with capital and works closely with investee companies to enhance their operations to reach financial sustainability. AVI II has adapted the traditional venture capital methodology, providing seed capital and intensive operational support to early-stage venture enterprises, to the fundamental market needs in rural and semi-urban areas in India. The Fund is intended to enable entrepreneurs to turn innovative ideas into business models providing affordable goods and services to those in the poorest socio-economic group (“Bottom of the Pyramid”) across a range of sectors including healthcare, water and sanitation, education, agriculture and renewable energy.

Rationale for Blended Finance: High capital costs and the long investment horizons mean there are limited sources of affordable early-stage capital in India for early-stage enterprises to improve and scale their business models, especially in rural areas. The Fund’s Blended Finance structure has significantly de-risked these early-stage investments, leveraging development and philanthropic funders’ support to achieve a successful first closing. This made private investors more comfortable, allowing them to capitalize on this attractive investment opportunity.

Impact: The Fund is expected to generate high development impact in the following areas: 1) demonstrating successful venture capital investing in South Asia and in underserved sectors, thus helping scale venture capital industry in the region and 2) expanding access to quality healthcare and education opportunities in India, reduce carbon emission and create employment opportunities - since inception, the Fund has made 13 investments that have reached over six million beneficiaries and produced over 12,000 jobs.

Sources: <http://www.vccircle.com/news/alternative-investment/2013/08/08/aavishkaar-makes-final-close-second-venture-fund-94m>; https://www.tiaa-cref.org/public/pdf/sri_2014_report.pdf

5.2.3 Facilitating

While Facilitating projects may carry less business model risk than Pioneering projects, they are still at a critical stage of development and expansion. The high level of business model risk, combined with perceived operational and market risks, can make expected returns too low for private capital. The high cost of supplying capital in unfamiliar markets and sectors, and relatively lengthy deal times, can further dampen returns. These challenges are complicated by the lack of investment managers and financial institutions with both the commercial skills and local knowledge to select, source and structure deals that will meet risk-adjusted investor requirements.

This Market Segment is characterized by uncertainties associated with the risk of a funding shortfall and/or bankruptcy as an enterprise seeks to grow and scale. Combined with limited experience in emerging and frontier markets, global investors and banks often do not have the local markets knowledge and data needed to quantify the risks associated with Facilitating segment investments.

The Facilitating Role of Development and Philanthropic Capital
Facilitating capital provides enterprises with access to capital at more affordable terms, enabling operations to expand and grow, providing increased tax revenue and creating jobs in local markets. By making investments viable for private capital, Facilitating capital funds development through projects that have important social, environmental and economic impact that would otherwise be unfunded.

To mitigate real and perceived risks in the Facilitating segment, development funding often takes on subordinate positions in the capital structure with higher risks, or structures returns to ensure comfort for private capital providers. This can include discounted debt terms for a fund or facility or development funders sharing their returned capital with other investors to enhance returns.

Direct Funding and Supporting Mechanisms

In the Facilitating approach, strategic combinations of financing instruments across the capital structure can create risk-return profiles that are attractive to private sector investors. Whereas in the prior stage of Pioneering, funding was more likely to be junior equity and repayable grants, in the Facilitating stage, funding is more likely to be mezzanine finance, subordinate loans or loans with long tenors. Private sector investors will be

able to offer a range of financial instruments depending on the matching development funding.

In addition to Direct Funding, Risk Underwriting mechanisms are commonly used at this stage to improve the credit worthiness of the investment and limit capital losses to enable private investment. Common forms of Risk Underwriting include full & partial credit guarantees and first loss guarantees. Technical Assistance can also help both enterprises and local fund managers operate more effectively and efficiently.

The additional development benefits from Blended Finance in the Facilitating segment are an increase in transactions due to improved capital terms, promoting more intermediation for local fund managers and increased exposure to local markets by global investors. This has the potential to attract additional investment capital from commercial investors and financial institutions who need comfort and increased familiarity to invest in developing and emerging markets.

Case Study: Danish Climate Investment Fund (“DCIF” or “Fund”)

Investment Manager: IFU

Development Finance Funders: Danish government, IFU

Private Investors: PensionDanmark, PKA, Pædagogernes Pensionskasse, Dansk Vækstkapital, Aage V. Jensen Charity Foundation

Launch Year: 2014 | **Size:** \$236 million

Sector: Renewable energy and energy efficiency | **Region:** Global

Market Opportunity: Renewable energy and energy efficiency is an expanding market in emerging and frontier markets, with the potential to offer attractive returns to institutional investors looking to diversify into new sectors and markets. However, while there are many opportunities, few projects have an initial risk-return profile in line with those of institutional investors.

Model: DCIF has raised \$94 million from the Danish government and IFU and \$142 million from Danish institutional investors. DCIF provides risk capital for climate-related projects and mobilizes financing from both public and private investors. Specifically, the DCIF structure includes a preferred return for institutional investors set in a pre-defined profit distribution model. Returns are distributed equally until initial investments are paid back. then private investors receive all returns up to 6% IRR. As compensation, the Danish government receives an additional share of the return above 8% IRR at the expense of the private investors.

Rationale for Blended Finance: Risk sharing mechanisms such as preferred return can make investment attractive for institutional investors by mitigating both project non-completion risk and political risk of investing in emerging and frontier markets. This approach “crowds in” institutional investors such as Danish pension funds that would otherwise not have invested.

Impact: The Fund will invest in projects that reduce greenhouse gas emissions, directly or indirectly, including renewable energy (e.g. solar, hydro and wind) and alternative energy (e.g. biogas and urban public transport systems). DCIF is expected to create measurable savings and facilitate sustainability in developing countries as well as to create jobs through investee enterprises.

Source: <http://www.ifu.dk/en/services/the-danish-climate-investment-fund>

5.2.4 Anchoring

Some development projects or mature enterprises which have proven operating models and track records are able to attract commercial capital, but are doing so slowly or require scale. Some transactions also carry macro risks that can not be addressed at the corporate level. These projects may require Anchoring capital to provide comfort to other investors or manage risks that development funders can manage more effectively.

Critical risks at this stage include volatility due to macroeconomic policies and limited supporting regulations, time sensitivity of transactions or matching fund commitments, and the risk that an investor will not be able to realize a return due to illiquid capital markets. Political, regulatory and currency risks such as nationalization of a private enterprise or project, are also a major consideration for seeking Anchoring capital.

The Anchoring Role of Development and Philanthropic Capital
Anchoring capital eliminates a funding shortfall and creates viability for the investment programme which would not have happened without the development funding. Such funding allows enterprises to expand, leading to greater profits and additional tax revenue. Such investments can have a significant impact on employment, availability of goods and public services, and ensuring funds are “crowded in” to be deployed more quickly to address development needs in emerging and frontier markets.

Anchoring capital is pooled to provide liquidity to specific sectors or markets with high development impact. Through this approach, development and philanthropic capital “anchors” the fundraising — providing capital alongside other institutions on comparable terms to signal the viability and importance of the investment, and the implied mitigation of key risks outside of the control of the project or company. Another role of the public sector is the “stamp of approval” signaling the quality of the deal and commitment to impact goals.

Direct Funding and Supporting Mechanisms

Development funding and private investments are made on commercial or equal (pari passu) terms. Since the risk-return profiles of projects in this later stage of maturity are better-known, both development funders and private investors target risk-adjusted market rate returns. Anchoring investments are most frequently co-investments in a private equity fund or market rate debt.

Applicable *Supporting Mechanisms* in this segment include Risk Underwriting, such as market volatility hedges to protect against rising interest rates and currency fluctuations or insurance products to absorb potential losses, and Technical Assistance to provide ongoing support in project execution in functioning ecosystems such as healthcare and education.

Case Study: The Abraaj Africa Health Fund, L.P. (“AHF” or “Fund”)

Investment Manager: The Abraaj Group

Development Finance and Philanthropic Funders: IFC, AfDB, DEG, BMGF, Norfund, Proparco, DBSA, Elma Foundation

Private Investors: Undisclosed (major Dutch bank)

Year: 2009 | **Size:** \$105 million

Sector: Healthcare | **Region:** Sub-Saharan Africa

Market Opportunity: Africa offers compelling mass market opportunities in healthcare solutions due to the following factors: 1) 11% of the global population and bears 24% of disease burden; 2) demand for healthcare services in the region exceeds supply with up to \$16 billion in investment needed; 3) private healthcare providers responsible for half of the health provision in Africa are undercapitalized; 4) base of the pyramid population (“BoP”) is region’s dominant consumer and they pay a premium on inferior quality healthcare services which are hard to access.

Model: AHF is a private equity fund structured on market terms with a development mandate to drive improvement in access, affordability and quality of HC services to BoP. Development finance investors provided anchor capital of \$57 million that included investments from IFC, AfDB, Gates Foundation and DEG. AHF is designed with an impact-based incentive structure, one of the pioneering funds to structure incentives in such a manner, which is linked directly to its development mandate.

The Fund makes debt, equity and quasi-equity investments in private healthcare goods and services in Africa. The strategy is to tackle the issues of fragmentation in private healthcare provision and to drive economies of scale in supporting sectors such as pharmaceuticals, medical devices and diagnostic services. Based on its successful track record with AHF, Abraaj is now scaling its healthcare strategy through its next fund, Abraaj Global Healthcare Fund targeting \$1 billion for healthcare investments in Africa, Asia and Latin America.

Rationale for Blended Finance: The Fund’s strategy is aligned with the development impact and financial objectives of the development funders. The public sector’s investment in the first closing provided the capital to reach first close without a shortfall. In addition, development and philanthropic investors provided credibility, mitigating risks associated with investing in new sectors and markets and catalyzing

additional private capital. To further mitigate investor risks, the fund was also supported by a \$5 million Technical Assistance Facility to provide operational guidance and training to investees and by parallel World Bank activities to improve investment climate in relevant countries.

Impact: 65% of clients reached through investee companies are from the BoP 3,000 with a total of 49.1 million people serviced from the BoP.²⁰

Sources: http://www.abraaj.com/images/uploads/newspdfs/Proparco_RevueSPD_17_UK_article_only.pdf; <http://www.slideshare.net/UHF-EAHF2012/aureos-africa-health-fund-presentation-at-uhf-may-conference>

²⁰ Average across 2012 and 2013 - verified by independent impact assessment study by Dalberg Global Development Advisors and KPMG; BoP 3,000 is defined as individuals who earn an annual average household income of less than US\$3,000 in purchasing power parity terms.

5.2.5 Transitioning

In the Transitioning segment, projects have already benefitted from development funding support and are now suited for fully (or nearly fully) commercial funding and seeking private sector scale capital to sustain the project or enterprise for the long-term. Such projects offer market rate, risk-adjusted returns, and have proven business and operating models. Sometimes, these projects have even returned capital to DFIs and/or other development and philanthropic organizations. The main barriers at this stage are the lack of sizeable, scalable financial products and investments in line with investor requirements and concern around future exit opportunities.

The Transitioning Role of Development and Philanthropic Capital
At this stage, development funders have worked with companies and projects throughout the life cycle and their role now is to transition these to fully commercial, sustainable solutions. They do this by bringing in commercial investment either to provide additional scale to development funding or as a way of exiting their own investments. Transitioning to private sector funding is important from a local market development perspective as it frees up capital for development funders for reinvestment in new development projects and contributes to the liquidity of secondary equity markets.

As development projects and enterprises reach scale and maturity, private investors foresee difficulty exiting from equity investments due to illiquid capital markets. While projects are mature, they may also lack sufficient size to be attractive for institutional investors. During the Transitioning segment, development funders can offer local knowledge and share or facilitate due diligence to lower subsequent investment transaction costs and serve to attract commercial sector investors. Most importantly, development funders provide private sector investors with an investable pipeline of sizeable, scalable transactions.

Direct Financing and Supporting Mechanisms

The Transitioning approach can take multiple forms. For example, private sector investors either follow (“piggybacking”) on transactions already executed or currently being executed by development funders. Additionally, private sector actors could buy or securitize mature investments held on development sector balance sheets. In so doing, private sector capital frees up the balance sheets of development funders by providing a commercial exit for development funds, and transitioning the

company to fully commercial capital. Liquidity pools for exit can also include permanent capital vehicles or dedicated exit finance facilities.

Applicable Supporting Mechanisms in this segment include limited amounts of Technical Assistance, which can be used to support functioning ecosystems in critical sectors, such as healthcare and education, and Risk Underwriting in the form of political risk insurance.

Case Study: IFC Catalyst Fund (“Catalyst” or “Fund”)

Investment Manager: IFC Asset Management Company

Development Funders: Government of Canada, UK Government, Government of Norway, IFC, JBIC

Private Investors: State Oil Fund of Azerbaijan, Christian Super (pension fund), a German pension fund

Launch Year: 2012 | **Size:** \$418 million (target)
Sector: Climate resilience and Clean energy | **Region:** Global

Market Opportunity: The opportunity drivers for Catalyst include: 1) Resource Scarcity - \$4.6 trillion in climate investment is needed worldwide as dynamic growth in emerging markets drives consumption of energy, water, and other resources; 2) Energy Mix - a shift in the energy mix towards low-carbon sources, and a focus on the efficient use of scarce resources, coupled with increased competitiveness of renewable energy sources; 3) Improving Investment Conditions - energy security and climate risk concerns, coupled with increasing pressure on fossil fuel subsidies lead to more effective regulations across emerging markets; 4) Funding and Expertise Gap - companies and/or projects in the Fund’s target sectors need growth funding as well as enhanced management and project implementation expertise to help them innovate and scale their business models across regions and/or sectors.

Model: The Fund is aiming to make approximately 15 private equity fund investments with investment fund managers that are well-positioned in their local markets to provide superior risk-adjusted returns, in addition to approximately 10 co-investments. The underlying funds are expected to focus on building companies and projects in low-carbon power generation, energy and water efficiency, and the resource efficiency sectors.

Rationale for Blended Finance: The Fund leverages IFC’s extensive global emerging market experience (its local presence and knowledge) and access to a pipeline of funds and companies, which are well-suited for commercial funding and need long-term capital to scale up. Subsequently, transaction costs of sourcing opportunities and doing business in emerging and frontier markets are reduced, increasing the potential returns for institutional investors, and increasing the flow of capital.

Impact: The Fund is expected to expand the pool of long-term private capital to scale up climate change solutions in emerging markets and facilitate the experience of local intermediaries through their fund investments. The Fund will also help sponsor new investee fund managers focused on the climate space in emerging markets, thereby increasing the pool of fund managers active in this field. To date, the Fund has committed \$175 million to seven investee funds, including four first-time funds.

Sources: <http://ifcext.ifc.org/ifcext/spiwebsite1.nsf/f451ebbe34a9a8ca85256a550073ff10/840fa8c5c9e590fa8525791a005528c4>; <http://www.ifcamc.org/funds/ifc-catalyst-fund>

Section 6:

Mainstreaming and Scaling Blended Finance

Blended Finance has evolved from a niche activity to a mainstream focus of development finance, with the potential for development funders to address some of the most pressing development challenges. Based on insights from over 100 interviews, workshops and wide stakeholder engagement, there is clear interest from public, philanthropic and private actors to apply Blended Finance as a core operating practice.

Blended Finance is currently at a pivotal juncture. It needs to be scaled up if it is to help meet the investment required to accelerate sustainable and social economic progress of the SDGs. Development funders must actively commit to embracing the Blended Finance approach in a mainstream and systematic way that means embracing some fundamental changes:

- **Awareness & common language.** Utilizing a Blended Finance lexicon to facilitate relationship-building with the private sector will speed up investment processes, improving transaction timelines and lowering costs.
- **Analytics & education.** Contribute to efforts that analyze the effectiveness of different Blended Finance models and aggregate best practices to inform approaches to future financing deals. Communicating these insights to a wide audience will increase the number of participants in Blended Finance.
- **Institutional readiness.** Define clear mandates and strategies for engaging private sector investors to achieve development goals. Ensure appropriate resources and capabilities are in place to engage in and scale up Blended Finance.
- **Partnerships.** Develop relationships with funders and investors that possess similar development goals and complementary investment goals to identify standardized, scalable investment structures and products that work for partners. Ensure clarity on the roles of development funders and private actors. Recognize that there can be active and passive sources of capital, and active and passive uses of capital.
- **Definitional alignment on impact.** Standardize metrics and outcomes to measure impact (e.g., including economic impact and jobs in the definition of impact) and outcomes for Blended Finance across different sectors. Impact targets must be reasonable: if targets are too onerous and costly in terms of time and funding, private capital may not invest.
- **Consolidation of the market.** Contribute to the development of unified platforms that bring together development funders and private investors to reduce fragmentation and duplication of efforts while reducing costs and creating transparency and liquidity in the market.

- **Recognize diverse private sector incentives and needs:** Private capital will not invest as a core business if asked to compromise between risk-adjusted returns and development impact.

At the same time, development funders need to be aware of the potential risks of Blended Finance, and consider how to mitigate them²¹:

- **Balancing financial incentives and development objectives.** Using development finance and philanthropic funds to leverage private sector investment can be seen as a poor use of funds if an organization uses limited resources to support projects that do not have significant development outcomes (eg., low value for money).
- **Avoiding crowding out private financing and market distortion.** Crowding out occurs when development funders invest in a project that would have been commercially viable (eg., that could have attracted full private sector financing) without any public support. Where this occurs, it not only means that scarce donor funding has been misspent, but it also has the potential to distort markets and undermine the development of a healthy private sector market, reducing overall funding available for targeted areas.
- **Ensuring transparency while simultaneously protecting commercial confidentiality.** Transparency is important in all areas of development finance operations and, many would argue, particularly so where development finance and/or philanthropic funds are used to subsidise and leverage private investments. However, there are certain characteristics of Blended Finance processes – in particular the need for commercial confidentiality when dealing with the private sector – that create a unique set of challenges to full transparency. Development funders need to ensure they can be accountable for their resources, and the impact they have had, while guarding confidential information of private investment partners.
- **Resolving systemic and project risks that can lead to negative demonstration effects.** When projects and companies do not succeed because of factors such as lack of political support, or the application of the wrong model or funding mechanism, the demonstration effect can be negative, discouraging private investors from further involvement in the sector or even the country.

²¹ These challenges are not specific to Blended Finance, but apply to other financing mechanisms that channel public resources to private entities to further development objectives

Section 7:

Blended Finance as a Pillar for Future Development Efforts

Blended Finance has the potential to become a transformative solution for future development efforts and to serve as a major pillar of the sustainable development financing framework.

There is growing momentum in support of Blended Finance as a systemic approach for development finance, with a range of development funders already showing strong political will and allocating funds to innovative financing mechanisms. Leading donor agencies, DFIs and foundations are clearly looking for opportunities for a more catalytic way to engage in with the private sector. Several donors, DFIs and foundations already have a solid track record in this area.

Strengthening the case for Blended Finance, a growing base of evidence shows that it can be an effective approach to achieving development impact and investment goals. Based on conservative estimates by RDFI, there is already at least \$25.4 billion invested in over 74 Blended Finance funds and facilities, in addition to hundreds of projects receiving Blended Finance at the project level, in emerging and frontier markets. This represents significant private capital that has been mobilized for projects in infrastructure, climate change solutions and agriculture—sectors that are critical for development and that suffer from the largest shortfall in funding.

The time is right for development funders to take bold action. The approaches outlined in this Primer provide a framework for how institutions can address risks and create incentives to accommodate the investment goals of private sector capital, aligning development objectives with project financing needs.

To learn more about practical steps to undertaking Blended Finance as a development funder, the World Economic Forum publication, *A How-To Guide for Blended Finance* provides a process guide and practical steps to integrate Blended Finance into organization.

Appendix A: Blended Finance Lexicon

Blended Finance. The strategic use of development finance and philanthropic funds to mobilize private capital flows to emerging and frontier markets.

Blended Finance Characteristics

Blended Finance Deal/Transaction: A transaction that combines development funding and private capital in order to three pillars: (1) Leverage, (2) Impact, and (3) Returns.

- **Leverage:** Use of development finance and philanthropic funds to attract private capital into deals
- **Impact:** Investments that drive social, environmental and economic progress
- **Returns:** Financial returns for private investors in line with market expectations, based on real and perceived risk

Blended Finance Actors:

Private Sector Capital Providers/Investors. Diversified financial institutions and intermediaries, institutional investors (such as pension funds, insurance companies, sovereign wealth funds) and high net worth individuals.

Development & Philanthropic Funders. Development and philanthropic funders include donor agencies, development finance institutions and public and private philanthropic foundations.

Financial Intermediaries. An institution that facilitates the channeling of funds between investor and investee company or project and between lenders and borrowers.

Blended Finance Financial Instruments:

Flexible (Concessional) Debt. Debt with favorable terms for the borrower relative to market rates and risks (e.g. longer tenor, lower interest rate)

Market Rate Debt. Borrowed money to be repaid, typically with interest.

Subordinated/Junior/Mezzanine Debt. In the event of default, subordinated debt will only be repaid after all senior obligations have been satisfied.

Senior Equity. Ownership in a company where value is determined at time of investment.

Junior Equity. Equity investments accepting lower financial returns in exchange for positive development impact. Junior equity has the lowest priority claim on a company's dividends and, in case of bankruptcy or liquidation, on a company's assets.

Grants. A financial award with no expected repayment or compensation over a fixed period of time.

Blended Finance Tools

Supporting Mechanisms. A set of indirect mechanisms that attract private capital by mitigating risk to address investor barriers across the entire life cycle of the project or enterprise. These include (1) Technical Assistance, (2) Risk Underwriting and (3) Market Incentives.

- **Technical Assistance** – Advisory or preparatory services, assistance, and training to facilitate private investment in high-impact projects and enterprises in order to supplement the capacity of investees and more generally lower the transaction costs
- **Risk Underwriting** – Risk reduction tools that fully or partially protect the investor against various forms of risk, effectively reducing their risk of capital losses
- **Market Incentives** – Guarantees of future payments contingent on performance in exchange for upfront investment in new or distressed markets, or to stimulate innovation around new products and services

Direct Funding. Provision of debt equity or grants to a project or company at various stages of a Market Segment.

Blended Finance Segments

Market Segment. The stage of a project or company in the investment life cycle when specific barriers are encountered in raising private capital across five stages: (1) Preparing, (2) Pioneering, (3) Facilitating, (4) Anchoring, and (5) Transitioning.

- **Preparing.** Significant initial costs, coupled with uncertain viability and visibility into whether a project will be approved for construction/operations or a company will launch, can cause investors to restrict their capital exposure.
- **Pioneering.** In very early stage investments where entrepreneurs are experimenting with new ideas, products and business models, it can be difficult for private investors to justify the time and funds to support innovation.

Appendix B: Abbreviations and Acronyms

- **Facilitating.** Projects and enterprises seeking growth require capital to fund expansion and/or ongoing operations. While they may offer strong development returns at this stage, the risk-adjusted returns for private investors may be below commercial thresholds.
- **Anchoring.** As mature or credible enterprises/projects are seeking capital for scaling or replicating in critical areas of development, capital providers may be hesitant to invest due to real and perceived macro risks, such as political, sectoral, and currency risks and uncertainty around exits.
- **Transitioning.** Projects and enterprises at a very mature stage are well suited for commercial viability and access to commercial markets. However, many private investors lack access to a pipeline of deals that are sufficiently sizeable and scalable to fit within investor mandates.

ADB	Asian Development Bank
AfDB	African Development Bank
BMGF	Bill & Melinda Gates Foundation
CDC	UK's Development Finance Institution
DANIDA	Danish International Development Agency
DBSA	Development Bank of Southern Africa
DEG	German Investment and Development Company (subsidiary of KfW)
DFATD	Canadian Department of Foreign Affairs, Trade and Development
DFID	UK Department for International Development
DGIS	Netherlands Ministry of Foreign Affairs
EIB	European Investment Bank
EU	European Union
FMO	Netherlands Development Finance Company
HNWI	High Net Worth Individual
IDB	Inter-America Development Bank
IFC	International Finance Corporation
IFU	Denmark's Investment Fund for Developing Countries
JBIC	Japan Bank for International Cooperation
KfW	KfW Entwicklungsbank (German government-owned development bank)
Norfund	Norwegian Investment Fund for Developing Countries
PIDG	Private Infrastructure Development Group
PROPARCO	Subsidiary of the French Development Agency dedicated to private sector financing
SECO	Switzerland's State Secretariat for Economic Affairs
Sida	Swedish International Development Cooperation Agency
TIAA CREF	Teachers Insurance and Annuity Association-College Retirement Equities Fund
UKaid	UK Department for International Development
WB	World Bank



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