

DFI Working Group on Blended Concessional Finance for Private Sector Projects

JOINT REPORT, MARCH 2023 UPDATE



Creating Markets, Creating Opportunities

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This report was prepared by a group of Development Finance Institutions (DFIs), composed of the African Development Bank (AfDB), the Asian Development Bank (AsDB), the Asian Infrastructure Investment Bank (AIIB), the European Bank for Reconstruction and Development (EBRD), the Association of European Development Finance Institutions (EDFI), the European Investment Bank (EIB), the Inter-American Development Bank Group (IDBG), the Islamic Corporation for the Development of the Private Sector (ICD), and the International Finance Corporation (IFC). The Association of European Development Finance Institution's (EDFI's) members are BIO (Belgium), British International Investment (BII, UK), Cofides (Spain), DEG (Germany), Finnfund (Finland), FMO (The Netherlands), IFU (Denmark), Norfund (Norway), OeEB (Austria), Proparco (France), Sifem (Switzerland), Simest/CDP (Italy), Sofid (Portugal), and Swedfund (Sweden).

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i Executive Summary

Blended concessional finance can be used to unlock investment into sustainable development, especially through the private sector. The increasing use of concessional funds blended with Development Finance Institutions' (DFIs') own financing and that of others on commercial terms has brought DFIs together to 1) develop common standards for the implementation of blended concessional finance projects; 2) provide transparent, comprehensive and consistent data on their blended concessional finance activities; and 3) discuss and review the merits and adequacy of existing approaches to blended concessional finance activities. The ultimate objective of this work, with a distinct focus on **private sector operations**, is to increase development impact, crowd-in private investment while ensuring minimum concessionality, move towards commercial sustainability, and enhance trust and transparency for the use of blended concessional finance from DFIs, all without distorting markets. It will also promote the use of best practices in blended concessional finance implementation by other market players.

The development and implementation of a set of Enhanced Principles on the operational use of blended concessional finance in private sector operations has been a key outcome of the initial phases of this work. In October 2017¹, the Multilateral Development Bank (MDB) Heads and European Development Finance Institutions (EDFI) Management approved the **DFI Enhanced Principles**. These Principles strengthened the 2013 *DFI Guidance for Using Investment Concessional Finance in Private Sector Operations*², and remain highly relevant to the use of concessional financing and mobilization of private capital. Since then, the DFIs have focused on implementing the Enhanced Principles in their operations and sharing best practices with respect to their implementation, including particular considerations for responding to COVID-19 and the more recent global crises.

This report provides an update on the DFI blended concessional finance data through 2021 and updates on other DFI working group activities through 2022. Over the last year, the members of the DFI working group worked to (i) update the DFI blended concessional finance data to 2021; (ii) share knowledge and experience on the use of blended concessional finance, including updates on program growth, focus areas, innovation, and improvements in governance; and (iii) invite conversations with other blended concessional finance implementers and coordinate interactions with other working groups that address blended concessional finance issues.

1 DFI Working Group on Blended Concessional Finance for Private Sector Projects, Summary Report, October 2017. https://www.ifc.org/wps/wcm/connect/a8398ed6-55d0-4cc4-95aa-bcbabe39f79f/DFI+Blended+Concessional+Finance+for+Private+Sector+Operations_Summary+R...pdf?MOD=AJPERES&CVID=npes1Dq

2 Private Sector Development Institutions Roundtable: DFI Guidance for Using Investment Concessional Finance in Private Sector Operations. March 12, 2013. <https://www.ebrd.com/downloads/news/roundtable.pdf>

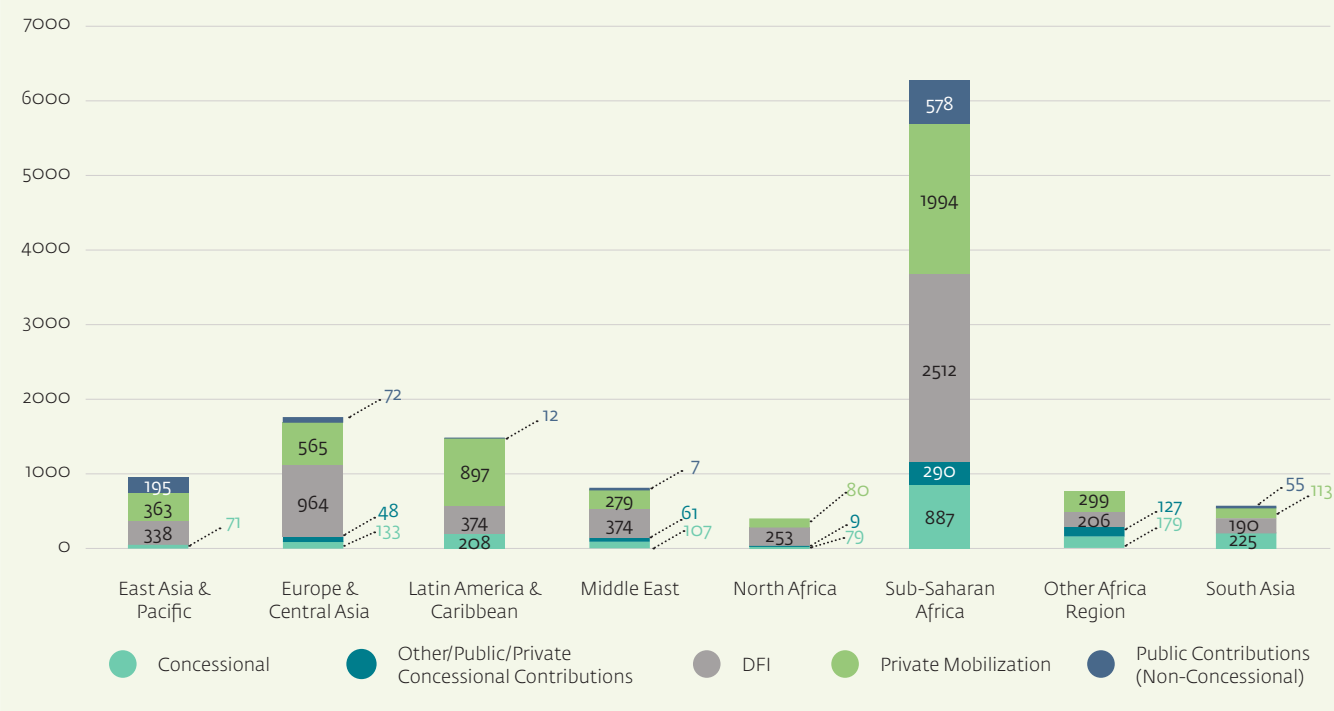
Data Update

In calendar year 2021, DFIs financed long term³ projects with a total volume of \$13.4 billion⁴ supported by blended concessional finance. Concessional funds committed to these projects via DFIs were approximately \$1.9 billion. The total volume of private sector finance leveraged was approximately \$4.6 billion, and DFI own-account investments in these projects were about \$5.3 billion. The balance of funds came from other concessional contributions (\$0.7 billion) and contributions from other public sources at commercial rates (\$0.9 billion)⁵. The most common concessional instrument committed by DFIs in 2021 for these projects was senior debt, comprising 42% of total committed concessional investment volume, followed by risk-sharing facilities and guarantees (21%), equity (16%), and subordinated debt (11%). Performance grants and other grants made up the remaining.

The largest sector for DFI concessional commitments was finance and banking, a change from recent years when infrastructure was the largest sector. However, DFI and private mobilization increased significantly in the infrastructure sector compared to last year. Infrastructure also had a very strong share this year in Africa.

Concessional funds committed by DFIs were used the most in lower middle-income countries and, regionally, in Sub-Saharan Africa (see Figure 1), and both concessional commitments and total project volume in Sub-Saharan Africa increased significantly compared to last year. This was the first year DFIs tracked blended concessional finance in fragile and conflict affected situations (FCS) and the FCS theme was an important component of concessional resources utilized, amounting to almost the same amount as for SMEs, and particularly important in the Africa region.

Figure 1. Total DFI Blended Concessional Finance Project Cost by Region (Long Term Finance)
(\$Millions)



Note: "Other Africa Region" represents volumes in Africa that are not able to be separated into "North Africa" and "Sub-Saharan Africa"

DFI concessional funds committed in 2021 for long-term finance increased by about 16% from 2020. The total volume of long-term projects financed by blended concessional finance increased by about 20%, with private mobilization increasing by over 50% to \$4.6 billion compared to \$3.0 billion in 2020.

³ Long term is defined as terms of more than one year.

⁴ All figures in US Dollars.

⁵ In addition, in 2021 DFIs provided some concessional support to short term finance (finance with maturities less than one year). The DFI Working Group will be examining how to incorporate this data in future reports.

Update on Programs, Governance, and Outreach

DFIs generally foresee strong demand for blended concessional finance, driven by increasing needs to address global inflation and food shocks, support companies affected by the Russian invasion of Ukraine, scale-up projects related to climate change, continue support for COVID-19 recovery, improve healthcare, address SME, gender and youth finance, support digitalization, and support programs to help refugee/displaced persons. A number of DFIs continue to see increased focus on lower income and FCS countries. Risk mitigation products, e.g., guarantees, risk-sharing facilities, subordinated products, and equity are gaining in importance (as a group, based on how the DFIs see evolving demand), as are performance-based incentives.

DFIs are expanding use of programmatic approaches with blended concessional finance to scale-up activities by using standardized products and processes and delegated approvals. Standardized platforms can also facilitate wider access to blended concessional finance products by local companies through publicity related to standardized offerings. Efforts among the DFIs are also underway to streamline blended concessional finance processes through increased delegation, simplified documentation, and operational systems that provide greater internal access to blended concessional finance data.

DFIs are also strengthening their internal teams to facilitate increased levels of investment and they continue to strengthen governance processes through efforts such as strengthened blended concessional finance management units, more formalized processes, and enhanced training. For transparency and access, DFIs reported enhanced information on their websites and growth in programs with the potential for wider access by potential new clients. Some DFIs are looking to update transparency and disclosure policies, with some consideration of expanding public disclosure.

DFIs reported new sources of concessional finance, including through use of own or group funds, foundations, and new sources of public finance. Many DFIs are in an active fundraising time period, as in some cases existing sources of concessional finance have been fully programmed, while new funds are needed for critical issues such as to address the fall-out from the war on Ukraine, provide more climate finance, grow finance available for lower income and fragile countries, and address some funding gaps in middle-income countries, including for inclusion.

DFIs are developing significant blended concessional finance programs to address the war on Ukraine, to help local private sector companies maintain operations, support vital infrastructure and logistics, and address broader global issues related to energy and food security, commodity prices, and displaced persons. Although DFIs discussed the need for fast response, streamlined procedures, and higher concessionality, they indicated the basic Enhanced Principles would still apply.

The DFIs also discussed the use of blended concessional finance in fragile and conflict-affected situations, where the needs are great but special approaches are needed, such as use of higher volumes of concessional finance, higher levels of concessionality, and dedicated efforts to find and support good sponsors. Some DFIs have reported difficulty raising concessional funds for these high-risk markets, highlighting the need for special funds targeted at lower-income countries, such as the International Development Association's Private Sector Window (IDA PSW). However, as fragility has significantly increased in middle-income countries and the needs around climate mitigation are also global, the resource gap is present across the board.

DFIs discussed latest trends in using blended finance in climate finance, stressing the greater need now to differentiate where renewable energy and energy efficiency projects can be funded commercially and where they still need concessional support, such as in higher risk countries and for innovative technologies.

DFIs discussed a number of emerging techniques to measure results, including how to measure market-level impacts. For market-level impacts, approaches discussed included tracking reduction in concessionality over time and developing detailed case studies illustrating how multiple projects over an extended period have led to a sustainable commercial market. The DFIs also discussed the potential for measuring blended concessional finance using grant-equivalent rather than gross commitments, to highlight the high leverage from blended concessional finance on an “ODA-equivalent” basis.

As in previous years, DFIs provided case studies of recent blended concessional finance projects (see Annex 2). These show blended concessional finance being used to facilitate important projects in renewable energy and energy efficiency, climate adaptation, SMEs, gender equality, healthcare, food production and distribution including small-scale producers and crop insurance, and fragile countries. These projects also illustrate use of a broad range of financing instruments, including performance incentives, bonds (sustainable bonds and gender-focused bonds), equity, equity funds, subordinated loans, guarantee structures (including first loss and risk-sharing facilities), deferrable repayment mechanisms, and grants. Advisory services are also included as part of the support package in a number of the projects.

Following on the discussion on results, discussed above, DFIs this year piloted an additional set of case studies of mature projects (not just recent commitments) with a broader market-level context to show examples of how blended concessional finance has been able to provide market level development impacts over time. The full case descriptions are in annex 3 and illustrate extended blended concessional finance programs for women entrepreneurship, sustainable land management, farmer financing, green transport, and renewable energy, including off-grid solutions. These cases highlight progress at the market level as well as evidence of decreasing needs for concessional finance over time.

The DFIs this year discussed technical issues regarding calculation of grant equivalents and how to compare subsidy levels across institutions. DFIs also discussed some new potential data gathering (for funds under management) and knowledge-sharing activities (such as joint training and research). They also discussed how to engage with other global institutions examining various aspects of blended finance, including the G20, the OECD, the THK Forum, and Convergence.

Next Steps

The DFI Working Group will continue activities in the following areas:

1. Annual report, with data reporting and updates on the knowledge-exchange activities.
2. Annual knowledge-sharing meeting.
3. Data sub-group work on results (refinancing data, market-level case studies, grant-equivalent commitments); new data definitions for Fragile and Conflict-Affected Situations, assets under management, and short-term finance; and refined analytics for grant equivalent calculation and common market interest benchmarks.
4. Engagement with other institutions working on blended finance.
5. Consideration of other work related to joint research and training.

ii. Introduction and Context

Blended concessional finance for private sector projects is one of the most valuable tools that Development Finance Institutions (DFIs) can use, in cooperation with donors and other development partners, to help address the Sustainable Development Goals (SDGs), increase finance and mobilize private capital for important private sector activities, and sustain employment and economic activity during times of crisis. Since the agreement on a new sustainable development agenda in Addis Ababa in 2015, there has been substantial growth in international attention to the role of blended concessional finance to promote private sector participation in developing countries and help close the large investment gap that has been identified for reaching the SDGs.

To help ensure the **effective and efficient** use of concessional resources in private sector projects, and avoid market distortion or crowding out private capital, the MDB Heads and EDFI Management at their October 2016 meetings called for efforts to build on and further strengthen the principles for the use of concessional finance in private sector operations agreed by the DFIs in October 2013⁶.

The **specific definition of blended concessional finance** for the private sector operations of DFIs, adopted by the DFI Working Group on Blended Concessional Finance for Private Sector Projects (heretofore “the DFI working group”) is: *Combining concessional finance from donors or third parties alongside DFIs’ normal own-account finance and/or commercial finance from other investors, to develop private sector markets, address the Sustainable Development Goals (SDGs), and mobilize private resources.*

The results of the work carried out in 2017 by the DFI working group⁷ were presented to the DFI Private Sector Roundtable and the MDB Heads meeting in October 2017. The key deliverables included **an enhancement of the DFI blended concessional finance principles (Enhanced Principles, see Box 1 and summary in Annex 1) and a presentation of pilot aggregated data** on the use of blended concessional finance across the DFIs. Additional joint discussions across the DFIs on case studies of blended concessional finance projects provided a useful body of evidence to ground the discussion on the Enhanced Principles. MDB Heads and EDFI Management adopted the Enhanced Principles and agreed to implement them. After the meetings, a joint report⁸ was released containing the Enhanced Principles summary, data summary, and case study summary.

As also agreed by the MDB Heads and EDFI Management, the DFI Blended Concessional Finance Working Group has remained engaged over the last five years to implement the outstanding recommendations, working in four major areas: 1) **sharing and discussing in detail the governance frameworks** and approaches being put in place to implement the DFI Blended Concessional Finance Principles, 2) **updating and improving the scope and quality of the DFI blended concessional finance data**, 3) **sharing knowledge and experiences and discussing issues** related to implementing the Principles, and 4) **coordinating engagement with other working groups addressing blended finance**. Reports on these activities were published in 2018, 2019, 2020, and 2021⁹. This report provides an update on DFI blended concessional finance data through 2021 and updates on other DFI working group activities through 2022, including case studies.

6 Private Sector Development Institutions Roundtable: DFI Guidance for Using Investment Concessional Finance in Private Sector Operations. March 12, 2013. <https://www.ebrd.com/downloads/news/roundtable.pdf>

7 This working group consists of EBRD, IFC, AsDB, IDBG, AfDB, EIB, ICD, AIB and EDFI.

8 DFI Working Group on Blended Concessional Finance for Private Sector Projects, Summary Report, October 2017. https://www.ifc.org/wps/wcm/connect/a8398ed6-55d0-4cc4-95aa-bcbabe39f79f/DFI+Blended+Concessional+Finance+for+Private+Sector+Operations_Summary+R...pdf?MOD=AJPERES&CVID=npesiDq

9 See “Annual Reports: DFI Working Group on Blended Concessional Finance for Private Sector Projects.” https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/bf/bf-resources/bf-dfi-ifc-annual-reports

BOX 1. ENHANCED BLENDED CONCESSIONAL FINANCE PRINCIPLES FOR DFI PRIVATE SECTOR OPERATIONS (HIGHLIGHTS, SEE ANNEX 1 FOR FULL DESCRIPTION)

- i. **Rationale for Using Blended Concessional Finance:** DFI support for the private sector should make a contribution that is beyond what is available, or that is otherwise absent from the market, and should not crowd out the private sector. Blended concessional finance should address market failures.
- ii. **Crowding-in and Minimum Concessional:** DFI support for the private sector should, to the extent possible, contribute to catalyzing market development and the mobilization of private sector resources and minimize the use of concessional resources.
- iii. **Commercial Sustainability:** DFI support for the private sector and the impact achieved by each operation should aim to be sustainable. DFI support must contribute towards the commercial viability of clients. Level of concessional in a sector should be revisited over time.
- iv. **Reinforcing Markets:** DFI support for the private sector should be structured to effectively and efficiently address market failures and minimize the risk of disrupting or unduly distorting markets or crowding out private finance, including new entrants.
- v. **Promoting High Standards:** DFI private sector operations should seek to promote adherence to high standards of conduct in their clients, including in the areas of corporate governance, environmental impact, social inclusion, transparency, integrity, and disclosure.

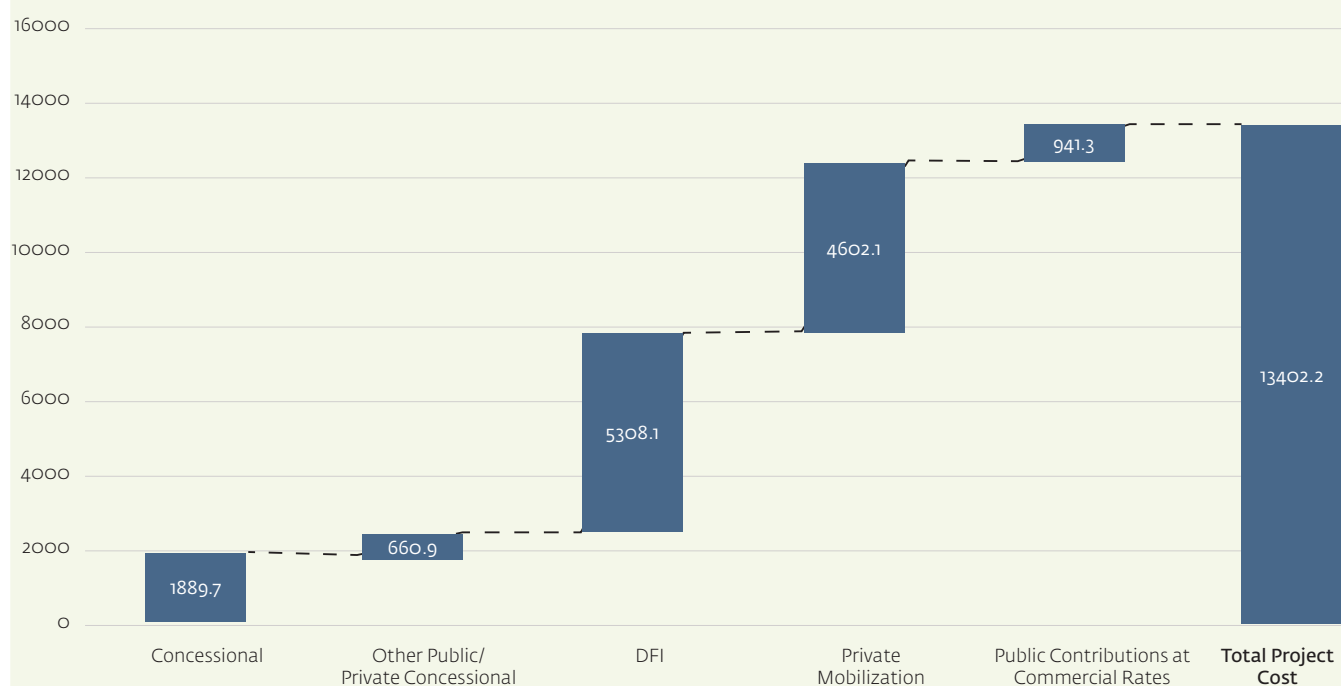
iii. Analysis of 2021 Private Sector Blended Concessional Finance Data from Development Finance Institutions

Overall Volumes for Long Term Finance – 2021 Key Findings

Overall volume results are presented in Figure 2 for long term finance¹⁰.

- DFIs in 2021 financed a total project volume of over \$13.4 billion using various blended concessional finance solutions for private sector operations.
- This is a relatively small percentage of the total volume of all DFI private sector projects financed every year¹¹.
- Private Sector finance leveraged for the projects supported by blended concessional finance was about \$4.6 billion.
- Concessional commitments of all types (e.g., debt, subordinated debt, guarantees, grants, or equity) managed by DFIs for these projects were about \$1.9 billion. The projects also had about \$5.3 billion of DFI own-account commercial financing.

Figure 2. DFI Private Sector Blended Concessional Finance New Project Long Term Finance Commitments, 2021 (\$Millions)



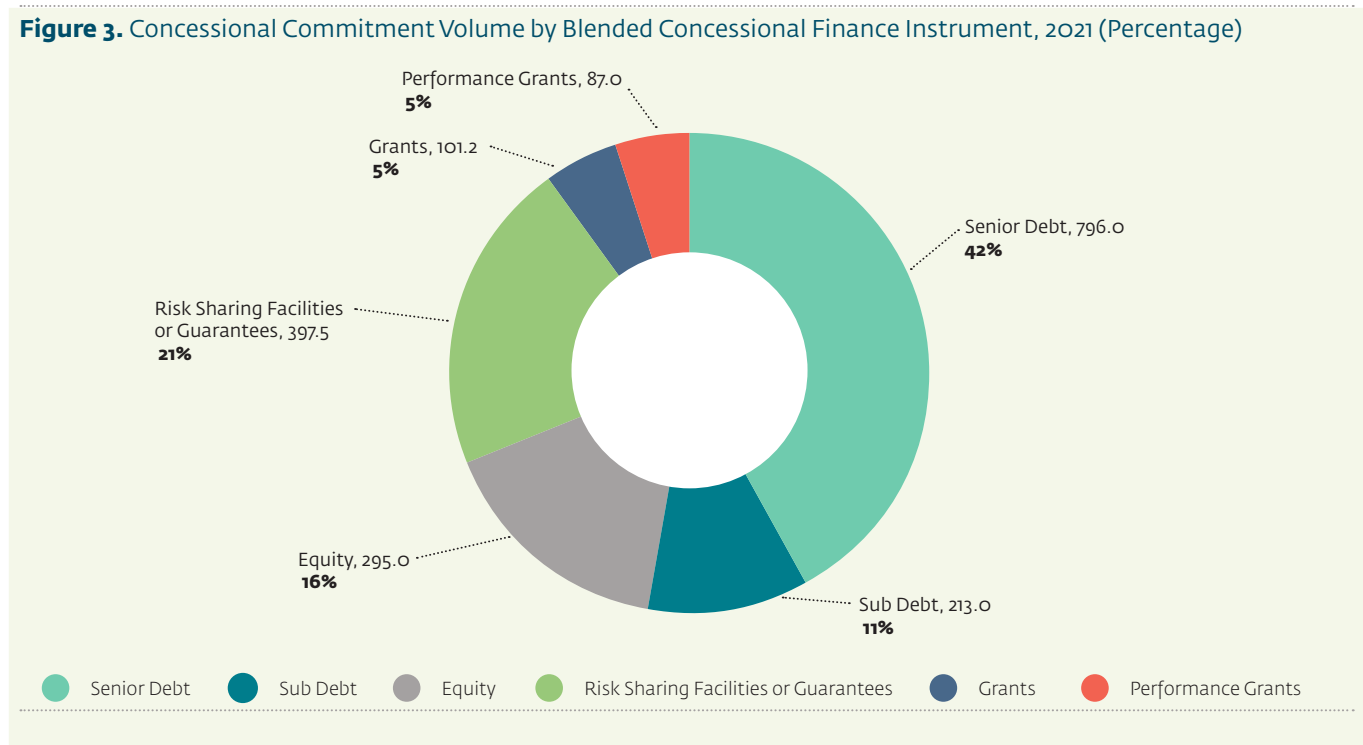
¹⁰ Long term finance is finance with maturities greater than one year. The rest of this chapter refers to long term finance except where noted.

¹¹ Based MDB Mobilization Task Force Reports, DFIs deploy over \$60 billion per year of private sector mobilization in low- and middle-income countries. If concessional amounts, DFI, and public contributions are included, the total project volume for DFIs could be over \$100 billion. This compares to \$13.4 billion total project cost for blended concessional finance activities reported in 2021 by DFIs.

Compared to 2020, the concessional amounts provided by DFIs were higher (\$1.4 billion in 2019, \$1.9 billion in 2021). The amounts leveraged from DFIs remained the same (\$5.3 billion in 2020 and 2021), while the private sector finance leveraged increased significantly (\$3.0 billion in 2020, \$4.6 billion in 2021). Public amounts leveraged decreased slightly from \$1.2 billion in 2020 to \$0.9 billion in 2021, which was fully offset by the increase in concessional amounts and the private sector finance leveraged. The amounts leveraged vary by region, sector and theme as noted in the following sections¹².

Figure 3 shows the concessional commitment volumes in calendar year 2021 broken down by blended concessional finance instrument. The most prominent blended finance instrument continues to be senior debt (42%). This represents an increase compared to 2020 (32%), but in line with the share of senior debt pre COVID-19 pandemic (45% in 2019). About 58% of the concessional financing is in the form of risk-bearing and grant products (sub-debt, equity, risk-sharing facilities and guarantees, grants and performance grants).

Figure 3. Concessional Commitment Volume by Blended Concessional Finance Instrument, 2021 (Percentage)



Geography

Figure 4 shows the concessional funds and related DFI own-account commitments in blended concessional finance activities in 2021, broken down by country income level. Continuing the trend from previous years, lower middle-income countries had the largest share of concessional funds and the largest amount of DFI financing in projects. In 2021 the concessional amounts provided by DFIs increased in lower middle-income countries, declined somewhat in low-income countries, and were about flat in upper middle-income countries. There was also a slight decrease compared to 2020 in the DFI amounts leveraged relative to the concessional funds deployed, in all country income groups except for the low-income group. In addition, while the total DFI volume increased in lower and lower middle-income countries, the upper middle-income countries witnessed a reduction in the DFI financing (\$2.0 billion in 2020, \$1.3 billion in 2021).

¹² In addition, in 2021 DFIs provided some concessional support to short term finance (finance with maturities less than one year, such as trade and commodity finance). This was provided to address the need for trade finance support in high-risk countries, to maintain private sector firms and related products and employment during the COVID crisis, where short-term finance in these markets became quite scarce. The DFI Working Group will be examining in the coming year how to incorporate data on this type of finance in future reports.

Figure 4. Concessional and DFI New Commitments by Country Income Level, 2021
(\$Millions)

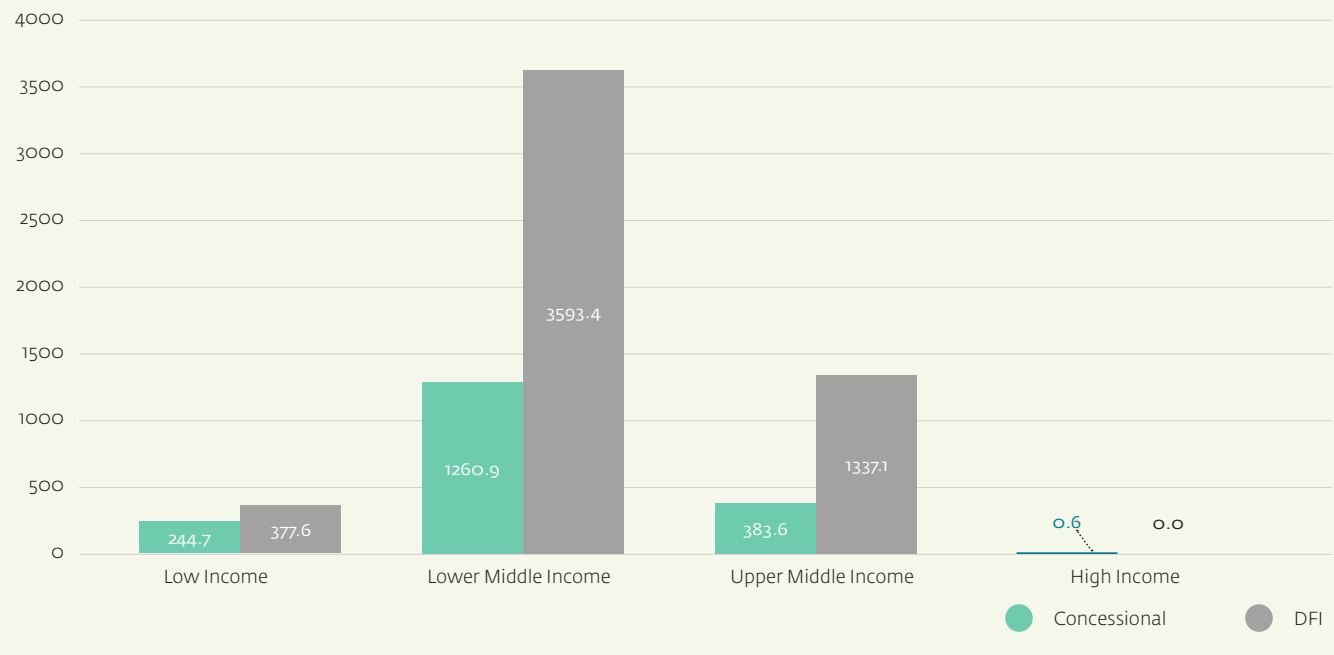


Figure 5 shows the composition of total project volume of blended concessional finance projects, including the concessional funds provided and public/private resources leveraged, broken down by country income level. The amount of private and DFI financing mobilized was highest in in lower middle- income countries. Across all country income groups, the private financed mobilized has increased compared to last year, with the largest volume increase from lower middle-income countries (\$1.8 billion in 2020 to \$3.1 billion in 2021), and the largest share increase in low-income countries (\$261 million in 2020 to \$445 million in 2021). Overall, in 2021 total project volumes were significantly higher than 2020 in both lower middle-income countries (\$8.8 billion vs \$6.3 billion) and low-income countries (\$1.5 billion vs \$1.0 billion).

Figure 5. Total Project Volume by Income level, 2021
(\$Millions)

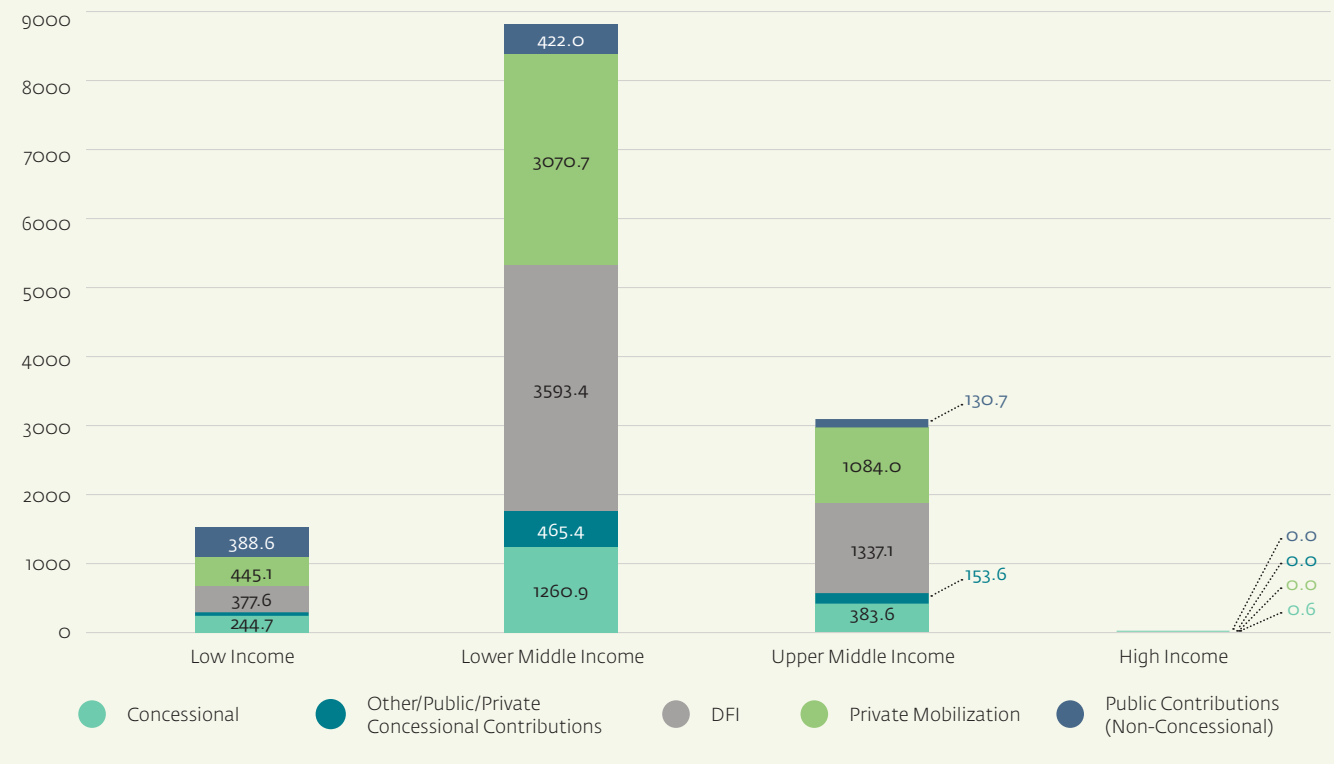
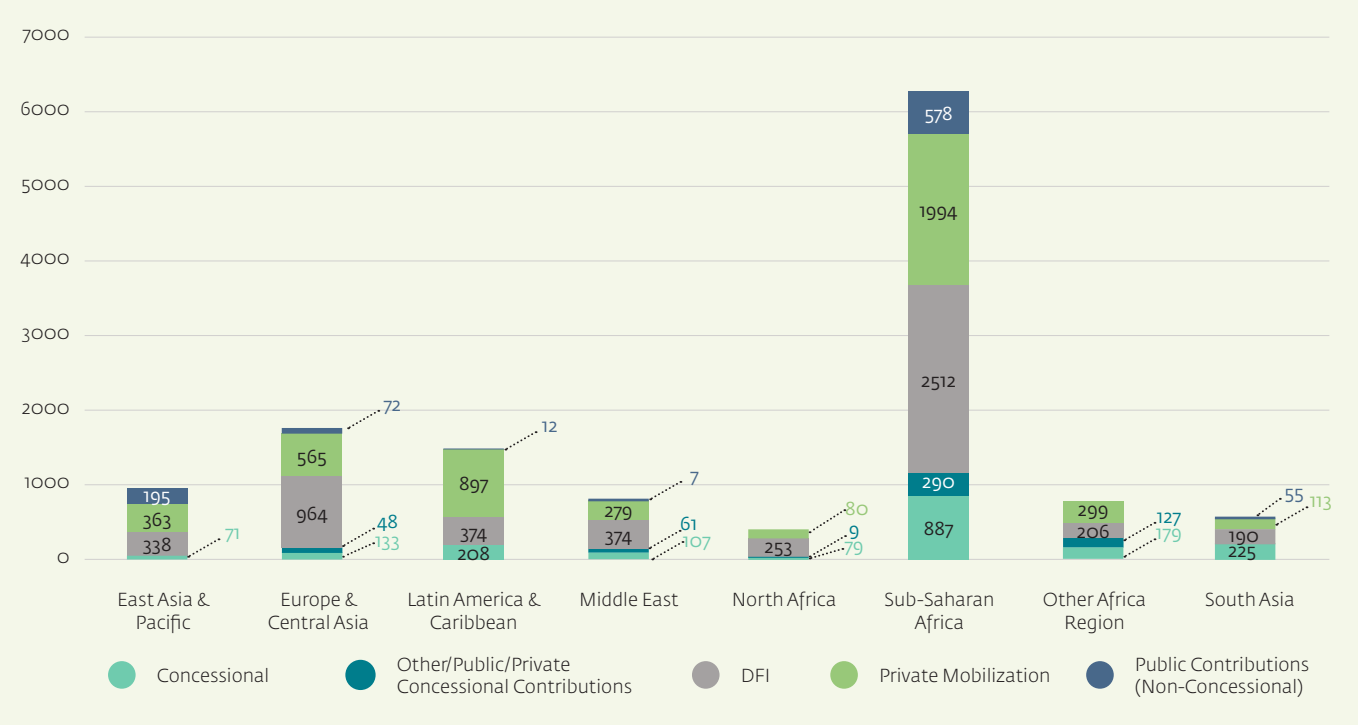


Figure 6 shows the composition of total project volume of blended concessional finance projects by Region. In 2021, Sub-Saharan Africa was the region with largest amount of committed concessional resources, as well as the largest total project volume, with substantial increases compared to last year in both concessional commitments (\$887 million vs. \$604 million) and total project volume (\$6.3 billion vs \$2.4 billion). South Asia, Other Africa region, Latin America & Caribbean, and Europe & Central Asia also had relatively high share of total concessional resources deployed.

Figure 6. Total DFI Blended Concessional Finance Project Volume by Region, 2021
(\$Millions)



Sectors

Figure 7 shows the concessional funds and related DFI own-account commitments in blended finance activities in 2021, broken down by sectors. The finance/banking sector showed the largest concessional finance deployed in 2021, which is a change from recent years where infrastructure was the largest sector, as well as the highest volume of DFI funds deployed. While the Infrastructure sector shows a slight decrease in concessional funds deployed compared to last year, the DFI financing leveraged by the same concessional funds have increased significantly.

Figure 7. Concessional and DFI New Commitments by Sector, 2021
(\$Millions)

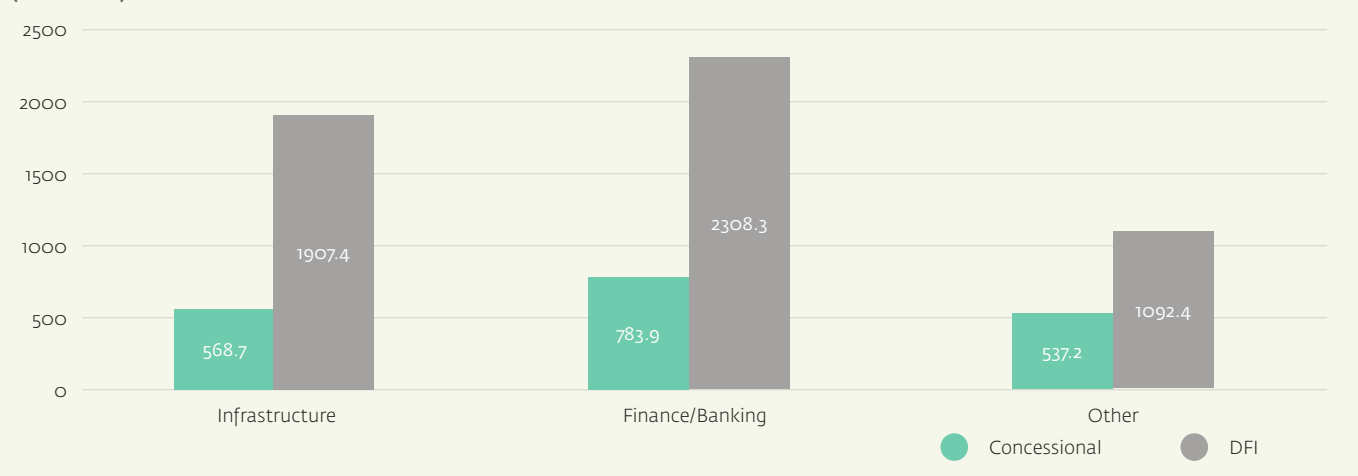


Figure 8 shows the composition of total project volume of blended concessional finance projects in 2021 by sector. The total volume of DFI and private finance leveraged in all sectors increased significantly since last year, by approximately \$1.6 billion, largely driven by the increase in DFI and private finance leveraged from infrastructure projects in 2021.

Figure 8. Total Project Volume New Commitments by Sector, 2021
(\$Millions)

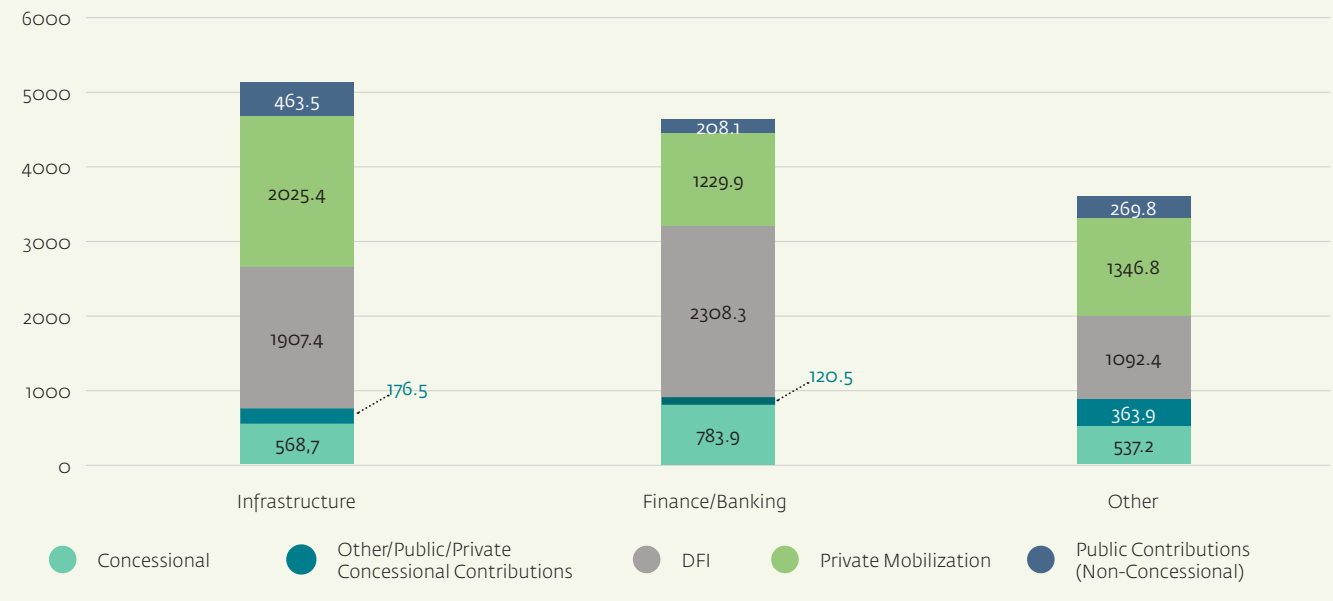


Figure 9 shows new concessional commitments by instrument in 2021 by sector. The use of risk sharing facilities or guarantees, and performance grants was more pronounced in finance/banking sector, often in support of SMEs. All sectors had a significant share of senior debt. The infrastructure sector continues to have a significant share of grants, the same as previous years.

Figure 9. New Concessional Commitments by Instrument by Sector, 2021
(\$Millions)



Figure 10 shows the sector compositions of concessional finance by country income level in 2021. Infrastructure had the largest share in low-income countries, while finance/banking had the largest share in upper-middle income countries. In lower-middle income countries all three sectors are well represented.

Figure 10. New Concessional Commitments by Income Level by Sector, 2021
(\$Millions)

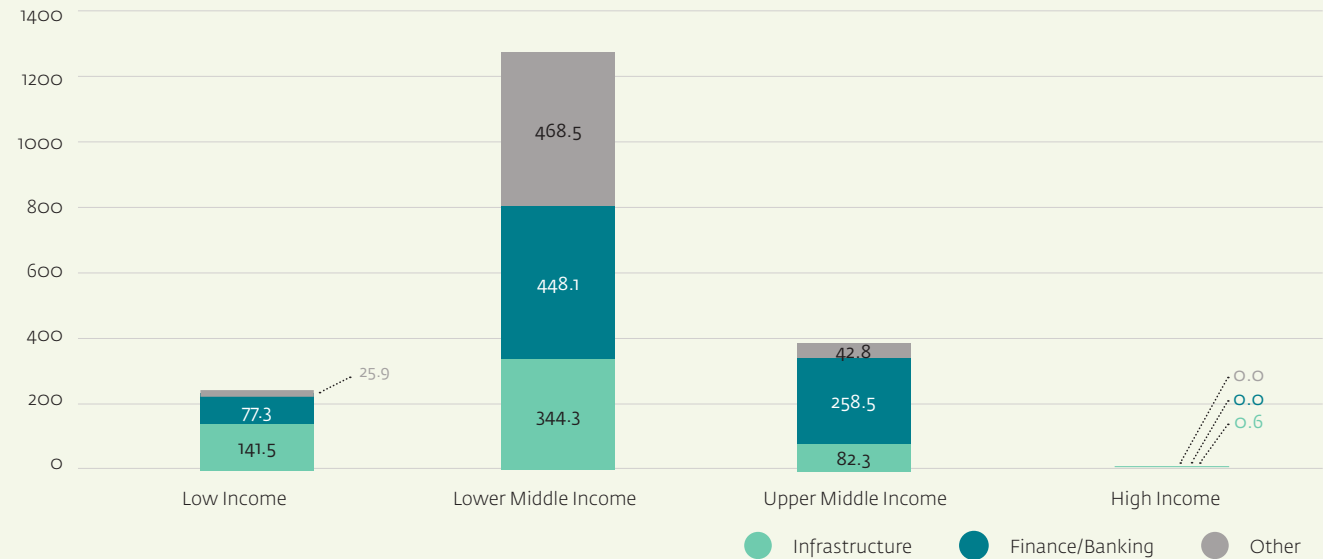
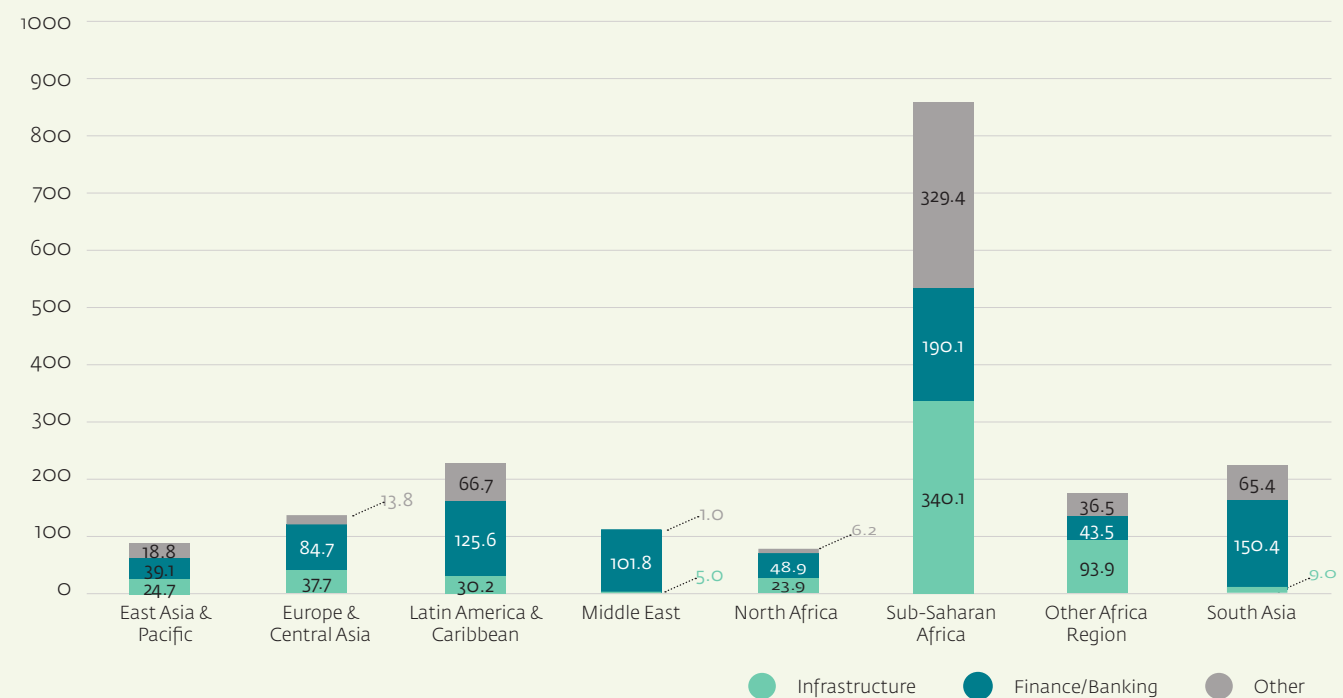


Figure 11 shows new concessional finance commitments by region and sector. Sub-Saharan Africa, which accounts for the largest volume of concessional finance deployed amongst all regions, had significant shares of concessional finance across all three sectors, with a somewhat larger share for infrastructure, and the “other Africa region” had the largest infrastructure share of all the regions. In absolute volumes, finance/banking was most prominent in Sub-Saharan Africa, South Asia, and Latin America & Caribbean.

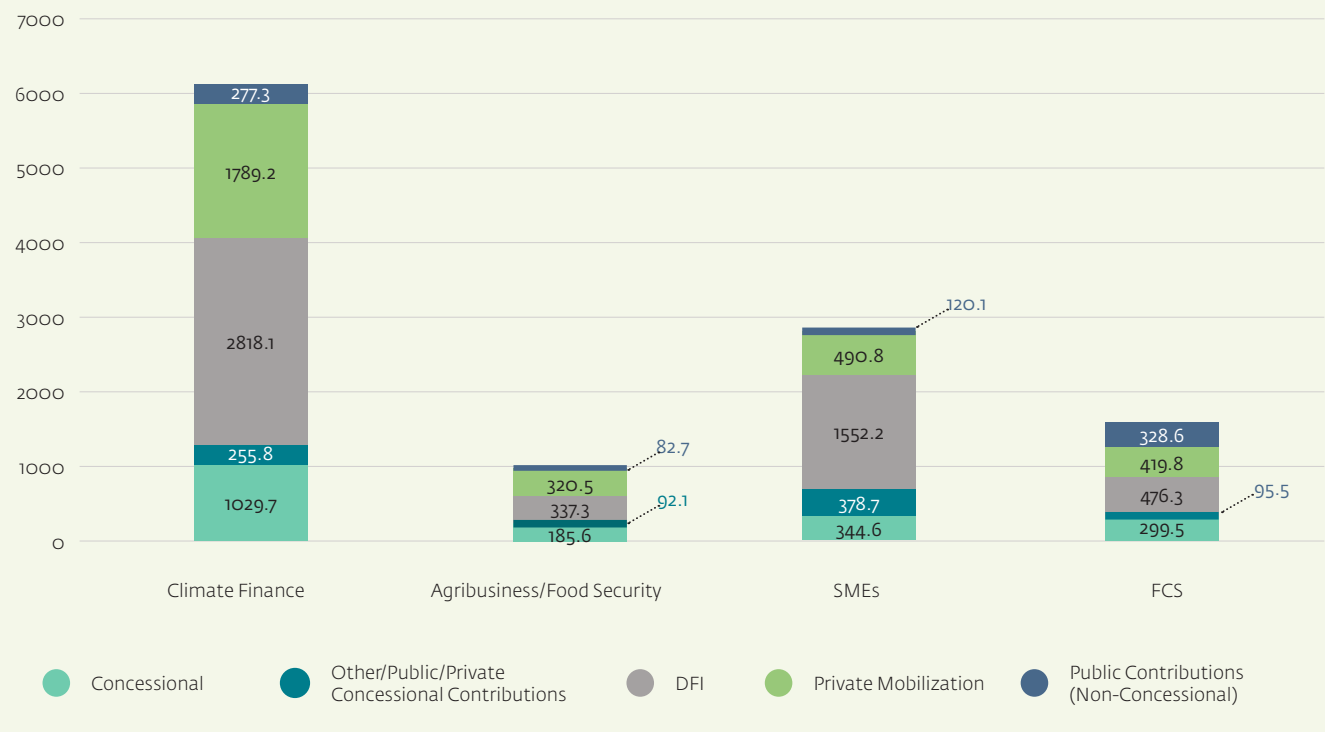
Figure 11. New Concessional Commitments by Region and by Sector, 2021
(\$Millions)



Themes

Thematic data presents some methodological challenges given differences among DFIs in theme definitions (e.g. for SMEs) and due to overlapping thematic areas (e.g. climate smart agribusiness projects can be classified as both climate finance and/or agribusiness). Notwithstanding these challenges, climate finance remains the most significant thematic area for DFIs in their use of blended concessional finance (Figure 12) similar to previous years, in particular using senior debt for climate-related projects (Figure 13). This year, the DFI Blended Concessional Finance Working Group agreed to start aggregating blended concessional finance activities in fragile and conflict-affected situations (FCS) as a new theme on a pilot basis¹³. The concessional volume under the FCS theme in 2021 turned out to be substantial, nearly the same level as for SME projects, and FCS also showed both significant private mobilization and significant non-concessional public contributions to projects. As shown in Figure 13, FCS concessional support relied predominantly on senior debt and risk sharing facilities or guarantees as key financing instruments.

Figure 12. Total Project Volume by Theme, 2021
(\$Millions)



¹³ For 2021 report, FCS definitions are based on each DFI's own definitions. For DFIs that use the WBG FCS definition and country classification, the FY21 list is used.

Figure 13. New Concessional Commitments by Instrument by Theme, 2021
(\$Millions)

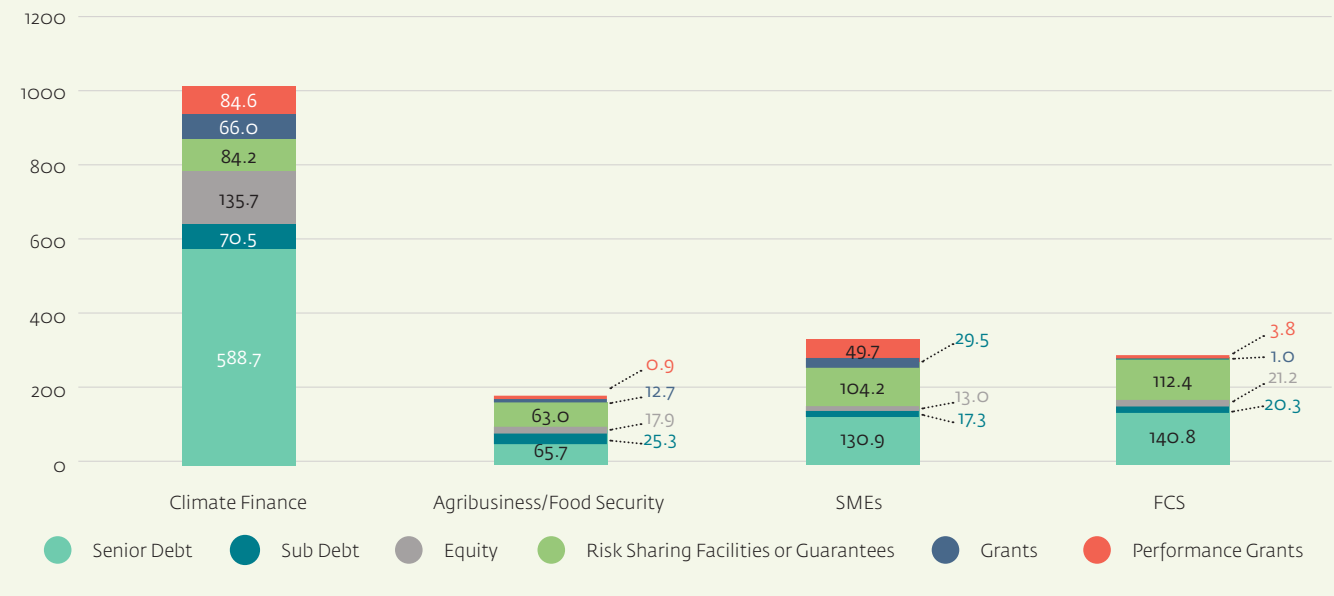


Figure 14 shows the themes for new concessional commitments by country income group. As in past years, climate finance projects were particularly important in lower middle-income and upper middle-income countries. The data also show very strong representation of the FCS theme in low-income countries. While the FCS share is much lower in lower middle-income countries, the volume is still a significant part of the overall concessional finance provided.

Figure 15 shows the themes for new concessional commitments by region. Climate finance is a very important theme in most regions, while FCS is very important in Sub-Saharan Africa as well as in East Asia/Pacific. Agribusiness is especially important in Sub-Saharan Africa and Latin America/Caribbean, and SME projects are particularly significant in Europe/Central Asia and Latin America/Caribbean.

Figure 14. New Concessional Commitments by Income Level by Theme, 2021
(\$Millions)

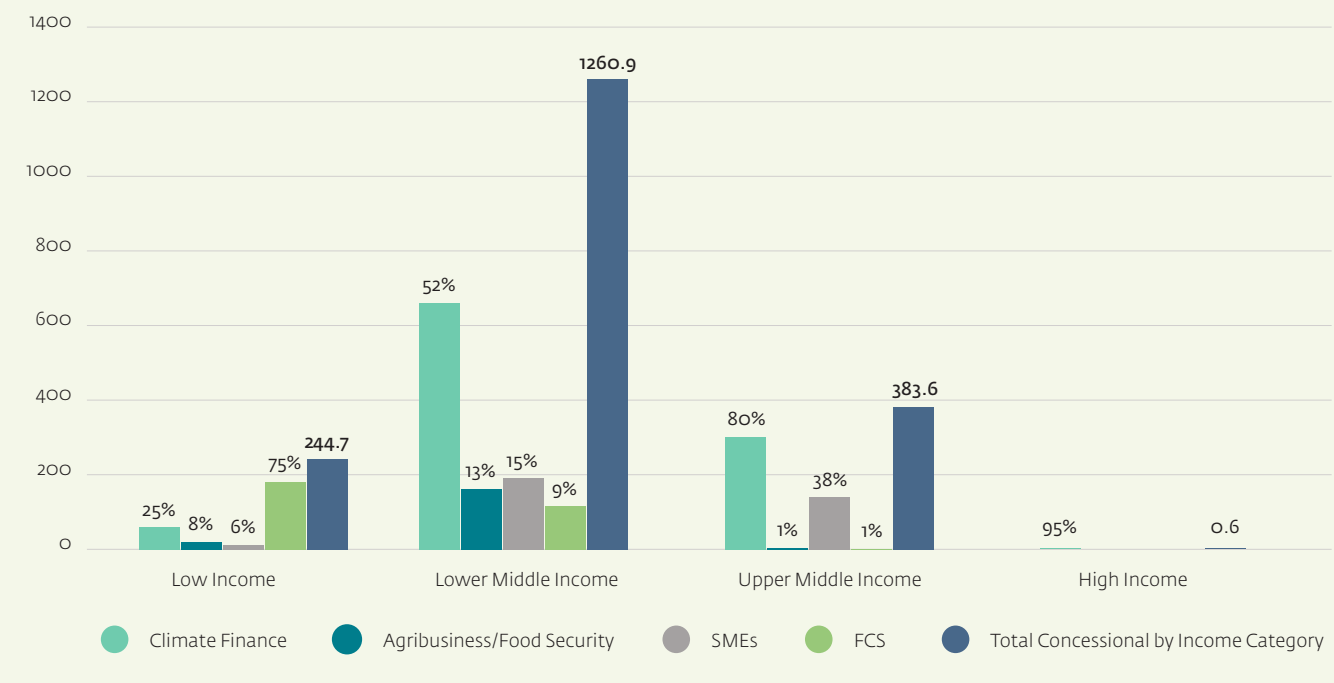
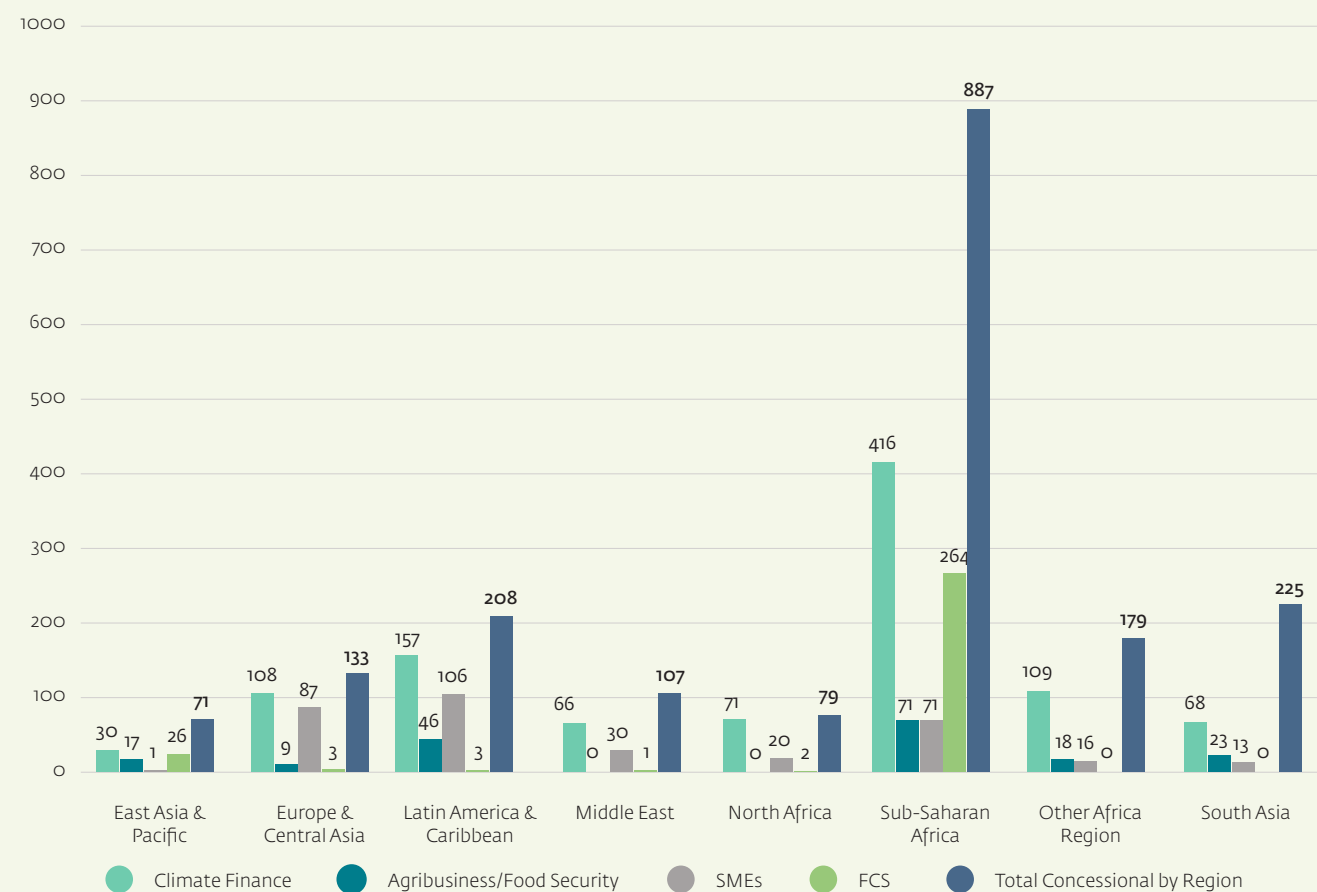


Figure 15. Concessional Commitments by Region by Theme, 2021
(\$Millions)



Trends

The DFIs now have five years of aggregate reporting on blended concessional finance, allowing for a look at major trends over this period¹⁴. Figure 16 shows total project volumes supported by blended concessional finance since 2017, with the components of the finance broken out. Concessional commitments have been generally increasing since 2017, and the total amount leveraged by blended concessional finance has also increased in most years (note amounts leveraged were somewhat under-reported in 2017 because some DFIs were not yet reporting on private mobilization). Figure 17 highlights the concessional amounts by income category, showing the overall growth in concessional commitments, with continuing emphasis on lower income (low and lower middle-income) countries.

¹⁴ This section does not include portfolio guarantees in the data for 2020 and 2021 to ensure comparability to previous years.

Figure 16. DFI Private Sector Blended Concessional Finance Project Commitments, 2017-2021 (\$Millions)

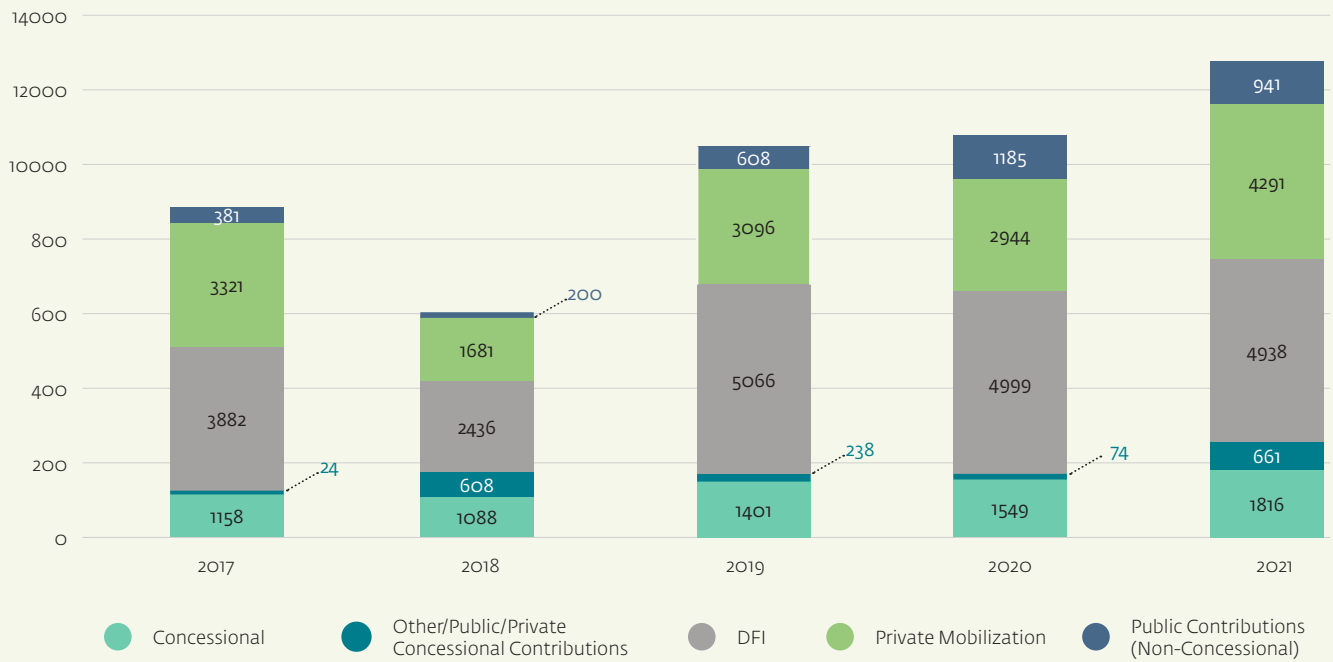


Figure 17. DFI Concessional Finance, 2014-2021 By Income Category

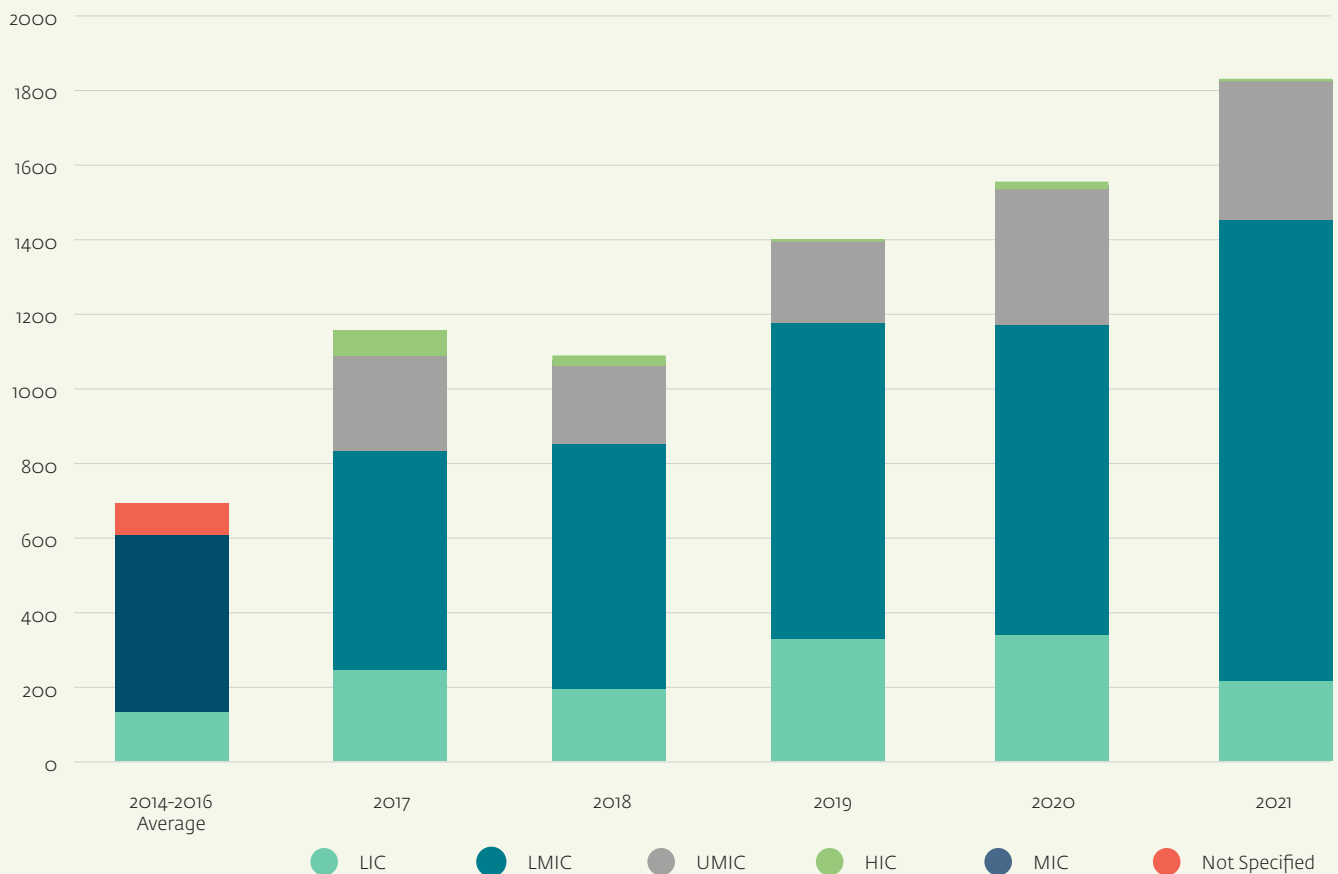


Figure 18 shows the total blended concessional finance project volumes and components by country income category for 2018-2021 (2017 data gaps do not allow for a comparison with 2017). The chart illustrates the strong growth of projects in lower middle-income countries, with growth in all components including private mobilization.

Figure 18. Total Project Volume, 2018-2021 By Income Category
(\$Millions)

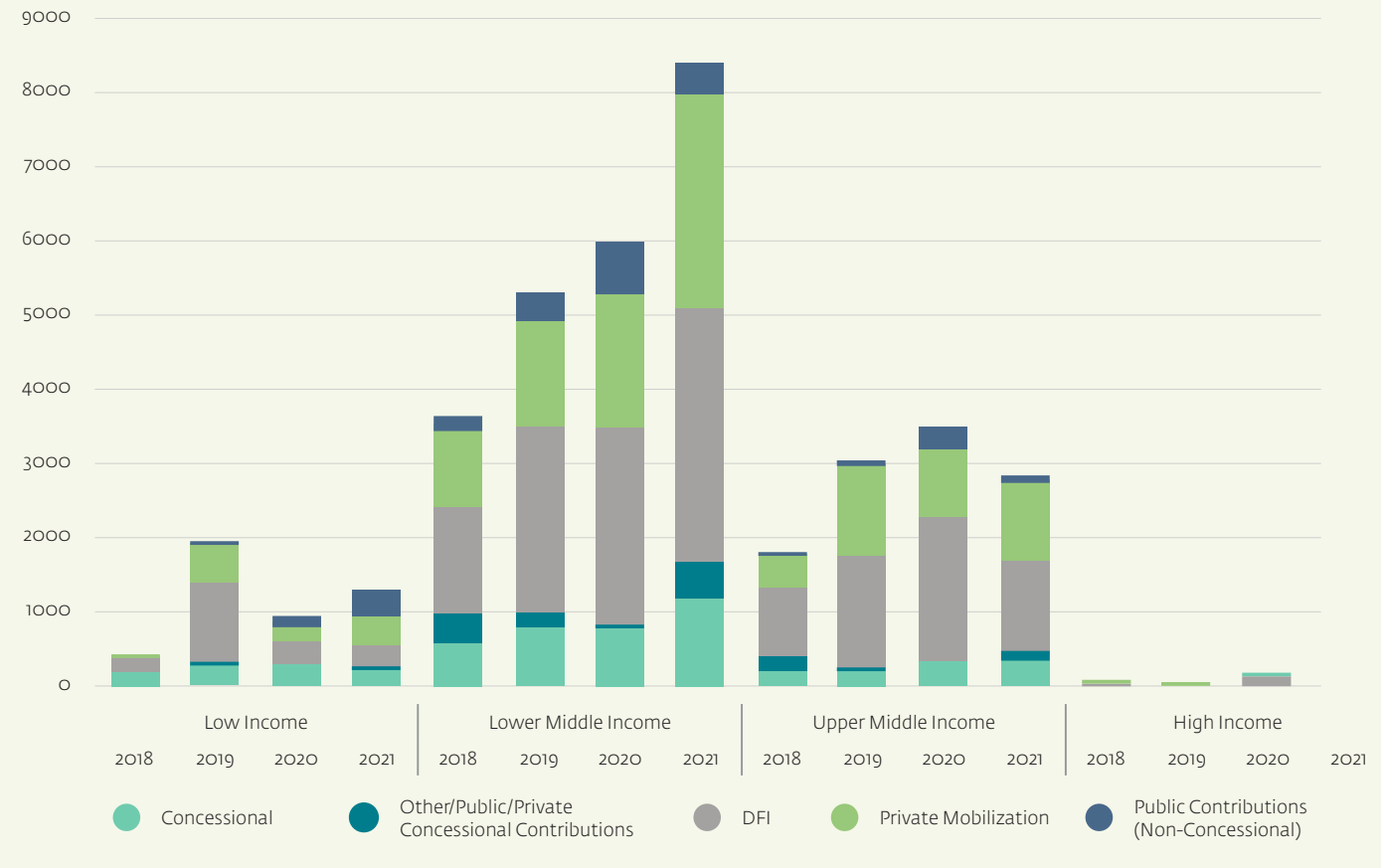


Figure 19 shows the trends in the instrument mix for DFI concessional funds from 2014-2021. In general, there has been an increasing role of risk mitigation and grant products, although with significant annual variation.

Figure 19. DFI Concessional Instrument Mix, 2014-2021
(Percentage)

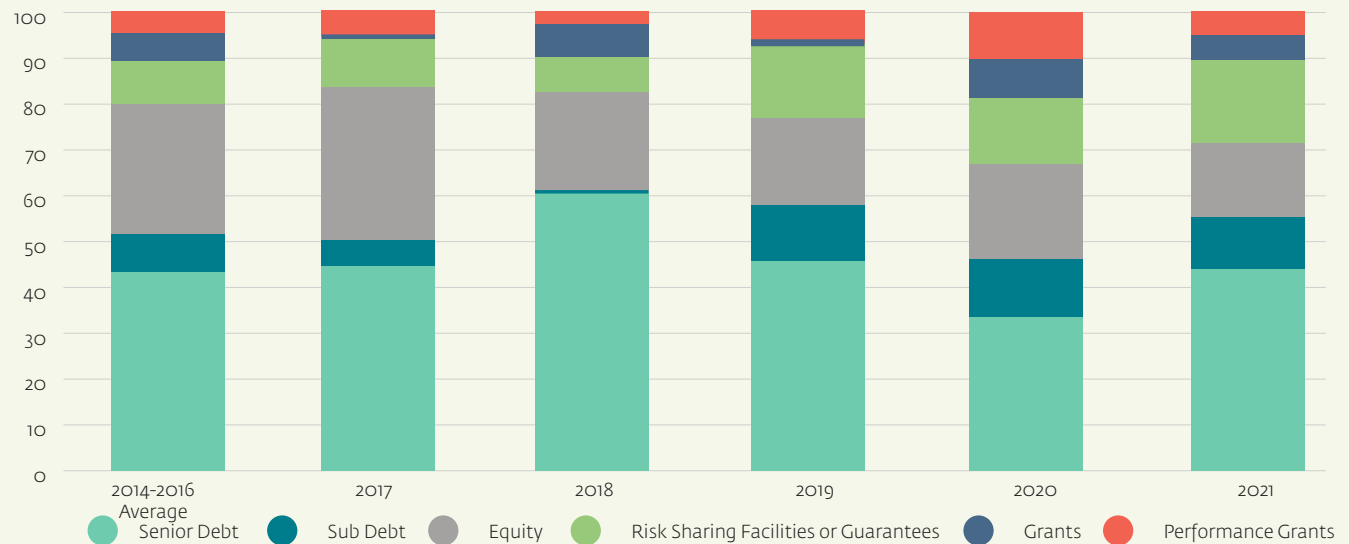
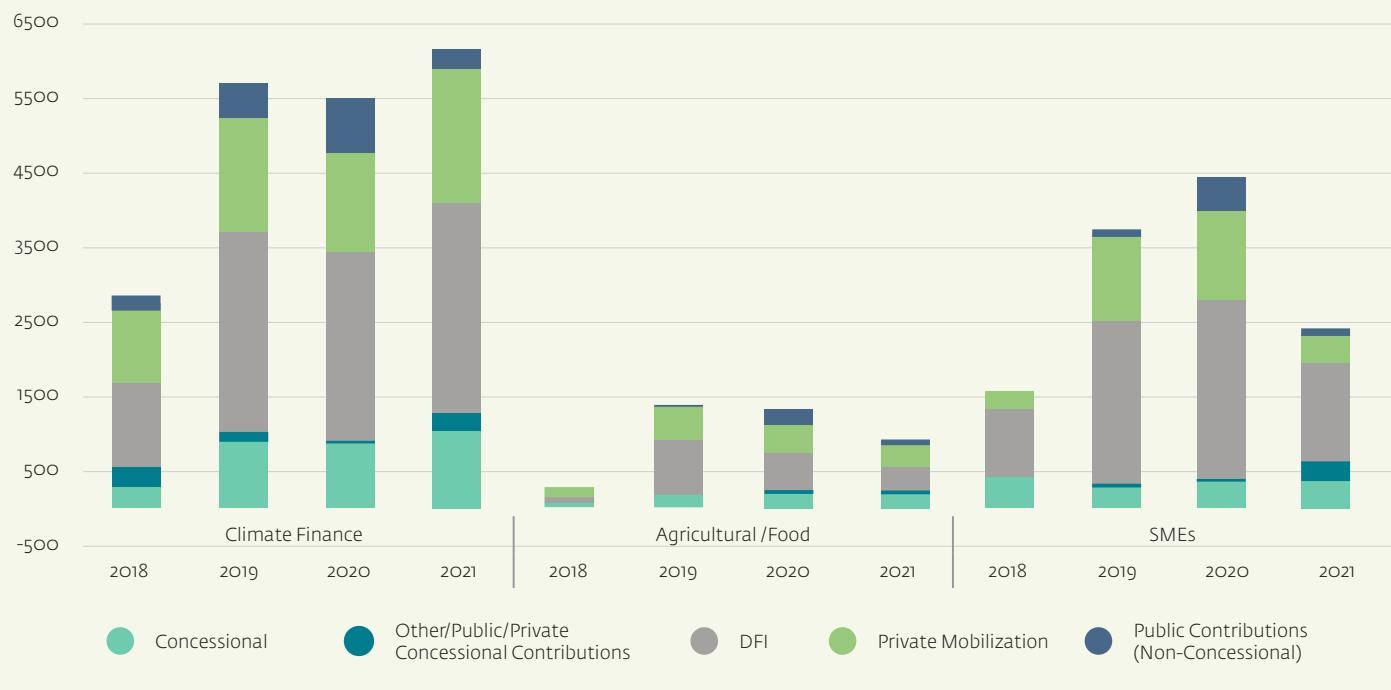


Figure 20 shows the total project volume by theme over the last four years. Generally, the theme focus has been similar from year to year, with strong representation by climate projects. In 2021 the three themes tracked (with FCS data tracking only introduced this year so no trends yet) didn't show strong growth, despite a strong overall growth in blended concessional finance project volumes. This may indicate the growth of blended concessional finance in other areas (e.g., manufacturing, non-climate infrastructure) but it is not clear yet if this is a trend or a one-year anomaly.

Figure 20. Total Project Volume, 2018-2020, By Theme

(\$Millions)



Development Partners

The concessional contributions of development partners are essential for enabling blended concessional finance transactions. Figure 21 shows the largest contributors to DFI long-term finance projects as reported for 2021¹⁵. There was a mix of bilateral and multilateral partners. The five largest partners were the IDA Private Sector Window, the European Commission, the Governments of the Netherlands and Canada, and the Private Sector Development Facility of the AfDB. Other major development partners in 2021 included the Global Environmental Facility, the Climate Investment Funds, the Spanish Development Cooperation Agency, the Governments of Finland and the UK, the Global Agriculture and Food Security Program, Sustainable Energy for All (SEFA), the Emerging Africa Infrastructure Fund (EAIF), and the SME Local Currency Special Fund of the EBRD.

The development partners provided support through a broad array of instruments. Figure 22 shows the share of instruments from the top ten partner institutions for 2021 and illustrates not only the broad array of instruments provided, but also the different product emphasis by different institutions.

¹⁵ The figure shows reported contributions to DFI projects in 2021 by individual donors in excess of \$10 million dollars. Other contributors amounted to approximately another \$700 million, mostly from "unspecified donors," i.e., from DFIs who did not provide data on individual donor contributions.

Figure 21. Largest Concessional Commitments for DFI Private Sector Long Term Finance Projects By Development Partners in 2021 (\$Millions)

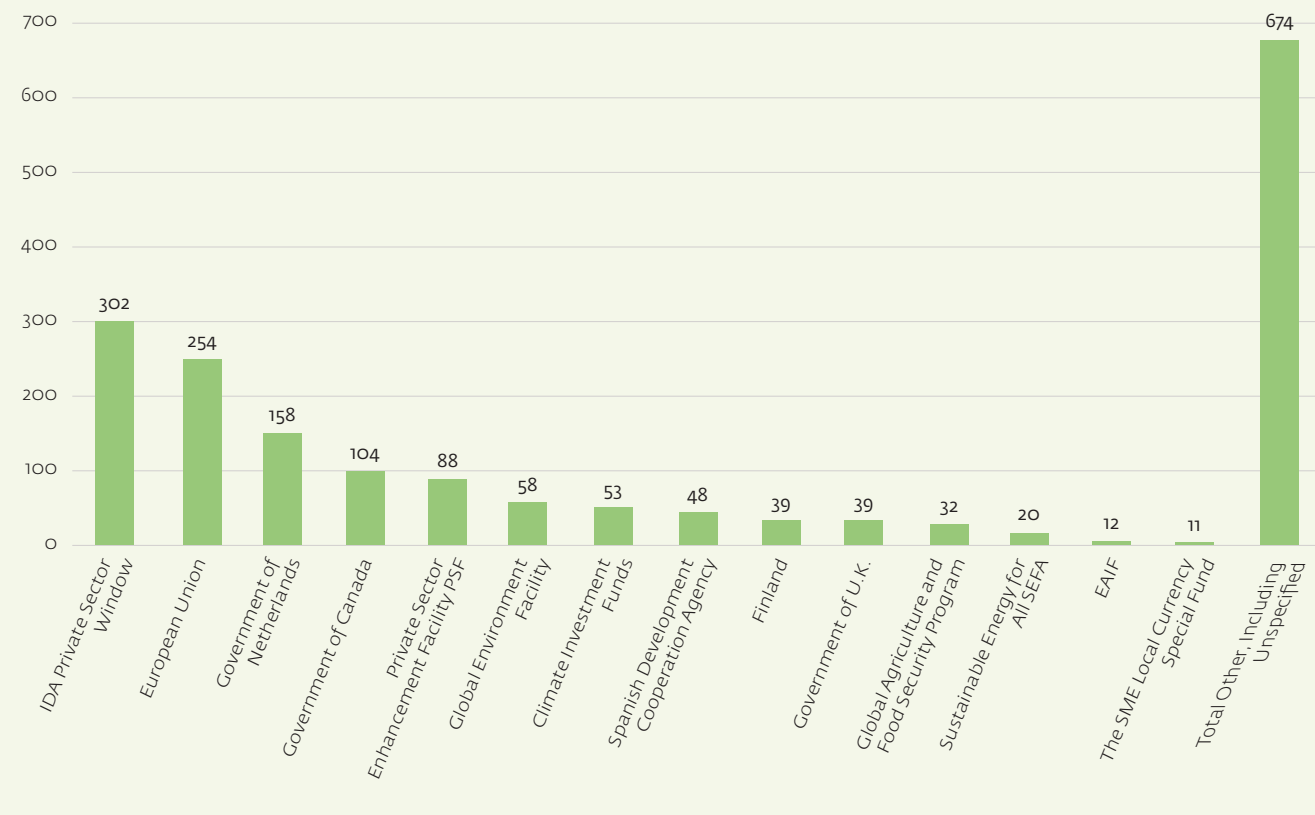
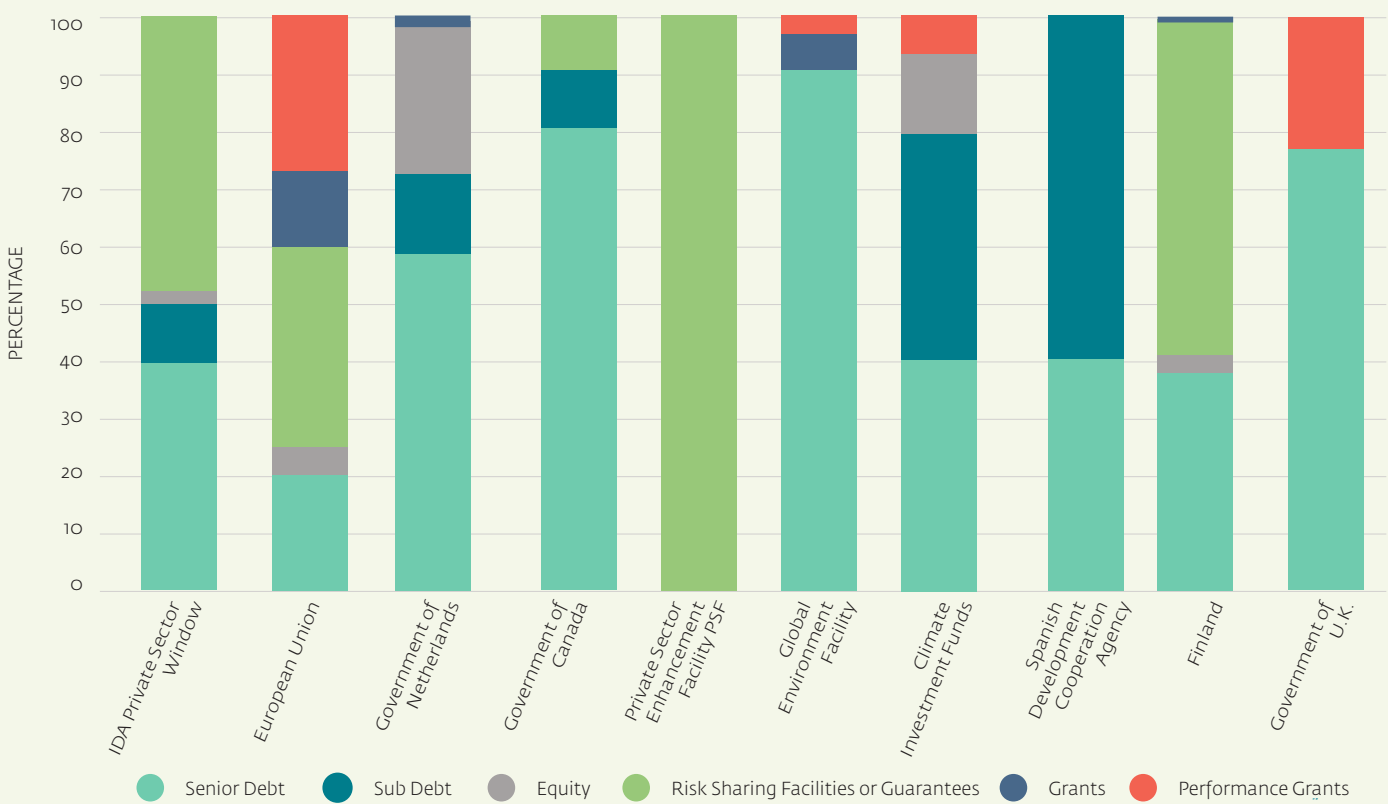


Figure 22. Top Ten Donor Instrument Mix for DFIs in 2021



iv. Update on Programs, Governance, and Outreach

The DFI Blended Concessional Finance Working Group met in 2022 to discuss progress and outlook for their blended concessional finance programs, with a special focus on current issues such as addressing the implications of the Russian invasion of Ukraine, working in fragile countries, using blended finance to address climate change, and measuring and reporting on results. This chapter presents highlights from these discussions.

Program Growth and Emerging Focus Areas. The overall growth in DFI blended concessional financing is reflected in strong growth across most DFIs, unlike in 2020 where the COVID crisis led to uneven effects on DFIs, with some having fewer projects due to a drop in new investments or a redirection of resources toward the public sector, while others were rapidly expanding concessional financing to support the private sector during the crisis. Looking forward, DFIs generally now foresee strong demand for blended concessional finance, driven by increasing needs to address global inflation and food shocks, support companies in Ukraine, scale up projects related to climate change (e.g. green and innovative technologies), support COVID 19 recovery, improve healthcare, address SME, gender and youth finance, support digitalization, and support programs to help refugees/displaced persons. A number of DFIs continue to see increased focus on lower income and FCS countries.

Product Focus. Risk-mitigation products, e.g. guarantees, risk-sharing facilities, and subordinated products are gaining in importance, as are equity and performance-based incentives, driven in part by the increasing availability of guarantees from the European Commission. DFIs stressed, however, that products need to be tailored to the specific project situation, which may lead to a range of effective solutions, including in some cases senior loans. Some institutions have seen increasing demand for local currency products, and one institution indicated increasing demand for products that consume capital (e.g., investment grants and performance grants) to increase leverage and improve risk-bearing capacity in high-risk situations.

Innovations to Scale Up. DFIs are expanding use of programmatic approaches with blended concessional finance to scale up activities by using standardized products and processes and delegated approvals. Standardized platforms can also facilitate wider access to blended concessional finance products by local companies through publicity related to standardized offerings. IFC has expanded its existing programs and platforms (for small business, medical equipment, trade finance, and base of the pyramid projects) with new ones for food security, venture capital, and Ukraine support. EBRD has also developed programmatic approaches such as the Green Economy Financing Facilities, Women in Business program, the Recovery and Resilience Facility, and the Direct Financing Framework. Other efforts among the DFIs are also underway to streamline blended concessional finance processes through increased delegation, simplified documentation, and operational systems that provide greater internal access to blended concessional finance data. DFIs are also strengthening their internal teams to facilitate increased levels of investment.

DFIs also reported expanded efforts in thought leadership in such areas as measuring results from blended finance, and use of blended finance to address gender issues. Internal knowledge-sharing systems have also been improved.

Progress on Governance, Transparency, and Access. Previous annual DFI Blended Concessional Finance Working Group reports have documented the strengthened governance processes for implementing the Enhanced Blended Concessional Finance Principles, particularly by ensuring independent oversight and decision making for concessional finance usage. Over the last year these efforts have continued to be improved, with recent DFI work focused on such areas as expanding and building stronger blended finance dedicated teams, aligning policies for blended concessional finance across different parts of institutions, revising staff guidelines to streamline processes while enhancing the independence and quality of assessment of uses of blended concessional finance, operating internal workshops to refresh and align

understanding and application of DFI Principles, or launching new blended finance operations by building capacity and raising sources of funds. For example, EBRD has been developing a dedicated Blended Finance Hub that pools relevant expertise across the institution. The Hub includes staff responsible for the review of proposed uses of concessional finance to ensure alignment with the DFI Enhanced Principles. The Hub also manages blended concessional finance data systems, knowledge sharing, and external partnerships; and is independent from the banking operations. AfDB has also established a consolidated group to coordinate blended finance activities across the institution. DFIs also reported strengthened blended concessional finance reporting systems.

For transparency and access, DFIs reported enhanced information on their websites and growth in programs with the potential for wider access by potential clients. Subsidy disclosure has now been done for three years at IFC, and other DFIs are considering beginning reporting in this area. Some DFIs are looking to update transparency and disclosure policies, with some consideration of expanding public disclosure.

Funding. Public resources, bilateral and multilateral, remain the major source of concessional resources for DFIs. However, there have been innovations in use of own or group funds for concessional funding, use of foundations, as well as use of new sources of public finance. A number of DFIs are working with the European Commission (EC) for access to new concessional guarantees available from the European Fund for Sustainable Development (EFSD+). Many DFIs are in an active fundraising period, as in some cases existing sources of concessional finance have been fully utilized, while new funds are also needed for critical issues such as to address the fall-out from the war on Ukraine, provide more climate finance, and grow finance available for lower income and fragile countries. There is also in some cases a need for greater fund-raising for middle-income countries to address growing conflict and fragility issues, gender, food security, and innovative climate projects.

Addressing the Impacts of the war on Ukraine. DFIs are responding to the war on Ukraine by providing greater blended concessional finance for projects in Ukraine and surrounding areas, and by providing finance to address global issues related to food security, energy, and commodities. EBRD announced a major program for its Ukraine response with its Resilience and Livelihoods Framework. A Crisis Response Special Fund was established, with a dedicated focus on Ukraine that targets €1.5 billion of concessional funds to support €3 billion of project investment over 2022 and 2023. EBRD's support focuses on addressing energy and food security; supporting SMEs; maintaining basic economic activity, livelihoods, and public services; as well as supporting vital infrastructure, including trade logistics. IFC has established a platform for Ukraine with concessional finance that will support resilience of business, displaced people, affected municipalities, and immediate logistic and energy needs. Given the risks, higher than usual levels of concessionality may be necessary. IFC has also launched a global food security platform that will help address the current food crisis. Other DFIs indicated that they are working to address growing blended finance needs in their client countries driven by issues stemming from the conflict such as rising food and commodity prices. A number of DFIs have also developed large public sector financing programs for Ukraine. For example, by year-end 2022, EIB delivered EUR 1.7 billion under two support packages to help the Ukrainian government perform its functions and to support reconstruction roads, railway, and energy infrastructure. In parallel, EIB has put in place the Ukraine Solidarity Package, an urgent support mechanism with an envelope of EUR 4 billion for cities and regions in EU Member States hosting war refugees from Ukraine. Although DFIs discussed the need for special operating procedures to respond to the war on Ukraine rapidly and effectively, such as by using streamlined procedures and higher concessionality, they indicated that the basic DFI Blended Concessional Finance Enhanced Principles would still apply.

Fragile and Conflict-Affected Situations. The DFIs indicated that blended concessional finance is a very important tool to expand private sector operations in Fragile and Conflict-Affected Situations (FCS), and discussed some of the special approaches used with blended concessional finance in these situations, including: 1) the need for higher levels of concessionality and consumable capital; 2) use of a wide range of products including guarantees and funded products, with in some cases less use of equity except through venture funds; and 3) lack of market benchmarks which make determining minimum concessionality difficult. However, use of blended concessional finance may be able to help establish market benchmarks over time by facilitating a series of pioneering projects.

The DFIs also talked about some of the challenges of identifying appropriate clients in FCS settings, citing potential issues of political exposure and elite capture. Potential solutions included careful screening of project sponsors and, in some cases, bringing in new partners to expand the number of companies involved. DFIs also indicated that additionality is often easier to establish in FCS situations than in other countries.

With respect to policy flexibility, the DFIs indicated that the same standards are generally required in FCS as with other countries. DFIs also indicated that at times it is harder to raise concessional funds from donors for FCS as some donors are unwilling to take the extra risk involved. This highlighted the need for special funds, such as the IDA PSW, that specifically target lower income countries. DFIs also discussed the presence of sovereign-priced external funds for municipal projects that makes it hard to finance these projects on commercial terms.

Using Blended Concessional Finance for Climate Finance. Using blended concessional finance for climate finance is a well-established investment area and one gaining in importance, but also a very diverse area, with some sectors now becoming mature and no longer needing concessional finance. The DFIs discussed a proposal by some DFIs, with encouragement from the DFI Private Sector Roundtable, to agree on a common approach with respect to renewable energy, indicating where concessional finance is still appropriate and where it is not (such as for large-scale projects using established technologies in low-risk countries). Some DFIs at the meeting emphasized that while some general rules may help guide the use of concessional finance in the climate space, the existing DFI Enhanced Blended Finance Principles provide protection against bad behavior, and should remain the main mechanism for assessing the appropriate use of blended concessional finance, where the concepts of additionality, clear rationale for use of concessional finance, and minimum concessionality apply. Improvements in governance are further improving standards. DFIs also emphasized that some general rules about where concessional finance is no longer needed may change over time. For example, the current rise in equipment costs may make some projects that may have been financed commercially in the recent past no longer viable without concessional finance. Whether concessional finance is still applicable for these types of situations has to be carefully evaluated under the Enhanced Principles.

The DFIs also discussed other emerging issues related to use of concessional finance for climate projects. These included 1) when it may be appropriate to fund lower emitting technologies, but still CO₂ positive, in sectors where zero-emission solutions are not yet feasible; and 2) in what situations subsidies can still be justified where carbon credits are already providing a form of subsidized finance.

Measuring Results. DFIs discussed emerging techniques to measure results for blended concessional finance activities, with a special focus on how to measure market-level impacts. Some external groups active in analyzing the benefits of blended finance have focused primarily on private sector mobilization in blended concessional finance projects, which misses many broader development impacts such as those on jobs, services, and growth, and also the impacts at the market level, including from associated technical assistance.

DFIs discussed potential approaches for measuring market level impacts. Ideas included: 1) tracking if follow-on projects can be refinanced with less or no concessional finance, indicating a new commercial market has been created; 2) developing detailed case studies looking at how multiple blended concessional finance projects in a country and a sector can lead to follow-on commercial projects without concessional finance and thus create a sustainable commercial market; and 3) reporting on blended concessional finance using grant-equivalents rather than gross product commitments, thus highlighting the high leverage of commercial financing compared to the amount of “ODA-equivalent” grant financing provided by donors. The DFIs agreed on follow-on activities to explore each of these areas.

Case Study Highlights

Annexes 2 and 3 show this year's DFI case studies including both recent blended concessional finance projects and, for the first time, some longer-term case studies looking at market level impacts (see previous section). Some highlights are presented below.

Recent Project Cases. Case studies of recent projects show blended concessional finance being used to facilitate important projects in renewable energy and energy efficiency, climate adaptation, SMEs, gender equality, healthcare, food production and distribution, and fragile countries. For example:

- In agribusiness, projects included support for advanced green technologies for cotton production in Uzbekistan, sustainable agricultural value chains including smallholders in Zambia, women owned/led agricultural SMEs in Ecuador, access to finance for small scale farmers in Uganda, and piloting crop insurance in Africa.
- Climate-related projects included support for distributed energy in Jamaica and Madagascar, battery storage in El Salvador, sustainable bonds in Ecuador, climate resilience for SMEs in Latin America, green buildings in India, and combatting plastic waste in Asia.
- Gender programs included gender bonds and support for women owned SMEs in Ecuador, support for women entrepreneurs in Central Asia, and support for women to acquire affordable and sustainable housing in India
- In healthcare, projects included support for vaccine manufacturing in Senegal.

These projects also illustrate use of a broad range of financing instruments to address different project structuring needs, including performance incentives, bonds (sustainable bonds and gender bonds), equity, equity funds, subordinated loans, guarantee structures (including first loss and risk-sharing facilities), deferrable repayment mechanisms, and grants. Advisory services are also included as part of the support package in a number of the projects.

Cases Highlighting Market Level Impacts. For the first time in this report series, DFIs provided case studies of mature projects (not just recent commitments) with a broader market-level context (e.g., through multiple project interventions, large size, or platform approaches), to show examples of how blended concessional finance has been able to provide market level development impacts in countries. The full case descriptions are in annex 3, but some highlights:

- In Turkey, EBRD since 2014 has had a comprehensive program through multiple banks to support women SMEs via lending, first-loss guarantees, and advisory services. Recent detailed evaluations indicate that the program has led to a significant increase in the share of multiple bank's portfolios that support women, and more broadly has helped develop the market for women SME financing in Turkey, especially in rural areas. In addition, the level of concessional support for the program has been reduced starting in 2018.
- Since 2018, EIB has supported 100,000 hectares of improved land management through a platform to provide financing (both debt and equity) for sustainable land management and land restoration projects in Africa, Asia, and Latin America. The goal of the program is to preserve natural ecosystems, improve climate resilience, reduce greenhouse gas emissions, and enhance livelihoods. The program is making progress toward the goal of providing support for 350,000 hectares of improved land management by 2023, an important step toward demonstrating the merits of land management investments in the developing world.
- In Burkina Faso, since 2014, IFC has engaged in multiple project financings to address the shortage of working capital for cotton farmers by supporting lending by the largest cotton production company in the country. Over time the level of concessionality required to finance the programs was reduced, so that now the farmer financing is done on a commercial basis. The ultimate benefit is to farmers who with more access to capital can improve productivity and profitability.

- In 2014 IFC helped finance the first private sector wind Independent Power Project in Jamaica with support from concessional finance. The success of this project and similar ones encouraged the government to issue a second round of renewable energy tenders, which were met with interest and responses from numerous developers. In addition, the original project financed by IFC was able to refinance in 2022 without concessional support, indicating that the time-bound blended concessional finance subsidy had ended, and the wind sector in Jamaica had matured and achieved long-term commercial sustainability after this milestone transaction.
- Since 2013 IDB Invest has supported a series of solar PV power projects to support Uruguay's 200 MW tender program to launch the solar power industry in the country. These projects included concessional support to help attract investment and cross-border capital into a novel renewable segment. Due to the change in the risk perception of the asset class, by 2018 long-term commercial financing was becoming available. By the end of 2020 all projects were able to be refinanced on the bond or the commercial bank market, and commercial pricing was cheaper than the original subsidized rate, an illustration of Uruguay's shift towards competitive commercial financing for clean electricity. For this project, IDB Invest also successfully provided performance incentives for employing women in project construction.
- Throughout Africa, the African Development Bank's COVID-19 Off-Grid Recovery Platform (CRP) supports energy access funds in providing affordable capital for energy access companies. This allows them to mitigate the negative impacts of the pandemic while advancing access to clean electricity - ultimately promoting a more viable and robust sector post-crisis
- The Asian Development Bank has used blended concessional finance to support the growth of electric mass transportation in three Asian economies, helping pioneer the transition to green transport by addressing the risks associated with early adoption of these new technologies. The projects demonstrate that sustainable transport investments in emerging markets can be profitable, mobilizing increasingly larger commercial investment and catalyzing commercially sustainable market growth. Transacted through a gender lens, the projects also address the need for safer transport for women to generate greater freedom of movement and facilitate their enhanced economic participation.

Technical Discussions

1. **Measuring Grant Equivalence.** Some DFIs have developed spreadsheet calculators that provide the grant equivalent amounts of different concessional finance products. A group of DFIs have also experimented with the use of a standardized reference market interest rate to use in these calculators, based on a simple approach that can be shared across DFIs. Results to date indicate reasonably good approximation to the results from more complex and individualized methods, with some exceptions (e.g., for equity and in the highest risk countries). The goal is to provide a consistent approach to the calculation of grant equivalents that could allow DFIs to share data and improve their analysis of minimum concessionality. The DFI data sub-working group plans to further refine these methodologies this year.
2. **OECD Methodology on Guarantees.** The DFI working group also discussed the work being done by the OECD to develop a methodology for grant-equivalents of guarantees in ODA measurement. There have been some proposals to date but no consensus on an approach. DFIs will continue to engage with the OECD on this agenda, to ensure as much as possible that OECD methodologies are aligned with the methodologies used by DFIs when measuring blended concessional finance grant equivalence.

Working with Other Institutions on Blended Finance. The DFI Blended Concessional Finance Working Group regularly engages with other institutions that work in blended finance, including the OECD and the THK forum. This year the DFIs discussed how to engage with the G20's sustainable finance working group which will be looking at blended finance, and

also discussed how to address efforts by the IMF to provide guidance on blended finance for green financial systems. The DFIs also discussed coordinating data reporting to other groups (e.g., Convergence) and working to make sure as much as possible that this data is aligned with data in the DFI annual report.

Two new DFIs attended part of the annual DFI working group meetings this year, Findev Canada, and DFC (U.S.), as observers.

Possible Further Areas of DFI Cooperation Around Blended Finance.

- 1. Gathering Data on Assets Under Management.** The DFIs discussed a possible new data element for the annual DFI report – a measure of concessional funds under management. The current data in the DFI reports show annual commitments, which captures recent activities, whereas funds under management would also capture expectations for future use of concessional finance, and possibly highlight broadly the emerging sources of concessional finance. The DFI's agreed that the data sub-group would consider the detailed definitions required to gather this data on a consistent basis, and also consider what aggregations could be reported in the annual report. The DFIs also agreed to gather some preliminary data in this area.
- 2. Joint Training.** DFIs agreed to explore sharing training materials or organizing joint training on blended concessional finance, particularly on the DFI Enhanced Principles.
- 3. Joint Research.** DFIs discussed possible joint areas of research, such as the possible use of blended concessional finance to increase service affordability to end-users. IDB and others will suggest possible topics for consideration by the DFI group.

v. Next Steps

The DFI Working Group plans to continue activities in the following areas:

1. Writing the Annual Update Report, with data updates and updates on knowledge-exchange activities. This year's report will include, if possible, some pilot market-level case studies.
2. Convening the annual knowledge-sharing meeting.
3. For the data sub-working group: a) investigating new ideas on reporting on results (data on project refinancing, market-level case studies, grant-equivalent commitments); b) developing new data definitions for Fragile and Conflict-Affected Situations, assets under management, and short-term finance; and c) refining analytics for grant equivalent calculation and common market interest benchmarks.
4. Engaging with other institutions working on blended finance, e.g., OECD, THK, G20, Convergence. Bringing new DFIs into the working group where appropriate.
5. Examining the potential for joint research and training among DFIs.

Annex 1. Enhanced Blended Concessional Finance Principles for DFI Private Sector Operations

PRINCIPLE TITLE	ADDITIONALITY/ RATIONALE FOR USING BLENDED CONCESSIONAL FINANCE	CROWDING-IN AND MINIMUM CONCESSIONALITY	COMMERCIAL SUSTAINABILITY	REINFORCING MARKETS	PROMOTING HIGH STANDARDS
Principle	DFI support of the private sector should make a contribution that is beyond what is available, or that is otherwise absent from the market, and should not crowd out the private sector.	DFI support to the private sector should, to the extent possible, contribute to catalysing market development and the mobilization of private sector resources.	DFI support of the private sector and the impact achieved by each operation should aim to be sustainable. DFI support must therefore be expected to contribute towards the commercial viability of their clients.	DFI assistance to the private sector should be structured to effectively and efficiently address market failures and minimize the risk of disrupting or unduly distorting markets or crowding out private finance, including new entrants.	DFI private sector operations should seek to promote adherence to high standards of conduct in their clients, including in the areas of Corporate Governance, Environmental Impact, Social Inclusion, Transparency, Integrity, and Disclosure
Guidelines	<p>Use blended concessional finance only when there is a relevant case that a specific project or more generally projects in a given sector cannot be structured on a commercial basis (i.e. without the use of blended concessional finance).</p> <p>When projects cannot be structured on a fully commercial basis, the use of blended concessional finance can be justified if it addresses externalities, information asymmetries and/or other institutional and market failures, or affordability constraints that are hindering positive market dynamics, and there is an expectation to arrive at commercial solutions over the medium term.</p> <p>Where projects address both the commercial need and externality, market and institutional failure, or affordability issues discussed above, use of blended concessional finance should, if possible, be prioritized for projects with high developmental impacts.</p> <p>Increase the level of scrutiny of projects commensurate with the underlying risk that concessional resources could lead to market distortion or rent-seeking behaviours.</p>	<p>Apply explicit processes in project analysis to determine minimum concessionality.</p> <p>Information or data, e.g. of other projects' pricing structures, level of concessionality, amount of donor funds (compared to total project investment or private investment), donor cost per output, and/or investors' market returns may help establish a reference point for blended concessional finance volumes and terms.</p> <p>Structure blended concessional finance operations to address as directly as possible critical gaps in the financing structure and to minimize the need for future, ongoing concessionality.</p> <p>Size, where possible, the level of concessionality relative to the value of the externality/ obstacle identified.</p> <p>To facilitate the crowding-in of private finance, avoid if possible using concessional finance to enhance the risk/ return position of a DFIs own funds in a project financing package without extending the benefits to other investors.</p> <p>Increase the scrutiny for the crowding-in effect when the blended concessional finance participation in the financing structure closely resembles, or becomes identical or senior to, commercial investors, including other DFIs investing own funds in private sector projects.</p>	<p>Maintain a high level of scrutiny of the commercial viability of clients.</p> <p>Reduce demonstrably the level of concessionality extended to repeat projects as market failures and/or other obstacles are reduced.</p>	<p>Identify and, where feasible, implement measures to overcome the obstacles identified that are barriers to commercial sustainability.</p> <p>Monitor, where feasible, the obstacle identified as giving rise to the need for blended concessional finance.</p> <p>Introduce, where feasible, market monitoring and coordination among DFIs to leverage experience, coordinate policy, and demonstrably take steps over time to reduce the root causes for requiring blended financing.</p> <p>Structure blended concessional finance to align incentives to accelerate sustainable market development.</p>	<p>Identify and require client adherence to international best practice industry standards or guidance, including the environmental, social and governance standards and other policies and procedures of DFI own-account projects.</p> <p>Ensure a level of independence or oversight within project teams and decision-making bodies managing blended concessional finance operations, to ensure effective and efficient use of concessional resources.</p> <p>Where donors have delegated authority to DFIs for blended concessional financing decisions, DFIs should explicitly monitor adherence to the blended concessional finance principles and guidelines, and as applicable, to donor guidelines.</p> <p>Develop specific disclosure policies for blended concessional finance, tailored to different stakeholders, that balances transparency with appropriate client confidentiality and DFI efficiency.</p>

Annex 2. Recent DFI Blended Concessional Finance Project Highlights

Capella Solar Battery Energy Storage System

Piloting standalone battery energy storage financing

Challenge	Solution
Battery Energy Storage Systems (BESS) are becoming a viable solution for the integration of intermittent renewable energy in the electricity system. Lithium-ion batteries are the current state-of-the-art technology driven by a substantial decrease in costs in the last decade. However, BESS applications in energy projects are still in their initial stage globally and, more specifically, in Latin America and the Caribbean (LAC). The combination of lack of exposure to BESS technology and the uncertainty on the savings that the BESS would provide in the long-run to the preexistent renewable energy asset (Capella Solar) is preventing the participation of commercial lenders in the direct financing of BESS.	The financing solution has been designed both taking into consideration the existing lenders concerns and proposing a template for a standalone battery financing by defining a “technological risk trigger event” that triggers a BESS principal deferral. This feature, together with the extension of the tenor towards the guaranteed period of the BESS, and the exposure to the residual value of the BESS, are the three key elements of this concessional battery financing that may prefigure a financing solution to be replicated in that type of storage assets.

Results

The set of BESS financed in this transaction is the largest in Central America with a nominal power of 8.8 MW and storage capacity of 4.5 MWh. According to the independent engineer estimates, the BESS will generate combined savings of US\$ 14 million in penalties for ancillary services and will offset approximately 3,200 tons of CO₂/year by avoiding the start-up of thermal and hydro generation units to provide the frequency regulation services required to maintain the stability and the security of the Salvadoran grid. In addition, BESS provide better time responses than thermal or hydro units, improving the overall efficiency of the electricity system in El Salvador and in the medium/long-term widespread use of BESS would increase the integration of Non-Conventional Renewable Energy (NCRE) in LAC grids.

Investment Summary

CLIENT:

NEOEN S.A.S.

COUNTRY:

El Salvador

FINANCING:

DFI: US\$ 0.0 million

Blended: US\$ 6.4 million

Total Project Cost: US\$ 6.4 million

YEAR:

2021



Agripac S.A.

Expanding access to finance and agricultural inputs for women-owned/led SMEs in the agriculture sector

Challenge	Solution
<p>There are two million women-led SMEs (“WSMEs”) in Ecuador of which 30% are in rural areas, and only 29% use bank financing for working capital needs. While there is no data on how many WSMEs in Ecuador are engaged in the agricultural sector it can be assumed that a relevant sub-group operates in this sector given that 49% of the rural population are women and 61.3% of rural women are engaged in agricultural activities. Since Ecuador falls short in providing adequate financing to small producers in the agriculture sector, with access to finance for women-owned producers being even lower, IDB Invest can support the sector by encouraging corporate anchor companies to incorporate more WSMEs in their supply chains or client base.</p>	<p>IDB Invest will provide a senior loan of up to US\$ 16 million loan to Agripac S.A. (the “Company”) to finance the expansion of the Company’s production capacity. As part of this investment, the Women’s Entrepreneurs Finance Initiative Fund (“We-Fi”) will provide up to US\$ 400,000 through Performance-Based Incentives to expand access to customer credit for the Company’s WSME clients which are currently only 5.6% of total SME clients. Furthermore, the Advisory Service’s Diversity and Inclusion team will support Agripac in two main areas: (i) creation of a strategy for the WSME segment and, (ii) integration of the WSME program in the day-to-day Agripac’s operations.</p>

Results

With the support of the We-Fi incentive and IDB Invest’s advisory services, the Company is committed to prioritize the growth of its WSME clients that receive access to Agripac’s financing products from 602 in 2021 to 1,400 in 2026, which are expected to represent at least 6% of the total SME portfolio. Positive results from this transaction might motivate other corporate clients to replicate this model as it narrows the knowledge gap on how to attract women’s businesses and turn them into clients and help them achieve growth beyond the microenterprise level.

Investment Summary

CLIENT:

Agripac S.A.

COUNTRY:

Ecuador

FINANCING:

DFI: US\$ 16.0 million

Blended: US\$ 0.4 million

Total Project Cost: US\$ 17.4 million

YEAR:

2021



Produbanco Sustainable Bond

Supporting financial institutions transition to low carbon and climate resiliency

Challenge	Solution
According to a 2018 report from CDP, the largest global companies reported almost US\$1 trillion in assets at risk (stranded assets) from climate impacts. These impacts correspond to the physical, societal, and regulatory effects of climate change. It is estimated that 41% of FIs in LAC do not have a documented process in place to identify, analyze, and manage climate-related risks. Also, few FIs in LAC have joined initiatives such as Net-Zero Banking Alliance (“NZBA”) or Taskforce for Climate-related Financial Disclosures (“TCFD”). In consequence, more than half of all FIs in LAC are less equipped to manage risks and seize opportunities in the wake of climate change and the transition to a low carbon economy.	IDB Invest will subscribe US\$50 million of Banco de la Producción’s (“Produbanco”) sustainable bond in Ecuador. The bond will feature a Class A for US\$40 million for social segments focused on SMEs, and a Class B of US\$10 million for green lending activities. Class B will feature an embedded performance-based pricing for specific targets related to Produbanco’s NZBA and TCFD milestones, and a milestone for growing the bank’s green portfolio. The bond will be the first sustainable bond in Ecuador. The Canadian Climate Fund for the Private Sector in the Americas – Phase I (the “C2F”) will provide an internal guarantee for Class B for the benefit of IDB Invest.

Results

Through the performance-based incentives for Class B, which are made possible by the C2F guarantee, IDB Invest incentivizes corporate level change at Produbanco to achieve desirable climate outcomes. Measurable impact outcomes will be achieved from a target portfolio several times larger than the size of the C2F loan amount. The process of achieving NZBA commitments and TCFD implementation will support a more efficient allocation of capital to help mitigate the impact of climate change, as well as the risks in Produbanco’s portfolio, therefore enhancing the bank’s institutional capacity to actively contribute to the financing of investments required for a low-carbon economy. The knowledge creation shall reach Produbanco’s peers and clients, bridging the existing information asymmetries and encouraging other FIs to start decarbonization of portfolios and climate-related disclosure and risk analysis.

Investment Summary

CLIENT:

Banco de la Producción S.A.
(Produbanco)

COUNTRY:

Ecuador

FINANCING:

DFI: US\$ 40.0 million

Blended: US\$ 10.0 million

Total Project Cost: US\$ 50.0 million

YEAR:

2021



SEAF Caribbean SME Growth Fund

Facilitating Caribbean SMEs access to finance for climate resilient investments

Challenge	Solution
<p>Small island nations in the Caribbean are among the most vulnerable to the adverse effects of climate change, as they have fewer resources to adapt socially, technologically, and financially. It is estimated that annual expected losses from climate change-related extreme weather events will be in the range of 2-9% of GDP by 2030. SMEs in the Caribbean account for 94% of businesses and are considered the most vulnerable to climate change among the business community. Therefore, successful private sector engagement in climate adaptation could encourage greater investments to lower costs and accelerate the development and/or replication of climate resilient technologies; mobilize financial resources and technical capacity.</p>	<p>IDB Invest will make an equity investment in the Small Enterprise Assistance Fund (SEAF) Caribbean SME Growth Fund (the Fund) of up to US\$10 million along with a concessional loan of up to US\$ 10 million from the Canadian Climate Fund (C2F). The C2F loan will allow the Fund to provide financing for climate resilient investments to several of the Fund's portfolio companies. Through Climate Advisory services, several of the Fund's companies will be able to perform climate risk assessments, which will provide recommendations on the nature of the climate investment and the technological specificities.</p>

Results

As part of the C2F loan conditions, the Fund shall become a supporter of the Task Force on Climate-related Financial Disclosures (TCFD) and in consequence will establish a practice of assessing the impacts from climate change on its operations. The SMEs that acquire access to Fund financing for their climate investments will establish an important track record within their industry and with financial institutions on the financial and economic feasibility of climate resilient projects. The access to financing gap in the Caribbean, aggravated by COVID-19, makes the Fund even more relevant as it will be one of the few entities with resources to invest in the region.

Investment Summary

CLIENT:

SEAF Caribbean SME Growth Fund

COUNTRY:

Regional

FINANCING:

DFI: US\$ 10.0 million

Blended: US\$ 10.0 million

Total Project Cost: US\$ 59.0 million

YEAR:

2021



Pichincha Gender Bond

Supporting Ecuador's first gender bond issuance

Challenge

In Ecuador, one of the key obstacles that women-led SMEs face is the lack of access to finance. Only 43% of businesses led by women have a bank loan or a line of credit in the country compared with 64.6% for businesses led by men. The financing gap is even bigger for women-led businesses in the agricultural sector. There are two million women-led SMEs in Ecuador of which 30% are in rural areas, and only 29% use bank financing for working capital needs. Additionally, the collateral requirements for women entrepreneurs are generally higher. All these financial restrictions negatively impact the growth and profitability of women-led SMEs in Ecuador.

Solution

IDB Invest and IFC will jointly subscribe a US\$ 100 million gender bond by Pichincha to finance the growth of the bank's women-owned/led SMEs and microenterprises ("WSME") portfolios. The project includes a US\$400,000 performance-based incentive ("PBI") from the Women's Entrepreneurs Finance Initiative Fund ("We-Fi"). As implementing entities of We-Fi IDB Invest and IFC will co-fund the PBI amount each with US\$200,000. Furthermore, IDB Invest's advisory team will support Pichincha in strengthening its value proposition focused on WSMEs in the agricultural sector.

Results

With the support of the We-Fi incentive and IDB Invest's advisory services the Bank is committed to grow its WSME loan portfolio from 48,149 loans in 2020 to 160,000 loans by 2026, which are expected to represent at least 16% of the total microenterprise and SME loan portfolio and around 139,380 WSME clients in 2026. In addition, Pichincha is committed to increase its share of WSME loans in the agricultural segment over WSME total loans from 39% in 2021 to 44% in 2026. IDB Invest's intervention aims to disrupt market inertia of an under-served segment. Information asymmetries shall be disrupted by (i) developing a value proposition focused on WSMEs in the agricultural sector addressing the challenges faced by Afro-descendant and indigenous women; and (ii) a diagnostic of the existence of unconscious biases in the approval of WSME loans and recommendations on how to correct these practices.

Investment Summary

CLIENT:

Pichincha C.A.(Pichincha)

COUNTRY:

Ecuador

FINANCING:

DFI: US\$ 50.0 million

Blended: US\$ 0.2 million

Total Project Cost: US\$ 100.4 million

YEAR:

2021



SOLECO Energy

Piloting B2B distributed solar generation through a leasing business model

Challenge	Solution
<p>The Caribbean region has one of the highest costs of electricity in the world. In LAC, Jamaica records the highest residential and commercial electricity prices (between US\$ 0.32 and US\$ 0.38 per kWh), mainly driven by the reliance on imported fuels, system losses, and an inefficient electricity network. Furthermore, the electricity sector is organized around one single integrated company, the Jamaica Public Services Company Ltd., ("JPSCo"), for the transmission, distribution, and dispatch of electricity, resulting in limited supply options for end-consumers. As of June 2020, 90% of Jamaica's electricity generating capacity was dependent on fossil fuels, and only 10% of generation from renewable energy sources, of which 1% was generated by solar power.</p>	<p>IDB Invest provided a subordinated loan to Soleco Energy Jamaica of up to US\$ 24.3 million consisting of US\$13.3 million funded by IDB Invest and US\$ 11 million funded by concessional resources from the Clean Technology Fund (CTF) to finance the expansion of Soleco's distributed solar PV leasing portfolio. The CTF loan will include a principal deferral mechanism that increases the flexibility of the financial structure to prove the business model with the initial installations, and gender outcome-based interest rate incentive to promote the participation of women in technical and managerial roles in the solar PV industry in the Caribbean.</p>

Results

The principal deferral feature in the CTF financing will target the client's cash flow needs in the event of limited capacity to serve the debt obligations of the project, in relation to the initial installations. This transaction aims to provide proof of concept for the viability of Soleco's business model and its potential to be scaled and/or replicated hence providing diversification to Jamaica's energy matrix. In terms of gender outcomes, CTF will incentivize the engagement of the EPC contractor to achieve (i) solar PV technical training of 15 women, (ii) up to 15% of women as construction and operation hires, as well as the creation of 2 internships for women at Soleco after project completion. Soleco's initial installations are expected to have an aggregate generating capacity of approximately 11.25 MWp and avoid 10,000 tCO₂e per year.

Investment Summary

CLIENT:

Soleco Energy Jamaica

COUNTRY:

Jamaica

FINANCING:

DFI: US\$ 11.0 million

Blended: US\$ 11.0 million

Total Project Cost: US\$ 33.3 million

YEAR:

2021



Indorama Agro Capex Financing

Financing to modernize cotton farming in Uzbekistan and introduce advanced green technologies

Challenge

Cotton remains important to the national economy of Uzbekistan, with agriculture accounting for approximately 28% of GDP and employing about 26% of the country's labour force.

At the same time, the cotton farming production in the country is heavily water and energy intensive and the majority of market participants do not implement water/energy efficiency measures. This is a critical issue in Uzbekistan which is a water-stressed country vulnerable to the impacts of climate change.

In 2021, EBRD supported the expansion of Indorama's activities in the cotton sector, including the purchase of agricultural machinery, ginning facilities and irrigation equipment.

As part of the financing package, EBRD offered a blended finance solution that incentivised the client to implement best available practices in terms of water efficiency in the cotton growing fields.

Solution

The EBRD financing is supported by a grant from FINTECC (Finance and Technology Transfer Centre for Climate Change), a programme that helps companies implement innovative climate technologies.

In this case, the investment grant (financed by the Global Environment Facility Trust Fund) will support the introduction of pioneering agricultural equipment and thus extend the development impact of the project beyond what is possible on commercial terms. Specifically, it will cover 22% of the cost related to the introduction of GPS/laser levelling equipment that is used to address the issue of uneven soil surfaces, which can affect the yield of crops, the use of water and associated resources.

This will be the first application of this technology in Uzbekistan which is widely recognised as a good agronomic and crop management practice, but which is a novelty in Uzbekistan's agricultural sector.

Investment Summary

CLIENT:

Indorama Agro, one of the largest cotton farms in Uzbekistan

COUNTRY:

Uzbekistan

FINANCING:

EBRD: \$60 million

IFC: \$60 million

Sponsor Equity: \$65 million

FINTECC Grant: \$0.15 million

YEAR:

2021



European Bank
for Reconstruction and Development



Results

With the support of the FINTECC grant, the client implemented the best available practice in terms of GPS/laser levelling of the cotton fields. This will reduce water consumption by around 162,800,000 m³ annually, which corresponds to a reduction of 30% for the overall facility.

The technology has wide application potential in the sector, and the experience with Indorama is expected to create a strong demonstration case for wider deployment in Uzbekistan and the region.

The project is also expected to create new economic opportunities for young people in rural Uzbekistan, thereby helping to strengthen competitiveness and enhancing economic inclusion.

Central Asia Women in Business (WiB) Programme

The WiB programme promotes and supports women's entrepreneurship in Central Asia by assisting women-led MSMEs to access finance, know-how and advice

Challenge

Women's entrepreneurship plays a key role in creating jobs and driving economic growth in Central Asia. At the same time, women-led businesses in the region face significant gender-related structural barriers in accessing the financing and the know-how needed to develop and grow.

Specifically, the SME Finance Forum estimates that the formal MSME finance gap for women in Uzbekistan, Mongolia, Kyrgyzstan and Tajikistan amounts to over \$2 billion.

This financing gap, coupled with fewer opportunities to gain managerial experience, tend to constrain women-owned businesses to low value-added and low productivity sectors on a relatively small scale.

One important contributing factor to the limited access to financing is the fact that financial intermediaries perceive women entrepreneurs to be an untested market segment and too risky to lend to (or too risky to lend to on affordable / commercial terms).

Solution

EBRD in 2019 launched the Central Asia Women in Business (WiB) Programme to systematically address the demand - and supply - side constraints that women entrepreneurs face in accessing finance. It is the first such holistic programme to be offered in Central Asia by an IFI.

The programme combines (i) dedicated financing for women-led SMEs through credit lines, (ii) technical assistance to both PFIs and women entrepreneurs and (iii) tailored and time-bound guarantees for PFIs to compensate for perceived or actual risks of lending to women-led businesses.

The guarantees, in the form of a First Loss Risk Cover (FLRC) of up to 10% of the portfolio, enable PFIs to test more favourable lending conditions to women-led businesses and thus improve their access to finance. The guarantees will be phased out over time as market perceptions shift and financial intermediaries learn how best to extend affordable credit to women-led businesses.

Investment Summary

CLIENT:

Participating Financial Institutions (PFIs)

COUNTRY:

Regional (Kyrgyzstan, Mongolia, Tajikistan and Uzbekistan)

FINANCING:

EBRD: EUR 200 million

Women Entrepreneurs Financing Initiative (Guarantees): \$20 million

Total Programme Volume: \$235 million

YEAR:

2019 – 2026



Results

To date, EBRD has approved 10 loans totaling \$23.21 million with local PFIs under the programme.

Through its PFIs, the programme aims to reach at least 7,000 women-led MSMEs who face significant gender-related barriers to accessing finance and expertise.

By demonstrating the success and viability of women entrepreneurs and encouraging new business formation, the programme serves as a path opener and contributes to addressing the large gaps in women-led SME lending in Central Asia.

The approach is expected to be sustained by the PFIs beyond this programme, thus enabling it to become sustainable on market terms, and to be followed by other financial institutions that will develop dedicated products and/or business lines.

IIFLHF Supporting Access to Affordable Green Housing for Women Project

On-lending to developers for the construction of green certified affordable homes and mortgage financing for women and households in low income or economically weaker segments

Challenge	Solution
<p>Rapid population growth in India and migration from rural to urban areas has increased pressure on India's housing stock. Lack of affordable housing, particularly for women, remains a key concern, leading to inequalities in economic opportunities as well as increased health and environmental issues. While the portion of green buildings has increased in India, over 98% of green certified buildings are not for residential use. This is primarily due to higher costs for green certified, climate adaptive buildings.</p>	<p>ADB provided concessional financing through its Canadian Climate Fund for the Private Sector in Asia (CFPS) to partially offset the incremental construction cost of green certified residential buildings. The blended finance package thus enables the client to support increased supply of green affordable housing. This in turn enables the client to increase its mortgage portfolio to improve access to affordable housing finance, with a targeted focus on women and households in low income or economically weaker segments.</p>

Results
<p>306,000 m2 of climate-resilient and green-certified housing for low-income groups or economically weaker segments (LIGs and EWS)</p>
<p>136,000 loans for women in LIGs and EWS and 6,715 of certified green loans for women in LIGs and EWS</p>
<p>147,950 new construction jobs</p>
<p>Improvements in gender equality (introduction of hiring target and new gender-sensitive recruitment practices for the client)</p>
<p>9,217 MWh energy savings per annum</p>

Investment Summary

CLIENT:
IIFL Home Finance Limited

COUNTRY:
India

FINANCING:
\$58 million ADB Ordinary Capital Resources (in ₹ equivalent), \$10 million concessional finance (in ₹ equivalent), \$83 million Total Project Cost

YEAR:
2021



Zambia Agriculture Value Chain Facility

Challenge	Solution
<p>Zambia recorded a downfall in economic activity. The agriculture sector declined due to large fiscal deficits, and banks like Zanaco operate in a very challenging and political environment. Government arrears to domestic suppliers have increased to around 7-7.5%, holding back growth. In turn, firms that are awaiting payments from the government struggle to repay bank loans, raising repayment risks for the banking sector. Banks are very risk averse, especially when on-lending to small and medium sized enterprises active in volatile sectors like agriculture and along its value chains.</p>	<p>Through provision of a first loss capped portfolio guarantee the project aims to address market failures in the agriculture value chains by supporting the access to finance for private agriculture value chain actors through selected financial intermediaries. The risk sharing facility aims to enable more lending to SMEs and midcaps in the agriculture sector in an environment where financial intermediaries are reluctant to engage, as loans will be made available to agri-food value chains which are otherwise underserved. TA linked to the operation would strengthen the capacity of financial intermediaries to lend to those actors.</p>

Results

By focusing on private agriculture and aquaculture value chain actors (mainly SMEs) that integrate smallholders, including fish farmers, in their value chains, the project aims to increase the participation of smallholder farmers in sustainable, climate-resilient, market integrated, nutrition- and gender-sensitive value chains. As such, the project is expected to sustain strong developmental impact, contribute to poverty reduction and improve rural livelihoods. The access to long-term financing would help accelerating economic growth, generating productive jobs and improving the market access to smallholder farmers .

Investment Summary

CLIENT:

Zambia National Commercial Bank PLC (Zanaco)

COUNTRY:

Zambia

FINANCING:

EIB EUR 15 million, EC EUR 4 million, Total Project Cost EUR 30 million

YEAR:

2021



European Investment Bank



EUROPEAN UNION

COVID-19 Vaccine Manufacturing in Senegal

Provide support in establishing a manufacturing unit for COVID-19 vaccines in Senegal

Challenge	Solution
Senegal's low Real GDP growth, slow integration in global value chains, and increase in fiscal deficits contributed to the economic slowdown caused by the pandemic outbreak. Africa currently produces only one percent of the vaccines it administers. The remaining 99% are imported. This exposes Africa's vulnerabilities in ensuring affordable access to vital drugs, vaccines, and health technologies to combat the impact of COVID-19.	The EIB, in partnership with the EC and other EU DFIs (Team Europe) and US-DFC, is addressing Africa's need to increase local manufacturing capacity to produce vaccines in order to bolster Africa's health security with the financing platform called SHIRA (Sustainable Health Industry for Resilience in Africa). As part of Team Europe, the EIB plans to offer a comprehensive support package to tackle barriers to regional production. The donor funding will be used to support capex linked to the vaccine manufacturing entity in Senegal (MADIBA).

Results

The localization of vaccine manufacturing capacity in Sub-Saharan Africa aims at alleviating the strain of the COVID-19 pandemics in LMICs and in this respect, the project supports the objectives of enhancement of sustainable social and human development through improved health, education and nutrition services. Boosting local production will save lives, boost public health, and strengthen African economies, including supporting local jobs. It should also trigger the sharing of crucial technologies.

Investment Summary

CLIENT:

Institut Pasteur de Dakar (through MADIBA, a special purpose corporate vehicle)

COUNTRY:

Senegal

FINANCING:

Financing: EIB: EUR 75 million (committed) + up to EUR 20m (uncommitted); EU Member States: EUR 4.75 million; Total project cost : EUR 280 million

YEAR:

2022



IFC – Circulate Capital

Investment in the circular economy

Challenge	Solution	Investment Summary
<p>Mismanaged plastic waste is a major source of river and ocean pollution in countries like India, Indonesia, and Vietnam with significant coastal populations and inadequate waste management infrastructure. Plastic recycling in these countries remains very fragmented and is a nascent industry, with limited adoption of value-added processes so far. This has prevented plastic recyclers from improving efficiency and scaling-up operations in a significant manner.</p> <p>In addition, SMEs, including those in the plastic recycling industry, often have significant fundraising challenges, and recycling and waste management companies are frequently subject to regulatory and technological risks that affect their ability to raise capital. Disruptive technology companies can be a potential solution to these challenges which can improve the scaling up of recycling operations, however these companies in general carry high risks given their early-stage nature and therefore also face hurdles in raising money. In parallel, the COVID-19 pandemic has adversely affected Private Equity (PE) fundraising in Southeast Asia and South Asia, which further increases the challenge of financing SME's that can address the plastic problem in the region.</p>	<p>The proposed fund is exclusively targeting companies delivering solutions to plastic waste, and this niche investment focus is perceived to be riskier by investors with concerns around securing adequate deal flow and exits. The project involves an IFC investment of \$10 million (inclusive of BFCP support) in the Circulate Capital Ocean Fund I-B , a Private Equity fund targeting investments in waste management and circular economy solutions that combat plastic waste in South and Southeast Asia. The Fund will pursue investments in (i) growth-stage small and medium-sized enterprises in Southeast Asia and South Asia in waste management and recycling (at least 70%), and (ii) early-stage disruptive innovation and technology companies in the plastics circularity space (up to a maximum of 30%). The Fund is expecting to fundraise between \$50 million and \$100 million.</p> <p>The blended finance support with the BFCP mitigates the risks and participation constraints presented by the project for being an innovative fund of this type and managed by an emerging fund manager in a narrow and risky sector, and helps the Fund reach a viable close in a difficult fundraising environment. By providing a subordinated position to IFC's investment, the BFCP's co-investment will mitigate participation constraints driven by these risks directly and enable IFC and indirectly other private investors to participate.</p>	<p>CLIENT: Circulate Capital Ocean Fund I-B (the "Fund")</p> <p>COUNTRY: Southeast Asia and South Asia</p> <p>FINANCING: IFC \$5 million, Finland-IFC Blended Finance for Climate Program (BFCP) \$5 million</p> <p>YEAR: 2022</p> <hr/> <p>Results</p> <p>The Project is expected to contribute to climate mitigation by supporting the growth of plastic recycling, and the creation and growth of plastic circularity through investment in the Fund's portfolio companies. The expected outcomes include (i) increased access to Private Equity capital and value creation for SMEs delivering plastic waste reduction solutions in Southeast Asia and South Asia; and (ii) reduced leakage of plastics into the environment through enhanced recovery, recycling and reuse of waste plastic. Beyond the project, by proving circular business models and using its strategic business partnerships with multinational corporations, the Fund will deepen integration of the circular economy in the region.</p>

aBi Finance

Creating access to finance for the underserved agribusiness segment in Uganda

Challenge	Solution
<p>In Uganda, smallholders and SMEs in the agribusiness sector have historically had limited access to finance.</p> <p>Especially female farmers and business owners have limited lending and investment possibilities.</p> <p>Further, the change in climate and weather patterns has challenged the Ugandan farmers, and there is a huge need for investments in climate mitigation and adaptation.</p> <p>To continue and extend the addressing of these issues, aBi Finance requires additional capital for scaling the existing business and to extend the outreach of the financial facilities.</p>	<p>Since 2010 aBi Finance has successfully been operating as a wholesale lender, supplying loan facilities and guarantees to financial institutions (FIs) in Uganda.</p> <p>In the new investment, IFU and the European Union have invested. EUR 18.7 million of equity and technical assistance in aBi Finance.</p> <p>The EU Blended Finance Facility of EUR 10m in total will be invested as share capital and technical assistance of EUR 1.3.</p> <p>Technical assistance will be channelled to aBi Finance to support financial institutions in increasing financial inclusion.</p>

Results

IFU's involvement in aBi Finance is a first step in transforming the fund into a fully commercial enterprise and, in the longer run, attract other investors. IFU's involvement is a precondition for the EU funding.

With the investment, it is expected that the number of loans will increase to 182,000 loans per year towards the end of the investment period and estimated 40% of lenders will be female.

This will increase small-scale agricultural producers' access to finance and, thereby, their productivity, income and resilience to adopt to climate change.

Investment Summary

CLIENT:

aBi Finance Ltd

COUNTRY:

Uganda

FINANCING:

IFU: EUR 8.7m

EU: EUR 10m (1.3 TA)

Total: EUR 18.7m

YEAR:

2021



EUROPEAN UNION



Pula

Piloting a pay-at-harvest model for agri-insurance in Africa

Challenge	Solution
<p>Agricultural insurance is a relevant tool for managing the risks of climate change and contributing to climate adaptation. It helps enhance farmers' understanding of risk, and build adaptive capacity. It can help stabilize farmers' income, reduce poverty, and provide a climate resilience relevant safety net. Insurance can also facilitate farmers' access to credit, which is relevant for investing in improved farming practices.</p> <p>However, there are several demand and supply side gaps in the agri-value chain that have kept adoption of agriculture insurance at low levels. These include: affordability issues and uncertainty on pay outs limiting smallholder farmer uptake of insurance, lack of appropriate products to de-risk investors and off-takers, and insufficient technical capacity of insurers and reinsurers to develop appropriate agri-insurance products for local markets.</p>	<p>Pula delivers bundled digital insurance products including weather, livestock and area yield index insurance, as well as advisory services and training to farmers, providing insurance coverage from risks such as drought, floods, pests and diseases.</p> <p>BII has provided a contingent loan that will enable Pula to pilot a new pay-at-harvest insurance product – a model which is virtually untested in Africa but has the potential to significantly increase smallholder uptake of agricultural insurance by addressing the cyclical affordability barriers facing these farmers.</p>

Results

In 2021, Pula carried out a pay-at-harvest (PAH) insurance pilot with 4,358 rice farmers in Nigeria's Benue and Nasarawa states, 71% received payouts. Scaling this in 2022 to Uganda, Ghana, and Malawi for rice, maize, coffee, and cocoa value chains has allowed 115k farmers to be insured under the PAH model – a ~30x growth in 1 year.

If the pay-at-harvest pilots continue to be successful in demonstrating commercial viability, Pula seeks to crowd in more commercial capital for a scale-up and encourage off-takers to integrate insurance into their broader inputs offering. We anticipate the greatest opportunities to successfully implement PAH insurance through tight value chains such as organic cotton in India and certified cocoa in Ghana reaching an estimated 1M smallholder farmers.

Investment Summary

CLIENT:

Pula Advisors AG

COUNTRY:

Pan-Africa

FINANCING:

DFI Own-Account: Blended: \$5m

YEAR:

2021



WeLight Madagascar

EDFI ElectriFI has invested together with the EIB and Triodos IM a total of EUR 19m to support WeLight in the deployment of solar mini-grids in over 120 villages in Madagascar which currently have no access to the electricity grid

Challenge	Solution
Rural electrification rate in Madagascar is extremely low, with an estimated 16m+ people in rural areas without grid access. Other challenges include the lack of a reliable infrastructure, dispersed populations in remote areas and with limited purchasing power. The "Electricity Code" in Madagascar has been recently reformed, introducing a comprehensive regulatory framework for the development of mini-grids, which are key in the Government's strategy of rural electrification. Off-grid solar technology has proven to be a fast and effective solution to accelerate economic growth and sustainable development in regions where connection to the grid is still challenging.	The investment is a conducive debt facility to fund the staged development and construction of 120+ mini-grids in villages identified in collaboration with the Ministry of Energy and the Agency for the Development of Rural Electrification (ADER). It has a maturity of 7 years and a partially capped, variable interest rate. The advantage of such Facility is that it (i) helps the company finance the deployment of the mini-grids in a pre-revenue stage, (ii) enables WeLight to leverage their balance sheet and curb the average cost of capital, making the project financially sustainable, while (iii) providing incentives to sponsors to do more with scarce equity, deepening the outreach.

Results

The new mini-grids will provide residents in off-grid rural villages with access to clean and affordable energy. Alongside homes and businesses, the project will benefit schools, health centers and public spaces, strengthening the local economy and improving health, security and education. Made up of a solar power plant and an energy storage system, a distribution line and a meter for each customer, a mini-grid can supply electricity 24 hours a day, seven days a week. The 120 additional villages cover 17 regions. The company is expected to reach close to 280,000 beneficiaries by 2025 and to contribute to the avoidance of 9,600 tCO₂ annually.

Investment Summary

CLIENT:

WeLight

COUNTRY:

Madagascar

FINANCING:

EUR 19m senior debt facility

YEAR:

2022



Annex 3. Market Case Studies

IDB Invest: Developing the Solar Market In Uruguay

Uruguay Renewable Energy Market Context

Historically, Uruguay's installed renewable energy capacity was heavily skewed towards hydroelectric power, providing low-cost energy but leaving the energy system susceptible to climatic changes, particularly prolonged droughts. In times of diminished hydropower output, the domestic energy supply needed to be supplemented by more costly non-renewable resources (mainly fuel oil and gas oil) imported from Brazil and Argentina. In certain years, imported fuel swelled energy supply costs by an additional \$500 million; costs that were passed on to end-users in the form of higher energy bills.

In a push to diversify the national energy matrix, the Government of Uruguay (GoU) launched a national strategy to increase the share of alternative renewable energy types in its installed supply, including solar photovoltaic (PV) systems. In 2013, through the state-owned utility company Administración Nacional de Usinas y Transmisiones Eléctricas (UTE), the GoU launched a 200 megawatt (MW) tender program, opening the energy generation sector to private ownership to expedite the creation of solar PV assets and satisfy the energy demands of about 150 thousand people.

IDB Invest Role in Promoting the Development of Uruguay's Energy Markets

IDB Invest played a central role in arranging the initial long-term financing and subsequent refinancing of several solar PV projects secured through the tender framework which included:

- **The La Jacinta Solar PV** – Salto Department, Uruguay, 65MW – Total IDB Invest arranged financing US\$81.7 million of which US\$25 million C2F
- **The Natelu and Yarnel Solar PV** – Río Negro and Soriano Departments, Uruguay, 19MW – Total IDB

Invest arranged financing US\$24.8 million of which US\$12.4 million C2F

- **The Casablanca & Giacote Solar PV** – Paysandú, Río Negro and Salto Departments, Uruguay, 68MW – Total IDB Invest arranged financing US\$82.7 million of which US\$10 million C2F

These initial projects supported by IDB Invest and the Canadian Climate Fund for the Private Sector in the Americas (C2F) produced a demonstration effect for how to attract and structure private sector and cross-border investment in a novel renewable energy technology. C2F concessionality was extended in the form of tenors unavailable in the commercial market, and a subsidized interest rate. C2F participation served to enhance project commercial viability; improve transactions credit profiles; reduce the overall cost of debt (bringing the rate of return for the sponsor and senior lenders in line with historic expectations) and; fill financing gaps that were unlikely to meet the ticket size requirements of institutional investors.

Due to the change in the risk perception of the asset class, by 2018 long-term commercial financing was becoming available. By the end of 2020 all projects were able to be refinanced on the bond or the commercial bank market, and commercial pricing was cheaper than the original subsidized rate provided by the C2F, an illustration of Uruguay's shift towards competitive commercial financing for clean electricity. For the first refinancing, C2F maintained its participation – at a lower subsidy level – to reach Investment Grade rating. In all the subsequent refinancings, C2F was fully prepaid.

Furthermore, during the structuring period of the Casablanca & Giacote transaction, IDB Invest piloted a performance-based pricing (PBP) model to create opportunities for women during the construction phase of the project in consideration of their disproportional representation in lower income earning sectors, like retail and health. The outcomes of PBP provided evidence to internal stakeholders of an innovative approach to integrating a gender lens into IDB Invest's own project

financing processes, and to promote this evidence base externally to motivate broader gender equality progress in the sector, both domestically and across Latin America.

Key Insights

Uruguay Energy Market Outcomes

At the outset of the 2013 solar tender, private ownership of renewable energy assets in Uruguay stood at just 5%. By 2018, US\$ 4.5 billion of private sector investment flowed to the clean energy sector. Foreign investors were also playing a larger role. In 2018, they accounted for 75% of all capital invested in renewable energy. Between 2005-2018, the share of non-renewable sources in Uruguay's energy supply fell from 58% to 37% and energy imports (primarily fossil fuel based) declined to virtually zero. This eased the country's dependence on strained hydroelectric power generation and costly, high-emission fossil fuel imports, thus improving the industry's productivity and resilience.

Using Blended Finance to Bridge the Gap to Market Maturity

The soft capital from C2F was critical as it filled the gap and brought borrower credit and project risk profiles in line with institutional investor expectations. It also allowed for longer tenors on IDB Invest loans, ensuring project bankability. Both the shift in the risk perceptions of institutional investors and the decline in solar PV equipment cost overtime reduced the share of concessional financing for the projects as institutional investors replaced the subsidization model as the market became not only more competitive, but began to outcompete fossil fuel fired energy, making them increasingly financeable in the capital market.

The Use of Blended Finance as an Effective Tool to Incentivize Gender Impact

Structuring concessional capital to include performance-based pricing (PBP) schemes can effectively motivate action towards gender impact. Providing a monetary incentive to hire women kick-started the interest of the project sponsors to prioritize outcomes that are rarely undertaken in the construction sector. Documenting the performance-based incentive within the legal architecture of the transaction entrenched its importance alongside traditional activities and made it an important consideration for prospective investors. Concessional capital and PBP can play a vital role in narrowing the gender representation gap in male-dominated sectors, but they are not a complete answer. Additional interventions must also be thoughtfully devised to address the underlying issues that manifest in such inequalities.

A Programmatic Approach to Blended Finance to Produce Greater Sector Impact

The launch of the 200MW solar tender by UTE presented IDB Invest with the opportunity to approach the development of the Uruguayan solar sector from a holistic, programmatic perspective. The application of blended finance at different project finance phases in the La Jacinta, Natelu Yarnel and Casablanca Giacote projects, as well as in other types of renewable energy projects in Uruguay, enabled IDB Invest to build a track record of successful solar development. This was despite there being limited prior implementation of blended finance in the country, both in renewable energy asset creation and across sectors more generally. A string of successful projects in succession helped attract institutional investor participation and consistently grow market exposure. Replication of proven models for comparable transactions will play a key role in scaling markets.

EBRD Women in Business Program in Türkiye (2014-2018)



Investment Summary

The first phase of the EBRD's Women in Business programme in Türkiye provided €300 million to Turkish banks for on-lending to women-led SMEs with the aim to strengthen their role in the economy. EBRD's financing incorporated a donor-funded first loss risk cover to compensate the participating banks for perceived risks of lending to women entrepreneurs. The programme was also supported by technical assistance and business advice to help women entrepreneurs become more competitive.

Issue

Promoting the inclusion of women in business is vital to realising the full economic potential of any country. However, while there is strong evidence that women's entrepreneurship plays a key role in creating jobs and driving economic growth, there is a mismatch between the financial products offered by the marketplace and those demanded by women entrepreneurs. Therefore, women-led small and medium-sized enterprises (SMEs) face disproportionate challenges in accessing the financing and the know-how they need to run and grow their businesses.

Women business owners struggle with access to finance in particular because financial intermediaries perceive this market segment to be too risky to lend to (or too risky to lend to on affordable terms) due to cultural reasons or for lacking traditional type of collateral. This is especially pertinent in the economies where EBRD invests, where women entrepreneurs face significant gender/cultural biases in lending practices and thus struggle to shift their businesses from low productivity sectors to higher value-added ones.

Solution

To address the obstacles outlined above, EBRD in 2014 launched the Türkiye Women in Business programme (TurWiB). The overall objective of the programme was to stimulate the transition to a more competitive and inclusive economy in Türkiye by promoting women's access to finance and entrepreneurship. The programme was specifically focused on women-led SMEs, meaning businesses with fewer than 250 employees and less than

€50 million in annual turnover or with a balance sheet total of less than €43 million. It also explicitly targeted women entrepreneurs in more remote areas of the country (i.e. outside of the largest cities Ankara, Istanbul and Izmir).

TurWiB was developed with the notion that gender specific gaps exist both in terms of access to finance and access to know-how, where the source of these gaps is determined by supply-side as well as demand-side factors, which are often interlinked. Therefore, in an innovative approach, the EBRD for the first time combined dedicated financing supported by a first loss risk cover (FLRC) scheme, with technical advice to local financial institutions and directly engaged with women entrepreneurs through training, advisory support, mentoring and networking services.

On the supply side, TurWiB included €300 million in dedicated financing to five Turkish banks (Vakıfbank, Finansbank, Is Bankası, TEB, and Garantibank) for on-lending to eligible women-led SMEs. To maximise the impact of TurWiB programme, the PFIs were expected to scale up the amount of EBRD credit lines by adding €100 million from their own funds. These credits lines were complemented by technical assistance for partner financial institutions (PFIs) to help them gain a better understanding of the financial needs of WiB SMEs, strengthen their capacity to effectively reach out to this market segment and introduce tailored financial products for women-led businesses.

The programme also incorporated a time-bound first loss risk cover (FLRC) of up to 10% of each PFI's sub-loan portfolio amount. The total donor funding made available for this FLRC element was €29.4 million. The structure of the mechanism allowed PFIs to recover losses (principal or interest) in relation to the loans disbursed to women-led SMEs. The rationale for the guarantee was to compensate the PFIs for perceived or actual risks until market perceptions shift and financial intermediaries learn how best to extend affordable credit to women entrepreneurs. In particular, the mechanism enabled participating banks to relax collateral requirements or lend to first-time borrowers and start-ups.

On the demand side, TurWiB addressed bottlenecks by improving access to know-how via advisory services and other activities that support women-led SMEs. This included a dedicated mentoring programme, training courses and coaching to WiB SMEs to enable them to better access financing.

Development Impact

The first phase of the programme ran from 2014 to 2018. By August 2017, EBRD had disbursed the full €300 million headroom and the programme reached close to 20,000 women entrepreneurs across the country. In 2020, EBRD's Evaluation Department analyzed the effectiveness of this first phase of the WiB programme and confirmed its strong development impact:

- TurWiB improved the offer for on-lending to women-led SMEs through an increase of the PFIs' WiB loan portfolios, targeting start-ups and first time sub-borrowers (accounting for 41% of the cumulative amount sub-lent to the market).
- The programme was also successful in encouraging PFIs to expand their WiB lending operations to regions with low level of financial intermediation (64% of total sub-loans were disbursed to women-led SMEs located in the regions outside of Istanbul, Ankara and Izmir).
- In addition, the programme provided almost 14,000 women entrepreneurs with advisory support including online diagnostic studies, seminars, training workshops, online courses, as well as coaching and mentoring activities.
- The blended finance structure in the form of the FLRC was essential to the success of the programme and helped incentivize PFIs to consider lending to the WiB segment. Three out of four PFIs interviewed stated that the FLRC was a key element that attracted them to TurWiB.

The evaluation report also studied the demonstration effect of TurWiB in the financial sector and found evidence that during the TurWiB period 2014-2018, various banks and IFIs started targeting the women segment. Even though these actions cannot be attributed solely to EBRD's WiB programme, interviews with external stakeholders showed that TurWiB was seen as a reference in the Turkish market and helped raise awareness of the benefits of lending to women-led SMEs.

The data also showed that PFIs' non-performing loan (NPL) ratios were lower on average for WiB loans than overall NPLs ratios. While additional years of data collection and analysis are required to confirm this trend, the relatively low level of NPLs under the EBRD programme is expected to act as an incentive for PFIs to keep lending to the WiB SME segment.

Tied to this, there was a clear expectation at the onset that the FLRC component would be phased out over time to avoid perpetuating PFIs' expectations of subsidised lending to finance the WiB sector. Therefore, when the EBRD in 2018 launched a second phase of the programme (TurWiB II), the FLRC component was decreased to 7% of sub-loans (versus 10% for TurWiB I).

Furthermore, an ongoing study conducted by the EBRD's Office of the Chief Economist in collaboration with the Turkish central bank also provides evidence of how TurWiB contributed to market development. The study analyzes the universe of loans to female and male business borrowers, made possible due to the central bank's access to the Turkish credit registry. It finds that the five banks that participated in TurWiB raised the volume of their overall lending to female entrepreneurs by 35% more than other banks. They also increased the number of female business borrowers by 16% more compared to other banks. As a result, the PFIs increased the portion of all business lending allocated to women by about 11% (equivalent to a persistent increase of 1 percentage point).

Moreover, the impact of the programme was found to be not spatially uniform. Participating banks shifted the allocation of new lending more to female entrepreneurs in areas where they had a lower initial market share in this segment. They mainly did so by lending more to their existing female borrowers in these districts and by poaching clients from competitors. This shows that when blended finance programmes use commercial banks to allocate public funds to specific target segments, local banking market characteristics determine which borrower types receive credit first.

To date, EBRD has approved WiB programmes in eight countries or regions (Türkiye, Western Balkans, Eastern Partnership, Egypt, Croatia, Kazakhstan, Morocco and Tajikistan). These programmes are currently at different stages of implementation. Türkiye was the first and largest application of the WiB concept that established the fundamental features adopted by the other programmes.

EIB – Land Degradation Neutrality Fund

Sustainable land-use activities in developing countries

Investment Summary

- Joint initiative by the United Nations Convention to Combat Desertification (UNCCD) and Mirova (Fund Manager)
- Region: Latin America, Africa and Asia
- Financing: EIB: \$45 million; EU Member States: \$5 million; Total project cost: \$300 million
- Year: First closing Dec. 2018
- Investment Period: 5 years
- Fund Life: 15 years

Challenge

Over 2 billion hectares of land are degraded worldwide and due to the exploitive production of human activities, poor land management practices favoring short-term economic gains, every year 12 million hectares of productive land are added to this count.

Stopping land degradation is an essential tool for mitigating climate change. Land Degradation Neutrality (LDN) emerged as a new policy concept and supports the following UN Sustainable Development Goals: 1 – No Poverty, 2 – Zero Hunger, 5 – Gender Equality, 13 – Climate Action and 15 – Life on Land.

Solution

The Fund aims to become a source of transformative capital bringing together public and private investors to fund a triple bottom line project. The Fund is a first-of-its-kind, investing in sustainable land management and land restoration projects, with the aim of creating awareness and demonstrating the merits of LDN related investments. Given the high risk perception of the underlying investments, with generally a higher than acceptable risk profile for many public and private investors, the Fund has a layered capital structure.

The Fund offers financing solutions that are not readily available in the market, providing finance (both debt and equity) and strategic benefits in ways other investors or banks might not (i.e. longer tenors, longer grace periods, more flexible repayment schedules, etc.).

Development Impact

The LDN Fund has received support from more than 120 countries that are committed to its initiatives and envisages the following for a sustainable land management:

- To improve the sustainability of productive land use reducing the pressure on, and strengthening the state of ecosystems and biodiversity;
- Keeping areas for restoration and conservation purposes so that natural ecosystems and their unique richness remains preserved;
- Sustainable land use practices are expected to lead to a reduction in greenhouse gases, sequester CO₂ and ensure a better resilience of production and livelihoods to climate impacts;
- A boost in livelihoods due to higher incomes, training, access to finance, as well as inclusion -- in particular improving gender inequality.

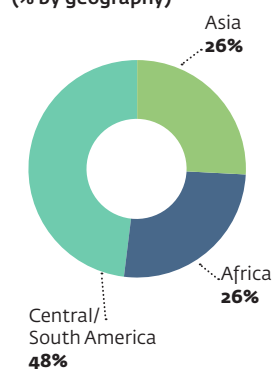
The LDN Fund targets six key impact themes:

- Natural Ecosystems
- Socio-economic Development, Livelihoods and Decent work
- Inclusion and Gender Equality
- Sustainable Productive Lands
- Climate Change Adaptation
- Climate Change Mitigation

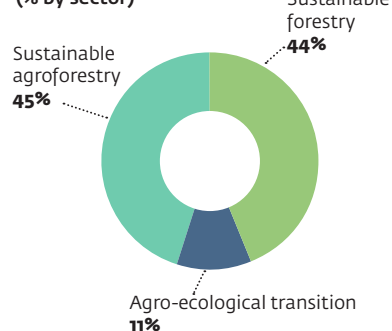
Given that the investment phase is still ongoing, only preliminary results on impact are observable. However, the Fund is making good progress towards its impact targets (see the table below).

PORTFOLIO DIVERSIFICATION

LDN COMMITMENTS (% by geography)



LDN COMMITMENTS (% by sector)



	Targets	Portfolio Projections	Reported Progress
Hectares under sustainable land management	350,00	175,000	100,000
Jobs provided by the projects	70,000	80,000	20,000
Tonnes of CO ₂ sequestered	25 million	20 million	1 million

IFC – Sofitex Burkina Faso

Cotton financing in Burkina Faso reaching commercial sustainability

Investment Summary

- Client: Société Burkinabé des Fibres Textiles (Sofitex)
- Country: Burkina Faso
- Financing: 1st transaction: total GAFSP Private Sector Window (GAFSP PrSW) investment of up to EUR 35 million (\$42 million) in a 1 year committed fully secured pre-export facility of EUR 70 million (\$84 million) arranged by Société Générale France (SG).
- Year: 2014-2020 (four transactions, of which first three were supported by GAFSP)

Challenge

The borrower, Sofitex, is a strategic agriculture company that controls 80% of cotton production in Burkina Faso. It is majority controlled by the government but operates independently. Sofitex is responsible for collection, marketing and ginning of raw cotton and cotton seeds produced by 2 million smallholder farmers and selling these products to global traders. Agriculture represents 40% of Burkina Faso's GDP and 80% of rural employment, and cotton is a critical crop supporting the livelihoods of 2 million people. However, the low level of productivity in Burkina's cotton sector as well as the high perceived risks for investment in the country have limited commercial lending to this sector.

Solution

IFC with GAFSP support provided a committed, funded risk participation in a one-year offshore secured pre-export finance facility for Sofitex, with GAFSP subordinated to IFC in liquidation and recovery. The Facility financed working

capital of Sofitex to: (i) repay pre-harvest loans received by Sofitex; (ii) purchase seed cotton from smallholder farmers; and (iii) meet other general working capital needs. IFC provided up to 50% funded risk participation into the Facility, and GAFSP provided an unfunded participation of up to 50% of IFC's own exposure.

Structured to facilitate commodity-backed, post-harvest lending to Sofitex, the Facility provided essential comfort for local banks to offer Sofitex input financing and pre-harvest loans, which directly benefit local farmers. IFC and GAFSP support was critical in demonstrating a viable concept over repeated transactions with Sofitex since 2014, which motivated more financial institutions to support previously underserved agribusinesses and farmers in cotton sector.

Results

Market creation - The Project illustrates how blended concessional finance with a time-bound subsidy can support transactions that are otherwise commercially unviable in their initial stage, and allow them to eventually reach commercial sustainability. Over multiple transactions with GAFSP support, the subsidy level of the concessional loans to Sofitex has gradually decreased, indicating that the blended finance co-investment has succeeded in attracting financing on increasingly more commercial terms. The subsidy level declined from 0.5% for Sofitex 1, 0.3% for Sofitex 2, 0.12% for Sofitex 3, and the fourth transaction was financed without any subsidy.

Project Outcome - The ultimate beneficiaries of the project are the local cotton farmers, who benefit from timely payment from Sofitex and greater availability of input loans, eventually resulting in increased productivity and improved livelihoods.

IFC – BMR Wind

Blended investment in wind energy ready to fly solo in Jamaica

Investment Summary

- Client: BMR Energy
- Country: Jamaica
- Financing: IFC \$10 million, Canada Climate Change Program (IFC-CCCP) \$10 million
- Year: 2014

Challenge

In 2014, Jamaica was in critical and urgent need to reduce its electricity price (\$0.28/kWh on average for generation out of \$0.38/kWh total average retail price) and its high dependence on imported liquid fuels. The country was experiencing challenges in successfully introducing energy diversification and efficient generation, which resulted in generation capacity being outdated, high reliance on liquid fuel (93%), and power shortages at peak times. Despite the government of Jamaica's interest in renewable energy, the lack of a track record in privately financed IPPs compounded by issues in the electricity sector limited the availability of local, long-term financing for renewable energy projects in Jamaica.

Solution

The BMR wind project involved construction of a 36 MW wind turbine farm using eleven 3.3MW wind turbines, which had been tested relatively less in Jamaica as most wind turbines in the country were 2MW size. The total financing package for the project was \$62.7 million, including a senior loan of \$10 million from IFC's own-account and a senior concessional loan of \$10 million from IFC-CCCP. Without blended finance, the project would not have generated sufficient equity returns for the project's shareholders to proceed. The IFC-CCCP loan enabled IFC and the US Development Finance Corporation

(DFC, at the time OPIC) to provide debt financing with terms that allowed the project to achieve viability at the proposed tariff. To ensure minimum concessionality, the concessional loan was priced such that the IFC and IFC-CCCP loan combined would be at a premium to the cost of debt assumed by the sponsor at the time of bidding.

Results

Market Creation – As the first private sector wind IPP in Jamaica, the project established a track record and demonstrated the viability of financing wind power projects by the private sector in the country. The success of this project and similar ones encouraged the government to issue a second round of renewable energy tenders, which were met with great interests and responses from numerous developers. In 2015, another 37MW solar project was competitively tendered and awarded, at a lower tariff than BMR Wind. Most importantly, BMR Wind was able to refinance the IFC loan and the IFC-CCCP loan in FY22 on purely commercial terms from other lenders in the Caribbean region, indicating that the time-bound blended finance subsidy had ended and the wind sector in Jamaica had matured and achieved long-term commercial sustainability after this milestone transaction.

Project Outcome – The Project generates over 120,000MWh per year, roughly equivalent to 3% of Jamaica's current energy demand in 2022. The operational performance of the project has exceeded expectations thus far, and BMR Wind has increased the generation target to 130,000 MWh per year accordingly. The wind farm is helping avoid GHG emissions by about 87,000 tons CO₂ equivalent per year.

COVID-19 Off-Grid Recovery Platform (CRP)

CRP unlocks private capital for energy access companies to mitigate the negative impacts of the pandemic while advancing access to clean electricity - ultimately promoting a more viable and robust sector post-crisis



Investment Summary

- Client: 1) Energy Entrepreneurs Growth Fund; 2) Facility for Energy Inclusion Off-Grid Energy Access Fund; 3) SIMA Off-Grid Solar and Financial Access Fund¹
- Country: Pan-Africa
- Financing: \$20 million concession funds from the Sustainable Energy Fund for Africa, are blended with \$50 million commercial capital from CRP Partner Funds. Total project cost: \$70 million
- Year: 2021

Challenge

Energy access companies are critical to achieving universal access to energy and green growth in Africa. The unprecedented COVID-19 pandemic negatively impacted the commercial viability of energy access companies as a result of financial, economic, and operational challenges. Considering that most energy access companies are not yet profitable, makes them particularly vulnerable to these impacts. Without access to affordable finance, energy access companies may default on existing loans and be forced to close or scale back operations. This would trigger a return to traditional, fossil fuel-based energy solutions.

Solution

CRP's deployment of concessional capital to be blended and co-invested with commercial capital from specialized energy access funds, enables Partner Funds to continue lending to the sector at risk-adjusted rates and keeps capital flowing to energy access companies throughout the pandemic. It additionally does so while ensuring that lending remains affordable for energy access companies and on terms that do not endanger company nor market growth. CRP's pari-passu investment requirement aligns interests between financiers, ensuring the commercial integrity of investments.

Results

As of December 2022, CRP Partner Funds have approved \$50 million of flexible debt financing solutions on more affordable terms to 12 companies across the continent. With an additional pipeline of \$20 million, the \$20 million SEFA funds will leverage over \$50 million commercial capital from the Partner Funds. These transactions will enable the provision of new off-grid connections to circa 1 million households and 700 businesses, totaling 26 MW of additional solar capacity installed, the protection of 2,600 full-time jobs and the creation of 2,400 new full-time jobs.

ADB Blended Finance Market Level Case Study

Sustainable Public Transport In Southeast Asia

Introduction

The transport sector has the highest reliance on fossil fuels compared with any other sector (90% oil-based) and in 2021 it accounted for 37% of CO₂ emissions globally (growth of 8% from the previous year).¹⁶ Within Asia, air, sea and land transport is a significant source of emissions and growth is high due to Asia's large, upwardly mobile populations and transition economies. The Asian Development Bank estimates that Asia's share of global transport CO₂ emissions will reach 31% by 2030, and recognises the critical need to leapfrog fossil fuel-based internal combustion engine technologies across its developing member countries.¹⁷ Whilst low carbon aviation transport technologies are still in their infancy, sustainable land and sea transport solutions are rapidly being adopted in developed nations and there are increasing opportunities to replicate and scale up these types of projects in emerging markets in Asia and the Pacific.

Issue

The uptake of e-vehicles is increasing rapidly and by the end of 2020, there will likely be over 26 million passenger electric vehicles (EVs) on the roads globally.¹⁸ However, the majority of growth in EVs is occurring in a select few regions and countries, namely Europe, North America, Japan and the People's Republic of China (PRC). Asian countries (ex. Japan and PRC) are clear laggards in this sector compared to peers, highlighting the range of barriers that currently exist to e-vehicle adoption in Asia. Electric vehicles accounted for less than 1% of Asia's new vehicle sales in 2021, with many startups lacking the investment needed across the value chain to scale up and achieve long-term commercial viability.¹⁹ Unlike many infrastructure projects such as wind and solar power facilities, sustainable transport projects are often highly exposed to market (ridership) risk and can suffer from a lack of contracted, stable revenues. These risks often compound the actual and perceived risks associated with

investing in emerging economies, including political, currency, liquidity, commercial, legal and regulatory risks. Furthermore, sustainable transport projects are capital intensive, with high upfront costs for vehicle manufacturing and electric vehicle ecosystem generation, including charging infrastructure; battery energy storage systems and renewable energy; battery disposal and waste management. There is also a need to adapt to rapidly evolving technology, and projects can require high levels of liquidity, collateralization and refinancing to reach economies of scale and become competitive.

Solution

The good news is that the transport sector is undergoing electrification driven by technological advances. EVs and disruptive e-logistics technology (including EV charging stations and batteries) provide new tools to accelerate the sustainable transport transition. In the next thirty years, the sustainable transport sector could contribute around 14% reduction in greenhouse gas emissions, constituting a critical milestone in inclusive, sustainable growth. ADB has been at the forefront of providing blended finance solutions and required financing to support its clients in the shift toward cleaner and more sustainable transportation. This note spotlights ADB blended finance solutions to help springboard green mass transit projects in three Asian economies, Thailand, Viet Nam and India. Blended finance solutions can be structured to de-risk opportunities and demonstrate that sustainable transport investments in emerging markets can be profitable, mobilizing increasingly larger commercial investment and catalysing commercially sustainable market growth. In addition to private EVs, electrified public transport vehicle projects are attractive as they offer benefits such as reduced emissions and road congestion, improved air quality, and greater inclusion, providing safer and cleaner travel services for women, children, the elderly and those with disabilities.

¹⁶ International Energy Agency, 2022. Transport: Improving the sustainability of passenger and freight transport. <https://www.iea.org/topics/transport> (accessed 8 Dec 2022)

¹⁷ Asian Development Bank 2022. ADB's Work in Sustainable Transport. <https://www.adb.org/what-we-do/sectors/transport/overview> (accessed 8 Dec 2022)

¹⁸ Bloomberg New Energy Finance, 2022. EVs, Charging and Autonomous Vehicle Trends. www.bnef.com (accessed 8 Dec 2022)

¹⁹ McKinsey, 2022. Capturing growth in Asia's emerging EV ecosystem. June 30, 2022. <https://www.mckinsey.com/featured-insights/future-of-asia/capturing-growth-in-asias-emerging-ev-ecosystem> (accessed 8 Dec 2022)

To help tackle growing emissions in the transport sector, ADB's Private Sector Operations Department undertook a business development technical assistance (TA) project funded by the Clean Technology Fund.²⁰ The TA facilitated market mapping with key stakeholders, including sponsor groups, financial institutions, technology and service providers, industry bodies, and government agencies. It identified financing gaps that could be addressed through blended concessional finance and focused on the development of an electric vehicle ecosystem. The TA project generated a pipeline of potential close-to-commercial sustainable private sector transport transactions and opportunities to crowd in private capital. It also supported ADB to develop solutions to bridge financing gaps and overcome bankability hurdles.

From the pool of projects identified, ADB closed financing on three sustainable transport projects using blended concessional financing. This included (i) a \$17 million project with Energy Absolute Public Company Ltd. for the development and operation of South East Asia's first commercial-scale e-ferries fleet providing cleaner, safer mass rapid transport, on Bangkok's Chaya Phraya River, Thailand;²¹ (ii) a \$135 million project with VinFast Trading and Production Joint Stock Company to support the expansion of Viet Nam's first fully electric bus network, including bus manufacturing facilities, charging infrastructure and other capital expenditure, providing sustainable and safe public transport across major cities, starting with Hanoi, Ho Chi Minh City and Phu Quoc;²² (iii) a \$40 million project with GreenCell Express Private Limited in India for the development of 255 electric buses, serving 5 million people on 56 intercity routes with enhanced safety features for women and children.²³

Concessional finance in these transactions provided subordination features or longer tenor financing than what would be commercially available, with back-end amortization to spread upfront costs, and extended grace periods to support potential events of illiquidity. These forms of concessionality eased investor concerns and

mitigated risks by facilitating liquidity, collateralization and refinancing in support of long-term growth plans. The projects also benefited from solid sponsor support and sound growth strategies, with VinFast's bold plans to penetrate challenging export markets to reach economies of scale being noteworthy. Bankability hurdles include (i) market risk (ridership), given mass transit market uncertainty and mass rapid transit constituting just 4% of rides in Thailand, albeit a promising 40% of daily trips in Bangkok are by public transport; public transport accounts for just 18% of travel in India, with revenues driven by unregulated market-priced ticket sales²⁴; and in Viet Nam fewer than 10% of people travel by public transport with two and three wheelers dominating;²⁵ (ii) performance risks associated with rapidly evolving technology, battery life and recharging that relies on strategically positioned intercity and countrywide charging depots; and battery swaps, with batteries in plentiful supply to maintain services; (iii) policy risk associated with the implementation of measures to incentivize public transport usage, particularly, green transport.

Development Impacts

All three projects are helping to power the transition to sustainable green mass transport, with a view to eventually phasing out fossil-fuel based vehicles and building public transport capacity, helping to reduce congestion and drive greater inclusion during the transition phase and beyond. Transacted through a gender lens, the projects also address the need for safer transport for women to generate greater freedom of movement and facilitate their enhanced economic participation:

- 1 By 2023, the E-Smart's ferries project targets to avoid an increase of at least 18,900 tons of carbon dioxide equivalent, while also removing the discharge of bilge oil, wastewater, noise level and other typical impacts of fuel-based ferries. In the same year, at least 30% of the e-ferry crew will be women; an anti-sexual harassment policy will be implemented; and posters will promote

²⁰ Asian Development Bank, 2021. Regional: Developing Private Sector Sustainable Transportation Opportunities in Southeast Asia. Nonsovereign Project | 53246-001. <https://www.adb.org/projects/53246-001/main>

²¹ Asian Development Bank, 2022. ADB Finances Electric Ferries in Thailand — First in Southeast Asia News Release | 27 April 2022, <https://www.adb.org/news/adb-finances-electric-ferries-thailand-first-southeast-asia>

²² Asian Development Bank, 2022. ADB Leads \$135 Million Climate Financing Package to Support Electric Mobility in Viet Nam. News Release | 24 October 2022, <https://www.adb.org/news/adb-leads-135-million-climate-financing-package-support-electric-mobility-viet-nam>

²³ Asian Development Bank, 2022. ADB, GreenCell Sign \$40 Million Financing for Safer E-Buses in India, Especially for Women Commuters. News Release | 7 November 2022, <https://www.adb.org/news/adb-greencell-sign-40-million-financing-safer-e-buses-india-especially-women-commuters>

²⁴ Asian Development Bank, 2022. GreenCell Electric Bus Financing Project: FAST Report. Faster Approach to Small Nonsovereign Transactions | August 2022, <https://www.adb.org/projects/documents/ind-55288-001-rrp>

²⁵ Study of Electric Mobility in Viet Nam. Report for NDC Transport Initiative for Asia (NDC-TIA). "reflected in the 58 million registered vehicles in 2018, in a population of 98 million, and fewer than 2% electric-powered at this stage"

zero tolerance towards sexual harassment and abuse, with an online platform to encourage the reporting of such instances. Additionally, the project is helping to advance a cashless society by providing a top-up card called “Hop card” for ticket payment, with the Covid Pandemic highlighting the need to reduce the spread of disease through contact.

- 2** The VinFast project targets the manufacture, sale and operation of 150 buses and a capacity increase of its electric vehicle charging network to at least 250,000 kW by 2026. The project not only promotes the benefits of green buses to women passengers, with the installation of specific safety features, it also encourages women into the business with a range of initiatives, such as, the completion of a series of factory tours for women studying science, technology, engineering and mathematics (STEM); a pilot internship program for women in STEM fields and a leadership programme for female executives.
- 3** The Greencell Electric bus project targets to avoid a 14,780 ton increase in carbon dioxide equivalent emissions, while serving 15,000 more passengers daily. The project implements measures to enhance safety, particularly for female women passengers, such as, adequate lighting and security cameras, and ensures that all bus drivers and cabin staff are trained on safety response protocols, with specific attention to the safety of women. This move aligns with a state-led initiative to deploy marshals on public buses, with surveillance linked to command control response centres. The project will also implement internship and leadership programmes for women, as well as promote greater awareness of opportunities for women in general and in the workplace.

Annex 4. Data Definitions and Methodology

This annex provides the definitions and methodology for the data on DFI blended concessional finance contained in this report.

Blended finance: The scope of the data presented in this report is limited to blended concessional finance operations defined in (IFC et al. 2017) as the combination of concessional finance from donors or third parties alongside DFIs' normal own account finance and/or commercial finance from other investors, to develop private sector markets, address the Sustainable Development Goals (SDGs), and mobilize private resources.

Concessional finance: This report accounts for resources extended at concessional terms i.e., building on the [OECD definition](#), extended on terms and/or conditions that are more favorable than those available from the market. Concessionalism can be achieved through one or a combination of the following: (i) interest rates below those available on the market; (ii) maturity, grace period, security, rank or back-weighted repayment profile that would not be accepted/extended by a commercial financial institution; and/or (iii) by providing financing to borrower/recipients not otherwise served by commercial financing.²⁶ The relevant market reference is determined by each DFI through own practices e.g. market observations, or elicitation, with due consideration of the credit risk and quality of both the borrower and the lender.

In the context of this report, concessional finance resources provided by donors for DFIs' blended concessional finance transactions can refer to those qualifying as either "Official Development Assistance (ODA)" and/or "Other Official Flows (OOF)".²⁷

Source of concessional finance: This report only captures concessional finance resources administered by reporting DFIs and provided by various sources e.g. donor governments (through bilateral arrangements or multilateral facilities), philanthropic organizations, sister entities (e.g. IDA for IFC), or DFI own funds when they are explicitly identified for use in concessional activities (e.g. DFI self-funded trust funds for investments or shareholder capitalization that allows for the establishment of windows of less than commercial returns). DFI's normal own-account commercial financings are not considered to be concessional for this exercise.

Private sector operations: The scope of this report is limited to private sector projects - non-sovereign guaranteed. In alignment with the Joint MDB's methodology on private investment mobilization ([Joint-MDBs, 2018²⁸](#)), a private entity is any legal entity that is (a) carrying out or established for business purposes, and (b) financially and managerially autonomous from national or local government. Public entities such as State-Owned Enterprises that are organized with financial and managerial autonomy are counted as private entities²⁹.

Private investment mobilization: This report captures and reports "total private mobilization" that the Joint MDB's methodology on private investment mobilization ([Joint-MDBs, 2018](#)) defines as the sum of "private direct mobilization" and "private indirect mobilization", namely:

- "Private direct mobilization": financing from a private entity on commercial terms due to the active and direct involvement of an MDB leading to commitment. It refers to private co-financing and does not include sponsor financing.

²⁶ The degree of concessionalism of a given instrument is measured by its "grant element". For instance, a loan offered at market terms has a grant element of zero percent while a grant would have a grant element of 100%.

²⁷ The reference definition of ODA and OOF is available on the [OECD Glossary of Key Terms and Concepts](#). As example, a loan with a [grant element](#) of at least 25 per cent would qualify as ODA; if lower as OOF.

²⁸ <http://documents.worldbank.org/curated/en/495061492543870701/pdf/114403-REVISED-June25-DocumentsPrivInvestMob-Draft-Ref-Guide-Master-June2018-v4.pdf>

²⁹ Companies with a sovereign guarantee are not counted as private operations for this exercise.

- “Private indirect mobilization”: financing from private entities provided in connection with a specific activity for which an MDB is providing financing, where no MDB is playing an active or direct role that leads to the commitment of the private entity’s finance. Private indirect mobilization includes sponsor financing, if the sponsor qualifies as a private entity.

Reporting period: This report covers the calendar year 2021; some project examples are more recent (2022).

Point of reporting: Data reported reflects financial commitments at the time of financial/non-financial agreement signature (or Board approval if this is not available) and is therefore based on ex-ante estimations. No revisions will be issued in cases where a project’s scope changes later to either increase or decrease blended concessional financing.

Geographical coverage: The countries covered includes countries on the World Bank Group list (all income categories) excluding all European Union countries.

Regional sub-groups: this report provides data broken down by:

- The income-level of the country where the private recipient/borrower is officially registered. The classification used – low-income, lower-middle income, upper-middle income, and high income – is the [World Bank Group’s classification](#) by income level in the relevant reference year (2021).
- The regional grouping where the private recipient/borrower is officially registered (see World Bank classification).

Instrument types: the types of financial instruments used to report commitments of concessional resources arranged by the reporting DFIs cover the following: loans (senior and sub-ordinated), risk-sharing facilities and guarantees, equity, grants (including investment grants but excluding performance-based grants), and performance-based grants.³⁰

Other data elements:

- Total project cost (total investment from all sources – private, public, concessional and non-concessional).
- DFI own-account contributions (all types),
- Total private investment mobilization (see definition above, including both private direct mobilization and private indirect mobilization reported as a total, but not including any concessional finance),
- Other own-account contributions from DFIs jointly participating in a given transaction (from DFI within the Working Group or other development bank),
- Other contributions from public and/or private organizations provided at concessional terms,
- Other public contributions

Avoiding double counting: Double counting issues for this exercise will only occur in the rare situations where two DFIs are both bringing in concessional finance to the same project, and both are reporting data. In most cases where only one reporting DFI is bringing in concessional finance, that DFI will report fully on all the data elements for the project, as there is no double counting issue. In cases where two DFIs are bringing in concessional finance and both are reporting data, the following rules will be used:

- Each DFI reports their own donor funds mobilized and their own account DFI contribution. Each DFI does not report the other reporting DFI own account contribution or the other reporting DFI donor funds mobilized.
- For private mobilization, each DFI reports on its own “Private Direct Mobilization”, part of the total private investment mobilization, see definition above. Each DFI does not report on the private direct mobilization of the other.

³⁰ For risk sharing facilities, the donor amount would be the donor first loss amount, the DFI amount would be the DFI risk sharing amount less the donor first loss amount. For guarantees, the donor amount is the guarantee amount. Donor first loss or partial guarantees in all cases should be netted when reporting others contributions. For donor performance grants, data reported assume maximum utilization.

- For all other data elements (i.e. private indirect mobilization, other DFI funds not reporting separately, other contributions provided at concessional terms not being reported separately, and other public contributions), the MDB mobilization allocation methodology will be used: report these amounts according to the DFI own account finance as a percent of all DFI own account finance from the two reporting DFIs (e.g. if DFI A brings in \$20 million of own account finance and DFI B brings in \$30 million of own account finance, DFI A will report 40% [$20/(20+30)$] of the private indirect mobilization, and DFI B will report 60%). The total project cost will be the sum of all data elements.
- To facilitate with the identification of projects with potential for double-counting, each DFI will provide, for internal use of the working group, a project list including project name and country for all projects being reported.

Accounting for Portfolio Guarantees

- Starting in 2018, underlying investments supported via a Portfolio Guarantee are being accounted and reported³¹.
- For this report, Portfolio guarantees are defined as a blended finance instrument where donor funds are used to provide credit protection/guarantees for lending or risk-sharing programs that cover several partner financial institutions (PFIs) and other clients (SMEs). The blended finance is applied at the program level rather than at each individual transaction, and the concessional results from taking higher risks or costs uncompensated for by higher returns.
- Portfolio Guarantees are captured separately by reporting DFIs to ensure proper accounting throughout their investment period. For 2018 and 2019 these amounts were reported separately from the other aggregate numbers. For 2020 and 2021, the amounts are incorporated into the main aggregate reporting.
- Portfolio Guarantees are accounted for in each year based on the commitments made to clients from the guarantee program each year. The concessional amount is a pro-rated percent of the program commitment for the year based on an estimate of the percent of the program covered by the portfolio guarantee when the program is fully disbursed. The DFI amount is the annual program commitment net of the calculated concessional amount. This approach should generally provide a good representation of the portfolio guarantee coverage over time but may underreport the concessional amounts in certain cases if a program never fully disburses.

³¹ Portfolio guarantees were included as a footnote in reports prior to the December 2021 update.

Sectoral Breakdowns Definitions (These Categories are mutually exclusive)

Infrastructure: In alignment with the Joint MDB's methodology on private investment mobilization³², this report defines infrastructure as underlying physical foundation or civil works (including integral and/or dedicated equipment) that support economic and social development. Sectors classified as infrastructure cover the following: energy (electricity generation, transmission, and distribution), water and waste management (water and sanitation, solid waste, irrigation, flood control), transport (roads, ports, airports, urban transport, railway, fluvial and maritime transport), telecommunications, IT within infrastructure sectors, and social infrastructure (schools, hospitals, etc.). The definition excludes captive infrastructure reserved for the sole use of a firm.

Finance/Banking: Encompasses activities in Financial Markets, Funds, and Trade Finance, including the following sub-sectors:

- Commercial Banking (General, Housing Finance, Microfinance, Trade, Risk management, Rural Finance, SME, Consumer Finance, Distressed Assets, Trade and Supply Chain, Digital Finance, etc.)
- Capital Markets
- Insurance & Pension funds
- Non-Bank Financial institutions (not including supplier finance via e.g. agribusinesses)
- Funds (Venture Capital, Growth Equity Fund, etc.)

Other: This category encompasses all projects that are not Infrastructure or Finance/Banking.

Thematic Breakdowns Definitions³³(These categories are not mutually exclusive)

Climate Finance: Climate finance refers to resources committed to projects and activities that mitigate climate change and/or support adaptation to climate change impacts. More specifically, data reported as "climate finance" in this report refers to projects qualifying as such according to the Joint-MDB methodology for tracking and reporting mitigation and/or adaptation finance (Joint-MDBs, 2017)³⁴, and the Common Principles agreed with the members of the International Development Finance Club (IDFC).

Agribusiness/Food Security: Theme that encompasses activities in the financing and development of production, processing, and handling of agricultural and food products, including the following secondary sub-sectors:

- Production: e.g. crop production, livestock and animal husbandry/production, fisheries. This would include financing extended to inputs providers e.g. seeds or fertilizers
- Processing/manufacturing: e.g. food and beverage manufacturing
- Warehousing & storage equipment and/or facilities
- Agribusiness finance/value chain finance are also included

SMEs: The definition of "SMEs", used by various DFIs is typically based on the amount of annual sales, asset values, and/or number of employees, and may vary depending on the specific market context and related level of development. Hence, for SMEs each DFI reported blended concessional finance volume data based on the relevant definition applicable to their operations. SME volumes also include credit lines and other investments in financial intermediaries specifically targeted to support SME finance

Technical Assistance/Advisory Services

In line with the DFI definition of blended concessional finance, for this exercise, Technical Assistance/Advisory Services is not included in the data on blended concessional finance projects.

³² <http://documents.worldbank.org/curated/en/495061492543870701/pdf/114403-REVISED-June25-DocumentsPrivInvestMob-Draft-Ref-Guide-Master-June2018-v4.pdf>

³³ Blended concessional finance can be extended for more than one 'thematic' purpose e.g. climate resilient agriculture. Hence, thematic data allocation is not-mutually exclusive.

³⁴ <https://publications.iadb.org/handle/11319/8505>

Glossary

Blended Concessional finance for private sector operations of DFIs. Combining concessional finance from donors or third parties alongside DFIs' normal own account finance and/or commercial finance from other investors, to develop private sector markets, address the Sustainable Development Goals (SDGs), and mobilize private resources³⁵.

Commercial financing. Commercial financing is defined as financing at market interest rates (or market equivalent if there is no market rate).

Concessional financing. Concessional financing is financing below market rates (or with maturity, grace period, security or rank offered on soft terms without being priced according to the market), keeping in mind that in many situations where blended concessional finance is likely to play a role, there is no real market rate and market rate proxies tend to be based on individual practices. Investment and performance grants are included in concessional financing. (See Annex 4 for additional detailed information on the definition of Concessional finance in the context of the DFI data gathering exercise).

Private sector investment operations of the DFIs. In this paper this refers to the non-sovereign operations of the DFIs.

Externalities. Project impacts that are not captured in the returns to private investors.

Information asymmetries. Market operations where different participants have different levels of information, e.g. when sellers are more knowledgeable about their products than buyers.

Market failures. Market operations that are inconsistent with the assumptions of perfect markets, e.g. perfect information, extensive competition, no externalities, rational behavior, and alignment of interests between market agents.

SDGs. "Sustainable Development Goals." The international development goals agreed under the auspices of the UN for achievement by 2030.

DFIs. Development Finance Institutions. The group of multilateral and bilateral development institutions that focus on private sector investments.

OECD Blended Finance Definition. The strategic use of development finance for the mobilization of additional finance towards sustainable development in developing countries, with 'additional finance' referring primarily to commercial finance. The focus lies on the mobilization of commercial finance which is not currently being directed towards development-related investments. All relevant, higher level, commitments made by DAC Members in relation to development co-operation apply to blended finance in the same way as to other financing approaches. These include, amongst others, commitments on official development assistance (ODA) financing targets, the commitment on leaving no one behind, commitments related to development effectiveness, as well as those related to untying aid.

Enhanced DFI Principles or DFI Principles. The set of principles for the use of blended concessional finance in private sector projects agreed by the DFIs in October 2017, summarized in Annex 1, and covered in the report, "DFI Working Group on Blended Concessional Finance for Private Sector Projects", Summary Report, October 2017.

³⁵ Note some of the EDFIs manage government concessional finance for investment in private sector projects but without also investing their own funds. These activities are included in the definition.