



STRATEGIC FRAMEWORK FOR BLENDED FINANCE

ABOUT THIS REPORT

Developed by the UNDP Climate Finance Network (CFN) and Convergence Blended Finance, this report introduces a strategic framework to strengthen the enabling environment for blended finance across South and Southeast Asia. It addresses the region's widening financing gaps for climate and sustainable development by focusing on repeatable and scalable market mechanisms. By offering practical guidance to governments, private investors, and development partners, the framework helps mobilize private capital through both market facilitation and direct participation.

About the UNDP Climate Finance Network

The UNDP Climate Finance Network (CFN) supports Asia-Pacific countries to bridge the gap between climate goals and the investment needed to reach them. As a regional platform, CFN provides technical and policy support to integrate climate into public finance, mobilize private and innovative capital, and create the enabling environment required for lasting impact through regional knowledge exchange and peer learning.

Learn more at <https://go.undp.org/climate-finance-network>.

About Convergence

Convergence is the global network for blended finance. It exists to increase private investment in emerging markets and developing economies to advance the UN SDGs and the Paris Agreement. It is building the field of blended finance through thought leadership, customized capacity building, facilitating peer-to-peer learning and providing acceleration support to early-stage blended finance solutions in emerging markets

About the UNDP Sustainable Finance Hub

The UNDP Sustainable Finance Hub brings together UNDP's financial expertise to harness public and private capital for the Sustainable Development Goals (SDGs), supporting governments, investors and businesses in reaching climate, social impact and sustainability targets. Its work drives systemic change towards a sustainable financial architecture that benefits people and the planet.

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FOREWORD: UNDP

Across South and Southeast Asia, countries are faced with a defining challenge: sustaining rapid economic growth while closing the massive financing gaps required for climate action and inclusive development. The costs of climate adaptation for developing countries are [estimated](#) to range between \$310 and \$365 billion per year by the year 2035. Public resources and official development assistance (ODA) alone cannot bridge this divide. Mobilizing private capital at scale is essential to expanding financing for climate and development priorities.

Blended finance is a critical bridge in this landscape. By strategically using concessional public or philanthropic funds to improve risk–return profiles it can crowd in commercial capital, support early-stage innovation, and help structure investable pipelines. Yet despite its promise, blended finance remains fragmented and limited in scale. The constraints are not only transactional; they reflect deeper gaps across policy, regulatory, institutional, and market systems.

This report introduces a **Strategic Framework for Blended Finance**. It is designed to support governments in strengthening the enabling environment and shifting their focus from isolated, individual deals toward building replicable and scalable market mechanisms. Drawing on experiences across South and Southeast Asia, the framework operates on the premise that durable impact requires systemic reform.

As a trusted partner to governments, working across national institutions, UNDP views blended finance as a tool within a broader ecosystem strategy. We aim to address the upstream constraints that often stall investment before it even reaches the market. While Multilateral Development Banks (MDBs) and International Financial Institutions (IFIs) work on deal structuring and risk-sharing at the project level, UNDP focuses on strengthening the underlying foundations: policy frameworks, public financial management, institutional capacity, and pipeline development.

By strengthening these foundations, we aim to make blended finance more catalytic and progressively less dependent on subsidies. The goal is not only to mobilize capital, but to build resilient domestic financial ecosystems capable of sustaining long-term investment.

At the heart of this framework is the recognition that governments must play two complementary roles. They must be **facilitators**, as they establish clear priorities, stable regulatory standards, and coordinated institutional arrangements that reduce uncertainty for global and domestic investors; and **doers**, as they strategically deploy concessional capital, anchor early-stage market structures, and support project preparation where private solutions are not yet viable. Effective ecosystems require governments to calibrate these roles based on their specific national context, market maturity and institutional capacity.

Ultimately, the success of blended finance will be measured by its ability to build resilient domestic financial systems that can sustain investment over time. This framework, developed by the UNDP hosted Climate Finance Network (CFN) in partnership with Convergence and informed by consultations with governments, financial institutions, and market actors across the region, provides a practical roadmap for this journey.

We are grateful to the UK Government's Foreign, Commonwealth and Development Office (FCDO) Climate Action for a Resilient Asia (CARA) programme, and the Government of Sweden through Sida, whose support has made this work possible.

By strengthening the systems that enable capital to flow where it is most needed, we can move toward a future of scalable investment for climate resilience, sustainable infrastructure, and inclusive growth.



Tom Beloe

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FOREWORD: CONVERGENCE

Over the past decade, blended finance has become an important mechanism to mobilize private capital toward sustainable development. When concessional resources are deployed strategically, they can unlock investment in sectors and markets that would otherwise remain underserved. Yet current approaches are not delivering at the scale required to meet the Sustainable Development Goals.

Efforts to scale blended finance have largely focused on improving transactions, standardizing structures, strengthening pipelines, and enhancing data. While important, these measures alone will not deliver systemic scale. Without stronger enabling environments, blended finance is likely to continue to operate on a deal-by-deal basis.

The model itself has also been shaped primarily by global actors such as official development assistance providers, multilateral development banks and development finance institutions, international financial institutions, and global philanthropy driving predominantly cross-border flows into emerging markets. This has helped establish the market, but it has not sufficiently mobilized domestic capital. There is now a clear opportunity to bring local catalytic and commercial capital in blended finance structures. Doing so can strengthen market depth, improve alignment with national priorities, and build greater confidence among international investors.

This opportunity is particularly pronounced across South and Southeast Asia. Many countries in the region have achieved investment-grade ratings, underpinned by strong macroeconomic fundamentals and increasingly sophisticated financial systems. At the same time, financing needs across energy transition, resilient infrastructure, financial inclusion, and climate adaptation and resilience are being defined more clearly at the country level. Yet capital deployment continues to be constrained by gaps in policy, market frameworks, and risk allocation. Addressing these constraints requires a shift from individual transactions to building the ecosystem that can absorb and scale investment.

With these foundations in place, Asia is well positioned to lead the next phase of blended finance. Governments and regulators in the region have an opportunity not only to unlock domestic and international capital at scale, but to set the direction for how blended finance can be deployed more effectively across the Global South.

Governments and regulators are central to this shift. By setting clear priorities, strengthening policy coherence, and enabling more flexible investment approaches, they can move blended finance from isolated transactions to functioning markets.

This report presents a Strategic Framework for Blended Finance designed to support that transition, with a focus on the context of emerging economies in South and Southeast Asia. It provides practical guidance for governments to strengthen enabling environments, mobilize domestic and international capital more effectively, and build markets that can scale in line with national mitigation and adaptation priorities.

At Convergence, our mission is to increase private investment in emerging markets and developing economies through blended finance. Through our global network, market intelligence, and design funding, we see every day how catalytic capital can unlock investment that delivers both financial returns and meaningful development outcomes.



Ritesh Thakkar

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ABBREVIATIONS

ACRONYM	FULL FORM
ADB	Asian Development Bank
BNDES	Banco Nacional de Desenvolvimento Econômico e Social
BOT	Build-Operate-Transfer
CALAX	Cavite–Laguna Expressway
CFN	Climate Finance Network
CRAs	credit rating agencies
CSR	corporate social responsibility
DAC	Development Assistance Committee
DFI	development finance institutions
EMDEs	emerging market and developing economies
EAIF	Emerging Africa Infrastructure Fund
ESG	Environmental, Social, and Governance
FAST-P	Financing Asia’s Transition Partnership
FX	foreign exchange
GDP	Gross domestic product
IMM	impact measurement and management
IREDA	Indian Renewable Energy Development Agency
IFC	International Finance Corporation
INFFs	Integrated National Financing Frameworks
JETPs	Just Energy Transition partnerships
LP	Limited Partner
LSE	London Stock Exchange
MDBs	multi-lateral development banks
MRV	Monitoring, Reporting, and Verification

ACRONYM	FULL FORM
MSMEs	micro- small- and medium-sized enterprises
MUFG	Mitsubishi UFJ Financial Group
NAPs	National Adaptation Plans
NDPs	National Development Plans
NIIF	National Investment and Infrastructure Fund of India
NDCs	Nationally Determined Contributions
NGFS	Network for Greening the Financial System
FMO	Netherlands Development Finance Company
NGOs	non-governmental organizations
ODA	official development assistance
OECD	Organization for Economic Cooperation and Development
PPAs	Power Purchase Agreements
PIDG	Private Infrastructure Development Group
PPFs	Project preparation facilities
PPP	public-private partnership
PT SMI	Perseroan Terbatas Sarana Multi Infrastruktur
RBI	Reserve Bank of India
ROW	right-of-way
SCALED	Scaling Capital for Sustainable Development
SDGs	Sustainable Development Goals
SSFA	Singapore Sustainable Finance Association
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
VAT	value-added tax



Photo by: UNDP Myanmar

EXECUTIVE SUMMARY

South and Southeast Asia face a defining development challenge of sustaining rapid inclusive economic growth and accelerating human development while closing widening financing gaps for infrastructure, climate action, and social development in an era of constrained public budgets and heightened risk. Despite strong growth prospects and comparatively solid sovereign fundamentals in parts of the region, investment needs, particularly for climate mitigation and adaptation, urban services, and human development, far exceed what public resources and existing financial systems can deliver alone. Mobilizing private capital at scale is therefore essential, yet investment continues to be constrained by structural risks, market failures, and underdeveloped enabling conditions.

Blended finance plays a critical role along the investment continuum. It supports early-stage piloting and system-building—such as developing adaptation and resilience solutions before viable markets exist—advances the structuring of investable pipelines, and enables financial de-risking by using concessional public or philanthropic resources to improve risk–return profiles and crowd in commercial capital. However, blended finance remains fragmented and limited in scale. The gaps are not only transactional; they reflect weaknesses across policy, regulatory, institutional, and market systems.

This report introduces the Strategic Framework for Blended Finance (“the Framework”)—a country-level

framework designed to help governments systematically strengthen the enabling environment and shift blended finance from isolated transactions toward a repeatable, scalable market mechanism. Drawing on the region’s diversity but applicable more widely, climate vulnerability, and growing importance to global capital flows, the Framework recognizes that durable impact requires systemic reform.

Recent analysis shows that blended concessional finance is often transaction-focused and insufficiently geared toward market transformation. In an era of constrained official development assistance (ODA), the objective is not to maximise deal volume, but to ensure durable development impact and market reinforcement.

At the centre of the Framework is the premise that governments play two complementary roles. As facilitators, they set priorities, establish stable rules and standards, improve coordination, and reduce information asymmetries. As doers, they deploy concessional capital, absorb risk, support project preparation, and anchor early-stage market structures where private solutions are not yet viable. Effective blended finance ecosystems require governments to calibrate these roles based on country context, market maturity, and institutional capacity.

The Framework is organised around six interdependent pillars, each addressing a core dimension of the enabling environment.



Together, these pillars provide governments with a structured approach to diagnosing constraints, prioritizing reforms, and sequencing actions based on national circumstances.

The Framework does not prescribe a single model, but rather a starting point to build actionable, country-level reform and investment strategies. One way to operationalize it is through National Blended Finance Roadmaps, which are government-endorsed, time-bound plans that translate selected pillars into concrete

actions tailored to country-specific priorities, market conditions, and institutional capacity. By grounding blended finance in national development strategies and embedding it within broader reform agendas, such as roadmaps, the Framework can help ensure that blended finance contributes not only to short-term capital mobilization, but also to long-term market development, by strengthening domestic financial ecosystems, reducing reliance on concessional support over time, and fostering more resilient, self-sustaining markets that make inclusive growth its foundation.



Photo by: Ab Rashid

INTRODUCTION

South and Southeast Asia stand at a pivotal moment. Rapid economic growth is reshaping the region, yet persistent financing gaps, geopolitical risks, rising climate risks, and entrenched social inequalities threaten to stall economic progress and the achievement of the Sustainable Development Goals (SDGs). The region faces a [substantial](#) SDG financing gap, with critical deficits in infrastructure, health, education, and other priority sectors. Without bold action to mobilize and direct capital, the promise of inclusive, sustainable growth will remain unrealized.

Blended finance offers a proven path forward. By strategically deploying concessional capital from public or philanthropic sources, blended finance improves the risk–return profile of a transaction, catalyzing private capital into impactful projects, while focusing on building a foundation for inclusive growth. For public and philanthropic funders, it extends the reach and impact of scarce resources by leveraging them to attract private investment in priority sectors. For private investors, it creates commercially viable opportunities in high-growth markets through structured risk mitigation and diversification benefits, making sustainable investments more attractive and scalable.

Yet despite its potential, blended finance activity in South and Southeast Asia remains modest, constrained in part by the absence of a well-developed enabling environment.¹ Policymakers and regulators in emerging

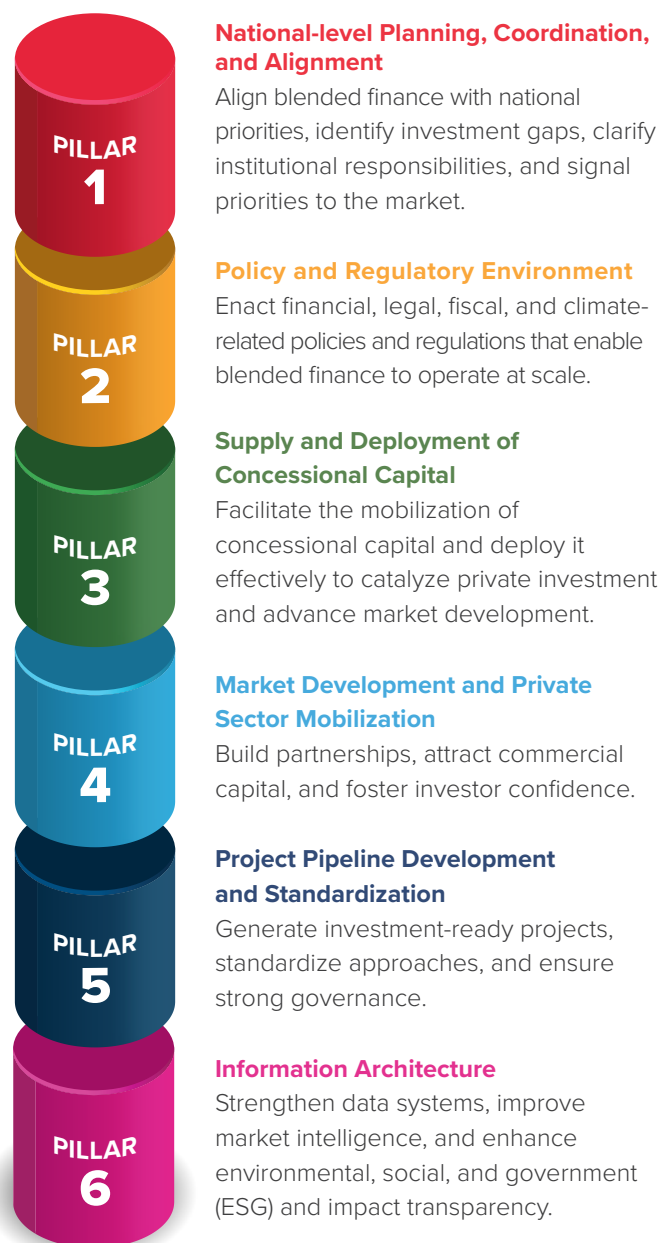
and developing economies in the regions have a central role in shaping these conditions, but many lack the practical guidance needed to do so effectively. With clear rules, streamlined processes, and aligned incentives, governments can channel blended finance toward sectors that reflect national development priorities and climate commitments.

What is an enabling environment for blended finance?

An enabling environment is the set of policy, regulatory, institutional, and market conditions that allow blended finance to function effectively, reduce risks, and attract private investment. Governments can help create an enabling environment by ensuring clear rules, coordinated public sector action, and predictable signals that make sustainable, high-impact investments viable and scalable. Governments can also improve the enabling environment by acting more directly within the blended finance market at the transaction level, such as by providing concessional capital or supporting project bankability within priority sectors.

¹ See Annex 2: Blended Finance Trends in South and Southeast Asia for further information.

The Strategic Framework for Blended Finance (“the Framework”) developed throughout this report is designed to offer practical and actionable guidance to governments and policy makers to improve the enabling environment for blended finance at a country level across six interconnected pillars:



Together, these pillars form a comprehensive approach for governments and partners to create the enabling environment needed to scale blended finance.



Regional Economic Background

South and Southeast Asia are projected to remain among the world's fastest-growing regions, making the case for scaling blended finance both a development imperative and a commercial opportunity. South Asia, led by India, recorded [gross](#) domestic product (GDP) growth of 6.5 percent in 2025 and is projected to remain at 6.0 percent in 2026, [well above](#) the global average. Meanwhile, Southeast Asia grew by 4.5 percent in 2025. Growth is driven by resilient domestic demand, expanding middle classes, structural upgrading into higher-value industries, and, in several cases, relatively strong sovereign credit fundamentals with ratings at or near investment grade.

Yet sustaining this trajectory and meeting sustainability commitments will require a sharp acceleration in investment. Structural financing gaps persist in infrastructure, climate adaptation, urban services, energy transition, and human capital. The Asian Development Bank (ADB) estimates developing Asia [will require](#) \$1.7 trillion annually through 2030 for infrastructure alone. These needs arise amid constrained public finances, underdeveloped capital markets, and elevated debt burdens; in 2025, net interest payments on average on public debt [consumed](#) just under 10 percent of total public expenditures. At the same time, private investment [has softened](#) amid global policy uncertainty and trade fragmentation, while foreign direct investment remains below pre-2010s levels and increasingly concentrated in a narrow set of countries and sectors.

Climate change further intensifies risks and financing pressures. The region is highly vulnerable to extreme weather, sea-level rise, and disruptions to agriculture, water, and energy systems, with particularly severe impacts on lower-income countries. At the same time, carbon-intensive growth models, especially reliance on coal, create transition risks and the potential for long-term lock-in. ADB [estimates](#) adaptation needs in Asia-Pacific at \$102–\$431 billion annually

through 2030, compared to roughly \$34 billion mobilized in 2022. Southeast Asia alone [faces](#) climate-resilient infrastructure needs of about \$210 billion per year, or roughly 5 percent of regional GDP.

Strengthening the business and investment climate is foundational to closing these gaps. As [highlighted](#) in the World Bank's Business Ready reports, reforms in regulatory quality, market contestability, contract enforcement, and financial sector depth are critical to unlocking private investment and productivity. Such structural reforms, however, are gradual and yield results over the medium- to long-term, while financing needs are immediate. This gap underscores the importance of complementary mechanisms that can mobilize capital in the near term, mitigate real and perceived risks, and crowd in private investment despite macroeconomic and policy uncertainties. Scaling blended finance offers one such approach.

Regional heterogeneity further complicates strategy. Market maturity ranges from large, globally integrated economies with deep capital markets to smaller systems with shallow financial sectors, limited regulatory capacity, underdeveloped pipelines, and higher perceived risks. Financing patterns reflect these differences, with greater SDG-related flows [concentrated](#) in higher-income markets. As a result, policy priorities and institutional capabilities vary significantly, limiting the effectiveness of one-size-fits-all approaches.

The Framework is designed to support governments across this diversity. It outlines key policy, institutional, and financial levers to strengthen enabling conditions for blended finance and mobilize private capital more strategically. Recognizing differences in market maturity and capacity, it does not prescribe a single model, but provides a foundation for country-level reform and investment strategies.



Photo by: UNDP Mongolia/Nicolas Petit and Climate Change Research and Cooperation Centre (CCRCC) of Mongolia

THE STRATEGIC FRAMEWORK FOR BLENDED FINANCE

The barriers to scaling blended finance have been extensively documented, particularly at the transaction level. Limited standardization in deal structures, fragmented project pipelines, and inconsistent data and disclosure practices continue to undermine deal execution, replication, and investor confidence. Even well-designed transactions, however, cannot be mobilized or replicated at scale in the absence of a supportive enabling environment and sustained, meaningful engagement with the communities they are intended to benefit.

Strong government leadership and coordination are central to creating this enabling environment and ensuring country ownership and alignment with national development priorities. When governments play an active role in coordinating across public institutions and articulating clear strategies for the use of blended finance, they are better positioned to define priorities, align stakeholders around shared objectives, and embed blended finance within domestic development strategies. This, in turn, strengthens accountability and positions blended finance as a strategic policy instrument rather than a series of ad hoc, externally driven transactions.

At the same time, the full potential of blended finance cannot be realized where investment policies and regulations constrain how capital can be pooled, structured, and deployed. Frameworks governing investment structures, risk allocation, and investor participation are often designed for purely commercial activity and may inadvertently limit the use of blended finance vehicles tailored to maximize sustainable development impact. Where policy and regulatory

frameworks lack the flexibility to accommodate differentiated risk–return profiles and the catalytic use of concessional capital, blended finance remains constrained in both scale and effectiveness.

Broader improvements in the business and investment climate are also critical to expanding the pipeline of transactions suitable for blended finance and reducing reliance on concessional capital. Weak policy, regulatory, and institutional conditions elevate baseline investment risk by increasing factors such as uncertainty around contract enforceability and exit conditions. When these upstream risks are left unaddressed, blended finance becomes either unfeasible or dependent on higher levels of concessionality and increasingly bespoke structures – reducing efficiency, limiting replicability, and ultimately weakening catalytic impact.

Finally, an effective enabling environment for scaling blended finance also includes government-led facilitation that simplifies market participation and supports repeat investment. By investing in project preparation, supporting common approaches to structuring and reporting, and improving the availability of market intelligence and performance data, governments reduce transaction complexity and increase predictability for private investors. They can also play an active role as a concessional capital provider, expanding the supply of catalytic capital and providing a credible signal of long-term policy commitment to priority sectors.

Policymakers and regulators can take concrete actions to support these elements of a stronger enabling environment. Despite this, guidance on

how governments can systematically diagnose these constraints and integrate blended finance into broader reform strategies remains limited, underscoring the need for more practical, country-level approaches. Existing frameworks and principles for blended finance have provided important guidance, but they have largely been oriented toward donors or specific institutional functions, rather than offering comprehensive, country-led guidance for governments.

The Organization for Economic Co-operation and Development (OECD) Blended Finance Principles have helped [establish](#) shared norms around additionality, transparency, and crowding in private capital, and the updated 2025 OECD guidance further [strengthens](#) this foundation. These frameworks, however, primarily focus on the use of concessional resources by development partners, with limited emphasis on how recipient governments can shape the enabling environment to attract and deploy blended finance strategically.

Other initiatives have taken a more country-focused perspective but remain limited in scope. The Network for Greening the Financial System (NGFS), for example, [provides](#) country-level guidance relevant to sustainable finance and risk management, but its focus is largely confined to the roles of central banks and financial supervisors. Similarly, the 2022 G20 Principles to Scale Blended Finance in Developing Countries [recognize](#) the importance of domestic policy and institutional conditions, yet stop short of offering operational guidance on how governments can translate these principles into coordinated, cross-government action plans.

This report introduces the Strategic Framework for Blended Finance, which addresses these gaps through a bottom-up, systemic perspective that positions national governments in South and Southeast Asia as the primary actors shaping blended finance outcomes. The Framework recognizes governments' central role in defining priorities, aligning public and private stakeholders, and establishing the policy, regulatory, and institutional conditions that determine whether and how capital is mobilized. It is aligned with the commitments of the Fourth International Conference on Financing for Development (Seville Commitment), [which calls](#) for blended finance initiatives to prioritize sustainable development impact, ensure financial and development additionality, share risks and rewards fairly, and strengthen transparency, debt sustainability considerations, and country ownership.

The Framework provides a system-level architecture for strengthening blended finance as a driver of durable development outcomes. It maps how policy, regulatory, fiscal, and institutional components interact across government to shape investment conditions, and clarifies the reform levers required to move from isolated transactions to scalable market mechanisms. Each pillar defines a core policy domain and identifies the key objectives, actors, and cross-ministerial coordination points needed to deliver measurable development and climate outcomes.

Within each pillar, the Framework distinguishes between two complementary government roles:

- ❶ as *facilitator*, setting rules, standards, and incentives to enable markets; and
- ❷ as *doer*, deploying public capital, absorbing risk, and anchoring early-stage market structures where private solutions are not yet viable.

In practice, the Framework can be operationalized through country-specific roadmaps that translate priority pillars into sequenced policy and institutional actions, tailored to national context while maintaining a coherent system-wide structure.

In the current global context of declining bilateral aid and rising debt distress, the effectiveness of this Framework will depend not on the articulation of principles, but on execution discipline. Governments and partners should identify a limited number of priority sectors and transactions for early implementation, with clear timelines, accountable institutions, and measurable mobilization targets. Blended finance should move from aspirational commitments to concrete deal pipelines for adoption.

The Framework is grounded in a methodology that integrates global knowledge with regional and country-level implementation realities. It draws on UNDP's deep in-country presence and its mandate to support governments across ministries of finance, planning, environment, energy, and line agencies in advancing development impact; Convergence's global expertise and networks spanning public, private, and philanthropic capital; and consultations with market participants active across South and Southeast Asia. This combination ensures the Framework is not only technically robust, but also institutionally grounded and oriented toward practical, system-level impact.

How to use the Framework

In using the Framework, the pillars are not intended to be enacted sequentially; rather, governments and policymakers can work on them concurrently depending on their needs and priorities. Despite this, it is often prudent to begin with Pillar 1 to establish the basics, ensuring that all major public stakeholders are aligned and understand national priorities and government capacity.

Each pillar is broken down into sub-categories with associated strategic priorities. Aligned with each strategic priority are actions that governments and

policymakers can take to improve the enabling environment for blended finance, either by facilitating changes to improve the ability of other stakeholders to participate in the blended finance market, or by directly participating themselves in concrete ways.

The Government as a **Facilitator** vs. **Doer**

Throughout the Framework, governments can act as either facilitators or doers. Under each pillar, a call out box explains the role of the government, using the categories below.

A **facilitator** shapes the policy, regulatory, and institutional environment so that markets can function efficiently, risks can be priced appropriately, and private capital can mobilize at scale without requiring heavy direct state involvement. Governments can be a facilitators through:

- **Strategic direction and market signaling:** providing predictable long-term policy signals that shape market expectations.
- **Institutional coordination and role clarity:** clarifying mandates, responsibilities, and decision-making processes across ministries, regulators, development finance institutions (DFIs), and subnational actors.
- **Rules, standards, and regulatory enablement:** establishing clear, stable rules and standards, supporting capital market development, local currency solutions, and risk-transfer mechanisms.
- **Market confidence, transparency, and information architecture:** building coordination mechanisms that align market actors and reduce information asymmetry; developing data systems, transparency frameworks, and reporting norms that reduce transaction costs; improving regulatory quality, investor protection, and supervision.
- **Convening and partnership:** creating structured public–private and donor coordination platforms to align priorities and reduce fragmentation.

A **doer** is a government or public sector actor that directly or indirectly participates in transactions or market-building by deploying capital, absorbing risk, or providing hands-on operational support to initiate or scale investments that the market cannot deliver on its own. Governments can be **doers** through:

- **Catalytic capital discipline and oversight:** assessing institutional readiness, conducting ex-ante market assessments to determine whether blended finance is needed.
- **Direct public financing and risk taking:** allocating public finance through concessional capital for intentional mobilization; anchoring or funding pilot structures, blended vehicles, and early-stage projects; absorbing risk to make transactions viable in high-risk or low-capacity markets.
- **Institutional delivery through mandating, capitalizing, and governing public financial entities:** capitalizing and governing public financial entities as delivery mechanisms and credible entry points for international investors.
- **Project and market creation:** financing project preparation, feasibility studies, and technical assistance, using transaction-specific fiscal incentives when necessary to improve project viability.

Accounting for Differing Market Maturities

When implementing the Framework, understanding the country-specific level of economic development, financial market maturity, and government capacity is critical to know which strategic actions are a priority.

Early-stage, lesser developed markets might initially focus on facilitating actions such as establishing better intra-government coordination and donor coordination mechanisms; implementing upstream legal and regulatory reforms to address structural market failures; and creating enabling rules that allow DFIs, multilateral development banks (MDBs), and domestic financial institutions to participate. These governments can start by building foundational infrastructure such as data systems, ESG baselines, legal frameworks, early regulatory scaffolding, and leading market creation in contexts with high informality, limited pipeline, weak intermediaries, and high perceived risk.

Meanwhile, more mature economies might start with advanced actions, such as facilitating deep market-sounding processes, investor consultations, and

structured feedback loops; setting sophisticated regulatory and market standards; or expanding domestic institutional investor participation by enabling legal and regulatory frameworks for securitization and bond market development. They may also use balance sheets more selectively to innovate new asset classes rather than compensate for missing fundamentals, and apply finely calibrated fiscal incentives to catalyze innovation, scale emerging technologies, or support first-time market structures within otherwise mature markets.

While the Framework does not provide specific guidance on where different governments should focus according to their country-specific conditions, it is flexible enough to be adapted as necessary to varying market contexts. In Conclusions and Next Steps, governments are encouraged to develop National Blended Finance Roadmaps, which are government-endorsed, time-bound plans that translate the Framework into country-specific actions aligned with national development priorities, market conditions, and institutional capacity.

THE SIX PILLARS OF THE STRATEGIC FRAMEWORK FOR BLENDED FINANCE

PILLAR 1	PILLAR 2	PILLAR 3	PILLAR 4	PILLAR 5	PILLAR 6
National-level Planning Coordination and Alignment	Policy and Regulatory Environment	Supply and Deployment of Concessional Capital	Market Development and Private Sector Mobilization	Project Pipeline Development and Standardization	Information Architecture
Align blended finance with national priorities, identify investment gaps, clarify institutional responsibilities, and signal priorities to the market	Enact financial, legal, fiscal and climate-related policies and regulations that enable blended finance to operate at scale.	Facilitate the mobilization of concessional capital and deploy it effectively to catalyze private investment and advance market development.	Build partnerships, attract commercial capital, and foster investor confidence.	Generate investment-ready projects, standardize approaches, and ensure strong governance.	Strengthen data systems, improve market intelligence, and enhance ESG and impact transparency.



Photo by: UNDP Myanmar

PILLAR 1

PUBLIC SECTOR COORDINATION, PLANNING, AND NATIONAL LEVEL ALIGNMENT

While this pillar can be actioned at any point throughout the development of an enabling environment for blended finance, addressing it early can help create a solid base upon which the other pillars can be built; without clear national priorities, well-coordinated public sector action, and credible market signals, blended finance efforts risk becoming fragmented, ad hoc, and misaligned with development needs and local ownership. Rather, establishing a successful blended finance ecosystem requires a clear national investment strategy, effective inter-agency coordination, a firm

understanding of financing gaps in high-impact sectors and why they exist, and mechanisms that ensure blended investments are well aligned with the national and regional development priorities.

Role of the Government

Facilitator

- Strategic direction and market signalling
- Institutional coordination and role clarity

1.1 Strategic Planning, Identifying Gaps, and Alignment with National Priorities

A central **facilitator** role under this pillar is for governments to assess where blended finance can meaningfully support the achievement of existing development priorities, and where it is unlikely to be an appropriate or effective tool. For jurisdictions at an early stage of developing a blended finance ecosystem, this assessment should begin with a structured needs assessment and self-diagnosis anchored in nationally defined objectives, as articulated in National Development Plans (NDPs), Nationally Determined Contributions (NDCs), National Adaptation Plans (NAPs), and sectoral

strategies. In particular, to the extent they are being used, leveraging an Integrated National Financing Framework (INFF) facilitates insight into readily available financing, and identifies risks and structural constraints that guide strategic reform. The INFF mechanism can detail the full range of available financing, whether domestic or international, public, or private. INFFs can also strengthen national planning mechanisms to increase capital investment, manage risks, and explore innovative or blended financing solutions to overcome structural barriers to achieving the 2030 agenda.

Governments should undertake targeted market analysis to understand why private investment is not materializing in priority areas. This goes beyond identifying financing gaps, and focuses on diagnosing underlying market failures, policy and regulatory barriers, risk perceptions, institutional weaknesses, and capacity limitations that may constrain investment. Specifically, market failure diagnostics allow governments to move beyond general statements about financing gaps by instead identifying the concrete barriers that justify the use of public concessional capital. These assessments will typically examine issues such as information asymmetry, risk mispricing, foreign exchange exposure, shallow project pipelines, limited track records, and regulatory or institutional bottlenecks that raise the cost of capital or limit investor participation. By systematically mapping these constraints, governments can determine where concessionality is needed, what type of instrument is appropriate, and where commercial solutions may already be feasible. This helps ensure that blended finance is deployed only where it can deliver genuine catalytic impact.

Importantly, not all development priorities will be suitable for blended finance. Blended finance [is most effective](#) when used as a transitional, market-building tool, rather than as a permanent subsidy or a series of isolated transactions. Governments should therefore assess how blended finance can [contribute](#) to market development over time, including through demonstration effects, risk reallocation, or support to early-stage or first-of-a-kind investments, and how reliance on concessional support is expected to decline as markets mature. After doing so, outline the specific sectors and opportunities that it wants to use blended finance to advance.

Government Engagement Industry-led Market Dialogue

Industry-led coordination platforms illustrate how governments can support structured engagement with the private sector to inform strategic planning for blended finance. In Singapore, the Singapore Sustainable Finance Association (SSFA), established with support from the Monetary Authority of Singapore (MAS), convenes financial institutions, corporates, and other market actors to surface investor perspectives on risk, feasibility, and market readiness across areas such as transition finance, blended finance, and sustainable infrastructure.

Importantly, similar models are emerging in developing markets. In Malaysia, the Joint Committee on Climate Change, co-chaired by Bank Negara Malaysia and the Securities Commission Malaysia, brings together regulators and industry participants to coordinate climate risk management, sustainable finance development, and market readiness initiatives. This demonstrates that structured public-private dialogue platforms are increasingly being institutionalized in emerging markets, not only in advanced financial centres.

By providing neutral forums for dialogue, capability building, and shared analysis, such platforms allow governments to test assumptions, identify binding constraints, and ensure that national priorities and financing strategies are grounded in market realities before instruments or pipelines are finalised.

Why Market Signaling Matters

Market signaling is how governments and coordinating institutions communicate to investors where opportunities exist, what policy support is in place, and how risks will be managed. In blended finance, strong market signals:

Create clarity

making it easier for investors to understand priority sectors, available projects, and enabling policies.

Reduce uncertainty

providing predictable information on concessionality principles, investment frameworks, and project timelines.

Build confidence

demonstrating that the government is committed to mobilizing and managing capital in a credible and transparent way.

Guide capital flows

helping align public, private, and concessional resources toward the most impactful and investment-ready opportunities.

STRATEGIC PRIORITY	ACTIONS
Assess financing needs and gaps	• Conduct financing gap analyses linked to NDPs, NDCs, NAPs, and sectoral strategies and leveraging initiatives such as an INFF • Quantify investment requirements by sector, region, and time horizon • Identify policy and regulatory barriers that limit capital mobilization (domestic and international) • Undertake a national workshop to develop an action plan
Conduct market-failure diagnostics	• Systematically examine pipeline externalities, foreign exchange mismatch, information gaps, risk mispricing • Use these diagnostics to determine where concessional capital is needed, what instrument types are appropriate, and where policy reforms could reduce the level of concessionality required over time
Prioritize sectors and opportunities	• Develop and apply a prioritization framework combining development impact (e.g., SDG alignment) with investment readiness (e.g., bankability, investor interest) • Map sectoral priorities and opportunities (e.g. transition pathways) against private sector appetite
Ensure community-driven prioritization	• Embed gender equality, social inclusion, and climate resilience as prioritization criteria • Establish consultation mechanisms with local communities, civil society, non-governmental organizations (NGOs), cooperatives and/or vulnerable groups • Create feedback loops to enable communities to monitor and influence implementation • Use local insights to refine priorities and ensure inclusive, equitable growth
Engage the private sector early	• Ensure that national strategic plans account for private sector risk perceptions, investment constraints, and return expectations through early market sounding and consultation • Establish ongoing public–private dialogue mechanisms to refine priorities over time, align policy signals with market realities, and build investor confidence through predictable engagement

1.2 Public Sector Institutional Roles and Inter-Agency Coordination Mechanisms

Blended finance operates across multiple policy domains (ex. public financial management, economic and sectoral policy, climate and environmental policy, investment and trade promotion, and development cooperation), and is shaped by decisions within different ministries and levels of government. Without effective coordination, blended finance efforts risk becoming fragmented, ad hoc, and misaligned with development needs.

As such, governments can act as *facilitators* of blended finance through ensuring these entities operate with clear mandates and have complementary functions, resources are deployed more efficiently,

policy signals are consistent, and investment priorities are aligned. In some countries, subnational and municipal governments are at the front line of service delivery and infrastructure development, and their financing needs and project pipelines must be integrated into national planning.

An internal coordination system should be anchored in an institution with authority to align policies across the government, such as in ministries of finance or a dedicated blended finance coordination unit. Its purpose should be to ensure that national development objectives, financing plans, sector strategies, and local government needs are translated into coherent action

across the public sector. This includes formalizing roles, establishing permanent or program based coordination platforms, and creating processes for information sharing and joint decision making that connect national and subnational actors. It also requires assessing institutional readiness to address gaps in technical, legal, and financial capacity. Part of assessing

institutional readiness includes ensuring capabilities exist to evaluate impact, including metrics on ESG initiatives. By aligning government actors internally, the public sector can present a unified and credible position when engaging with private investors and development partners in later stages.

STRATEGIC PRIORITY	ACTIONS
Define roles and responsibilities across government	• Map relevant ministries, agencies, regulators, public DFIs and subnational authorities that can impact the blended finance market or act as delivery partners for concessional finance. • Clearly define mandates for each institution, covering policy-setting, pipeline development, transaction oversight, and monitoring. • Formalize roles through government directives, inter-agency agreements, or legislative provisions. • Ensure role definitions address potential overlaps and fill institutional gaps. • Consider the “Doer” vs “Facilitator” functions of public stakeholders. • Review mandates periodically to reflect evolving policy priorities.
Determine the role of public development banks and national funds in delivering blended finance	• Identify any public development banks and national/municipal funds that can act as blended finance key stakeholders and assess their mandates, capacity, and governance. • Strengthen and align institutional mandates to permit the use of blended finance instruments such as concessional guarantees, subordinated debt, risk sharing facilities, and local currency products. • Establish coordination and accountability mechanisms to ensure these institutions deliver financing solutions in line with national priorities and minimum concessionality principles.
Strengthen institutional capacity and governance for concessional capital use	• Conduct readiness assessments for key government agencies and institutions to evaluate technical, legal, and financial capacity. • Provide targeted capacity-building programs for ministry and agency staff on blended finance concepts, structuring, and impact measurement and ESG/impact measurement and management (IMM) alignment. • Introduce ex-ante assessments for determining when and how public funds should be used. • Develop internal guidance notes, templates, and toolkits to streamline processes across government. • Monitor performance and adapt capacity-building interventions based on lessons learned.
Establish inter-agency coordination platforms	• Create permanent or program-specific bodies (e.g., blended finance steering committees, sectoral task forces) to facilitate joint decision-making within government. • Develop standard operating procedures for agenda-setting, decision-making authority, and dispute resolution. • Use coordination tools to share project pipeline data, track progress, and monitor policy implementation. • Hold regular coordination meetings to align investment priorities, review progress, and address cross-agency challenges.



Photo by: Prakash Chandra, UNDP Nepal

PILLAR 2

POLICY AND REGULATORY ENVIRONMENT

Pillar 2 focuses on the policy and regulatory conditions that determine whether blended finance structures can be formed and deployed at scale. Even where national priorities are clearly defined under Pillar 1, blended finance will not materialize unless the legal, fiscal, and financial sector environment allows market oriented instruments to be structured, risks to be appropriately allocated, and returns to be made investable. Clear and predictable rules are therefore not only a signal of commitment, but a practical requirement for reducing transaction costs, lowering perceived risk, and enabling private capital to participate.

The central purpose of Pillar 2 is to address barriers that make risks too high or structures too complex for investors. These barriers often sit at the intersection of sectoral policy, fiscal design, and financial regulation. In some cases, blended vehicles cannot be formed because legal frameworks do not accommodate

modern risk sharing instruments or because PPP and procurement rules are too rigid. In others, sectoral policies fail to provide predictable revenue streams, fiscal incentives are poorly targeted, or foreign exchange risks remain unmitigated. Financial sector regulations may also limit participation by failing to recognize genuine risk reduction or by constraining the ability of banks and institutional investors to allocate capital to blended structures.

Role of the Government

Facilitator

- Rules, standards, and regulatory enablement

Doer (limited extent)

- Project and market creation

Not All Public-Private Partnerships Are Blended Finance

A PPP is considered blended finance only when concessional capital or risk-sharing instruments are used to catalyze private investment.

Examples include:

- First-loss capital or subordinated tranches funded by donors or philanthropic actors
- Concessional loans or grants that reduce project risk or cost of capital
- DFI or MDB guarantees that materially de-risk private investors
- Structured risk-sharing mechanisms that enable commercial participation that would not otherwise occur

By contrast, the following are not automatically blended finance:

- Standard PPP contracts funded purely on commercial terms
- Availability payment structures without concessional elements
- Traditional government procurement with private contractors
- Commercially viable PPPs that proceed without catalytic support

The key distinction is additionality and catalytic effect. Blended finance involves intentional use of concessional resources to mobilize private capital that would not otherwise participate on similar terms.

2.1 Legal and Institutional Frameworks

While many legal and institutional reforms are part of broader efforts to improve the overall investment climate, there are also specific measures that directly support blended finance, such as clarifying the legal status of innovative instruments, strengthening PPP legislation to accommodate de-risking tools,

and ensuring that public agencies and DFIs have coordinated mandates for structuring and deploying blended finance. Together, the government can implement reforms as a **facilitator** to create a more credible environment for mobilizing private capital, thereby improving the bankability of transactions.

STRATEGIC PRIORITY	ACTIONS
Provide legal clarity for innovative blended finance instruments	• Legally define and standardize frameworks for: results-based financing and outcome/impact bonds, hybrid capital (mezzanine, subordinated debt, convertible instruments), first-loss capital and guarantee structures, public equity stakes in blended platforms, performance-based grants, and catalytic co-investment. • Issue regulatory guidance on risk allocation, default procedures, governance requirements, and disclosure norms for these instruments. • Ensure instrument definitions align with financial sector laws, securities regulation, and tax codes.
Strengthen contract enforcement and legal certainty actions	• Streamline judicial processes for commercial dispute resolution, including time-bound procedures for infrastructure and investment-related cases. • Expand the use of specialized commercial courts or arbitration centers to handle complex blended finance and PPP disputes. • Harmonize enforcement of foreign judgments and arbitral awards in line with international conventions. • Introduce legal provisions that secure creditor rights, collateral enforcement, and step-in rights for financiers in PPP and concession agreements.

Modernize PPP laws and procurement guidelines to accommodate blended structures and risk allocation mechanisms	• Revise PPP legislation and procurement rules to explicitly allow integration of blended finance instruments such as first-loss capital, political risk insurance, and MDB and DFI guarantees in project structures. • Standardize project preparation and appraisal through a centralized PPP/ blended finance unit to ensure early incorporation of credit enhancements, viability gap funding, and sustainability-linked performance metrics. • Develop sector-specific blended PPP templates (e.g., renewable energy, transport, water) that embed de-risking mechanisms and impact measurement requirements to accelerate transaction closure.
Enable philanthropic, corporate social responsibility (CSR), and foundation capital to participate in blended finance structures	• Amend charity, foundation, and corporate social responsibility (CSR) legislation to permit program-related or mission-aligned investments in revenue-generating blended finance vehicles. • Consider tax incentives or “impact investment exemptions” that allow philanthropic capital to provide first-loss, guarantees, recoverable grants, or subordinated debt. • Clarify regulatory treatment (e.g., prudential, reporting, and fiduciary requirements) for philanthropic investment into commercially oriented structures.

PPP Reform Act as a Catalyst for Better Infrastructure Delivery in the Philippines

The Philippines has long relied on PPPs to bridge its infrastructure gap, but inconsistent legal frameworks and protracted approvals slowed delivery.

The recently enacted PPP Law of the Philippines (RA 11966) which became effective in 2024 directly [addresses](#) these structural weaknesses. It establishes a single, overarching legal framework for PPPs at national and local levels, standardizing rules for Build-Operate-Transfer (BOT) variants and joint ventures.

Key provisions include:

- Streamlined approval thresholds to speed decision-making
- Mandatory dispute resolution mechanisms to prevent costly legal standstills

- Institutionalized PPP units within implementing agencies to boost technical capacity
- Clear rules on ROW acquisition and tariff regulation to reduce investor uncertainty
- Creation of a PPP Risk Management Fund to manage contingent liabilities

By embedding these reforms into law, the PPP Reform Act aims to ensure that projects like CALAX are delivered faster, more efficiently, and with predictable outcomes for both government and investors. Under the “Build, Better, More” program, 48 flagship PPP projects have been identified, providing a stronger foundation for mobilizing private capital and meeting infrastructure targets.

2.2 Sectoral and Financial Policy Instruments

Targeted sectoral and fiscal policies play a central role in improving the risk–return profile of investments and creating the conditions for blended finance to operate effectively. Governments act as **facilitators** by establishing enabling frameworks such as tariff regimes, procurement rules, standardized agreements, and time-bound incentive schemes, that reduce uncertainty and address structural market failures in priority sectors. At the same time, governments act as **doers** when they deploy fiscal instruments and balance sheet

interventions, including tax credits, targeted incentives, and foreign exchange solutions such as local currency facilities or hedging mechanisms, to directly close cost, revenue, or risk gaps that the market cannot bridge on its own. When these facilitative and direct interventions are applied in a disciplined and transparent manner and aligned with blended finance structures, public resources are concentrated where they have the greatest catalytic effect, crowding in private capital rather than displacing it.

STRATEGIC PRIORITY	ACTIONS
Establish bankable sectoral instruments in priority sectors	• Develop sector-specific policy frameworks (e.g., renewable energy, transport) with clear procurement and tariff-setting mechanisms, • Introduce standardized contractual and revenue frameworks (e.g., long-term offtake agreements, availability payments, regulated tariff mechanisms, or viability gap funding schemes) to create predictable and transparent revenue streams for investors,
Facilitate capital repatriation for foreign investors	• Ensure clear legal provisions and streamlined administrative processes for profit repatriation and investment exit. • Harmonize repatriation rules with bilateral investment treaties and regional agreements.
Sectoral fiscal incentives	• Consider sector-specific tax credits or value-added tax (VAT) exemptions to reduce investors' tax liabilities for qualifying investments in priority or SDG-aligned sectors. • Allow accelerated depreciation or amortization of eligible capital assets to enable investors to recover costs more rapidly in the early years of a project.
Mitigate foreign exchange (FX) risk	• Promote local currency financing solutions to align asset and liability currency profiles. • Explore options for government or DFI-backed FX guarantees and hedging facilities to reduce currency volatility risks for investors.

Mobilizing Private Capital for Renewable Energy Through Tax-Exempt Bonds in India

In July 2025, the Government of India [introduced](#) a targeted fiscal incentive to stimulate private investment in renewable energy by granting bonds issued by the Indian Renewable Energy Development Agency (IREDA) the status of “long-term specified assets” under Section 54EC of the Income Tax Act, 1961. This designation allows investors who reinvest their long-term capital gains into IREDA bonds

subject to a five-year lock-in period, to claim a full exemption from capital gains tax, up to a limit of ₹50 lakh (approximately \$60,000) per financial year. By enabling investors to shelter gains from taxation, the bonds became a more attractive proposition for both high-net-worth individuals and institutional investors, significantly widening IREDA's potential investor base.

The fiscal incentive directly addressed one of the

core challenges in financing green infrastructure in India: the relatively higher cost of capital for renewable energy projects compared to fossil fuel alternatives. For an investor realizing ₹50 lakh in capital gains, the exemption effectively translates into a tax saving of about ₹10 lakh, or 20% of the invested amount, thereby lowering the real cost of participation. The predictable returns from the bonds, combined with the tax benefit, offered a compelling low-risk entry point into climate-positive investments.

IREDA, as a government-owned DFI, earmarks bond proceeds exclusively for self-sustaining renewable energy projects such as solar, wind, small hydro, and biomass, where repayment can be assured without sovereign guarantees. This structure blends public policy support with development finance principles: the fiscal incentive serves as a first-level de-risking mechanism for investors, while IREDA's government ownership and strong repayment record act as an implicit credit enhancement. The combination allows

projects to achieve financing terms that attract co-investment from private equity and multilateral lenders.

The impact pathway is straightforward yet powerful. Capital gains from private investors are redirected into tax-exempt IREDA bonds, lowering the investors' effective cost. IREDA channels this capital into commercially viable renewable energy projects, such as a 100 MW solar park in Rajasthan, which are often co-financed with concessional loans from multilateral development banks. The result is competitively priced clean energy, greater private sector participation, and measurable progress towards India's climate and energy goals.

The IREDA case is aligned with the national SDG goals, and illustrates how a well-targeted fiscal incentive, embedded within a blended finance framework, can unlock commercial capital at scale for climate-aligned infrastructure and serve as a replicable model for other sectors and markets.

2.3 Financial Sector Regulatory Levers for Mobilizing Blended Finance

Certain financial sector regulatory levers are particularly influential in shaping market behaviour and unlocking investment. When capital requirements are calibrated to reflect genuine risk reduction, such as through guarantees, insurance, and other credit enhancements, regulators signal that well-structured, de-risked investments are viable and desirable. Aligning capital adequacy rules with the actual risk profile of blended finance transactions enables financial institutions to allocate more of their balance sheets to transformative projects while safeguarding financial stability.

Governments can also act as **facilitators** by promoting risk transfer. By adjusting regulatory parameters, authorities can make risk transfer more attractive, enabling financial institutions to recycle capital into new lending and investment. For example, flexible securitization frameworks that accommodate blended finance structures can convert illiquid portfolios into investable assets, attracting new investors and freeing up capital for further lending. Another example is that by allowing partial or full risk transfer for infrastructure, climate, and SDG-linked projects, and adapting risk-retention rules to support public–private pooling, regulators can enable financial institutions to achieve capital relief, unlock regulatory capital, and expand

balance sheet capacity, creating a virtuous investment cycle.

A related regulatory consideration is the scope of investment mandates and the interpretation of fiduciary duty in light of evolving risks. In many jurisdictions, institutional investors operate under frameworks that prioritize traditional financial risks, which may create uncertainty about whether climate, environmental, and social risks should be considered, even when they are material to long-term value. Similar constraints apply to philanthropic and CSR capital in some countries, where legal restrictions limit mission-aligned investing, as discussed further in Pillar 3. To address this, regulators can play an important clarifying role. Clear regulatory guidance affirming that financially material sustainability risks are consistent with fiduciary duty can help reduce uncertainty for institutional investors. This can include, for example, confirming that investment in impact-aligned assets is permissible, provided these meet appropriate risk-adjusted return expectations.

Where such positions are explicitly recognized and, where necessary, legally protected, they can encourage greater institutional participation in blended finance.

STRATEGIC PRIORITY	ACTIONS
Calibrate capital requirements to recognize guarantees and de-risked investments	• Ensure capital adequacy regulations explicitly allow reduced risk weights for exposures benefiting from eligible guarantees, insurance, subordinated capital, or other legally robust credit enhancement mechanisms. • Incorporate differentiated risk weights for investments supported by structured de-risking features, including first-loss capital or junior tranches that demonstrably reduce probability of default or loss given default. • Recognize MDB, DFI, and other qualifying concessional risk-sharing instruments for regulatory capital relief where risk transfer is clearly established. • Allow selected financial institutions to apply adjusted capital requirements in pilot blended finance transactions under supervisory monitoring.
Enable risk transfer through flexible securitization rules	• Introduce flexibility for originators to securitize assets supported by blended capital. • Ensure securitization regulations to allow partial or full risk transfer for infrastructure and SDG-linked assets. • Adapt risk-retention rules to accommodate public-private pooling vehicles
Clarify investment mandates and fiduciary duties	• Ensure fiduciary duty recognizes that the consideration of material sustainability and climate-related risks into investment decision-making is consistent with prudent investment management. • Expand permissible asset class rules to allow institutional investors to allocate to blended finance vehicles, impact funds, and other development-aligned products. • Incorporate impact criteria into Investment Policy Statements and asset allocation guidelines for pension funds, insurers, and sovereign funds. • Develop safe-harbor provisions protecting trustees and fund managers when allocating to well-structured impact investments within agreed risk-return parameters.

The Reserve Bank of India's (RBI) Rationalization of Provisioning Rules for Infrastructure Finance

In June 2025, RBI [announced](#) a significant revision to its draft infrastructure financing guidelines following strong feedback from lenders. The initial draft, released in May 2024, proposed steep provisioning requirements—up to 5% of the funded amount during the construction phase—to address the heightened risks of project delays and defaults. Banks argued that such high provisioning would constrain credit supply and dampen the recovery of India's infrastructure sector, particularly for capital-intensive projects.

Commercial lenders urged RBI to distinguish between public sector projects, which typically carry implicit sovereign guarantees against cost overruns, and private sector projects, which bear higher risk without government backing. They also pushed for a more nuanced approach to provisioning, starting at 1–2% with escalation only in case of delays, instead of a uniform 5%. Concerns were also raised over the draft's standardized six-month moratorium, which banks argued should vary depending on project type and sector.

Responding to these inputs, RBI revised its guidelines in June 2025, easing the provisioning requirement to 1% for under-construction infrastructure projects, effective October 2025. This was a substantial reduction from the earlier proposed 5% and aligned more closely with existing levels, minimizing immediate disruption to lending. The new rules also set a 1.25% provisioning requirement for under-construction commercial real estate projects,

capped deadline extensions for completion at three years for infrastructure projects, and applied the changes prospectively to avoid burdening already-financed projects.

By balancing prudential safeguards with credit flow considerations, RBI's revised framework aims to maintain lender confidence, encourage infrastructure investment, and reduce the risk of choking project finance in a sector critical to India's growth ambitions.

2.4 Carbon and Climate Finance Regulation

Governments acting as *facilitators* of carbon and climate finance regulation are an important blended finance lever, targeting one of the most dynamic and capital intensive areas for mobilizing private investment. Carbon markets, both compliance and voluntary, can generate predictable revenue streams, enhance bankability, and create new asset classes for investors. Developing these markets requires clear carbon pricing frameworks, the ability to link with international markets under Article 6 of the Paris Agreement, and pathways for blended finance vehicles to participate in credit generation and trading. Robust monitoring, reporting, and verification systems supported by transparent methodologies and capacity building are critical conditions for environmental integrity and investor confidence. Beyond establishing carbon markets themselves, the broader financial system must also be equipped to understand, price, and manage climate-related risks. Embedding climate risk into financial supervision, including stress testing and

Carbon and climate finance regulation mobilizes private investment by:

- Signaling policy commitment
- Creating bankable revenue streams
- Reducing perceived risks
- Aligning domestic and international markets
- Requiring the integration of climate risk into financial decision-making

scenario analysis, alongside disclosure standards and national taxonomies, aligns financial flows with national climate strategies. This helps to enable verified climate performance and carbon outcomes to be monetized into bankable, investable cash flows suitable for structuring within blended finance transactions.

STRATEGIC PRIORITY	ACTIONS
Develop domestic carbon markets and pricing mechanisms	• Establish a legal and regulatory framework for domestic carbon pricing instruments (e.g., emissions trading systems, carbon taxes). • Design mechanisms to enable linkage with international carbon markets under Article 6 of the Paris Agreement. • Facilitate participation of blended finance vehicles in carbon credit generation and trading.
Strengthen monitoring, reporting, and verification (MRV) systems	• Standardize climate data collection, reporting, and verification protocols for both compliance and voluntary carbon markets. • Ensure MRV systems are transparent, independently verifiable, and aligned with international methodologies. • Build capacity among regulators, project developers, and financial institutions to meet MRV requirements.

Address climate risk in financial sector policy and regulation

- Embed climate-related financial risk into supervisory frameworks, including stress testing and scenario analysis.
- Adopt and implement climate-related disclosure standards such as the International Sustainability Standards Board and Task Force on Climate-related Financial Disclosures for regulated financial institutions.
- Ensure national green / climate taxonomies are consistent and interoperable across borders.
- Introduce policy incentives that encourage financial institutions to align their portfolios with national climate goals and sectoral transition pathways.

UNDP's High Integrity Carbon Market's Initiative

Under the [Climate Promise](#), and through its network of country offices, UNDP provides strategic holistic support to developing country governments, helping them produce high-integrity carbon credits and matching them with high-quality buyers thereby raising the bar on integrity across the board. For UNDP, the high-integrity of carbon markets goes beyond carbon accounting and includes social and environmental safeguards to ensure that carbon market initiatives do no harm and promote overall positive sustainable development impacts.

To ensure the credibility and effectiveness of carbon markets, UNDP is actively collaborating with global initiatives, focusing on establishing robust principles and guidelines that ensure high integrity across all types of carbon markets. This includes engagement

with the United Nations Framework Convention on Climate Change (UNFCCC) Secretariat, working on Article 6 and the two voluntary carbon market integrity initiatives, the Integrity Council for Voluntary Carbon Markets to enhance the supply side, and the Voluntary Carbon Markets Integrity Initiative to address the demand side, aiming to bolster transparency and accountability in these critical financial mechanisms.

UNDP is also helping countries navigate complex carbon market processes and build the capacity needed to participate effectively, whether through compliance systems or the voluntary market. Useful guidance on this includes the [Carbon Market Access Toolkit](#) and the [Country Guidance for Navigating Carbon Markets](#).



Photo by: Rabik Upad, UNDP Nepal

PILLAR 3

SUPPLY AND DEPLOYMENT OF CONCESSIONAL CAPITAL

An effective enabling environment for blended finance requires a sufficiently large pool of concessional capital aligned with national priorities. Concessional capital is central to blended finance because it helps close risk–return gaps and mobilize private investment into priority sectors. To support this, governments need to both increase the supply of concessional resources and ensure their deployment is strategic, transparent, and focused on impact.

Role of the Government

Facilitator

- Convening and partnership

Doer

- Direct public financing and risk taking
- Institutional delivery through public financial entities
- Catalytic capital discipline and oversight

3.1 Increasing the Supply of Concessional Resources

Scaling domestic blended finance flows cannot be realized without a proportional increase in concessional capital. To strengthen this supply, governments can take targeted actions, such as deepening coordination with

donor countries to align priorities and mobilize greater concessional allocations, while also exploring domestic sources of concessional capital to diversify and stabilize the overall resource base.

Blended Finance Platforms Led by Donors and Funders Targeted Towards a Specific Country

Donor-led blended finance platforms are multi-partner structures designed to mobilize and coordinate diverse sources of capital in support of national development priorities. Bringing together government entities, development partners, philanthropies, private investors, and technical actors under a shared governance framework, these platforms align public policy, concessional finance, and private investment around defined outcomes. Governments typically play a central convening and coordinating role, helping to ensure coherence with national priorities while strengthening institutional capacity over time.

These platforms generally combine multi-actor governance arrangements with a coordinated financing architecture that deploys complementary instruments—such as project preparation support, guarantees, concessional debt, grants, or outcome-based payments—through an integrated structure rather than fragmented channels. In doing so, they also serve a market-building function, supporting pipeline development, regulatory reform, and capacity building to expand long-term investment readiness and absorptive capacity.

An example of this type of platform is the Just Energy Transition Platforms (JETPs). See [Annex 1: Blended Finance Platforms for more information](#).

Global/Regional Blended Finance Platforms Led by Donors/Public Finance to Mobilize Private Sector Capital

Blended finance platforms led by donors or public finance institutions are structured, multi-partner initiatives designed to mobilize private capital at scale in priority sectors where market barriers persist. These platforms are typically anchored by a coalition of bilateral donors, development agencies, or public financial institutions and operate under a shared governance framework that aligns concessional capital, policy reform, technical assistance, and private investment around defined national or sectoral objectives.

Governments may play a convening and coordination role, ensuring alignment with national

development priorities, while donors and public finance actors provide catalytic capital and risk mitigation to crowd in commercial participation. When well designed, these platforms help move blended finance from isolated transactions toward programmatic, scalable investment approaches.

Examples include Financing Asia's Transition Partnership (FAST-P) and Scaling Capital for Sustainable Development (SCALED). See [Annex 1: Blended Finance Platforms for more information](#).

3.1.1 Tapping into international concessional sources

Governments in emerging markets and developing economies (EMDEs) can strengthen access to foreign concessional capital by acting as **facilitators** through more structured and proactive engagement with bilateral donors, including deepened policy dialogue. As the OECD [notes](#), donors shape blended finance not only through ODA budgets but also through DFIs, MDBs, and standard-setting processes. Strategic engagement that clearly signals blended finance as a national priority can help align donor strategies with country objectives such as NDCs,

NAPs, biodiversity plans, and INFFs, improving coherence with local needs.

Governments can also act as **doers** by stewarding concessional capital through multi-donor investment platforms. By pooling fragmented donor resources into nationally anchored structures, these platforms reduce transaction costs, improve coordination, and support larger, more predictable concessional flows. Donors [are often](#) more willing to commit at scale through programmatic platforms, such as JETPs or sector-specific facilities linked to clear policy reforms and strong pipelines.

Global Fund for Coral Reefs (GFCR): Multi-window Blended Finance for Reef Resilience

[GFCR](#) is a pioneering blended finance vehicle and the first United Nations multi-partner trust fund dedicated to coral reef conservation and resilience aimed at mobilizing large-scale public, philanthropic, and private capital to address drivers of reef degradation and strengthen coastal economies. As an implementation vehicle for the Global Biodiversity Framework (GBF) and SDG 14, Life Below Water, GFCR's structure integrates a Grant Window, administered through the UN Multi-Partner Trust Fund Office, which deploys grants and concessional finance to build enabling conditions, support reef-positive businesses, and develop investible project pipelines, and an

Investment Window, managed by private sector partners (including Pegasus Capital Advisors and BNP Paribas), which channels equity and debt into sustainable “blue economy” opportunities that conserve reef ecosystems and support community livelihoods. The blended finance approach uses catalytic public and concessional capital to de-risk and attract commercial investment into areas such as sustainable fisheries, ecotourism, wastewater management, marine protected area finance, and other reef-positive enterprises, with the aim to mobilize several billion dollars in impact investment while protecting ecosystems and enhancing resilient development.

3.1.2 Tapping into domestic concessional sources

Blended finance is often framed as a cross-border structure in which external concessional capital is deployed to mobilise investment in developing countries. Far less attention has been paid to the role governments can play in using their own public resources catalytically, despite the widespread use of public budgets, national development banks, and specialised facilities to de-risk investment in priority sectors. This has contributed to an overemphasis on external concessional flows, while underrecognising the flexibility, alignment, and potential efficiency of domestic concessional capital.

Governments seeking a more active role as **doers** can allocate public resources to targeted concessional instruments within blended finance structures. As climate and development financing needs outstrip public balance sheets, tools such as guarantees, subordinated capital, and below-market credit lines

allow governments to address market failures and reduce private risk exposure without bearing the full fiscal cost of direct investment. When transparently deployed and aligned with sector strategies, these mechanisms can improve the efficiency of public spending by leveraging private capital and focusing support on binding constraints.

Domestic concessional capital can also [offer](#) advantages over foreign finance. International concessional funding is often denominated in foreign currency, exposing projects and governments to FX risk in markets where hedging is costly or unavailable. Local-currency concessional finance can avoid currency mismatch risks and can lower the risk-adjusted cost of capital by reducing borrower exposure to FX volatility. Moreover, the use of domestic resources sends a strong signal of government commitment, reinforcing policy credibility and encouraging private investors to make longer-term, scalable investments in priority sectors.

How Governments Can Use Public Resources to Catalyze Private Investment

Governments can use public resources in a variety of ways to catalyze private investment into socially and environmentally impactful sectors. When deployed strategically, public capital can reduce risk, improve project bankability, and unlock commercial financing that would otherwise not materialize. Key avenues through which governments can participate include:

Public Financial Institutions

Governments can channel concessional or catalytic capital through national development banks, public sector banks, national credit guarantee corporations or other state-owned intermediaries. By establishing dedicated windows within these institutions, governments can deploy instruments such as first-loss capital, subordinated debt, concessional credit lines, and partial credit/concessional guarantees to mitigate risks for private financiers. These institutions can also leverage their local currency capacity, governance frameworks, and alignment with national priorities to serve as effective “front doors” for crowding in commercial investment across sectors including micro-, small- and medium-sized enterprises (MSMEs), climate, agriculture, WASH, and social infrastructure.

- [PT Sarana Multi Infrastruktur](#) (*PT SMI, Indonesia*)
– A special mission vehicle of the Ministry of Finance of the Republic of Indonesia, that

provides financing and project preparation support for infrastructure and climate-related investments. The institution structures blended finance solutions by combining public, concessional, and commercial capital, using instruments such as loans, guarantees, subordinated financing, and project preparation funding.

- [Banco Nacional de Desenvolvimento Econômico e Social](#) (*BNDES, Brazil*) – A federal DFI that deploys concessional and catalytic capital across infrastructure, industry, climate, and social development. BNDES uses instruments such as long-tenor concessional loans, credit guarantees, subordinated financing, and equity investments to de-risk projects, expand access to finance, and crowd in private capital for Brazil’s national development priorities.

Sovereign and Quasi-Sovereign Investment Funds

Governments can establish sovereign-backed investment funds that operate as commercially governed blended finance platforms. These funds can invest across the capital stack—debt, equity, mezzanine, and guarantees—and take catalytic positions that encourage domestic and international investors to co-invest in national priority sectors. Through professional fund management and clear governance structures, such platforms can reduce transaction costs, anchor investor confidence, and align public and private investment strategies. Critically, governments should also consider committing their own capital on a concessional basis to such platforms to signal strong local ownership,

demonstrate ‘skin in the game’, and give private investors greater confidence that projects are well aligned with national priorities

- [Ghana Infrastructure Investment Fund](#) (*Ghana*)
– A sovereign-backed fund that mobilizes capital through debt, equity, mezzanine finance, and credit enhancements to de-risk and crowd in private investment for strategic infrastructure
- [National Infrastructure and Investment Fund](#) (*NIIF, India*) – A government-anchored, professionally managed co-investment platform pooling public capital with global institutional investors to fund infrastructure, climate solutions, and digital development.

Outcome Funding

Governments can support blended finance by acting as outcome funders, particularly where traditional public programs underperform. Rather than paying for inputs, governments commit budget resources that are disbursed only when independently verified outcomes, such as income gains, skills development, enterprise growth, or climate performance, are achieved. This approach improves the efficiency and accountability of public spending while creating predictable, performance-based revenue streams that attract private service providers and investors. Outcome funding can be deployed through several mechanisms, including outcome-linked budget allocations, performance-based contracts, Social or Development Impact Bonds, and results-based incentives such as

conditional subsidies or interest subventions. Across these models, outcome funding shifts public expenditure toward measurable impact while enabling private capital and innovation to contribute to delivery.

- [The Skill Impact Bond](#) – A bond initiated by the National Skill Development Corporation (NSDC), a public–private partnership established by the Government of India to advance skills development in India. NSDC, together with a consortium of partners, structured the bond so that risk investors provided upfront capital to training providers and were repaid by outcome funders only if independently verified results, such as successful training and job placements, were achieved.

Public Sector (Sovereign) Blended Finance

An effective enabling environment for blended finance depends in part on governments' access to affordable and predictable sovereign financing. High or volatile borrowing costs constrain fiscal space and limit governments' ability to co-finance or scale blended finance. By applying blended finance principles at the sovereign level, such as using catalytic or concessional capital to enhance the risk–return profile of sovereign instruments, governments can lower borrowing costs, extend maturities, and improve market access. Strengthening debt sustainability in this way expands fiscal space and enables greater

public support for blended finance and priority public goods, including health, education, climate adaptation, and core infrastructure.

- Republic of Senegal's 2023 Social Note – The Senegalese Government used concessional credit insurance to align the risk profile of the issuance with institutional investor requirements, enabling the government to mobilize private capital for its Public Investment Program while lowering perceived risk. The proceeds were allocated across priority social sectors including education, healthcare, and rural digital connectivity,



3.1.2 Tapping into new pools of concessional resources

Governments can act as *facilitators* by expanding the supply of concessional capital. This includes creating enabling frameworks that unlock underutilized domestic capital pools and channeling them as concessional resources in blended finance vehicles aligned with development priorities.

Dormant asset schemes represent an avenue for achieving this objective. In the United Kingdom, for instance, legislation enabling the transfer of unclaimed balances from dormant financial accounts are being [repurposed](#) to assist social enterprises with innovative energy saving solutions. By establishing the legal architecture, governance safeguards, and intermediation structures for such transfers, the government has enabled the conversion of otherwise idle private balances into long-term catalytic capital, without relying on new fiscal outlays.

Remittances represent a further opportunity for governments to tap into large and relatively stable capital inflows as a source of concessional finance. While primarily supporting household consumption and resilience, governments can enable the intermediation

of a portion of these flows into investable vehicles by clarifying the regulatory treatment of diaspora instruments, strengthening payments infrastructure, and establishing appropriate consumer protection and risk-sharing frameworks. Under Convergence's Indo-Pacific Design Funding Window, a feasibility grant [supported](#) the design of a remittance-based blended finance vehicle in the Pacific to channel migrant remittances toward resilient micro-infrastructure investments. Although still nascent, such models demonstrate how fragmented diaspora inflows can be aggregated into catalytic capital aligned with national development priorities. Governments can also enable participation from actors such as philanthropies, family offices, high-net-worth individuals, and CSR allocations. These pools of impact-oriented capital often have higher risk tolerance and lower return expectations, making them well suited to blended finance structures. By clarifying regulatory frameworks, simplifying compliance, expanding eligible uses of pools such as CSR, and ensuring appropriate safeguards, governments can crowd in these actors, reduce pressure on public budgets, and strengthen the overall blended finance ecosystem.

Opportunities for Mobilizing Charitable and CSR Capital in India

India presents a compelling example of the potential to mobilize additional concessional capital in support of national development priorities. The country has a large and dynamic impact ecosystem, supported by significant CSR allocations, active domestic philanthropy, and a growing landscape of social enterprises addressing development challenges. Under current statutory frameworks, charitable entities are generally required to deploy resources toward defined charitable purposes and investments in for-profit activities are restricted. As a result, CSR and philanthropic capital is most commonly channelled through grants to non-profit organisations, while the use of concessional debt or equity in for-profit entities remains more limited. In practice, this constrains the participation of these

resources in blended finance vehicles that involve investments in commercial enterprises.

As India's impact investment ecosystem continues to evolve, there may be opportunities to expand how charitable and CSR capital can complement existing grant-based approaches and broaden the range of tools available to deploy CSR and philanthropic resources alongside public and private capital. For example, creating defined pathways for certain forms of impact-oriented investment, including participation in blended finance structures or vehicles linked to platforms such as India's Social Stock Exchange, could help expand the pool of catalytic capital available to support high-impact enterprises.

STRATEGIC PRIORITY	ACTIONS
Strengthen coordination with donor countries to increase the volume and predictability of foreign concessional flows	• Deepen bilateral policy dialogue to align blended finance priorities with national strategies (e.g., NDCs, NAPs, INFFs). • Establish a central coordination function to engage systematically with donor agencies, MDBs, and DFIs.
Develop structured, country-driven investment platforms that enable donors to channel concessional resources at scale	• Create programmatic platforms in priority sectors, linked to regulatory reforms and investment roadmaps (e.g. leveraging INFFs and GCF Country Platforms). • Provide standardized templates (e.g., term sheets, risk-sharing structures) to reduce fragmentation and facilitate multi-donor participation. • Integrate concessional instruments with broader sector policies to demonstrate alignment and strengthen long-term investment prospects.
Expand domestic sources of concessional capital to reduce reliance on external funding and support market development	• Allocate a portion of public budgets to concessional mechanisms (e.g., guarantees, first-loss facilities, concessional credit lines). • Empower national development banks to deploy domestic concessional finance in local currency. • Create enabling regulations, structures, and incentives to unlock underutilized domestic capital pools (e.g., domestic philanthropy, corporate actors, dormant assets, and remittance) .

3.2 Ensuring Effective Concessional Capital Deployment

Ensuring the disciplined and effective deployment of concessional capital is essential for the credibility and performance of blended finance. Concessional capital introduces a subsidy into a transaction by providing financing that the market will not supply on its own or by offering terms that are more favourable than market conditions. Because this subsidy carries both fiscal and market implications, its use must be governed by clear principles that safeguard the efficient allocation of public resources and ensure concessionality is

applied only where it addresses genuine investment barriers and solves pressing development challenges. Globally recognized standards, such as those [articulated](#) by the OECD Development Assistance Committee (DAC), provide a foundation for this discipline. For governments aiming to scale blended finance, applying these norms consistently across both facilitative (*facilitator*) roles and direct deployment of concessional resources (*doer*) is fundamental.



Photo by: UNDP Thailand

Allocating Concessional Capital Responsibly

In allocating concessional capital, governments should consider the following:

Ground blended finance in market diagnostics

Ensure national and sector strategies are informed by robust assessments of market conditions and binding constraints, so blended finance is targeted only where market failures are clearly defined and concessionality supports priority development outcomes.

Prioritize private capital mobilization

Concessional capital should be deployed with private sector mobilization as a central objective, avoiding subsidy of investments that would occur anyway or crowd out private investors.

Apply the principle of minimum concessionality

Use concessional capital only to the extent necessary to address identified market failures and make transactions viable, and no more.

Use competitive allocation mechanisms

Expand the use of tenders, auctions, open calls, or similar processes to reveal the minimum subsidy required, improve value for money, enhance transparency, and support contestable markets.

Focus concessional capital on market development

Treat blended finance as a transitional tool aimed at building track records, demonstrating bankability, reducing information asymmetries, and enabling new business models, with the expectation that concessional support will phase out over time.

Promote standardization and consistent frameworks

Adopt and align with standardized approaches in providing concessional capital to blended finance vehicles (refer to Pillar 5). For example, frameworks such as Convergence's Private Investment Mobilization Models (PIMMs) provide a set of standardized, replicable investment mobilization approaches shown to increase private investment at scale and reduce transaction complexity.

Define and track market development objectives

Clearly articulate intended market outcomes for each concessional intervention and monitor whether these reduce underlying risks, strengthen market functioning, and move sectors toward commercial viability.

Use concessional deployment as a policy signal

Analyze where and how concessional capital is repeatedly used to identify underlying policy, regulatory, or institutional constraints, and use these insights to inform structural reforms that enable sustainable market development.

Embed learning and transparency

Integrate insights from blended finance deployment into planning and coordination systems to ensure concessional finance supports both immediate investment and long-term, self-sustaining markets, with transparency as a core enabling principle.

STRATEGIC PRIORITY	ACTIONS
Strengthen the economic rationale for using concessional capital	- Improve the quality of sector diagnostics to better understand where market failures persist and where concessionality may be warranted. - Encourage public institutions to articulate the specific investment barriers a concessional intervention is intended to address. - Explore ways to integrate concessionality assessments into broader sector planning or investment prioritization processes.
Promote a focus on mobilization and market development	- Encourage implementing institutions to examine whether proposed transactions are likely to mobilize private capital or support market-deepening outcomes. - Support capacity building for public entities to undertake simple counterfactual assessments (e.g., assessing whether a project could proceed on commercial terms). - Consider adopting standardized templates or appraisal tools that prompt early-stage consideration of mobilization potential.

Support more proportionate and time-bound use of subsidy	• Explore approaches to assess whether the level of concessionality aligns with the underlying risk profile of a transaction. • Use periodic reviews to assess whether concessional terms remain appropriate as project or market conditions evolve. • Encourage implementing partners to outline how concessionality might decline as risks fall or markets mature.
Improve allocation efficiency where feasible	• Where market conditions allow, consider the use of competitive processes such as tenders, auctions, or open calls to help reveal subsidy requirements. • Strengthen the transparency of concessional allocations to reduce information asymmetries. • Explore opportunities to broaden the pool of potential participants to reduce the concentration of concessional support.
Use blended finance activities to inform policy and regulatory improvements	• Encourage implementing institutions to document which risks concessional capital is mitigating and whether these reflect deeper regulatory or institutional issues. • Create channels for sharing transaction-level insights with sector ministries, regulators, or investment promotion agencies. • Consider using blended finance pilots to test potential reforms or to understand how specific regulatory constraints influence investment decisions.
Enhance transparency and learning over time	• Support efforts to publish basic information on concessional allocations, subsidy levels, and intended objectives. • Promote monitoring practices that track not only project outcomes but also market-level effects where information is available. • Encourage periodic evaluations that help identify whether concessionality is declining over time and whether private participation is increasing.

3.3 Establishing a Transparent Mapping System

A key constraint in many markets is the limited visibility of concessional capital available to support blended finance. Market participants often lack access to a consolidated view of catalytic finance providers, their instruments, and mandates, leading to fragmented and reactive sourcing of concessional capital through informal networks or ad hoc engagement. This limits the ability to plan financing structures strategically, compare options across providers, align catalytic capital with national priorities, or develop repeatable and scalable blended finance models.

Governments can strengthen the enabling environment by supporting systematic mapping of concessional capital within their markets, creating a clearer picture of both domestic and international sources of catalytic finance and how they align with national investment priorities. Governments can act as a **facilitator** by contributing data to existing platforms or coordinating information sharing, or as a **doer** by developing and maintaining a national interface that centralizes this information.

Concessional Catalytic Mapping Tool

Several institutions have either [advocated](#) for, or are actively developing a centralized, interactive mapping tool to showcase providers of concessional capital, including donors, foundations, and impact investors. This tool should allow users to search for capital providers using filters such as donor country, financial instrument, sector, region, and the type of private actor mobilized. The platform should serve as a user-friendly resource for

identifying and comparing key concessional capital actors in the blended finance ecosystem. It should also highlight how different donors and foundations participate in blended finance. For countries developing their own national concessional capital databases or engagement strategies, the tool should provide a ready-made taxonomy and data architecture that can be adapted or localized.

STRATEGIC PRIORITY	ACTIONS
Map all concessional capital sources – international and domestic	• Connect with existing global datasets (e.g. Convergence Market Data, DFI/development bank databases, donor repositories) to capture international providers active in or open to the country. • Systematically identify domestic sources that are often absent from global datasets, including national and subnational DFIs, local development banks, philanthropic foundations, family offices, and corporate social investment funds. • Ensure both international and domestic data use a common taxonomy for comparability (capital type, sector tags, geography, investment mandate). • For each provider, note the mandate, sector focus, geographic scope, and catalytic instruments offered. • Cross-check to avoid duplication and fill coverage gaps, creating a single, coherent starting dataset.
Build the repository and choose the hosting model	• Option A (doer): Government-led tool hosted and maintained by a national agency or investment promotion body, with full control over design, updates, and branding (involves sharing function with global platforms). • Option B (enabler): Partnership model where government supplies verified domestic data to an established global/local platform or industry association and creates an official landing page linking stakeholders to it. • Choose the model based on capacity, budget, speed to deploy, interoperability needs, and long-term sustainability. • Ensure the repository is structured, searchable, and set up for regular updates.
Capture detailed provider attributes	• For each provider, collect data beyond basic mandates, including: • Return expectations and risk appetite • Preferred instruments (e.g., concessional debt, subordinated equity, guarantees) • Typical ticket sizes, tenor, and currency preferences • Disbursement timelines and decision-making processes (include notes on sector or geography restrictions, co-financing requirements, and prior transaction examples where possible) • Standardize these fields to allow easy filtering and comparison by users.
Provide guidance on accessing each capital pool	• Outline clear, step-by-step guidance for engaging each provider, including eligibility criteria, required documentation, and contact points. • Clarify approval timelines, typical structuring requirements, and any mandatory partnerships (e.g., with local banks or DFIs). • Where available, provide links to official application portals or template forms. • Highlight case studies or precedents to show how catalytic capital has been secured in similar transactions.
Ensure accessibility, promotion, and continuous updates	• Ensure the tool (or linked platform) has a user-friendly interface with advanced search, filtering, and export functions. • Actively promote the tool through public–private forums, blended finance training sessions, and integration into standard transaction origination processes. • Establish a formal update cycle (e.g. quarterly) with clear responsibilities, whether in-house or via a partnership agreement. • Monitor usage metrics (unique users, searches, downloads, deals influenced) and adapt the tool based on feedback.



Photo by: UNDP Nepal

PILLAR 4

MARKET DEVELOPMENT AND PRIVATE SECTOR MOBILIZATION

Blended finance structures rely on both concessional capital from public and philanthropic investors, and commercial capital from private actors. Not only can governments play a critical role in attracting concessional financing as in Pillar 3, but it can also help create a stable market where private, commercial investors can interact and deploy capital.

By reducing both real and perceived risks for private investors, improving liquidity, addressing information asymmetries, and building investor confidence, governments can help mobilize commercial investors to fill financing gaps identified in Pillar 1. Strong domestic capital markets, supported by effective de-risking mechanisms and transparent credit evaluation

systems, are essential to attracting both foreign direct investment and local commercial capital.

Role of the Government

Facilitator

- Market confidence, transparency and information architecture
- Convening and partnership

Doer

- Direct public financing and risk taking
- Institutional delivery through public financial entities

4.1 Mobilizing Domestic and International Commercial Capital

Mobilizing commercial capital at scale both domestically and internationally requires governments to act as **facilitators** by designing strategies that improve market confidence for private investors through addressing distinct motivations, constraints, and regulatory environments, and through convening private investors and supporting platforms that engage them within the blended finance market. Governments can act as **doers** by using financial instruments to proactively attract capital to priority areas.

4.1.1 Tapping into domestic commercial sources

Local institutional investors, such as pension funds, insurance companies, and banks, are often bound by prudential regulations, conservative risk appetites, and liquidity constraints, necessitating instruments like partial guarantees, subordinated debt, and long-term investment mandates to unlock their participation. Intentionally engaging with them [can lead](#) to better outcomes for the blended finance market. Local actors bring a deeper understanding of domestic investment landscapes, enabling transactions to be better aligned

with long-term objectives and local needs. They also invest in local currency, reducing exposure to FX risk and the associated hedging costs. In addition, by building a track record in priority sectors, local actors can create a demonstration effect that helps attract further investment.

4.1.2 Tapping into international commercial sources

Foreign investors may be motivated by portfolio diversification or access to high-growth markets, yet deterred by sovereign, currency, and political risks that can be mitigated through targeted risk-reduction tools and transparent market practices. Because these investor groups operate under different regulatory regimes and investment horizons, governments must harmonize domestic financial policies with internationally recognized standards, while ensuring that investment environments remain credible, competitive, and aligned with both national priorities and global capital flows. Those related to regulatory changes, such as having clear rules around repatriation laws, and mitigating FX risks, are discussed in Pillar 2.

Blended Finance Platforms Led by Local DFIs and Development Banks

Blended finance platforms anchored by DFIs or national development banks provide structured mechanisms to coordinate and deploy public, concessional, and private capital in support of national development priorities. Typically linked to ministries of finance or public financial institutions, they align sector strategies and project pipelines with appropriate financing instruments while ensuring consistency with national planning frameworks, fiscal policy, and development objectives.

By centralizing structuring and coordination functions, these platforms help reduce fragmentation across government entities and external partners and promote more transparent and strategic use of public resources. Their institutional anchoring can also enhance credibility with private investors and development partners, supporting a more programmatic and sustained approach to blended finance.

Examples include SDG Indonesia One, the Ghana Infrastructure Fund, and NIIF. See [Annex 1: Blended Finance Platforms for more details](#).

Capital Market Instruments for Scaling Blended Finance

Capital market instruments, such as sovereign, sub-sovereign, and non-sovereign green, sustainability, and sustainability-linked bonds, offer a scalable pathway to mobilize private capital for national climate and development priorities. By issuing standardized, rated, and liquid securities, public entities can access domestic and international institutional investors that prefer capital market exposure over project-level risk. When embedded in credible policy frameworks with strong disclosure standards, these instruments can anchor blended finance strategies by creating repeatable, SDG-aligned investment channels.

Blended finance can catalyze these markets, particularly for first-time or emerging issuers, through concessional capital, guarantees, anchor investments, or outcome-linked features that enhance credit quality, extend tenor, mitigate risk, and reduce costs, especially for sub-sovereign entities, state-owned enterprises (SOEs), and development banks. Innovative sovereign tools such as debt-for-nature or debt-for-climate swaps can further complement bond markets by linking debt management with environmental outcomes, easing fiscal pressures while aligning macro-fiscal strategies with sustainable development objectives.

Examples include:

- [Rwanda Sustainability-Linked Bond](#)

The Development Bank of Rwanda (BRD) issued a sustainability-linked bond as part of a broader blended finance strategy to mobilize

private capital for climate and development priorities. The bond links financial terms to the achievement of predefined sustainability performance targets, including increased lending to green projects and women-led enterprises. Concessional and technical support from development partners helped strengthen BRD's sustainability framework, reporting systems, and investor confidence, enabling the bank to access domestic institutional investors at scale. By embedding measurable impact targets into a capital market instrument, the transaction demonstrates how blended finance can enhance creditworthiness, align incentives, and crowd in private capital while reinforcing national climate and inclusion objectives.

- [Private Investment Mobilization Model - Public Sector Blended Finance Debt Fund](#)

As part of its efforts to forward standardized models in the blended finance market, Convergence has created Private Investment Mobilization Models (PIMMS) to promote best practices. The Public Sector Blended Finance Debt Fund PIMM is designed to mobilize large-scale private capital into public sector debt in developing countries by creating investment grade (BBB) rated senior funding through a three-tier capital structure. By aggregating diversified sovereign credit risks and using catalytic and concessional funding in the junior tranche, it reduces risk for private investors, enhances credit ratings, and thereby expands access to debt financing at lower interest rates.

Nepal: Blended Finance Structure for Agriculture MSME Lending

The Agricultural Credit Guarantee Scheme (Agri CGS) in Nepal is a blended finance structure established within the Deposit and Credit Guarantee Fund (DCGF) to expand access to finance for agricultural MSMEs. The scheme is being established with policy and technical support from UNDP, complemented by the UN Capital Development Fund's (UNCDF) contribution of risk absorbing first-loss capital. It is seed-funded through the Joint SDG Fund, approved in 2025, with additional capital contributions from participating municipalities and DCGF.

The Agri CGS is managed by DCGF as a dedicated, ring-fenced scheme designed for long-term financial sustainability. The scheme also upgrades DCGF's existing guarantee offering by introducing individual loan guarantees aligned with international good practice, strengthening risk management, transparency, and portfolio performance. Through this structure, the Agri CGS mobilizes commercial lending for agriculture while ensuring institutional sustainability and scalability over time.

STRATEGIC PRIORITY	ACTIONS
Focus on domestic capital mobilization	- Engage local institutional investors such as pension funds, insurance companies, and banks. - Develop and deploy tailored investment instruments for local capital providers, such as partial guarantees and subordinated debt, to address risk and liquidity constraints. - Support capital market deepening strategies by conducting regulatory reforms that enable long-term investment mandates and infrastructure financing by domestic institutions.
Increase attractiveness of domestic market for foreign investors	- Focus efforts to mobilize foreign capital on designing policies and instruments that attract foreign institutional investors and impact funds, as discussed in Pillar 2. - Use risk mitigation tools such as guarantees, FX hedging facilities, and political risk insurance to address investor concerns related to sovereign and currency risks. - Ensure transparent investment prospectuses, featuring standardized project information and clear exit strategies. - Harmonize with international disclosure standards and ESG frameworks to improve compatibility with global investment portfolios.
Send clear signals to the market	- Use priorities identified in Pillar1 to signal to private investors where opportunities exist, what policy support is in place, and how risks will be managed. - Provide predictable information on concessionality principles, investment frameworks, and anticipated project timelines. - Demonstrate commitment to mobilizing and managing capital in a credible and transparent way. - Align public, private, and concessional resources toward the most impactful and investment-ready opportunities.
Use fiscal incentives and financial instruments to attract private investment	Explore use of targeted fiscal incentives, such as viability-gap funding to reduce early-stage risks and improve bankability in priority sectors.
Support private-led platforms for blended finance	- Encourage private stakeholders to take the lead in developing platforms and programs that are aligned with national priority and high-impact sectors. - Partner with the private sector to support their blended finance initiatives.

Blended Finance Platforms Led by the Private Sector

Blended finance initiatives can also be led by private sector actors, with governments playing a supportive or enabling role. In these arrangements, private intermediaries originate investment strategies, structure vehicles, and manage capital deployment, while public actors provide concessional resources, policy support, or risk mitigation to enhance viability and scale. Commercial discipline drives decision-making, with public participation designed to catalyze rather than direct investment.

Such initiatives typically feature private-led governance structures in which fund managers

retain control over strategy and portfolio management, while public partners engage through limited partnership, co-investment, or advisory roles. Concessional or catalytic capital, such as first-loss tranches, guarantees, or matched funding, is used selectively to improve risk–return profiles, mobilize additional institutional capital, and build track records in new or underdeveloped sectors.

Examples include GAIA and Pentagreen.

See [Annex 1: Blended Finance Platforms for more information](#).

4.2 Strengthening Market Confidence

To attract international commercial capital, independent, credible credit ratings are a critical tool, particularly in emerging markets where information asymmetries and perceived risks can deter capital flows. Governments can act as **doers** by investing in the development of robust third-party evaluation tools, such as credit rating agencies (CRAs), to provide investors with transparent,

standardized assessments of risk, performance, and impact, including for transactions. Localized or regionally adapted CRA methodologies can be valuable in capturing the unique market conditions and credit dynamics of emerging economies, ensuring that assessments more accurately reflect true risk profiles and help unlock both domestic and international capital.

STRATEGIC PRIORITY	ACTIONS
Establish credit ratings	- Invest in the development of robust third-party evaluation tools, such as CRAs, which can provide independent assessments of risk, performance, and impact in blended finance transactions. - Promote CRA involvement in evaluating blended finance structures, including those linked to climate outcomes or the SDGs. - Support the development of localized or regionally-adapted CRA methodologies that reflect the unique characteristics of emerging markets and more accurately assess credit risk in local contexts.

Scaling investment through policy and financial de-risking solutions

This [is a joint offer](#) between UNDP and UNCDF. With UNDP [focusing](#) on strengthening enabling environments and addressing institutional and regulatory barriers to investment, while UNCDF directly deploys financial instruments and catalytic capital to private sector, financial intermediaries, and governments to de-risk investments and

mobilize additional public and private resources – both domestic and international. Through its investment mandate, UNCDF uses blended finance structures, such as first-loss capital, guarantees, and concessional loans, to mobilize public and private capital in high-impact initiatives, particularly in frontier and last-mile markets.



Photo by: Ab Rashid, UNDP Bangladesh

PILLAR 5

PROJECT PIPELINE DEVELOPMENT AND STANDARDIZATION

A robust pipeline of high-impact, investment-ready projects is essential for mobilizing blended finance at scale. This requires strong institutional capacity to source, prioritize, and prepare projects, as well as standardized tools and governance mechanisms that ensure transparency, replicability, and investor confidence.

Role of the Government

Facilitator

- Rules, standards, and regulatory enablement

Doer

- Project and market creation
- Direct public financing and risk taking

5.1 Project Origination and Preparation

In the project origination and preparation phase, governments will largely act as **doers** by actively contributing to the development of blended finance transactions. Effective project origination and preparation building on market intelligence and alignment of investors through tools are critical for building a robust pipeline of investment-ready

opportunities aligned with national priorities. By applying clear selection filters, developing targeted investment prospectuses, and providing early-stage technical assistance and design-stage grants, governments can enhance project quality and bankability. This can be further operationalized through a platform-based, institutional approach that embeds these functions

within a coordinated, programmatic structure, as has been discussed throughout the report, rather than delivering support on an ad hoc, project-by-project basis. This helps to ensure consistency, scale, and strategic alignment with national priorities. Strengthening project preparation facilities (PPFs) and linking them to global platforms ensures access to expertise and co-financing, while tailored support for smaller or

non-traditional projects helps unlock high-impact opportunities that might otherwise be overlooked. This can help transactions reach crucial scale to attract institutional investors. Another method of directly supporting project origination is by going beyond transactions to look at the entrepreneurial landscape. Governments can help to build entrepreneurial capacity, through technical assistance and grants.

SDG Investor Maps

As part of strengthening project pipeline development, governments can use structured market intelligence tools such as SDG Investor Maps to identify and prioritize investment-ready opportunities aligned with national development strategies. SDG Investor Maps translate SDG gaps and national policy priorities into clearly defined Investment Opportunity Areas (IOAs) — targeted sectors or subsectors where private investment has the potential to be commercially viable while advancing sustainable development outcomes.

By combining policy priorities, market data, regulatory context, and expected financial returns, SDG Investor Maps help governments move from high-level development goals to concrete, investable themes that can anchor

pipeline development. These insights support the identification of scalable project clusters, inform project preparation efforts, and guide the sequencing of regulatory and concessional interventions needed to enhance bankability.

When integrated into national pipeline governance processes, SDG Investor Maps can help reduce fragmentation, align public and private actors around priority sectors, and ensure that project origination efforts are grounded in market evidence. The findings [are made accessible](#) through UNDP's global online platform, enabling investors and policymakers to explore opportunities by region, sector, and SDG alignment, while reinforcing transparency and comparability across markets.

STRATEGIC PRIORITY	ACTIONS
Create a strong pipeline of projects aligned with national development strategies	- Identify and prioritize projects aligned with national strategies, climate commitments, and private sector interest using clear selection filters. - Develop investment prospectuses and provide early-stage technical assistance (e.g., feasibility studies, ESG screening). - Strengthen PPFs and link them to global platforms to access expertise and co-financing. - Use structured tools, such as SDG Investor Maps, to translate national development priorities into clearly defined, investment-ready opportunity areas.
Tailor support for projects to where there is greatest need	- Provide targeted technical assistance to structure projects based on development impact and mobilization potential, supporting both smaller-scale, high-impact initiatives, and scalable opportunities. - Establish or strengthen PPFs that coordinate blended technical assistance for legal, financial, and safeguards structuring. - Provide early-stage support to develop feasibility studies and proof-of-concept vehicles.

Focus on building the local entrepreneurial environment

- Support local developers, SMEs, and first-time sponsors through targeted technical assistance, capacity building, and transaction support.
- Facilitate access to early-stage risk capital and blended finance instruments tailored to local actors.
- Strengthen linkages between local entrepreneurs, financial institutions, and project preparation facilities to help scale viable business models.
- Promote knowledge sharing, mentorship, and market intermediaries that help local firms meet investor, ESG, and reporting requirements.

Creating a Pipeline for Forestry Transactions in Indonesia

The [Indonesia Social Forestry Programme](#) is a landmark initiative that targets the designation of approximately 12.7 million hectares (about 10% of the nation's state forest estate) for management by local and Indigenous communities, aiming to secure land tenure, enhance livelihoods, and bolster forest conservation. Led by the Government of Indonesia through the then-Ministry of Environment and Forestry, the program establishes legal frameworks, grants management permits, and provides ongoing technical guidance to participating communities. This expansive transfer of management rights has important implications for developing a pipeline

of forestry transactions: it broadens the universe of potential project sites, stimulates demand for post-permit support, such as participatory mapping, boundary demarcation, and community-level forest management planning, and underscores the need for technical assistance and organizational strengthening mechanisms like PPFs. As communities formalize rights and capacity building progresses, social forestry sites can increasingly feed into scalable, investment-ready transactions, especially those involving carbon finance, agroforestry, or sustainable timber value chains that align with climate and development goals.

Demand Driven Technical Assistance for Blended Finance in India

The Sustainable Finance Facility is anchored with India's Department of Economic Affairs at the Ministry of Finance. It is designed to operationalize recommendations of the G20 Sustainable Finance Working Group under India's G20 Presidency, specifically the workstreams on mechanisms for the mobilization of timely and adequate resources for climate finance and scaling the adoption of social impact investment instruments. The Facility, incubated with support from the European Union and implemented by UNDP provides technical assistance for the design of sustainable financing

instruments. The technical assistance can be used to support legal and financial structuring, incorporating safeguards, designing impact measurement and management mechanisms, and feasibility and proof-of-concept studies. The demand based support can be used for blended financing mechanisms, thematic bonds, pooled financing facilities, and other alternative financing instruments. A key criteria is to support engagement based on requests from government stakeholders, including sub-national governments (states and cities).

5.2 Standardization and Replicability

Standardization and replicability are essential for scaling blended finance in emerging markets, where high transaction costs and lengthy deal cycles often limit the pace of capital mobilization. Governments can act as **facilitators** by developing consistent documentation, templates, disclosure standards, and model transaction frameworks, governments and market actors can reduce due diligence burdens, enhance investor confidence, and accelerate the rollout of proven financing structures

across sectors and geographies. Embedding feedback loops from market experience ensures that these standardized tools remain adaptable, responsive to evolving conditions, and capable of supporting a growing pipeline of bankable, investment-ready projects. Governments can also promote the use of internationally-used standardized models to reduce complexity and increase the familiarity of transactions for investors.

STRATEGIC PRIORITY	ACTIONS
Focus on transactions that are replicable and scalable	• Develop standardized documentation: term sheets, risk allocation frameworks, investor pitch decks, and legal templates. • Promote the use of investment-grade data rooms and project disclosure standards to reduce due diligence costs. • Create model transaction frameworks that can be adapted across sectors and geographies to accelerate deal replication. • Ensure feedback loops from investors, transaction failures, and evolving market conditions are used to refine future project designs and prioritization.
Promote existing international standardization models for blended finance transactions	• Encourage the adoption of internationally recognized blended finance principles, templates, and reporting standards. • Leverage global platforms and initiatives to disseminate best practices and reduce fragmentation in deal structuring. • Support capacity building for public and private actors to apply standardized approaches across sectors and transaction types.

Standardized Blended Finance Structures

Several initiatives have recently launched that highlight best practices for standardized and replicable blended finance transaction:

- [Scale Private Investment Mobilization Project](#): a project launched by Convergence to standardize and scale up successful investment models to mobilize private capital for sustainable development in low- and middle-income countries. Drawing on extensive analysis of roughly 1,500 blended finance transactions and broad stakeholder consultations, the project proposes a package of standardized Private Investment Mobilization Models (PIMMs) designed to address critical barriers by
 - 1 enlarging the pipeline of viable projects,
 - 2 enhancing project-level investability, and
 - 3 improving portfolio-level investability.

For Pillar 5, the most relevant PIMM is the Public Sector Project Preparation Facilities — a standardized blended finance model [that deploys](#) catalytic and concessional funding, primarily grants, to support public sector entities in preparing mid- to large-scale infrastructure and development projects so they become fully viable and investable. By financing essential project preparation activities, this PIMM expands the universe of publicly led and PPP-based projects that can attract commercial and blended finance.

- [Scaling Blended Finance: Practical Tools for Blended Finance Fund Design](#): a report by British International Investment and Boston Consulting Group that provides practical tools to simplify and scale blended finance funds. It introduces a typology of common

blended finance fund structures and a scorecard to assess fund design quality, with the aim of reducing complexity, improving comparability, and making it easier for private investors to participate in climate and development-focused investments in underserved markets.

5.3 Institutional Anchoring and Pipeline Governance

Strong institutional anchoring and effective governance are essential for maintaining a credible, investment-ready project pipeline. As in Pillar 1, by centralizing responsibility within a designated lead agency or coordination unit, governments can ensure consistent oversight and cross-sectoral alignment. Governments can act as *doers* by creating transparent tracking

systems and adaptive management processes to further enable regular pipeline updates, prioritization adjustments, and responsiveness to market signals, which ensures that the pipeline remains relevant, high-quality, and capable of attracting both public and private investment.

STRATEGIC PRIORITY	ACTIONS
Institutionalize centralized pipeline governance	• Assign pipeline development responsibilities to a national investment coordination unit or designated lead agency. • Ensure cross-sectoral coordination and alignment with development planning bodies and concessional capital providers.
Enhance pipeline transparency and adaptability	• Establish a central project registry or tracking system with periodic updates and status monitoring. • Introduce adaptive mechanisms for pipeline refresh and reprioritization based on implementation feedback and market engagement.
Publish a transparent pipeline of government-backed priority projects	• Publish a clear pipeline of government-led or government-endorsed priority projects to signal upcoming opportunities. • Limit inclusion to projects with defined procurement pathways, public sponsorship, and credible timelines. • Indicate expected tender windows and responsible authorities to facilitate strategic planning. • Promote the pipeline through targeted domestic and international investor outreach.

PISTA – Translating Climate Ambition into Bankable Investment Pipelines

The [Platform for Investment Support and Technical Assistance](#) (PISTA), hosted by the UNDP Rome Centre for Climate Action and Energy Transition, demonstrates how targeted technical assistance can strengthen project pipelines and mobilize blended finance at scale. Launched with support from Italy's Ministry of Environment and Energy Security, PISTA aims to unlock over \$500 million in climate investment by 2027 by accelerating the preparation of high-impact, investment-ready projects.

Designed to help countries move from climate ambition to implementation, PISTA addresses early-stage barriers that often prevent projects from reaching financial close. In its initial phase, it has supported a portfolio of climate-aligned projects across multiple countries, providing grants

and advisory services for feasibility assessments, financial and legal structuring, safeguards integration, and impact measurement. This demand-driven technical assistance enhances project bankability, reduces transaction risks, and strengthens investor confidence.

Operating through dedicated windows for investment catalyzation and bilateral cooperation, PISTA reinforces institutional coordination and alignment with national energy transition strategies. By combining structured pipeline development, standardized preparation approaches, and catalytic technical support, PISTA exemplifies how governments and partners can scale credible, transparent investment pipelines to mobilize sustainable finance for the green transition.



Photo by: Jilson Tiu, UNDP Philippines



Photo by: Ab Rashid, UNDP Bangladesh

PILLAR 6

INFORMATION ARCHITECTURE

A strong information architecture is critical to the effective, efficient, and accountable use of blended finance. Robust results and reporting frameworks enable stakeholders to track financial flows, performance, and development outcomes, while credible and consistent data is essential for targeting concessional resources and crowding in private investment at scale. In addition, strong governance mechanisms to ensure development outcomes are part of the overall blended finance structure and design increases the likelihood of successful outcomes and opportunities for timely course correction, if required.

Governments play a central role in shaping this architecture through laws, regulations, budgetary rules, public investment practices, and the mandates of public financial institutions and oversight bodies. International standards and guidance are also available as credible reference points for building

and implementing a strong and effective information architecture. For example, UNDP and ISO launched guidelines for impact focused management systems to guide organizations of all types to anchor development goals at the center of decision making. Similarly, GIIN's IRIS+ framework helps organizations map their impact thesis to industry specific indicators at output and outcome levels to ensure a standardized approach to measurement and insights generation.

Role of the Government

Facilitator

- Market confidence, transparency, and information architecture

Doer

- Catalytic capital discipline and oversight

6.1 Impact, Results, and Measurement

A sound results and measurement system is essential for effective blended finance. It provides a structured basis for assessing whether concessional resources are being used in line with policy intent and whether both financial and development objectives are being achieved. A government can act as a **facilitator** through supporting strong results and measurement practices by embedding clear, disciplined expectations for performance management across all blended finance activities that use public resources or operate within its jurisdiction.

In line with Principle 5 of the 2025 OECD DAC Blended Finance Guidelines, governments should

require each blended finance intervention to clearly articulate its development rationale and theory of change, including the specific market failure or the risk it addresses. Strengthening governance, monitoring and evaluation systems within public institutions, and promoting the use of recognized impact measurement and reporting standards, helps ensure consistent, reliable results tracking. Integrating this performance data into budgetary, investment, and oversight processes ensures that lessons learned inform adjustments to concessionality, instrument design, and policy reform.

STRATEGIC PRIORITY	ACTIONS
Establish governance and accountability systems at the outset	- Require public entities involved in blended finance (e.g., development banks, funds, PPP units) to define the governance framework, clearly articulating the strategic intent to achieve development impact through concessionality, including assigning responsibilities at governance and execution level. - Institutionalize systems whereby governance bodies can access outcome/ impact data to share strategic reflections, advise on course correction and integrate sustainability and impact-linked considerations into decision making.
Develop coherent, shared results frameworks for publicly supported interventions	- Convene DFIs, donors, and private investors to agree on clear results frameworks when public concessional resources are involved. - Provide guidance on selecting key performance indicators, clarifying data requirements, and assigning monitoring and reporting responsibilities. - Ensure indicators capture both financial performance (e.g., mobilization, risk-adjusted returns, portfolio performance) and development impact.
Establish results and measurement requirements during the design phase	- Require public entities involved in blended finance (e.g., development banks, funds, PPP units) to define the development rationale for concessionality at the outset, including the specific market failure being addressed. - Use stakeholder mapping and impact prioritization exercises to ensure representation of stakeholders involved in executing blended finance structures and those that will be the recipients including, but not limited to financial institutions, intermediary organizations, community-level stakeholder groups. - Ensure theories of change are prepared early, showing expected pathways to mobilizing private investment and generating development outcomes aligned with national plans and sector strategies. - Encourage other market participants benefiting from public support to adopt the same design-stage discipline.
Align development impact measurement with national priorities and accepted standards	- Require development impact metrics to reflect national development strategies, SDG targets, NDCs, and sectoral priorities. - Encourage use of recognized impact-measurement frameworks (e.g., OECD-UNDP Impact Standards, Operating Principles for Impact Management, the Impact Reporting and Investment Standards Plus, IFC Anticipated Impact Measurement and Monitoring) to ensure consistency and reduce reporting variability. - Promote indicators that are operationally relevant, specific enough to support decision-making, and standardized enough to permit aggregation across interventions.

Integrating Impact Management into Guarantee Mechanisms

The Credit Guarantee Corporation of Cambodia (CGCC) was established and operates as a financially autonomous state-owned enterprise under the technical and financial oversight of the Ministry of Economy and Finance (MEF). Its core mission is to serve as the preferred credit guarantee institution in Cambodia to improve financial inclusion and develop the growth of MSMEs. As of mid-2025, the CGCC has expanded its impact significantly, achieving a “AAA” credit rating and launching the \$200 million Economic Stimulus Guarantee Scheme, which offers up to 90% loan coverage. By the end of 2024, the institution had approved guarantees on loans totaling \$256.58 million, benefiting approximately 3,139 businesses across the country.

In 2024, CGCC partnered with UNDP to design sustainability-linked guarantee instruments. The Impact Measurement and Management (IMM) Framework, with reference to SDG Impact Standards, is established to measure institutional outcomes and impact goals, ensuring accountability for public resource deployment and contributions to Cambodian socioeconomic development priorities. UNDP and CGCC attempted to craft a framework that is not siloed at a product level. This Framework establishes measurable criteria based on primary alignment with the MEF’s mandates and CGCC’s vision. Furthermore, the impact goals are structurally measured to ensure their contribution to the strategic direction of the Royal Government of Cambodia. This aligns directly with the Pentagonal Strategy Phase One (2024–2028) and other relevant national policies and strategies, ultimately contributing to the Cambodian Sustainable Development Goals.

Key components of CGCC’s IMM framework include:

1 Overall purposes and scope: Describes the overall strategic intent and impact goals for the guarantee provider to support MSME growth and its contribution to Cambodian long-term economic growth, inclusion and environmental sustainability, ensuring public resources are utilized effectively and efficiently.

2 Governance structure: Describes the different layers of governance spanning strategic decision-making to risk management to executive roles with a clear allocation of roles and responsibilities within CGCC’s structure to assign roles for data collection, quality assurance, analysis, decision-making actions, and reporting.

3 Articulating the impact value chain: Describes how CGCC’s scheme design levers (e.g., coverage ratio/risk-sharing, guarantee fee, eligibility criteria, claim procedures, reporting requirements, and capacity building) influence PFI behaviour and MSME access to finance, leading to the desired impact outcomes.

4 Data collection and management system: Describes the impact data monitoring mechanism that ensures continuous, systematic data collection, verification, and analysis to inform strategic adjustments and management actions (e.g., scheme design updates, PFI requirements, prioritization and capacity building).

5 Management accountability: Outlines the formal mechanisms for institutional accountability, mandating the integration of performance metrics into management oversight and executive responsibility. The structure ensures the traceability of results back to the execution mandates of the operating departments.

Gearing systems towards impact management through ISO Standards

Based on UNDP’s SDG Impact Standards, UNDP and ISO are working on launching the world’s first international standards that provide a common framework for organizations and businesses to speed up their response to the SDGs. The guidelines document proactive measures for businesses to contribute to strong development outcomes.

6.2 Transparency

Transparency is a critical pillar of a well-functioning blended finance system. It provides the information base needed to allocate concessional resources efficiently, scrutinize subsidy use, and verify that interventions deliver measurable development results. Transparency is also critical for building private investor confidence by establishing credible track records and reducing information asymmetries that deter commercial participation. A particularly important dimension is performance data. In private markets, such data is often proprietary and inconsistently reported, resulting in limited visibility on financial returns, valuation approaches, and return volatility, which in turn reinforces perceptions of elevated risk. Without reliable and comparable evidence, investors price in uncertainty or avoid these markets altogether, constraining the scale of private sector participation and limiting blended finance's catalytic impact.

Governments play a central role in promoting transparency both as **doers** through their own reporting practices and the conduct of their ministries, agencies, and state-owned entities and as **facilitators** by encouraging disclosure requirements for development partners, DFIs, and private entities operating within their markets. They can require standardized reporting on financial performance, risk allocation, and the structure and rationale for concessional support across publicly backed deals, and embed these requirements in the mandates of domestic development banks and other capitalized institutions (as detailed in Pillar 3). In parallel, they can promote greater private sector transparency by enabling the confidential aggregation of project level performance data through national institutions or investment promotion agencies, generating market wide evidence while protecting commercially sensitive information.

Why Transparency Matters

Transparency is essential for mobilizing private investment

Investors need consistent, verifiable information on risk allocation, expected returns, and performance track records. Without it, uncertainty and due diligence costs rise, leading investors to demand higher premiums or step back entirely.

Transparency improves the effective use of concessional capital

Clear reporting on subsidy levels, the specific market failures addressed, and mobilization outcomes helps determine whether concessionality is proportionate and justified. It also highlights when repeated reliance on subsidy points to structural issues requiring policy or regulatory reform.

Transparency strengthens development impact measurement

Integrating ESG and impact-management practices provides a structured way to articulate expected impact pathways and track outputs and outcomes. Aligning reporting with national priorities, SDGs, and NDCs enables benchmarking across transactions and more accurate estimates of the concessional resources needed for specific development objectives.

Transparency reinforces accountability and trust

Consistent disclosure allows public funders to demonstrate responsible use of taxpayer resources and enables private and philanthropic actors to meet accountability obligations to boards, shareholders, and beneficiaries. This strengthens institutional credibility and public confidence in blended finance arrangements.

STRATEGIC PRIORITY	ACTIONS
Improve visibility on the financial performance of publicly supported transactions	• Require public entities involved in blended finance (development banks, PPP units, funds) to publish high-level information on portfolio performance, repayment patterns, risk-adjusted returns, and financial sustainability. • Introduce standard templates for reporting on leverage ratios, private capital mobilized, and financial risks transferred or retained. • Require annual disclosures on the financial health and performance of facilities using public resources. • Require transparent disclosure for publicly supported capital market instruments (e.g. sovereign, sub-sovereign, and DFI-issued green, sustainability, or sustainability-linked bonds), including use of proceeds, risk mitigation features, and the role of concessional or credit enhancement mechanisms.
Ensure transparent reporting on development impact delivered	• Require public entities to publish aggregated results on key impact indicators aligned with national priorities (e.g., jobs, productivity gains, climate outcomes, access to services). • Establish minimum expectations for disclosing how interventions contribute to national plans, SDGs, NDCs, or sector targets. • Mandate annual public reporting of aggregated development outcomes across publicly supported blended finance operations.
Embed transparency expectations in market engagement and governance forums	• Use investor roundtables, partnership platforms, and multi-stakeholder committees to reinforce transparency norms. • Invite private actors to co-design transparency frameworks rather than imposing them unilaterally. • Include transparency criteria in national sustainable finance taxonomies or blended finance guidelines. • Ensure debt-for-nature or debt-for-climate swaps supported by public or concessional resources include transparent governance arrangements, independent verification of outcomes, and public reporting on fiscal and environmental performance.

Leveraging INFFs and Peer-to-Peer Networks like the Climate Finance Network to Support Taxonomy Development

INFFs offer a practical, country-led platform to support the development of sustainable finance taxonomies. For taxonomies, INFF diagnostics assess financing gaps and priority sectors, creating an evidence base for defining national green or SDG classifications. Through coordinated engagement between ministries of finance, regulators, and environment agencies, INFFs support the establishment of clear criteria, disclosure standards, and reporting systems. In the Asia-Pacific, the Climate Finance Network, a technical assistance and peer-to-peer network of Ministries of Finance hosted at UNDP with support from the governments of the UK and Sweden, has supported several countries in taxonomy development.

A key knowledge product to shape taxonomy development includes the Step-by-Step Guide to Developing Sustainable Finance Taxonomies: The guide aims to provide a process-oriented and detailed knowledge base with information about key steps in the development and implementation of a finance taxonomy, including objectives, design, and adoption. All major steps in the development process of a finance taxonomy, including alignment criteria, quantified metrics, and other technical details are described in detail. In addition, this document provides insights, experiences and lessons learned from finance taxonomy developments across the globe and highlights ways to tailor the process to the national context and country needs, without being prescriptive.

6.3 Market Intelligence

Governments should institutionalize systems to collect, analyze, and share data on blended finance activity. This involves acting as a **doer** not only by publishing market information, but also creating structured channels for dialogue with investors, DFIs, and other stakeholders. Consistent, credible market intelligence reduces information asymmetries, corrects misconceptions, and

builds investor confidence. Governments can also act as **facilitators** by ensuring regular engagement with stakeholders that can provide meaningful feedback, enabling policymakers and regulators to refine roadmaps, enhance transparency, and strengthen trust in the market.

STRATEGIC PRIORITY	ACTIONS
Publicly communicate blended finance trends and opportunities	- Encourage the regular production of market briefs on blended finance activity by independent organizations, industry bodies, or partnerships, capturing national trends and illustrative case study transactions. - Support the tracking and publishing of core indicators (e.g., private capital mobilized, leverage ratios, SDG alignment, gender and inclusion outcomes, climate co-benefits) through accessible formats such as dashboards, infographics, and online portals. - Maintain predictable reporting cycles (quarterly or biannual) to signal consistency and credibility.
Engage with market participants to share and refine approach	- Organize structured stakeholder dialogues, investor roundtables, and sector-specific forums to garner insights from market participants. - Lead targeted investor roadshows domestically and internationally to showcase opportunities and build investor pipelines. - Engage with regional and global blended finance knowledge platforms to benchmark performance and adopt emerging best practices.

Establish feedback mechanisms to refine blended finance strategies and maintain investor confidence over time

- Conduct periodic reviews of blended finance policies, market instruments, and transaction structures.
- Adjust roadmaps, prospectuses, and capital allocation strategies based on market response and development impact data.
- Engage investors, DFIs, and community stakeholders in the review process to ensure balanced perspectives.
- Publish results and lessons learned to build market transparency and trust.

The Value of Industry Bodies

Industry bodies can strengthen the information architecture for blended finance by acting as trusted, market-governed intermediaries for data, standards, and reporting. Private investors are often more willing to share commercially sensitive information through industry-led platforms that protect confidentiality and are governed by peers than directly with the government. These bodies

can aggregate and anonymize data, promote common reporting and impact measurement standards, and provide structured channels for dialogue with policymakers. In doing so, they complement government-led transparency efforts while maintaining private-sector trust, with the government's role focused on recognition and endorsement rather than direct management.



Photo by: UNDP Vietnam



Photo by: UNDP Pakistan

CONCLUSIONS AND NEXT STEPS

South and Southeast Asia face a defining challenge: sustaining rapid economic growth while closing widening development and climate financing gaps in an era of constrained public budgets and heightened risk. Blended finance offers a powerful mechanism to mobilize private capital at scale, but its effectiveness depends fundamentally on the strength of the enabling environment in which it operates. This report demonstrates that scaling blended finance requires governments to act as both facilitators and doers to tackle multiple challenges simultaneously. These challenges are set out under six interdependent pillars that together define the enabling environment for blended finance (see figure to the right).

Taken together, these pillars provide a comprehensive, government-led approach to shifting blended finance from fragmented, ad hoc transactions toward a repeatable and scalable financing mechanism aligned with national objectives.



KEY TAKEAWAYS

Overall, the Framework offers five main takeaways for governments to consider when working towards an improved enabling environment for blended finance:

Blended finance succeeds when it is system-led, not deal-led.

Sustainable scale requires coordinated public action across policy, institutions, and markets, rather than isolated transactions driven by external actors, which can help build institutional capacity and reduce reliance on governments overall.

Concessional capital is most effective when it is disciplined and catalytic.

Applying principles of minimum concessionality, transparency, targeted support and mobilization is essential to avoid market distortion and maximize impact.

Private capital mobilization must be the central objective.

Blended finance must prioritize crowding in domestic and international commercial investment.

Market development is as important as project delivery.

Blended finance should function as a transitional tool that reduces underlying risks, builds track records, and supports the emergence of commercially viable markets.

Information, transparency, and learning are core enablers.

Credible data, impact measurement, and feedback loops are critical for investor confidence, policy adjustment, and long-term market trust.

NEXT STEPS: OPERATIONALIZING THE FRAMEWORK AT A COUNTRY LEVEL

The ultimate value of this Framework lies in its practical application to strengthen the overall enabling environment for blended finance on a country level. Operationalization of the Framework should be grounded in the diagnostics outlined under Pillar 1, drawing on market failure analysis to identify where blended finance can be most catalytic, which sectors should be prioritized, and how interventions should be sequenced. Governments should articulate a clear national vision for blended finance, define priority sectors and pipelines, and specify the instruments, structures, and policy reforms required to mobilize private capital effectively.

Institutionally, implementation requires formalized roles, mandates, and coordination mechanisms across ministries, development banks, regulators, and subnational authorities to ensure accountability and coherence. Clear criteria for the use of public and concessional capital, including principles of minimum concessionality, mobilization targets, and exit strategies, should be embedded within national systems and budget processes.

Crucially, progress should be iterative. Governments should pair early demonstration initiatives with mechanisms for monitoring, evaluation, and learning, allowing policies and instruments to adapt as markets

deepen and investor confidence grows.

One practical way to operationalize the Framework is through the development of a National Blended Finance Roadmap. As a formal, government-endorsed policy instrument, such a roadmap can translate the six pillars into sequenced, time-bound actions tailored to national priorities, market conditions, and institutional capacity. It can clarify milestones, assign institutional responsibilities, and provide visibility to investors and development partners on the government's strategic direction.

By embedding these elements within national systems, governments can provide a strong and credible signal to investors and development partners, align public and private action, and ensure that blended finance contributes not only to immediate investment needs but also to the long-term development of resilient, self-sustaining markets. With committed leadership, disciplined implementation, and continuous learning, South and Southeast Asian countries can use this Framework as a strategic platform for reform mobilizing capital at scale while strengthening the institutional and market foundations necessary for inclusive, climate-resilient growth.



Photo by: Ab Rashid, UNDP Bangladesh

ANNEX 1

TYPES OF BLENDED FINANCE PLATFORMS

1

Led by donors and funders

Multi-donor country/DFI/MDB led platform for single country

- JETP

2

Led by local DFIs and development banks

Locally-led platform for specific priority sectors

- SDG Indonesia One
- Ghana Infrastructure Investment Fund
- National Investment and Infrastructure Fund

3

Led by donors/public finance to mobilize private sector capitals

Public-private platform

- FAST-P
- SCALED

4

Led by private sector crowding in development/concessional capital

Private-public platform

- Pentagreen
- GAIA

This annex provides an overview of different types of blended finance platforms, categorized according to their institutional leadership and governance structure. While the Framework emphasizes that blended finance must be anchored in national systems and enabling environments, platforms represent one practical mechanism through which public, concessional, and private capital can be coordinated at scale. The examples below illustrate how blended finance platforms can be led by donors and funders, DFIs and national development banks, or private sector actors, each with distinct governance arrangements, capital structures, and roles for government, according to the graphic above. These illustrative cases are not exhaustive, but demonstrate how platform-based approaches can support policy alignment, reduce fragmentation, improve coordination, and mobilize capital in a more programmatic and scalable manner aligned with national development priorities.

QUADRANT 1

Blended finance platforms led by donors and funders for single country

- [JETPs](#) bring together national governments, donor country coalitions, MDBs and DFIs, and technical partners under a jointly governed framework to mobilize concessional loans, grants, guarantees, and technical assistance for country-defined transition pathways. Through structured governance, integrated financing plans, policy commitments, and coordinated monitoring systems, JETPs align public and private investment behind high-priority national objectives, demonstrating how platform-based approaches can unlock large-scale capital for complex development goals.

QUADRANT 2

Blended finance platforms led by local DFIs and development banks

- [SDG Indonesia One](#) is a blended finance platform launched by the Ministry of Finance of the Republic of Indonesia to mobilise public, private, and international capital in support of SDG-aligned infrastructure and development projects. The platform is managed by PT Sarana Multi Infrastruktur, the Special Mission Vehicle (SMV) of the Ministry of Finance, which acts as the platform's implementing and structuring arm.

SDG Indonesia One engages with line ministries, subnational governments, and state-owned enterprises by supporting the mobilisation and structuring of financing for projects aligned with their sectoral priorities, drawing on public, concessional, and private financing instruments while allowing those entities to retain responsibility for policy formulation and project origination. Through its anchoring in the Ministry of Finance, the platform helps facilitate alignment between blended finance transactions and national development priorities and SDG targets, while contributing to improved coordination among government entities, development partners, and investors.

- [Ghana Infrastructure Investment Fund](#) is a sovereign-backed investment platform established by the Government of Ghana to mobilise capital for strategic infrastructure aligned with national development priorities. Created by statute and governed by an independent board, the fund invests across sectors such as energy, transport, and industrial infrastructure. It is designed to operate on commercial principles while advancing public policy objectives. The fund plays a blended finance role by deploying public capital catalytically to crowd in private and institutional investors. It can invest across the capital stack, including equity, mezzanine, and debt, and take early or risk-bearing positions that improve bankability and attract co-investment.
- [NIIF](#) is a government-anchored, professionally managed investment platform established by the Government of India to mobilise long-term capital for infrastructure and other priority sectors. Structured as a set of regulated investment funds, NIIF pools capital from the Government of India alongside global institutional investors, sovereign wealth funds, pension funds, and DFIs.



As a blended finance platform, NIIF demonstrates how public capital can serve as an anchor to crowd in large-scale private institutional investment. While operating on commercial terms, the government's participation signals policy commitment and reduces perceived risk, enabling greater private allocation to infrastructure and climate-aligned sectors. NIIF illustrates a model where the state acts as a strategic anchor and market builder, strengthening domestic capital markets and supporting scalable, replicable investment vehicles over time.

QUADRANT 3

Global and regional blended finance platforms led by donors/public finance to mobilize private sector capital

- [FAST-P](#) is a public-led blended finance platform anchored by the Government of Singapore through the Monetary Authority of Singapore (MAS) that brings together governments, MDBs and DFIs, donors/philanthropies, and private investors under a coordinated partnership to support Asia's climate and net-zero transition. Through shared governance, integrated financing instruments, and technical assistance, FAST-P aligns public policy, concessional capital, and private investment to address key barriers to climate finance. The platform supports priority transition sectors by combining project preparation, capacity building, and blended finance solutions to mobilise private capital at scale and strengthen long-term market readiness.
- [SCALED](#) is a multi-stakeholder initiative that aims to mobilise large-scale private capital for sustainable development by reducing fragmentation and complexity in blended finance. Led by a coalition of governments and institutional investors, SCALED focuses on standardising blended finance structures, processes, and requirements to lower transaction costs and improve scalability.

QUADRANT 4

Blended finance platforms led by the private sector

- [GAIA](#) is a \$1.48 billion blended finance platform [that mobilizes](#) public and private capital for long-term climate adaptation and mitigation projects in up to 25 emerging markets and developing economies. It uses a mix of commercial, concessional, and grant financing to increase access to climate finance through the provision of long-term loans to sovereign, sub-sovereign, quasi-sovereign and state-owned entities. While GAIA was founded in part by members of the public sector, (FinDev Canada and GCF), overall GAIA illustrates a largely private-originated blended finance initiative, where the concept and investment strategy were developed mostly by the private sector (Mitsubishi UFG Financial Group, MUFG), before engaging concessional capital providers. In this model, the government plays a more hands-off role, supporting the initiative through catalytic capital and policy alignment, while private investors lead fundraising, structuring, and deployment.
- [Pentagreen](#) illustrates a private-led blended finance initiative anchored by commercial sponsors, where investment strategy, origination, and execution are driven by private-sector actors. Established by HSBC and Temasek, Pentagreen was designed to mobilise institutional capital for sustainable infrastructure and climate-aligned investments in Asia by combining private balance sheets with selective use of catalytic and concessional capital. Public and development finance actors participate primarily through co-investment, risk mitigation, or anchor commitments, while private sponsors retain control over investment decisions and portfolio management. This structure allows Pentagreen to operate with commercial discipline while using blended finance tools to expand risk appetite, demonstrate new investment opportunities, and crowd in additional private capital into priority transition sectors.



Photo by: Dechen Wangmo, UNDP Bhutan

ANNEX 2

BLENDED FINANCE TRENDS IN SOUTH AND SOUTHEAST ASIA

Overall Market: Blended Finance in South and Southeast Asia

Blended finance offers a practical pathway to helping close development financing gaps through leveraging concessional resources from public or philanthropic sources to mobilize multiples of private capital toward priority sectors. Specifically, it can help direct investment into areas where capital does not naturally flow by making high-impact opportunities both investable and scalable. Despite its track record globally, blended finance activity in South and Southeast Asia remains well below what is required to close SDG-related financing gaps.

The blended finance market in South and Southeast Asia, as captured by Convergence Market Data, consists of 345 blended finance transactions, totalling approximately \$56 billion in aggregate financing. South Asia has led in deal count, with 217 transactions totaling \$31 billion, while Southeast Asia, with 177 deals, has mobilized more capital overall at \$34.5 billion.²

Given the size of its consumer market and the prominence of its economy within the region, India is the most active blended finance market in South Asia, with 85 transactions launched over the past decade. Its vast market offers large opportunities in renewable energy, infrastructure, healthcare, and agriculture, while the government actively promotes PPPs and catalytic instruments like viability gap funding, credit guarantees, and sector-specific incentives. India’s deep capital markets and strong network of

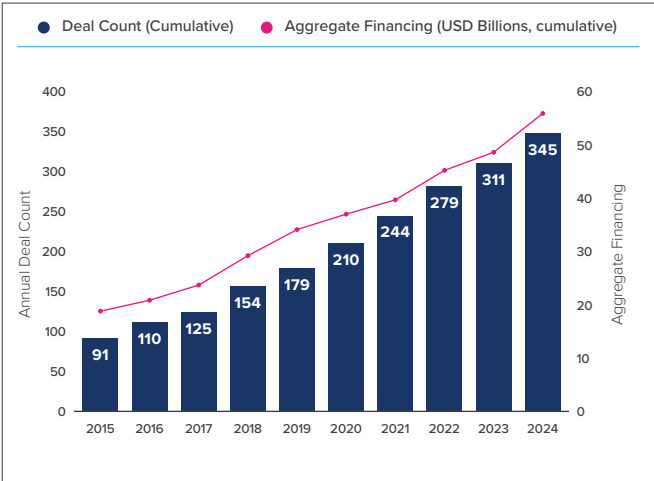


FIGURE 1: Overall blended finance market in South and Southeast Asia by cumulative deal count and financing (2015-2024)³

domestic banks, DFIs, and impact investors enable concessional funds to crowd in private capital at scale. High levels of institutional capacity and regulatory clarity support efficient deal structuring, while a proven track record in sectors like solar power and financial inclusion boosts investor confidence. This combination of demand, policy readiness, financial depth, and execution capability positions India ahead of many regional peers in mobilizing blended finance for sustainable development.

2 Transactions can occur in multiple regions at once. 50 transactions within Convergence’s Market Data, totalling approximately \$9.5 billion have been active in both South and Southeast Asia.
3 Convergence Market Data as of December 2025



FIGURE 2: Blended finance market size by country in South and Southeast Asia: aggregate deal count and volume (USD billions), top 15 markets (2016-2024)

While Indonesia has just under half the number of transactions as India, the presence of four deals that were \$1 billion-plus means that by aggregate financing, the Indonesian blended finance market is just over three-quarters the size of India. All four of the billion dollar transactions were infrastructure projects. The government has played a central role by providing

viability gap funding, guarantees, and regulatory support through agencies like PT Sarana Multi Infrastruktur (PT SMI) and the Indonesia Infrastructure Guarantee Fund, while also opening key sectors to PPPs. These measures de-risk projects, attract investors, and align with Indonesia's national development plans to boost connectivity, energy security, and regional integration.

Sources of Concessional Capital in South and Southeast Asia

Convergence Market Data finds that concessional capital for blended finance transactions in South and Southeast Asia is primarily provided by development agencies, accounting for roughly half of all concessional commitments. They are followed by foundations and NGOs at 24%, and DFIs and development banks at 17% of total concessional commitments. In many South and Southeast Asian countries, philanthropic capital faces legal constraints on investing in for-profit enterprises, CSR is not structured to provide concessional finance, and impact-oriented capital from family offices remains nascent, leading to lower participation.

Regarding leading organizations, most concessional capital in South and Southeast Asia is provided by international entities. The leading providers are Private

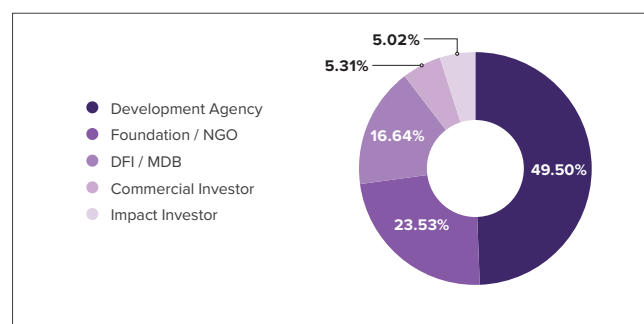


FIGURE 3: Proportion of concessional capital investment commitments by organization type (all time)

Infrastructure Development Group (PIDG) with 70 commitments, followed by the United States Agency for International Development (USAID, 34) and the

4 This finding should be interpreted with caution, as data on domestically provided concessional capital, including support extended by national DFIs and other public financial institutions in emerging markets, is often limited or underreported. As a result, domestic blended finance activity may be under-represented in available datasets.

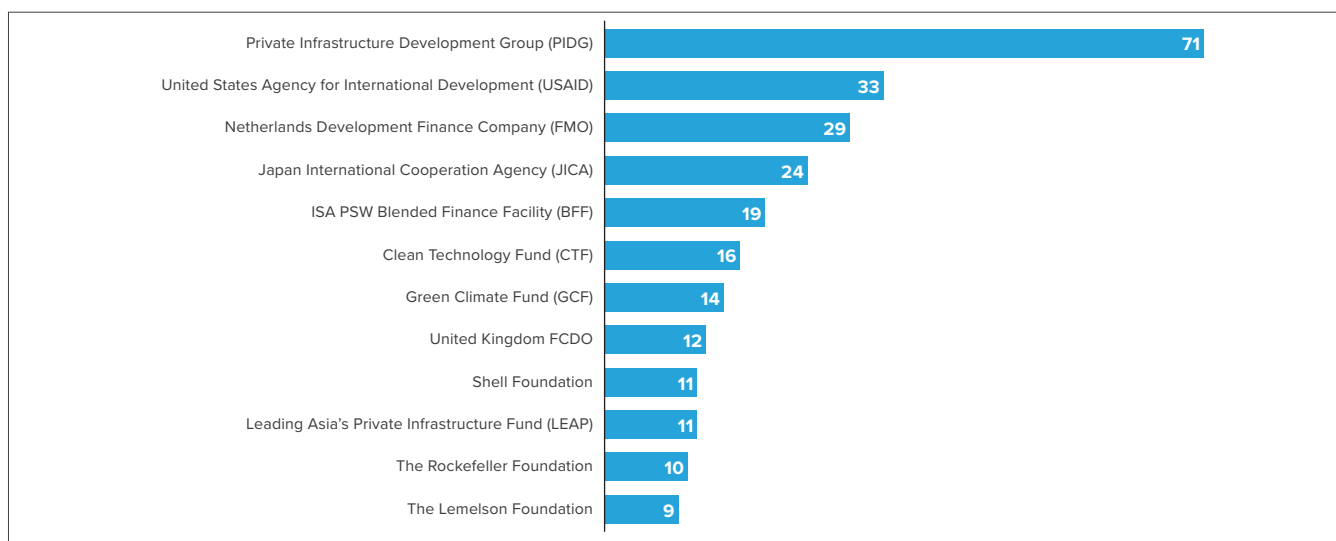


FIGURE 4: Top concessional investors by number of investment commitments in South and Southeast Asia (all time)

Netherlands Development Finance Company (FMO, 28). While these actors play a critical catalytic role, the concentration of concessional capital among a relatively small group of international providers highlights a structural reliance on external sources. Strengthening and activating domestic pools of concessional capital, including through national development banks, public financial institutions, and budgetary instruments, can help anchor blended finance more firmly within national development strategies, improve coordination with domestic policy objectives, and reduce dependence on external funding cycles.

PIDG is a multi-donor organization funded by governments and development finance institutions, with a mandate to mobilize private investment into infrastructure in Sub-Saharan Africa and Asia. PIDG operates through a group structure of specialized companies, each addressing a different stage of the infrastructure investment lifecycle.

Its members include:

- **InfraCo Asia and InfraCo Africa**
Early-stage project development companies that originate, structure, and prepare bankable infrastructure projects in markets where commercial developers are absent or reluctant to invest
- **GuarantCo**
Provides local currency credit guarantees and other credit enhancement products to support infrastructure projects and corporate borrowers in frontier markets
- **PIDG Technical Assistance**
Offers grants to fund feasibility studies, capacity building, and transaction preparation
- **Emerging Africa Infrastructure Fund (EAIF)**
Offers long-term debt financing to commercially viable private infrastructure projects

The group participates as both a concessional and commercial investor in blended finance transactions.

Commercial Investors in South and Southeast Asia

MDBs and DFIs are the most consistently engaged commercial investors in South and Southeast Asia, reflecting both their scale and their mandate-driven engagement in developing markets. The International Finance Corporation (IFC) is the most active commercial investor in the region, with 91 investment commitments, followed by ADB with 55 commitments and FMO with 47 commitments. The extent of MDB and DFI involvement is a reflection of the scale of opportunity and need across the regions. IFC identifies South Asia as one of the most rapidly growing and climate-

vulnerable regions globally, estimating approximately \$3.4 trillion in climate investment opportunities across various sectors in the region. Given the potential for sustainable and developmental impact, IFC has committed over the years to partnering with various organizations and actors across the region to mobilize greater private sector involvement. As of 2022, IFC has provided approximately \$2 billion in direct financing and mobilized an additional \$385 million from other investors in South Asia. Similarly, in Southeast Asia, IFC has provided \$3.7 billion in direct financing

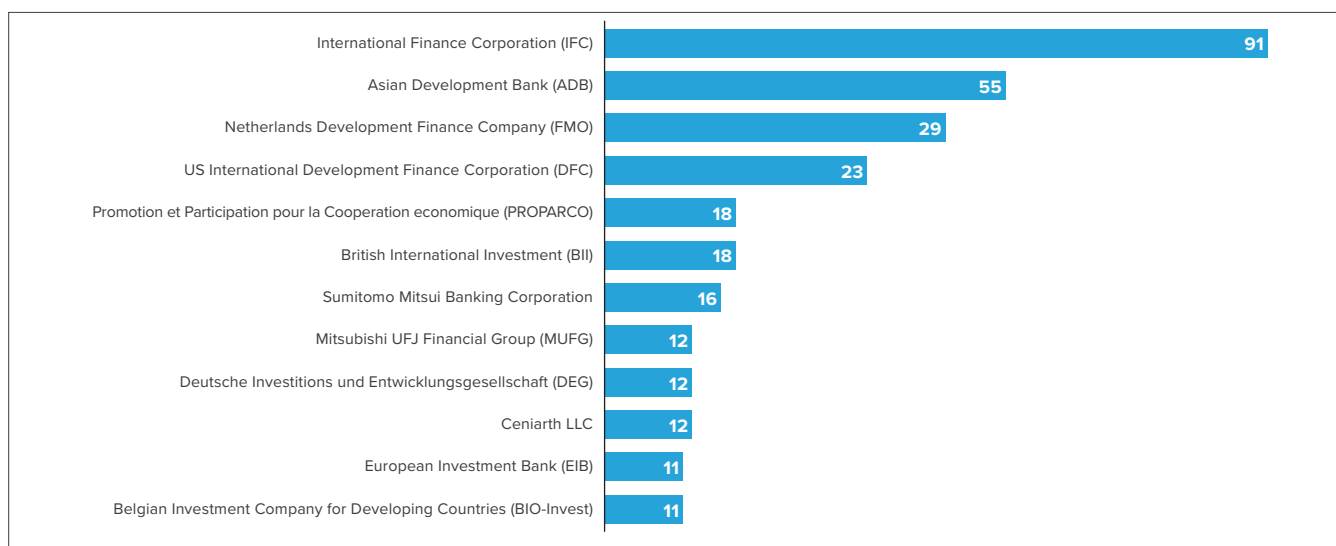


FIGURE 5: Top commercial investors by number of investment commitments in South and Southeast Asia, (all time)

and mobilized \$1.2 billion in additional capital as of 2023. The predominance of FMO in the regions similarly reflect the strong alignment between South and Southeast Asia's economic growth potential, climate vulnerability and the DFI's mission to support sustainable private sector development.

When narrowing the lens to private commercial investors, engagement is more limited and concentrated, both by sector and by institution. The data indicate that banks account for the most consistent private participation, with regional and global institutions

highly active. Sumitomo Mitsui Banking Corporation is the most active with 16 investment commitments, followed by MUFG with 12, and Standard Chartered with 10. However, participation from other categories of private investors such as insurance companies and pension funds remains sporadic.

Notably, there is also limited participation from the domestic private sector in the South and Southeast Asian blended finance landscape. There is significant scope to boost their participation given the depth of domestic capital markets in parts of the regions.

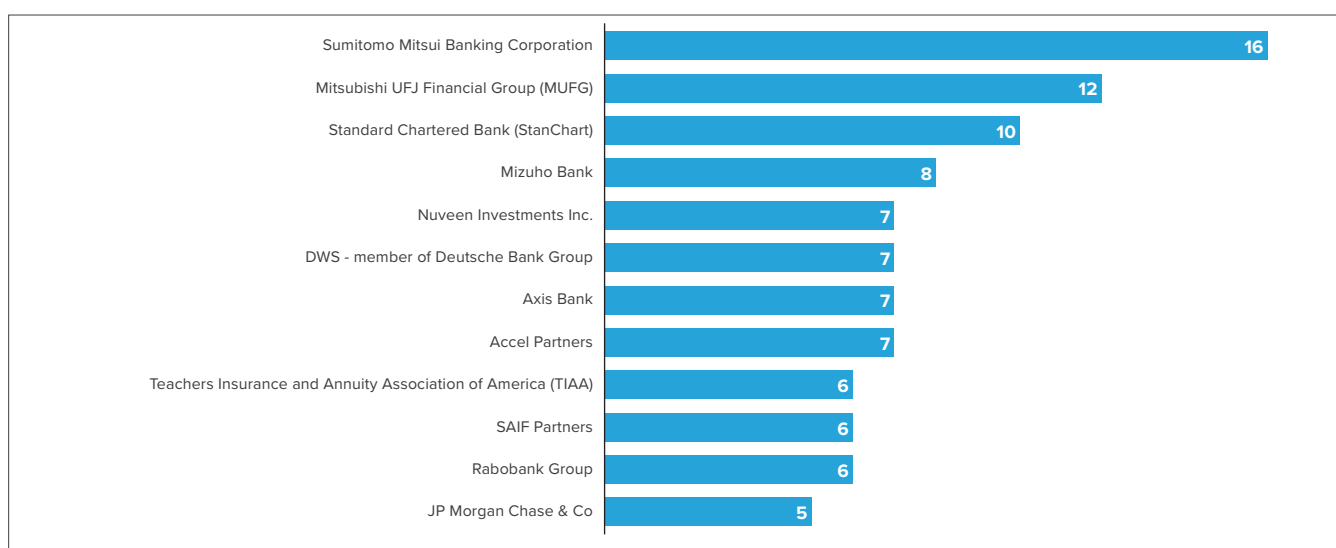


FIGURE 6: Top private investors by number of investment commitments in South and Southeast Asia, (all time)

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