BLENDED FINANCE FUNDS AND FACILITIES - 2018 SURVEY RESULTS PART I: INVESTMENT STRATEGY

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Abstract

The OECD Survey on Blended Finance Funds and Facilities represents a major step forward to consolidate evidence and provide further policy guidance in support of the OECD DAC Blended Finance Principles, whose focus is Unlocking Commercial Finance for the Sustainable Development Goals.

This working paper presents findings from the 2018 survey edition relating to the management, capital structure, investment strategy and portfolio allocation of the surveyed blended finance funds and facilities. The quantitative analysis is complemented by the OECD statistics on private finance mobilised by official development interventions and by information provided by Convergence. It will be followed by another OECD Development Co-operation working paper discussing the development strategy, performance tracking and evaluation approach.

The 180 responses received illustrate to what extent blended finance funds and facilities vary widely in characteristics and functioning. Collectively, the managing organisations reported over USD 60.2 billion invested in 111 developing countries at the end of 2017. This new evidence confirms trends observed on the broader blended finance market (priority sectors, geographical coverage, targeted SDGs), while shedding light on additional aspects (e.g. investors, clients and investment instruments).

Executive Summary

The OECD Survey on Blended Finance Funds and Facilities aims to gather a more comprehensive picture of the latest market trends in blended finance and to explore how their development impact is being tracked and evaluated. This work feeds into ongoing efforts to consolidate evidence and provide further policy guidance in support of the OECD DAC Blended Finance Principles, whose focus is Unlocking Commercial Finance for the Sustainable Development Goals.

This working paper presents findings from the 2018 survey relating to the management, capital structure, investment strategy and portfolio allocation of the surveyed blended finance funds and facilities. The quantitative analysis is complemented by the Convergence database and by the OECD statistics on private finance mobilised by official development interventions. It will be followed by another OECD Development Co-operation working paper discussing the development strategy, performance tracking and evaluation approach of respondents.

The 180 responses received illustrate to what extent blended finance funds and facilities vary widely in several aspects and characteristics. Respondents claimed assets under management ranging from USD 2 million to over USD 2 billion, with their aggregate total reaching USD 60.2 billion in 2017.

Collectively, they were invested in a total of 111 developing countries around the globe. At the close of 2017, the funds and facilities surveyed had USD 7.6 billion invested in LDCs, the majority being provided by facilities largely comprised of concessional capital. About 7.5% of the commercial capital in blended funds went towards LDCs, which is roughly comparable to the proportion found in OECD statistics on private finance mobilised for development interventions.

The survey data produced confirms the existing trends in many aspects, but also sheds light on additional ones. Certain industries continue to receive the bulk of blended finance, primarily the energy and banking (including financial services) sectors. Other sectors (e.g. health, education, agriculture, water and sanitation) were also represented, if not in terms of volumes, but in the number of vehicles targeting them. Although some SDGs remain scarcely covered, interest for those dealing with health, education and gender equality has been growing. The instruments used to invest in developing countries varied significantly by type of investment vehicle, with funds favouring direct investment in companies (primarily SMEs) followed by syndicated loans and facilities using more grants and guarantees.

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The design and administration of the OECD 2018 Blended Finance Funds and Facilities survey was conducted by an extended team of colleagues at DCD, comprised of Irene Basile, Valentina Bellesi, Carolina Diaz-Lönborg, Patrick Dougherty, Jarrett Dutra, Bérénice Lasfargues and Tansher Singh. The quantitative analysis also relied on the OECD statistics on private finance mobilised by official development interventions, kindly provided by Cecile Sangaré and Tomas Hos.

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The survey questionnaire has been informed through a number of inception interviews, for instance with the International Finance Corporation (IFC) and BlueOrchard Finance. The document has been peer reviewed by the following experts in blended finance: Yves Ehlert, EDFI; Arthur Karlin, IFC; Astrid Manroth, OECD; Valeria Ramundo Orlando, RARE; Jim Turnbull and Thomas Eriksson, EBRD; Maria Teresa Zappia, BlueOrchard.

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Abbreviations and acronyms

AAAA Addis Ababa Action Agenda

ADB Asian Development Bank

AFD Agence française de développement

AfDB African Development Bank

ALCB the African Local Currency Bond Fund

AUM Assets under management

BMZ Federal Ministry for Economic Cooperation and Development (Germany)

CDC Commonwealth Development Corporation

CIV Collective investment vehicle

DAC Development Assistance Committee

DANIDA Danish International Development Agency

DEG German Investment Corporation

DG DEVCO European Commission's Directorate-General for International Cooperation and Development

DFI Development finance institution

EBRD European Bank for Reconstruction and Development

EC European Commission

EDFI Association of European Development Finance Institutions

EIB European Investment Bank

EU European Union

FMO Netherlands Development Finance Company

FX Foreign Exchange

GEEREF Global Energy Efficiency and Renewable Energy Fund

GIZ German development agency

IFC International Finance Corporation

IIX Impact Investment Exchange

KfW German Development Bank

LDC Least developed country

LFI Local financial institution

LMIC Lower middle-income country

LCBM Local Currency Bond Market

MDB Multilateral development bank

MCF The Medical Credit Fund

MDIF Media Development Investment Fund

MFI Microfinance institution

MSME Micro, small and medium-sized enterprise

ODA Official development assistance

ODF Official development finance

OECD Organisation for Economic Co-operation and Development

OPIC Overseas Private Investment Corporation

SDG Sustainable Development Goals

SME Small and medium-sized enterprise

SPV Special purpose vehicle

TCX the Currency Exchange Fund

UMIC Upper middle-income country

UN United Nations

USAID United States Agency for International Development

USD United States dollar

WBG World Bank Group

WEF World Economic Forum

WLB Women’s Livelihood Bond

1. Overview

1.1. Introduction

Recent data show a decrease of 2.7% in Official Development Assistance (ODA) from the 30 members of the OECD's Development Assistance Committee (DAC), down to USD 153 billion in 2018.[1] This negative trend was particularly strong for the Least Developed Countries (LDCs), which saw a 3% decrease in ODA since 2017 (OECD, 2019[1]).[2] The drop in ODA is worrying due to the increasing pressure for both public and private actors to work together towards financing for the Sustainable Development Goals (SDGs).

Financing for sustainable development must strive to be as dynamic as the challenges it aims to solve. In the face of recent trends, blended finance represent a promising approach to support the implementation of the 2030 Agenda. Indeed, according to the OECD, blended finance is defined as "the strategic use of development finance for the mobilisation of additional finance towards the SDGs in developing countries", where 'additional finance' refers primarily to commercial finance that does not have an explicit development purpose, and 'development finance' includes both concessional and non-concessional resources.[3] While mobilisation efforts should be sustained (i.e. moving from billions to trillions in development finance), the capacity of policy makers to "shift the trillions" towards the SDGs must be encouraged to ensure the targeting of sustainable and inclusive growth (OECD, 2018[2]). Given the current state of information sharing, limited data is available on the size or shape of the blended finance market. The OECD survey on Blended Finance Funds and Facilities provides new insights to inform public policy makers and market players in the blended finance market, as they strive to both mobilise and shift financing towards the SDGs. It focuses on one leveraging mechanism, Collective Investment Vehicles (CIVs), which pool resources together from different actors to invest in developing countries (see section 1.2).

The OECD Survey on Blended Finance Funds and Facilities pursues three main objectives:

- to gather a more comprehensive picture of the latest market trends in blended finance funds and facilities,

[1] Official development assistance (ODA) totalled USD 153.0 billion in 2018 as calculated using a new "grant-equivalent" methodology adopted from today as a more accurate way to count the donor effort in development loans. Under the "cash-flow basis" methodology used in the past, 2018 ODA was USD 149.3 billion, down 2.7% in real terms from 2017.

[2] Using the cash-flow basis ODA figure to compare 2018 with 2017 shows that bilateral ODA to the least-developed countries fell by 3% in real terms from 2017, aid to Africa fell by 4%, and humanitarian aid fell by 8%.

[3] It is important to note that there are multiple definitions of blended finance. The Addis Ababa Action Agenda (AAAA) refers to blended finance as combining concessional public finance with non-concessional private finance. For more background, see OECD (2018), "Blended finance Definitions and concepts", in Making Blended Finance Work for the Sustainable Development Goals, OECD Publishing, Paris, https://doi.org/10.1787/9789264288768-7-en.

- to understand what types of risks these funds and facilities are addressing and how they can leverage private capital more effectively and
- to explore how their development impact can be tracked and evaluated.

The first edition of this survey was presented in the OECD publication "Making Blended Finance Work for the SDGs". The new evidence collected in 2018 feeds into ongoing OECD work on blended finance, which is building the evidence base and providing a framework on blended finance, as well as enabling a sustained, informal dialogue, sharing of information, and identification of emerging practices amongst blended finance market participants and policy makers. Furthermore, this work will contribute to the multi-stakeholder efforts initiated under the Tri Hita Karana Roadmap, which lays out a shared value system involving five areas for action, including good practice, mobilisation, transparency, impact and inclusive markets.[4]

This working paper presents findings from the 2018 edition of the survey, relating to the capital structure, investment strategy and portfolio of the surveyed vehicles. It will be followed by another OECD Development Co-operation working paper discussing the development strategy, performance tracking and evaluation approach of respondents.

1.2. Collective investment vehicles: blending approaches

Collective investment vehicles (CIVs) can target specific investment segments (e.g. climate finance or small and medium-sized enterprises), using different types of instruments, such as equity, debt or technical assistance.[5] Close-ended CIVs have a limited period of time during which new investments in the CIV may be made (fund-raising period), while open-ended CIVs can issue and redeem shares at any time.[6]

A CIV can be structured so that all investors are exposed to the same risk-return profile or its cash flows can be structured in such a way that some investors have subordinated repayment claims compared to more senior debt. The OECD distinguishes between two different pooled models:

- A fund is a pool of capital which can be comprised of a mixture of development and commercial resources that provides financing to direct investees (e.g. projects or companies) or indirect investees (e.g. through credit lines or guarantees) that provide on-lending. In addition to mobilising commercial capital at the fund-level, this type of CIV may also mobilise additional financing at the project, or investment, level. Funds can be structured in two ways either in a flat structure

[4] The Roadmap brings together governments, development financiers and private sector entities for the purpose of increasing engagement and improving the framework which will allow blended finance to scale in size and become more effective. For a brief overview please see OECD (2018), "TRI HITA KARANA Roadmap for Blended Finance". http://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/Tri-Hita-Karana-Roadmap-for-Blended-Finance.pdf

[5] The scope hence differs from the DFI working group definition of 'Concessional Blended Finance', whereby technical assistance is excluded. The OECD definition of blended finance is more comprehensive and embraces all types of development finance, concessional and non, as a potential leveraging mechanism to mobilise additional finance for the SDGs.

[6] Open-ended CIVs may also issue debt notes e.g. the Luxembourg Alternative Investment Funds

where risks and returns are allocated equally to all investors (all investors are pari passu) or in a layered structure where risks and returns are allocated differently across investors.[7]

- A facility is an earmarked allocation of public development resources (sometimes including support from philanthropies), which can invest in development projects through a range of instruments with the purpose of mobilising additional finance (e.g. commercial) through its operations.[8]

This categorisation goes beyond what may be listed in the vehicle's official name. For instance, the Microfinance Enhancement Facility is actually included as a structured fund for the purpose of this analysis. Moreover, according to the OECD, in order to be considered a blended finance fund or facility, such vehicles must:

- Have a defined legal statute (e.g. by formalised agreement between the two parties),
- Pool together different sources of finance from public and private actors, at a national or international level, with development or commercial mandates
- Pursue, in their mission, sustainable development results,
- Have the explicit, or implied, objective to mobilise additional finance,
- Invest in developing countries (as defined in the DAC List of ODA Recipients),[9]
- Include their own accounting and financial reporting, separate from the managing organisation.

The definition and characteristics of these investment vehicles remain however quite loose, contributing to the opacity for less-adverted investors and public officers. Further research in this area is needed to foster a common understanding between development finance providers, financial intermediaries and potential clients.

1.3. Methodology

The 2018 OECD Survey on Blended Finance Funds and Facilities, administered under the sole responsibility of the OECD, ran from November 2018 to March 2019. The questionnaire was designed and disseminated in partnership with Convergence, who also contributed to the analysis presented hereafter.

[7] Another way of describing a flat fund would be a 'one-tranche fund', without subordination terms. Structured funds may also be conceived, not to generate a return, but to solve a problem: in this case, donors provide a risk protection, the only investors are DFIs and return expectations are likely to be mandated.

[8] Facilities can be set-up in many different ways, with distinct terms of operations and mandate. For example, three potential types of facilities may be characterised as follows: 1) managed by governments, providing concessional financing and often investing in funds (e.g. the European Commission's blending facilities and the Green Climate Fund); 2) managed by a DFI or a private asset manager, providing concessional finance (e.g. FMO's Access to Energy Fund); 3) managed by DFIs, on commercial terms (e.g. those by the CDC Group).

[9] See: http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/daclist.htm

Over 730 funds and facilities were invited to take part in the survey in 2018. This population was derived from the OECD's internal database, which has been progressively expanded from the dataset initially developed by the Association of European Development Finance Institutions (EDFI) in 2015.

The complete responses collected numbered 180, more than double the amount from the inaugural OECD survey held in 2017. **The responding vehicles represent a total of USD 60.2 billion in assets under management**, compared to USD 29.5 billion in 2017. While not exhaustive, this increase in coverage provides broader and more comprehensive data on the emerging trends within the overall blended finance market.

The data reported by the members of the DFI WG on Blended Concessional Finance includes only operations in the private sector, where there is a concessional element from donors or third parties alongside the DFIs' own account finance, together with commercial finance from other investors. Therefore, the report includes only a sub-set of the development finance provided by DFIs and might underestimate mobilised commercial financing. The full list of respondents is available at Annex A.

Despite capturing significant volumes, the purpose of this research is not to deliver a definitive estimate of the blended finance market, nor to infer leverage ratios. Indeed, the objective is first and foremost to shed light on the functioning and behaviour of Collective Investment Vehicles (CIVs), which are emerging as one of the primary channels for blended finance flows and continue to foster financially innovative structures with the purpose of attracting additional financing.

Furthermore, due to the presence of vehicles such as 'fund of funds', within the 180 survey answers there exists occasions of double counting. For example, one respondent (GEEREF) has committed financing to another survey respondent (DI Frontier), representing double counting of approximately USD 12 million. Other discrepancies such as this may exist, and will be noted when significant. Only once the survey is at a more mature stage will these elements be more robustly addressed.

It is important to note that due to the self-reported nature of the information collected, there is an inherent risk of a lack of standardisation. Reporting standards between survey respondents vary and inconsistencies may arise from the heterogeneity in their approaches to blended finance.

The survey results are complemented by official OECD statistics on amounts mobilised from the private sector for official development finance interventions.

Box 1.1. OECD-DAC methodology on amounts mobilised from the private sector by official development finance interventions through shares in collective investment vehicles

Since 2014, the OECD has been working to establish an international standard for measuring the volume of private finance mobilised by development finance interventions in consultation with multilateral and bilateral development finance institutions, as well as in joint collaboration with the OECD-led Research Collaborative on tracking private climate finance. This methodology also includes the amounts of private finance mobilised through shares in CIVs. The ensuing statistics, now available from 2012 to 2017, are the most appropriate and robust reference to interpret the effective mobilisation occurring through such investment instruments.

The amount mobilised through CIVs is defined as the total private investment committed during the fund-raising period. When multiple official institutions invest in CIVs, a pro-rata attribution of the amounts mobilised is needed. The calculation method therefore takes into account the number of official investors involved in the CIV:

- 50% of the amounts mobilised are attributed to each official participant in the riskiest tranche of the CIV equally. The rationale here is that first-loss investors, or investors that otherwise carry higher risks than other equity or more senior investors, have the highest impact on the mobilisation of private investors.
- The remaining 50% are attributed to all official participants pro-rata to the official financiers' investment share in the CIV at the moment of the private investment, regardless of the risk taken (i.e. including investors in both the riskiest and mezzanine/senior tranche).

For practical reasons, the maximum fund-raising period during which official investments in both close- and open-ended CIVs can claim to have mobilised private investments is five years.

The OECD mobilisation methodology differentiates substantially between mobilisation and co-financing. Mobilisation, as a key determinant for blended finance, implies a causal relationship between development and commercial finance, whereas co-financing occurs in parallel without a causal relationship (cf. Box 2.1). For instance, a blended fund may invest in a microfinance institution (MFI) and mobilise further direct commercial finance in an MFI when investing e.g. via a syndicated loan, which would be blended finance at the project level. In parallel, there could also be an unrelated loan from another commercial investor, which would classify as co-investment.

OECD statistics on private finance mobilised are measured on an annual basis and thus covers financing for a set-period of time (e.g. private finance mobilised in the year 2017). This is inherently distinct from the data collected from the funds and facilities survey as the survey gathers financial data accumulated at the close of a period of time (e.g. as of 31 December 2017). Financial flows into the CIVs described in this paper may have been invested any time prior to and during the year of 2017. Furthermore, investments in CIVs are not static in value, as they may rise and fall according to how they are deployed and on their financial performance.

Furthermore, findings from the 2018 OECD Survey on Blended Finance Funds and Facilities are cross-analysed with the Convergence[10] database of historical blended finance transactions. The Convergence database brings additional visibility on the blending that may occur at the transactional level (or project level). The two data sets are distinct from each other as they each capture a different segment of the blended finance market.

There are structural differences between the three sources which must be taken into due consideration:

Table 1.1. Complementary datasets

	Sources	Perimeter	Financial data captured	Frequency
OECD statistics on private finance mobilised for development	Reporting by official development institutions	all development finance (concessional and non) at activity level	only the amount of private finance mobilised through six leveraging mechanisms, quantified by internationally agreed methodology	Yearly, since 2015
OECD Survey on Blended Finance Funds and Facilities	Surveyed managing organisations	Collective investment vehicles at capital level	Assets under management in the fiscal year	Ad hoc surveys in 2016 and 2017
Convergence database of blended finance transactions	Credible public sources and data-sharing agreements and validation exercises	Transactions using concessional (public or philanthropic) finance to mobilise additional private sector investment	Total transaction size (incl. development finance) based on pledges at deal closure	Continuously updated, since 2005

Source: Author's elaboration.

The operations captured in the Convergence database, in the OECD statistics on private finance mobilised for development and in the OECD Survey on Blended Finance Funds and Facilities may partially overlap, but the information collected is complementary. For instance, the OECD statistics track the amounts of private finance mobilised by CIVs in their activities, but not at the capital level, which is at the core of the OECD Survey on Blended Finance Funds and Facilities. Convergence does not collect data on facilities pooling development finance for blending at the project-level, but does collect data on the underlying projects, as long as they involve concessional and commercial capital.

Given the current state of information sharing, it is not possible for either source to be fully comprehensive. At times, the data sources may convey similar or different trends given their respective focuses, but together they help paint a more comprehensive picture on the functioning of the blended finance market.

[10] Convergence is a global platform for blended finance. It generates blended finance data, intelligence, and deal flows to increase private sector investment in developing countries and sustainable development. Convergence works to make the SDGs investable through transaction and market-building activities.

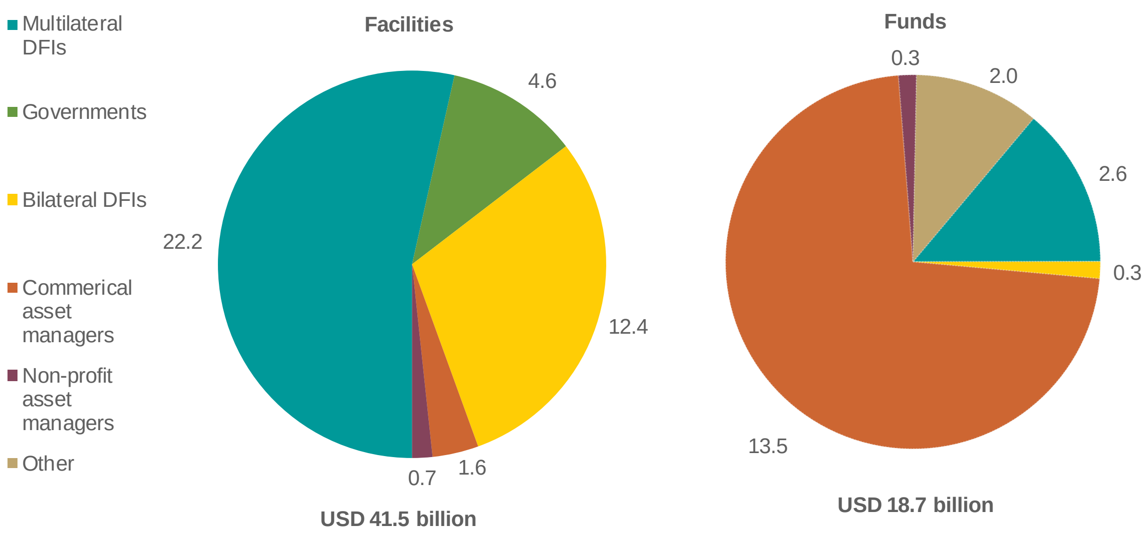
1.4. Market players

The use of blended finance involves a diverse set of organizations, representing the public, private, and philanthropic sectors, which can intervene in different roles. Because this is a highly intermediated mechanism for development co-operation, blending opportunities may arise multiple times along the delivery chain. According to the OECD definition, in as far as investors, managers, sponsors and/or clients are looking to raise additional capital, blending opportunities may materialise at several points in time, provided they succeed in mobilising commercial co-investors.

For instance, a donor agency or development finance institution (DFI) may invest in a collective investment vehicle (CIV) managed by a private asset manager who may on-lend the money to a public or private sector client (e.g. a local microfinance institution, company or investment fund). The deal/project sponsor, i.e. the party who takes the lead in fundraising and closing the transaction. This may be either the CIV manager, the client or another intermediary. Ultimately, the client will deliver a service to the final beneficiaries (citizens in the developing country).

Development finance institutions (DFIs) and asset managers can be found among the most frequently listed managers of CIVs. Direct investees (clients) can be internal or external to the managing organization. They act as sponsors for the project or deal. They include: sovereign public authorities (national or local), financial institutions (international regional or national, incl. banks and MFIs), companies (multinational or local, large or SMEs), projects (green or brownfield) or SPVs.

Figure 1.1. Assets by managing organisation



Note: Amount listed in USD billions. Based on 180 blended finance vehicles, total assets of USD 60.2 billion. Excluding the 6 largest facilities, each larger than USD 2 billion, the total for facilities is significantly reduced to USD 17.6 billion. These 6 facilities represented over half of all facility volume (USD 23.9 billion).

The survey captured over USD 60.2 billion in CIVs at the close of 2017, with USD 41.5 billion sitting in facilities. **Most of these facilities (57%) are managed by multilateral**

DFIs, **representing USD 22.2 billion in assets under management (AUM)**.[11] Such multilateral organizations, for the scope of this paper, include the African Development Bank (AfDB), the Asian Development Bank (ADB), the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD), the Inter-American Development Bank (IDB) and the International Finance Corporation (IFC).[12]

Of the 94 facilities responding to the survey, 17% were managed directly by Governments, representing a total amount of USD 4.6 billion. This notably includes the EU blending facilities, steered by the European Commission's Directorate-General for International Cooperation and Development (DG DEVCO). Other managers included the United States and Germany, through their aid agencies USAID and GIZ respectively. Although bilateral DFIs managed only 10 facilities, their total amounts managed reached USD 12.4 billion, representing 30% of the USD 41.5 billion in facilities. This finding suggests the important role that CIVs can play at the bilateral level, in pooling significant amounts of national development finance through a relatively smaller number of vehicles. Key bilateral actors, listed as bilateral DFIs for the scope of this paper, include the British CDC Group, the German KfW, the Dutch FMO, the Norwegian Norfund, and the French Proparco.[13]

Although Governments are more prominent in total amounts invested in CIVs (see section 2.3), they managed only 17 of the 180 CIVs.[14] This compares with the 72 vehicles managed by DFIs, both bilateral and multilateral, indicating a high degree of delegation of government assets to DFIs. This may signal that one reason why funds and facilities are created is for governments to delegate management authority to a third party. Another factor to consider is the possibility that governments do not have the internal skills or capacity to manage such vehicles themselves. While DFIs (both multilateral and bilateral) play a consistently major role as mangers of CIVs, there is evidence of an increasing number of private actors involved.

In significant contrast with facilities, **the large majority of funds (67) are managed by commercial asset managers**, a total of USD 13.5 billion in AUM. This includes known players in the impact investing sphere, such as BlueOrchard, ResponsAbility and TripleJump. Multilateral DFIs account for only USD 2.6 billion in AUM in funds.[15] Not-for-profit asset managers, such as Access to Information (A2i), managed a similar number of funds as did multilaterals, but total AUM were smaller at USD 0.29 billion.

[11] Assets under management, or AUM, refers to the financial capital managed by the collective investment vehicles (CIVs) to invest in developing countries.

[12] Multilateral DFIs are managers of both facilities and funds although most of their responses were in reference to facilities, possibly due to the DFI Working Group shared understanding of blended finance as only including a concessional element.

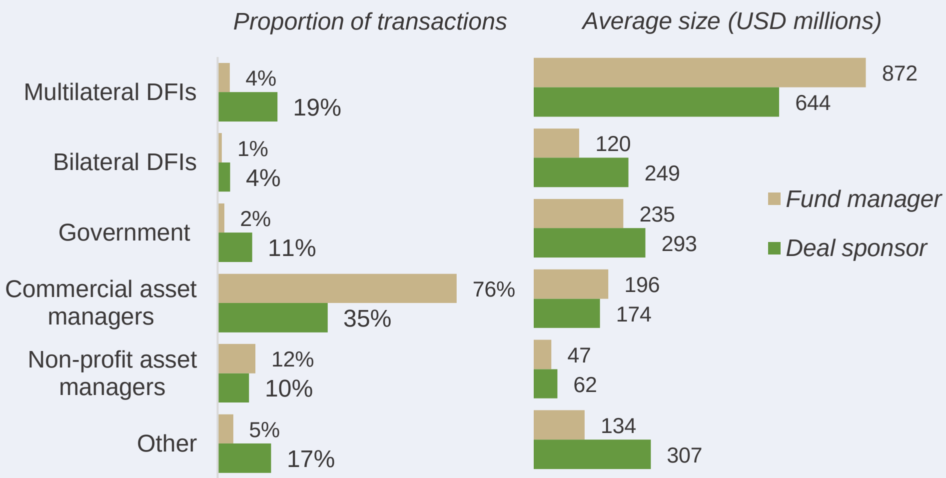
[13] KfW is bilateral development bank but for the purpose of this survey has been included in the group of bilateral DFIs.

[14] Included in the Government category are aid agencies (i.e. USAID) as well as supra-national governmental organizations (i.e. European Commission, DEVCO).

Box 1.2. Blended finance fund managers and deal sponsors

According to Convergence's database, 76% of blended funds have been managed by commercial asset managers, representing approximately USD 34 billion in aggregate assets under management. Three quarters of these commercial asset managers have an impact mandate (e.g. GroFin and Incofin Investment Management), while the remaining are traditional asset managers (e.g. Oppenheim Asset Management and Robeco Institutional Asset Management) and private equity firms (e.g. Capria). Non-profit asset managers (e.g. Global Partnerships and the Nature Conservancy) manage 12% of blended funds to date. While multilateral DFIs manage a relatively small number of funds, these blended funds have been the largest on average (USD 872 million).

Figure 1.2. Frequency and size of historical blended finance transactions (Convergence)



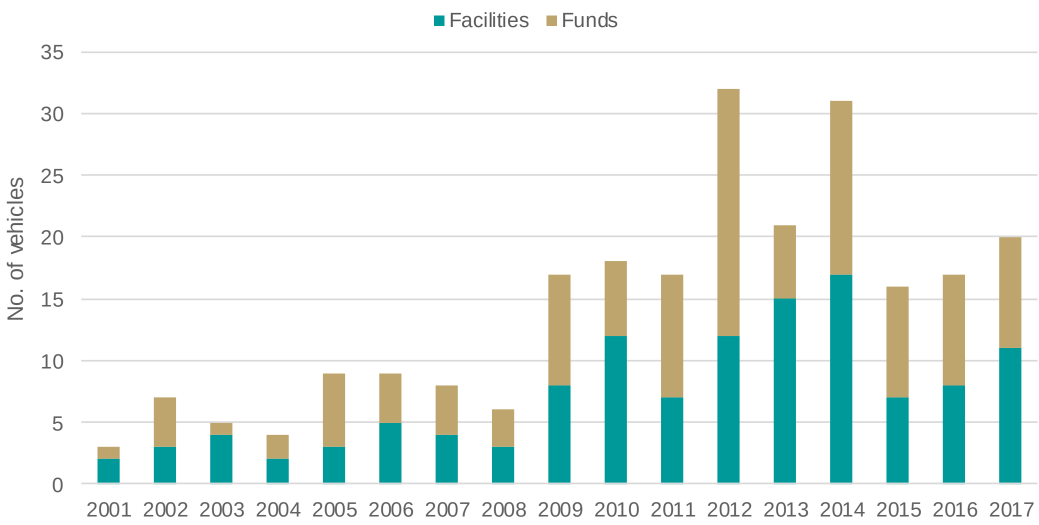
Note: Based on managers of 211 blended funds and on sponsors of all (>460) blended finance transactions currently captured in the Convergence database. Sponsor here refers to the organization with overall accountability for the project, typically the lead and / or implementer. The term transaction here relates to the size of the average fund, for example, USD 872 million for fund managers.
Source: (Convergence, 2019[3]), www.convergence.finance

Beyond blended funds, Convergence also collects data on bonds / notes, companies, projects, and impact bonds that deploy blended finance approaches. These vehicles are led by one or more sponsors[3] that are responsible for managing resources and implementing activities. Across all blended finance transactions, commercial asset managers have also been the most frequent sponsor, although to a much lesser degree (35% of deals). In contrast, multilateral DFIs and other organizations (e.g., social enterprises, corporates, and financial intermediaries) have played a more significant role as sponsors compared to fund managers. Governments have also been more likely to sponsor individual blended finance transactions (11% of transactions) compared to managing blended funds (2% of funds), although they play an even more important role as concessional capital providers.

1.5. Market maturity

The population of blended finance funds and facilities aggregated by the OECD shows a significant growth in the number of vehicles launched over the last two decades, particularly since 2012.[16]

Figure 1.3. Number of blended finance CIVs launched per year



Note: Year of financial close (commenced operations) for 240 blended finance vehicles.

In the 10 years spanning from 2008 to 2017, more than 195 new vehicles were created. Until 2008, there was a tendency to launch more facilities than funds, however now they are equally popular. In particular, structured funds started to gain traction after 2005, representing a consistently higher proportion of all vehicles launched.[17] In looking at 2012 alone, more than USD 5 billion entered the blended finance market through funds and facilities. The creation of CIVs investing in emerging markets peaked after the financial crisis in 2008, whereas the slowdown observed after 2012 may be due to rising interest rates in OECD financial markets (OECD, 2019[4]).

Of the blended finance vehicles surveyed, 39% were evergreen (or revolving), i.e. with no fixed end-date of operation.[18] Funds were slightly more likely to be evergreen than facilities, however the variance was not significant. The remaining non-evergreen vehicles were analysed to determine the target lifespan, from start date (financial close) to end date. The vast majority (80%) of funds surveyed by the OECD tend to be concentrated between 5 and 15 years, whereas facilities are more likely to target both short-term tenures of less

[16] This observation however may underrepresent funds or facilities that are no longer operational, since the current database is more likely to include active vehicles.

[17] As a reminder, a structure fund will allocate risks and returns differently across investors. This often involves different risk tranches (e.g. first-loss tranche) which are aimed at lowering the risk for subsequent investors.

[18] Examples of evergreen vehicles include: The Adaptation Fund, Green Climate Fund (GCF), e-Asia Knowledge Partnership Fund and Global Innovation Fund.

than 5 years and long-term tenures of more than 15 years. Funds have a strong preference to have a term of exactly 10 years; OECD data indicates one in every three (fixed-term) funds choosing this length of term. Furthermore, CIVs varied in tenure depending on sector, with the average lifespan in the energy sector extending into 15 years and in the banking (financial services) sector averaging 9 years of operations.

Box 1.3. Where blended funds are headquartered

Most of the 86 funds are headquartered in OECD countries (71%). Half of these are seated in Luxembourg or the Netherlands, followed by the United States, Denmark and Switzerland.

Developing countries in Africa were home to fourteen funds (16% of the total), half of which were located in Mauritius. This was followed by developing countries in Asia (5) and developing countries in the Americas (3). Only two funds were located in least developed countries, i.e. FONSIS in Senegal and the Dolma Impact Fund in Nepal.

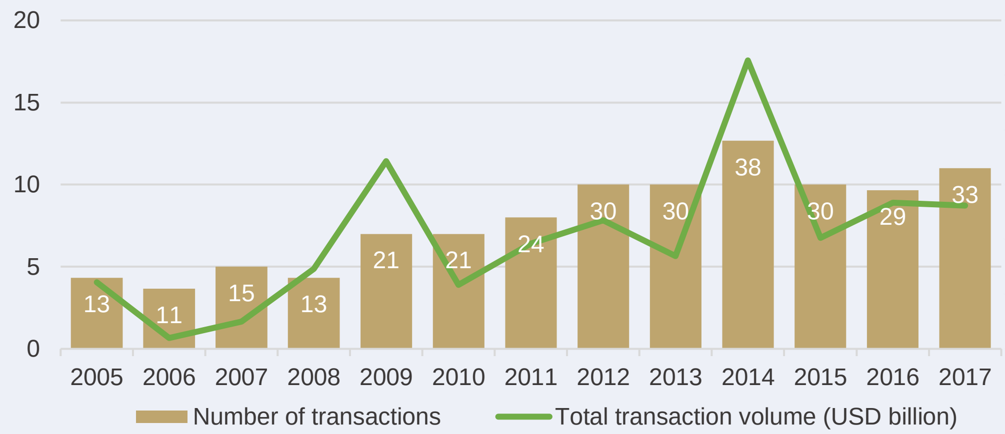
Furthermore, twelve funds headquartered in developing countries also invested within their domestic borders. These countries included: Bolivia, Columbia, Georgia, Ghana and Jordan.

The increasing number of blended finance vehicles corresponds to their growing importance in the financial market, and in particular in the development finance arena. Based on preliminary OECD statistics, CIVs helped mobilise USD 12.3 billion in private finance from 2012 to 2017, representing 8% of the total amounts reported to the OECD. These amounts are highly complementary to the OECD survey on Blended Finance Funds and Facilities, in that the former relate to mobilisation down at the activity level, whereas the latter only captures upstream mobilisation at the capital level. Indeed, the mobilisation of the private sector through blending is taking place at different levels and through multiple channels.

Box 1.4. Market growth in blended finance

Convergence's database currently captures over 3 500 financial commitments to more than 460 blended finance transactions, most of them (94%) launched since 2005.[1] To date, Convergence estimates that blended finance transactions have gathered over USD 134 billion in total capital – both concessional and commercial – for sustainable development in developing countries.

Figure 1.4. Historical blended finance transactions, 2005-2017 (Convergence)



Note: Convergence records the date of the (first) financial close of a blended finance transaction.
Source: (Convergence, 2019[3]), www.convergence.finance

Convergence differentiates between six deal types: blended funds, facilities for blending, bonds / notes, impact bonds, companies, and projects. Over the last five years, the closure of blended funds has consistently accounted for about half of blended transactions (47%, on average) and over a quarter (28%) of aggregate capital flow. Historically (2006-2013), blended funds have accounted for an even greater share of the number of blended finance transactions. This relative decrease in the number of blended funds over time may reflect a diversification in blended finance approaches through a wider variety of development projects and activities.

1.6. Conclusion

Blended finance is utilised across the world as a strategic instrument to work towards the sustainable development goals. Due to this, diverse actors such as governments, multilateral institutions, philanthropic foundations and commercial investors are increasingly engaging in blending as a part of their financing strategy towards developing countries. Collective investment vehicles are one mechanisms through which Governments may delegate part of their budget for development co-operation to financial intermediaries in an effort to access a more specialised skillset, diversify their investment instruments and mobilise additional financing at multiple levels.

The increase in the number of funds and facilities launched during the last decade further corroborates the growing trend observed in the blended finance market. As this expansion continues, the demand for transparent and relevant data on the blended finance market will rise in parallel. Among other efforts, this working paper provides an aggregated picture of how blended finance funds and facilities are structured and how they are being utilised toward achieving the SDGs.

The USD 60.2 billion of assets in CIVs identified by the OECD survey only captures part of the overall blended finance market. Facilities continue to be the predominant vehicle used for pooling investment, but funds are increasingly growing in size and number.

The survey data presented, in tandem with the Convergence database, highlights the growing role that both multilateral institutions (DFIs and MDBs) and commercial asset managers have in managing the majority of facilities and funds, respectively. The OECD survey indicates that 85% of funds were managed by asset managers (commercial and non-profit), which compares with 88% estimated by Convergence. Both statistics support the strong presence and growing importance of private asset managers in the management of blended funds.

While multilaterals manage a smaller number of funds (7% per OECD, 4% per Convergence), the amounts managed are on average larger, signalling their ability to pool larger amounts of capital. Another similarity between the survey and Convergence’s database is that governments are likely to be investors (sponsors) in blended finance funds, however they seldom manage their operations directly.

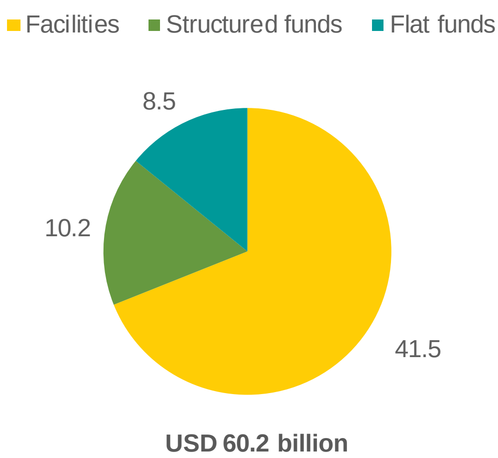
2. Capital structure

This section presents key findings from the OECD 2018 survey relating to the sources of capital and the types of investors mustered in collective investments vehicles (CIVs). As stated previously, the survey distinguished between different types of CIVs: funds, structured and flat depending on their structured, and facilities (see section 1.2).

2.1. Market size in 2017

Of the total USD 60.2 billion reported in the survey, the majority was channelled via facilities (USD 41.5 billion). The remainder USD 18.7 billion was divided between structured and flat funds. As previously explained, these two types of funds are distinguished in how capital is repaid and how returns are disbursed to investors. In a flat fund, capital is repaid and returns are allocated equally to all investors, while structured funds allow development finance providers to take more risk and/or take a smaller share of the returns, which can therefore be more conducive to the mobilisation of private (and public) commercial capital.[19]

Figure 2.1. Total amounts under management in 2017 by type of blended finance CIV



Note: Collective investment vehicle (CIV) is used to indicate both funds and facilities. Based on the OECD typology (cf. section 1.2), survey respondents self-identified their vehicle as either a facility (94 respondents), a structured fund (53 respondents) or a flat fund (33 respondents).

The distinction between these vehicle types is underlined by their distribution in terms of AUM.[20] Facilities range in size from multi-billion dollar vehicles to less than USD 10 million, but nearly 60% of them had a size of USD 100 million or greater. Funds ranged

[19] Public commercial capital refers to capital provided by, for example, public pension funds or sovereign wealth funds. Note that pension funds may be either public or private.

[20] As a reminder, assets under management, or AUM, refers to the financial capital managed by collective investment vehicles (CIVs) to invest in developing countries.

from over a billion to less than a million, with significant differences depending on their capital structure. In fact, while structured funds are comparable to facilities in size, less than a third of flat funds reached the USD 100 million mark or above, this further corroborates the hypothesis that structured funds may be better suited to mobilise larger amounts of capital.

The assets managed by facilities were highly concentrated across a small number of managers. Indeed, the six largest[21] make up USD 23.9 billion, over half of the total AUM sitting in facilities. The remaining 88 facilities represent USD 17.6 billion, which is roughly comparable to the 86 funds included in the survey, whose aggregate size was USD 18.7 billion.

Table 2.1. Average vehicle size

Vehicle	Average size USD millions
Facility	483
Fund	250

Note: Based on 180 respondents, comprising 94 facilities and 86 funds.

The difference in magnitude can further be explained by the managing organisations. Facilities are often managed by multilateral DFIs (cf. Figure 1.1), which may be capable of pooling large amounts of capital from various development sources, primarily governments or other DFIs. In practice, facilities often represent a separate budgetary envelope of concessional public funds earmarked for blending, which is drawn upon to seed specific operations with the private sector through their own investment funds.

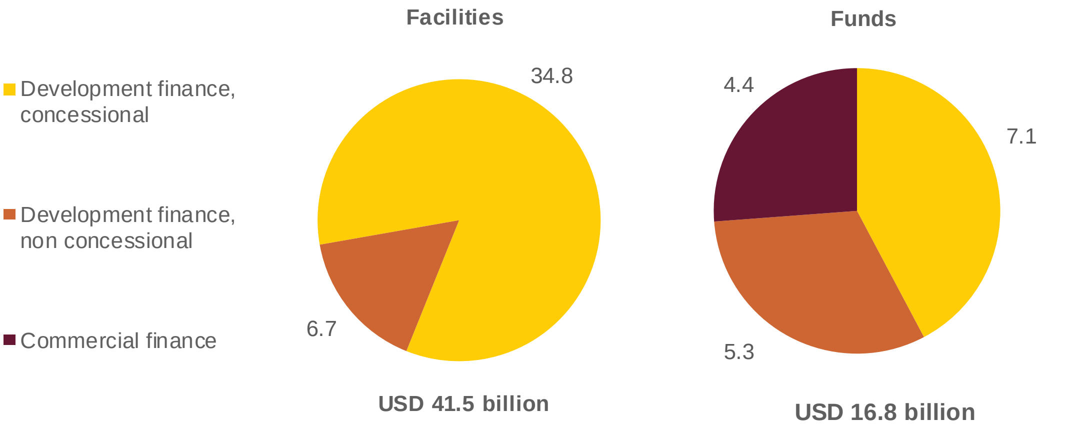
2.2. Sources of capital: mandate and terms

All CIVs conceived for blending purposes strive to mobilise additional finance in one way or another. In line with the OECD definition (cf. section 1.2), funds also seek private sector co-financing at the capital level. Since their inception, they may thus blend development (concessional or not) finance with commercial capital.

Because many stakeholders (in particular, members of the DFI working group) consider blended finance as intrinsically linked to the use of concessionality, respondents may have chosen to report only those vehicles comprising development concessional resources. From an aggregate point of view, this may lead to an overrepresentation of the concessional element in the survey population, in comparison to the actual asset composition of funds and facilities existing in the broader blended finance market.

[21] Green Climate Fund (GCF), National Infrastructure Fund by Banobras, IDA18 Private Sector Window by the International Finance Corporation (IFC), Norfund, CDC Group, ACP Investment Facility by the European Investment Bank (EIB).

Figure 2.2. Sources of capital (mandate and terms) in blended finance CIVs



Note: Based on a total of 168 respondents. For facilities, the questionnaire asked what percentage of financing was provided by public or private sources. In the data analysis, public sources are treated as concessional when coming from donor governments and aid agencies and non-concessional when coming from multi- and bilateral DFIs and development banks. For funds, USD 16.8 billion of the total USD 18.7 billion is identifiable by concessional, non-concessional and commercial sources. Please note the answers, based on self-reporting by respondents, do not necessarily comply with the directives agreed upon by the DAC Working Party on Development Finance Statistics.

According to the OECD survey, **the wide majority of capital in facilities is concessional (USD 34.8 billion)**, with the remaining USD 6.7 billion being listed as non-concessional, with a development mandate. The latter mostly comes multi- and bilateral DFIs and development banks, but also from philanthropic institutions (Rockefeller Foundation, Goldman Sachs Foundation, MasterCard Foundation, KKR Foundation and J.P. Morgan Foundation), and other non-governmental sources.

Given the nature of their structure and mandate, funds garnered more diverse sources of capital: development concessional (USD 7.1 billion), development non-concessional (USD 5.3 billion) and commercial (USD 4.4 billion). Over 80% of the commercial capital was raised from pension funds, high net-worth individuals (HNWIs), insurance companies, commercial banks and asset managers.[22]

Based on the survey, **USD 4.4 billion in commercial capital was in blended finance funds in 2017.** Three quarters of all funds (65) reported having some commercial capital, more than half (49) listed no concessional sources of capital; and less than a quarter reported having all three types of sources.

The amount of commercial capital mobilised is not linked to the overall size of the fund. Looking at funds of USD 500 million AUM or smaller, who had some portion of commercial capital, the average percentage of investment provided by commercial investors was more than half (54%) of a fund's AUM. Funds larger than USD 500 million did not garner more commercial capital, in relative terms. In fact, the four largest funds garnered USD 4.5 billion in concessional resources. When excluding them from the analysis, commercial capital represents 37% of the total AUM in the remaining 82 funds.

[22] Amongst the organizations providing commercial capital were PensionDanmark, BNP Paribas and UBS.

Box 2.1. Mobilising, co-financing and catalysing

The OECD, like the World Bank Group, distinguishes between three conceptual categories: mobilisation, co-financing and catalytic effect.

- **Mobilisation** ("direct mobilisation") refers to the ways in which specific mechanisms stimulate the allocation of additional financial resources to particular objectives. It implies a causal link between private finance made available for a specific project and the official flows that were used to incentivise them. The term "leverage" is also often used in this context but is usually associated with a ratio. Mobilisation is easily auditable, attributable, and measurable vis-à-vis time of commitment/financial close.
- **Co-financing** is defined as the amount of financial resources contributed by external entities alongside finance invested by a group of identified official institutions (e.g. Multilateral Development Banks). It is quantifiable and traceable to investment documentation. As opposed to mobilisation, it does not focus on measuring or on attributing private finance mobilised. It focuses solely on reporting resources contributed by external entities (both public and private) in parallel with official interventions. Co-financing is less precise, as it depends on tracking the overall project financing plan, which may not be fully visible to the providing institution and may be affected by varying financial closure points. In some case, the boundaries of projects can be vague.
- **Catalytic effect** – or "indirect mobilisation" – usually refers to the result of actions aimed at stimulating positive change, and can materialise either through financial means (funds mobilised) or non-monetary contributions (transfer of knowledge, sharing of new practices, introduction of a policy, etc.) It is generally recognised that the catalytic effect is least precise and difficult to measure statistically; it may occur after project implementation.

Source: (Benn, Sangaré and Hos, 2017[5])

The terms of capitalisation do not bear an influence on the financial instruments blended finance vehicles might use in their operations. Even when a facility is fully capitalised by concessional sources, it may deploy a wide array of investment tools. In fact, one-quarter of all facilities (24) were fully concessional in capital but did not utilize grants,[23] although their other transactions (debt, equity, guarantees) might have been subsidised below market rate. Hence, in some cases concessional capital may support the provision of loans or direct investments in companies, both of which may garner financial returns at or above the market rate. Nonetheless, the level of concessionality in a vehicle will likely drive down the cost of capital, which could, for example, have a direct effect on

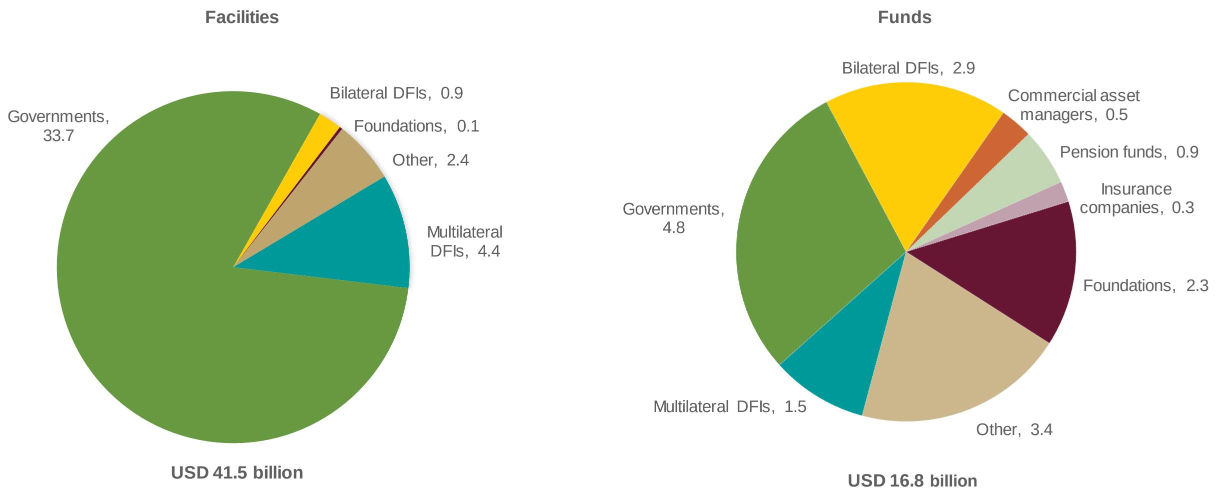
[23] Examples of these facilities include several managed by IFC, such as the Finland-IFC Blended Finance for Climate Program, the Canadian Climate Fund for the Private Sector in Asia II and the Global Agriculture and Food Security Program (GAFSP). Others include the Energy Efficiency Guarantee Fund (CCEF) and the Climate Smart Agriculture Fund (CSAF), all managed by the IDB Group.

the return expectations of its shareholders and the levels of risks taken by various stakeholders.

2.3. Top investors by commitment

The profile of investors fully reflects the nature of capital attracted by each type of vehicle. Bilateral donors are the major investors across both facilities and funds, but weigh much less in the latter group. Multilateral DFI are equally positioned between the two. Finally, bilateral DFIs and foundations play a much more prominent role among blended funds than facilities, suggesting a more commercial focus.

Figure 2.3. Investors in blended finance CIVs



Note: Assets under management (USD billion). Of the total USD 60.2 billion declared by funds and facilities, USD 58.1 billion is identifiable by its source of origin, this represents 151 of respondents, out of a total of 180. Most of the USD 5.8 billion in the 'Other' category was not reported by category.

Governments (including aid agencies) represent over half of the amount at USD 33.7 billion in capital sourcing for all facilities, followed by multilateral DFIs (including MDBs) at USD 4.4 billion. Meanwhile, governments also represent the largest source of capital amongst funds (USD 4.8 billion), followed by bilateral DFIs (USD 2.9 billion), foundations (USD 2.3 billion) and multilateral DFIs (USD 1.5 billion).

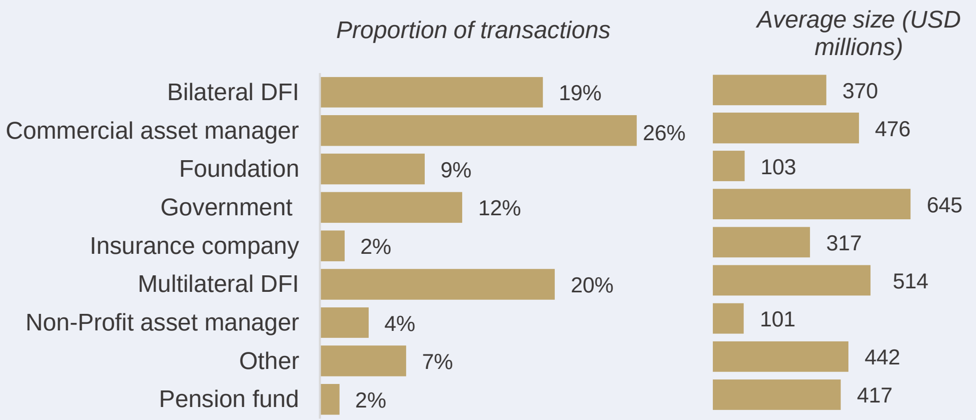
Given their structure and mandate, **blended funds gather a much more diverse set of investors**, which includes commercial asset managers, insurance companies and pension funds. Other minor players include HNWIs, corporations, family offices and private institutional investors which are encompassed in the 'other' category in Figure 2.3.

Considering the relationship between managers and investors of blended finance vehicles, the survey highlighted that several DFIs were both managers and investors of blended finance vehicles, this was more prevalent with facilities than funds. In looking at the USD 24.8 billion managed by multilateral DFIs across funds and facilities, roughly USD 4 billion came from multilateral DFIs themselves, with Governments investing most of the rest (USD 17 billion). Similarly, the total of USD 12.7 billion managed by bilateral DFIs was funded largely by Governments (USD 9.3 billion). Furthermore, four private asset managers listed themselves as investors, albeit only for a minority stake (1% or less than the portfolios they managed). In this case, they may make an investment to align their interests with the performance of the fund.

Box 2.2. Investors in blended finance transactions

The Convergence database captures investment data from over 1 100 unique capital providers – across the public, private and philanthropic sectors – that have participated in blended finance transactions since 2005. Multilateral and bilateral DFIs have been the most active group of investors, together representing 40% of blended finance transactions, by count. Governments, private and corporate foundations, and non-profit asset managers (incl. non-governmental organizations) together account for a quarter of the total number of investments in blended finance transactions.

Figure 2.4. Frequency and size of historical blended finance transactions by investor type (Convergence)

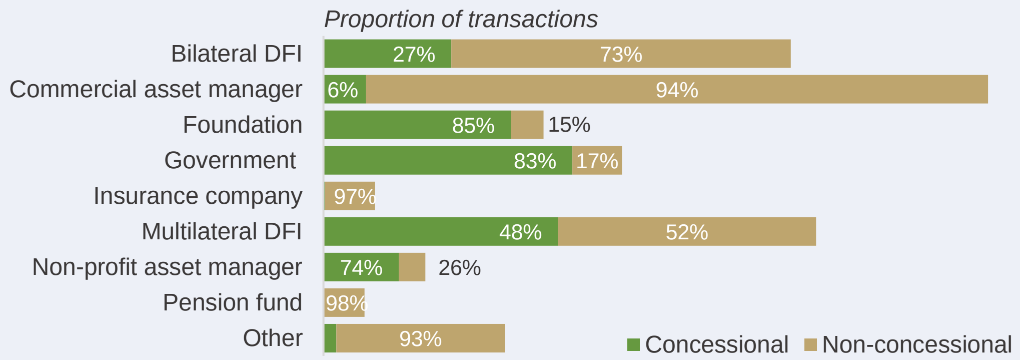


Note: Based on all (>460) blended finance transactions currently captured in Convergence's database, including but not limited to blended funds. Convergence calculates the frequency based on the number of transactions that are managed by the organization type and the average size based on the average total transaction size of the transactions that are managed by the organization type.
Source: (Convergence, 2019[3]), www.convergence.finance

One or more private sector investors have participated in every blended finance transaction captured in Convergence's database. Private sector investors – including commercial banks, insurance companies, and pension funds – have accounted for 30% of investments in blended finance transactions by number. Approximately 60% of the investments from the private sector have been from traditional commercial investors (e.g., commercial banks, pension funds), with the other 40% from impact investors that seek financial returns alongside measurable social or environmental outcomes.

Public, private, and philanthropic organizations may contribute either concessional or commercially-priced capital to blended finance transactions. Convergence seeks to capture whether financial commitments are provided on concessional or commercial terms, with the breakdown outlined below. The public and philanthropic sectors most commonly deploy concessional capital, but they may also deploy commercially-priced capital as appropriate. Commercial asset managers, insurance companies, and pension funds primarily – and nearly exclusively – provide commercial capital to blended finance transactions. Multilateral and bilateral DFIs have provided both concessional and commercial capital, with the former often deployed from donor facilities (e.g. the Canada-IFC Blended Climate Finance Program).

Figure 2.5. Use of concessionality by type of investor



Note: Based on all (>460) blended finance transactions currently captured in Convergence's database, including but not limited to blended funds. Convergence codes capital commitments to blended finance transactions by concessional or non-concessional, where possible, according to the stated terms (e.g. "first loss" would be concessional).
Source: (Convergence, 2019[3]), www.convergence.finance

Institutional investors are estimated to manage over USD 200 trillion AUM, but just over 1% is allocated to alternative asset classes in developing countries (Convergence, Blended Finance Taskforce and Business & Sustainable Development Commission, 2018[6]). The OECD survey identified 105 investments made by institutional investors into blended finance funds, however the same institutional investor rarely invested in more than one fund.

Box 2.3. Structured funds: mobilizing institutional capital

In 2017, the Impact Investment Exchange (IIX), partnering with DBS bank, launched one of the world's first listed bonds with an impact mandate, called the Women's Livelihood Bond (WLB), reported as a structured fund in the survey. The WLB represents an innovative application of a traditional financial instrument to the impact investment sector, which seeks to bridge the current gap between the SDGs and global financial markets. The WLB is a listed bond (or debt security), the proceeds of which finance a group of high-impact social enterprises that have undergone rigorous financial and social due diligence. The WLB is one of the first listed bonds and a unique impact investing opportunity for the Asian market as it is listed and quoted on the Singapore Exchange (SGX).

To mobilise commercial capital for women's empowerment in Southeast Asia, the WLB leverages three blended finance mechanisms: i) early-stage grant funding to support the two-year design process; ii) a partial guarantee on the underlying loans; and iii) a small first-loss capital tranche contributed by IIX. Accredited investors and institutional investors purchased the WLB, with the proceeds from the issuance lent to three social enterprises that empower women by improving their access to critical products and services, such as basic banking. Listed bonds with an impact mandate have great potential to mobilise private sector capital at scale because it is a standardized instrument that is well-understood by institutional investors, it offers a steady coupon over a clear tenor, and it provides liquidity, which is scarce in the current impact investing market.

The WLB will enable each of the three selected borrowers to support women's empowerment through sustainable livelihoods by providing critical services, including access to finance, access to income generating assets, and access to skills. The WLB is targeting USD 500 thousands direct beneficiaries, approximately 70% of which would be women (i.e. USD 385 thousands total female beneficiaries). IIX Foundation is responsible for frequent impact reporting – which will be reported through SGX to ensure transparency around results – increases the engagement of partners and investors with the targeted social outcomes and ensures borrowers remain committed not only to repaying the Bond but also achieving the impact targets.

Gender is an important cross-cutting theme for the SDGs and a priority area for an increasing number of public and philanthropic investors in blended finance. The WLB was conceived by a woman – Doreen Shahnaz, Bangladeshi American and IIX founder with experience in capital markets and microfinance in Asia – and women were involved throughout the design process. The WLB invests in women-led and/or women-focused social enterprises and will focus on measuring the outcomes for women in Southeast Asia. There will likely be continued demand for fund managers and blended finance experts with knowledge of and experience in gender-lens investing.

Source: (Convergence, 2019[3]), www.convergence.finance

2.4. Conclusion

Providers of capital in blended finance funds and facilities are widely diverse, each with their own mandates, return expectations and distinctive implementation of blended finance within their organizational strategy. Furthermore, much of the blending is occurring downstream, at the project level. This information is not captured in this survey, but in Convergence's database and the OECD statistics on private finance mobilised for development interventions.

How blended finance vehicles are capitalised and who their stakeholders are will guide their operations, and will ultimately influence the type of instruments they deploy and their return expectations. In 2017, concessional capital represented 78%, or USD 47.1 billion, of the total amount reported in blended vehicles, mostly sitting in facilities.

Governments are the largest provider of concessional capital, with 64% of the AUM in blended funds and facilities (USD 38.5 billion), but blended vehicles succeeded in attracting a varied range of donors. There is strong activity from both bilateral and multilateral DFIs when it comes to blended finance vehicles, with 27% of the total AUM provided by these actors.

Commercial capital represents a quarter of total assets sitting in the blended funds surveyed by the OECD. After excluding four large funds, with large amounts of concessional capital, this jumps to 37%, or over one-third of capital in blended finance funds. The majority (67%) of commercial capital is provided by institutional investors, such as pension funds and insurance companies. A similar estimate (60%) emerges when looking at the Convergence dataset.

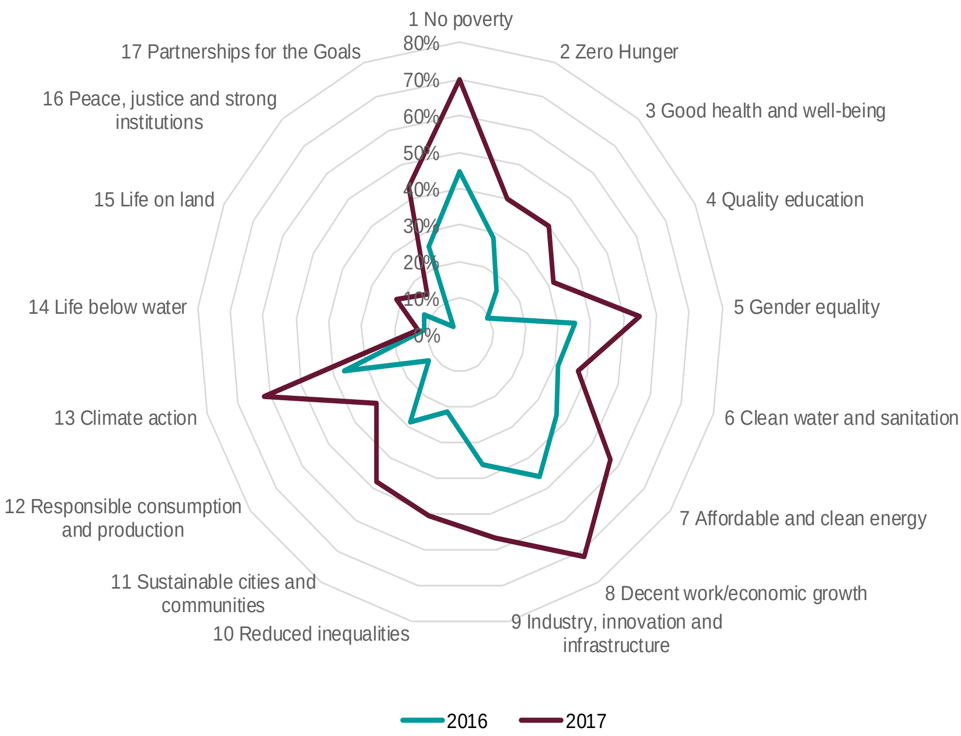
The presence of commercial capital in the surveyed bended finance funds is proportionately low, despite the increased participation of private sector actors. Because responses received from DFIs mostly abide to the concessional blended finance definition, this may imply an overrepresentation of concessional resources in the survey population, in comparison to the wealth of funds and facilities currently operating on the blended finance market.

3. Investment strategy

3.1. Sustainable Development Goals (SDGs)

The managing organisations surveyed by the OECD were asked to list which, if any, Sustainable Development Goals (SDGs) they were contributing towards in their investment strategy.[24] There is little deviation in SDGs when comparing funds with facilities. **On average, a blended finance vehicle selected 7 SDGs though their investment strategy**. This was slightly higher for facilities, which on average target 8 SDGs. Compared to the previous survey edition, **the overall number of vehicles contributing towards the SDGs increased significantly since 2017**.

Figure 3.1. SDGs targeted by blended finance CIVs



Note: Based on the 2017 and 2018 OECD surveys on Blended Finance Funds and Facilities.

Certain SDGs are mentioned more than others. No Poverty (SDG 1) and Decent Work and Economic Growth (SDG 8) are both reported by over 70% of vehicles. More than half of

[24] The survey did not capture the amount of finance being invested in any particular SDG. Being solely based on self-reported information, it does not represent an independent assessment on how specific funds and facilities might actually be contributing to the SDGs.

the surveyed vehicles list Climate Action (SDG 13)[25] and Gender Equality (SDG 5). In contrast, SDGs that were listed the least included Life below Water (SDG 14) and Peace, Justice and Strong Institutions (SDG 16).

These finding are relatively consistent with the previous OECD Funds and Facilities Survey (2017), but **the overall number of vehicles contributing towards the SDGs increased significantly**. No Poverty and Decent Work/Economic Growth also topped previous survey results (reporting on data from 2016), but there has been growing focus on the former in the last year. Similar increases were seen with most SDGs albeit with two exceptions, which included Water and Sanitation (SDG 6) and Life below Water, both of which remained relatively static from 2016 to 2017.

There are often clear links between certain SDGs and corresponding sectors, for example SDG 6 directly pertains to the water and sanitation sector. However, looking at the broader range of SDGs selected by investors delivers a more thorough picture as to which sectors are expected to support different development results. For instance, while investments in education primarily address SDG 4 (Quality Education), they are also being utilized to promote SDG 5 (Gender Equality). The SDGs are far from mutually exclusive; mapping investment flows at the sector level can shed further light on which objectives are being actively pursued by development finance providers.

[25] Out of the 111 vehicles contributing towards Climate Action, the wide majority (94) listed mitigation as part of their strategy, but over half (66) also mentioned adaptation. Please note that while 111 vehicles may list their investment strategy as contributing to this particular SDG, this survey does not capture the activities of facilities and funds at the project level, thus there may be inconsistencies between strategy, implementation and results. Furthermore, 20 of these funds and facilities listed in their name terms such as ‘climate’ or ‘green’, signally their objective toward environmental action. For many of the CIVs however, the survey does not provide conclusive evidence as to which SDG indicators, if any, are being targeted.

Table 3.1. Mapping SDGs by sector

Sector of investment	Most selected SDG (based on sector of investment)	Other SDG contributions[26]		
Water and sanitation	6 CLEAN WATER AND SANITATION	13 CLIMATE ACTION	5 GENDER EQUALITY	11 SUSTAINABLE CITIES AND COMMUNITIES
Banking and financial services	1 NO POVERTY	8 DECENT WORK AND ECONOMIC GROWTH	10 REDUCED INEQUALITIES	5 GENDER EQUALITY
Health	3 GOOD HEALTH AND WELL-BEING	1 NO POVERTY	5 GENDER EQUALITY	
Transport and storage	11 SUSTAINABLE CITIES AND COMMUNITIES	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	1 NO POVERTY	
Agriculture	2 ZERO HUNGER	17 PARTNERSHIPS FOR THE GOALS	1 NO POVERTY	5 GENDER EQUALITY
Communications	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	1 NO POVERTY		
Industry (e.g. manufacturing)	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	8 DECENT WORK AND ECONOMIC GROWTH	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION
Energy generation, distribution and efficiency	7 AFFORDABLE AND CLEAN ENERGY	13 CLIMATE ACTION	1 NO POVERTY	11 SUSTAINABLE CITIES AND COMMUNITIES
Business and other services	8 DECENT WORK AND ECONOMIC GROWTH	10 REDUCED INEQUALITIES		
Education	4 QUALITY EDUCATION	5 GENDER EQUALITY		

A report published by the United Nations led Principles for Responsible Investment (PRI), in collaboration with PwC, claims that the "journey towards achieving the SDGs provides risks and opportunities investors are keen to understand" (Douma, Scott and Bulzomi, 2017[7]). Data collected by the OECD provides further information on risk-return trade-off faced by blended finance funds as they incorporate specific SDGs into an investment thesis.[27] For example, two SDGs that were notably distinct from the others in regards to their perceived risk profile were Affordable and clean energy (SDG 7) and Climate action (SDG 13). More than any other SDG, these investments were associated with funds that characterised themselves as having high risk exposures.

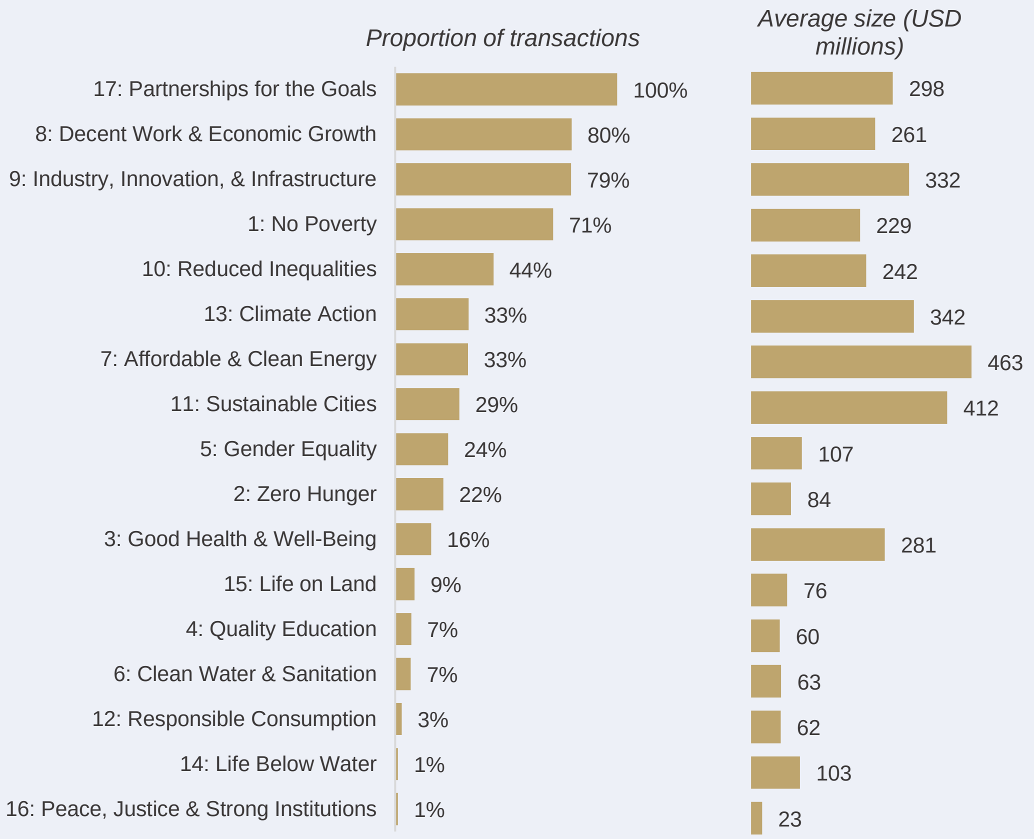
[26] Listed in order of frequency (i.e. number of vehicles), from left to right. Note: other SDGs were also reported, other than those listed.

[27] Note that the following does not cover facilities.

Box 3.1. SDG alignment in historical blended finance transactions

Convergence codes the alignment of each blended finance transaction to one or more SDGs, according to the stated mandate and intended development impact. According to Convergence, to date, blended finance has concentrated on four SDGs: SDG 17 (Partnerships for the Goals), SDG 8 (Decent Work & Economic Growth), SDG 9 (Industry, Innovation, & Infrastructure), and SDG 1 (No Poverty). These goals are broadly aligned to two sectors, financial services and infrastructure, where blended finance is prominent. In addition, blended finance has been demonstrated to be a prominent financing approach for SDG 13 (Climate Action), SDG 7 (Affordable & Clean Energy) and SDG 11 (Sustainable Cities), SDG 5 (Gender Equality), SDG 2 (Zero Hunger) and SDG 3 (Good Health and Well-Being).

Figure 3.2. Blended finance transactions by SDG (Convergence)



Note: Based on all (>460) blended finance transactions captured in Convergence's database since 2005, including but not limited to blended funds. Convergence codes the alignment of each blended finance transaction to one or more SDGs, based on the stated mandate and intended development impact, using keywords and the SDG sub-goals / targets. The frequency is based on the number of transactions that are aligned with each SDG and the average size based on the average total size of the transactions aligned with each SDG.
Source: (Convergence, 2019[3]), www.convergence.finance

Blended finance projects have more frequently concentrated on infrastructure-aligned SDGs, with 34%, 33%, and 27% of deals aligned to SDG 13 (Climate Action), SDG 7 (Clean Energy), and SDG 11 (Sustainable Cities), respectively. Relative to all blended finance transactions, bonds / notes have more frequently concentrated on SDG 6 (Clean Water & Sanitation). Particularly striking, nearly half of blended finance companies have concentrated on SDG 5 (Gender Equality), which could reflect the existence of leading gender practices among social enterprises.

3.2. Instruments used

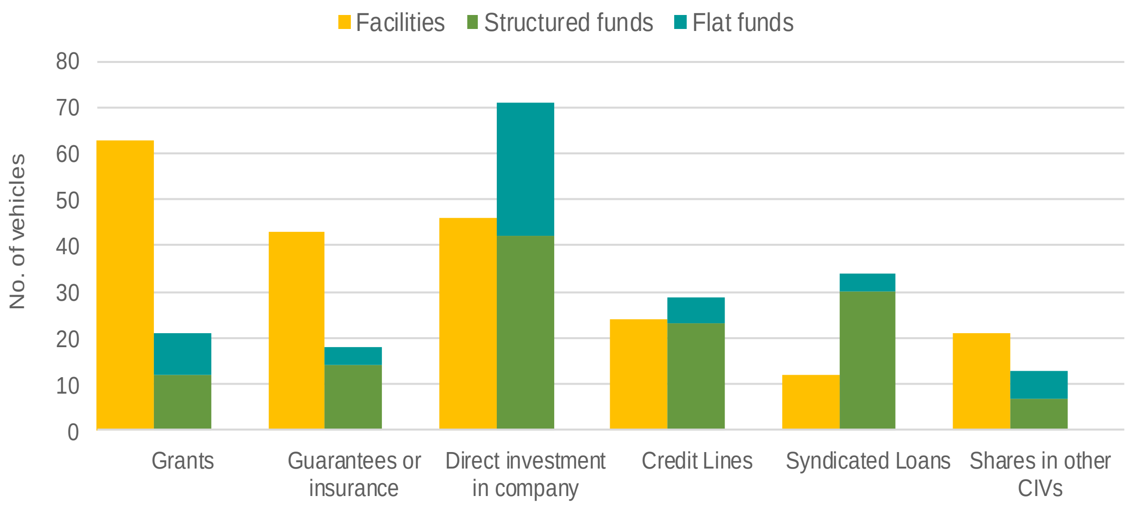
In their operations, CIVs can deploy both concessional and non-concessional instruments. They may thus engage the private sector in three ways:

- mobilise co-financing from public non-concessional sources, even if already development mandated, to private sector projects e.g. Finnpartnership Geothermal Development Facility;
- mobilise additional financing from commercial investors to private sector projects e.g. Canadian Climate Fund for the Private Sector in Asia Green Climate Fund;
- provide direct financing to private sector projects (i.e., capital matching from the project sponsor no additional financing mobilised) e.g. Access to Information (A2i), Adaptation Fund.

Funds come in a lot of shapes and sizes, and include debt funds, equity funds, and fund-of-funds. In some instances, they may incorporate a technical assistance facility which will deploy grants to make project viable. Most often, funds invest directly in private sector projects, with no co-financing requirements or expectations. In some cases, particularly when targeting the infrastructure sector, private sector co-financing is explicitly expected. Some facilities may support projects sponsored by either public or private partners as long as they align to their thematic focus.

In practice, the mechanisms each vehicle can use to leverage additional capital will depend on its founding statute and governance arrangements. While facilities and funds can access the same range of instruments, it appears that they are quite complementary in their choices to deploy one or another.

Figure 3.3. Leverage mechanisms used by blended finance CIVs



Note: The figure above depicts the number of vehicles reporting the use of each particular type of instrument, but does not indicate how frequently they are utilised, nor the financial volumes associated with them.

Blending CIVs can deploy concessional and non-concessional capital, serving to both catalyse private sector investment as well as provide 'viability' or 'bridge' financing to projects. Concessional instruments often take the form of grants, guarantees, concessional debt, or concessional equity.

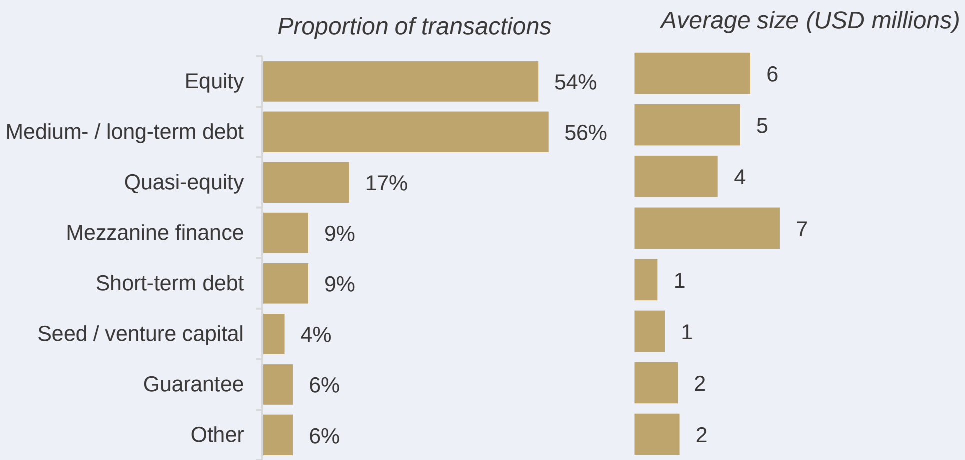
Grants are utilized by over 60% of responding facilities, followed by direct investments in companies and guarantees. Furthermore, when investing in companies, facilities are slightly more likely to use debt than equity. Both the OECD and Convergence data confirm that facilities are more likely to use grants. Furthermore, data collected also indicates the wide use of guarantees by facilities, with 45% utilizing this instrument in their investment approach.

A significant majority of funds (80%), both structured and flat, directly invests in companies as part of their investment strategy, through equity, debt or mezzanine capital. Nearly half of the surveyed flat funds reported using equity to invest in the growth stage of companies, whereas structured funds are more likely to use debt. Funds are more likely to use direct investments in companies as an instrument than were facilities (a more detailed discussion on the portfolio of investees is provided in section 4.1). Furthermore, funds, structured funds in particular, are twice as likely to report using syndicated loans compared to facilities.

Box 3.2 Instruments used by blended funds

According to the Convergence database, blended funds are almost twice as likely to deploy equity compared to other types of blended transactions (54% of funds vs. 30% of transactions overall). Blended funds also commonly use medium to long-term debt as an investment instrument (56% of funds), but to a relatively lesser extent than other blended transactions, such as financing companies and funding programmes. Only 6% of blended funds provide guarantees, which are more frequently used by facilities for blending at the project-level.

Figure 3.4. Frequency and size of instruments used by blended funds (Convergence)



Note: Based on the 211 blended funds currently captured in the Convergence database. Frequency is based on the number of transactions that reported using a specific instrument divided by the total number of funds. Average target investment size calculated by aggregating the reported target investment size of all funds using a specific instrument divided by the number of transactions deploying the instrument. A deal may report using more than one investment instrument.
Source: (Convergence, 2019[3]), www.convergence.finance

3.3. Use of local currencies

Capital market development interventions can help to build local financial markets and can contribute to removing broader market distortions (OECD, 2018[8]). As the OECD DAC Blended Finance Principle 3 states, the emergence of efficient local financial markets will be essential to sustainable financing for development. Hence, blended finance should seek opportunities to work with local financial sector actors, where possible, and should avoid approaches that discriminate against these actors.[28]

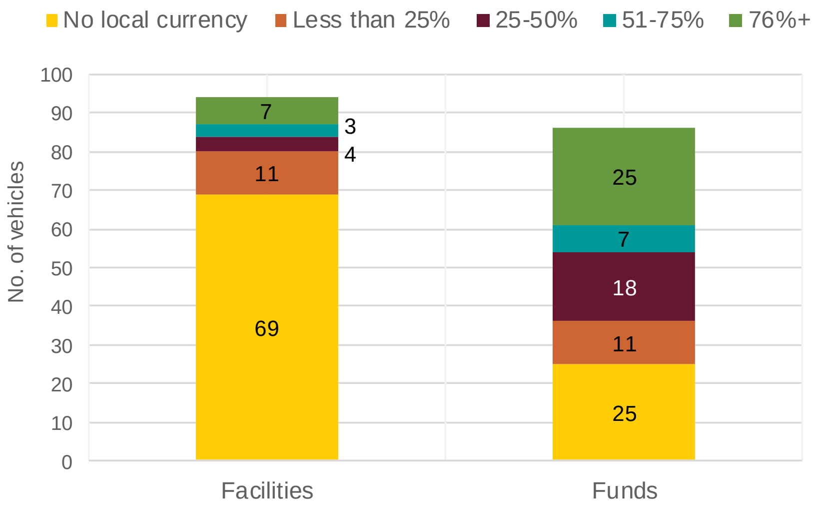
When possible, blended finance funds and facilities should try to gradually expand the use of local currency (OECD, 2018[8]). Building the capacity to undertake transactions in local

[28] https://www.oecd.org/dac/financing-sustainable-development/blended-finance-principles/principle-3/

currency encourages greater participation from the domestic private sector and promotes the sustainable development of local capital markets.

The use of local currencies varies significantly between facilities and funds. **Only 27% of the surveyed facilities reported having some portion of their portfolio in the local currency of recipient countries, compared with 71% of funds**. In total, it is estimated that the local currency denominated investments value approximately USD 14.3 billion, representing 24% of the total AUM by all CIVs surveyed.

Figure 3.5. Average percent of investment portfolio based in local currency



Note: Based on 94 facilities and 86 funds.

For those vehicles that reported local currency investments in their portfolios, the proportion to the overall portfolio varied from an average of 45% in facilities, to 56% in structured funds and 68% in flat funds. Facilities were more likely to have no local currency exposure than funds. Moreover, 19 funds (mostly flat ones) listed their portfolio as being comprised entirely in local currency.[29]

The OECD survey further reveals that **structured funds were more likely to be hedged as compared to flat ones**, potentially highlighting a higher sensitivity to exchange rate risk but also the need to assure returns to investors.[30] This finding must be nuanced depending on other factors such as region, asset class and investment theme. The total USD equivalent of local currency hedged was USD 1.7 billion, which represents 12% of the total local currency exposure in portfolios.

[29] Examples of funds with 100% of their portfolio in local currency include: Ethos Fund V, Inversor and Elevar Equity III. Of these 19 funds, 5 were locally based funds which only invested within their domestic market. Private equity funds targeting local markets, by definition, will invest in local currency.

[30] Among the 86 funds responding to the survey, 55% of structured funds had a portion of their portfolios in local currency-denominated investments and were also partially (or fully) hedged. This compared with 30% of flat funds.

Independent of the asset category, 71% of blended funds have some portion of their portfolio in local-currency based investments. However, private equity funds have a higher proportion of their portfolio based in local currency, than fixed income funds (i.e. 67% on average, compared to 55%).[31]

Out of the 180 respondents, 65 claim to support the development local capital markets, with 40 of them being funds and mostly structured ones. This is particularly important for nascent capital markets, and Africa in particular, which experience a variety of barriers to investment, such as the absence of government bonds, in addition to the lack of long-term yield curves, the existence of illiquid or underdeveloped stock exchanges, the unavailability of long-term local currency financing and the absence of a robust pipeline of bankable long-term projects. Despite these challenges (or indeed because of their persistence), development finance, in collaboration with private investment, can contribute to the development of capital markets, which will be essential to the stability of long-term sustainable economic growth.

Box 3.3. Structured funds: building local markets

The African Local Currency Bond (ALCB) Fund, was established in 2012 as a structured fund by the German development bank, KfW, following the G20 Action Plan on the Development of Local Currency Bond Markets. KfW assessed a need to broaden and deepen domestic capital markets to increase financing for economic development and build resilience against international capital flow shocks. The ALCB Fund provides anchor investment and technical assistance to first-time or innovative local currency bond issuances from financial institutions and companies operating in developmental sectors in African countries. It is one of the largest local-currency bond fund in Africa and a unique player in capital market development.[32]

The ALCB Fund has broad capital tranches - equity and senior debt, although the terms of each investment are individually negotiated. Equity is contributed through paid-in share capital that are redeemable long-term but take a first-loss position in the capital structure. DFIs, impact investors, and institutional investors can invest in senior loans, with tenors ranging from four to 10 years. Investors are currently limited to developmental and impact finance institutions. The economics of investing in local currency bond markets and the complexity of establishing bond programs for first-time issuers are considerable barriers to attracting private sector investors at a feasible rate of return. The ALCB Fund has a separate technical assistance facility, which provides a pool of resources to ensure well-structured deals come to the market.

As of June 2017, the ALCB Fund had invested in 18 bond issuances across 14 companies in nine countries, including Botswana, Ghana, Kenya, Cote D’Ivoire and Zambia. The Fund has deployed gross capital of more than USD 50 million since inception. Most investments (nearly 70%) are in the financial services sector, including microfinance and MSME lending. The ultimate beneficiaries are MSMEs and lower-income households.

[31] The reasons why private equity has a larger proportion of local-currency may include the uncertainty tied with long-term investments they make, including factors such as cash flows and timing. This further stipulates that private equity funds often do not hedge due to the lack of long-term hedging options.

[32] In the OECD survey, the fund claimed USD 90 million AUM at the end of 2017.

The Fund's mandate includes encouraging co-investment, reducing maturity mismatches, and reducing issuers' FX exposure. Through technical assistance and anchor investment, the ALCB Fund provides confidence to both issuers and local investors, making domestic fundraising for corporations much easier. Most co-investments come from domestic institutions (e.g. pension funds, insurance companies, and asset managers).

Source: (Convergence, 2019[3]), www.convergence.finance

3.4. Blended finance funds: broad asset categories

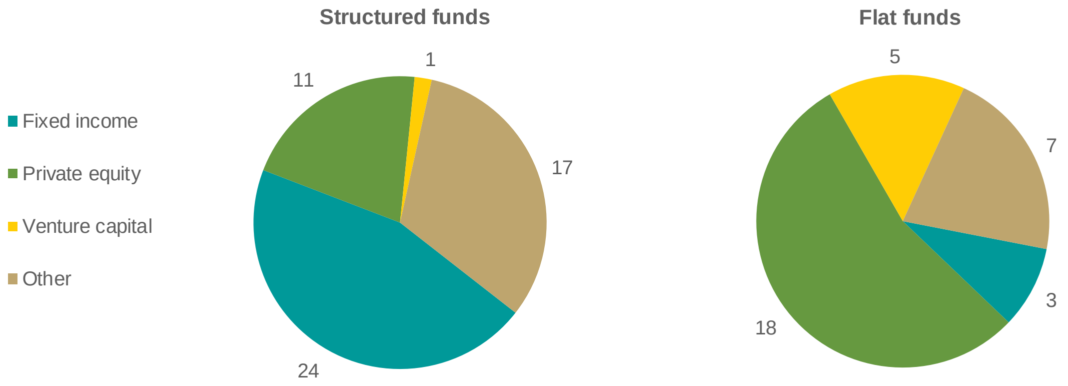
Private equity and debt funds stand for two specific asset classes of unlisted investments in the financial sector. Private equity funds acquire companies or ownership stakes and create value by driving growth, managing costs and then selling their stake for a return. They often enhance returns by utilising a high degree of financial leverage. Venture capital firms provide equity for early stage companies that demonstrate a potential to grow quickly and generate large returns on investment (Wilson, 2015[9]). The most common instruments used by fixed income funds are bonds and loans.[33]

Out of 86 blended finance funds, over a third (34%) described their investment approach as private equity, 31% as fixed income and 7% as venture capital.[34] Structured funds are significantly more likely to pursue a fixed income approach, whereas flat funds tend to invest in private equity or venture capital. Venture capital funds, were represented by only 6 funds responding to the survey, their underrepresentation possibly stemming from their high risk nature. Their inclusion into sustainable financial development however is widely beneficial to spur new markets and sectors in developing countries.

[33] https://www.oecd.org/daf/fin/private-pensions/G20-OECD-Support-Note-on-Diversification-of-Financial-Instruments-for-Infrastructure.pdf

[34] Other funds described themselves as not falling exclusively into the category of private equity, fixed income or venture capital. These included: currency hedge fund, umbrella fund, technical assistance fund, mezzanine fund, growth fund and challenge fund.

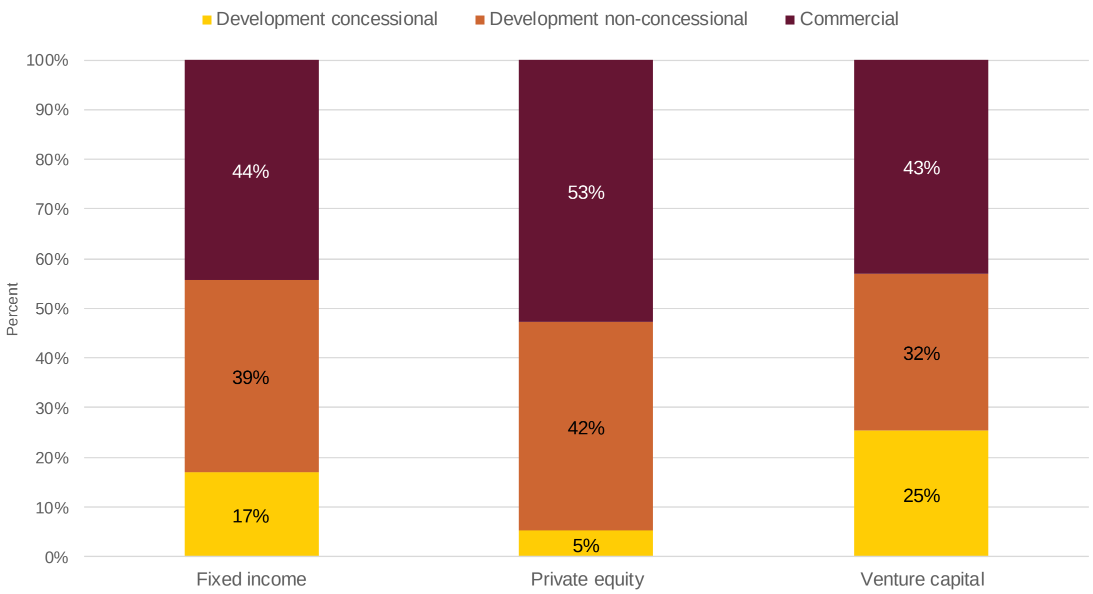
Figure 3.6. Number of blended finance funds by broad asset category



Note: Based on 86 respondents.

The instruments used will vary according to the broad asset category. Private equity funds mostly provide direct equity investments in companies (90%), followed by credit lines (17%) and shares in other CIVs (14%). In contrast, fixed income funds deploy direct loans to companies (81%), possibly accompanied by grants (33%) and/or guarantees (26%).

Figure 3.7. Sources of capital by broad asset category



Note: Average percentage of portfolio by type of fund and by source of capital. Based on 62 respondents describing their fund as either fixed income (27), private equity (29) or venture capital (6).

According to the OECD survey, **development concessional capital is relatively more prominent in the capitalisation of venture capital funds** compared to fixed income or private equity vehicles (representing 25% of total sourced capital against 17% and 5% respectively). This can be justified because the former support small and growing business, whereas the latter invest in already well-established companies.

One of the reasons to deploy concessional capital in such funds relates to the perceived relevance of venture funding in addressing particular market failures and funding gaps. Venture capital provides seed or early-stage financing to companies, which are often underserved by traditional lenders due to their intrinsic risk. Furthermore, research suggests that the creation of firms at the seed or early-stage level can spur job creation, innovation and economic growth (Wilson, 2015[9]). Due to the heightened uncertainty in such ventures, concessionality may be used as a strategic risk cushion, to improve the risk/return trade-off, making venture funding palatable for investors.

Considering the other two asset categories, **more concessional resources were placed in fixed income than in private equity**. Indeed, the 27 fixed income vehicles pooled USD 1.2 billion in concessional capital, as opposed to the USD 0.3 billion sitting in the 29 private equity respondents.[35] This may be attributed to a size bias, in that fixed income funds can often be larger than private equity funds and therefore encompass more capital overall.

Moreover, **greater amounts of commercial capital flowed into private equity funds** than any other broad asset category. Indeed, over half of the total commercial capital (USD 2.3 billion) flowed into private equity funds, whereas fixed income funds attracted USD 1.5 billion. This may be explained by higher return expectations (compared to fixed income) and relatively lower risks (compared to venture capital). Furthermore, in a lot of developing regions, but particularly Africa, private equity is often the predominant form of investment by commercial actors.

These broad asset categories also seem more adapted to tackle specific sectors. In fact, **private equity tends to concentrate more in energy, whereas fixed income converges more towards the banking and financial sector**. The third most targeted sector, agriculture, was particularly popular among venture capital funds. Private equity approaches appear to be more sector-agnostic than fixed income ones, since they are also applied in the health and water sectors.

In coherence with their sectoral orientation, most fixed income funds provided financing to financial institutions (78% of respondents). This is followed by providing financing to companies (52%) or directly to projects (22%). Private equity funds were likely to finance companies (69% of private equity funds) and were just as likely to provide financing directly to projects (34%) than to financial institutions (34%).[36]

3.5. Risk-return relationship and financial return expectations

Approximately half of the blended finance funds willing to share information on their risk/return approach described their appetite as moderate risk, moderate return. The remainder is split between the other three risk-return relationships.[37]

[35] Examples of fixed income funds with concessional capital sources include: Global Climate Partnership Fund, Regional Education Finance Fund for Africa (REFFA), Medical Credit Fund, Green for Growth Fund and Locfund LP. In these instances, providers of concessional capital include: BMZ, CDC, DANIDA, EU, USAID, IDB, OPIC and IFC.

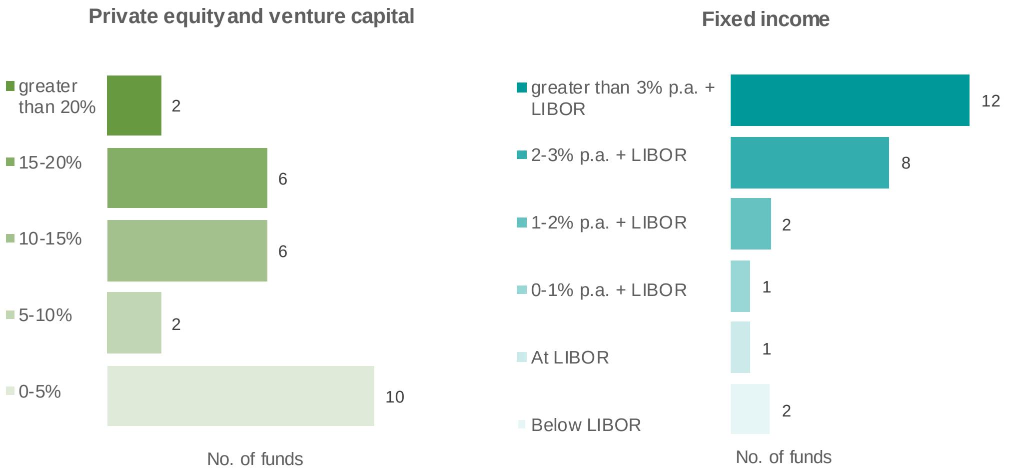
[36] Multiple choices were allowed in answer to this question.

[37] Overall, 64 fund respondents, representing USD 10.5 billion AUM, can be classified into specific risk-return relationships. Half of this amount, USD 5 billion, described their appetite as moderate risk, moderate return.

More commercial capital was garnered in structured funds, USD 2.8 billion, compared with USD 1.7 billion placed in flat funds. The average amount of commercial capital invested in structured funds increases with a higher risk and higher return appetite.

Indeed, **the amount of concessional capital was deployed in correlation with the risk approach**: the highest volume was garnered in those blended finance funds pursuing a high risk, low return (USD 1 billion), followed by moderate risk, moderate return (USD 0.9 billion) and even less (USD 0.6 billion) in low risk, low return.

Figure 3.8. Financial return expectations



Note: Based on 22 private equity funds, 4 venture capital funds and 26 fixed income funds. In fixed income, percentages are per annum (p.a.). LIBOR is the London inter-bank offered rate, which represents a benchmark interest rate at which global banks borrow from one another.

Over three quarters (77%) of the surveyed fixed income funds listed returns of at least 2% or greater above LIBOR,[38] the majority of them (20) being structured funds. Nearly half (46%) expected an overall return greater than 3% p.a. above LIBOR. A similar finding was observed by BlueOrchard, which noted return expectations greater than 3% p.a. above LIBOR for 40% of investors in its blended fixed income funds (Zappia and Stodiek, 2018$_{[10]}$). Only three fixed income funds surveyed by the OECD described their financial returns as being at or below LIBOR.

Nearly half of all private equity funds surveyed reported an IRR between 0 to 5% for the fiscal year ending 2017. The survey thus confirms that private equity funds in general show lower (but also more wide-ranging) returns, as compared with venture capital funds, which largely listed returns between 10 to 20% for the same year.

This data may capture the quantitative financial returns reported by survey respondents, but this does not include any consideration on other types of return, such as social return. Notably in the case of impact investing, the provision of finance comes with the explicit expectation of a measurable social, as well as financial, return. In reference to impact investing, a list of characteristics and attributes proposed by the OECD includes the concept

[38] The 1-Year LIBOR (averaged) was 1.78% in 2017, while the average 3-Month rate averaged 1.26%. *Source: The Intercontinental Exchange:* https://www.theice.com

that financial expectations should either be framed as the conservation of capital or with a return capped at the risk-adjusted market rate of return (OECD, 2015[11]).

3.6. Conclusion

Although investment strategies may be guided by the desire to achieve the SDGs, managing organisations also have to cater the return expectations and risk appetites of their investors, while also composing with the fact that their mandate may be limited to specific instruments.

Blended finance funds and facilities are striving to achieve the SDGs. No Poverty (SDG 1) and Decent Work and Economic Growth (SDG 8) were targeted by 70% of all blended vehicles surveyed by the OECD, followed by Quality Education (SDG 4) and Responsible consumption and production (SDG 12). The Convergence's database shows a similar orientation, with No Poverty (SDG 1), Decent Work and Economic Growth (SDG 8) and Industry, Innovation, & Infrastructure (SDG 9) being the most targeted.

The 180 blended finance vehicles surveyed by the OECD mostly chose to directly invest in companies, through equity or debt. Similarly, the 211 blended funds tracked by Convergence prefer to deploy equity and medium to long-term debt. According to both sources, guarantees are less frequently used, despite their leveraging potential. The absence of exposure to local currencies also suggests more can be done to support the development of local capital markets.

Looking at the broad asset categories adopted by the surveyed funds, private equity and fixed income were more popular than venture capital. Being perceived as intrinsically riskier, the latter tends to absorb more development concessional resources. Structured funds, particularly those pursuing a private equity approach, gathered a higher volume of commercial capital, thereby confirming the benefits of a diversified strategy in attracting different investor profiles.

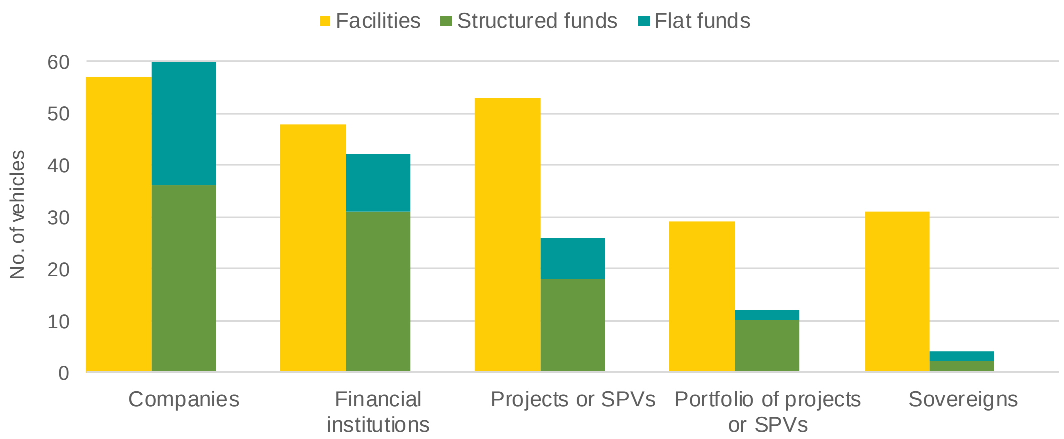
4. Portfolio analysis

4.1. Types of investees

Blended finance funds and facilities (also referred to as Collective Investment Vehicles, CIVs) provide financing to a diverse group of actors, operating internationally, nationally or locally. Some are direct beneficiaries such as companies, others are intermediaries serving as a conduit for further downstream financing to local private actors. These notably include commercial banks and microfinance institutions (MFIs). Intermediaries have the potential to multiply or increase the impact of financing deployed, as they often can leverage additional sources of capital further downstream. Blended finance CIVs may also invest directly in projects and Special Purpose Vehicles (SPVs) or portfolios thereof, which provide higher diversification and hence risk cushion.

Given their larger size and their bigger share of concessional resources, **facilities are more likely to cater to a wider array of clients**. Almost half of the facilities (43%) mentioned three or more of the investee categories presented in Figure 4.1, compared to less than one fifth (19%) of funds.

Figure 4.1. Direct investees of blended finance CIVs



Note: Based on 180 vehicles. Respondents often listed multiple types of direct investees. Other investees not mentioned in the survey include non-governmental organizations and farmers.

Companies were the most frequent investee type, mentioned by 70% of all funds and 61% of all facilities. Funds have less of a tendency to finance projects or SPVs than facilities, 30% and 56% of respondents, respectively. Considering the 117 blended funds and facilities that provide financing to companies, 80% target Small and Medium Enterprises (SMEs). Local companies (regardless of their size) are also strongly preferred to multinational ones. Furthermore, blended finance CIVs are generally inclined to favour growth financing rather than early stage, or seed, investments. Start-up financing remains infrequent and according to the survey, mostly attracts private equity funds.[39] Indeed, SMEs in the early stages of their life cycle rely heavily on external equity funding, possibly together with grants, while debt generally is not an appropriate source of financing (OECD, 2019[12]).

One in two blended finance CIVs provide financing to financial institutions.[40] Facilities are more likely to invest in international and regional financial institutions, whereas funds often deal with national and local entities. Besides national or local banks, the most frequent client in this category are microfinance and leasing organisations.

When making physical investments and purchases, **blended funds and facilities are more likely to invest in greenfield** (60%) than brownfield projects (40%). The former entails building for example, new real estate or infrastructure, which implies higher risk and greater start-up costs associated with larger construction expenditures and the up-front, sunken-cost, of the project's exploratory phase. The latter, brownfield projects, instead pertain to the improvement or repurposing of mature assets, where private operators may feel more confident due to the inherent capital savings, reduced risk and the possibility of faster returns.

Facilities are more likely to target the pre-construction phase of projects, whereas funds favour the operation and maintenance stages. According to the survey, 41% of responding facilities were involved at the pre-construction phase, in comparison to 29% of funds. This finding is consistent with a survey done by the Sustainable Development Investment Partnership (SDIP) which showed an inclination of facilities operating in Africa to support projects at the pre-construction phase, from the concept development to the feasibility stage (Dlamini, Fitts and Lam-Frendo, 2018[13]). Due to their concessional capital, facilities can thus fill a gap in the early stage of project exploration and development, which commercial investors may find less attractive, given the greater costs and associated risks. Furthermore, one third (33%) of funds were involved in the operation and maintenance phase, as compared to only 18% of facilities. This suggests that funds, who are seeking a commercial return for their commercial investors, tend to come into a project at a later, more mature stage.

Of the 79 blended finance vehicles investing in projects (or SPVs), more than half intervene in collaboration with a diverse set of co-investors, often local companies and banks. Given their size, scope and their mandate, facilities are more likely to partner with national and subnational public authorities In contrast, with 85% of funds being managed by private asset managers, they are more inclined to identify investment opportunities alongside their homologues on the market.

According to survey data, **blended finance CIVs prefer investing in sovereigns at the national level, as opposed to supranational or subnational level**. Of the 31 vehicles that listed sovereigns as client, national sovereigns were preferred by 71% of respondents, while 42% invested at the subnational level and only 10% at the supranational level.[41] Very few funds (less than 5%) listed sovereigns among their investees, in stark comparison to a third of the facilities. Furthermore, facilities working with sovereigns often used grants and also

[39] Such as those managed by responsAbility and Armstrong Asset Management, as well as venture capital funds, for instance by Aavishkaar.

[40] i.e. 90 out of 180 respondents.

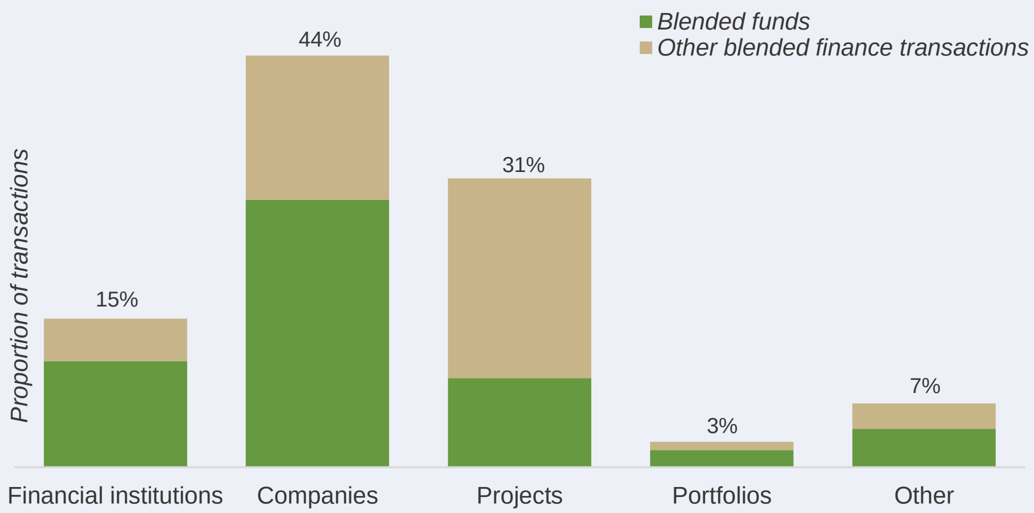
[41] Several vehicles invested at multiple levels of sovereign.

provided financing to other regional and/or local entities. In this sense, public authorities can act as intermediaries to promote further blending at the project level, as in the case of Tamil Nadu Urban Infrastructure Financial Services Limited set-up by the Indian government (OECD, 2018[8]).

Box 4.1. Investees of historical blended finance transactions

The most common investees of blended finance transactions tracked by Convergence since 2005 have been companies (44%), specifically small- and medium-sized enterprises (SMEs). Approximately USD 9.3 billion has been deployed in SME financing (including concessional and commercial capital), with another USD 12.6 billion earmarked for larger corporations. Collective investment vehicles are particularly inclined to directly invest in companies. Examples of blended finance transactions that have provided financing to SMEs include the flat funds managed by Business Partners International (e.g. BPI East Africa LLC) and the lending facilities managed by the Middle East Investment Initiative (MEII).

Figure 4.2. Investees of historical blended finance transactions (Convergence)



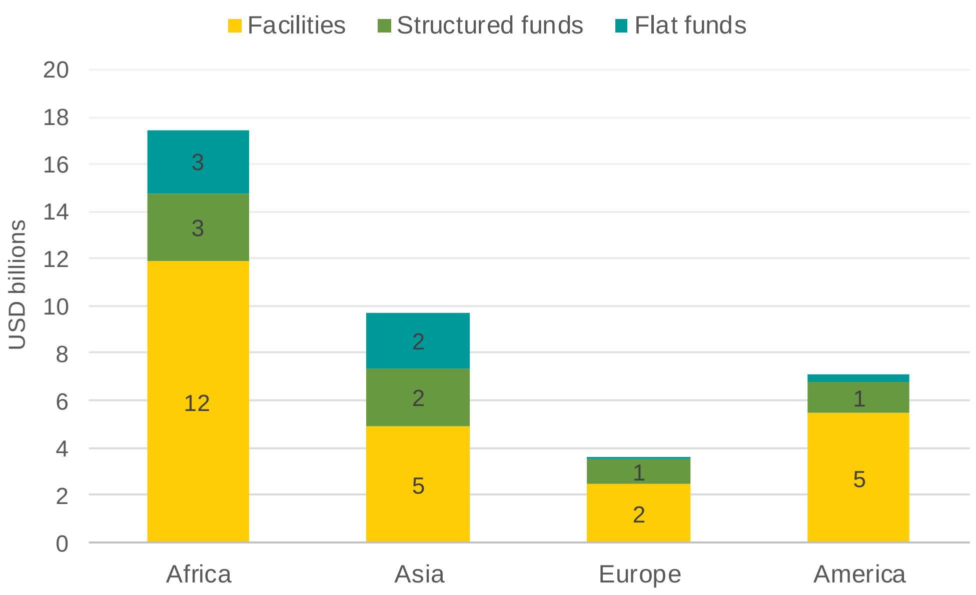
Note: Based on all (>460) blended finance transactions in Convergence's database, including 211 blended funds. This analysis is limited to blended finance transactions that invest in one of the listed categories above. Frequency was calculated based on the number of transactions reporting the target investee category, divided by the total number of transactions in the database.
Source: (Convergence, 2019[3]), www.convergence.finance

Projects have been the next most common type of investee, addressed in almost one third (31%) of blended finance transactions. Yet, they have accounted for the largest share of aggregate capital flow to date, with nearly USD 85 billion in total capital invested in blended projects. Blended funds are relatively more inclined to invest in financial intermediaries, where approximately half are microfinance institutions.

4.2. Geographical coverage

The OECD questionnaire asked blended finance vehicles to list the top 9 countries where they were invested in 2017. On this basis, USD 38 billion of their investment can be allocated by recipient country,[42] representing two-thirds of the total USD 60.2 billion AUM reported by respondents.

Figure 4.3. Investment recipients by region



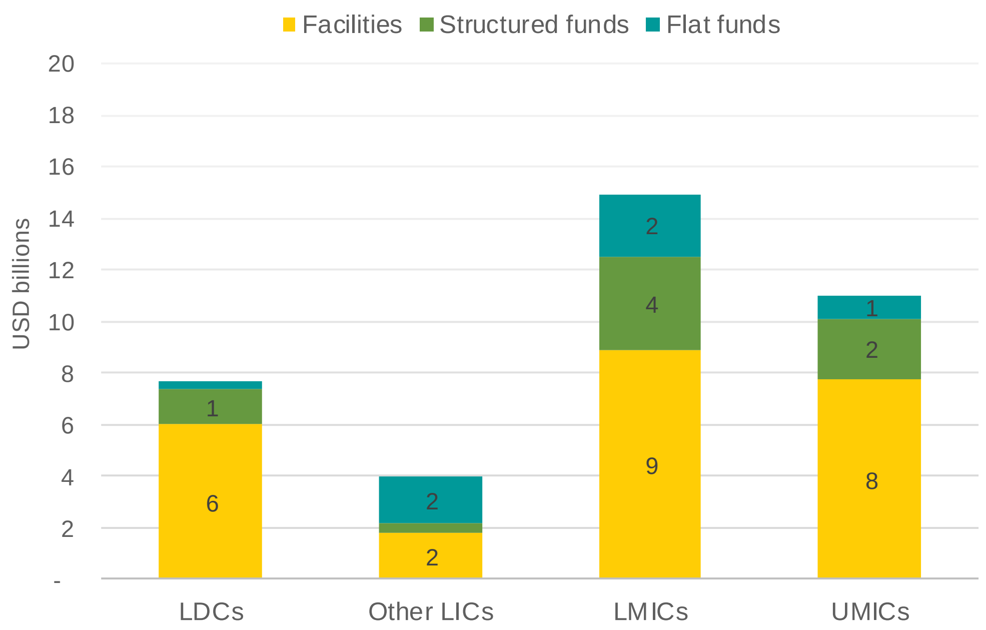
Note: Figure based on USD 38 billion AUM reported in developing countries. The geographic classification follows the OECD-DAC statistical standards for developing countries. America includes only developing countries in North, Central and South America. Europe mostly refers to the Eastern sub-region.

The largest regional recipient of investment was Africa, with USD 18 billion, or 47% of the USD 38 billion in which data is available. The relatively stronger presence of facilities would hence imply that more development and concessional resources are being funnelled to the African continent, where 34 of the 48 least developed countries (LDCs) were seated in 2017. Although funds did invest USD 790 million more in Africa, Asia represented 26% of their total invested volume. Similarly, Africa represented 27%, and Asia 24%, of the USD 153.9 billion in private finance mobilised for development from 2012 to 2017 that the OECD tracked.[43]

[42] Among the 180 respondents, 20 blended finance vehicles also reported investing in 12 countries not listed in the OECD DAC List of ODA recipients. The related amounts (USD 877 million) are excluded from the analysis presented in section 4.2 and 4.3.

[43] Further information on the OECD statistics on amounts mobilised from the private sector by official development finance interventions, is available at: http://www.oecd.org/development/stats/mobilisation.htm

Figure 4.4. Investment recipients by income group



Note: Figure based on USD 38 billion reported in developing countries. LDC: least developed country; LIC: low-income country; LMIC: lower middle-income country; UMIC: upper middle-income country.

According to the survey, **blended finance CIVs invested USD 7.6 billion in LDCs** (20% of 38 billion), comprising both development and commercial capital. Therein, commercial investors only provided USD 340 million.[44] This corresponds to 7% of the total USD 4.4 billion in commercial finance deployed by flat and structured funds across all developing countries in 2017. This is fully consistent with the proportion of total private finance mobilised going to LDCs between 2012-2017, as reported by official development institutions (OECD/UNCDF, 2019[14]).[45]

Furthermore, in looking at what type of capital is being provided to each income group by blended finance vehicles, **of the USD 7.6 billion invested in LDCs, the wide majority of investments were made by blended vehicles sourced from concessional capital**, while only a small portion of capital (4%) was provided from commercial sources (located in funds). In contrast, investment in LMICs sourced relatively less concessional capital, while commercial capital increased to 10%.

Seven of the top 10 countries, as measured by magnitude of investment, are middle income ones.[46] Several of them (i.e. Nigeria, India, Turkey and South Africa) also ranked among the top destinations of private finance mobilised for the period 2012-2017 according to official OECD statistics. The investment locations chosen by blended finance vehicles are

[44] The survey did not capture the financial structure of blended finance funds, therefore the commercial capital deployed to LDCs may be in senior tranches, which cushion the risk exposure that commercial investors accept.

[45] Statistics on amounts mobilised from the private sector by official development finance interventions as of 1st April 2019, http://www.oecd.org/development/stats/mobilisation.htm

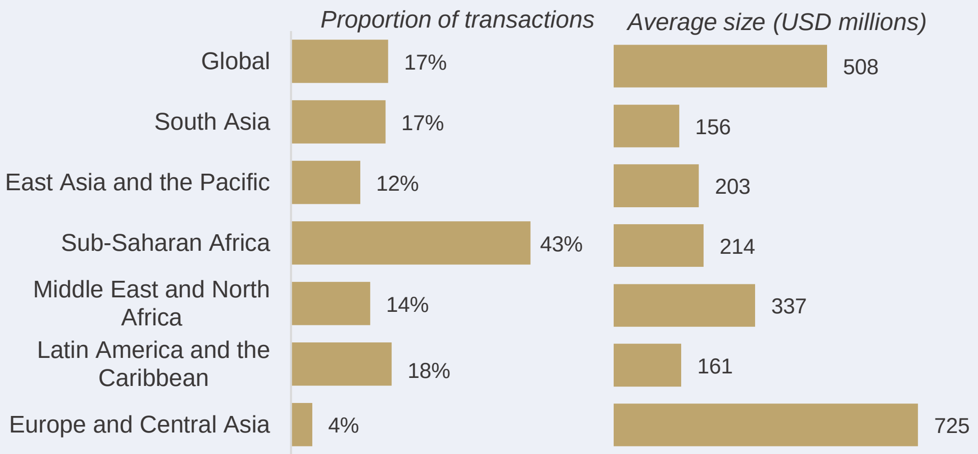
[46] Kenya, India, Nigeria, Turkey, Uganda, Egypt, South Africa, Zambia, Georgia, Cameroon.

quite diversified, since none of them reached above 6% of the total USD 60.2 billion captured in the survey.

Box 4.2. Geographical coverage of historical blended finance transactions

Based on the Convergence database, sub-Saharan Africa has been the region most frequently targeted by blended finance transactions, with almost half of transactions (43%) targeting one or more countries in the region since 2005. Within sub-Saharan Africa, Kenya, Uganda and Tanzania have been the most frequently targeted countries. Latin America and the Caribbean and South Asia have been targeted by 18% and 17% of blended finance transactions, respectively. Blended finance transactions targeting the Middle East and North Africa have been larger on average (USD 337 million), which is partly due to a number of large-scale infrastructure projects in the area.

Figure 4.5. Number and size of historical blended finance transactions by region (Convergence)



Note: Based on all (>460) blended finance transactions captured in Convergence's database, including blended funds.
Source: (Convergence, 2019[3]), www.convergence.finance

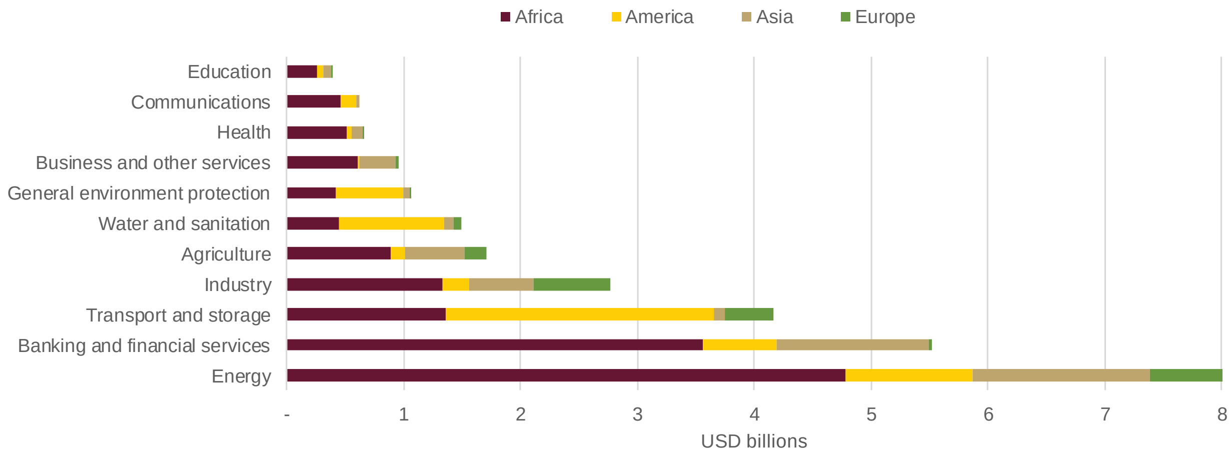
To date (2000-2018), only one quarter of blended finance transactions have targeted one or more low-income countries. Moreover, these transactions have been smaller (USD 145 million on average) relative to all other transactions captured in Convergence's database. The majority of blended finance transactions (54%) have targeted lower-middle income countries, but the average deal size has been the largest for those targeting upper-middle income countries.

4.4. Sectors

Energy and Banking (including financial services) are the top sectors where blended finance vehicles invest, together representing USD 25 billion, more than half of the USD 49 billion in data available on a sectoral basis.[47] Banking absorbed 25% of all assets in both vehicles, whereas facilities where slightly more concentrated on energy (30% of all assets), as opposed to funds (21%).

Energy and banking were strongly concentrated in Africa and a similar sectoral pattern was followed for investments in Asia. Transport and storage, water and sanitation and general environment protection were more present in developing countries in the Americas.

Figure 4.6. Investment in sectors by region



Note: Based on USD 27 billion (45% of the total USD 60.2 billion). Data on total amounts invested by sector was limited due to incomplete responses. Not shown is USD 120 million invested in Oceania, mostly in energy (USD 70 million) and in general environment protection (USD 30 million). Also not included is the sector category 'other', which represented USD 220 million in investments, mostly in Africa.

It is evident that, in volumes, blended finance is targeting sectors with a more favourable risk-return relationship, such as energy, banking and manufacturing. This may partially reflect a reporting bias, since operations in these sectors are often larger, easier to structure and their impact, it can be argued, can be measured more easily.

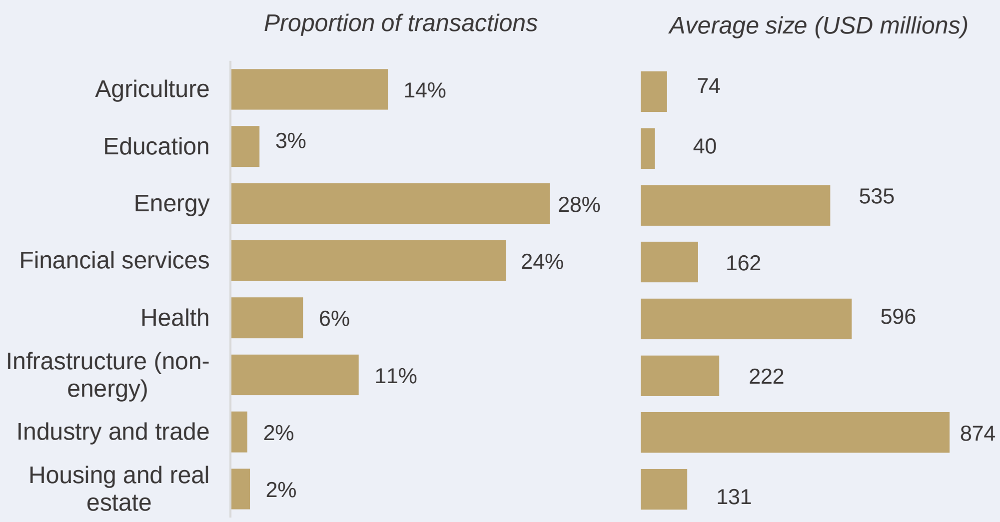
Although the amounts flowing into sectors such as agriculture or water and sanitation remain low, the number of blended finance CIVs targeting these sectors shows signs of increasing. For example, while agriculture garnered four times less investment than the banking and financial services, it was targeted more frequently, with 81 blended finance funds and facilities making investments in this sector, compared with 74 in the banking sector. Similar findings apply to the health and the water and sanitation sector. This may indicate that, while investors show growing interest in these sectors, the average size of investments is much smaller.

[47] This finding matches other OECD statistics on private finance mobilised by official development interventions. Within the 2012-2017 period, CIVs mobilised private financing of USD 7.7 billion in

Box 4.3. Sectors targeted by historical blended finance transactions

To date, blended finance transactions have been concentrated in the financial services and energy sectors, which together account for more than half (52% by count) of all the Convergence's database. More precisely, blended finance transactions have been predominantly focused on renewable energy projects (21% of all transactions) and in support of microfinance institutions and domestic retail banking (15%). To a lesser extent, they have also focused on agriculture (14%). While blended finance transactions targeting the health sector have been fewer in number, there are several examples of large-scale operations, with an average transaction size of USD 596 million.

Figure 4.7. Number and size of blended finance transactions by sector (Convergence)



Note: Based on all (>460) blended finance transactions captured in Convergence's database, including but not limited to blended funds.
Source: (Convergence, 2019[3]), www.convergence.finance

To achieve the SDGs, a significant scale-up of investment is required. To date, blended finance has been deployed primarily in middle-income countries and in a limited range of sectors, where the business case is clearer and the potential for revenue streams stronger. As blended finance becomes adopted by new actors and refined by existing actors, its use to help achieve the SDGs will inevitably expand and the potential to utilize blended finance in underserved sectors will likewise be explored.

While blended finance has most commonly been channelled to the financial services, energy and infrastructure sectors, it can also be used as a tool to crowd-in commercial capital in sectors demonstrating less alignment to date, such as health and media and information. Two examples are the Medical Credit Fund (MCF) and the Media Development Investment Fund (MDIF), both structured funds.

Box 4.4. Structured funds: moving beyond the ‘comfort zone’

The Medical Credit Fund (MCF) is the first and only debt fund dedicated to financing small- and medium-sized enterprises in the health sector (“health SMEs”) in Africa. Established by PharmAccess in 2009, MCF is a two-tier fund that leverages first-loss capital provided by philanthropic donors such as USAID to attract debt financing from commercially- oriented investors, including DFIs, impact-driven and traditional private investors. MCF primarily partners with local financial intermediaries to disburse local-currency loans to borrowers, but also provides direct financing. To improve healthcare quality and ensure business sustainability, MCF provides technical assistance to all partner banks and borrowers through its dedicated technical assistance facility.

MCF has disbursed approximately 3 000 loans (including directly and via its financial partners) to 1 760 health SMEs in need of financing across Sub-Saharan Africa amounting to over USD 50 million in total capital. Currently, 58% of patients are estimated to be from very low-income and low-income groups and 47% of the patients seen in the healthcare facilities are women. MCF has a particular focus on financing small-sized health facilities and currently 97.5% of the loans disbursed have been smaller than USD 100 000 (against a target of 60%). As a result of its activities, MCF has not only filled a key market gap for local currency lending to health SMEs but has also increased the quality of healthcare delivered overall. By the end of 2017, there were 1 867 clinics using PharmAccess’ proprietary SafeCare program (including MCF investees) and 92% of the healthcare facilities had improved their SafeCare scores.

Media Development Investment Fund (MDIF) is a not-for-profit fund that provides affordable debt, equity, and quasi-equity financing as well as technical assistance to independent media companies in countries where the free press is under threat. To fund these activities, MDIF has raised a blend of concessional and commercial capital through multiple fit-for-purpose instruments, including two innovative investment note products. Most recently, MDIF has launched a series of blended finance debt and equity funds that leverage first-loss capital, as well as a partial guarantee on the debt fund.

MDIF has provided USD 148.2 million in loans and equity (USD 169.2 million in total financing including technical assistance) to 359 projects for 115 clients across 39 countries. MDIF’s current portfolio supports the work of over 4 700 journalists, managers and other media workers worldwide, of which 47% are women. A free and independent press plays a critical role in economic and political development. Countries with free media tend to be more conducive to business, have reduced political risks, and be better integrated into global financial markets. In addition to the core metrics, MDIF’s carried interest rate on its private equity fund is fully tied to a set of impact metrics, which uniquely bolsters impact alignment by tying compensation to outcomes.

Source: (Convergence, 2019[3]), www.convergence.finance

4.5. Conclusion

Blended finance funds and facilities are a means of diversification in a country's development cooperation strategy, as a way of accessing more (and new) partners, geographies and sectors. The OECD survey indicates that blended finance vehicles invest at least one-quarter of their assets in Africa and USD 6.8 billion in LDCs, compared with double that amount in Lower MICs. Their portfolio broadly aligns with the trends observed in OECD official statistics on private finance mobilised for development, as well as those evoked by the Convergence database of historical transactions.

Funds and facilities provide financing to a diverse set of investees (companies, banks, projects, sovereigns) and engage with various co-investors at the project level. Given their larger size and their bigger share of concessional resources, facilities are particularly adapted to reach a wide array of clients.

Blended finance vehicles have a proclivity of directly investing into companies, particularly local SMEs, but many are also engaging with intermediaries such as financial institutions who provide further financing to the private sector. In 2017, 70% of funds surveyed by the OECD provided financing to companies, privileging local SMEs. This finding is comforted by analysis provided by Convergence. Based on the OECD survey, financial institutions emerge as the second most frequent investee of blended funds and facilities, whereas the broader transactions captured by Convergence are more focused on individual projects.

Blended finance mostly targets sectors with a more favourable risk-return relationship, such as energy, banking and manufacturing. OECD and Convergence data agree that blended vehicles (and transactions) are mostly inclined towards the energy and financial sectors, with only a limited volume flowing into health and education. This finding however may be biased due to the size of financing deals in such sectors.

As the blended finance market matures, new opportunities continue to flourish in less frequented sectors and geographies. For example, two fund respondents, the Medical Credit Fund (MCF) and the Media Development Investment Fund (MDIF), illustrate how innovative structured approaches can promote additional investment into a broader range of applications.

5. Policy insights

While the OECD survey on Blended Finance Funds and Facilities and other sources strive to improve the public information available on the blended finance market, further research and evidence-based guidance is needed to accompany the multitude of actors participating in blended finance. Several data gaps continue to hamper a more comprehensive assessment of the blended finance market.

Furthermore, to ensure accountability on the appropriate use and value for money of development finance, blended finance operations should be monitored on the basis of clear accountability frameworks, reporting on financial flows as well as development results.[48] Data relating to the development strategy, performance tracking and evaluation approach of survey respondents will be presented in a second working paper by the OECD. This subsequent analysis will support Principle 5 of the OECD DAC Blended Finance Principles for Unlocking Commercial Finance for the SDGs, which promotes monitoring blended finance for transparency and results.[49]

The following four sections provide an overview of the key insights gained from the 2018 survey results.

5.1. The market

Blended finance funds and facilities represent a relatively small but growing part of the development finance market.[50] In the 10 years spanning from 2008 to 2017, more than 195 new vehicles were established.

Out of the total USD 60.2 billion captured in the survey, the majority was channelled by facilities, whose total was USD 41.5 billion. Excluding the largest 6 facilities however, whose size makes up USD 23.9 billion, over half of the facilities total, the remaining 88 facilities represent USD 17.6 billion, which is comparable to the 86 funds included in the survey, whose aggregate size was USD 18.7 billion.

Funds and facilities are an important channel for development finance. At the end of 2017, the 180 respondents represented USD 41.9 billion in concessional development finance, representing 70% of the overall total.

On a percentage basis, **structured funds mobilised more commercial capital (at the fund-level) compared with flat funds.** Structured funds received 27% of financing from commercial sources, slightly higher than the 20% sourced by flat funds. Structured funds

[49] OECD DAC Blended Finance Principles: http://www.oecd.org/dac/financing-sustainable-development/blended-finance-principles/principle-5/

[50] Looking at the historical OECD data (outside the scope of this survey), CIVs helped mobilise USD 12.3 billion in private finance for official development interventions from 2012 to 2017, representing 8% of the total amounts reported to the OECD (USD 153.9 billion). Other instruments that were utilised to mobilise private finance were guarantees (USD 63.4 billion), syndicated loans (USD 26.7 billion), credit lines (USD 25.2 billion), direct investment in companies and SPVs (USD 23.2 billion) and simple co-financing (USD 2.9 billion) (Hos and Sangare, 2019[16]).

are also more likely to reach a size of USD 100 million or greater, as opposed to flat funds. Both findings supports the hypothesis that structured funds may be better suited to mobilise larger amounts of capital.

5.2. The actors

Multilateral institutions (DFIs and MDBs) and commercial asset managers take the central stage in managing the majority of facilities and funds, respectively. Over half of the surveyed facilities (57% by count) are managed by multilateral DFIs, representing USD 22.2 billion in AUM. Despite their capital being mostly development oriented, the majority of funds (85%) are managed by commercial asset managers, who manage a total of 13.5 billion in AUM. Although multilaterals manage a small number of funds (7% by count), the amounts they manage are on average much greater, signalling their ability to pool larger amounts of capital.

Governments, including development agencies, are the major investors in both facilities and funds. They are the largest provider of concessional capital, contributing 64% of the aggregate financing in blended funds and facilities. Bilateral and multilateral DFIs contributed the second largest amounts, at 27% of the total financing.

Blended funds attract a diverse set of investors. The majority of commercial capital (67%) stems from traditional institutional investors. One third of all funds received commercial capital from at least two types of commercial sources, such as pension funds, high net-worth individuals, insurance companies, commercial banks or asset managers.

Commercial capital represents 37% of the total capital in blended finance funds (with concessional representing 22% and development non-concessional at 41%).[51] There was no evidence of a correlation between the total size of a fund and the amount of commercial capital in a fund. Moreover, funds with commercial capital, and with assets under management less than USD 500 million, had an average of 54% of commercial capital. Therefore, keeping fund sizes below this threshold may be conducive to attracting commercial capital, but it also may allow concessional resources to be utilised more strategically, and more sparingly.

5.3. The investments

Blended finance vehicles are increasingly gearing their investment strategy towards the SDGs. On average, each blended finance vehicle targets seven SDGs as part of their investment thesis. The most selected SDGs among the surveyed vehicles are: No Poverty, Decent Work and Economic Growth, Climate Action and Gender Equality. Although some SDGs continue to remain scarcely covered (in particular, Life below Water and Peace, Justice and Strong Institutions), those dealing with health, education and gender equality experienced a relative rise in interest compared to 2016.

The African continent is the biggest recipient of investment, with 29% of the AUM, in which data is available. At the close of 2017, the 180 funds and facilities surveyed had invested USD 7.6 billion in LDCs, with the majority being provided by facilities largely comprised of concessional capital. Approximately 7.5% of commercial capital mobilised

[51] This is after adjusting for large funds which had a combined total of USD 4.5 billion in concessional capital and were hence skewing the percentage of commercial capital (and concessional capital) in funds.

by blended funds went towards LDCs. Furthermore, LMICs received the bulk of investment (USD 15 billion) and USD 10.9 billion was invested in UMICs.

Both funds and facilities actively used 'direct investment in companies' as a preferred instrument of investment, through equity, mezzanine or debt. Facilities however, were more likely to use grants and guarantees.

The development of local capital markets is an important factor in broadening the utilisation of local currency. Only 27% of the surveyed facilities reported having some portion of their portfolio in the local currency of recipient countries, compared with 71% of funds, particularly flat ones pursuing a private equity approach.

Companies were the most frequent direct client, for both funds (70%) and facilities (61%). Most of these vehicles prefer working with Small and Medium Enterprises (SMEs), local companies rather than multinationals and in their growth rather than early stage.[52]

One in two blended finance vehicles provides financing to financial institutions. Facilities are more likely to invest in international and regional financial institutions, whereas funds more often deal with national and local ones.

When making physical investments and purchases, **blended funds and facilities are more likely to invest in greenfield** (60%) than brownfield projects (40%).

Given their larger size and their larger share of concessional resources, **facilities are more likely to provide financing to a wider array of investees**, including sovereign administrations, at the national, regional and or local level. While 43% of facilities invested in three or more investees, only 19% of funds had three or more investees. The majority of funds (80%) preferred to invest in only one or two types of investees.

Facilities are also more likely to target the pre-construction phase of projects, whereas funds favour the operation and maintenance stage.

Over a third of the 86 blended finance funds described their investment approach as private equity, 31% as fixed income and only 7% as venture capital. Greater amounts of commercial capital flowed into private equity funds than any other broad asset category. Private equity funds tend to concentrate in energy, whereas fixed income funds converge towards the banking and financial sector.

Certain industries continue to receive the bulk of blended financing, primarily energy and banking (including financial services). Other sectors (e.g. health, education and agriculture) were also represented, if not in terms of overall dollar amount, but in the number of vehicles targeting them. Water and sanitation, for example, garnered less than 4% of the overall amounts invested, but was mentioned as a target sector by nearly one-third of vehicles.

5.4. Further implications

Governments are providing a significant amount of development finance to collective investment vehicles (CIVs), which vary in structure and in mandate, but generally pool financing from different sources with the purpose of investing in specific sectors and

[52] Growth financing (e.g. expansion/new product line) compared with early stage financing (e.g. seed capital, start-up capital)

geographies by utilising a number of investment instruments, for example with guarantees, credit lines, direct equity or debt investment.

Blended finance CIVs provide financing to wide array of clients, sectors and geographies. The beneficiaries of this financing, ranging from other CIVs to financial intermediaries, sovereigns and companies, and blended finance players more broadly, can at times be located several levels downstream, far removed from the national policy makers. This high degree of intermediation, where most resources originate from bilateral governments but are administered by delegated, independent intermediaries, implies a rising complexity and a heightened need for coordination, compared to other modes of development co-operation. Further efforts could also be made to increase the competition in the market in order to ensure effective instruments and increasing private sector participation.

Blended finance CIVs represent only one of the existing approaches for mobilising the private investment towards sustainable development. Concessional financing flowing from governments, or other development finance providers, have the capability to foster the evolution of these vehicles by mitigating the risk exposure of private commercial investors. As blended finance CIVs grow in number and size, development finance is increasingly stewarded by independent operators, such as DFIs, development banks, and private asset managers. These actors bring value added through their capacity and expertise to operate on the market and, hence, more efficiently utilise donor resources towards a shared development agenda.

While the mobilisation of additional resources for the Sustainable Development Goals must continue to be encouraged, more effort should be focused on strategically steering those resources already available. To ensure smooth collaboration among all players on the blended finance market, greater transparency is needed on the specific use of concessional resources. This will not only enhance public accountability, but also provide an opportunity for all actors to continuously improve their contribution to the objectives of the 2030 Agenda. In the case of blended finance, this knowledge can provide further insight into the relevance, effectiveness and opportunity of various blending mechanisms (such as facilities, funds, SPVs, projects) and specific investment instruments (debt, equity, mezzanine), depending on the context, the beneficiary and the objectives at play.

Governments must take the lead in order to establish learning, collaborative arrangements between the various actors through which development finance is channelled, comprising bilateral aid agencies, DFIs or development banks, in addition to multilateral institutions and private asset managers. In this way, the international development community at large will benefit from more robust evidence around the mobilisation of private investment and, even more importantly, on its collective progress towards shared development results. As governments better capture their operations on the vast (and multi-layered) blended finance market, they will be better informed to make strategic decisions on how to utilise the limited resources available to achieve the SDGs within the next ten years.

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Annex A. Respondents to the OECD Blended Finance Funds and Facilities 2018 Survey

Name of manager	Name of fund or facility	Type	Launch date
Aavishkaar	Aavishkaar India Micro Venture Capital Fund	Flat Fund	2007
Access to Information (A2i)	A2i	Structured Fund	2011
Adaptation Fund	Adaptation Fund	Facility	2007
Advans SA SICAR	Advans	Structured Fund	2005
Africa50	Africa50	Facility	2014
African Capital Alliance	Capital Alliance Private Equity IV Fund	Structured Fund	2015
African Development Bank (AfDB)	NEPAD-Infrasctructure Project Preparation Facility , NEPAD-IPPF	Facility	2005
African Development Bank (AfDB)	African Legal Support Facility (ALSF)	Facility	2010
African Development Bank (AfDB)	Youth Entrepreneurship and Innovation Multi Donor Trust Fund	Facility	2018
African Development Bank (AfDB)	African Guarantee Fund for Small and Medium-Sized Enterprises Limited (AGF)	Structured Fund	2011
African Network Information Center (AFRINIC)	Funds for Internet Research and Education (FIRE) Africa Program	Facility	2012
AgDevCo Limited	AgDevCo Limited	Facility	2009
Annona Management	ANNONA 1	Flat Fund	2010
Armstrong Asset Management	Armstrong South East Asia Clean Energy Fund	Flat Fund	2012
Asian Development Bank (ADB)	Canadian Climate Fund for the Private Sector in Asia II	Facility	2017
Asian Development Bank (ADB)	Leading Asia's Private Sector Infrastructure Fund	Flat Fund	2016
Asian Development Bank (ADB)	Canadian Climate Fund for the Private Sector in Asia	Facility	2013
Asian Development Bank (ADB)	Health Financing Partnership Facility	Facility	2014
Asian Development Bank (ADB)	Urban Climate Change Resilience Trust Fund (UCCRTF)	Facility	2013
Asian Development Bank (ADB)	e-Asia Knolwledge Partnership Fund	Facility	2006
Asian Development Bank (ADB)	Clean Energy Financing Partnership Facility	Facility	2007
Bank of America Merrill Lynch	Blended Finance Pool	Facility	2018
Banobras	National Infrastructure Fund	Facility	2008
Bill & Melinda Gates Foundation	Strategic Investment Fund (SIF)	Flat Fund	2005
BlueOrchard Finance	Microfinance Initiative for Asia (MIFA)	Structured Fund	2012
BlueOrchard Finance	Regional Education Finance Fund for Africa (REFFA)	Structured Fund	2016
BlueOrchard Finance	JAPAN ASEAN Women Empowerment Fund (JAWEF)	Structured Fund	2016
BlueOrchard Finance	InsuResilience Investment Fund - Debt Sub Fund (IIF - D)	Structured Fund	2017
BlueOrchard Finance	InsuResilience Investment Fund - Equity Sub Fund (IIF - E)	Structured Fund	2017
Bolivian Investment Management (BIM)	Locfund LP	Structured Fund	2013
Business Partners International (BPI)	BPI East Africa LLC	Flat Fund	2014
Business Sector Advocacy Challenge (BUSAC)	Business Sector Advocacy Challenge Fund (BUSAC)	Structured Fund	2005

Name of manager	Name of fund or facility	Type	Launch date
CAF	Energy Efficiency Program	Facility	2014
CAF	Urban transportation II Program	Facility	2017
CAF	Water and Sanitation II Program	Facility	2017
CAF	Climate Change II Program	Facility	2016
CAF	Infrastructure I Program	Facility	2016
CAF	Infrastructure II Program	Facility	2018
CAF	Green Line II Program	Facility	2016
CAF	Enhancing of the Environment Program	Facility	2009
Cardano Development	GuarantCo	Facility	2005
Catalyst Investment Management	Catalyst MENA Clean Energy Fund	Flat Fund	2016
CDC Group	CDC Group	Facility	1990
Central American Bank for Economic Integration	Korea Development Co-financing Facility for Central America	Facility	2018
Climate Fund Managers	Climate Investor One	Structured Fund	2017
Cordaid Investment Management BV	Ruraf	Flat Fund	1998
Cordaid Investment Management BV	Stability Impact Fund (SIF)	Flat Fund	2014
DEVCO - European Commission	Western Balkans Investemnt Factility	Facility	2009
DEVCO - European Commission	Neighbourhood Investment Platform (NIP)	Facility	2018
DEVCO - European Commission	LAIF	Facility	2010
DEVCO - European Commission	Investment Facility for the Pacific (IFP)	Facility	2012
DEVCO - European Commission	Africa Investment Platform- AIP	Facility	2015
DEVCO - European Commission	Investment Facility for Central Asia – IFCA	Facility	2010
DEVCO - European Commission	Latin America Investment Facility (LAIF)	Facility	2010
DEVCO - European Commission	Caribbean Investment Facility (CIF)	Facility	2012
DEVCO - European Commission	Asian Investment Facility (AIF)	Facility	2010
Developing World Markets	DWM Inclusive Finance Equity Fund II	Flat Fund	2015
Development Bank of Southern Africa (DBSA)	Infrastructure Investment Programme for South Africa (IIPSA)	Facility	2013
Dolma Advisors	Dolma Impact Fund	Flat Fund	2014
DWS	GCMCII	Structured Fund	2012
Elevar Equity	Elevar Equity III	Flat Fund	2014
Emerging Capital Partners (ECP)	ECP	Flat Fund	1999
Ethos Private Equity GP	Ethos Fund V	Flat Fund	2006
European Bank for Reconstruction and Development (EBRD)	Western Balkans Sustainable Energy Direct Financing Facility	Facility	2010
European Bank for Reconstruction and Development (EBRD)	Finance and technology transfer center for climate change (FINTECC)	Facility	2013
European Bank for Reconstruction and Development (EBRD)	Egypt Renewable Feed-In-Tariff Framework	Facility	2017
European Bank for Reconstruction and Development (EBRD)	Ukraine Sustainable Energy Lending Facility (USELF)	Facility	2010
European Bank for Reconstruction and Development (EBRD)	Western Balkans SME Platform: ENEF	Facility	2012
European Bank for Reconstruction and Development (EBRD)	DCFTA SME Direct Support Facility	Facility	2015
European Bank for Reconstruction and Development (EBRD)	Turkey Women in Business Programme	Facility	2015
European Bank for Reconstruction and Development (EBRD)	VakifBank - DPR (incl. Women in Business Programme)	Facility	2014
European Bank for Reconstruction and Development (EBRD)	Ukrainian Residential EE Financing Facility(UREEFF)	Facility	2015

Name of manager	Name of fund or facility	Type	Launch date
European Bank for Reconstruction and Development (EBRD)	Yayla Agro	Facility	2016
European Bank for Reconstruction and Development (EBRD)	SME Local Currency Programme	Facility	2011
European Bank for Reconstruction and Development (EBRD)	Enhanced Competitiveness of Tajik Agribusiness Programme	Facility	2016
European Bank for Reconstruction and Development (EBRD)	SME Finance Facility for Central Asia	Facility	2013
European Bank for Reconstruction and Development (EBRD)	Support for Mongolian Economic Diversification through SME Access to Finance	Facility	2016
European Investment Bank (EIB)	FEMIP Trust Fund	Flat Fund	2004
European Investment Bank (EIB)	Renewable Energy Performance Platform	Facility	2017
European Investment Bank (EIB)	EU-Africa Infrastructure Trust Fund	Facility	2007
European Investment Bank (EIB)	GEEREF	Structured Fund	2008
European Investment Bank (EIB)	ACP Investment Facility	Facility	2003
Finance in Motion	European Fund for Southeast Europe	Structured Fund	2005
Finance in Motion	SANAD Fund for MSME	Structured Fund	2011
Finance in Motion	Green for Growth Fund	Structured Fund	2009
Finance in Motion	eco.business Fund	Structured Fund	2014
FMO NV	Access to Energy Fund	Facility	2006
FMO NV	MASSIF	Facility	2006
FMO NV	Infrastructure Development Fund	Facility	2001
Fonds Souverain d'Investissements Stratégiques (FONSIS)	FONSIS	Structured Fund	2014
Frontclear	Frontclear	Structured Fund	2015
Frontier Investment Management ApS	DI Frontier Energy & Carbon Fund K/S	Flat Fund	2011
Frontier Investment Management ApS	Frontier Energy II	Flat Fund	2018
GAWA Capital	Global Financial Inclusion Fund	Flat Fund	2014
GIZ	develoPPP.de	Facility	1999
GIZ	EnDev Results-based Financing Facility	Facility	2012
Global Health Investment Fund	Global Health Investment Fund (GHIF)	Structured Fund	2012
Global Innovation Fund	Global Innovation Fund	Facility	2014
Green Climate Fund	Green Climate Fund (GCF)	Facility	2015
IDH Trade	The Sustainable Trade Initiative	Structured Fund	2018
Impact Investment Exchange (IIX)	Women's Livelihood Bond	Structured Fund	2017
Impact Investment Exchange (IIX)	Acceleration and Customized Technical Services (ACTS)	Facility	2013

Name of manager	Name of fund or facility	Type	Launch date
Incofin Investment Mangement	agRIF	Structured Fund	2015
Incofin Investment Mangement	Incofin CVSO	Structured Fund	1992
Incofin Investment Mangement	Fairtrade Access Fund (FAF)	Structured Fund	2012
Incofin Investment Mangement	Rural Impulse Fund II (RIF II)	Structured Fund	2010
Infrastructure Credit Guarantee Company	Infrastructure Credit Guarantee Company Limited	Facility	2017
Injaro Investments	IACHL	Structured Fund	2012
Innpact	MEF - Microfinance Enhancement Facility	Structured Fund	2009
Inspired Evolution Investment Management	Evolution II Fund	Flat Fund	2017
Inter-American Development Bank (IDB Group)	Clean Technology Fund CTF)	Facility	2010
Inter-American Development Bank (IDB Group)	Global Environment Facility (GEF)	Facility	2009
Inter-American Development Bank (IDB Group)	The Energy Efficiency Guarantee Fund (CCEF) and the Climate Smart Agriculture Fund (CSAF)	Facility	2013
Inter-American Development Bank (IDB Group)	Strategic Climate Fund (SCF)	Facility	2011
Inter-American Development Bank (IDB Group)	UK Sustainable Infrastructure Program (SIP)	Facility	2017
Inter-American Development Bank (IDB Group)	Canadian Climate Fund for the Private Sector in the Americas (C2F)	Facility	2012
International Finance Corporation (IFC)	Finland-IFC Blended Finance for Climate Program	Facility	2018
International Finance Corporation (IFC)	Canada-IFC Renewable Energy Program for Africa	Facility	2017
International Finance Corporation (IFC)	Canada-IFC Blended Climate Finance Program	Facility	2017
International Finance Corporation (IFC)	IDA18 Private Sector Window	Facility	2017
International Finance Corporation (IFC)	Global Agriculture and Food Security Program (GAFSP)- Private Sector Window	Facility	2013
International Finance Corporation (IFC)	Global SME Finance Facility	Facility	2013
International Finance Corporation (IFC)	Women Entrepreneurs Opportunity Facility (WEOF)	Facility	2014
International Finance Corporation (IFC)	Climate Investment Funds	Facility	2010
Inversor	Inversor	Flat Fund	2011
Investec Asset Management	The Emerging Africa Infrastructure Fund Ltd. (EAIF)	Structured Fund	2002
Investisseurs et Partenaires (I&P)	IPDEV 2	Flat Fund	2015
Investment Fund for Developing Countries	Danish Climate Investment Fund	Structured Fund	2014
Investment Fund for Developing Countries	Danish Agribusiness Fund	Structured Fund	2016
Islamic Development Bank	Lives and Livelihoods Fund	Structured Fund	2016
Italian Ministry of the Environment and Protection of Land and Sea (MATTM)	Climate and Sustainable Development (CSD) Italian Platform	Facility	2018
KfW Development Bank	Geothermal Development Facility (GDF)	Flat Fund	2016
KfW Development Bank	Regional Liquidity Support Facility	Facility	2017
KfW Development Bank	Geothermal Risk Mitigation Facility (GRMF)	Facility	2012
KfW Development Bank	GET FiT Uganda	Facility	2013
KPMG	Mastercard Foundation Fund for Rural Prosperity	Facility	2015

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LHGP Asset Management	African Local Currency Bond Fund	Structured Fund	2012
LuxDev	BPF	Facility	2016
Luxembourg Microfinance and Development Fund	Luxembourg Microfinance and Development Fund (LMDF)	Structured Fund	2009
Media Development Investment Fund (MDIF)	MDIF Media Finance I loan fund (MMF I)	Structured Fund	2018
Medical Credit Fund	Medical Credit Fund	Structured Fund	2009
Middle East Investment Initiative (MEII)	LFG1, LGF2, LGF3, SGF and TCGF	Facility	2007
Ministry for Foreign Affairs of Finland	EEP Mekong	Facility	2014
Ministry for Foreign Affairs of Finland	Finnpartnership	Facility	2006
Mirova	AGRI3	Structured Fund	2018
Mirova	LDN Fund	Structured Fund	2018
Nathan Associates	FRICH	Facility	2014
Nordic Development Fund (NDF)	Nordic Development Fund (NDF)	Facility	1990
Nordic Development Fund (NDF)	Nordic Climate Facility (NCF)	Facility	2009
Nordic Environment Finance Corporation (NEFCO)	Investments in the Ukrainian municipal sector with Sida guarantees	Facility	2014
Norfund	Norfund	Facility	1997
Oasis Capital Ghana	Oasis Africa VC Fund	Structured Fund	2016
Obviam AG	Swiss Investment Fund for Emerging Markets (SIFEM)	Flat Fund	2005
PROPARCO (AFD Group)	FISEA	Facility	2009
Rare Ventures	Meloy Fund I, L.P.	Flat Fund	2017
responsAbility	Global Climate Partnership Fund	Structured Fund	2009
responsAbility	Energy Access Fund	Structured Fund	2015
responsAbility	responsAbility Renewable Energy Holding (rAREH)	Flat Fund	2013
responsAbility	GCPF - Global Climate Partnership Fund	Structured Fund	2009
responsAbility	ACPF - responsAbility Access to Clean Power Fund	Structured Fund	2015
responsAbility	responsAbility Participations (rAP)	Flat Fund	2012
responsAbility	responsAbility Agriculture I	Flat Fund	2017
responsAbility	responsibility SICAV (Lux) Agriculture Fund	Flat Fund	2018

Name of manager	Name of fund or facility	Type	Launch date
RVO	Sustainable Water Fund (FDW)	Facility	2012
Sail Ventures	Stichting And Green Fund	Structured Fund	2017
SCV Fund Management	Enterprise Innovation Fund	Flat Fund	2015
Solidarité internationale pour le développement et l'investissement (SIDI)	SIDI	Flat Fund	1990
SunFunder	Beyond The Grid Fund (BTG)	Structured Fund	2018
Sustainable Energy Central America (SECA)	The Honduras Renewable Energy Financing Facility (H-REFF)	Structured Fund	2016
Symbiotics Group	Regional MSME Investment Fund for Sub-Saharan Africa SA, SICAV-SIF	Structured Fund	2010
TBC Bank	Guarantee Facilitie	Structured Fund	2018
TCX Investment Management Company	The Currency Exchange Fund (TCX)	Structured Fund	2007
Terra Global Capital	Terra Bella Colombia Fund	Structured Fund	2018
Triple Jump	Triple Jump Innovation Fund	Structured Fund	2013
Triple Jump	ASN-Novib Microcredit Fund	Flat Fund	1999
Triple Jump	Oxfam Novib Fund	Flat Fund	1998
Triple Jump	MicroBuild Fund	Structured Fund	2012
Triple Jump	Seed Capital and Business Development (SCBD) Facility	Facility	2014
USAID	Power Africa	Facility	2013
Zoscales Partners	Zoscales Fund I	Flat Fund	2017

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