

STATE OF CLIMATE BLENDED FINANCE

FALL 2025



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LETTER FROM THE CEO



The climate blended finance landscape is changing. Longstanding providers of vital catalytic and concessional capital are retreating and while the current report saw the market holding steady, we're starting to see the stirrings of a new reality.

One example is Ukraine showing up for the first time as one of the top countries for climate blended finance activity, a signal that existing official development assistance (ODA) in blended finance is being asked to stretch across more objectives. We're also seeing actors like Japan and the United Arab Emirates, who together provided 70% of all ODA in climate blended finance last year, stepping in where the US and others have stepped down.

Something else we have seen recently is a growth in private investor appetite. Capital commitments from institutional investors remained steady at \$1.6 billion in 2024, consistent with 2023. This represents a sharp increase from \$2 million in 2022 and is significantly higher than the annual average of \$146 million recorded between 2019 and 2021. Commercial banks contributed \$2.4 billion into climate blended finance. While these volumes are infinitesimal by private sector standards, it's a positive direction and something we will be monitoring closely.

There's also an early signal that the field may be doubling down on where we know blended finance can be most effective. While climate blended finance activity in least developed countries fell from 23% in 2023 to 5% in 2024, deals in lower-middle-income countries rose to 73% in 2024, from 62% in 2023.

Different contexts require different solutions. Rather than trying to induce massive investment into LDCs on commercial terms, pure aid should remain concentrated in those countries, while blended finance bolsters the economies of lower-middle-income countries.

The 2025 Financing for Development Conference in Seville (FfD4) this year reaffirmed blended finance as a core mechanism to mobilize private capital and galvanized the market with its Outcome Document and Platform for Action. That's why this year's report assesses the state of climate blended finance in light of FfD4.

We can expect bigger waves of change to come and we are going to need to be more efficient and ambitious with how concessional money, whether from existing or new sources, is applied within blended finance transactions. This report captures some of the groundwork being laid for the next decade of blended finance. Whether the changes ahead produce more urgency around scale and speed-to-market or whether the field weakens under strain will be up to how well we apply those lessons.

A handwritten signature in black ink, reading "Joan M. Larrea".

JOAN M. LARREA
CHIEF EXECUTIVE OFFICER,
CONVERGENCE

The background of the page is a photograph of a savanna landscape. In the foreground, there is a field of tall, dry, yellowish-brown grass. Scattered across the middle ground are several acacia trees with green foliage and dark trunks. The sky is a clear, pale blue. The title 'EXECUTIVE SUMMARY' is overlaid on the left side of the image in large, white, sans-serif capital letters.

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

This report investigates climate blended finance trends across the overall market in 2024, including deal flow, investor activity, and regional dynamics. It is divided into four parts and highlights the following findings:

PART I: SCALING CLIMATE BLENDED FINANCE AFTER SEVILLE (PAGE 7)

- The 2025 Financing for Development Conference in Seville reaffirmed blended finance as a core mechanism to mobilize private capital, while acknowledging it has yet to meet its potential.
- The *Compromiso de Sevilla* committed to increasing private mobilization ratios, standardizing blended finance structures, and embedding transparency in reporting.
- **Key challenges to scaling remain:**
 - Development Finance Institutions (DFIs) / Multilateral Development Banks (MDBs) must evolve from “buy-and-hold” lenders to “originate-and-share” institutions that recycle capital and systematize concessional tools.
 - Standardization of risk-sharing frameworks is needed to reduce structuring costs and accelerate replication of proven models.
 - Domestic capital mobilization continues to be lagging, requiring stronger enabling environments, lifecycle financing approaches, and local currency solutions.

- Transparency on concessionality and performance data is limited; greater disclosure and benchmarking are essential to build credibility and attract private participation.
- Blended finance stands at an inflection point: without systemic reforms, it risks remaining a niche tool, but with reforms it could finally scale to mobilize the levels of capital needed for climate and development.

PART II: MARKET OVERVIEW (PAGE 13)

- The climate blended finance market mobilized \$15.5 billion across 84 deals in 2024, marking the second-highest total in the past six years despite a decline from 2023.
- Climate continues to dominate the blended finance market, with 70% of all blended flows from 2019–2024 targeting mitigation, adaptation, or cross-cutting outcomes.
- Volumes remain highly volatile due to billion-dollar-plus “whale” deals; while six such transactions drove record highs in 2023, only three were recorded in 2024.
- High perceived risk persists. Private sector investor sentiment toward Emerging Markets and Developing Countries (EMDEs) weakened in the last year. Likewise, overall official development assistance (ODA) [declined](#) by 9% in 2024 and is projected

to fall another 17% in 2025. Long-standing issues of limited standardization, transparency, and local participation have also slowed progress.

• Deal trends

- Median deal size held steady at \$89.5 million in 2024, near the \$100 million median size recorded in 2023 reflecting sustained investor appetite for larger transactions.
- Projects remain the dominant vehicle, accounting for 35% of transactions between 2022 and 2024.
- Fund structures declined from 22% of deals in 2019–2021 to 16% in 2022–2024, in line with slower fundraising and weaker private market deal making in developing economies.

• Investor trends

- Mid-sized climate transactions (\$250 million–\$1 billion) proved most efficient at mobilizing private capital, with leverage ratios of 5.24 compared to 3.72 for billion-dollar deals.
- Historically, each concessional dollar attracted \$3.67 in commercial investment; in 2024, this rose to \$4.14, while the private sector mobilization ratio increased from 1.77 to 2.16.

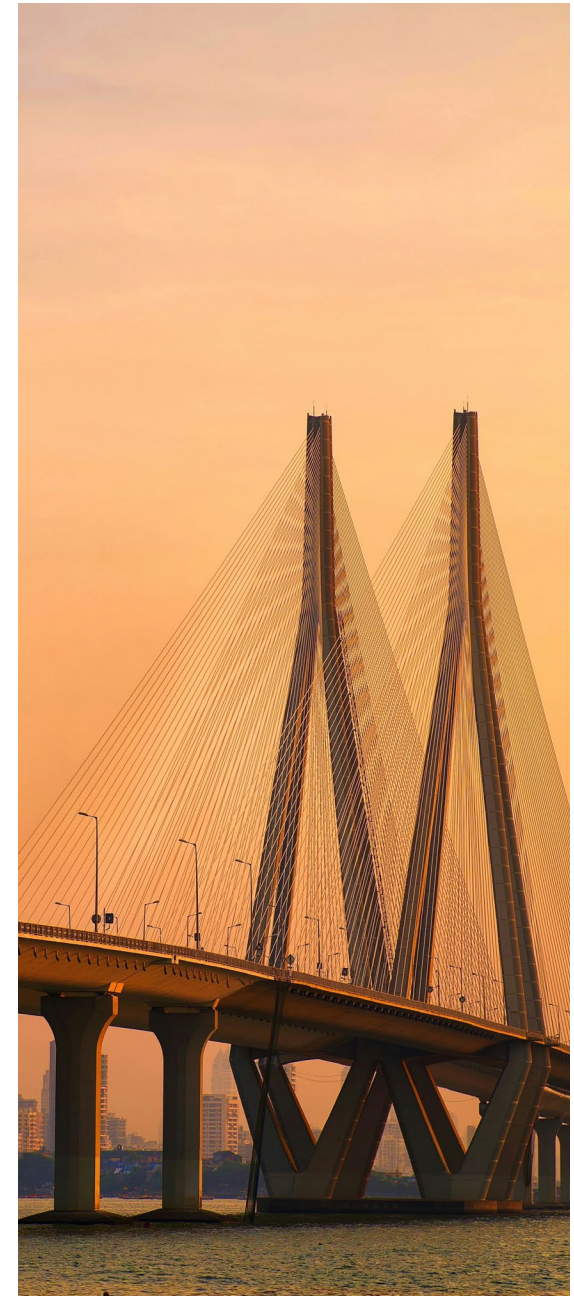
- ODA to climate blended finance rose by 59% between 2023 and 2024, driven primarily by ALTERRA (UAE) and change to Japan International Cooperation Agency (JICA), which together accounted for 70% of ODA flows in 2024.
- DFIs and MDBs are reducing investments in low-income countries, indicating a shift toward markets with stronger track records in mobilizing private investment through blended finance.

PART III: CLIMATE THEMES (PAGE 21)

- Climate mitigation remains core to the market, comprising 64% of flows between 2019 and 2024 and attracting the majority of private investment.
- Adaptation remains underrepresented. Only 13% of blended finance flows between 2019 and 2024 targeted adaptation, which remains characterized by smaller, fragmented deals heavily dependent on public sector financing and technical assistance.
- Cross-cutting deals made up 23% of flows between 2019 and 2024. However, flows fell in 2024 as whale transactions shifted toward mitigation, but funds targeting cross-sectoral outcomes gained prominence.

PART IV: PRIVATE INVESTOR TRENDS (PAGE 27)

- Institutional investors are emerging as a critical source of scaled capital, with pension funds and insurers committing larger tickets to renewable energy, energy efficiency, and agriculture finance. Commitments rose from just \$2 million in 2022 to \$1.6 billion in 2024.
- Commercial banks continue to dominate private capital flows, contributing \$2.4 billion in 2024. Projects remain their preferred investment vehicle, with Sub-Saharan Africa still their top regional focus despite market shifts.
- Local capital mobilization is rising, with local actors representing 29% of private commitments in 2022–2024, up from 17% in 2019–2021.
- Climate blended finance is increasingly attracting mainstream players like Allianz and Meridian. These asset managers are launching larger vehicles, with a median climate fund size of \$460 million, which is well above the overall market median.



An aerial photograph of Seville, Spain, showing the dense urban landscape with white-washed buildings. The Seville Cathedral and its iconic Giralda tower are prominent in the center-right. In the background, the city extends to the horizon under a clear sky, with a large, modern architectural structure visible in the distance.

PART I:

SCALING CLIMATE BLENDED FINANCE AFTER SEVILLE

WHAT FFD4 SIGNALS FOR BLENDED FINANCE

The Fourth International Conference on Financing for Development (FfD4), held in Seville in 2025, underscored this potential: the *Compromiso de Sevilla*, ratified by nearly all UN member states, together with its Platform for Action, positioned blended finance as central to mobilizing private capital at scale.

1 Signaling a stronger commitment to mobilizing private capital and boosting standardization

- **Blended finance recognized as central but underperforming:** The *Compromiso de Sevilla* established blended finance as a core element of the global financing agenda, while acknowledging that it has yet to fulfill the ambitions set at the previous Financing for Development Conference a decade ago.
- **Mobilization targets and institutional reform commitments:** UN member states pledged to increase the ratio of private finance mobilized from public sources by 2030, with stronger use of guarantees, first-loss capital, local currency tools, and FX risk instruments. DFIs and MDBs were tasked with expanding their catalytic role, mobilizing institutional capital more systematically, and strengthening early-stage engagement to generate bankable projects.

- **From fragmentation to standardization and partnership:** Seville highlighted the need to move beyond ad-hoc, fragmented practices toward standardized risk-sharing structures and coordinated vehicles for mobilization. At FfD4, a global coalition of development partners and private sector actors (including Convergence) launched an [“Action Plan to Achieve Private Investment Mobilization Objectives,”](#) seeking commitments from at least 70 countries to implement standardized, replicable blended finance models aligned with national priorities. Delivering on this agenda will require more consistent collaboration between public and private investors on investment strategies, structures, and portfolios.

2 Embedding transparency and accountability in blended finance

- **Strengthening transparency and building an evidence base:** The outcome document committed to improving data availability on mobilization, risk, and impact, including the publication of disaggregated mobilization rates and performance data. By developing a robust, benchmarkable evidence base, blended finance can build credibility and secure greater investor participation. The Seville Platform for Action also introduced the Global Financing Playbook. The playbook looks to unlock investment aligned with developing countries' needs, in part by advancing shared principles for impact measurement to ensure accountability. The goal is to ensure that blended finance delivers not just higher

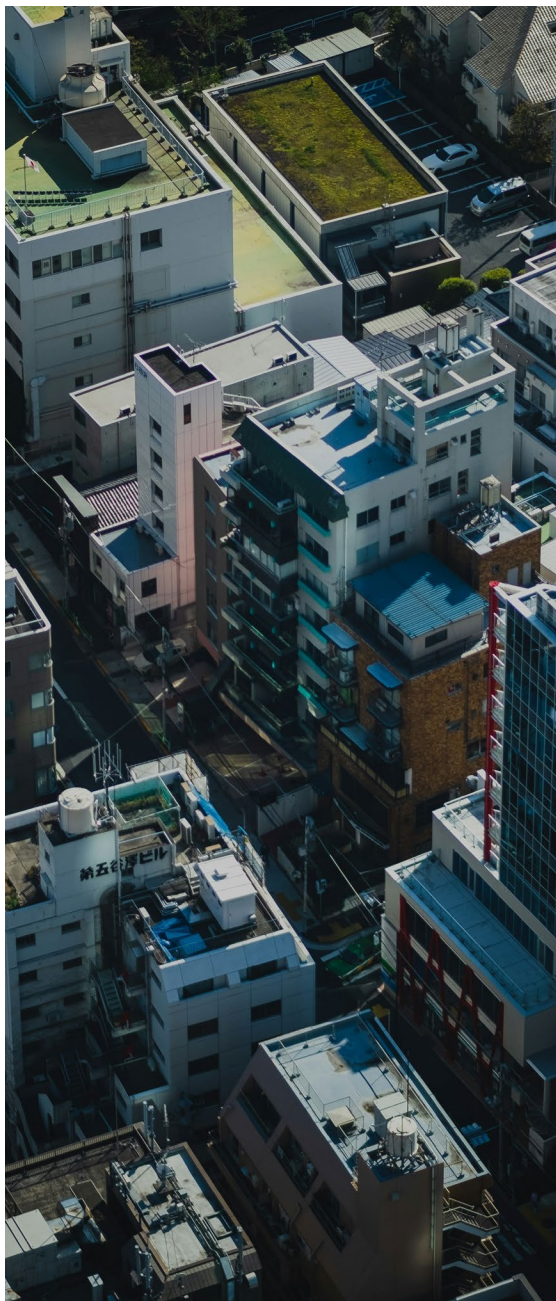


volumes of capital but also outcomes that are credible, measurable, and comparable across transactions, sectors, and markets.

3 **Strengthening enabling environments through country ownership and promoting debt sustainability**

- **Embedding country ownership and institutional reform:** FfD4 emphasized that blended finance cannot scale without stronger enabling conditions. The Seville Platform for Action launched a country-driven initiative to help governments operationalize Integrated National Financing Frameworks and build country platforms that align development, climate, and biodiversity priorities with financing needs.
- **Building domestic capacity for long-term effectiveness:** A core focus is strengthening government ministries' understanding of blended finance concepts such as mobilization and standardization. Developing this baseline capacity is intended to build future expertise and ensure that blended finance is locally led and tailored to national priorities.
- **Aligning local finance with sustainable development and debt protection:** Local-led blended finance was highlighted as key to financing development while safeguarding sovereign debt sustainability. Standardization has a key role to play in both garnering interest from domestic investors and reducing public and private debt burdens in developing countries.
- Standardizing blended vehicles improves structural simplicity, distilling models based on proven historical track records. It also enhances the comparability of investment opportunities. Both outcomes can encourage greater participation from domestic public actors who may have yet to develop a track record navigating the intricacies of blended structures. Likewise, standardizing the structures that have delivered investment assets meeting investor obligations can enable participation from the domestic private sector, particularly larger investors whose existing allocations remain skewed to developed economies or conventional asset classes. Using risk reduction instruments lowers required rates of return, creating investment opportunities that are aligned to investor expectations and which reduce capital costs and debt burdens for local borrowers. These savings can ultimately be realized by beneficiaries in the form of lower costs of goods and services.





TAKING STOCK OF BLENDED FINANCE

The Seville outcome document reaffirmed a global mandate for blended finance, yet delivery depends on today's market realities. Constraints in ODA availability, risk allocation, institutional mandates, incentives, and debt sustainability still limit feasibility. Taking stock of the landscape shows where blended finance is working, where it's stalling, and where systemic reforms remain essential.

1 Commercial imperatives and shifting donor politics undermine the use of blended structures

- Large commercial investors require standardized and scalable structures, yet bespoke concessional arrangements often slow the execution of blended finance deals because of the greater due diligence burden. This puts blended finance assets at a disadvantage to mainstream alternative assets in the investment decisionmaking process of private investors. Meanwhile, on the donor side, launching blended funds remains resource-intensive and vulnerable to shifting political priorities, with reduced allocations weakening predictability and long-term continuity.

2 Blended finance cannot substitute for systemic reforms

- In fragile or frontier states, systemic risks such as sovereign seizure, lack of viable projects, extreme currency volatility and credit risk cannot be fully addressed by financial de-risking alone. In such contexts, institutional and political reforms may need to come first to improve the enabling environment for blended finance transactions to succeed. Financial tools must therefore be carefully targeted. Blended debt funds that target sovereign debt offer one way to spread risk and attract institutional investors without exposing them to individual projects, but their effectiveness also depends on broader macroeconomic and governance conditions. Ultimately, blended finance is best suited to markets with viable revenue models and should not be treated as a universal solution.

WHAT THE MARKET SHOULD DO DIFFERENTLY

Blended finance stands at an inflection point: progress is uneven, bottlenecks persist, and effectiveness varies across contexts. Incremental fixes will not suffice. Systemic reforms in multilateral operations, risk allocation, and translating commitments into bankable deals are needed for blended finance to move from scattered pilots to scaled impact.

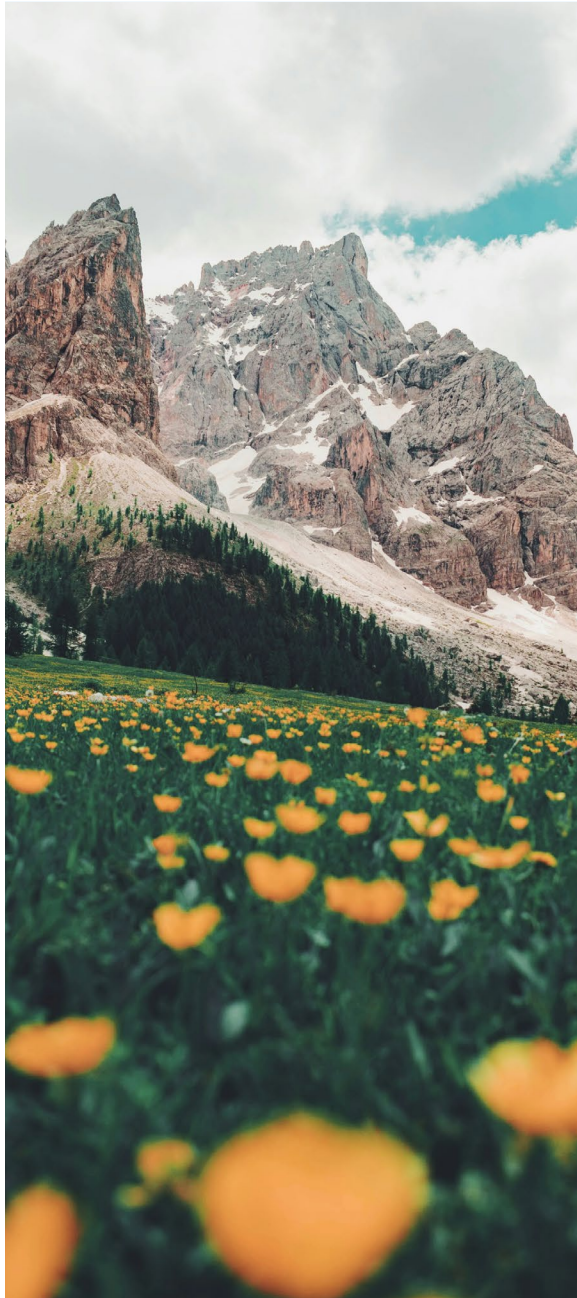
1 Reform DFIs / MDBs and activate philanthropy as a catalytic partner

- DFIs / MDBs need to evolve from buy-and-hold lenders into originate-and-share institutions, recycling capital to expand their reach. Reform involves three elements: deploying advisory services more effectively to strengthen pipelines; enhancing transparency around concessional tools, such as concessional funding pools or open requests for proposals (RfPs); and shifting business models to recycle capital rather than holding it. Achieving this requires shareholders to permit greater risk-taking and adjust mandates to more concretely prioritize instruments that reduce investment risk to mobilize third party capital.

- Alongside DFI / MDB reform, philanthropic and corporate foundations must become more engaged. Their catalytic role has been demonstrated in cases such as Builder's Vision's participation in a sovereign debt swap, but most remain constrained by restrictive charters and risk aversion based on mandated capital preservation. Unlocking this potential would provide a small, yet additional pool of concessional resources to underpin market growth.
- Greater catalytic collaboration between [DFIs / MDBs and philanthropic foundations](#) can expand the reach and efficacy of scarce catalytic capital as well. DFIs / MDBs and philanthropies can sequence their catalytic engagement along the project lifecycle according to their unique strengths. For example, foundations can be more engaged at the early, project preparation stage of project development, leveraging their expertise in impact framework creation and charitable capital, and DFIs / MDBs can subsequently catalyze private investment at the commitment phase, using their comparative advantages in structuring expertise, market exposure and larger portfolio allocations. This requires a programmatic partnership, rather than a single-transaction approach that looks at philanthropy as a source of funds alone.

2 Standardize risk frameworks and scale proven models

- The blended finance field needs typologies and frameworks that clearly map risks to the actors best suited to bear them. This would make structuring faster, more predictable, and less costly. The export credit market provides a useful precedent: export credit agencies have long demonstrated how risks can be clearly categorized and allocated between public and private actors, creating a standardized framework that lowers uncertainty and accelerates decision-making. Meanwhile, ongoing work by organizations such as British International Investment (BII) and Boston Consulting Group (BCG) is moving beyond conceptual archetypes toward practical tools such as term sheets, risk-sharing templates, and procedural guidance.
- Convergence is helping to advance standardized approaches in specific segments of the blended finance market through its recent playbooks on [Blended Finance for Affordable Housing in Africa](#) and the Insurance Sector's Roles in Blended Finance at the Climate-Health Nexus. These playbooks translate risk-sharing concepts into practical frameworks that clarify roles and investor entry points to strengthen



investor confidence. By promoting consistent, scalable structuring practices that reduce uncertainty, they present the steps by which critical sources of private capital can be mobilized more effectively into climate, health, and housing.

- Convergence is also reinforcing this effort through the [Scale Private Investment Mobilization Project](#) and Action Plan, which seeks not only to propose a selection of blended finance vehicles for standardization based on historical successes, but also to train market stakeholders in their implementation. The latter is crucial, particularly with respect to locally led initiatives and domestic blended finance deployment. Demonstration effects are equally important: scaling proven funds such as ILX and the [Climate Investor funds launched by Climate Fund Managers](#) would build confidence and credibility more effectively than creating a constant stream of new pilots. Standardization and replication together would reduce transaction friction and drive systemic scale.

3 Organize for execution, mobilize domestic capital, and drive regulatory reform

- Institutional innovation is critical to translating global commitments into real transactions. A notable example is Innovation Hub, which operates as a central, cost-free resource embedding

experts in blended finance, adaptation finance, carbon markets, the circular economy, and nature directly into frontline deal teams. This model ensures that lessons from global forums such as the UN Climate Change Conference (COP) and FfD4 are converted into bankable deals, enabling first-of-a-kind transactions such as debt-for-nature swaps and supporting national platforms like Just Energy Transition Partnerships (JETPs) in Indonesia and Vietnam, and a [Just Energy Transition Fund](#) in Lesotho.

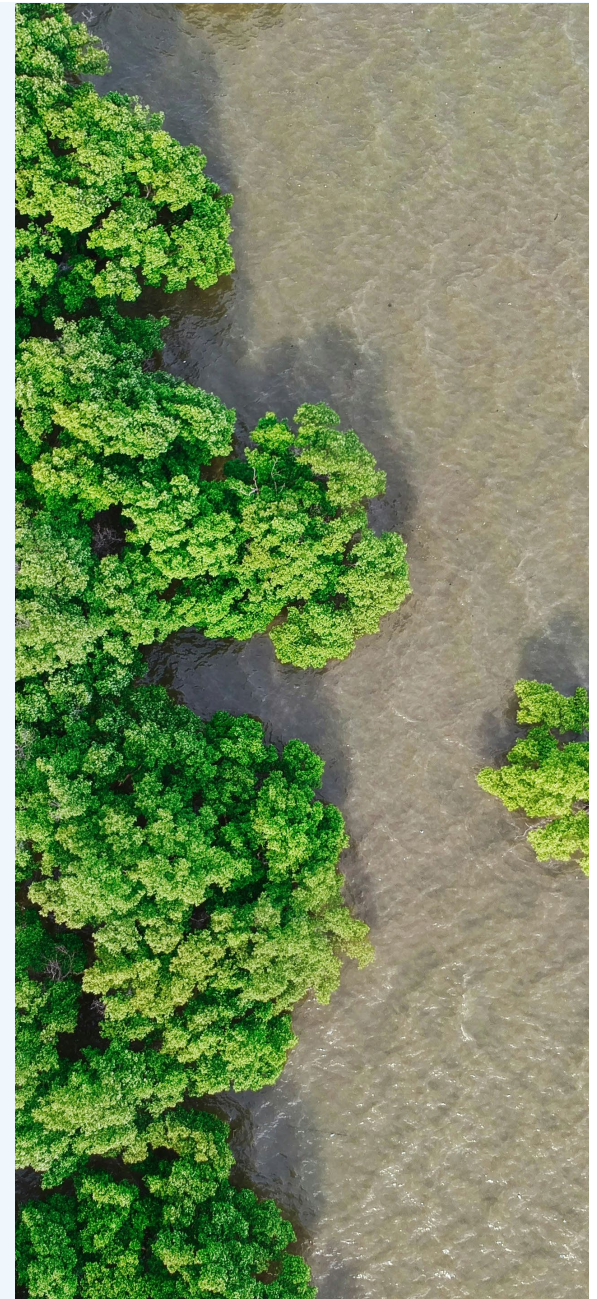
- Beyond institutional reform, greater amounts of concessional capital should be directed to early-stage project preparation, which remains a persistent bottleneck in frontier markets. Domestic resources can also be mobilized through lifecycle-aligned structures where international banks finance the riskier construction phase while local pension or insurance funds refinance projects once operational, though liquidity risks must be managed carefully. Regional efforts, such as the African Union's proposal for a credit rating agency, could further reduce information gaps by improving access to localized risk data. However, careful consideration should still be given to the needs of international financiers who hold the vast quantum of money that could revolutionize development finance. Local rating agencies may be more adept at

measuring real risk domestically, but may not be perceived by developed market investors as having equivalent standards or protocols of existing agencies.

- Local currency hedging facilities like The Currency Exchange (TCX) also provide partial solutions but remain limited in scale. Comparable institutions should be launched to provide the market with the critical hedging instruments required to enter frontier markets. Finally, regulatory reforms are essential. Global regulations such as Basel III should avoid penalizing guarantees and better recognize the risk-reducing effects of concessional instruments to reduce balance sheet requirements for private investors.
- Local governments are key stakeholders in driving local capital and creating regulatory environments that allow for a strong blended finance market. To help address this, Convergence, in collaboration with the United Nations Development Programme, is developing a Framework for an Enabling Environment for Blended Finance to guide governments in emerging and developing Asian economies in establishing the policies, processes, and incentives needed to effectively attract and align blended finance with national development and climate goals.

4 Increase transparency, particularly around performance data and concessionality, to develop a sufficient transaction history

- Limited availability of transaction data has hindered the emergence of benchmarks and consistent valuation approaches. It has also blocked the ability to understand volatility and correlation with other asset classes, to be confident about ex-post impact and to create standardized investment models. Simply put, private and institutional investors cannot be expected to have an appetite for an asset class that lacks accessible data and an observable track record. Those who engage in blended finance regularly should increase efforts to map the deployment of their resources and publicly share historical performance.
- To address the data transparency gap, Convergence is undertaking a data collection and benchmarking initiative. With support from the Environmental Defense Fund, the project will aggregate and anonymize investment and structuring data from a small pool of climate-focused fund managers to create the first benchmarking report of its kind.



A vibrant underwater scene featuring a large, healthy coral reef in the foreground. The coral is a mix of yellow, orange, and purple hues. Numerous colorful fish, including orange, yellow, and blue species, are swimming around the coral. In the background, the water is a deep blue, and sunlight rays stream down from the top right corner, creating a bright and lively atmosphere.

PART II: MARKET OVERVIEW

CLIMATE BLENDED FINANCE SHOWS PROGRESS BUT SCALED INVESTMENTS LAG

The climate blended finance market remains small relative to financing needs in developing economies

Climate has been a leading focus within blended finance, with 70% of all blended finance flows from 2019 to 2024 targeting mitigation, adaptation, or cross-cutting outcomes (Figure 1). Over this period, climate-focused blended finance mobilized approximately \$77.3 billion in total, averaging \$12.9 billion annually, with an average leverage ratio for commercial capital of 3.72 and a mobilization ratio for private capital of 1.81. These figures mark a steady accumulation of flows over the past decade. Yet, when set against climate finance requirements in EMDEs (excluding China), which are [estimated](#) to be \$2.4 trillion annually by 2030, rising to \$3.3 trillion by 2035, the current scale of flows is insufficient.

Headline volumes exhibit volatility due to the impact of billion-dollar-plus deals

Between 2019 and 2024, climate blended finance volumes grew at a ~13% cumulative annual growth rate (CAGR), but annual totals swung sharply, with year-to-year changes averaging approximately 63 percentage points above or below the trend. This volatility has been driven primarily by billion-dollar-plus “whale” transactions, which significantly impact annual volumes, especially when they cluster. In 2023, for example, six climate deals worth \$8.1 billion pushed volumes to a record high, while in 2024, only three such deals closed, with a total value of \$4.8 billion. Excluding “whale” deals, volumes rose at a lower rate of ~8% CAGR with narrower annual swings averaging around 38 percentage points.

Deal count and volumes remained high in 2024

Although down from 2023, the market posted its second-highest total in the past six years, with \$15.5 billion mobilized across 84 deals¹. Median deal size reached \$89.5 million in 2024, holding close to 2023’s \$100 million. Projects remain the dominant vehicle type, accounting for an average of 35% of deals between 2022 and 2024. However, their share declined from 42% in 2022 to 32% in both 2023 and 2024 (Figure 16, Appendix). Financial institution deals have gained prominence, increasing from an average of 9% between 2019 to 2021 to 15% between 2022 to 2024. Meanwhile, fund structures have declined from 22% to 16% over the same periods, likely [linked](#) to the global deceleration in fundraising.

Figure 1: Climate blended finance market: Annual Financing Flows, 2019-2024

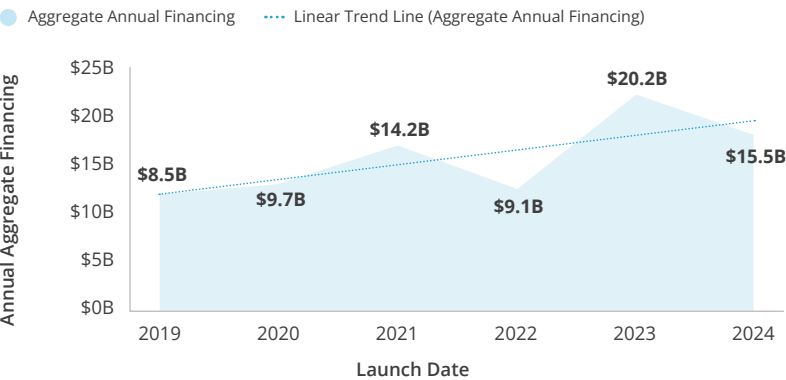
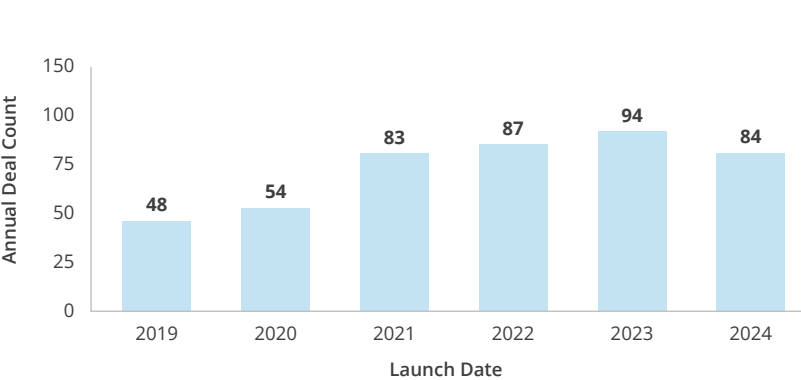


Figure 2: Climate blended finance market: Annual Deal Count, 2019-2024



1. Reported 2024 activity is provisional because: (i) some transactions experience a delay in public disclosure; and (ii) Convergence only records transactions once blended financial close is reached, at which point they are assigned to their launch year (vintage)



Scale remains a persistent challenge in the market

While "whale" transactions demonstrate that large-scale blended finance is possible, their occurrence is sporadic with no sustained upward trend, likely reflecting the lengthy structuring timelines, high transaction costs, and challenges to fundraising. The underlying market has not exhibited the growth expected, with deal frequency and financing totals showing only incremental growth.

Three key factors have impeded the more consistent scaling of the climate blended finance market:

- 1 **Headwinds in the global macroeconomic environment:** Investor appetite for EMDEs is low, with foreign direct investment (FDI) inflows [falling](#) in 2023 to their lowest level since 2005, followed by a further 2% [decline](#) in 2024. This weakening investment sentiment is [linked](#) to broader global headwinds, as trade tensions, stalled disinflation efforts, and downgraded growth prospects weigh on markets. Financial turbulence is [amplifying](#) downside risks, while stretched fiscal budgets, higher interest rates, and widening emerging market spreads are straining fiscal outlooks.
- 2 **Tightening supply of concessional resources:** ODA [fell](#) 9% in 2024 and is projected to decline another 17% in 2025, constraining the pool of funds available to support blended structures.

- 3 **Long-standing challenges specific to the blended finance market:** As [highlighted](#) in the FfD4 outcome document, investment in sustainable development has fallen short of expectations. The spring 2025 edition State of Blended Finance report [underscored](#) why blended finance, in particular, has struggled to bridge this gap, pointing to

- i the lack of a clear private sector mobilization strategy,
- ii underrepresentation of local investors,
- iii limited transparency in performance, concessionality, and impact, as well as
- iv the underdeveloped ecosystem for blended finance.

The right interventions are needed to unlock growth opportunities

Recent years have delivered headline successes for climate blended finance with governments pioneering large-scale initiatives (e.g., Singapore's [FAST-P](#), UAE's [ALTERRA fund](#), Indonesia's [SDG One](#) initiative), prominent asset managers launching blended funds (e.g., Brookfield's [Catalytic Transition Fund](#), the forthcoming Insurance Development Forum-BlackRock [EM Infrastructure Debt Fund](#)), and landmark deals attaining high mobilization levels (e.g., the [SDG Loan Fund](#) with a 9X rate). The challenge now is to convert these wins into consistent scale and broader participation, particularly from

private investors. Targeted initiatives are underway to address challenges specific to the blended finance market and achieve this goal. These include the Scale Private Investment Mobilization Models Project ([advancing](#) standardization), SCALED ([streamlining](#) blended vehicle designs), the Investment Mobilisation Collaboration Alliance ([coordinating](#) concessional financiers), BCG and BII's toolkit ([providing](#) archetypes and scorecards for blended funds), and forthcoming Policy Framework for an Enabling Environment for Blended Finance that Convergence is developing in partnership with the United Nations Development Programme..

Climate investment is essential for both impact and value creation for private investors

It delivers access to fast-growing markets, portfolio diversification, and long-term returns in the low-carbon transition. Emerging and developing economies, which account for more than 85% of the global population, are undergoing rapid urbanization. This is driving growing demand for climate-resilient infrastructure, clean energy, and innovative technologies, creating large-scale investment pipelines for major asset owners and managers. Blended finance provides a key mechanism to channel capital into these sectors by recalibrating risk-return ratios, thus unlocking abundant opportunities in EMDEs for private investors.



DONORS SHIFT FROM GRANTS TO CONCESSIONAL DEBT IN PURSUIT OF GREATER PRIVATE CAPITAL MOBILIZATION

DFIs / MDBs and private investors continue to drive the majority of climate blended finance

Commercial investments from DFI / MDBs and the private sector combined accounted for nearly 78% of all capital provided to climate blended finance deals in 2024. Climate remains the defining impact theme of blended finance: 70% of all DFI/MDB market-rate investment and 63% of private sector investment into blended finance in 2024 were directed toward climate-focused transactions.

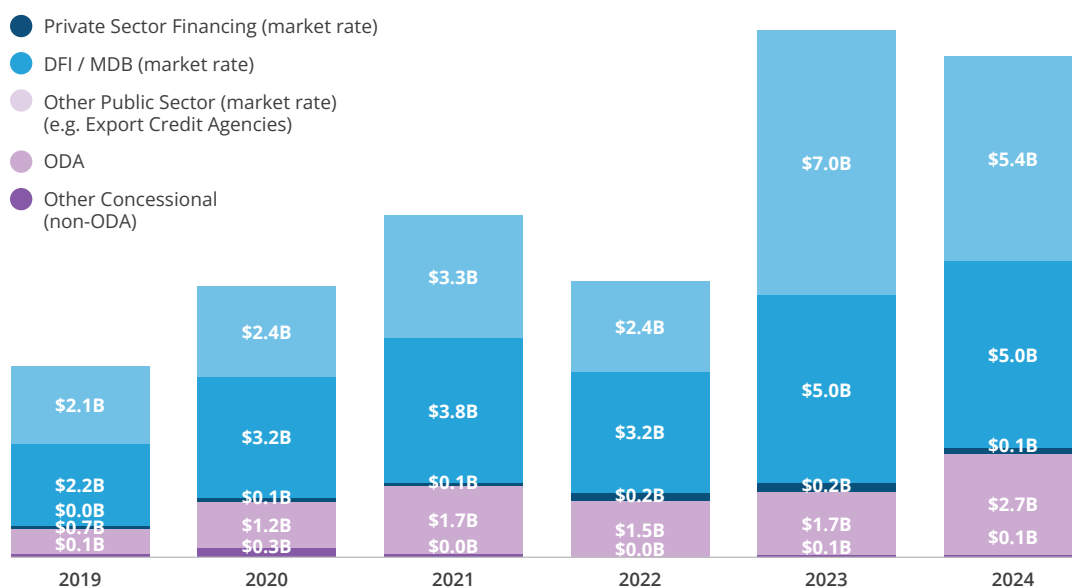
A handful of players are driving the surge in ODA

While the 59% increase in ODA going into climate blended transactions from 2023 to 2024 (Figure 3) contrasts with recent OECD trends showing an overall decline in ODA levels, this rise is primarily linked to the outsized role of a few key actors, as [noted](#) in the State of Blended Finance 2025. In fact, ALTERRA, the UAE's concessional capital platform, together with JICA, accounted for 70% of all ODA provided in climate blended finance last year.

Japan's loan-driven aid model reflects how donors are increasingly approaching blended finance

JICA's contributions to climate blended finance have remained steady over the past five years, largely due to its [loan-based approach](#), which prioritizes concessional lending to lower-middle-income countries while reserving smaller-scale grants for low-income countries. This reflects a broader regional trend ([pg. 22](#)), with donors reallocating more capital to middle income countries that offer greater scale and mobilization potential. Between 2019 and 2024, the share of senior concessional debt rose from 14% to 31% of total concessional capital, while TA grants fell from 33% to 18%. Investment-stage grants have remained relatively stable at around 20%, though only 11% in 2024 targeted low-income countries.

Figure 3: Sources of financing to climate blended finance deals (excluding guarantees and insurance instruments), 2019-2024



Concessional lending enables donors to recycle capital

Concessional loans can help place a lighter fiscal burden on donor governments compared to grants, as repayments can be recycled to finance new projects, making them a more sustainable form of ODA. Their repayment structure can also promote stronger ownership among project sponsors and encourages more efficient and accountable use of funds. However, this shift carries implications: concerns around debt sustainability, particularly in countries already at high risk of

or facing debt distress, mean that future lending is likely to be targeted more toward middle-income countries rather than low-income countries.

Blended climate finance is becoming more efficient at mobilizing private capital

Leverage ratios for blended climate finance continue to improve, signaling growing efficiency in mobilizing commercial capital. Historically, each dollar of concessional capital attracted 3.67 dollars of commercial investment. In 2024, the leverage ratio rose to 4.14. The private sector mobilization ratio increased from a historical average of 1.77 to 2.16 in 2024. This underscores rising private sector participation in climate transactions relative to concessional capital.

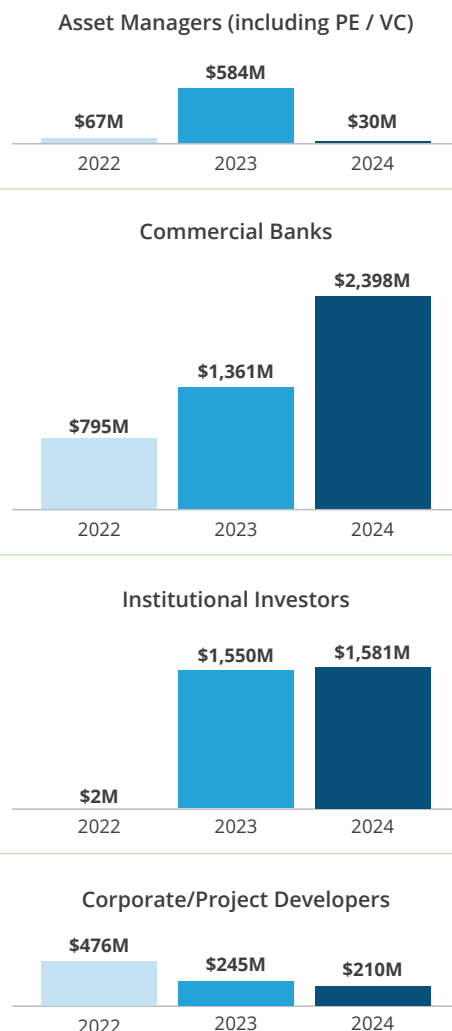
Mobilization figures should be interpreted with caution and understood in context

Transactions in the \$250 million - \$1 billion range mobilized an average of \$2.36 in private capital for every concessional dollar deployed. Whale deals show significant variability in private sector mobilization ratios, ranging from 0.33 to 78.9. Given the limited sample size of such deals in the blended finance market, these figures should be interpreted with caution and understood in the context of the sector, region, and fund manager or sponsor involved. For example such deals are often led by major project developers or mainstream asset managers with established market presence, which can enhance investor confidence and reduce the need for concessional capital.



BANKS DOMINATE PRIVATE CAPITAL FLOWS TO CLIMATE BLENDED FINANCE

Figure 4: Annual recorded financing totals for climate blended finance, by private investor sub-type, 2022-2024



Private investors are stepping up in climate blended finance

Since 2022, private investors have committed approximately \$14.6 billion to climate blended finance transactions, representing 31% of total commitments over the past three years. Within this group, commercial banks have steadily increased their role, contributing approximately after \$2.4 billion in 2024 alone (Figure 4) and accounting for 38% of private commitments. Institutional investors have also emerged as key players, ranking as the second-largest financiers for the second consecutive year. Capital commitments from institutional investors remained steady at \$1.6 billion in 2024, consistent with 2023. This represents a sharp increase from \$2 million in 2022 and is significantly higher than the annual average of \$146 million recorded between 2019 and 2021.

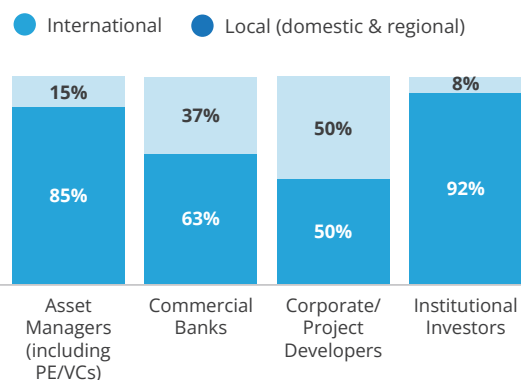
Corporate and project developer commitments are shrinking

Contributions from corporates and project developers, often in the form of sponsor equity, have been declining - from \$476 million in 2022 to \$210 million in 2024, with their share of commitments dropping from 20% to 14% in the same time period. The reduced participation of corporates and project developers is largely due to the increasing concentration of financing by DFIs, MDBs, and commercial banks, a trend examined later in this report. Direct project-level and company-level investments from asset managers have also declined.

Local private actors are playing a growing role in climate blended finance

The share of overall investments from local private actors rose from 17% in 2019-2021 to 29% in 2022-2024. Over the past three years, half of all corporates and project developers investing in climate blended finance were domestic entities, primarily as project sponsors. Local commercial banks have also increased participation, representing 37% of commitments from this investor group (Figure 5); this is driven largely by blending arrangements between DFIs/MDBs and domestic financial intermediaries. Although asset managers are largely based in Western Europe and North America, PE/VC firms stand out — 32% of these firms are local entities. This underscores their potential as General Partners (GPs) or fund managers, given their deeper knowledge of local markets and ability to align climate finance with long-term objectives and regional priorities.

Figure 5: Breakdown of private sector commitments by investor domicile and investor sub-type, 2022 - 2024



CLIMATE INVESTMENTS ARE INCREASINGLY CONCENTRATED IN MIDDLE INCOME COUNTRIES

Donors and DFIs/MDBs are increasingly allocating resources toward lower middle income countries

The rise in the median deal size over the past few years reflects a growing emphasis on larger, more commercially viable transactions, reshaping regional investment patterns. In 2024, the share of least developed countries (LDCs) in the blended finance market declined significantly, from 23% in 2023 to just 5% in 2024, while investment flows into lower- and upper-middle-income countries rose (Figure 21, Appendix). Although LDCs have never been the primary focus of blended finance, this marked contraction highlights a structural shift in ODA deployment, illustrating which countries may be disproportionately impacted as capital gravitates toward markets with opportunities for higher or more stable investment returns.

The IPF downturn has impacted climate blended finance

The United Nations Conference on Trade and Development [reported](#) a 26% drop in international project finance (IPF) in 2024. As a key driver of large-scale infrastructure in developing countries, IPF has been hit hardest in LDCs, where it makes up a larger share of FDI. The downturn reflects financing constraints, including exchange rate and interest rate uncertainty. By contrast, lower- and upper-middle-income countries in Southeast Asia recorded a 10% increase in inflows, and Africa grew 12% (excluding the [Ras El-Hekma](#) development megaproject in Egypt), driven primarily by North Africa.

New regions emerge as key priorities for investors

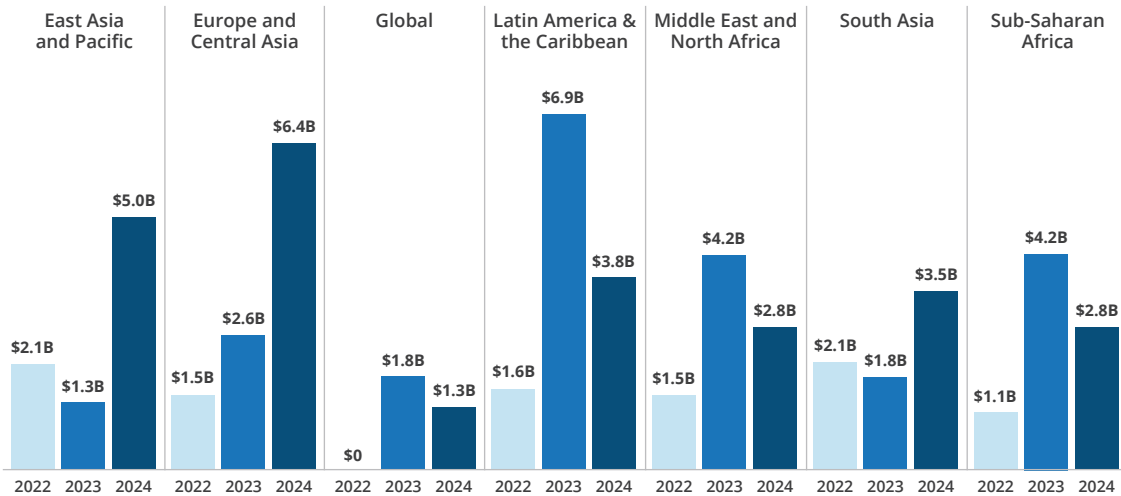
Convergence Market Data indicates that financing flows grew significantly in East Asia and the Pacific (particularly Southeast Asia) as well as in Europe and Central Asia. In East Asia and the Pacific, the proportion of climate transactions increased by 77% from 2023 to 2024, while Europe and Central Asia doubled over the same period.

Africa attracts more climate deals but with smaller ticket sizes

Although financing flows to Sub-Saharan Africa were among the lowest in 2024 at just \$2.8 billion, the region continues to attract

the highest number of transactions (Figure 22, Appendix). This is due to strong development needs and donor focus, but transaction sizes tend to be smaller due to regional markets and policy frameworks for private capital mobilization being [underdeveloped](#), and risk perceptions being heightened. The median transaction size was \$45 million (down from \$58 million in 2023), compared to \$129 million in Eastern Europe and Central Asia and \$120 million in East Asia and the Pacific. Limited large-scale investment opportunities and weak aggregation mechanisms further constrain deal sizes despite high overall activity across the region.

Figure 6: Financing for climate blended finance transactions by region per year, 2022-2024



Nigeria and Ukraine lead in climate blended finance activity

In 2024, climate blended finance was primarily concentrated in a few select countries: Nigeria (10 deals; \$1.5 billion); Ukraine (9 deals; \$1.4 billion); Kenya (6 deals; \$607 million) and India (5 deals; \$899 million) (Figure 23, Appendix). While Nigeria, India, and Kenya have consistently ranked among the top 10 over recent years, Ukraine's emergence is noteworthy, marking its first appearance on the list. The majority of transactions in Ukraine (six of nine) were structured as blending arrangements between financial institutions and DFIs/ MDBs, with only two project-level transactions. These deals have been primarily supported by the European Bank for Reconstruction and Development (EBRD) through concessional pools such as the [Resilience and Livelihoods Framework](#), positioning blended finance as a form of crisis financing aimed at preserving critical infrastructure and sustain essential services, while also supporting companies in investing in green technologies that strengthen long-term sustainability. Another significant new entrant in 2024 was Mongolia, which recorded three climate blended finance deals (two of which were FI blending arrangements) totaling \$118 million. This is particularly notable given that Convergence Market Data records only two prior climate transactions in the country.

Low-income countries fell out of the top 10

The composition of top 10 countries also reveals a shift in income-group focus. Historically, low-income countries ranked among the top 10. In 2022, they accounted for 17% of the 53 climate

transactions recorded. By 2024, however, this share had fallen to 0%. In contrast, the share of deals targeting lower-middle-income countries rose sharply, from 68% in 2022 to 93% in 2024.

DFI/MDB financing priorities are contributing to these regional shifts

These shifts align with broader climate finance trends outlined in the [2024 Joint Report on Multilateral Development Banks' Climate Finance](#). The report shows that climate-related financing in East Asia and the Pacific increased from approximately \$10.8 billion in 2023 to \$11.3 billion in 2024, while Eastern Europe and Central Asia saw a sharp rise from approximately \$11 billion to \$19 billion. In contrast, Sub-Saharan Africa's financing flows remained flat at approximately \$17 billion. This is notable, as DFIs and MDBs are dominant players in the blended finance market and remain key providers of commercial capital in transactions. The trend indicates a targeted reallocation of capital toward countries with demonstrated success in mobilizing private investment through blended finance, which is especially significant given recent reductions in ODA.

Regional strategies diverge between donors and foundations

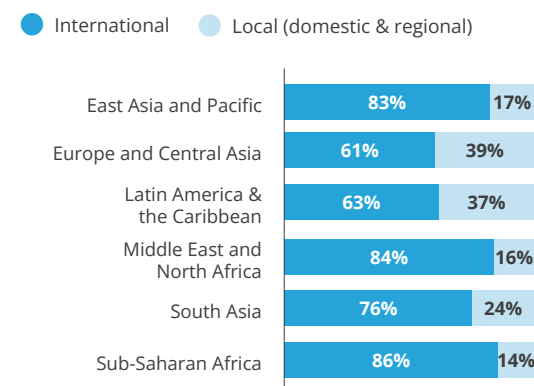
Concessional capital providers have shown increasingly divergent regional preferences in recent years. Donor flows are also driving the broader shift in blended climate finance, with growing emphasis on Eastern Europe and Central Asia (rising from 14% in 2023 to 26% in 2024) and a steep decline in Sub-Saharan Africa (falling from 47% to 26% over the same period).

In contrast, foundations, NGOs, and impact investors have maintained a strong commitment to Sub-Saharan Africa, where an average of 67% of their commitments were concentrated over the past two years.

Local capital mobilization varies widely by region

Europe and Central Asia and Latin America and the Caribbean recorded the highest shares of local capital mobilization, with local actors accounting for 39% and 37% of total investment commitments in their respective regions over the past three years (Figure 7). For Europe and Central Asia, this is primarily due to the blending arrangements between local financial institutions and DFIs/ MDBs. By contrast, Sub-Saharan Africa and the Middle East and North Africa had the lowest levels, at just 14% and 16%. It is also important to note that Southeast Asia benefits significantly from financing provided by actors in East Asia, as highlighted in the [Domestic Capital Mobilization for Climate Finance in Southeast Asia](#) report.

Figure 7: Financing for climate blended finance transactions by region per year, 2022-2024



PART III: CLIMATE THEMES



MITIGATION DEALS ARE INCREASINGLY MOBILIZING PRIVATE CAPITAL

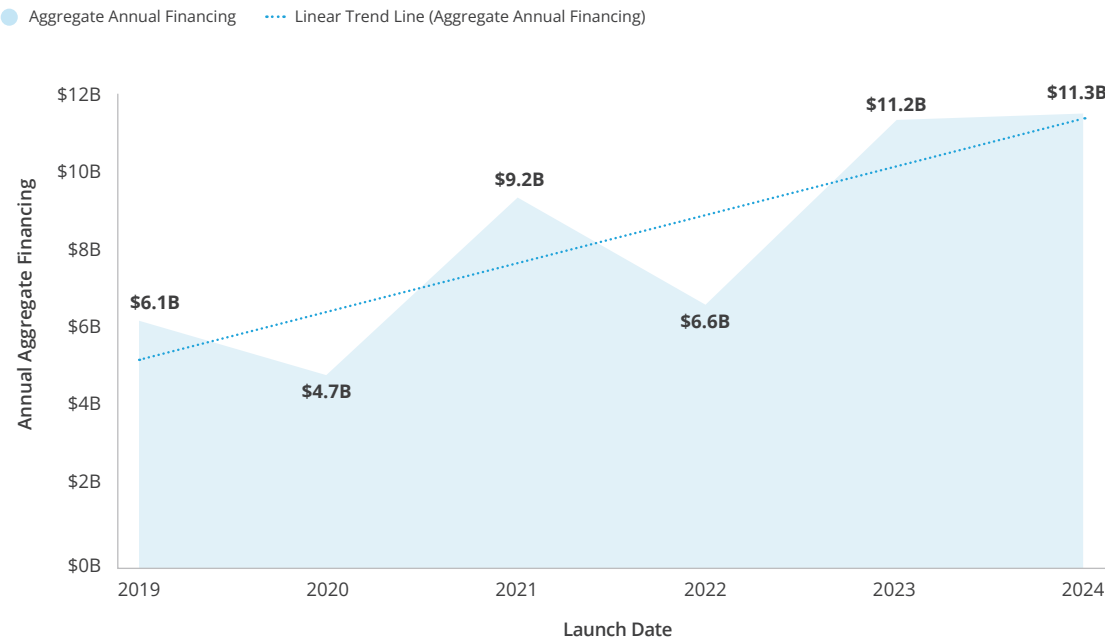
Mitigation blended finance maintained strength in 2024

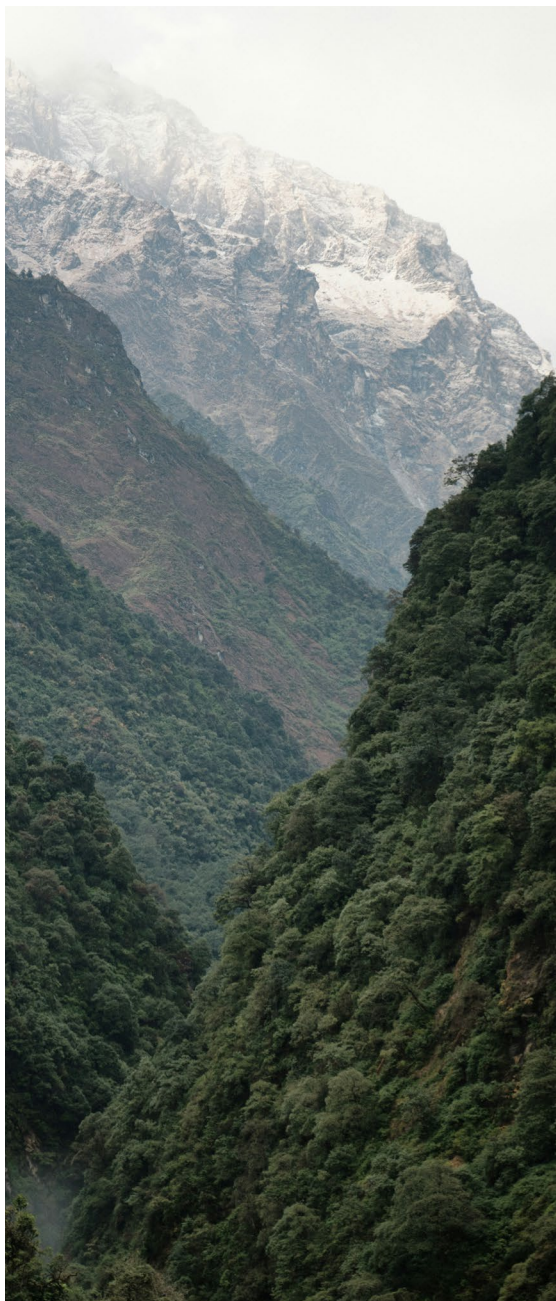
Mitigation has dominated climate blended finance, accounting for 56% of deals and 64% of total flows from 2019 to 2024. Convergence recorded 253 transactions during this period, mobilizing \$49 billion with a median size of \$89 million (Figure 8). Despite dips in 2020 and 2022, overall volumes have risen steadily, with commitments climbing from \$6.1 billion in 2019 to a record \$11.3 billion in 2024, up from \$11.2 billion in 2023.

Mitigation captures the highest private flows across climate themes

Its broader appeal and more familiar investment structures, relative to adaptation and cross-cutting deals, translate into stronger commercial participation. This is reflected in a leverage ratio of 4.0 compared to the climate blended finance average of 3.72. Private flows into mitigation also achieve a higher mobilization ratio, at 1.93 versus the overall average of 1.81. These favorable characteristics have driven steady growth in private commitments in mitigation

Figure 8: Mitigation blended finance market: Annual Financing Flows (USD Billions), 2019-2024





deals. Between 2019 and 2024, private flows to mitigation more than tripled, rising from \$1.3 billion to \$4.1 billion, equivalent to a CAGR of 25%. The sharpest increase came this past year, with flows nearly doubling between 2023 (\$2.1 billion) and 2024 (\$4.1 billion).

Projects are most frequent, but company-level deals have grown

Project vehicles have been the main channel for climate mitigation blended finance, accounting for about half of transactions (50%) from 2019 to 2024, driven mainly by renewable energy asset development. However, direct debt and equity investment into companies to fund mitigation outcomes also gained traction, increasing from 18% in 2019 to 2021 to 23% in 2022 to 2024. These deals typically involved

using concessional capital to support firms' decarbonization through cleaner production and energy efficiency.

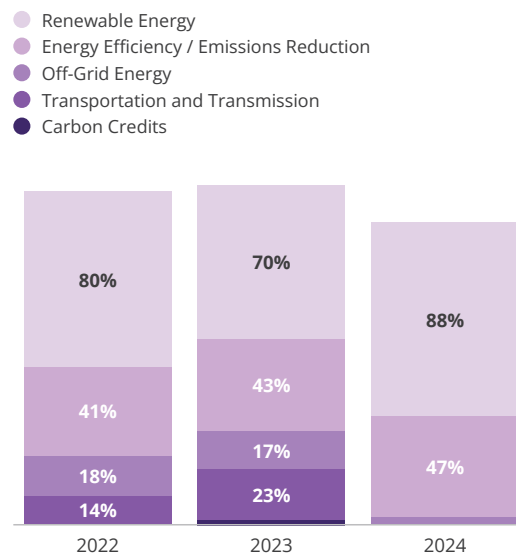
Renewable energy continues to dominate mitigation blended finance

Energy investments accounted for 79% of mitigation deals from 2021 to 2024 followed by non-energy infrastructure at 28%. Within the energy sector, renewable energy was the leading sub-sector, targeted by 87% of transactions, while energy efficiency featured in 45% for the same period. Solar photovoltaic was the leading technology within the renewable energy sub-sector, representing 73% of all renewable energy deals between 2019 and 2024 and attracting \$16.3 billion in financing, followed by wind at 19% attracting \$11.1 billion (Figure 28, Appendix). While renewable energy is increasingly becoming commercially viable in some markets, blended finance remains critical for capital-intensive renewable projects elsewhere; for example, utility scale solar projects often [face](#) a cost of capital two to three times higher than in advanced economies or China.

Debt dominates financing structures, reflecting project-level needs

Debt is the most common instrument in mitigation deals, with 63% of the transactions funded through debt versus 11% through equity. The high frequency of debt is likely linked to the dominance of renewable energy projects, The International Energy Agency (IEA) [notes](#) high upfront capital needs and stable revenues favour project and corporate finance structures with leveraged, off-balance sheet financing.

Figure 9: Mitigation sub-sectors; proportion of annual mitigation blended finance deals, 2022-2024



ADAPTATION FLOWS EXPANDED, WITH FINANCIAL INSTITUTIONS BECOMING THE LEADING VEHICLE

Blended finance for adaptation makes up the smallest share of the market, but flows increased in 2024

From 2019 to 2024, Convergence recorded 84 blended finance transactions targeting adaptation, mobilizing a total of \$9.8 billion (Figure 10). Adaptation-focused deals accounted for 19% of transactions and 13% of flows between 2019 and 2024, illustrating its marginal position relative to mitigation. Encouragingly, however, adaptation blended finance flows surpassed \$2 billion in both 2023 and 2024, increasing from \$2.1 billion to \$2.4 billion, signaling stronger momentum after earlier volatility.

Deals tend to be smaller, and technical assistance is commonly drawn upon

Adaptation deals have a substantially smaller median deal size, approximately \$48 million, compared to other climate themes for the 2019 to 2024 period. This reflects the localized, context-specific nature of adaptation projects, which limits their scalability compared to mitigation deals. In terms of blended archetypes, adaptation tracks the broader market in its most frequent use of concessional debt or equity (81%) but stands out for its higher reliance on technical assistance (26%) from 2019 to 2024. These funds are often crucial to building company capacity, enhancing project design, and mitigating operational risk through vulnerability assessments and context-

specific solutions. Guarantees, however, remain rare in adaptation, featuring in just 4% of transactions despite their prominence in the wider climate blended finance market (20%).

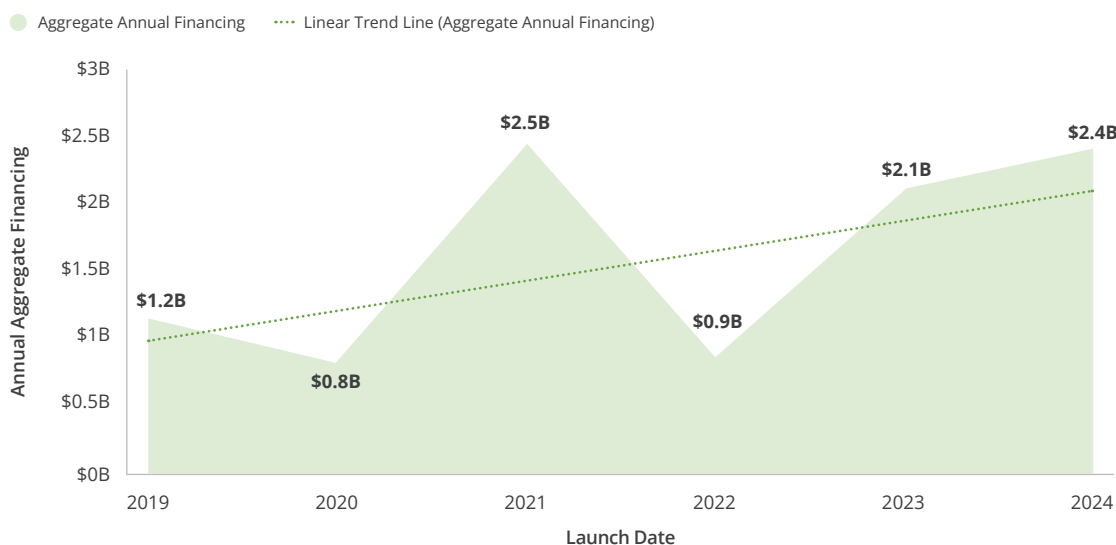
Financial institutions have overtaken private debt and equity funds as the leading vehicle.

Although funds historically drove much of the adaptation activity, representing 37% of deals from 2019 to 2021, their share declined to 12% in 2022 to 2024, indicative of the broader slowdown in fund activity across the climate blended finance market. During this period, financial institution deals became the most common vehicle for adaptation, accounting for 32% of transactions, typically focused on mobilizing balance sheet capital to expand finance for farmers and small and medium enterprises (SMEs) investing in climate resilience.

Public sector flows remain the backbone of adaptation finance.

The public sector continues to provide the majority of capital in blended adaptation deals, accounting for 63% of financing between 2019 and 2021 and rising to 70% in 2022 and 2024. Within this, DFIs and MDBs were the dominant players, supplying 55% of adaptation finance over the latter period, while private investors contributed 32%. The potential for greater private sector participation is significant. Climate Policy Initiative [highlights](#) opportunities across corporations, insurers, commercial banks, asset managers, private equity firms, venture capital firms, pension funds, and even households in the adaptation space.

Figure 10: Adaptation blended finance market: Annual Financing Flows (USD Billions), 2019-2024



CONTINUED VOLATILITY IN THE CROSS-CUTTING CLIMATE SECTOR DESPITE PROMISE FOR SCALED INVESTMENT

Cross-cutting volumes declined in 2024 with the absence of "whale" deals

Convergence has captured 113 blended finance transactions targeting cross-cutting² climate themes between 2019 and 2024, totaling \$18.3 billion, with a median transaction size of approximately \$60 million (Figure 11). Volumes peaked in 2023, with three of the six "whale" transactions, representing \$4.1 billion, driving the increase.

Funds are emerging as the preferred vehicle for cross-cutting deals, while direct investments are declining

Despite the decline in fund activity in the broader climate blended finance market, the share of fund vehicles targeting cross-cutting themes rose from 24% from 2019 to 2021 to 39% from 2022 to 2024, while direct equity and debt investment (companies) declined from 31% to 14% over the same period. Managers of funds with cross-cutting strategies have greater flexibility to place capital across multiple climate themes to diversify risk and deliver on return expectations of private investors. Often investors in these funds are relying on the fund manager's networks and expertise to invest in uncertain sectors, including adaptation plays.

Deals are shifting away from agriculture toward financial services, while infrastructure remains a consistent focus

Agriculture accounted for 63% of cross-cutting transactions from 2019 to 2021 but declined to 32% between 2022 and 2024, while financial services grew from 15% to 37% (Figure 12). Financial services deals are largely fund and financial institution transactions, where blended finance is used to channel capital to banks, microfinance providers, and fintechs to support lending and services across mitigation

Figure 12: Cross-cutting blended finance market: Annual Financing Flows (USD Billions), 2019-2024

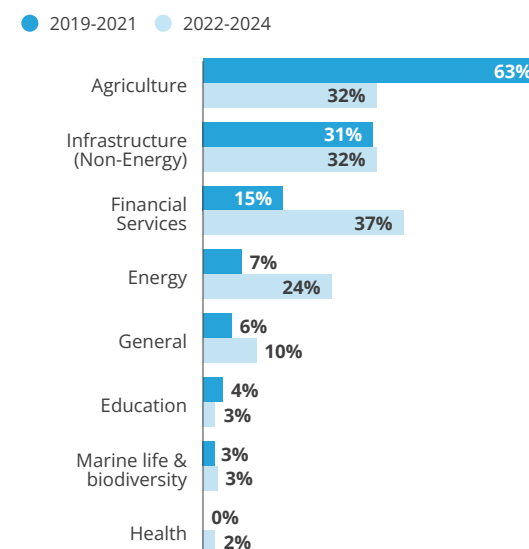
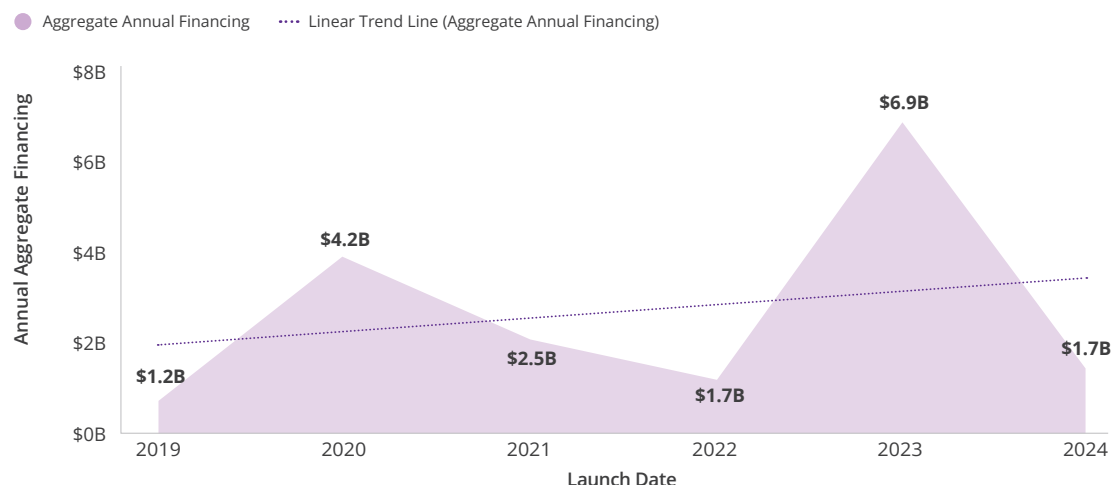


Figure 11: Cross-cutting blended finance market: Annual Financing Flows (USD Billions), 2019-2024



2. Cross-cutting deals support interventions that address climate change holistically by integrating both mitigation and adaptation objectives within a single approach or across multiple sectors. Convergence only records transactions once blended financial close is reached, at which point they are assigned to their launch year (vintage)

and adaptation. This indicates a shift towards financial intermediation, with blended finance increasingly targeting financial systems rather than deploying directly into end-use sectors like agriculture. Infrastructure has remained a steady focus, accounting for about one-third of cross-cutting activity, typically through project-level investments that combine mitigation assets such as renewable energy and low-carbon transport with adaptation measures like resilient design.

Cross-cutting deals demonstrate higher leverage and mobilization than adaptation, though still fall short of mitigation levels

As mentioned above, pairing familiar, revenue-generating mitigation components with adaptation outcomes, cross-cutting deals create more balanced risk–return profiles that appeal to private investors. The result has ultimately led to enhanced leverage (3.30) and mobilization (1.72) compared to pure adaptation deals.

Cross-cutting projects show the strongest gender integration, though overall gender focus remains limited

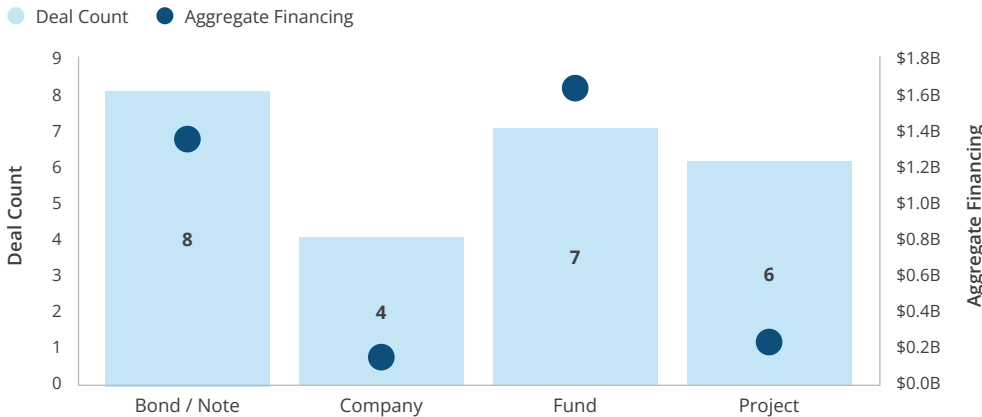
Gender-responsive transactions accounted for just 28% of all climate blended finance deals between 2019 and 2024, totaling \$16 billion or 21% of total market value (Figure 29, Appendix). Within this limited pool, cross-cutting projects show the strongest gender integration, with 42% of transactions applying a gender lens (28% gender-aware, 14% gender-intentional). This compares with 38% in adaptation and just 19% in mitigation (Figure 30, Appendix).

NATURE-BASED SOLUTIONS ARE BEING ADVANCED THROUGH BONDS AND FUND VEHICLES

Nature-based Solutions (NbS) harness the power of ecosystems to strengthen biodiversity, build resilience, and enhance human well-being while addressing major global challenges such as climate change. Convergence considers a transaction NbS-aligned when it explicitly generates economic benefits from nature. Between 2019 and 2024, NbS accounted for 25 transactions with a total value of \$3.5 billion. Of these, 32% were bonds (eight deals) mobilizing \$1.4 billion in financing. Bonds have been integral to addressing large-scale natural habitat threats, particularly ocean conservation, with half of these issuances (four deals) classified as blue bonds.

Funds have also emerged as a key vehicle for NbS, with seven deals between 2019 and 2024 totaling \$1.7 billion in financing. They demonstrate strong potential for scale by pooling concessional and commercial capital to aggregate projects, attract institutional investors, and deliver long-term, nature-positive impact across sectors and regions. For instance, the [Mirova Sustainable Land Fund 2](#) (\$100 million) drew commitments from Abeille Assurances, Allianz France, and BNP Paribas Cardif, while the [Tropical Asia Forest Fund 2](#) (\$120 million) secured investment from Sumitomo Mitsui, Temasek, and TotalEnergies.

Figure 13: Blended NbS transactions vehicle type by deal count and aggregate finance, 2019-2024



PART IV: PRIVATE INVESTOR TRENDS

INSTITUTIONAL INVESTORS BRING SCALE AND EQUITY TO CLIMATE BLENDED FINANCE

Institutional investors are sharpening their climate focus

To date, institutional investors, including pension funds, insurance companies, and family offices, have committed approximately \$3.6 billion across 87 blended finance transactions across all sectors, with a strong preference for climate-related investments. Nearly 70% of their blended finance activity over the past three years has targeted climate objectives.

Family offices are the most active, but insurance companies have provided the most capital

Family offices account for 44% of institutional investor transactions, compared to 26% for insurance companies and 20% for pension funds. However, insurers lead in total financing through direct investments, contributing \$1.5 billion since 2019, versus \$477 million from pension funds and \$153 million from family offices.

Pension funds are driving larger deal sizes

While the median deal size across all institutional investors is \$75 million, insurance companies average \$100 million and pension funds \$250 million. Pension funds have also emerged as a key source of scaled capital investment, with a median investment of \$230 million over the past six years, compared to \$75 million for insurers.

Institutional investors are concentrated in a few sectors

Both pension funds and insurance companies primarily allocate capital to renewable energy and energy efficiency, while pension funds additionally direct about 32% of their investments to agriculture finance blended funds.

Investment vehicles differ across investor types

In the past six years, pension funds have invested exclusively through climate funds, while insurers take a more diversified approach, allocating 52% to climate funds and 33% to blended bonds.

Equity is the dominant instrument for institutional investors. Unlike the broader blended finance market, which relies heavily on debt instruments, institutional investors favour equity deals. Insurers have allocated 60% of their investments to senior equity and 28% to senior debt, while pension funds have placed 71% in senior equity positions.

Concessional debt and equity instruments have been critical to mobilization

Both pension funds and insurance companies have primarily been mobilized by concessional debt and equity, which feature in 78% of their deals, while concessional guarantees or insurance feature in 25%.

Regional preferences have shifted significantly

Institutional investors are increasingly focusing on East Asia and the Pacific, where their share of deals rose from 25% in 2023 to 67% in 2024. At the same time, Sub-Saharan Africa's share declined from 58% to 33%, while Latin America's share steadily increased from 20% in 2021 to 33% in 2024.

Local institutional investor participation remains limited

Since 2019, 85% of participating pension funds were domiciled in Western Europe. Likewise, insurance companies are mainly concentrated in Western Europe (80%) with some presence in North America (33%). Overall, the largest shares of institutional investors are based in the United States (23%), and the United Kingdom (14%). As regulated entities, with a fiduciary responsibility to their beneficiaries, domestic pension funds likely face restrictions on their allocations to the higher risk asset classes (e.g., alternatives) that blended finance typically intersects. Coupled with capacity constraints, this has been a key barrier for domestic pension funds developing blended finance strategies.

COMMERCIAL BANK ACTIVITY IS CONCENTRATED IN RENEWABLE ENERGY

BANKS AS LENDERS

Commercial banks are the primary private sector investors in climate blended finance

To date, they have committed approximately \$9 billion to climate blended finance across 213 transactions. These investors show a strong preference for climate-related deals. Between 2019 and 2024, 63% of their overall commitments in blended finance targeted climate initiatives. The median transaction size for climate-related deals involving these banks was \$100 million - nearly double the \$53 million median for non-climate transactions.

They prioritize climate mitigation, particularly renewable energy

Over the past six years, 54% of their climate commitments supported mitigation, compared to just 18% for adaptation. The focus has intensified recently: in 2024, 92% of the deals commercial banks participated in focused on renewable energy asset development (up from 60% in 2023), while energy efficiency investments remained steady at 33%. Sectors tied to adaptation, such as agriculture and green finance, continue to receive limited investments.

Projects remain the preferred vehicle for this investor group

Since 2019, 43% of the transactions commercial banks invested in were structured as projects, while 23% were funds. However, commitments to funds dropped sharply, from 30% in 2023 to only 3% in 2024.

Sub-Saharan Africa remains their top regional focus, despite market shifts

Over the past six years, 34% of commitments targeted Sub-Saharan Africa and 29% Latin America and the Caribbean. Despite sharp declines in Latin America (31% in 2022 to 13% in 2024) and Middle East and North Africa (17% in 2022 to 3% in 2024), commitments to Sub-Saharan Africa have held firm at consistently high levels.

Local commercial bank participation is still limited

Most investors are headquartered in Western Europe (27%) or East Asia (14%, primarily Japan). The market is dominated by a few local banks. SMBC leads with 14 investments totaling \$134 million, followed by Rabobank Group with 11 investments valued at \$86 million, and MUFG with 10 transactions totaling \$313 million (Figure 31, Appendix).



BANKS AS RECIPIENTS

Blending arrangements with banks and micro-finance institutions (MFIs) are gaining traction as a key blended finance vehicle

These structures enable DFIs and MDBs to expand into underserved markets, particularly for SMEs, while mitigating concentrated exposure risks through diversified loan portfolios. Such arrangements are typically established with domestic banks / MFIs or local subsidiaries of multinational banks. Over the past six years, 19% of recipient banks were domiciled in Eastern Europe, 14% in South Asia, and 14% in East Africa.

The scale of these arrangements is significant

Since 2019, banks and MFIs have entered into 52 blending arrangements with DFIs and MDBs for climate-related investments, with a total volume of \$15 billion and a median loan portfolio size of \$90 million.

Their loan portfolios typically target SMEs across a broad range of sectors, with only a subset focused on climate.

The majority of these loans focus on agriculture and housing finance, and 68% of transactions had no climate focus. Where climate was targeted, investments were broad: 75% of climate-related deals supported small business and corporate banking, while 38% supported green finance. This reflects the mandate of blending arrangements to provide financing to a wider range of SMEs that would otherwise not have access to DFI/MDB capital.

Regional distribution has been broad-based

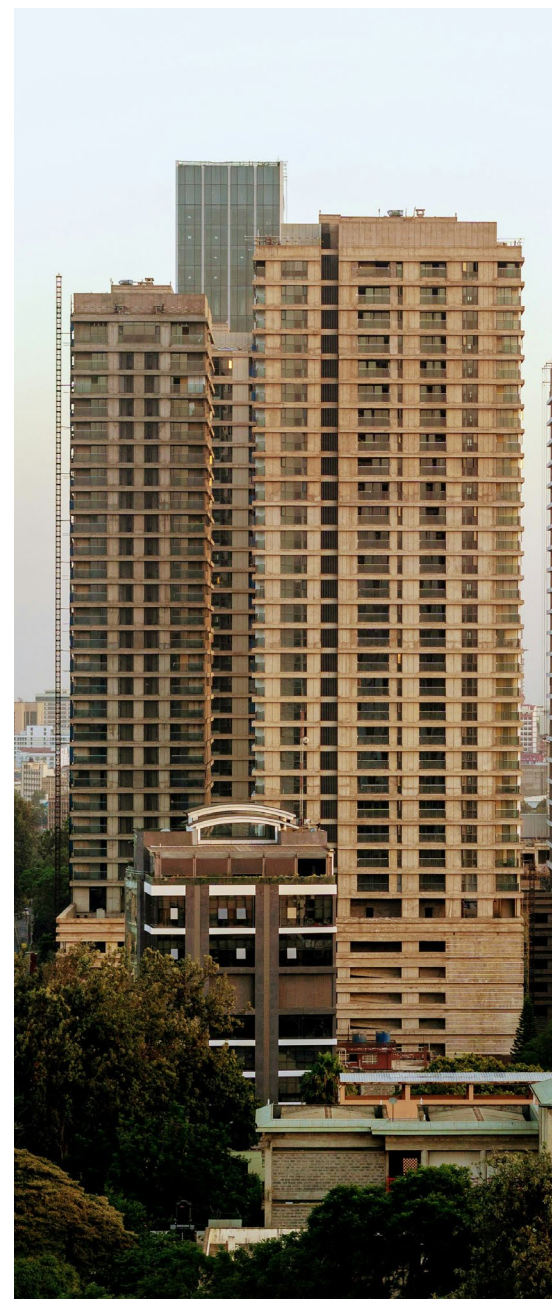
Over the past six years, blending arrangements were distributed almost evenly across Sub-Saharan Africa, Latin America and the Caribbean, and Europe and Central Asia, each accounting for 24% of deals.

Participation is fragmented, though a few banks stand out

Unlike in the direct lending space, where a handful of large banks dominate, financial institutions as recipients of blended finance typically participate on an ad hoc basis. However, a few banks such as Axis Bank (India), OTP Bank (Ukraine), and SeABank (Vietnam) have made a few arrangements in the past six years.

A handful of DFIs and MDBs dominate these arrangements

While several public actors have participated, the International Finance Corporation (IFC) stands out as the most active, with 20 arrangements totaling \$2.9 billion in loan portfolio value. EBRD follows with 10 arrangements worth \$619 million, and IDB Invest with seven arrangements valued at \$395 million. EBRD's financing often incorporates a first-loss layer or guarantee from the [Resilience and Livelihoods Framework](#) concessional pool, supporting banks in Ukraine. IDB Invest relies on a broader set of concessional pools, including the [Canada Climate Fund for the Private Sector in the Americas](#) (I & II) and the World Bank's [We-Fi initiative](#), to back its loans and expand financing opportunities.



ENTRANCE OF MORE MAINSTREAM ASSET MANAGERS SIGNALS TRACTION

Asset managers primarily act as GPs of blended funds rather than investors into them

To date, asset managers have accounted for 33% of direct private investor commitments in climate blended finance, about \$5.7 billion across 226 deals with a median deal size of \$57 million. However, as seen in Figure 14, asset managers have managed 85% of climate blended funds launched between 2019 and 2024. Half of the climate funds they managed targeted energy, while one-third focused on agriculture.

Asset managers demonstrate moderate alignment with climate objectives

Since 2019, asset managers have managed 59 climate blended funds with a combined assets under management (AUM) of \$14.5 billion, of which 14 were PE/VC climate funds totaling \$2.4 billion. 53% of funds managed by asset managers targeted climate initiatives between 2019 - 2024. About 45% of these climate funds targeted, mitigation and cross-cutting measures respectively, with only 8% focused on adaptation. Most climate funds were cross-sectoral, though 44% targeted energy. Out of the funds launched, nearly two-thirds (66%) of PE/VC funds had no climate focus.

Impact-first fund managers continue to lead, but mainstream players are emerging

Mirova and responsAbility managed four and three blended funds respectively over the past six years (Figure 15). While such impact-driven managers have historically dominated, climate blended finance is increasingly attracting mainstream players like Allianz, Cygnum Capital, and Meridian, as seen in the league table. These mainstream managers are launching larger vehicles, with a median climate fund size of \$460 million, which is well above the overall market median.

Within asset managers, PE/VC funds demonstrate local presence

Over the past six years, asset managers have been concentrated in Western Europe (31%) and North America (26%), with a smaller share in East Africa (25%). Within this group, PE/VC funds demonstrate a stronger local footprint: 31% are based in East Africa, 24% in North America, and 17% in South and Southeast Asia.

Figure 14: Breakdown of private sector sponsors by vehicle type, 2022 - 2024

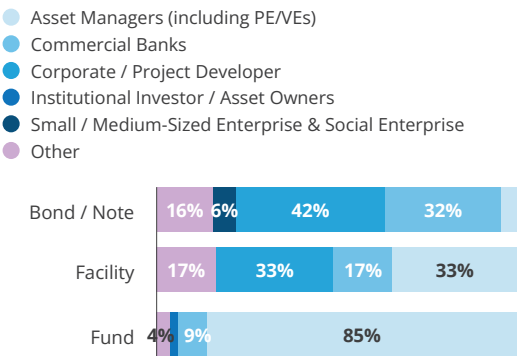
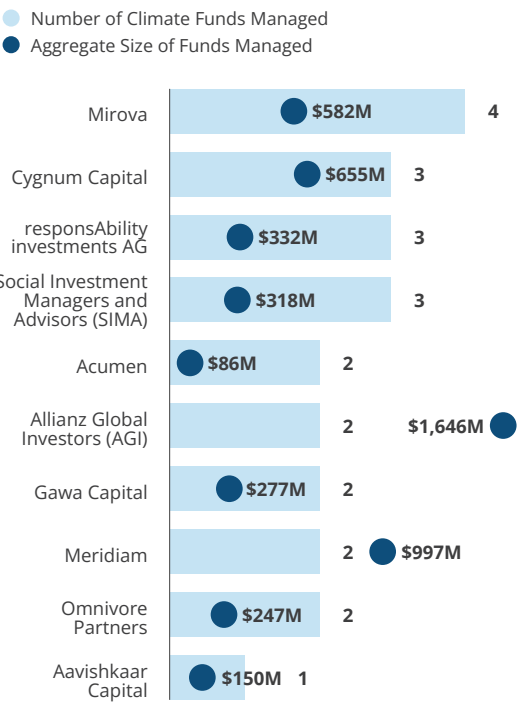


Figure 15: Most frequent fund managers in climate blended finance by number of funds managed and AUM, Vintage year: 2019-2024



APPENDIX

PROJECTS REMAIN THE DOMINANT VEHICLE FOR CLIMATE BLENDED FINANCE

Figure 16: Proportion of climate blended finance transactions by vehicle type per year, 2022-2024

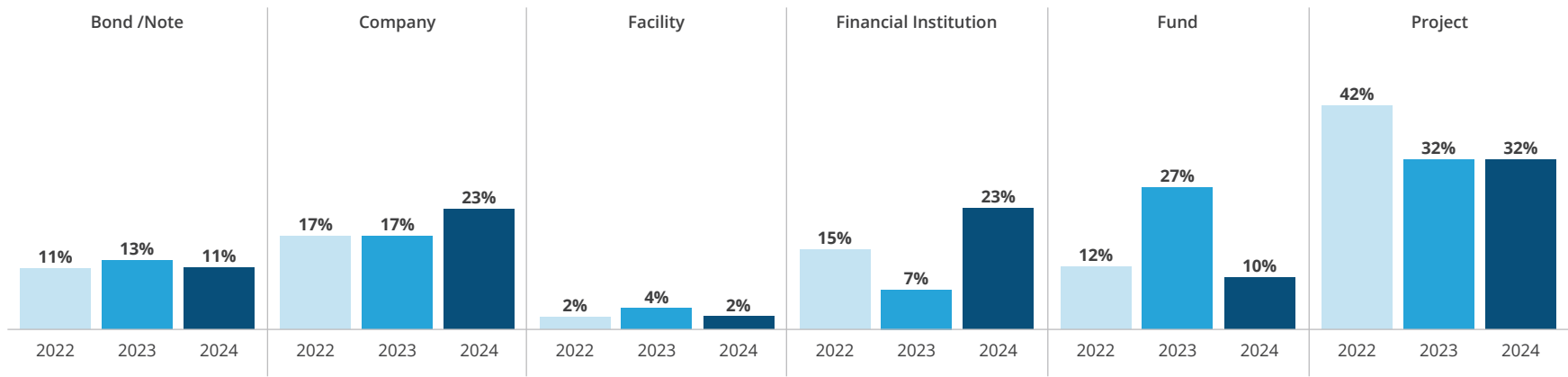
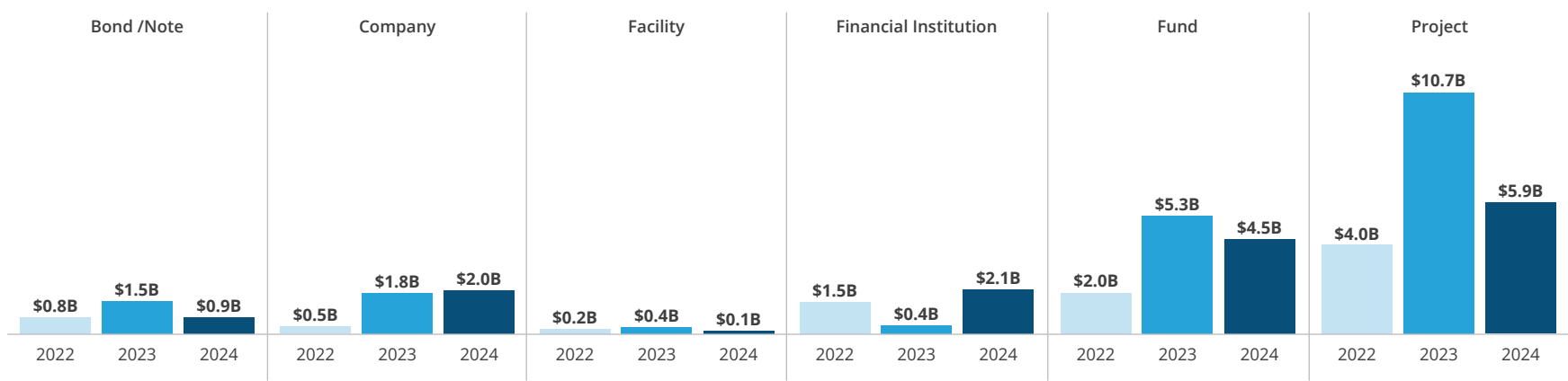
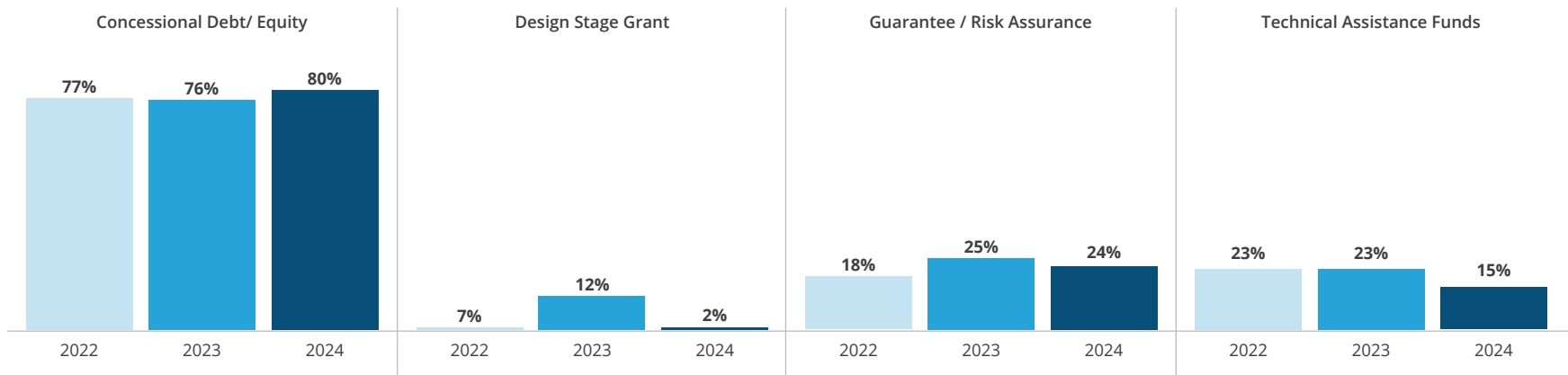


Figure 17: Aggregate annual financing for climate blended finance transactions by vehicle type per year, 2022-2024



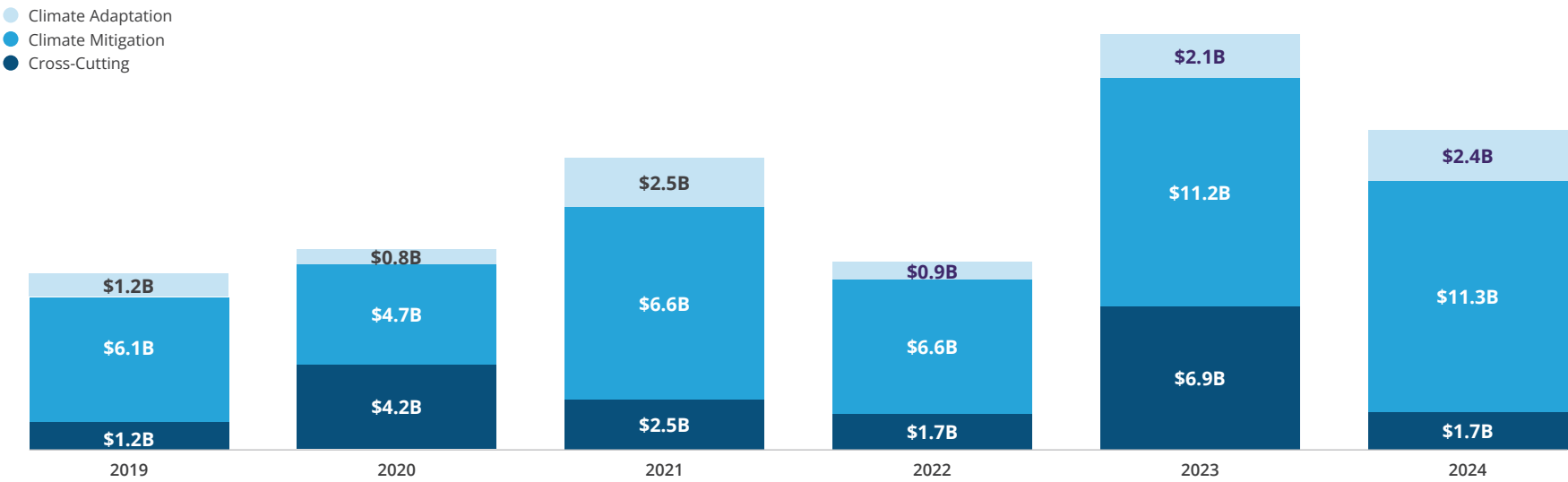
CONCESSIONAL DEBT & EQUITY REMAINS THE MOST PROMINENT BLENDING ARCHETYPE

Figure 18: Proportion of climate blended finance transactions by blending archetype per year, 2022-2024



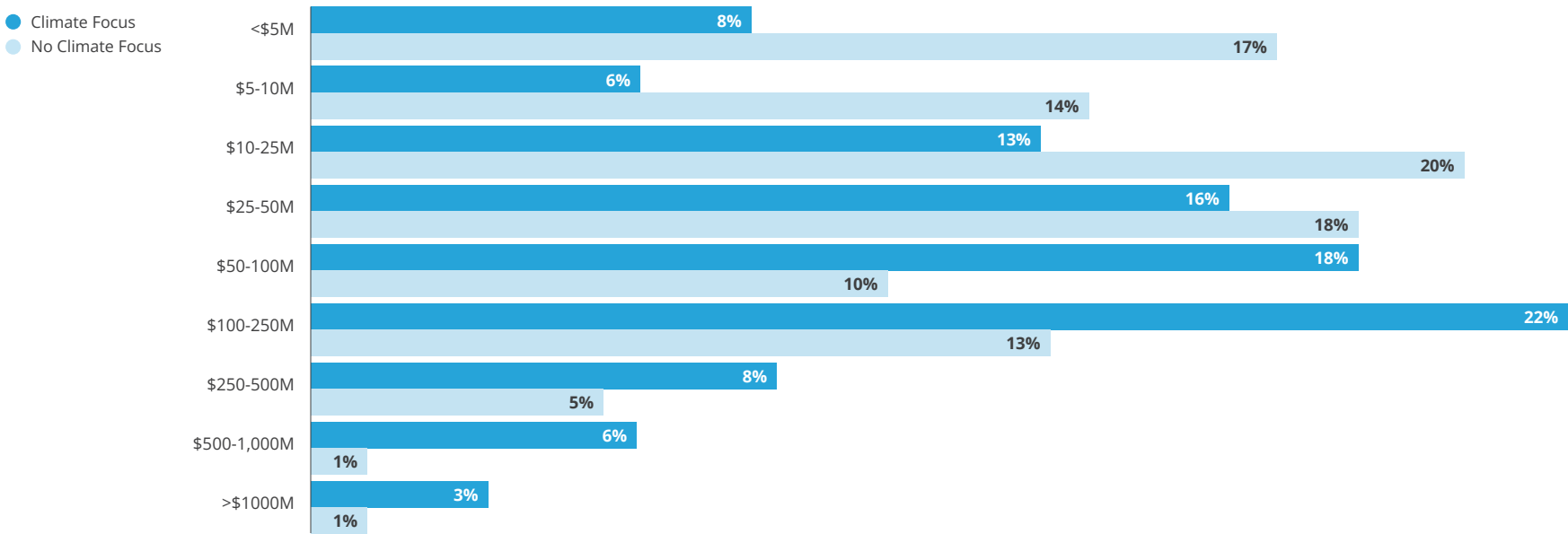
VOLATILITY IN FINANCING TOWARDS CROSS-CUTTING MEASURES

Figure 19: Aggregate annual financing volume in the climate blended finance market, 2019-2024



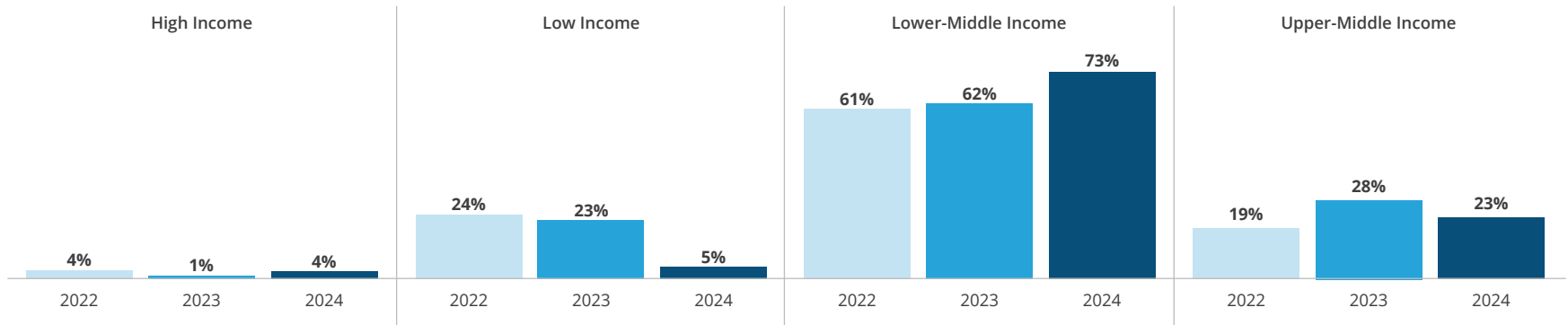
CLIMATE DEALS TEND TO BE LARGER THAN NON-CLIMATE DEALS

Figure 20: Proportion of blended finance deals by size, climate focus deals vs. non climate focus deals, 2019-2024

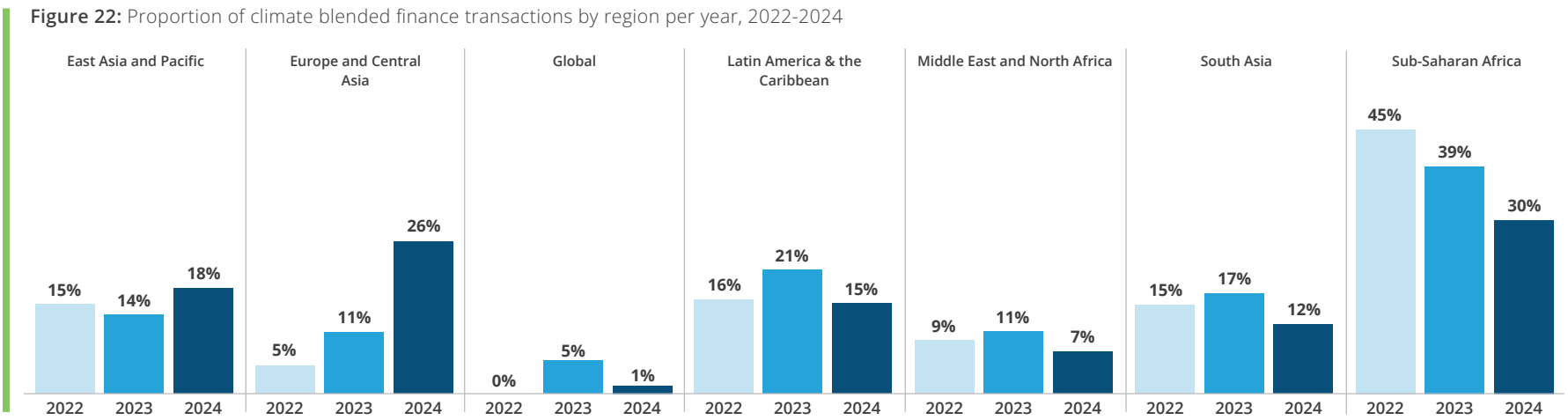


INVESTMENTS IN LOW-INCOME COUNTRIES EXPERIENCED A SHARP DECLINE

Figure 21: Proportion of climate blended finance transactions by country income level per year, 2022-2024



CONTINUED DECLINE IN CLIMATE BLENDED FINANCE DEALS TARGETING SUB-SAHARAN AFRICA

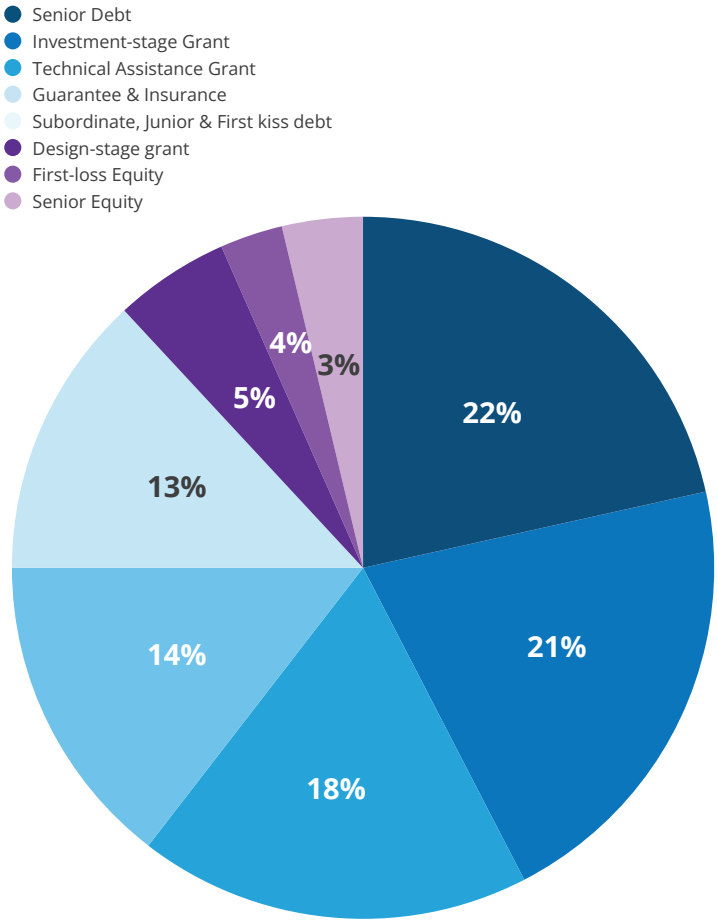


UKRAINE AND MONGOLIA JOIN THE TOP 10 COUNTRY LIST IN 2024



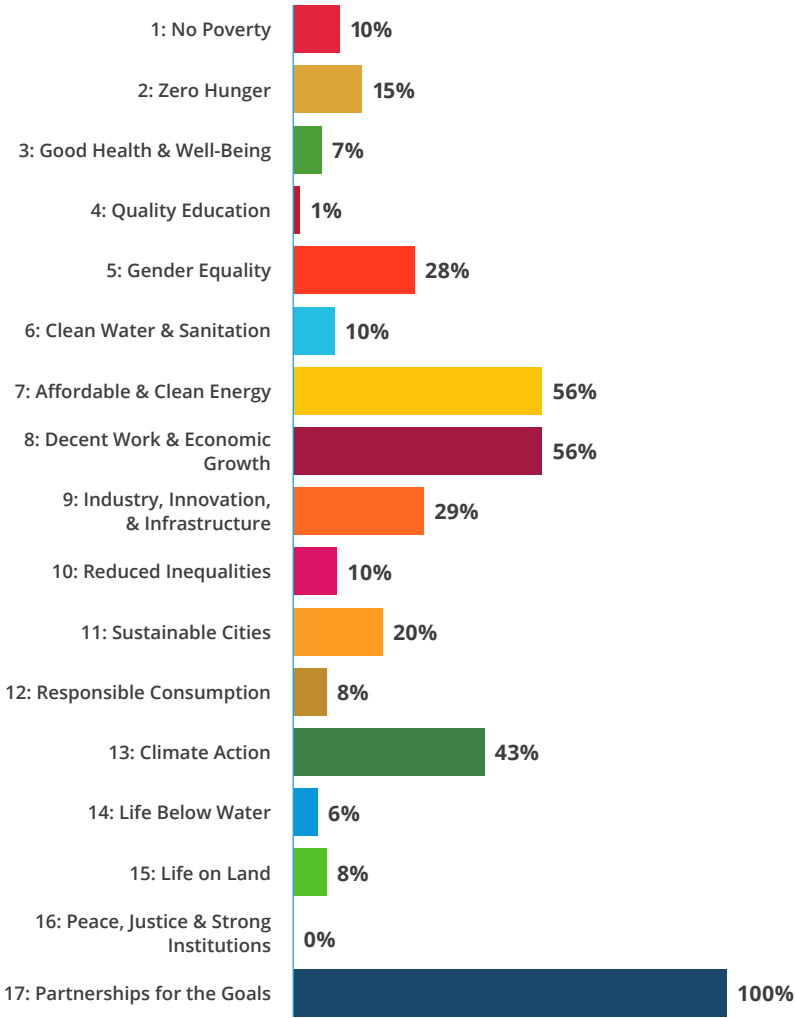
SENIOR DEBT IS THE MOST COMMON CONCESSIONAL INSTRUMENT, FOLLOWED CLOSELY BY INVESTMENT-STAGE GRANTS

Figure 24: Proportion of investments to climate blended finance transactions by concessional instrument, 2022-2024



CLIMATE BLENDED FINANCE PRIMARILY FOCUSES ON PROGRESSING ENERGY AND ECONOMIC GROWTH GOALS

Figure 25: Proportion of climate blended finance transactions by SDGs, 2022-2024



MID-SIZED BUSINESSES AND PROJECT DEVELOPERS ARE THE MAIN DIRECT BENEFICIARIES OF DEALS, WITH END BENEFITS ACCRUING TO THE GENERAL POPULATION

Figure 26: Direct recipients of climate blended finance transactions, 2022-2024

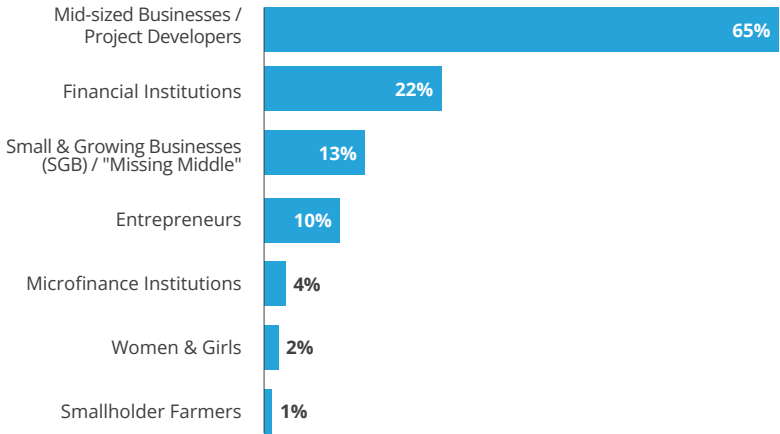
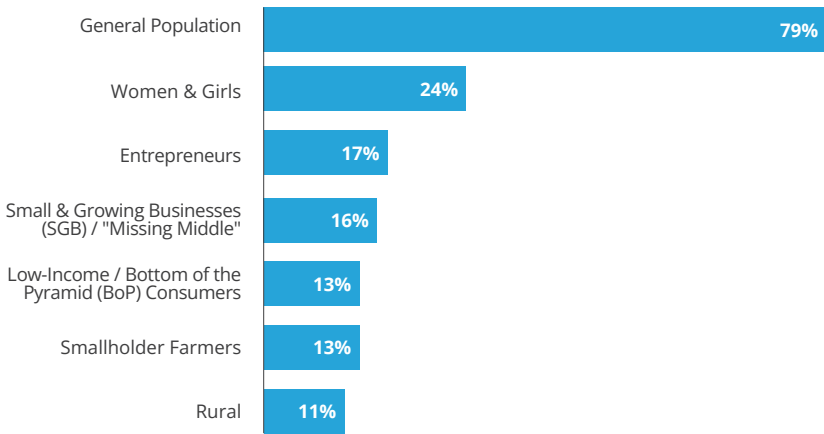
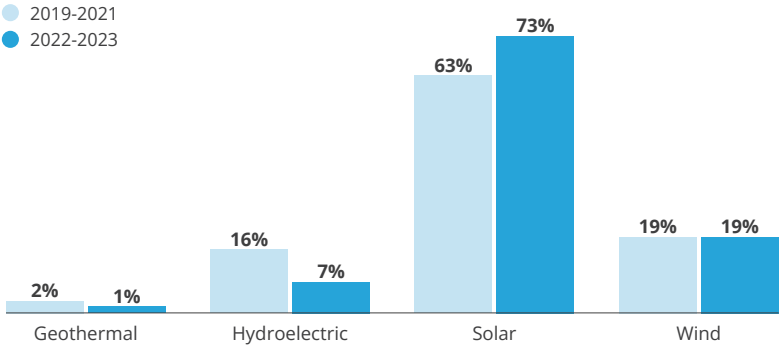


Figure 27: Indirect recipients of climate blended finance transactions, 2022-2024



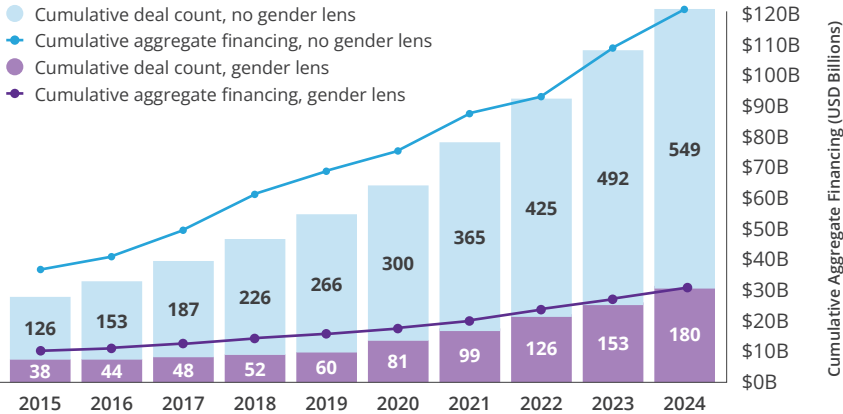
SOLAR PV IS THE MOST FREQUENT RENEWABLE TECHNOLOGY FINANCED THROUGH BLENDED FINANCE

Figure 28: Breakdown of renewable energy technologies financed through blended finance; proportion of all renewable energy deals, 2019-2024



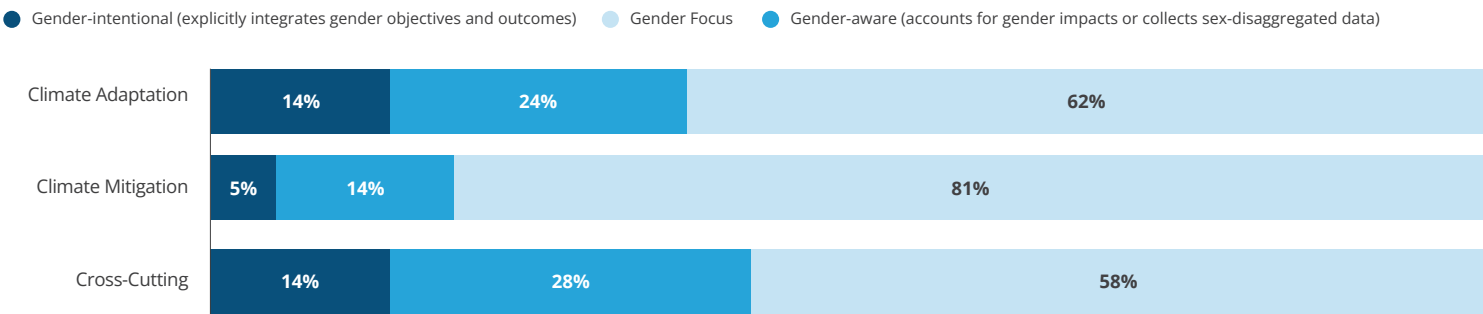
JUST OVER A QUARTER OF CLIMATE BLENDED FINANCE DEALS INCLUDE A GENDER LENS

Figure 29: Climate-gender nexus in climate blended finance (climate blended finance deals only), 2015-2024



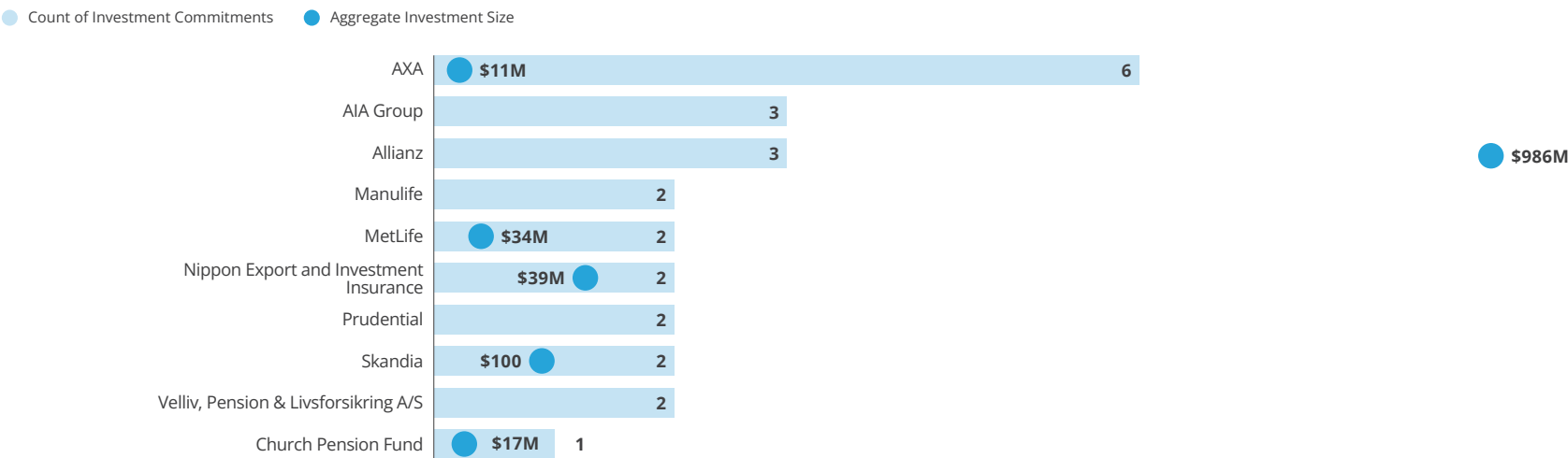
CROSS-CUTTING DEALS SHOW THE STRONGEST GENDER INTEGRATION

Figure 30: Proportion of climate blended finance transactions by gender score and thematic focus, 2019–2024.



AXA LEADS IN INSTITUTIONAL INVESTOR COMMITMENTS, WHILE ALLIANZ LEADS IN FINANCING

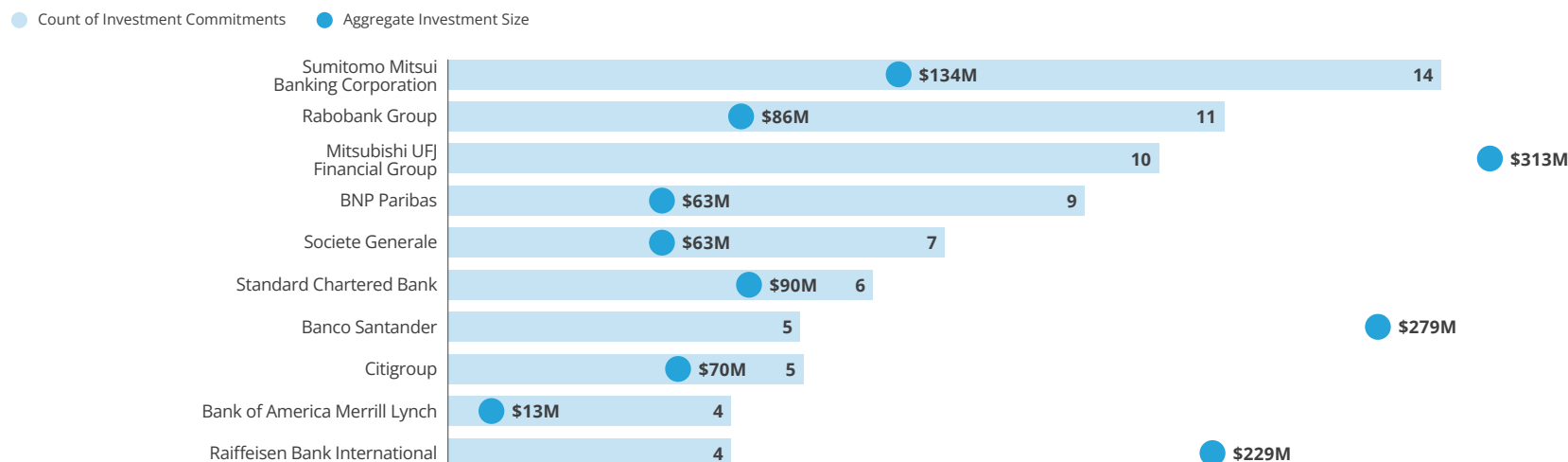
Figure 31: Most frequent institutional investors in climate blended finance by number of commitments and aggregate investment size (including guarantees/risk insurance), 2019-2024*



* Note: Owing to limited public disclosures, investment volume information is unavailable for certain investors included in this league table.

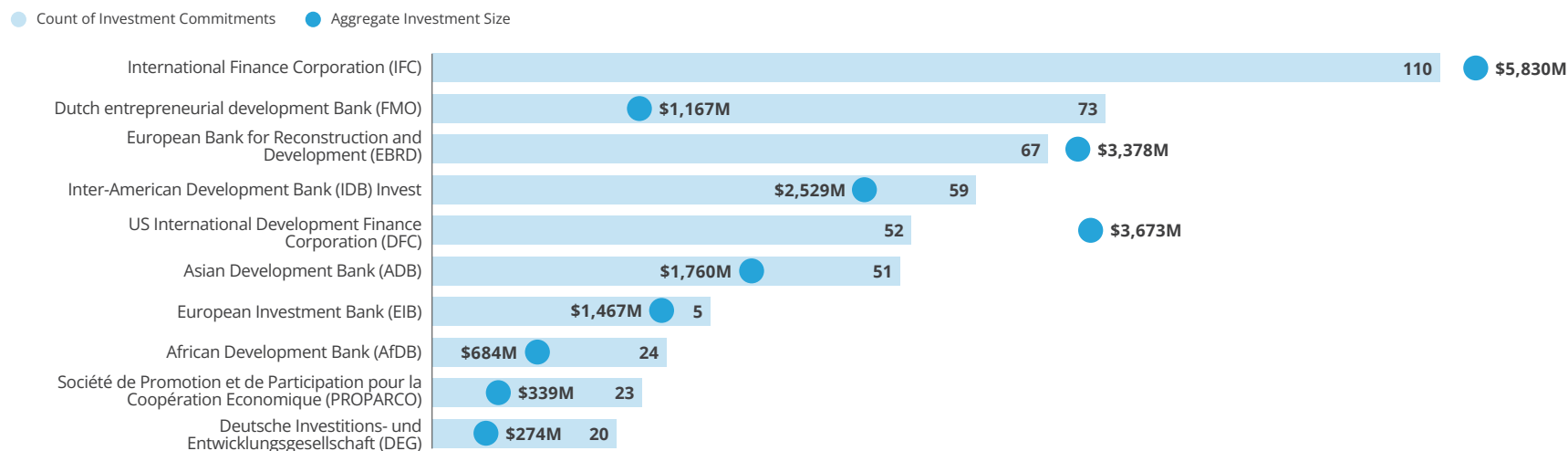
SUMITOMO MITSUI BANKING CORPORATION LEADS IN COMMERCIAL BANK COMMITMENTS, WHILE MITSUBISHI UFJ FINANCIAL GROUP LEADS IN FINANCING

Figure 32: Most frequent commercial banks in climate blended finance by number of commitments and aggregate investment size (including guarantees/risk insurance), 2019-2024



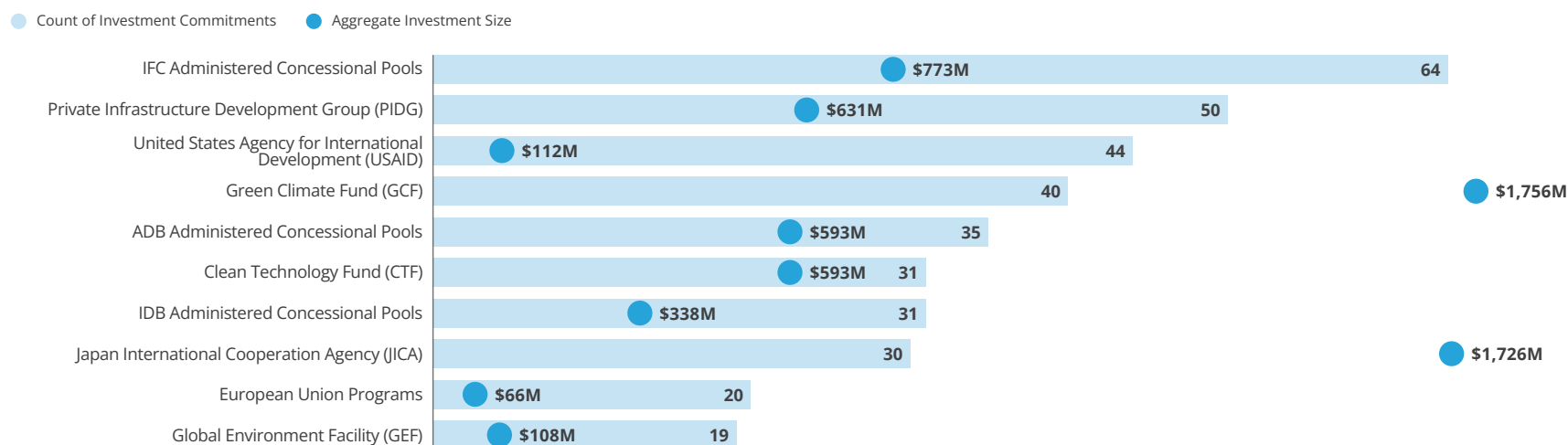
IFC LEADS IN DFI/MDB COMMITMENTS AND FINANCING

Figure 33: Most frequent DFI/MDB participants in climate blended finance deals by number of commitments and aggregate investment size (including guarantees/risk insurance), 2019-2024



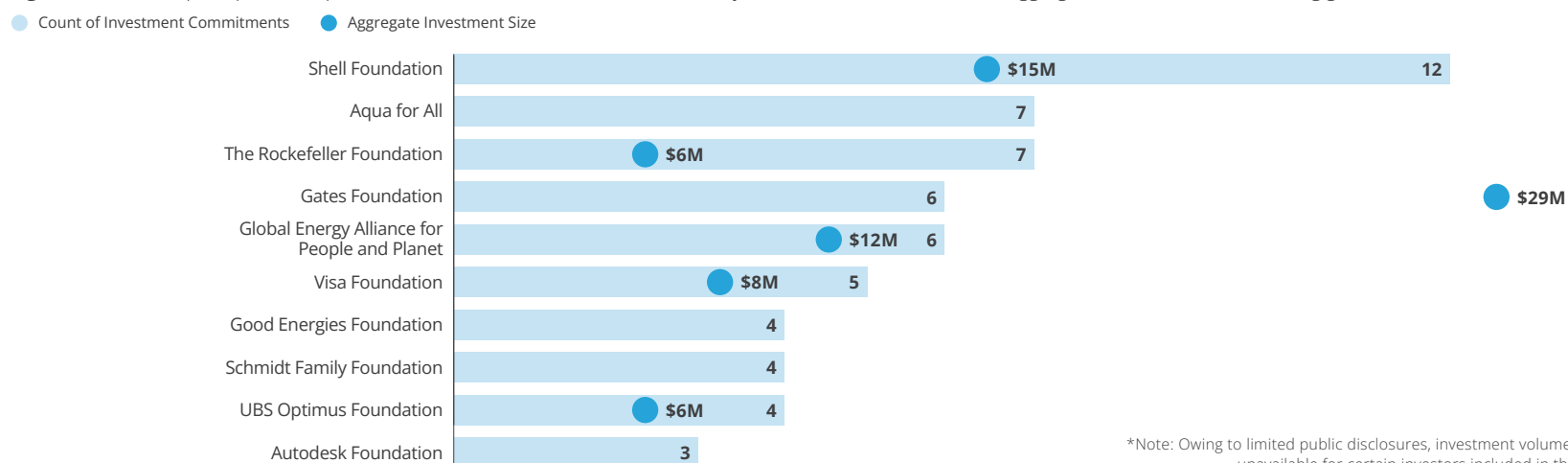
IFC-ADMINISTERED CONCESSIONAL POOLS LEAD IN COMMITMENTS FOR DEVELOPMENT AGENCIES AND MULTI-DONOR POOLS, WHILE THE GREEN CLIMATE FUND LEADS IN FINANCING

Figure 34: Most frequent development agencies and multi-donor funds in climate blended finance deals by number of commitments and aggregate investment size (including guarantees/risk insurance), 2019-2024



SHELL FOUNDATION LEADS IN COMMITMENTS FOR PHILANTHROPIC ORGANIZATIONS, WHILE THE GATES FOUNDATION LEADS IN FINANCING

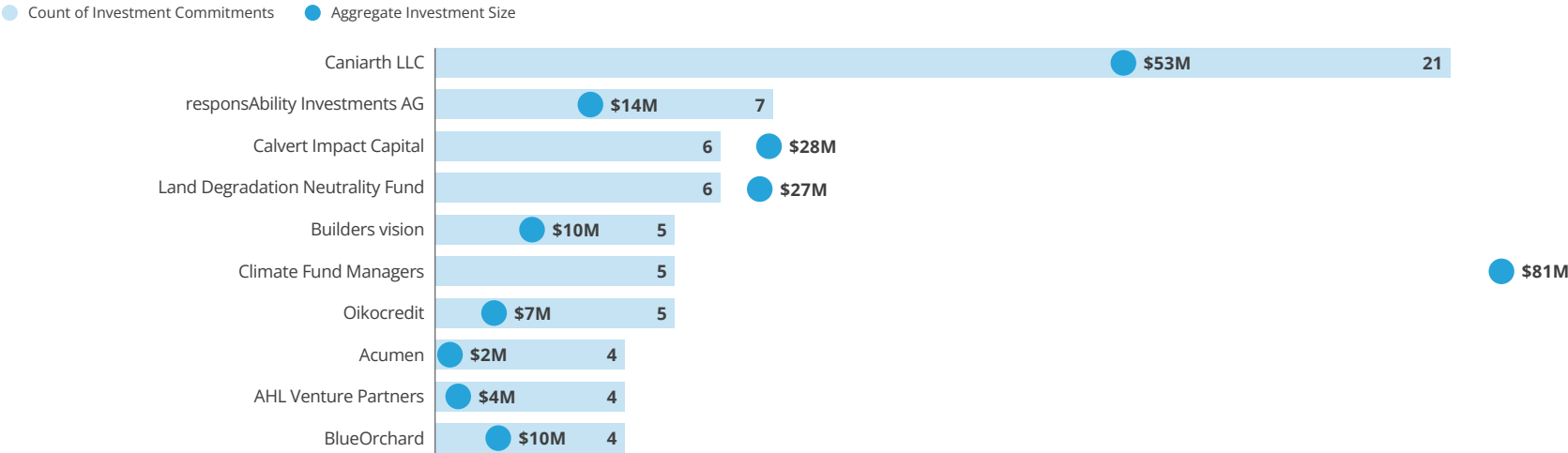
Figure 35: Most frequent philanthropic investors in climate blended finance deals by number of commitments and aggregate investment size (including guarantees/risk insurance), 2019-2024*



*Note: Owing to limited public disclosures, investment volume information is unavailable for certain investors included in this league table.

CENIARTH LLC LEADS IN COMMITMENTS FOR IMPACT INVESTORS, WHILE CLIMATE FUND MANAGERS LEADS IN FINANCING

Figure 36: Most frequent impact investors in climate blended finance deals by number of commitments and aggregate investment size (including guarantees/risk insurance), 2019-2024





CONVERGENCE is the global network for blended finance. We exist to increase private investment in emerging markets and developing economies to advance the UN Sustainable Development Goals and Paris Agreement.



BLENDED FINANCE uses catalytic capital from public or philanthropic sources to scale up private sector investment in emerging markets to realize the SDGs.



Our **GLOBAL MEMBERSHIP** includes public, private, and philanthropic investors as well as sponsors of transactions and funds. We offer this community a curated, online platform to connect with each other on blended finance transactions in progress, as well as exclusive access to original market intelligence and knowledge products such as case studies, reports, trainings, and webinars. To accelerate advances in the field, Convergence also provides grants for the design of vehicles that could attract private capital to global development at scale.