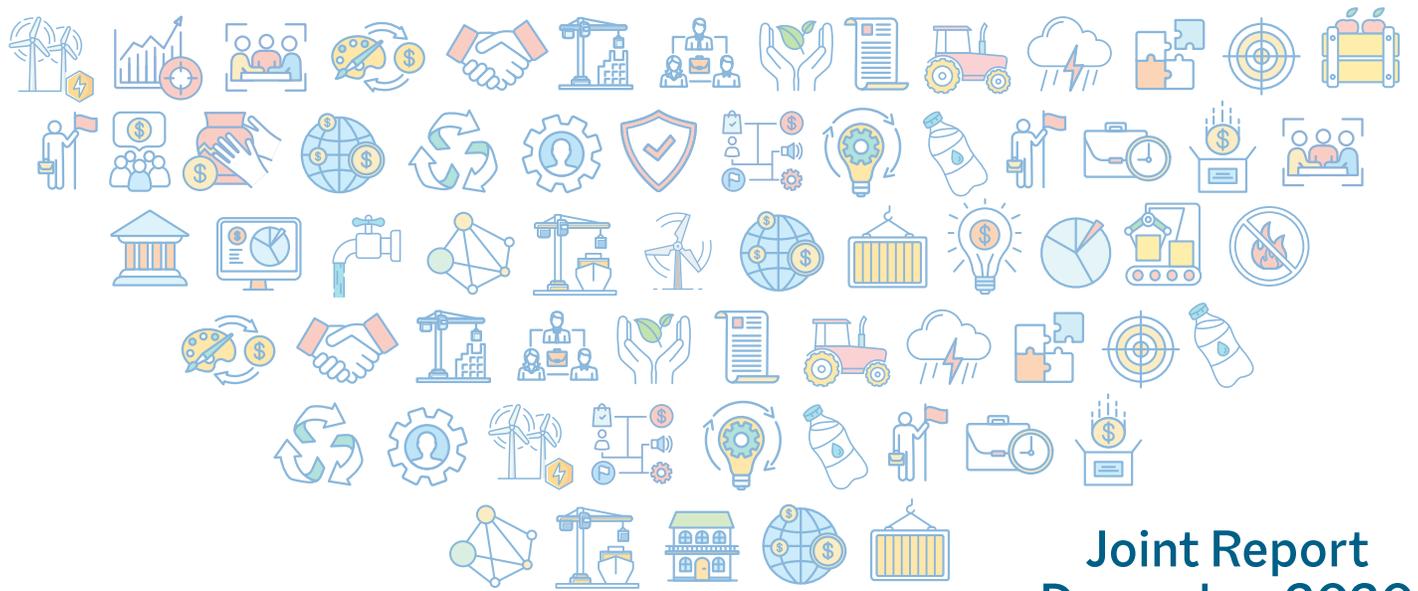


# DFI Working Group on Blended Concessional Finance for Private Sector Projects



Joint Report  
December 2020  
Update



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This report was prepared by a group of Development Finance Institutions (DFIs), composed of the African Development Bank (AfDB), the Asian Development Bank (AsDB), the Asia Infrastructure Investment Bank (AIIB), the European Bank for Reconstruction and Development (EBRD), European Development Finance Institutions (EDFI), the European Investment Bank (EIB), the Inter-American Development Bank Group (IDBG), the Islamic Corporation for the Development of the Private Sector (ICD), and the International Finance Corporation (IFC).



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# I. Executive Summary

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

**The development and implementation of a set of Enhanced Principles on the operational use of blended concessional finance in private sector operations has been a key outcome of the initial phases of this work.** In October 2017,<sup>1</sup> the Multilateral Development Bank (MDB) Heads and European Development Finance Institutions (EDFI) Management approved the **DFI Enhanced Principles**. These Principles strengthened the *2013 DFI Guidance for Using Investment Concessional Finance in Private Sector Operations*,<sup>2</sup> and remain highly relevant to the use of concessional financing and mobilization of private capital. Since then, the DFIs have focused on implementing the Enhanced Principles in their operations and sharing best practices with respect to their implementation.

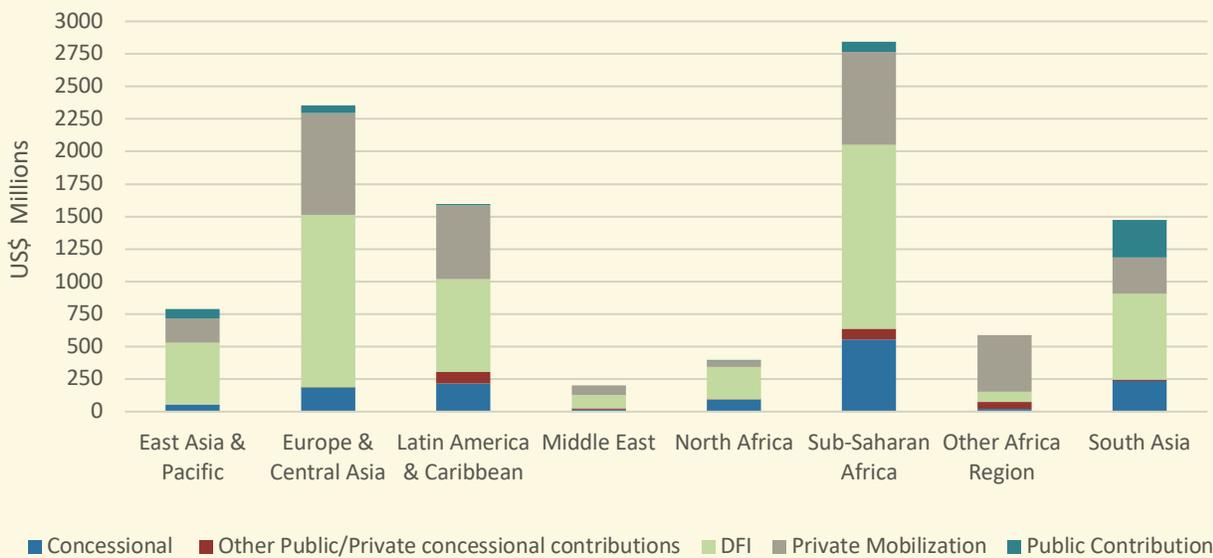
**This report provides an update on the core outcomes of this work conducted in 2020.** Over the last year, the members of the DFI working group worked to (i) update the DFI blended concessional finance data to 2019; (ii) share knowledge and experience on the use of blended concessional finance, including updates on program growth and innovation, and improvements in governance arrangements with respect to blended concessional finance and the Enhanced Principles; and (iii) coordinate interactions with other working groups that address blended concessional finance issues.

## DATA UPDATE

In 2019, DFIs financed projects with a total volume of more than US\$10.4 billion supported by Blended Concessional Finance. Concessional funds from DFIs committed to these projects were approximately US\$1.4 billion. Private sector finance mobilized was approximately US\$3.1 billion, and DFI own-account investments in these projects were about US\$5.1 billion. The balance of funds came from other concessional contributions (US\$0.2 billion) and contributions from other public sources at commercial rates (US\$ 0.6 billion). The most common concessional

instrument committed by DFIs in 2019 was senior debt, comprising 46% of total committed concessional investment volume, followed by equity (19%), risk-sharing facilities and guarantees (16%), and subordinated debt (12%). The predominant sector for DFI concessional commitments was infrastructure (in many cases for climate change-related projects), which was prominent across all country income groups. The banking and finance sector (mostly in support of SMEs) was also well represented in all income groups, while the “other” sector, which includes agribusiness, was largely in low and lower middle-income countries. Concessional funds committed by DFIs were used the most in lower middle-income countries and in the Sub-Saharan Africa region. (See Figure 1).

**FIGURE 1. TOTAL DFI BLENDED CONCESSIONAL FINANCE PROJECT COST BY REGION\***



\*Note: The “Other Africa” region represents volumes in Africa that are not able to be separately broken out into “North Africa” and “Sub-Saharan Africa.”

Compared to 2018, DFI concessional funds committed increased by about 29 percent, with a greater focus on low-income and lower-middle income countries. The total volume of projects financed increased by over 70 percent, with an 80 percent increase in private mobilization and a doubling of DFI contributions. with the largest growth in each case in low-income countries. In terms of themes, total project volume approximately doubled in climate finance and SME finance in 2019 compared to 2018, and agribusiness was more than four times higher. The percent of senior loans in 2019 declined compared to 2018, with a higher percent of subordinated debt and guarantees/risk-sharing facilities.

## UPDATE ON PROGRAMS, GOVERNANCE, AND OUTREACH

DFIs expect significant growth in blended concessional finance activities in the coming years, driven by increased demand for risk mitigation products to support work in higher risk countries, address climate change, and deal with the COVID 19 crisis. DFIs are responding

by expanding the scope and implementation capacity of their programs. Project highlights this year include innovative renewable energy infrastructure and climate adaptation projects, SME programs targeting women and youth, projects targeting rural farmers, and venture capital for women entrepreneurs. DFIs are addressing the COVID 19 crisis by supporting company liquidity needs, improving the supply of medical equipment, and beginning to address long term firm restructuring issues, and blended concessional finance in many cases is an important component of these programs. DFIs discussed how better to respond to COVID 19-related market needs within the context of the agreed DFI Enhanced Principles, given the wide-ranging impacts experienced by private companies in 2020.

DFIs continue to strengthen the blended concessional finance governance processes at their institutions, including by strengthening independent review and/or decision-making bodies. DFIs, in a regular series of meetings shared insights on managing blended concessional finance, such as streamlining processes, enhancing communications, and assessing apparent trade-offs between mobilization and additionality. The DFIs discussed improving articulation of the rationale for blended concessional finance and progress on improving transparency, such as by providing blended concessional finance summary reports, enhancing information on blended concessional finance in DFI websites, and providing additional project level reporting.

Throughout the last year the DFI Working Group organized DFI engagement with other blended finance groups, including the THK forum, the OECD, the UN, the Blended Finance Task Force, and the Global Impact investing Network. DFIs have also been reaching out to other DFIs that are likely to join the working group.

## **NEXT STEPS**

### **DFIs are committed to furthering the work to optimize the use of concessional resources.**

The DFI Working Group has recommended the following areas for continued engagement in the next phase:

1. Continue the dialogue and knowledge-sharing on blended concessional finance including implementation of the Enhanced Principles, with a main meeting once per year and additional meetings and conference calls as needed, with other in-person meetings centered around events where the DFIs are likely to attend.
2. Continue to reach out to development partners (bilateral and multilateral donors/ contributors, foundations, and others), other DFIs and relevant institutions, including National Development Banks and new bilateral DFIs, to encourage and extend the adoption of the Enhanced Principles to a wider range of actors financing private sector operations.
3. Use the DFI working group to provide coordinated DFI input into discussions with other blended finance-related working groups, and encourage alignment where appropriate.
4. Continue updating the DFI blended concessional finance data, refining the methodology for collection and analysis, and publishing a joint report annually.

## II. Introduction and Context

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

To help ensure the **effective and efficient** use of concessional resources in private sector projects, and **avoid market distortion** or **crowding out** private capital, the MDB Heads and EDFI Management at their October 2016 meetings called for efforts to build on and further strengthen the principles for the use of concessional finance in private sector operations agreed by the DFIs in October 2013.<sup>3</sup>

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

The results of the work carried out in 2017 by the DFI working group<sup>4</sup> were presented to the DFI Private Sector Roundtable and the MDB Heads meeting in October 2017. The key deliverables included **an enhancement of the DFI blended concessional finance principles (Enhanced Principles, see Box 1 and summary in Annex 1) and a presentation of pilot aggregated data on** the use of blended concessional finance across the DFIs. Additional joint discussions across the DFIs on case studies of blended concessional finance projects provided a useful body of evidence to ground the discussion on the Enhanced Principles. MDB Heads and EDFI Management adopted the Enhanced Principles and agreed to implement them. After the meetings, a joint report<sup>5</sup> was released containing the Enhanced Principles summary, data summary, and case study summary.

As also agreed by the MDB Heads and EDFI Management, the DFI Blended Concessional Finance Working Group has remained engaged over the last three years to implement the remaining recommendations, working in four major areas: 1) **sharing and discussing in detail the governance frameworks** and approaches being put in place to implement the DFI Blended Concessional Finance Principles, 2) **updating and improving the scope and quality of the DFI blended concessional finance data**, 3) **sharing knowledge and experiences**

**and discussing** issues related to implementing the Principles, and 4) **coordinating engagement with other working groups addressing blended finance**. A report on these activities in 2018 and 2019 was previously released.<sup>6</sup> This report summarizes progress in 2019, including case studies.

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

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

### III. Analysis of 2019 Private Sector Blended Concessional Finance Data from Development Finance Institutions

In 2019, the total volume of DFI financed projects that utilized blended concessional finance was US\$10.4 billion. Of the US\$10.4 billion, concessional funds committed totaled approximately US\$1.4 billion, while DFI own-account investments were approximately US\$5.1 billion, private mobilization was US\$3.1 billion, other public/private concessional contributions were US\$238 million, and public contributions were US\$608 million.

The most common concessional instrument used was senior debt, comprising 46% of total concessional investment volume (compared to 60% in 2018). Risk-sharing facilities and guarantees (16%), and subordinated debt (12%) became more prominent instruments in 2019 and equity was nearly the same (19%). In terms of concessional investments, the predominant sector was infrastructure (in many cases for climate projects) and was prominent across all country income groups. Banking and finance (mostly in support of SMEs) was also well represented across all income groups, while the “other” sector, which includes agribusiness, was largely in low and lower middle-income countries. Concessional funds were used the most in lower middle-income countries and in the Sub-Saharan African region. Sub-Saharan Africa, North Africa climate finance and the infrastructure sector also had higher levels of concessional finance relative to total project cost compared to most other regions and sectors or themes.

#### OVERALL VOLUMES — 2019 KEY FINDINGS

Overall volume results are presented in Figure 2<sup>7</sup>

- DFIs in 2019 financed a total project volume of over US\$10.4 billion using various blended concessional finance solutions for private sector operations.
- This is a relatively small percentage of the total volume of all DFI private sector projects financed every year.<sup>8</sup>
- Private sector finance mobilized for the projects supported by concessional finance was about US\$3.1 billion.
- Concessional commitments of all types (e.g., debt, guarantees, grants, or equity) managed by DFIs for these projects were about US\$1.4 billion. The projects also had about US\$5.1 billion of DFI own account non-concessional financing.

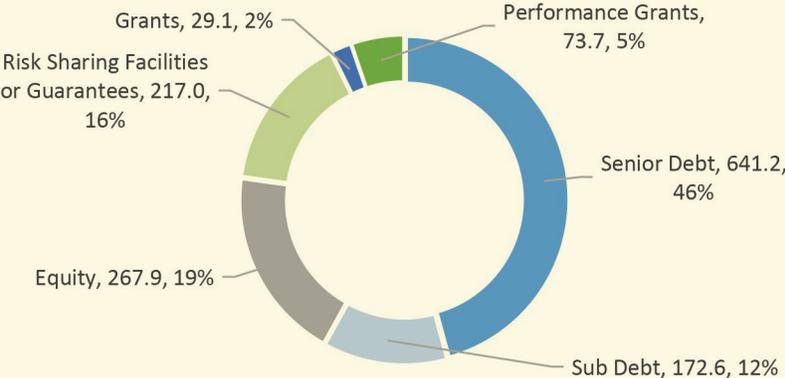
**FIGURE 2. DFI PRIVATE SECTOR BLENDED CONCESSIONAL FINANCE NEW PROJECT COMMITMENTS, 2019**



Compared to 2018, the concessional amounts provided by DFIs were somewhat higher (US\$1.4 billion in 2019 vs US\$1.1 billion in 2018). The amounts mobilized from DFIs and the private sector were significantly higher than 2018, resulting in a higher overall total project volume (US\$10.4 billion in 2019 compared to US\$6.1 billion in 2018). The mobilization amounts vary by region, sector and theme as noted in the following sections.

Figure 3 shows the concessional commitment volumes in calendar year 2019 broken down by blended concessional finance instrument. By volume, the largest instrument was senior debt (46%). Compared to 2018, where senior debt comprised 60% of blended concessional commitment volume, there has been a growing share of other products, particularly subordinated debt and risk-sharing facilities and guarantees.<sup>9</sup>

**FIGURE 3. CONCESSIONAL COMMITMENT VOLUME BY BLENDED CONCESSIONAL FINANCE INSTRUMENT, 2019**



**GEOGRAPHY**

Figure 4 shows the concessional funds and related DFI own-account commitments in blended concessional finance activities in 2019, broken down by country income level. Similar to last year, lower middle-income countries had the largest share of concessional funds and had the largest amount of DFI financing in projects. However, there was a growing trend in concessional and DFI volumes in the low-income category compared to 2018. Reported 2019 activities in upper middle-income countries were primarily under the climate finance theme (see section on themes).

**FIGURE 4. CONCESSIONAL AND DFI NEW COMMITMENTS BY COUNTRY INCOME LEVEL, 2019**

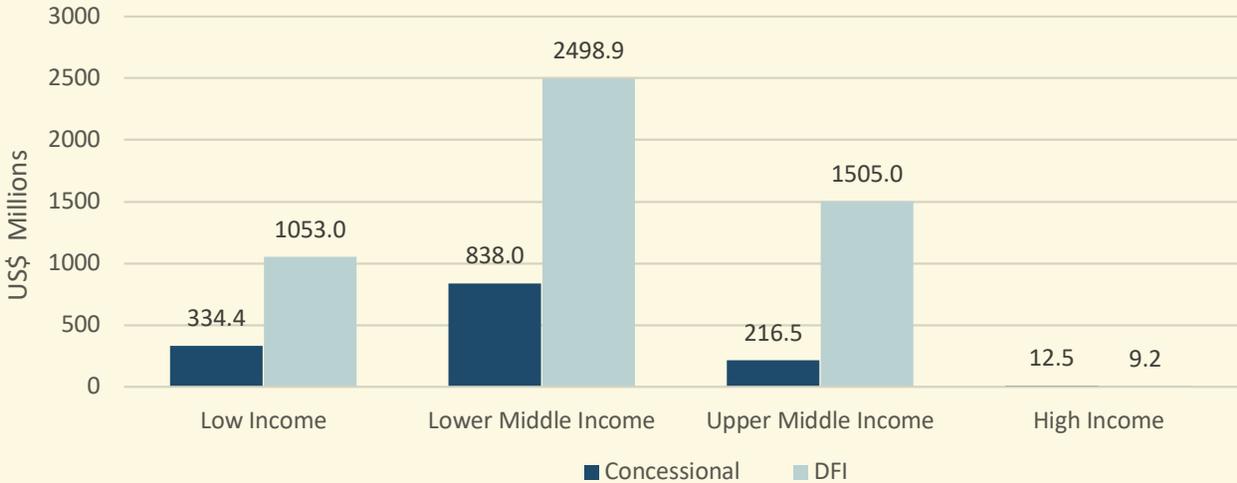


Figure 5 shows the composition of total project volume of blended concessional finance projects, including the concessional funds provided and public/private resources mobilized, broken down by country income level. Mobilization of private and DFI financing was significant in all regions but higher in lower middle-income countries.

**FIGURE 5. TOTAL PROJECT VOLUME BY INCOME LEVEL, 2019**

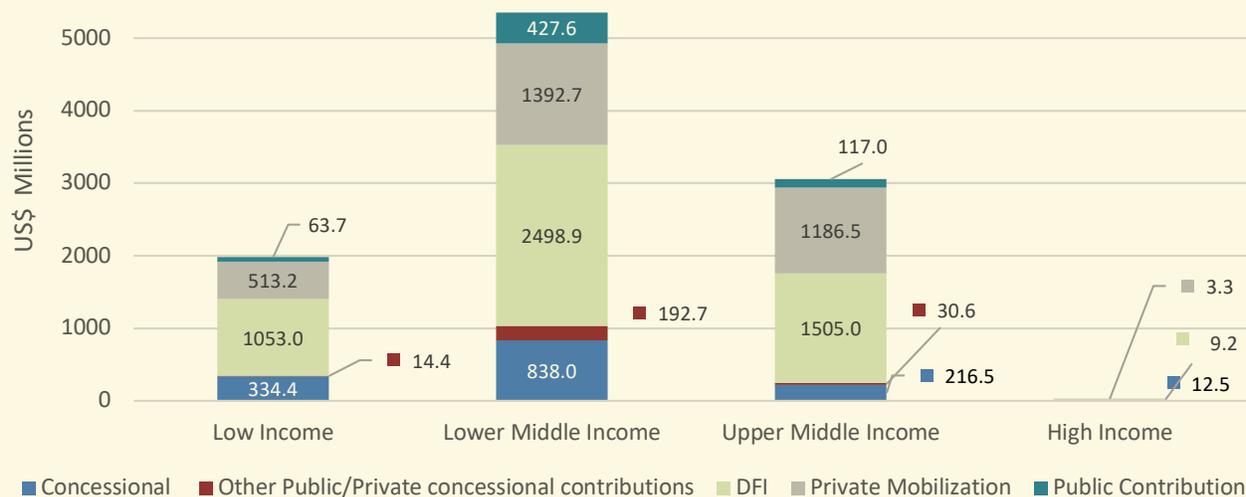
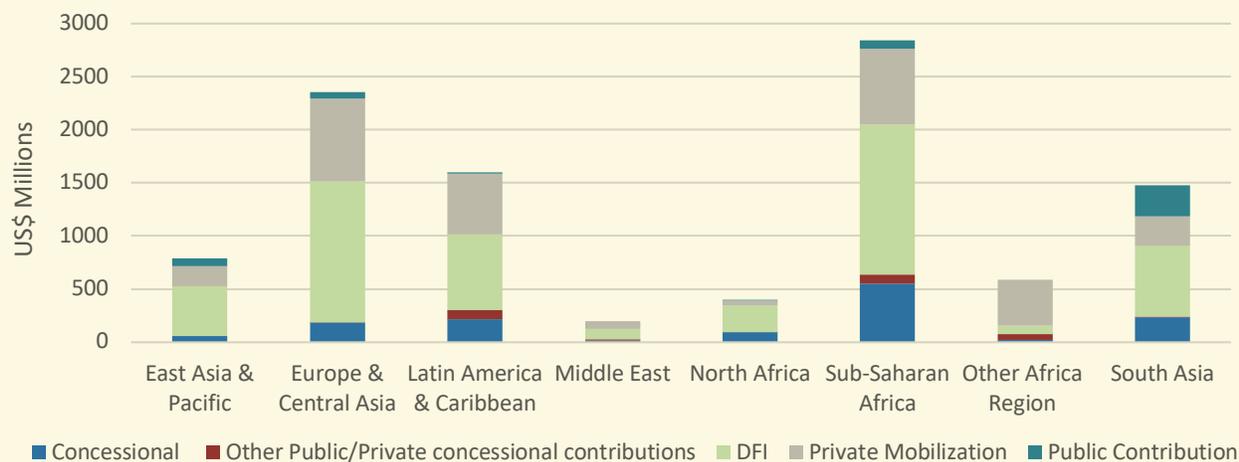


Figure 6 shows the composition of total project volume of blended concessional finance projects by Region. In 2019, Sub-Saharan Africa and North Africa were the regions with largest amount of committed concessional resources relative to total project size. Latin America and the Caribbean and South Asia also had higher shares of concessional resources deployed relative to total project size compared to other regions.

**FIGURE 6. TOTAL DFI BLENDED CONCESSIONAL FINANCE PROJECT VOLUME BY REGION, 2019**



Note: South Asia reflects a few Infrastructure projects with larger “Public” Contributions

## SECTORS

Figure 7 shows the concessional funds and related DFI own-account commitments in blended finance activities in 2019, broken down by sectors.<sup>10</sup> In terms of concessional finance deployed, infrastructure was the most prominent sector in 2019, while the finance/banking sector showed the highest volume in terms of DFI funds mobilized.

**FIGURE 7. CONCESSIONAL AND DFI NEW COMMITMENTS BY SECTOR, 2019**

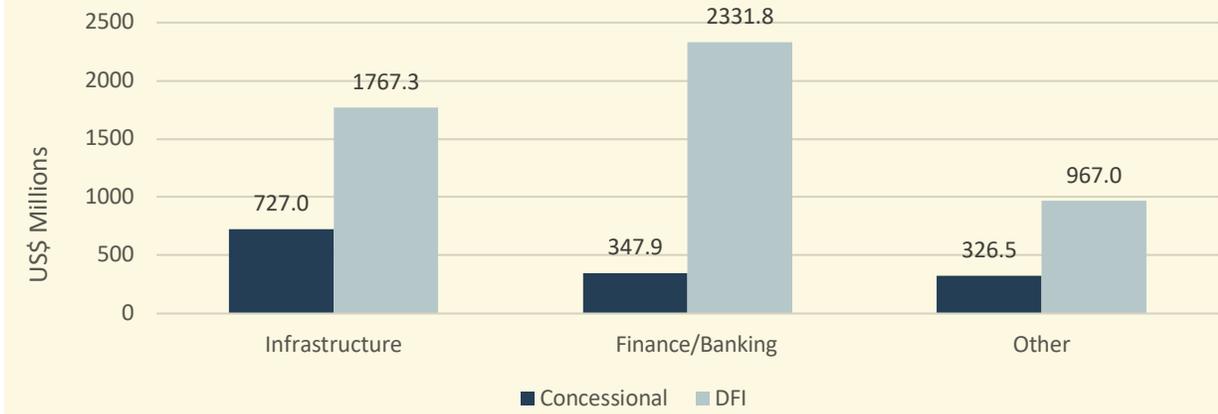


Figure 8 shows the composition of total project volume of blended concessional finance projects in 2019 by sector. There was significant DFI and private finance mobilized in all sectors, but the financial sector showed a higher amount of private sector mobilization relative to concessional funds deployed.

**FIGURE 8: TOTAL PROJECT VOLUME BY SECTOR, 2019**

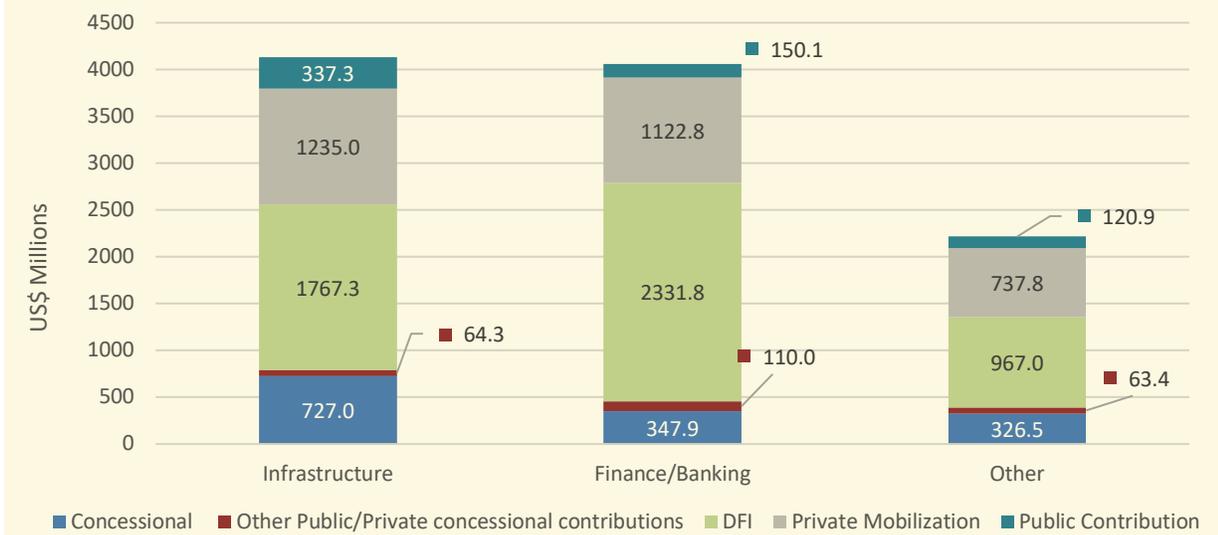


Figure 9 shows new concessional commitments by instrument in 2019 by sector. Senior debt comprised 45% of the total blended concessional finance volume in 2019 and had a significant share in all sectors. Subordinated Debt and risk-sharing facilities/guarantees showed increasing volume in 2019 compared to last year and also showed significant shares in all sectors. In the “other” sector, which includes significant agribusiness, there was a relatively smaller share of senior debt, while subordinated debt, equity, risk-sharing facilities/guarantees, and performance grants, were all significant products. There was also a significant equity share in infrastructure and significant performance grants in finance/banking.

**FIGURE 9. NEW CONCESSIONAL COMMITMENTS BY INSTRUMENT BY SECTOR, 2019**

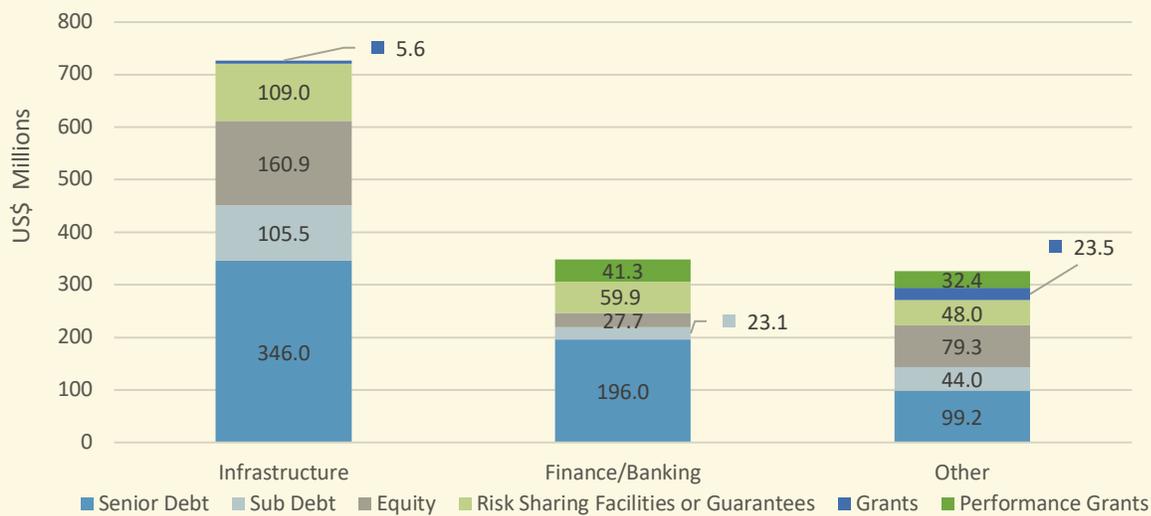


Figure 10 shows the sector compositions of concessional finance by country income level in 2019. Infrastructure had the highest share across income groups. In low-income countries, where the infrastructure sector has in the past been relatively less represented, there was a larger volume of concessional funds deployed in 2019 compared to 2018. This is largely attributed to the Upper Trishuli 1 Hydro power project plant in Nepal, which was financed by a group of DFIs (see case study in Annex 2). The “other” sector, which includes agribusiness, was mostly represented in low and lower middle-income countries, while finance and banking was well represented in all income groups.

**FIGURE 10: NEW CONCESSIONAL COMMITMENTS BY INCOME LEVEL BY SECTOR, 2019**

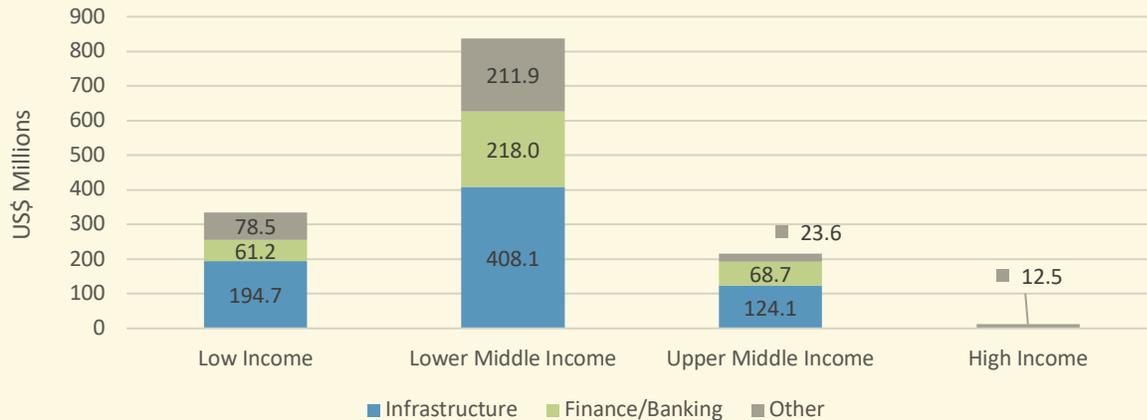
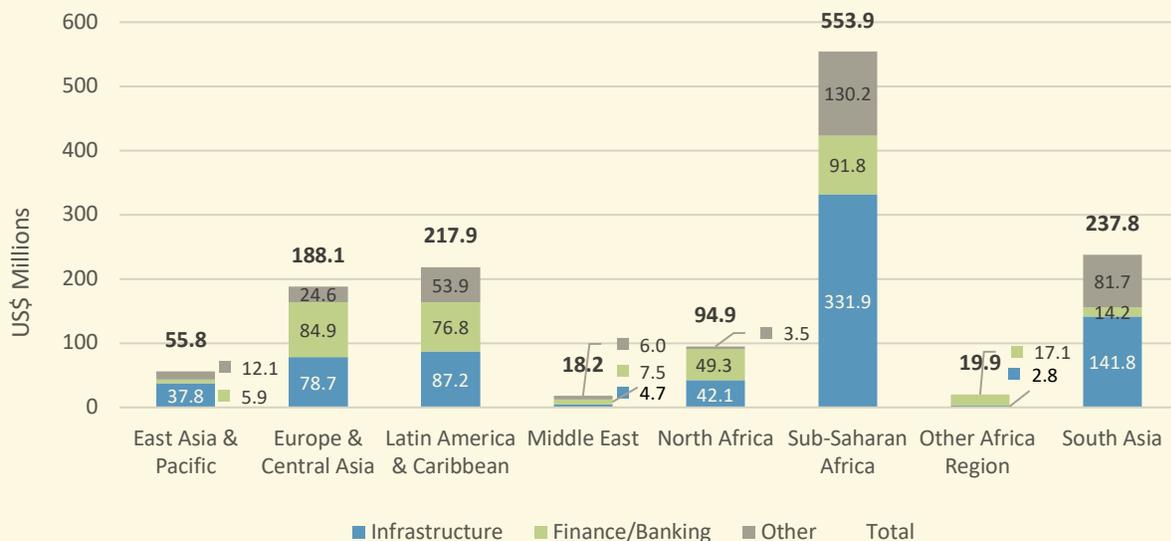


Figure 11 shows new concessional finance commitments by region and by sector. Similar to previous reports, Sub-Saharan Africa was the region with the most blended finance deployed. Most of the blended finance deployed in Sub-Saharan Africa was in infrastructure but there was also a large share of the “other” sector, which includes agribusiness, represented. In absolute volumes, finance and banking was prominent in Sub Saharan Africa, North Africa, Latin America as well as Europe and Central Asia

**FIGURE 11: NEW CONCESSIONAL COMMITMENTS BY REGION BY SECTOR, 2019**



## THEMES

Thematic data presents methodological challenges given differences amongst DFIs in theme definitions and due to overlapping thematic areas. (For example, climate smart agribusiness projects can be classified as climate finance and/or agribusiness.) There were significant volumes across all themes, but climate finance remains the most significant area for DFIs in their use of blended concessional finance. In 2019, climate finance volumes were driven by climate related infrastructure projects, but also included climate banking and finance. The SME theme had the second largest volume for 2019 and had the most DFI and private funds mobilized relative to the concessional funds deployed (1:11, compared to 1:6 in climate, and 1:7 in agribusiness).

**FIGURE 12. TOTAL PROJECT VOLUME BY THEME, 2019**

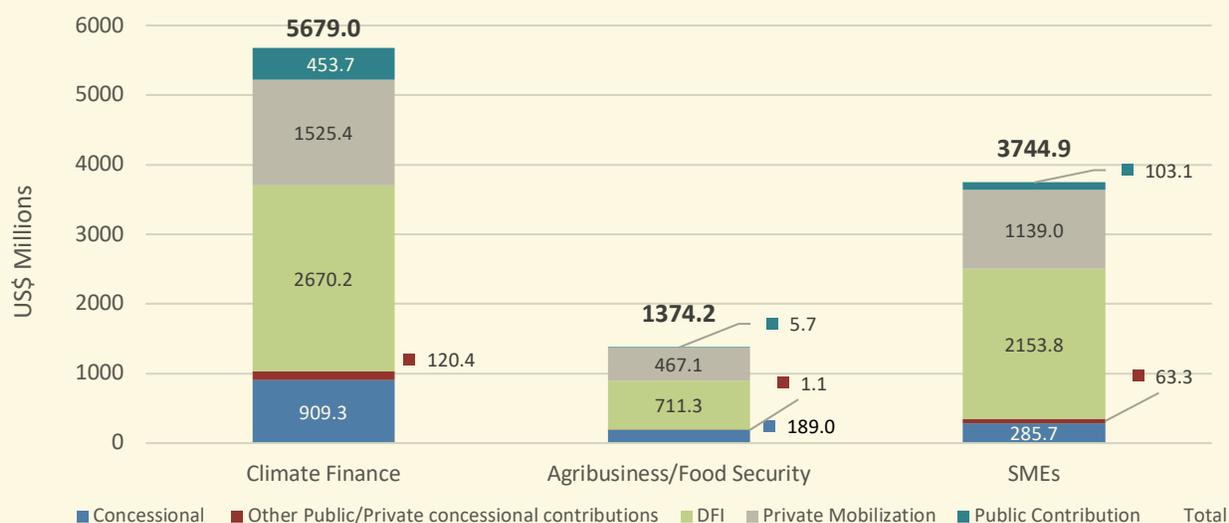
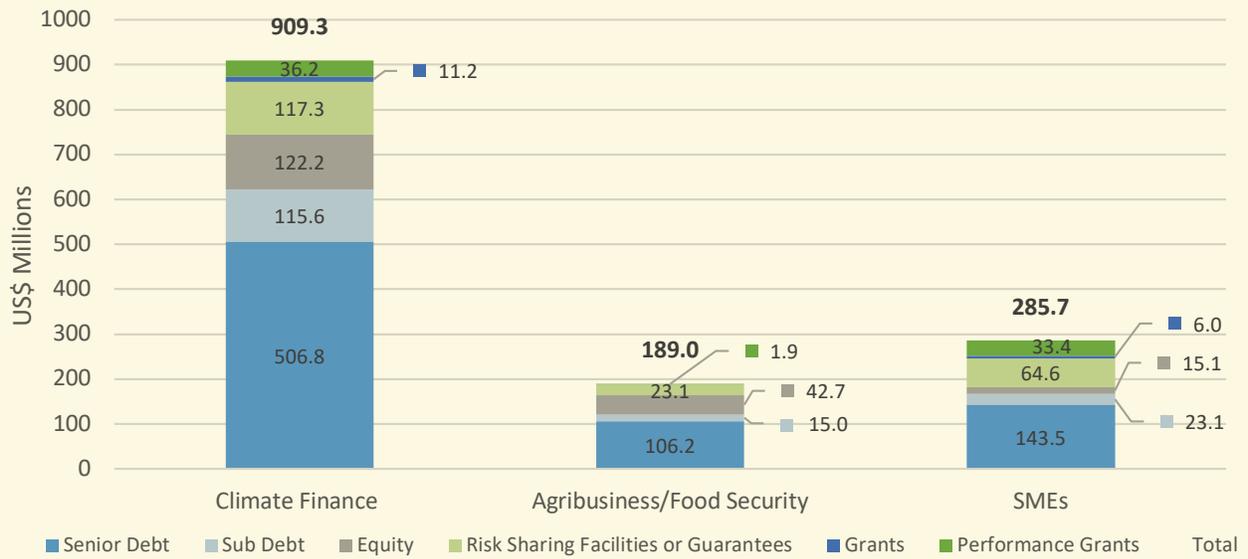


Figure 13 shows new concessional commitments in 2019 by instrument disaggregated by theme. There was a varied mix of instruments, with senior debt being the most significant across all themes. Grants and performance incentives had a significant share in the SME theme, and this helps explain the high mobilization relative to concessional funds under this theme. As shown in Figure 14, climate finance comprised the largest share of blended concessional finance volumes in upper middle-income countries (80%), but it was the also the largest share across all country income groups. SMEs and agribusiness were more prevalent in low and lower middle-income countries.

**FIGURE 13: NEW CONCESSIONAL COMMITMENTS BY INSTRUMENT BY THEME, 2019**



**FIGURE 14: NEW CONCESSIONAL COMMITMENTS BY INCOME LEVEL BY THEME, 2019**

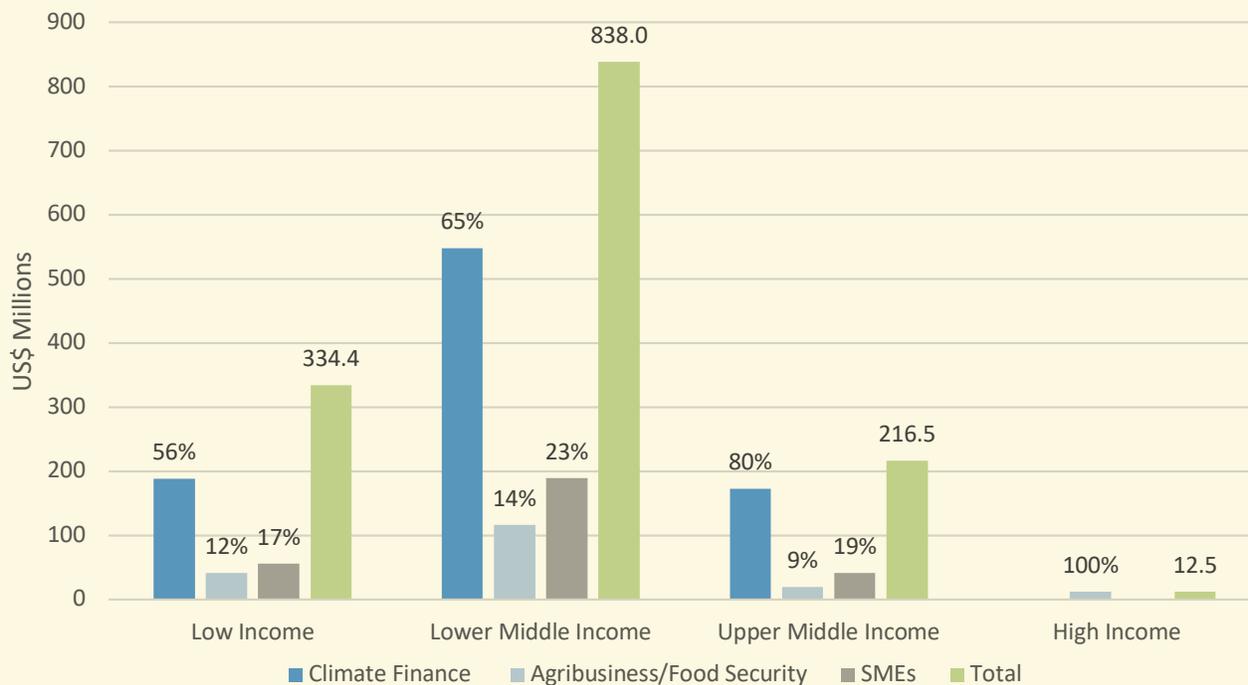
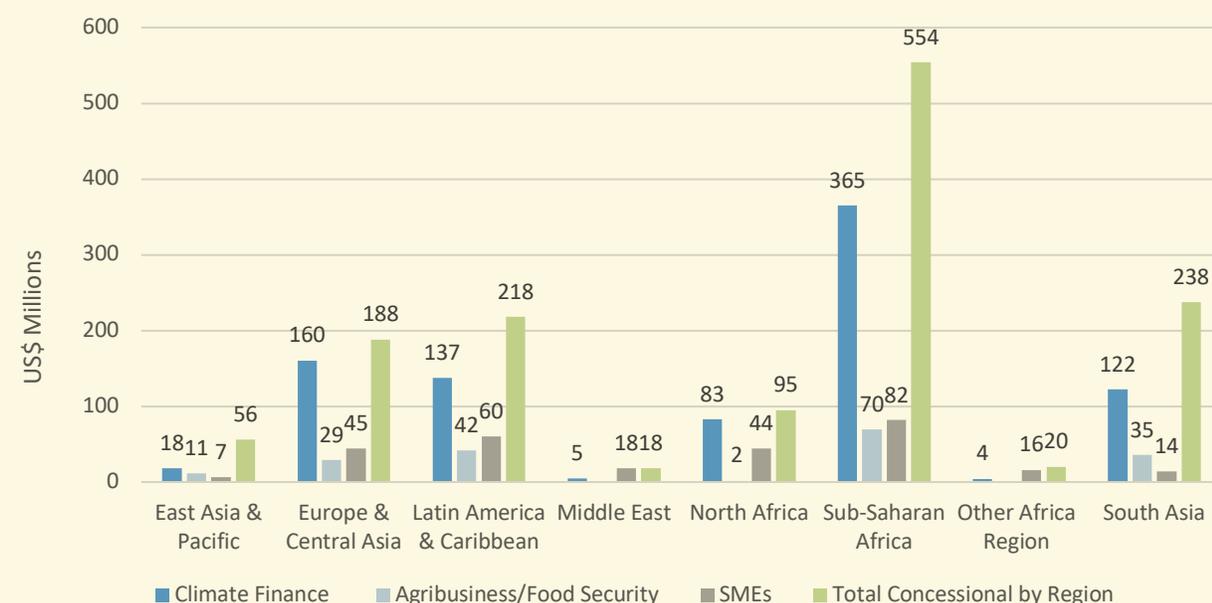


Figure 15 shows concessional commitments by region and by theme. Climate finance had the highest shares across all regions, except for the Middle East and Other Africa region, where there were limited blended concessional finance activities reported in 2019. In absolute size, the SME theme was most prevalent in Sub-Saharan Africa, North Africa, Latin America, as well as Europe and Central Asia. Agribusiness was most prevalent in Sub-Saharan Africa as well as South Asia, Europe and Central Asia, and Latin America.

**FIGURE 15: CONCESSIONAL COMMITMENTS BY REGION BY THEME, 2019**



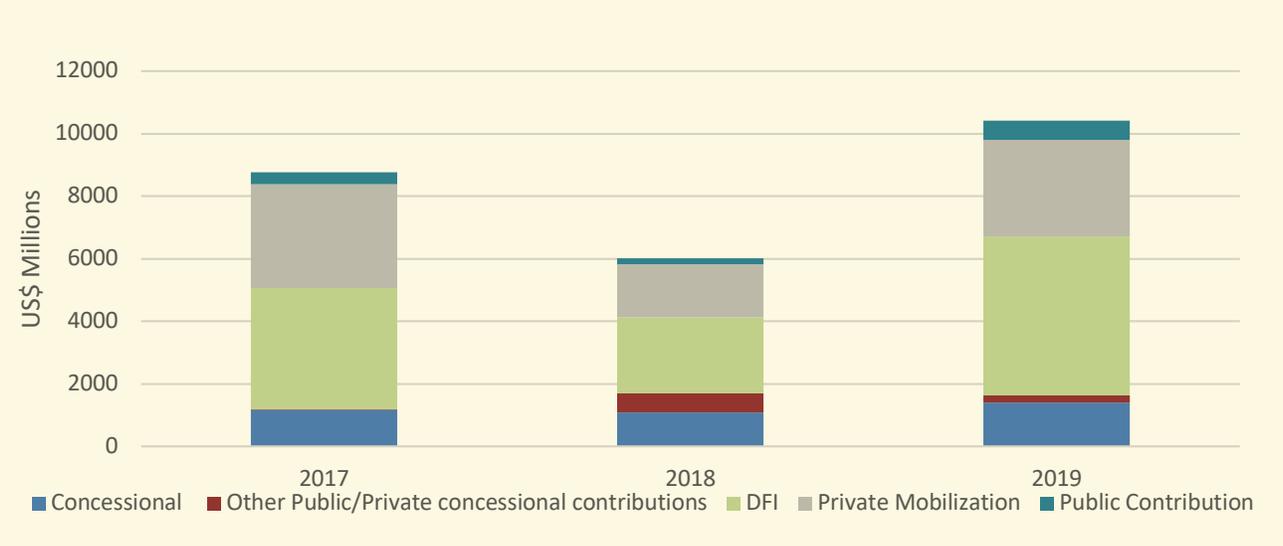
## TRENDS

This is the fourth year that the DFIs have developed data on blended concessional finance. Since the data methodology has been consistent over the last three years, several trends can now be ascertained. In addition, some data from the first report that covered 2014-2016 in aggregate can provide additional comparisons.

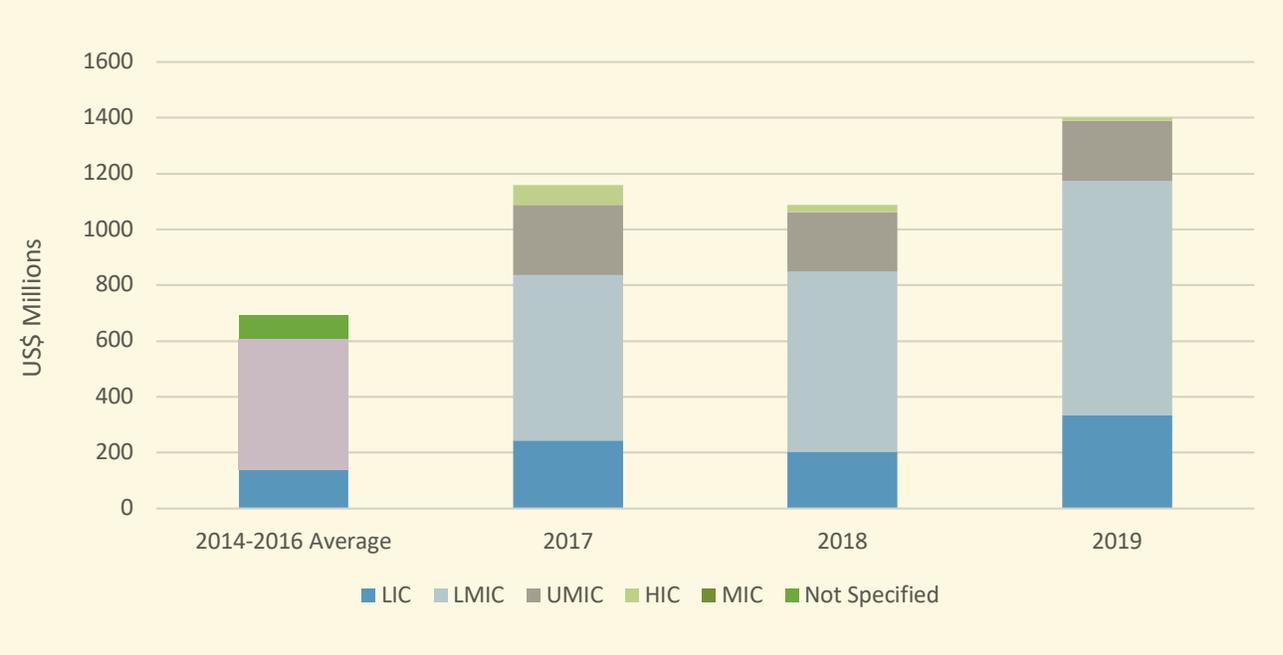
Figure 16 shows the overall trends for total project volume in the last three years. While concessional amounts have been reasonably steady, there was a decline in DFI and private finance mobilized in 2018, which has largely recovered in 2019 (note mobilization amounts were somewhat under-reported in 2017 because some DFIs were not yet reporting on private mobilization).

Figure 17 shows the concessional amounts by income category. Overall concessional amounts over the last three years have been significantly higher than in the previous three years (although there may have been some under-reporting in that period because the data gathering was first being developed<sup>11</sup>). In the last three years, there has been a greater

**FIGURE 16: DFI PRIVATE SECTOR BLENDED CONCESSIONAL FINANCE PROJECT COMMITMENTS, 2017-2019**



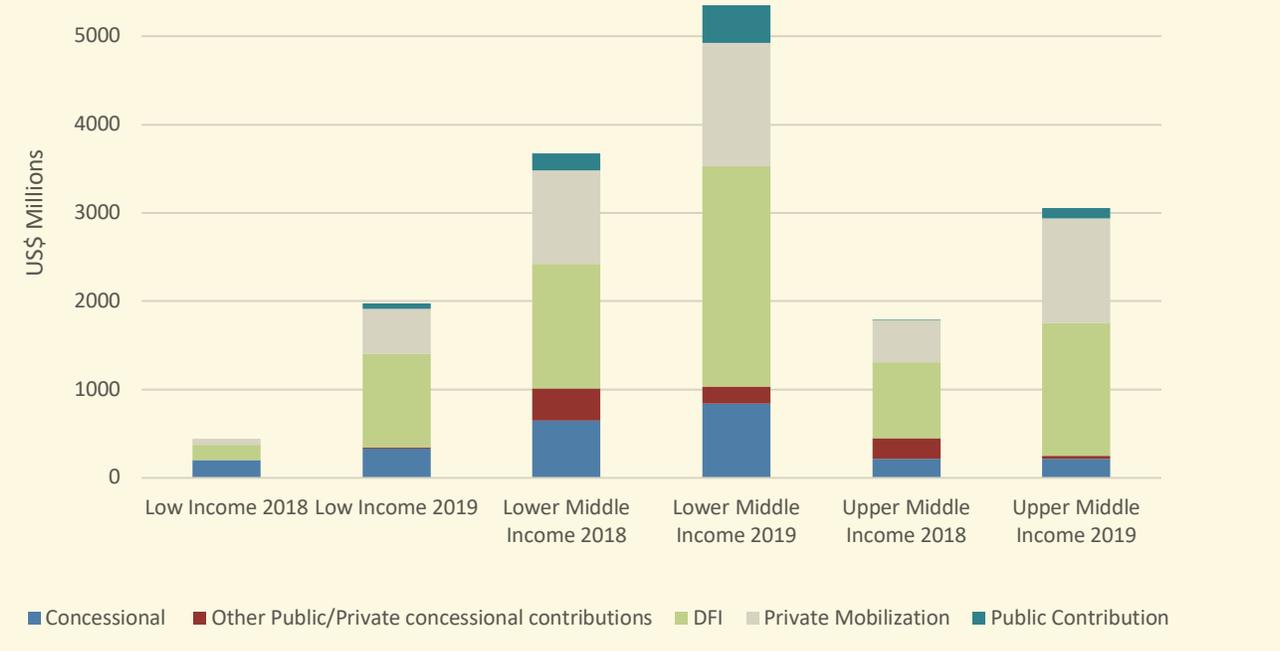
**FIGURE 17: DFI CONCESSIONAL FINANCE, 2014-2019, BY INCOME CATEGORY**



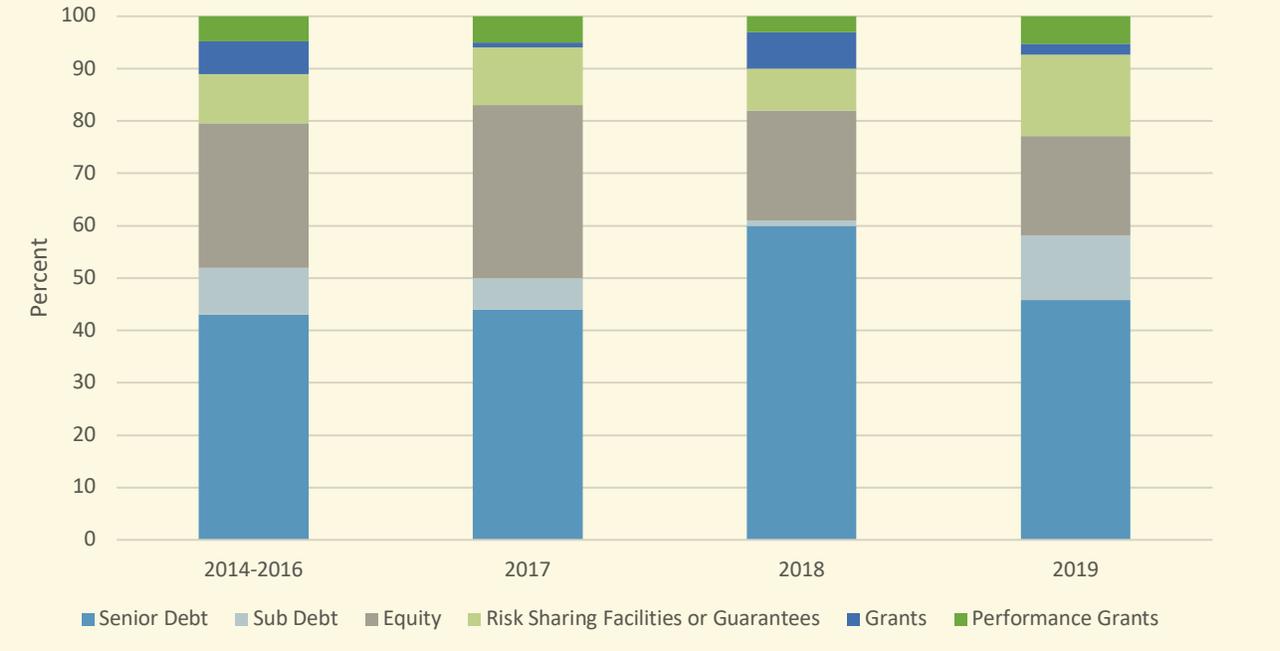
emphasis on concessional finance in lower income and lower middle-income countries, relative to funding in upper middle-income countries. Figure 18 also shows that the mobilization of DFI and private finance has been particularly stronger in low-income countries in 2019 compared to 2018 (2017 data gaps do not allow for a comparison with 2017). In terms of themes, total project volume approximately doubled in climate finance and SME finance in 2019 compared to 2018, and agribusiness was more than four times higher. Finally, Figure

19 shows the trends in the instrument mix for DFI concessional funds from 2014-2019. Compared to 2018, the instrument mix in 2019 included a smaller percentage of senior loans and a greater emphasis on other products — similar to earlier periods, although now with a greater focus on subordinated debt and risk sharing facilities and guarantees.

**FIGURE 18: TOTAL PROJECT VOLUME, 2018-2019, BY INCOME CATEGORY**



**FIGURE 19: DFI CONCESSIONAL INSTRUMENT MIX, 2014-2019**



## PORTFOLIO GUARANTEES

For this report, portfolio guarantees are defined as a blended concessional finance instrument where donor funds are used to provide credit protection/guarantees for lending or risk-sharing programs that cover several partner financial institutions (PFIs) and other clients (SMEs). The blended concessional finance is applied at the program level rather than at each individual transaction, and the concessional nature results from taking higher risks or costs uncompensated for by higher returns.<sup>12</sup>

These programs are becoming more significant for DFI blended concessional finance as they provide some important operating efficiencies and can increase donor leverage. The DFIs have agreed to report on these programs separately, as they operate differently than conventional blended concessional finance programs, and as these are relatively new to some DFIs, work is ongoing to develop an agreed methodology for how to report each year regarding concessional funds applied.

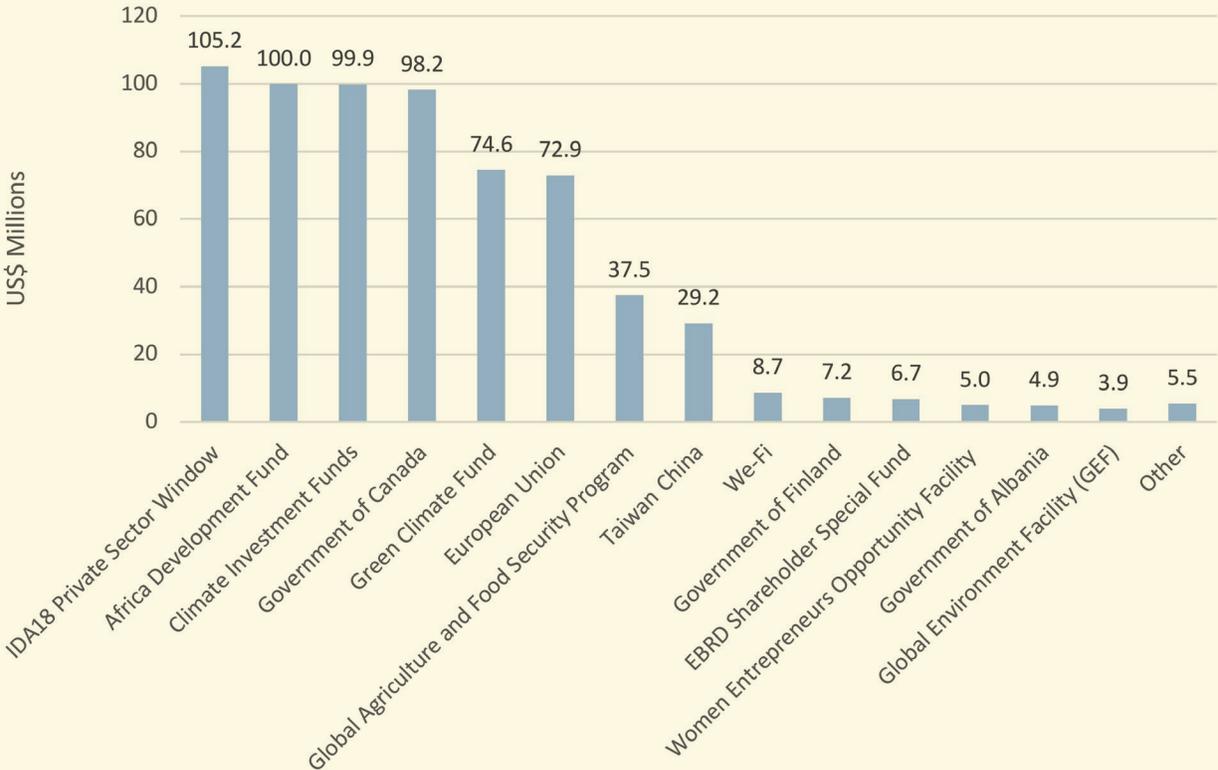
Activities under portfolio guarantees are not included in the aggregate data but instead are reported separately in this section of the report. In 2019, the DFIs identified three portfolio guarantee programs in their blended concessional finance portfolios. During the year, about \$28 million of donor funded portfolio guarantees<sup>13</sup> were associated with \$162 million of DFI new investment operations and more than \$86 million of private sector mobilization.<sup>14</sup>

Portfolio guarantees can help to accelerate and promote the development of local currency and capital markets in countries with significant constraints to SME financing. For example, the EBRD SME Local Currency Program aims to develop local currency financial intermediation in Eastern Europe and the Caucasus, Central Asia and North Africa. The EIB and EBRD respective DCFTA Facilities improve access to finance for local SMEs in Georgia, Moldova and Ukraine to enable investment projects consistent with the Deep and Comprehensive Free Trade Area (DCFTA). The IFC Small Loan Guarantee Program provides an efficient platform for risk sharing to help financial intermediaries support small business in IDA and fragile and conflict countries. An important element for donors in these facilities is fund reutilization, as undrawn commitments can be reallocated until the fund is terminated, which ultimately increases the leverage of donor funds. Some donors also support an integrated approach, where the guarantee facilities are supported by technical assistance for financial intermediaries and SME capacity building, as well as policy engagement to improve domestic financial intermediation.

## DEVELOPMENT PARTNERS

The concessional contributions of development partners are essential for enabling blended concessional finance transactions. Figure 20 shows the key development partners that supported DFIs’ blended concessional finance commitments in 2019. The figure only reflects the amounts for the DFIs that reported this data in 2019, which was approximately 50% of the reporting DFIs. There was a mix of bilateral and multilateral partners and foundations, providing concessional support through a broad array of instruments, from grants and performance incentives to concessional debt and equity.<sup>15</sup> The four largest development partners for 2019 were the IDA18 Private Sector Window, Africa Development Fund, Government of Canada, and the Climate Investment Funds (CIFs). Other major development partners included the European Union,<sup>16</sup> the Green Climate Fund, the Global Agriculture and Food Security Program Private Sector Window (GAFSP), Taiwan China, the Women Entrepreneurs Finance Initiative (We-Fi), the Government of Finland, the EBRD Shareholder Special Fund,<sup>17</sup> the Women Entrepreneurs Opportunity Facility (WEOF), the Government of Albania, and the Global Environment Facility (the GEF). Seven other development partners are captured in the “other” category.<sup>18</sup>

**FIGURE 20: CONCESSIONAL COMMITMENTS FOR PRIVATE SECTOR PROJECTS BY DEVELOPMENT PARTNERS AND DONORS**



## IV. Update on Programs, Governance, and Outreach

In five meetings of the DFI working group in 2020 the DFIs discussed the growth in the scale and scope of programs, progress in governance and implementing the DFI Enhanced Principles, and efforts to engage other institutions. This chapter presents highlights from these discussions.

**Program growth.** DFIs expect significant growth in blended concessional finance activities in the coming years. There continue to be increases in the availability of concessional funds, including the replenishment of the IDA-IFC-MIGA private sector window, the ramp-up of the European Fund for Sustainable Development (EFSD) — which will significantly increase concessional resources available to European DFIs and those working in Africa, and the Asian Development Bank will implement a pilot private sector window in 2021 that will provide support across a range of sectors. In addition, DFI blended concessional finance programs are expanding: the number of European DFIs with blended concessional finance programs has increased significantly, and EBRD expects a significant scale up of investments to support the green economy, including support with blended concessional finance.

The scope of blended concessional finance activities is also broadening. The Asian Development Bank and IDB Invest are expanding beyond climate finance to areas such as financial intermediary and corporate lending, the EIB and CDC are broadening concessional programs with financial intermediaries, and IFC is expanding its share of blended concessional finance in lower income countries, SMEs and agribusiness.

**Project highlights.** Annex 3 presents some of the innovative projects developed by the DFIs over the last 18 months. These include innovative renewable infrastructure projects in Asia, Africa, the Middle East, and Latin America; SME programs including those targeting women, youth and capacity building in Eastern Europe and the Middle East; an agribusiness project helping indigenous peoples and the environment in Latin America; financing for farmers in Latin America, the Caribbean, Eastern Europe, and Africa; venture capital to help women entrepreneurs in Pakistan; and new projects investing in firms dealing with climate adaptation in Africa, Asia and Latin America and other regions.

**Addressing COVID 19.** DFIs have responded to COVID 19 in their overall investment programs by initially supporting private company liquidity needs, in many cases working primarily with existing clients. DFIs have also worked to improve the supply of medical equipment and have begun to address long term firm restructuring issues. Some DFIs have developed specialized blended concessional finance programs to support these efforts, for example, by using concessional funds to facilitate continued engagement in high-risk countries. Streamlined processing and program platforms are being used to speed disbursements, including processes involving blended concessional finance. DFIs are also seeing increased COVID-related demand for finance from existing blended concessional finance facilities,

and some facilities and donors are trying to accommodate this additional demand by providing greater flexibility, such as with respect to geographic coverage, and by adding funds. Some DFIs with a significant public sector finance mandate, e.g. in Africa, indicated they needed to shift some resources to budget support and emergency responses to public authorities, which might impact their private sector envelope for 2020.

Several DFIs indicated they expect a greater demand for blended concessional finance resources as companies move from a survival focus to a focus more on renewal and restructuring. This rebuilding phase will also require extensive advisory and project preparation support and partnerships with governments and other development institutions. Several DFIs are planning, as companies begin to rebuild, to support MSMEs and investment toward a greener economy.

One issue DFIs discussed is how to apply the DFI Enhanced Principles in this complex environment, where arranging private finance is very difficult and risks are high. Among the observations:

- The rationale for blended concessional finance still needs to be articulated but may focus on the development impact of sustaining jobs, goods and services, rather than building new companies and markets.
- Levels of concessionality may be higher than before the crisis, and existing concessionality benchmarks (such as historical concessionality levels by sector and instrument) may not apply. Crowding in others may initially be difficult but may happen more as recovery occurs.
- Long term economic sustainability is still fundamental. One sign of potential sustainability would be the soundness of the business operations before the crisis. Reducing subsidies over time is still expected. DFI co-investment with normal resources is a good approach to ensure there is sufficient attention to long term economic sustainability.
- Reinforcing markets in many cases will not be the highest short-term priority but will be necessary to build a sound economy for the long term.
- For long term viability, continued attention to environmental and social standards and transparency remains essential.

**Implementing the DFI Enhanced Principles.** DFIs continue to strengthen the governance processes at their institutions. Independent review and/or decision-making bodies have recently been extended or formalized at several institutions, and more DFIs are using the Enhanced Principles in their operating procedures.

The DFIs also discussed issues related to effectively implementing the DFI principles, for example:

- How to calculate and report on subsidies in particular circumstances, such as with multiple providers of concessional finance.

- How to reduce the additional resources and timing required to administer blended concessional finance, for example by using delegated authority and sharing analytic work between investment and blended finance units.
- How to align interests between different parties in a transaction, such as in fund structures.
- How to address requests from existing clients for additional concessionality as a result of the COVID 19 crisis.

DFIs also discussed efforts with enhanced communications about blended concessional finance — including programs to educate both staff and development partners about the appropriate uses of concessional finance.

DFIs continue to exchange ideas on how to best articulate the rationale for concessional finance in different situations, and how to handle complex issues such as the apparent trade-offs between mobilization and additionality. The DFIs also discussed this year a new framework developed by IFC for explaining the rationale for blended concessional finance in a project. The framework suggests that the overall rationale is most clearly explained by focusing separately on three sub-themes: the development impact of the project, the added value provided by the DFI to overcome constraints to project financing, and the additional needs beyond normal DFI additionality that can be addressed via blended concessional finance.

**Improvements in transparency.** Many DFIs now have extensive disclosure programs for individual blended concessional finance transactions, including, for example, reporting on expected project impact, DFI additionality, overall financing volumes, and amounts, instruments, and sources of concessional finance. At the aggregate level, the annual DFI working group reports on blended concessional finance levels and mobilization, disaggregated by sector, theme, income level, and geography. The DFI report also covers innovative projects and donor contributions. Further improvements in transparency are being made by different DFIs, such as by providing annual summary reports on all blended concessional finance activities, enhanced DFI websites that make it easier to identify blended concessional finance projects, and additional project level reporting on the rationale for blended concessional finance and the level of subsidies. Several DFIs are in the process of evaluating their transparency programs, and the DFI working group will continue to discuss evolving best practices.

**Progress working with other blended finance groups.** Throughout 2019–2020 the DFI Working Group organized DFI engagement with other blended finance groups. DFIs participated in five work streams organized by the THK forum on blended finance. DFIs co-lead the streams on transparency and practices and were engaged with the other streams on mobilization, inclusive markets and impact. DFI members also engaged with the OECD on consultations regarding guidance notes for each of the OECD DAC Blended Finance Principles and contributed data to the OECD Blended Finance Funds and Facilities survey. DFIs have also engaged with the UN, the Blended Finance Task Force, the Global Impact Investing Network (GIIN), and other institutions looking at various aspects of blended finance.

**Engaging with new institutions.** DFIs this year reviewed the mission of the DFI blended concessional finance working group and the conditions for membership. It was agreed that the DFI working group is a collection of blended concessional finance practitioners, organized to share knowledge and develop best practices. New members should also be active practitioners and agree to adopt the DFI Enhanced Principles and contribute to the annual data gathering. The DFIs will continue to reach out to other DFIs to join the working group, and at least three new institutions have already expressed an interest in joining.

## V. Next Steps

The DFI Working Group has recommended the following areas for continued engagement in the next phase:

1. Continue the dialogue and knowledge-sharing on blended concessional finance including implementation of the Enhanced Principles, with a main meeting once per year and additional meetings and conference calls as needed, with additional in-person meetings centered around other events where the DFIs are likely to attend.
2. Continue to reach out to contributor partners (bilateral and multilateral donors, foundations, and others), other DFIs and relevant institutions, including other bilaterals and National Development Banks, to extend the adoption of the Enhanced Principles to a wider range of actors that provide resources and/or implement blended concessional finance solutions for private sector projects.
3. Use the Working Group to provide coordinated DFI input into discussions with other blended finance-related working groups, such as the OECD, and encourage alignment where appropriate.
4. Continue updating the DFI blended concessional finance data, refining the methodology for collection and analysis, and publishing a joint report annually.

## ANNEX 1: ENHANCED BLENDED CONCESSIONAL FINANCE PRINCIPLES FOR DFI PRIVATE SECTOR OPERATIONS

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

## ANNEX 2. 2019 DFI BLENDED CONCESSIONAL FINANCE PROJECT HIGHLIGHTS

### Sahofika Hydro Power Project

The Sahofika Hydro Power Project entails the development, design, construction, testing, commissioning, operation and maintenance of a greenfield 205 MW hydropower plant (HPP) on the Onive River, located 100 km south-east from Antananarivo.

#### CHALLENGE

Madagascar ranks globally within the ten countries with the lowest electrification rate. The country's power sector suffers from operational inefficiencies, financial constraints, isolated networks, deteriorating power assets and expensive fuel-based substitutes to fulfil the increasing demand. The national integrated utility Jiro sy Rano Malagasy ("JIRAMA") is facing an overall cost of service to the end user of approximately EUR 0.26 per kWh, with thermal generation cost reaching EUR 0.30 per kWh. The end-user tariff is currently at EUR 0.14 per kWh. This gap has resulted in high state subsidies covering around 40% of operating costs.

#### SOLUTION

To address the sector issues the Government of Madagascar (GoM) has developed the New Energy Policy (NPE) 2015-2030 to promote renewable energy to lower the costs of power, increase access to electricity and meet increasing demand. By extending an ADF PRG to backstop JIRAMA's payment obligations, the Bank provides a key bankability instrument to the Sahofika Project, thereby acting as a catalyst for mobilizing private finance and debt capital into a financially starved Malagasy power-sector. The PRG aims to provide sufficient comfort to financiers against the JIRAMA payment risk, thereby crowding in the private sector investment and debt capital into a large-scale baseload generation project in Madagascar.

#### RESULTS

The Project represents a cornerstone in the strategy to sector recovery. Sahofika will provide 192 MW of affordable and clean energy generation. This will in turn enable a substantial decrease of annual state subsidies to the utility, so that those public resources can be redirected towards social sectors such as health and education. Sahofika will reduce the share of thermal generation in the interconnected Network of Antananarivo from 40% to less than 5%, making the energy mix 95% renewable. The Project will contribute to reduction of greenhouse gas emissions of 928 kt of CO<sub>2</sub> per year, which represents a total of 32,469 kt of CO<sub>2</sub> avoided over 35 years.

#### INVESTMENT SUMMARY

##### CLIENT:

Nouvelle Energie Hydroélectrique de l'Onive — NEHO

##### COUNTRY:

Madagascar

##### FINANCING:

- Own-Account : \$ 90 M Senior Debt
- Blended : ADF Partial Risk Guarantee (PRG) : \$ 100 M
- Other DFIs : \$ 651 M
- Private Sector : \$ 247,1 M
- Total Project : \$ 988,1 M

##### YEAR:

2019



AFRICAN DEVELOPMENT BANK GROUP

# SEMED Private Renewable Energy Framework (SPREF): Kawar/Orange Project

Financing of a pioneering private-to-private solar project in Jordan to enable the telecoms operator Orange Jordan to cover part of its demand with clean energy

## CHALLENGE

Historically, Jordan has been reliant on hydrocarbon imports to meet its energy needs. This dependence has exposed the country to the volatility of global commodity prices.

In the context of the 2015 Paris Agreement, Jordan has undertaken to reduce its greenhouse gas emissions by 14% by 2030. The Jordanian Government introduced an ambitious plan to exploit its renewable energy resources in order to address the dependence on imported hydrocarbons and reduce the environmental impact of the sector.

The government passed the necessary regulations to allow private consumers to establish their own energy facilities under a process known as “wheeling”, which transports electricity from within the grid to facilities outside the grid’s boundaries. But the new system faces start-up risks in a system dominated by large incumbent state owned supply of energy where private to private contracting was not an option.

Jordan Telecom Group (“Orange Jordan”) is one of the largest commercial consumers of electricity in Jordan.

## SOLUTION

SPREF aims to break down barriers preventing the development of the private renewable energy markets and to promote newly introduced models in the southern and eastern Mediterranean (SEMED) region for selling electricity.

This is EBRD’s first project in Jordan under SPREF and one of the first private-to-private renewable projects under Jordan’s Wheeling Regulations.

By substituting conventional grid power with electricity from solar PV, Orange Jordan is securing electricity from a reliable and clean energy source at a competitive price.

The CTF loan enables EBRD to provide an efficient financial structure to support the private sector transitioning to a cleaner energy source under a new regulatory environment.

The project also benefited from technical assistance funded by the European Union for project preparation and due diligence.

## RESULTS

This project increases renewable energy production and will result in 41,643 tonnes of CO2 emission savings per year, which is particularly significant given the high energy needs for the development of 5G.

The project will also contribute to a decreased country exposure to the volatility of hydrocarbon prices, thereby contributing to the stability of Jordan’s energy costs.

In the long run, SPREF aims to increase the liberalisation of the electricity market, and the increased use of the region’s outstanding renewable resources.

## INVESTMENT SUMMARY

### CLIENT:

SHAMS AL ETISALAT LIL TAKA PSC, an SPV established to design, build and operate the three solar photovoltaic plants

### COUNTRY:

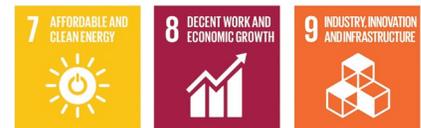
Jordan

### FINANCING:

- EBRD: USD15 million
- Clean Technology Fund (CTF) loan: USD 4.6 million
- Total Project Cost: USD 46 million

### YEAR:

2019



## Skills in Enterprise – Pilot project in Egypt

Loan to National Bank of Egypt to develop a new product focused on enhancing skills in SMEs.

### CHALLENGE

The SEMED region experiences high levels of unemployment, specifically among youth, a situation that is reflective of the mismatch between the skills offered through education systems and the skills required by employers and the market in general.

A primary challenge for Egypt is how to increase economic competitiveness by creating better and more sustainable jobs for its ever growing workforce. How can companies improve their with the capacity to better recruit, train and retain labour, in particular youth.

Few SMEs prioritise human resources, and most refrain from investing in skill enhancement measures, as they are often not fully aware of existing gaps and lack expertise on how to implement such measures. More generally investment in skills has spillover effects in the economy that cannot be easily captured by companies, as employees move across employers in time.

### SOLUTION

EBRD provides a loan of up to USD 20 million for on-lending to local private high growth SMEs, which commit to strengthening their capacity to train and retain skilled labour, including youth.

A performance-based fee of 1% to the Bank incentivises the development of the pipeline for this more transaction cost heavy product.

Performance grants to SMEs incentivise investments in training, which will have positive spillover effects beyond investing firms.

Capacity building to the National Bank of Egypt aims to assist with programme implementation, marketing and general awareness raising, training and product development.

Technical assistance to sub-borrowers will introduce work-based learning and undertake a comprehensive reform of Human Resource practices to successfully build and retain talent, in line with the talent management cycle; awareness raising and dissemination activities.

### RESULTS

The project will contribute toward building a more inclusive job market/economy by expanding access to skills and sustainable employment opportunities, including for young people, who are faced with reduced access to such economic opportunities. It will also address labour force skills mismatch.

The project will contribute towards a more competitive private sector that is able to support its growth trajectory on the back of a strengthened capacity to build a labour pool with business relevant skills to draw on. At company-level, the support will be critical to secure their long-term talent pipeline, thereby increasing their competitiveness in the market, enhancing productivity (of workers and companies).

### INVESTMENT SUMMARY

#### CLIENT:

National Bank of Egypt

#### COUNTRY:

Egypt

#### FINANCING:

- EBRD: USD 20 million
- EBRD Shareholder Special fund: USD 0.2 million

#### YEAR:

2019



## EJIDO VERDE REFORESTATION

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Financing the reforestation of degraded communal land in Mexico

### CHALLENGE

Pinosa and Resinas are leading companies in the pine resin industry. As the industry grows, the availability of pine resin is essential for their long-term commercial sustainability. The resin is obtained from indigenous communities (ejidos) that face barriers to access financing as pine resin production requires long-term investment. As a result, ejidal lands have been traditionally used for grazing in order to secure a more immediate source of income, leading to land degradation.

### SOLUTION

IDB Invest financed the project with US\$2 million that include a blended finance loan from the Global Environment Facility.

The transaction included long tenors that match the maturity timeline for the native pine trees and concessional terms that are transferred to the indigenous communities until the sustainability of the business model is proven.

### RESULTS

The new business model empowers indigenous communities giving them access to financing and ownership of the production, while strengthening the co-borrowers' supply chain. The project is expected to plant and maintain 1,250 hectares of communal land with native species of pine trees, with a total annual sequestration of 25,375 tons of CO<sub>2</sub>e per year. Ejido Verde expects to scale the intervention to 12,000 ha.

### INVESTMENT SUMMARY

#### CLIENT:

Pinosa SRL de CV  
Resinas Sintéticas SA de CV

#### COUNTRY:

Mexico

#### FINANCING:

- Blended: US\$1.5 million
- Total: US\$5.2 million

#### YEAR:

2019



## Sicredi Green Financing

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Increasing Solar PV financing through the cooperative system in Brazil

### CHALLENGE

Banco Sicredi is Brazil's second largest cooperative bank and the country's third financial institution for rural credit. Brazil ranks fifth in the world in terms of solar power energy potential. The bank has developed a solar PV portfolio by supporting the cooperatives that have been pioneering financing micro- and mini-solar photovoltaic (PV) systems. However, more than 50% of its solar PV portfolio is concentrated in 15 cooperatives out of 116. The main gaps that limit the expansion of small-scale solar PV financing at some cooperatives are their lack of capacity to assess credit risk for solar PV systems and the potential users' lack of knowledge of the technology.

### SOLUTION

IDB Invest approved a US\$ 100 million financing complemented with a US\$10 million blended finance loan from the Canadian Climate Fund for the Private Sector in the Americas (C2F) to finance Sicredi's customers who install photovoltaic solar energy systems. The blended finance loan is to prioritize solar PV growth at the cooperatives that still lack market penetration or have a lower percentage of solar PV in their portfolio. In addition, C2F resources incentivize Sicredi to bridge gender gaps within the bank through the implementation of a gender action plan.

### RESULTS

The project is expected to avoid, on average, 339,388 tons of CO<sub>2</sub>e per year, over the life of the project. The financing will support 95 cooperatives and an estimated 1,500 MW of new installed capacity will be added to the energy mix. In addition, IDB Invest advisory services will support Sicredi in identifying key metrics and tools to measure the portfolio's performance and will offer analysis of technology providers that can be pre-approved for financing, training of personnel and potential clients to educate on technology assessment, financing solutions and operation and maintenance requirements.

### INVESTMENT SUMMARY

**CLIENT:**

Banco Sicredi

**COUNTRY:**

Brazil

**FINANCING:**

- Blended: US\$10 million
- Total: US\$110 million

**YEAR:**

2019



## BRAVE Project for YEMEN

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### CHALLENGE

The Business Resilience Assistance for Value-Adding Enterprises (BRAVE) Project was developed by the ICD with the aim of providing vital support to Yemen, where fighting has paralyzed economic activity and put female-run businesses and SMEs at risk. The latter problems have only been further compounded by the onset of the COVID19 pandemic in 2020. This project invested in the business resilience of the private sector, as the engine of sustainable growth, against the impact of ongoing conflict and pandemic. It did so via the provision of grant-matching assistance and specialized business training to help businesses maintain and survive through these difficult times. The BRAVE project targeted the most affected groups, namely youth, women and SMEs. Its key focus was on pro-poor sectors including agribusiness, fisheries, healthcare and textiles.

### SOLUTION

Within the BRAVE project, the SMEs and Value Chain financing need was estimated at US\$9 million, funded by US\$6 million grant and project sponsors own contribution of an equivalent amount. The project utilized an integrated approach encompassing three pillars: 1) Capacity Building: Training 500 qualified firms in dealing with conflict conditions, 2) Business Recovery Support: Extending grants up to a ceiling of \$15,000/SME for 400 SMEs to be invested primarily in capital goods needed by their business, 3) Strengthening Chain Resilience: Helping 20 value-chain lead firms to adjust, upgrade and enhance their business models with a ceiling allocation of \$50,000 per firm. The project was implemented via local banks including ICD Investees such as SABA Bank and while the grant covered capital good requirements of the SMEs, the local banks were expected to blend it with short term financing for working capital.

### RESULTS

To date the project has successfully completed all of its project activities. 620 firms have received a capacity building training, out of which 284 SMEs, 51 Lead Firms and 10 Business Associations received grants which amounted to a total of USD \$6 million.

### INVESTMENT SUMMARY

**CLIENT:**

BRAVE

**COUNTRY:**

Yemen

**FINANCING:**

- The SMEs and Value Chain financing need is estimated at US\$9 million, funded by US\$6 million grant and project sponsors own contribution of an equivalent amount.

**YEAR:**

2015 (start) – 2020 (completed)



## Floating Solar Energy Project: Viet Nam

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Financing the operation and construction of Viet Nam's first solar installation on a hydro reservoir

### CHALLENGE

Viet Nam's electricity demand is growing rapidly. With rising coal imports, Viet Nam is seeking to diversify its energy sources. In 2017, the government established a feed-in tariff for solar projects commissioned prior to 30 June 2019.

To avail of the tariff, developers had to use the standard domestic power purchase agreement. The use of the local PPA presented challenges to raising project financing internationally, while domestic investors could not offer the tenors of ten or more years typically used for solar projects..

### SOLUTION

ADB was able to offer DHD a project-specific corporate loan to build the first floating solar installation in the country. However, first-mover challenges and the higher cost of floating solar when compared with land-based installations substantially diminished the project returns and debt service coverage ratios.

A senior debt facility at concessional interest rates from the Canadian Climate Fund for the Private Sector I and II enabled ADB to bring debt service coverage ratios and the sponsor's equity returns closer toward private project finance norms.

### RESULTS

The project became one of the first internationally financed utility-scale solar projects in Viet Nam and was successfully commissioned prior to the deadline.

The project demonstrated the viability of building solar projects in tandem with hydropower assets to better manage energy availability (seasonality) and vulnerability to drought, to utilize existing transmission infrastructure, and to reduce evaporation in the reservoir.

### INVESTMENT SUMMARY

#### CLIENT:

Da Nhim – Ham Thuan – Da Mi Hydro Power Joint Stock Company (DHD)

#### COUNTRY:

Viet Nam

#### FINANCING:

- ADB Own Account: \$17.6M
- Canadian Climate Fund for the Private Sector in Asia I: \$11.0M
- Canadian Climate Fund for the Private Sector In Asia II: \$4.0M
- Total Project Cost: \$51.0 M

#### YEAR:

2019



Government of Canada

## The Dutch Fund for Climate and Development (DFCD, established in 2019)

Consortium approach enabling private sector investments in climate adaptation in developing countries, using an integrated landscape approach.

### CHALLENGE

There is a USD 1.8 trillion opportunity to invest in climate adaptation, resulting in USD 7.1 trillion net benefits (GCA, 2019).

Find investments opportunities that align with the needs of vulnerable communities and ecosystems at risk of climate change.

### SOLUTION

The DFCD makes use of a blended finance structure, using a EUR 30m Origination Facility for grants and technical assistance on early stage projects, a EUR 55m Land Use Facility providing growth finance to agricultural/forestry projects, and a EUR 75m Water Facility for capital solutions on water, sanitation and oceans.

The DFCD makes use of an integrated landscape approach to source and develop business cases that align with local needs. The Consortium's unique structure makes use of the local offices of NGOs (WWF & SNV), while making use of the investment expertise and network of FMO and Climate Fund Managers.

### RESULTS

The first 2 investments were made by the DFCD Land Use Facility in 2020. In addition, 6 projects are currently supported with grants and technical assistance by the Origination Facility to develop climate-relevant business cases. The Water Facility has currently 10 projects in the final stage of approval.

The DFCD has identified 16 vulnerable landscapes in which it is engaging actively with local stakeholder to source and adjust climate-relevant business cases.

### INVESTMENT SUMMARY

#### CLIENT:

Various

#### COUNTRY:

All OECD DAC Countries

#### FINANCING:

- EUR 160 million total capital available.

#### YEAR:

Investment Period Up to 2022



Ministry of Foreign Affairs of the Netherlands

## Fairtrade Access Fund (FAF)

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A global impact fund supporting microfinance institutions, SMEs and cooperatives

### CHALLENGE

- An estimated 270 million households in Asia, sub-Saharan Africa and Latin America rely on smallholding farming for their subsistence. A lack of adequate land, infrastructure and skills means that more than EUR 200bn in agriculture and non-agriculture finance is required to meet the growing need. The latest data suggests that currently only 30% is financed.
- FAF provides loans and technical assistance to cooperatives, processing enterprises and rural microfinance institutions, encouraging smallholders to grow Fairtrade or sustainably certified products.
- EDFI AgriFI's investment aims to expand the Fund's capabilities to meet the short and medium term financing needs of smallholder farmers.

### SOLUTION

By increasing the Funds' equity through its long-term commitment (7 years), EDFI AgriFI attracted more senior finance providers, including DFIs and private investors.

So far, the Fund has benefited from EUR 11m additional investments from development finance institutions.

### RESULTS

Impact targets (2022):

- Smallholder farmers: 500 000
- Ha of sustainably cultivated area: 2 000 000
- Jobs created: 10 000 (indirect)

2019 results:

- Smallholder farmers: 330 000
- Ha of sustainably cultivated area: 618.305
- Jobs created: 3700 (indirect)

### INVESTMENT SUMMARY

#### CLIENT:

FairTrade Access Fund (FAF) by Incofin

#### COUNTRY:

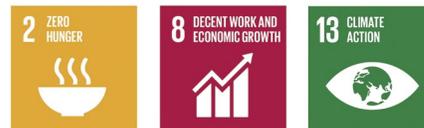
Latin America, The Caribbean and Africa

#### FINANCING:

- EUR 5 M in Class A equity

#### YEAR:

2019



## Impact Incentive Loan for SMEs and Mid-Caps

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Supporting local businesses who commit to generate greater socio-economic impact and sustainable growth in Serbia

### CHALLENGE

Western Balkans continue to be an exporter of people (especially the young) to other countries, primarily due to high unemployment rates and a perceived lack of confidence in the job market perspectives. In Serbia, the labor market is characterized by low youth employment rate (21%) and a marked gender gap in employment rates. There are also significant gaps in employment and quality of life for disadvantaged groups (persons with disabilities, Roma, migrants, internally displaced people, etc.) most of whom are economically inactive, lack qualifications and work experience, face inadequate work conditions and prejudice from employers.

### SOLUTION

This is the first operation with a social impact dimension that the EIB is implementing in the Western Balkans. It aims to address the challenges faced by the disadvantaged groups of population in accessing the labor market. The EIB loan will support local businesses that commit to achieve certain Impact KPIs in the areas of youth and women employment and social inclusion. Based on an independent assessment, each final beneficiary will be offered a financial incentive (provided by the donor resources under the ERI Fund) commensurate to the level of progress achieved.

### RESULTS

The innovative project structure is expected to encourage the financial intermediary to offer a new financial product to SMEs and Mid-Caps, providing opportunities for more vulnerable segments of society. The project has a long-term view by supporting the creation of capacities that will allow the intermediary bank to offer these services on a sustainable basis. The reward mechanism is expected to incentivize the final beneficiaries to focus on the impact objectives and achieve impactful results.

### INVESTMENT SUMMARY

**CLIENT:**

UniCredit Bank Srbija AD

**COUNTRY:**

Serbia

**FINANCING:**

- EIB: EUR 15m
- Total project cost: EUR 30m

**YEAR:**

2020



## CRAFT – Climate Resilience Solutions Fund

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Financing climate change adaptation and climate-resilience solutions

### CHALLENGE

Climate change is affecting all sectors of the global economy and is especially harming the livelihoods and welfare of people in developing countries with less capacity to adapt. UNEP estimates that the costs of adaptation in developing countries alone could be around USD 300bn per year by 2030. This “Adaptation Gap” cannot be met through government resources alone: there is an urgent need to begin to mobilize private sector capital and innovation to address climate adaptation and resilience.

### SOLUTION

CRAFT is the first private sector investment vehicle focused entirely on climate adaptation and resilience. It invests growth capital in companies providing tech-enabled services, engineering, data and other solutions to enhance adaptation and resilience to climate change mainly for the benefit of developing countries. It is structured as a layered fund with first loss protection (in form of junior shares). The junior tranche is around 10% of total commitments, provided initially by the Government of Luxembourg as well as Nordic Development Fund.

### RESULTS

The Fund’s activities are expected to have a positive demonstration effect, helping to develop the nascent adaptation and climate resilience investment market and ultimately attract capital from mainstream investors. CRAFT’s investee companies will deliver their climate resilience solutions to more customers in more countries as a result of the growth investment, helping them adapt to a changing climate. In addition, most of the investments are expected to also reduce GHG emissions.

### INVESTMENT SUMMARY

#### CLIENT:

Lightsmith Resilience Management LLC

#### COUNTRY:

Latin America, Asia and Africa

#### FINANCING:

- EIB: USD 27 m
- Total project cost: USD 250 m

#### YEAR:

2019



# Upper Trishuli 1 (UT1) Hydropower

Sustainable Hydropower Creates Opportunities in Nepal

## CHALLENGE

Nepal is abundantly endowed with hydropower resources that can both meet the domestic electricity needs and enable it to become an important player in regional power markets. However, the energy sector has not been able to attract the significant investment that is needed, especially from foreign sources, for large transformational projects. Nepal currently imports both power and fossil fuels to supply the generation needed to provide reliable power for industry and commerce – making it difficult for Nepal to become a competitive economy.

## SOLUTION

Through blended concessional finance support from Canada, IDA18 Private Sector Window, Finland, and Climate Investment Funds, UT-1 was able to secure the largest foreign direct investment in Nepal to date.

## RESULTS

The project supports the development of a key greenfield 216 megawatt run-of-the-river hydropower project north of Kathmandu. It is also expected to help reduce greenhouse gas emissions by expanding renewable energy capacity to help avoid increased reliance on fossil fuel-based generation. When completed, UT-1 will provide improved and sustainable electricity access to millions and create jobs. It will also set new environmental and social benchmarks for Nepalese hydropower projects that follow.

## INVESTMENT SUMMARY

### CLIENT:

Nepal Water & Energy Development Company (NWEDC)

### COUNTRY:

Nepal

### FINANCING:

- Commercial: IFC, ADB, MIGA, AIIB, Proparco, FMO, CDC
- Concessional: Canada, IDA18 Private Sector Window, Finland, Climate Investment Funds
- Total Project Cost: \$650 M approx.

### YEAR:

2019



## Kosovo: KEP, AfK and KRK

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IFC and GAFSP provided funding to three microfinance institutions (MFIs) in Kosovo to support their lending in the agri sector

### CHALLENGE

Approximately 60% of the country's poor live in rural areas and over 40% of the rural population is unemployed. Moreover, despite the sector's major impact in the economy and employment (13% of GDP and approximately 30% of employment) agriculture financing is very low at only 4% of total lending in Kosovo. Banks refrain from lending to this sector due to a higher loan threshold (as per their internal policies), inherent risks, high collateral requirements, and a certain degree of informality.

### SOLUTION

IFC and GAFSP provided loans to KEP (€8 million), AfK (€4 million) and KRK (€6 million), each shared 50/50 between IFC and GAFSP. The GAFSP loans were priced at a concessional rate to address cash flow uncertainties as the MFIs expand operations over time. In addition, the lower pricing allows the MFIs to on-lend at an affordable price to end-borrowers. The blended pricing is in line with other concessional funding to MFIs in Kosovo and specifically requires the three MFIs to increase their microlending in the agri sector, which continues to be underserved.

### RESULTS

**Access to finance, improved livelihoods and food security:** The Projects will enhance the ability of MFIs to increase access to finance for the underserved population in both rural and semi-urban areas with a special focus on farmers and micro agri-processing companies, which will result in improved livelihoods and food security.

**Enhanced competitiveness and market development:** IFC anticipates that the funding, coupled with IFC technical assistance, will result in lasting systemic improvements in services offered to microfinance enterprises in Kosovo.

### INVESTMENT SUMMARY

**CLIENT:**

KEP Trust, AfK, KRK

**COUNTRY:**

Kosovo

**FINANCING:**

- IFC own account: €9mn
- GAFSP: €9mn
- Total Project Cost: €18mn

**YEAR:**

2019



## Sarmayacar: Pakistan

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Supporting Women Entrepreneurs to Scale

### CHALLENGE

There are very few commercial venture funds in Pakistan. While elements of a vibrant ecosystem exist — increasing investor sentiment, favorable demographics, growing base of digital consumers and rising internet and smart phone penetration — access to venture capital in the region is significantly low. Pakistan’s five-year average annual venture capital penetration rate of 0.006 percent is at the bottom-end for most emerging markets. Further, the median female-led business in Pakistan has received only 65 percent of the funding received by the median male-led business.

### SOLUTION

This project invests in Sarmayacar, which provides early stage support and training to start-ups in Pakistan. The We-Fi contributions aims to catalyze the fund’s outreach and investments in early stage high-impact women tech start-ups. The project consists of a \$500,000 equity contribution funded by We-Fi alongside a \$2 million IFC equity investment in Sarmayacar. Concessionality is provided in the form of a performance-based incentive of up to ~\$50,000 to help the fund manager begin to proactively work towards sourcing, developing and testing investments in women-led companies.

### RESULTS

**Improved Quality of Investors; improved funding opportunities for Women-owned businesses.** The project is expected to result in at least 25% of Samayacar’s fund investments to be for women-led companies (startup investees with at least one female board member). At least 40% of the fund’s pipeline would be devoted to Women-led tech companies.

### INVESTMENT SUMMARY

#### CLIENT:

Sarmayacar Ventures Cooperatif, early stage Pakistan venture fund

#### COUNTRY:

Pakistan

#### FINANCING:

- IFC: \$2.0 Million (Equity)
- We-Fi: \$500,000 (Equity) + 50K (Performance Incentive)
- Total Project Cost: €18mn

#### YEAR:

2019



## ANNEX 3. DATA DEFINITIONS AND METHODOLOGY

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

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

**Concessional finance:** This report accounts for resources extended at concessional terms i.e., building on the OECD definition, extended on terms and/or conditions that are more favorable than those available from the market. Concessional finance can be achieved through one or a combination of the following: (i) interest rates below those available on the market; (ii) maturity, grace period, security, rank or back-weighted repayment profile that would not be accepted/extended by a commercial financial institution; and/or (iii) by providing financing to borrower/recipients not otherwise served by commercial financing.<sup>19</sup> The relevant market reference is determined by each DFI through own practices e.g. market observations, or elicitation, with due consideration of the credit risk and quality of both the borrower and the lender.

In the context of this report, concessional finance resources provided by donors for DFIs' blended concessional finance transactions can refer to those qualifying as either "Official Development Assistance (ODA)" and/or "Other Official Flows (OOF)".<sup>20</sup>

**Source of concessional finance:** This report only captures concessional finance resources administered by reporting DFIs and provided by various sources e.g. donor governments (through bilateral arrangements or multilateral facilities), philanthropic organizations, sister entities (e.g.

IDA for IFC), or DFI own funds when they are explicitly identified for use in concessional activities (e.g. DFI self-funded trust funds for investments or shareholder capitalization that allows for the establishment of windows of less than commercial returns). DFI's normal own-account commercial financings are not considered to be concessional for this exercise.

**Private sector operations:** The scope of this report is limited to private sector projects - non-sovereign guaranteed. In alignment with the Joint MDB's methodology on private investment mobilization (Joint-MDBs, 2018<sup>21</sup>), a private entity is any legal entity that is (a) carrying out or established for business purposes, and (b) financially and managerially autonomous from national or local government. Public entities such as State-Owned Enterprises that are organized with financial and managerial autonomy are counted as private entities.<sup>22</sup>

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

- "Private direct mobilization": financing from a private entity on commercial terms due to the active and direct involvement of an MDB leading to commitment. It refers to private co-financing and does not include sponsor financing.
- "Private indirect mobilization": financing from private entities provided in connection with a specific activity for which an MDB is providing financing, where no MDB is playing an active or direct role that leads to the commitment of the private entity's finance. Private indirect mobilization includes sponsor financing, if the sponsor qualifies as a private entity.

**Reporting period:** This report covers the calendar year 2019.

**Point of reporting:** Data reported reflects financial commitments at the time of financial/non-financial agreement signature (or Board approval if this is not available) and is therefore based on ex-ante estimations.

No revisions will be issued in cases where a project's scope changes later to either increase or decrease blended concessional financing.

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

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

- The income-level of the country where the private recipient/borrower is officially registered. The classification used — low-income, lower-middle income, upper-middle income, and high income — is the World Bank Group's classification by income level in the relevant reference year (2019).
- The regional grouping where the private recipient/borrower is officially registered (see World Bank classification).

**Instrument types:** the types of financial instruments used to report commitments of concessional resources arranged by the reporting DFIs cover the following: loans (senior and sub-ordinated), risk-sharing facilities and guarantees, equity, grants (including investment grants but excluding performance-based grants), and performance-based grants.<sup>23</sup>

**Other data elements:**

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

- Other contributions from public and/or private organizations provided at concessional terms,
- Other public contributions

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

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

## Accounting for Portfolio Guarantees (Still under development)

- Starting in 2018, underlying investments supported via a Portfolio Guarantee are being accounted and reported.<sup>24</sup>
- For this report, Portfolio guarantees are defined as a blended finance instrument where donor funds are used to provide credit protection/guarantees for lending or risk-sharing programs that cover several partner financial institutions (PFIs) and other clients (SMEs). The blended finance is applied at the program level rather than at each individual transaction, and the concessionality results from taking higher risks or costs uncompensated for by higher returns.
- Portfolio Guarantees are captured separately by reporting DFIs to ensure proper accounting throughout their investment period. For 2018 and 2019 these amounts are also reported separately from the other aggregate numbers.
- Portfolio Guarantees are accounted for in each year based on the commitments made to clients from the guarantee program each year. The concessional amount is either 1) a pro-rated percent of the program commitment for the year based on an estimate of the percent of the program covered by the portfolio guarantee when the program is fully disbursed, or 2) the actual amount of donor exposure during the reporting year beyond the exposure in previous years. For 2018 and 2019 the first method was used to determine the concessional amounts for portfolio guarantees in the report, due to limitations of available data for the second method. The DFI amount is the annual program commitment net of the calculated concessional amount.

## SECTORAL BREAKDOWNS DEFINITIONS

(These Categories are mutually exclusive)

**Infrastructure:** In alignment with the Joint MDB's methodology on private investment mobilization,<sup>25</sup> this report defines infrastructure as underlying physical foundation or civil works (including integral and/or dedicated equipment) that support economic and social development. Sectors classified as infrastructure cover the following: energy (electricity generation, transmission, and distribution), water and waste management (water and sanitation, solid waste, irrigation, flood control), transport (roads, ports, airports, urban transport, railway, fluvial and maritime transport), telecommunications, IT within infrastructure sectors, and social infrastructure (schools, hospitals, etc.). The definition excludes captive infrastructure reserved for the sole use of a firm.

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

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

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

## THEMATIC BREAKDOWNS DEFINITIONS<sup>26</sup>

(These categories are not mutually exclusive)

**Climate Finance:** Climate finance refers to resources committed to projects and activities that mitigate climate change and/or support adaptation to climate change impacts. More specifically, data reported as “climate finance” in this report refers to projects qualifying as such according to the Joint-MDB methodology for tracking and reporting mitigation and/or adaptation finance (Joint-MDBs, 2017<sup>27</sup>), and the Common Principles agreed with the members of the International Development Finance Club (IDFC).

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

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

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

## TECHNICAL ASSISTANCE/ADVISORY SERVICES

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

## GLOSSARY

**Blended Concessional finance for private sector operations of DFIs.** Combining concessional finance from donors or third parties alongside DFIs' normal own account finance and/or commercial finance from other investors, to develop private sector markets, address the Sustainable Development Goals (SDGs), and mobilize private resources.<sup>28</sup>

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

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

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

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

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

**Market failures.** Market operations that are inconsistent with the assumptions of perfect markets, e.g. perfect information, extensive competition, no externalities,

rational behavior, and alignment of interests between market agents.

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

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

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

**DFI Enhanced Principles or DFI Principles.** The set of principles for the use of blended concessional finance in private sector projects agreed by the DFIs in October 2017, summarized in Annex 1, and covered in the report, "DFI Working Group on Blended Concessional Finance for Private Sector Projects", October 2017. ([https://www.ifc.org/wps/wcm/connect/30635fde-1c38-42af-97b9-2304e962fc85/DFI+Blended+Concessional+Finance+for+Private+Sector+Operations\\_Summary+R...pdf?MOD=AJPERES](https://www.ifc.org/wps/wcm/connect/30635fde-1c38-42af-97b9-2304e962fc85/DFI+Blended+Concessional+Finance+for+Private+Sector+Operations_Summary+R...pdf?MOD=AJPERES))

## ENDNOTES

- 1 DFI Working Group on Blended Concessional Finance for Private Sector Projects, October 2017. [https://www.ifc.org/wps/wcm/connect/30635fde-1c38-42af-97b9-2304e962fc85/DFI+Blended+Concessional+Finance+for+Private+Sector+Operations\\_Summary+R....pdf?MOD=AJPERES](https://www.ifc.org/wps/wcm/connect/30635fde-1c38-42af-97b9-2304e962fc85/DFI+Blended+Concessional+Finance+for+Private+Sector+Operations_Summary+R....pdf?MOD=AJPERES)
- 2 Private Sector Development Institutions Roundtable: DFI Guidance for Using Investment Concessional Finance in Private Sector Operations. March 12, 2013. <https://www.ebrd.com/downloads/news/roundtable.pdf>
- 3 Private Sector Development Institutions Roundtable: *DFI Guidance for Using Investment Concessional Finance in Private Sector Operations*. March 12, 2013.
- 4 This working group consists of EBRD, IFC, AsDB, IDBG, AfDB, EIB, ICD, AIIB and EDFI.
- 5 DFI Working Group on Blended Concessional Finance for Private Sector Projects, October 2017. [https://www.ifc.org/wps/wcm/connect/30635fde-1c38-42af-97b9-2304e962fc85/DFI+Blended+Concessional+Finance+for+Private+Sector+Operations\\_Summary+R....pdf?MOD=AJPERES](https://www.ifc.org/wps/wcm/connect/30635fde-1c38-42af-97b9-2304e962fc85/DFI+Blended+Concessional+Finance+for+Private+Sector+Operations_Summary+R....pdf?MOD=AJPERES)
- 6 See “DFI Working Group on Blended Concessional Finance for Private Sector Projects” Joint Report, October 2018 Update and “DFI Working Group on Blended Concessional Finance for Private Sector Projects” Joint Report, October 2019 Update. [https://www.ifc.org/wps/wcm/connect/3aaf1c1a-11a8-4f21-bf26-e76e1a6bc912/201810\\_DFI-Blended-Finance-Report.pdf?MOD=AJPERES&CVID=mpvbN7c](https://www.ifc.org/wps/wcm/connect/3aaf1c1a-11a8-4f21-bf26-e76e1a6bc912/201810_DFI-Blended-Finance-Report.pdf?MOD=AJPERES&CVID=mpvbN7c)  
<https://www.ifc.org/wps/wcm/connect/73a2918d-5c46-42ef-af31-5199adea17c0/DFI+Blended+Concessional+Finance+Working+Group+Joint+Report+%28October+2019%29+v1.3+Report+.pdf?MOD=AJPERES&CVID=mUEcSN>
- 7 These amounts do not include Blended Concessional Finance-supported Portfolio Guarantees, which are reported separately.
- 8 Based on latest MDB Mobilization Task Force report (2018), DFIs deploy over \$69 billion per year of private sector mobilization in low- and middle-income countries. If the concessional amounts and public contributions reported in 2019 are included, the total project volume for DFIs could be closer to \$100 billion. This compares to \$10.4 billion total project cost for blended concessional finance activities reported in 2019 by DFIs.
- 9 Certain instruments, such as performance grants, tend to have less volume per project, so overall volume shares of these instruments may appear low relative to their importance.
- 10 Sectors tracked in 2019 include Infrastructure, Finance and Banking, and Other. The “Other” sector covers a broad range of sectors including agribusiness, health, manufacturing, and services
- 11 In 2014-2016 there were also some differences in country coverage compared to later years and high-income data was not included.
- 12 The benefits thereof are ultimately transferred to the final beneficiary.
- 13 This is based on the calculation methodology number 1 as discussed under “Portfolio Guarantees” in Annex 3.
- 14 Private sector mobilization and total project volume is under-reported for portfolio guarantees as some DFIs have not yet begun tracking indirect private mobilization for portfolio guarantees
- 15 In this data gathering exercise, the funds from bilateral and multi-lateral donors are mutually exclusive.
- 16 Includes European Union (EU), European Commission (EC), and EU Member states not identified. In addition, the EU is an important contributor of concessional financing for municipal and public sector projects.
- 17 EBRD net income allocation, including for performance grants and risk-sharing instruments.
- 18 “Other” development partners include the Global SME Facility (GSMEF), Kazakhstan, Norway, the Small Business Impact Fund, Switzerland, Sweden and Italy.
- 19 The degree of concessionality of a given instrument is measured by its “grant element”. For instance, a loan offered at market terms has a grant element of zero percent while a grant would have a grant element of 100%.
- 20 The reference definition of ODA and OOF is available on the OECD Glossary of Key Terms and Concepts. As example, a loan with a grant element of at least 25 per cent would qualify as ODA; if lower as OOF.
- 21 <http://documents.worldbank.org/curated/en/495061492543870701/pdf/114403-RE-vised-June25-DocumentsPrivInvest-Mob-Draft-Ref-Guide-Master-June2018-v4.pdf>
- 22 Companies with a sovereign guarantee are not counted as private operations for this exercise.
- 23 For risk sharing facilities, the donor amount would be the donor first loss amount, the DFI amount would be the DFI risk sharing amount less the donor first loss amount. For guarantees, the donor amount is the guarantee amount. Donor first loss or partial guarantees in all cases should be netted when reporting others contributions. For donor performance grants, data reported assume maximum utilization.
- 24 Portfolio guarantees were included as a footnote in previous reports.
- 25 <http://documents.worldbank.org/curated/en/495061492543870701/pdf/114403-RE-vised-June25-DocumentsPrivInvest-Mob-Draft-Ref-Guide-Master-June2018-v4.pdf>
- 26 Blended concessional finance can be extended for more than one ‘thematic’ purpose e.g. climate resilient agriculture. Hence, thematic data allocation is not-mutually exclusive.
- 27 <https://publications.iadb.org/handle/11319/8505>
- 28 Note some of the EDFIs manage government concessional finance for investment in private sector projects but without also investing their own funds. These activities are included in the definition.