BLENDED FINANCE FUNDS AND FACILITIES: 2020 SURVEY RESULTS

Faty Dembele, Timothy Randall, David Vilalta and Vanessa Bangun

107

OECD DEVELOPMENT CO-OPERATION WORKING PAPER 107

Authorised for publication by Jeffrey Schlagenhauf, Acting Director, Development Co-operation Directorate

OECD

BETTER POLICIES FOR BETTER LIVES

June 2022

OECD Working Paper

OECD Working Papers do not represent the official views of the OECD or of its member countries. The opinions expressed and the arguments employed are those of the authors. Working Papers describe preliminary results or research in progress by the author(s) and are published to stimulate discussion on a broad range of issues on which the OECD works. Comments on the present working paper are welcomed and may be sent to dac.contact@oecd.org or the Development Co-operation Directorate, OECD, 2 rue André-Pascal, 75775 Paris Cedex 16, France.

This document, as well as any data and any map included herein, are without prejudice to the status of or sovereignty over any territory; to the delimitation of international frontiers and boundaries; and to the name of any territory, city or area.

Please cite this paper as: Dembele, F., T. Randall, D. Vilalta and V. Bangun (2022), “Blended finance funds and facilities: 2020 survey results”, *OECD Development Co-operation Working Papers*, No. 107, OECD Publishing, Paris.

Abstract

Initially launched in 2017, the OECD annual Blended finance Funds and Facilities Survey compiles and analyses information on collective investment vehicles, one of the primary channels for blended finance. In 2020, the third annual edition captured 198 vehicles, representing USD 75 billion assets under management. The survey helps policy makers and private sector actors better grasp the size and shape of a segment of the blended finance market. By bringing together data of different development actors that, collectively, are a significant contributor to sustainable finance, this survey makes an important contribution to enhancing understanding and transparency. Transparency is increased through the data collection and analysis, and understanding is increased through the aggregation of the data that highlight the main investments trends. The quantitative analysis is complemented by OECD statistics on private finance mobilised by official development interventions, as well as by information provided by other specialised institutions.

This new evidence confirms trends observed on the broader blended finance market in terms of priority sectors, geographical coverage and the Sustainable Development Goals targeted. This year's edition also explores additional aspects such as investors, clients and investment instruments, and has a particular focus on gender.

Foreword

This report provides quantitative and qualitative analysis of the data collected during the third round of the OECD Survey on Blended finance Funds and Facilities in 2020. It aims to provide a comprehensive picture of the latest market trends in blended finance and explores how the development impact of collective investment vehicles is being tracked and evaluated.

The results of the first round of the survey were presented in the OECD publication *Making Blended finance Work for the Sustainable Development Goals*, based on data gathered in 2017 by Commons Consultants. The results of the second edition were published in 2018 as two standalone papers: Part I focused on the operational and portfolio results and Part II analysed factors relating to the development strategy, performance tracking and evaluation approaches of the surveyed blended finance funds and facilities. No survey was undertaken for 2019.

The 2020 round expands previous analysis to include insights on health, gender and the COVID-19 pandemic. Moreover, the use of the Convergence—a global network of public, private and philanthropic investors as well as sponsors of transactions and funds for blended finance—brings additional visibility on the blending that may occur at the transactional or project level, since the OECD data are at a higher level of aggregation. This round covered 70 managing organisations responsible for 90 funds and 108 facilities, representing USD 75 billion of assets under management. Overall, the sample in this survey is dominated by blended finance facilities managed by multilateral development finance institutions (DFIs) and blended finance funds managed by commercial asset managers.

This survey complements other data collection efforts by organisations with different objectives and methodologies, such as the DFI Working Group, OECD Statistics on Private finance Mobilised and the Convergence Database. The methodology section presents detailed explanations of the methodology and how it compares to other databases and any potential limitations of this survey.

Acknowledgements

The OECD would like to extend warm thanks to the respondents to the OECD 2020 Blended finance Funds and Facilities Survey. The detailed information shared by the 70 managing organisations of the 90 funds and 108 facilities that responded to this third edition of the survey has provided invaluable insights on the blended finance market, and the OECD is extremely grateful for all the support provided by the participants.

This report was prepared by the OECD Development Co-operation Directorate (DCD) under Director Jorge Moreira da Silva, in collaboration with Convergence, a global network of public, private and philanthropic investors as well as sponsors of transactions and funds for blended finance. Faty Dembele, Policy Analyst, was the lead author under the supervision of Paul Horrocks, Manager of the Private finance for Sustainable Development Unit, and the strategic leadership of Haje Schütte, Head of the Financing for Sustainable Development Division. Timothy Randall, David Vilalta, Vanessa Bangun, Clara Descos, and Natalia Lemanska played an integral role in the drafting of the report and in-depth data analysis.

The design and administration of the OECD 2020 Blended finance Funds and Facilities Survey were conducted by the blended finance team at DCD. The team is also grateful to Elise Le Marec, Marc Tocatlian and James Kim, as well as Brunella Boselli, for their administrative support to conduct the survey.

Further support was provided by Chris James from the health team in the Directorate for Employment, Labour and Social Affairs on the design of the health-related questions. Megan Kennedy-Chouane from the Evaluation team also provided valuable insights on the questions related to evaluation processes.

In addition, we would like to warmly thank Lisa Williams and Jenny Hedman in the Gender Equality and Women's Empowerment team for their support on the design of the gender-specific questions. This collaboration also spurred a dedicated report on Blended Finance for Gender Equality, building on the data gathered as part of the OECD 2020 Blended Finance Funds and Facilities Survey.

Additionally, we would like to thank Cecile Sangaré and Tomas Hos from the Statistical Standards and Methods Unit for kindly reviewing the results of this survey. Susan Sachs was the editor of the report and ensure the high quality necessary to publish. The OECD would like to thank Convergence and its staff for their support in the inception and dissemination of the survey. The draft benefited in particular from the complementary information provided by Ayesha Bery (Senior Associate), Andrew Apampa (Senior Associate) and Nicholas Zelenczuk (Associate). Finally, the quantitative analysis presented in the paper is complemented by information provided by Convergence. Further details on the methodological differences between the various complementary survey efforts are discussed in the methodology section of the report.

Table of contents

OECD Working Paper 3

Abstract 4

Foreword 5

Acknowledgements 6

Abbreviations and acronyms 10

Executive summary 11

1 Market overview: Survey details 13
- More vehicles with more assets under management participated 13
- Most CIVs were launched in 2009 or later 16
- Slowing down of investment activity due to the COVID-19 crisis 18

2 Overview: Blended finance vehicles investors and managers 19
- Investors 19
- Managing organisations 22

3 Investment strategy: What CIVs should consider 26
- Instruments 26
- Blended finance mechanisms and instruments 26
- Geographies 29
- Investment strategies: Sectors and Sustainable Development Goals 33
- The effect of risk appetite on blended finance investment 46
- Return expectations for private equity and venture capital funds 47

4 Local capital market development: Key considerations 49
- Engagement with local financial institutions 49
- Local currency 49

5 Development performance: How to demonstrate the impact of investments 51
- Tracking development performance 51
- Assessing development results 52

References 58

Annex A. Respondents to the 2020 OECD Blended Finance Funds and Facilities Survey 61

Annex B. Methodology for the 2020 OECD Survey on Blended Finance Funds and Facilities 69

FIGURES

Figure 1.1. Number of survey respondents by type of blended finance vehicle CIV 14
Figure 1.2. Assets under management by type of blended finance CIV 15
Figure 1.3. Average vehicle size by type of blended finance CIV 15
Figure 1.4. Number of blended finance CIVs launched by year 16
Figure 1.5. Historical blended finance transactions (Convergence) 17
Figure 1.6. Number of closed transactions and aggregate funding from funds and facilities 18
Figure 1.7. Impact of COVID 19 on blended finance CIV strategies 18
Figure 2.1. Governments are the biggest investors in blended finance vehicles 19
Figure 2.2. Investors in blended finance funds 20
Figure 2.3. Top investors in blended finance funds and facilities from Convergence data 21
Figure 2.4. Type of funding of blended finance funds and facilities from Convergence data 22
Figure 2.5. Assets under management, by managing organisation 23
Figure 2.6. Historical blended finance transactions, managers and size 24
Figure 2.7. Distribution of ASN-Novib microcredit fund's investments by sub-region 25
Figure 3.1. Instruments used in blended finance CIVs 27
Figure 3.2. Frequency of instruments used by blended funds (Convergence) 28
Figure 3.3. Frequency of instruments (disaggregated) used by blended funds (Convergence) 28
Figure 3.4. Amounts invested by sub-region 29
Figure 3.5. Amounts invested by country 30
Figure 3.6. Historical blended finance transactions by region, share of deals and size (Convergence) 31
Figure 3.7. Regional focus of blended finance funds (Convergence) 32
Figure 3.8. Amounts invested and number of CIVs investing, by country income level 33
Figure 3.9. Key principles adhered to by blended finance CIVs 34
Figure 3.10. Sustainable Development Goals targeted by blended finance vehicles 35
Figure 3.11. Blended finance transactions by Sustainable Development Goal 36
Figure 3.12. Funds and facilities' health investment focus 37
Figure 3.13. Health instruments used in blended finance funds and facilities 38
Figure 3.14. Key challenges in health investments cited by blended finance vehicles 39
Figure 3.15. Integration of gender equality into the investment strategy 40
Figure 3.16. Reasons cited by funds and facilities for considering gender equality 42
Figure 3.17. Focus of CIV 43
Figure 3.18. Blended finance vehicle investments by sector 44
Figure 3.19. Number of blended finance vehicles investing in each sector 45
Figure 3.20. Number and aggregate financing of blended finance transactions by sector (Convergence) 46
Figure 3.21. Funds by broad asset category 47
Figure 3.22. Financial return expectations (by number of CIVs) 48
Figure 4.1. CIV support to local capital market development 49
Figure 4.2. Extent to which portfolios of blended finance vehicles use local currency 50
Figure 5.1. Standards used by blended finance vehicles for environment, social and governance safeguards 51
Figure 5.2. Blended finance vehicles' development targets 52
Figure 5.3. Quantitative targets measured by blended finance vehicles 53
Figure 5.4. Impact reporting metrics used by blended finance vehicles 54
Figure 5.5. Sources of development information collected by blended finance vehicles 55
Figure 5.6. Initiation of the evaluation process 56

Figure B.1. Overview of differences between three key blended finance definitions 70
Figure B.2. OECD and Convergence collection methodologies comparison 75
Figure B.3. Breakdown of Convergence database 76

TABLES

Table A.1. Survey respondents to the 2020 OECD Blended Finance Funds and Facilities Survey by type of managing organisation, 61
Table B.1. Comparative overview of the timeframes and survey coverage. 69
Table B.2. Structural differences across databases 72
Table B.3. Transactions captured within each database 74
Table B.4. OECD-DAC Gender Marker 76

Abbreviations and acronyms

AUM	Assets under management
CDC	Commonwealth Development Corporation
CIV	Collective investment vehicle
DAC	Development Assistance Committee (OECD)
DFI	Development finance institution
IFC	International Finance Corporation`
LDC	Least developed country
LMIC	Lower middle-income country
MDB	Multilateral development bank
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
SDG	Sustainable Development Goal
SME	Small and medium-sized enterprise
UMIC	Upper middle-income country

Executive summary

First launched in 2017, the OECD Blended Funds and Facilities Survey compiles and analyses the latest trends among blended finance funds and facilities. The 2020 survey builds on past editions and includes new questions specific to gender, health and COVID-19.

The aim of this survey is to assist in quantifying the blended finance funds and facilities market. The subsequent data analysis is intended to inform both Development Assistance Committee (DAC) as well as all stakeholders involved in blended finance operations. It presents what is working well and areas that require more effort in order to build confidence in the market. Strategies to enhance market confidence will encourage both existing and new private sector players to be further mobilised into projects relevant for the Sustainable Development Goals (SDGs).

The assets under management (AUM) captured by the OECD Blended finance Funds and Facilities Survey have steadily increased since 2017. The 2020 survey captures 198 collective investment vehicles (CIVs) with USD 75 billion under management, with most of this amount (USD 45 billion) channelled by blended finance facilities. The value of these AUM represents an increase of 24% over the 2018 survey (USD 60.2 billion) and a 152% increase over the 2017 survey (USD 29.6 billion). Multilateral and bilateral development finance institutions manage most of the AUM in facilities (83%, representing USD 37 billion). Commercial asset managers manage most of the AUM in funds (66%, representing USD 19 billion).

A range of key policy insights emerge from the results and analysis of the 2020 OECD Blended finance Funds and Facilities Survey:

- **Blended finance funds and facilities are critical channels for blended finance flows**, which collectively are important for development finance and therefore for the DAC. Given the potential of funds and facilities to contribute to sustainable development, there is scope for greater involvement of DAC members as investors of blended finance funds and facilities. However, it is crucial to ensure that blended finance vehicles are effectively used for development purposes. The OECD DAC has developed Overarching Blended finance Guidance, including the five guidance notes based on the OECD DAC Blended finance Principles. This body of work pulls together best practices that can support development co-operation providers in moving into blended finance activities.
- **Blended finance funds and facilities are not yet targeting all Sustainable Development Goals (SDGs), sectors, and geographies.** Collective Investment Vehicles (CIVs) continue to focus their investments on a limited number of SDGs. SDG 8 (decent work and economic growth) and SDG 9 (industry, innovation and infrastructure) continue to be the most popular, targeted by 79% and 65% of CIVs, respectively. The 2020 survey included gender and health-related questions. Interestingly, while only 30% of CIVs invest in SDG 3 (good health and well-being), more than 92% of CIVs responding to the survey mentioned that they take gender equality issues (SDG 5) into consideration in their investment strategy. To deliver blended finance, policy makers need to create tailored approaches, based on the specific developmental maturity of each SDG market, sector and geography. DAC members also need to deploy more funding through funds and facilities in critical SDG sectors, and in higher-risk geographies, such as east development countries (LDCs)

- **Commercial investors continue to represent only a small share of the capital of collective investment vehicles (CIVs).** To close the SDG financing gap, development finance should facilitate the unlocking of commercial finance to maximise total financing directed towards development outcomes (OECD DAC, 2020[1]). Commercial asset managers and private actors have increased their investment in CIVs by 130% since the 2018 edition of the survey, though they still represent less than 6% of the total capital in CIVs. Consequently, DAC members should increase their efforts to attract commercial investors to blended finance vehicles at scale, either through direct participation in CIVs or through members' development finance institutions (DFIs). For the latter, it may be necessary to revisit the incentive structures to ensure that DFIs are geared towards maximising mobilisation at scale while ensuring development impact. This could imply a change in business models from financiers to mobilisers of private capital at scale.
- **The use of local currency is an important factor in the development of local capital markets**. Many CIVs still do not use local currency in their operations, though the numbers are trending upward. It is critical for finance interventions to focus on local needs (OECD DAC, 2020[1]). Yet, 45% of CIVs are not using local currency in their operations, suggesting that greater efforts could be made to encourage the use of local currency. Funds are much more likely to use local currency: Of the funds responding to the survey, 63% reported they use local currency. Facilities very rarely do so: Only 24% of facilities reported they use local currency. Overall, however, there has been a shift. The 2020 survey showed a 45% increase in the number of CIVs using local currency in more than 50% of their investments compared to the 2018 survey. Funds and facilities can contribute to this objective by engaging with local financial institutions to increase their use of local currencies.
- **More needs to be done to ensure adequate monitoring and evaluation of blended finance project impact.** The number responding to the survey using development indicators positioned at the impact level increased by 42% in 2020 compared to the 2018 survey. However, most development performance indicators used by blended finance vehciles remain positioned t the input, output or outcome level, and less so at the impact level. They also should strongly recommend the use of recognised, best practice environmental, social and governance standards integration; encourage the recurring publication of evaluations; and ultimately support the publication of evaluation reports so that these can be put into the public domain. Overall, the 2020 Blended finance Funds and Facilities Survey results suggest that there is scope for donors to incentivise and ensure the adequate monitoring and evaluation of blended finance projects.

1 Market overview: Survey details

Box 1.1. Collective Investment Vehicles

Collective Investment Vehicles (CIVs) can target specific investments and use different types of instruments. A CIV can be structured so that all investors are exposed to the same risk-return profile, or its cash flows can be structured in such a way that some investors have subordinated repayment claims compared to more senior debt. In the context of work on blended finance, the OECD distinguishes between two different pooled models:

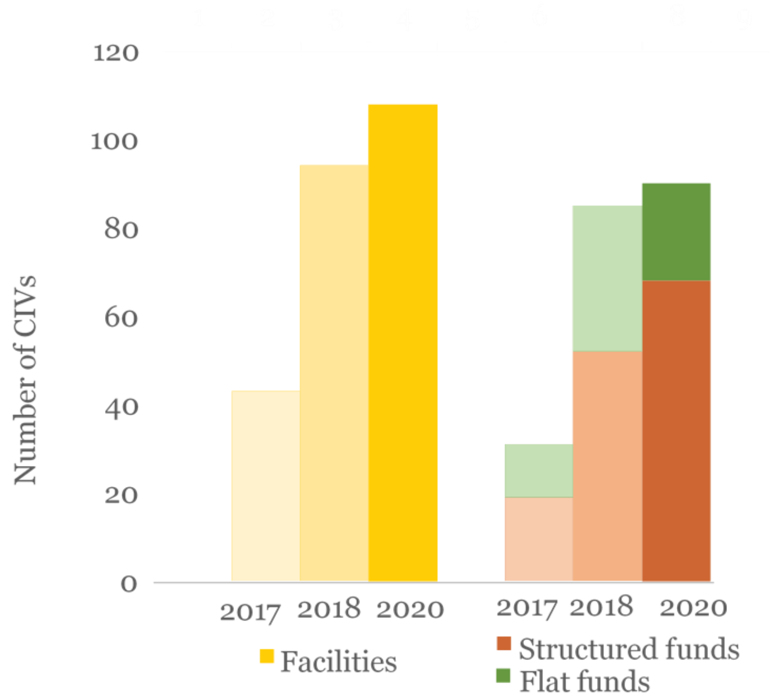
- A fund is a pool of capital that can contain a mixture of development and commercial resources. It provides financing the direct investees (e.g. projects or companies) or indirect investees (e.g. through credit lines or guarantees) that provide on-lending. In addition to mobilising commercial capital at the end of the fund level, this type of CIV may also mobilise additional financing at the project or investment level. Funds can be structured in two ways, either in a flat structure where risks and returns are allocated equally to all investors (all investors are pari passu) or in a layered structure where risks and returns are allocated differently across investors.
- A facility is an earmarked allocation of public development resources (sometimes including support from philanthropies) that can invest in development projects through a range of instruments with the purpose of mobilising additional finance (e.g. commercial) through its operations.

The methodology section provides detailed definitions and the set of criteria for funds and facilities included in the survey.

More vehicles with more assets under management participated

More than 700 collective investment vehicles (CIVs), taken from the OECD's internal database, [1] were invited to take part in the survey in 2020 and 198 responded. This represented an increase of 10% over the number of blended finance CIVs that responded to the 2018 survey and a 168% increase over the number responding to the 2017 survey). Most of the survey were facilities (108, a 15% increase over 2018). The number of funds increased only slightly (90, representing a 6% increase). In addition, 108 of the 198 in the survey, or 55%, had also participated in the 2018 survey; the remaining 90 are first-time survey respondents. Although not fully capturing the whole market, in comparison to the two previous surveys the increase in coverage results in broader and more comprehensive data , thereby providing clearer evidence on emerging trends within the overall blended finance market. Figure 1.1 shows the totals and breakdown of funds and facilities responding to the 2017, 2018 and 2020 editions of the survey.

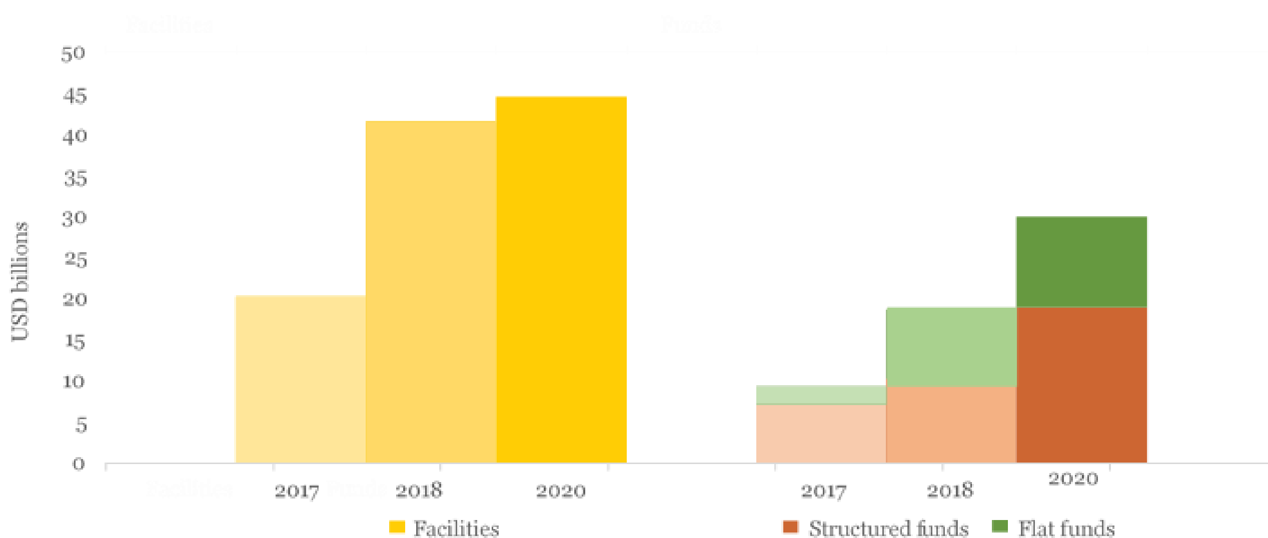
Figure 1.1. Number of survey respondents by type of blended finance vehicle CIV



Note: The figure is based on responses to the survey. In a flat fund, risks and returns are allocated equally to all investors (i.e. all investors are pari passu). In a structured fund, risks and returns are allocated differently across investors.

The total assets under management (AUM) held by those responding to the survey have increased with each edition. For the 2020 survey a total AUM of USD 74.6 billion was reported, 24% higher than the USD 60.2 billion AUM in the 2018 survey and 152% higher than the USD 29.6 billion in AUM of the 2017 survey (Figure 1.2). Most of the growth in 2020 was due to the 60% increase in AUM reported by funds over 2018; AUM reported by facilities increased by only 7% compared to the 2018 survey.

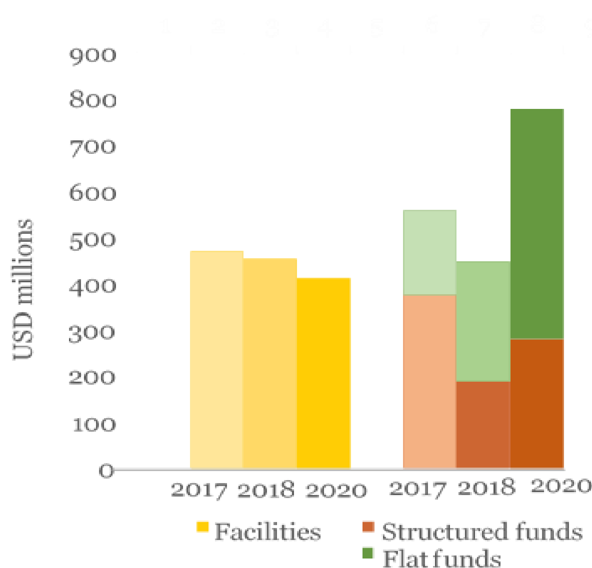
Figure 1.2. Assets under management by type of blended finance CIV



Note: The figure is based on 198 responses. In a flat fund, risks and returns are allocated equally to all investors (i.e. all investors are pari passu). In a structured fund, risks and returns are allocated differently across investors.

Facilities continue to hold larger volumes of AUM than funds. However, the average size of funds has increased significantly, led mainly by structural funds, which increased in size by 93% increase compared to the 2018 survey and by 173% over the 2017 survey. Figure 1.3 shows the average vehicle size by type of blended finance vehicle.

Figure 1.3. Average vehicle size by type of blended finance CIV

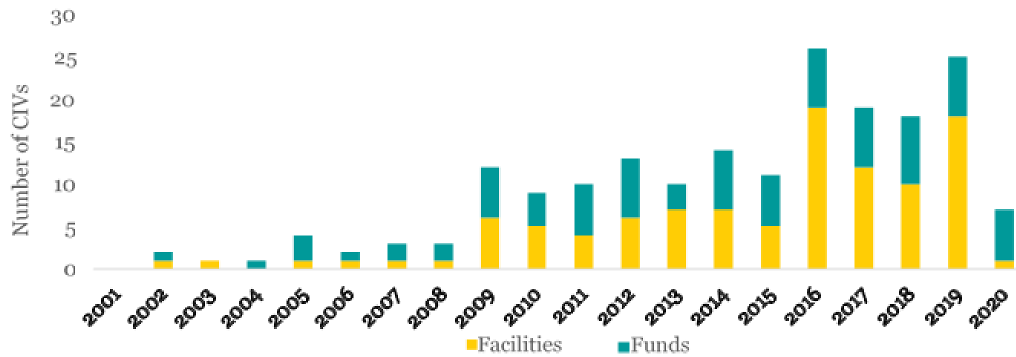


Note: The figure is based on 198 responses. In a flat fund, risks and returns are allocated equally to all investors (i.e. all investors are pari passu). In a structured fund, risks and returns are allocated differently across investors.

Most CIVs were launched in 2009 or later

Most of the growth in blended finance vehicles reporting in our sample comes from funds and facilities launched in or after 2009. Another spike in the number of CIVs launched came in 2016 (Figure 1.4). This illustrates the increasing use of blended finance in the last decade and specifically in the last five years.

Figure 1.4. Number of blended finance CIVs launched by year

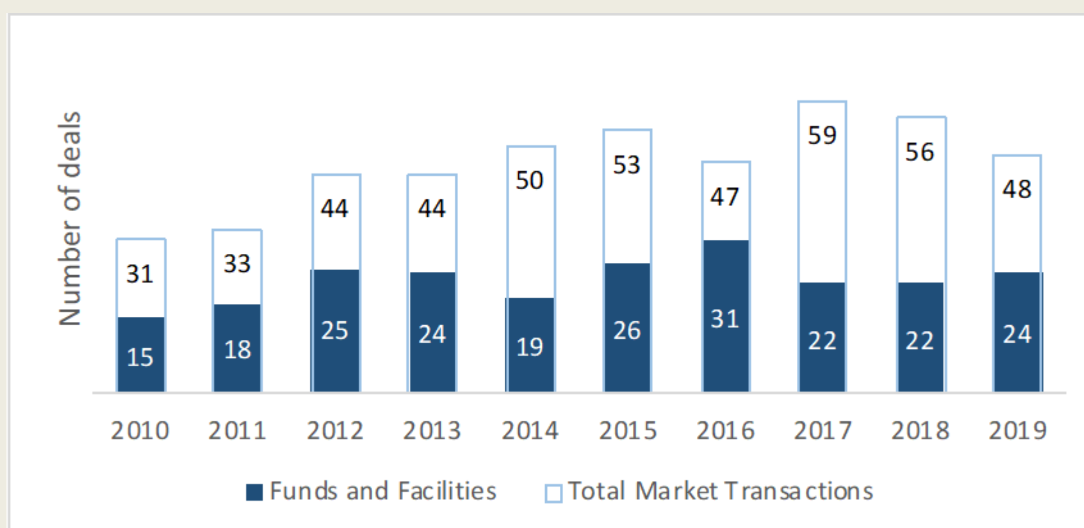


Note: The figure is based on 198 responses.

Box 1.2. Market growth in blended finance (Convergence)

Over 2010-20, Convergence noted positive trends both in the total number of financially closed blended transactions (519 in the last eleven years, 680 overall) and total market size (approximately USD 125 billion since 2010 and USD 157 billion across all closed deals). Since 2010, Convergence's database has captured more than 1 400 unique investors, representing nearly 3 000 investments in funds and facilities (Figure 1.5). Current flows of blended finance will likely fall short of the "billions to trillions"[2] needed to fill the USD 2.5 trillion investment for achievement of the SDGs by 2030. Given that the annual volume of official development assistance (ODA) and concessional financing remains relatively unchanged, concessional capital providers must become more efficient to mobilise private investment at scale, according to the Convergence report, *The State of Blended Finance 2020*.[3]

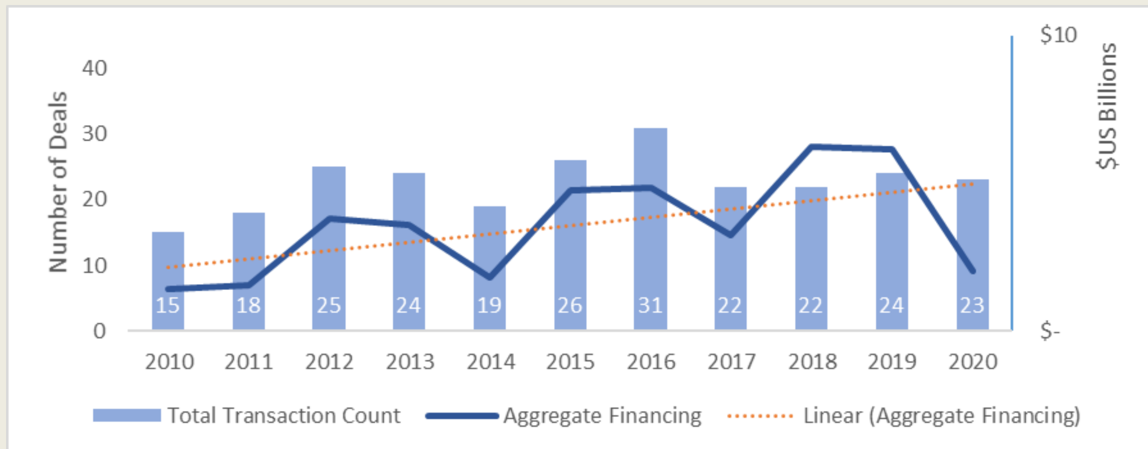
Figure 1.5. Historical blended finance transactions (Convergence)



Source: Convergence database of deals from 2010 to 2020

Funds and facilities consistently represent a significant portion of the total blended finance market, accounting on average for 50% of closed deals annually over the last decade. Likewise, these investment vehicles have contributed 40% of market capital flows on average and registered steady nominal growth year on year (Figure 1.6). Blended finance projects and companies make up the bulk of the balance of outstanding deals and aggregate financing, accounting for an average of 26% and 23% of deals annually since 2010, respectively. Projects in particular have mobilised large-scale aggregate financing for blended finance (with the median deal size being approximately USD 120, particularly in the renewable energy sector.

Figure 1.6. Number of closed transactions and aggregate funding from funds and facilities

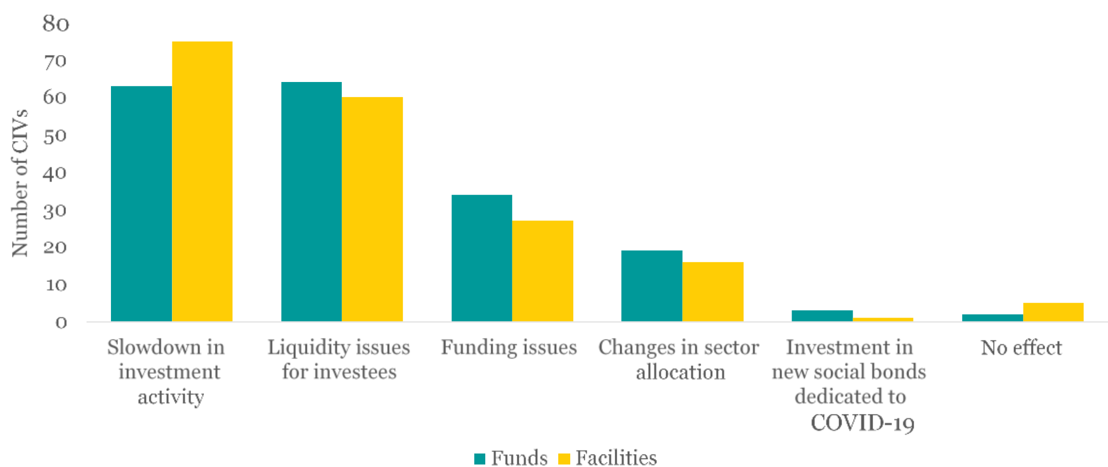


Source: Convergence database of deals from 2010 to 2020

Slowing down of investment activity due to the COVID-19 crisis

As a result of the COVID-19 crisis, most those responding to the survey mentioned a slowdown in investment activity or liquidity issues for investees (70% and 63% of the survey, respectively) but few reported having had funding issues. However, while 18% of CIVs had to make changes in sector allocation, few reported that they intend to invest in new social bonds dedicated to addressing the COVID-19 crisis. Only 4% of the CIVs reported that they have seen no effect from the COVID-19 pandemic on their investment strategy.

Figure 1.7. Impact of COVID 19 on blended finance CIV strategies



Note: The figure is based on 198 responses.

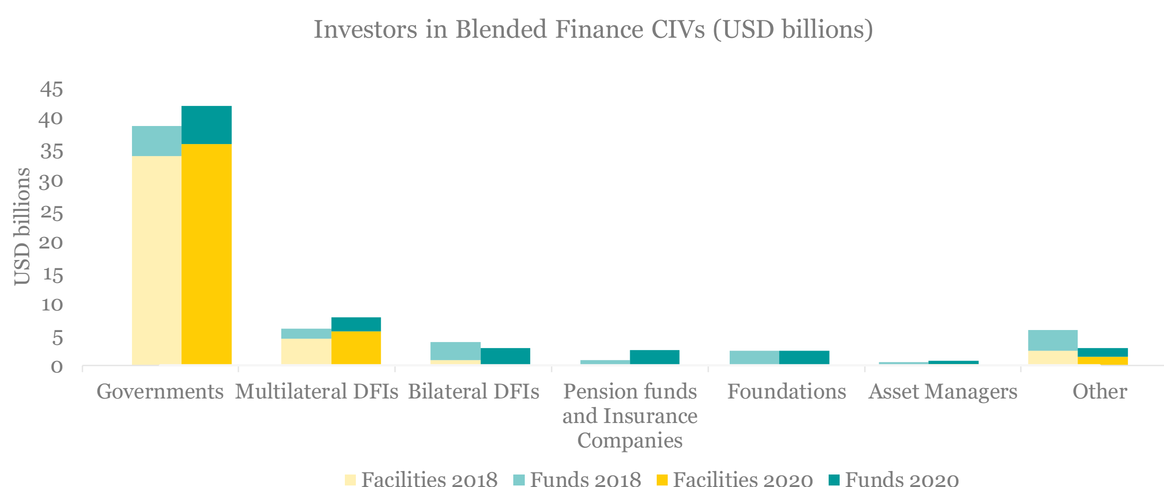
2 Overview: Blended finance vehicles investors and managers

Investors

Institutional investors remain the least-prominent investors in blended finance vehicles

According to the 2020 OECD Blended Funds and Facilities Survey, pension funds and insurance companies were responsible for a total investment these blended finance vehicles of USD 2.5 billion (representing 4% of the total capital in CIVs). Institutional investors mostly provide capital for funds. This might be explained by the fact that blended finance funds, due to their structure and mandate, gather a much more diverse set of investors, given their structure and mandate (Basile and Dutra, 2019[2]).

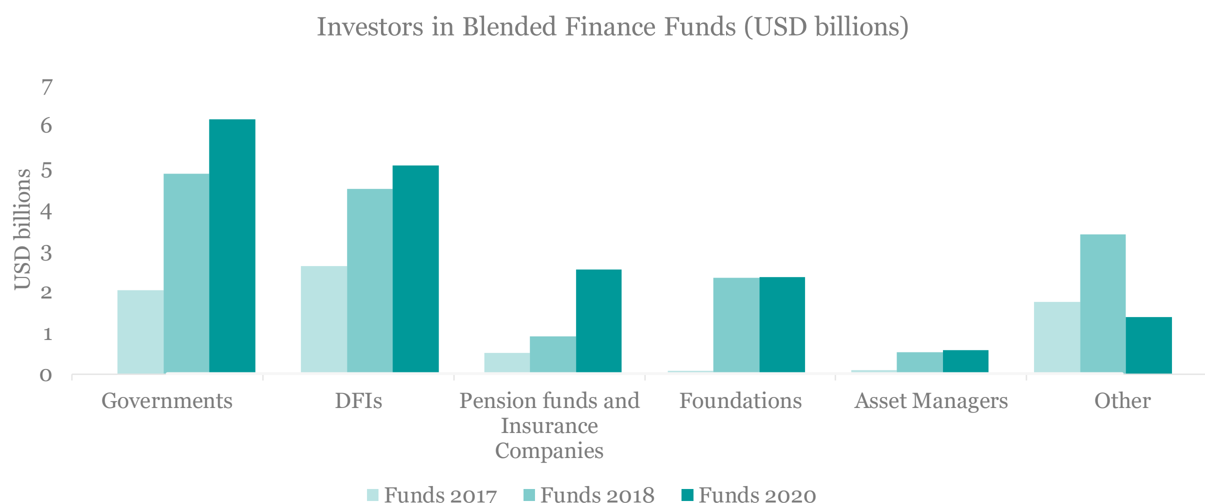
Figure 2.1. Governments are the biggest investors in blended finance vehicles



Note: The figure is based on 198 responses. The "other" category includes high net worth individuals, corporations, family offices and private institutional investors.

Governments (including development co-operation agencies) continue to be the main source of capital in blended finance funds and facilities, representing 69% of the total capital. MDBs are the second largest source of capital and have increased by 31% in USD terms since the previous survey. MDBs are the second largest source of capital. However, these were responsible for only 13% of the total invested in CIVs and together, bilateral and multilateral DFIs also referred to in the report at MDBs were the source for just 17% of total capital of blended finance vehicles. As investors, MDBs mostly engage with facilities and bilateral DFIs have a higher presence in funds.

Figure 2.2. Investors in blended finance funds



Note: Figure is based on 90 responses.

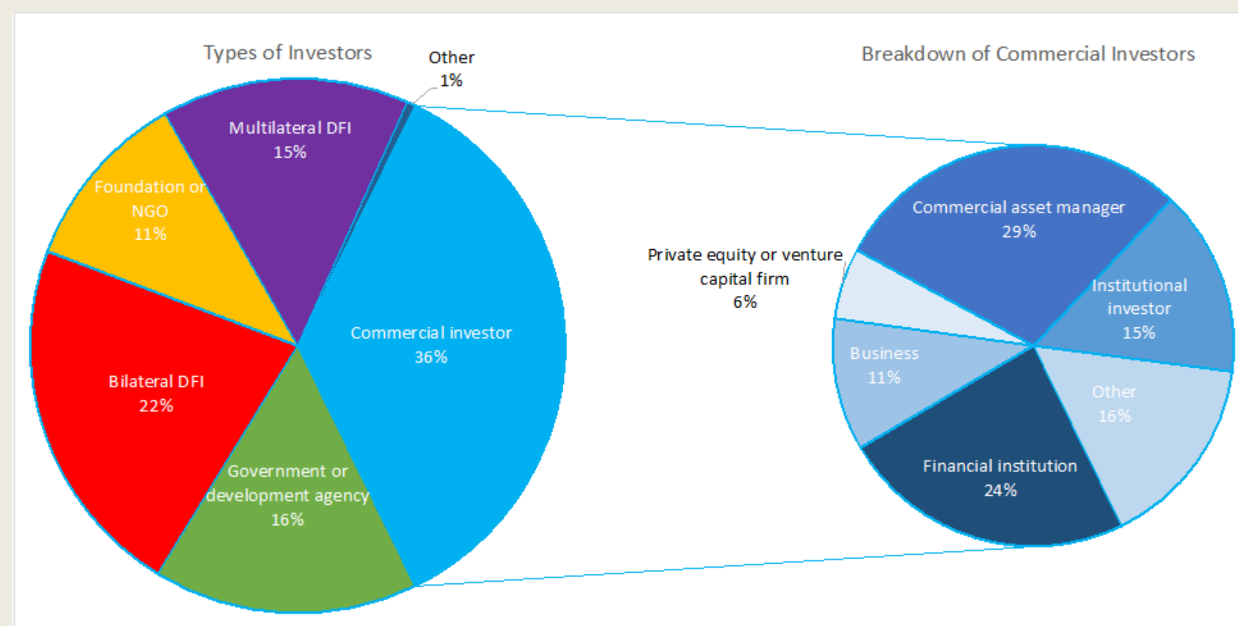
Examining funds more closely, the top investors are governments and bilateral DFIs, accounting for a combined 47% of the total capital in funds. Moreover, 2017 data is available for this comparison. As can be seen from Figure 2.2. Investors in blended finance funds

, compared to facilities, funds have a more evenly spread investor base and feature a significant number of institutional investors (i.e. pension funds and insurance companies) that represent 14% of the capital in funds. While institutional investors increased their investment in these funds by 175% since the 2018 survey, they continue to represent a relatively small amount of the total funding. The involvement of all types of investors in blended finance funds increased in recent years and especially governments (203% increase since 2017), DFIs (93% increase since 2017), and pension funds and insurance companies (398% increase since 2017). However, these figures may reflect that the number of survey respondents and their corresponding investments have increased over time. Box 2.1 provides a more granular overview of investors in both blended finance funds and facilities drawn from the Convergence database.

Box 2.1. A picture of investors in blended finance funds and facilities from Convergence data

Commercial private investors represent more than a third (36%) of all investors in blended finance funds and facilities, accounting for 2 452 total investments (Figure 2.3). These include investors with a traditional commercial mandate (two-thirds of commercial investors) as well as those with an impact mandate (one-third of commercial investors). Traditional commercial investors include investment management companies (29% of commercial investors), financial institutions (24%), institutional investors (15%) and businesses (11%).

Figure 2.3. Top investors in blended finance funds and facilities from Convergence data

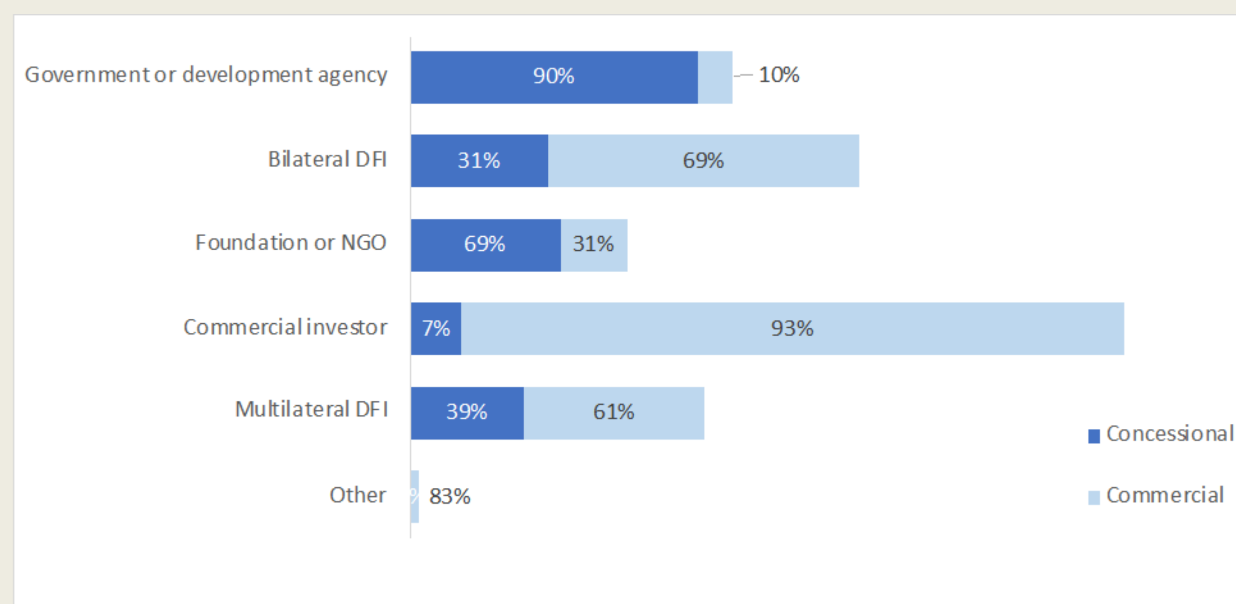


Note: NGO in this figure refers to non-governmental organizations.
Source: Convergence database.

Based on data collected by Convergence, bilateral DFIs account for the greatest proportion of investments into blended funds and facilities, representing 22% of investments made, followed by governments and development agencies (16%), and multilateral DFIs/MDBs (15%). Philanthropic organisations account for 11% of investments in blended funds and facilities.

Public, private and philanthropic organisations invest both commercially or concessionally priced capital in blended finance transactions. Public and philanthropic organisations provide the bulk of concessional financing in blended finance transactions (Figure 2.4). Most investments by governments and development agencies into blended finance transactions (90%) have been on concessional terms. For foundations and non-governmental organisations, (NGOs) 69% of investments are concessional, for MDBs, 39%), and DFIs, 31%. Naturally, only a small subset of private sector commitments (7%) are on a concessional basis, for example as a result of internal corporate social responsibility initiatives (Figure 2.4).

Figure 2.4. Type of funding of blended finance funds and facilities from Convergence data



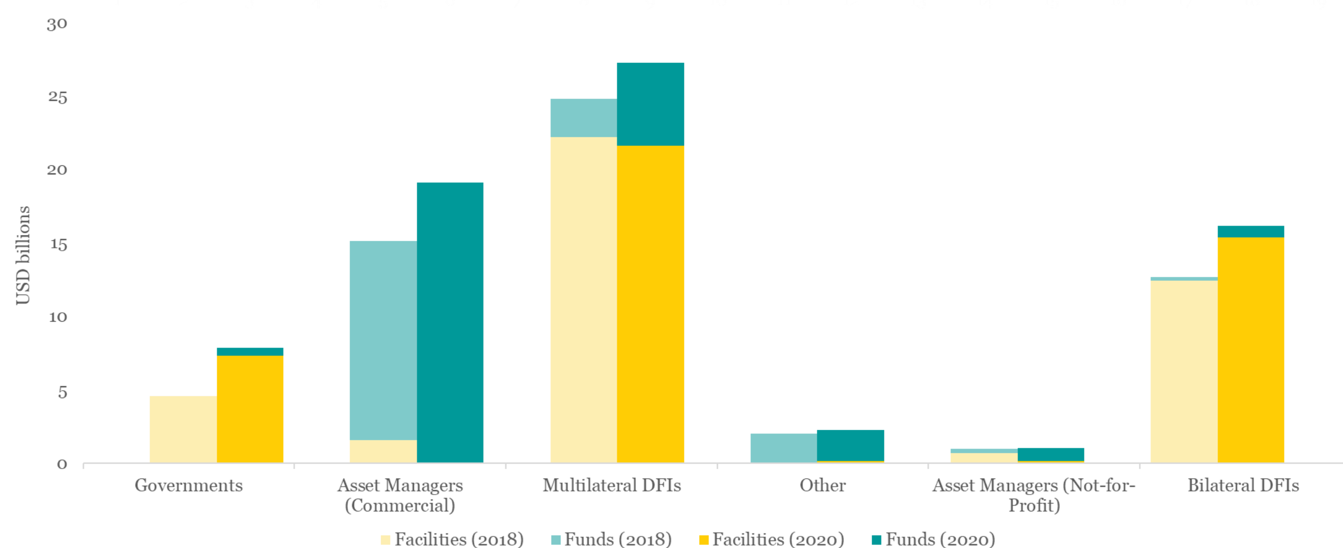
Source: Convergence database.

Managing organisations

Primary managers for facilities are MDB and bilateral DFIs and asset managers for funds

In terms of managing organisations, facilities are managed primarily by MDBs (48% of the managed AUM), followed by bilateral DFIs and governments. However, since the 2018 survey, governments are managing 60% more AUM and bilateral DFIs, 24% more AUM (Figure 2.5).

Figure 2.5. Assets under management, by managing organisation



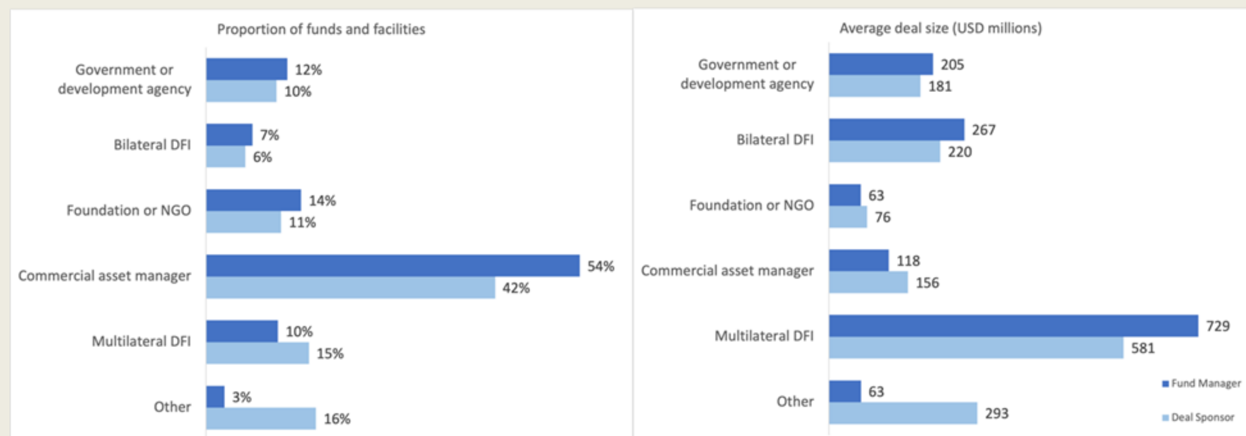
As highlighted in the figure above (Figure 2.5) the commercial asset managers continue to be the main managing organisation for funds. Compared to the 2018 survey, multilateral and bilateral DFIs as well as not-for-profit asset managers have all more than doubled their AUM in blended finance funds. Box 2.2 discusses trends in blended finance deals and managing organisations as revealed in the Convergence database. Box 2.3 presents an example of a fund that focuses on increasing the mobilisation of private finance and specifically commercial capital.

Box 2.2. Convergence database: Trends in blended finance deal sponsors and managers

More than half (54%) of the funds and facilities captured in the Convergence historical deal database are managed by commercial investment managers. These include traditional investment management firms (e.g. BlackRock, Allianz Global Investors) as well as impact investors (e.g. BlueOrchard, responsAbility Investments AG). Commercially oriented organisations have managed 61% of funds, while public development institutions and philanthropic organisations have managed 75% of facilities. This can be seen in multilateral DFIs, for example, which oversee 34% of facilities but only 5% of funds (Figure 2.6).

While multilateral DFIs, bilateral DFIs and development agencies manage a smaller proportion of funds and facilities (10%, 7% and 12% of funds, respectively), on average these vehicles tend to be larger than commercially managed funds (approximately USD 118 million compared to approximately USD 267 million). Of the three types of managers, MDBs tend to manage the largest deal sizes, averaging over USD 725 million per fund and/or facility. Such large-scale vehicles, such as the African Development Bank's (AfDB) USD 1 billion Room2Run securitisation facility, often target multiple regions and a diverse range of investee types and require sophisticated investment and monitoring procedures.

Figure 2.6. Historical blended finance transactions, managers and size



Source: Convergence database.

In addition to capturing funds and facilities, Convergence's database also captures other blended finance transaction types including projects, impact bonds and listed debt securities. Similar to funds and facilities, a range of philanthropic, public and private actors — what Convergence calls "deal sponsors" — establish and carry out these investment structures".

Mirroring the trend for managers of blended finance funds and facilities, commercial asset managers are also the most common deal sponsor, representing 42% of total deals captured in the database. As is the case for their management of funds and facilities, MDBs have been relatively more active overseeing all blended transactions, representing 15% of all other deal types. Other deal sponsors — including service providers, corporates and special purpose vehicles — are also more prominent in this category, however, representing 16% of deal sponsors compared to 3% of fund managers. These types of entities tend to sponsor large-scale, capital-intensive infrastructure projects. An example is the USD 845 million Xina Solar One Project sponsored by Abengoa.

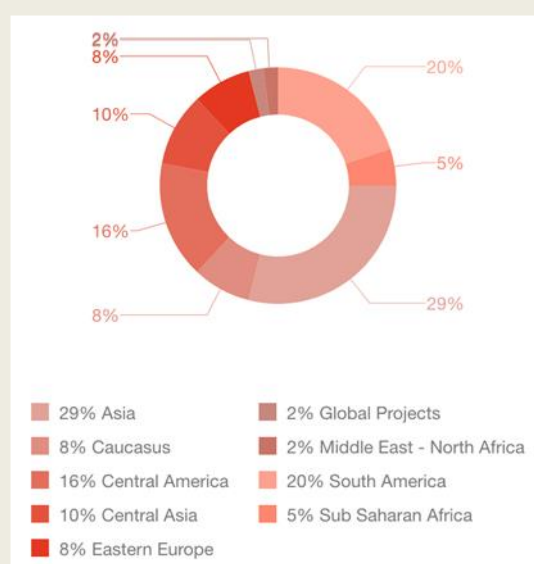
Box 2.3. Mobilising commercial capital: the ASN-Novib Microcredit Fund

ASN-Novib Microcredit Fund (ANMF) was established by ASN Bank and Oxfam Novib in 1999. ANMF invests solely within the banking and financial services sectors. The fund is managed by a commercial asset manager, Triple Jump. In October 2015, ANMF became the first microfinance investment fund with a listing in Europe.

The fund has managed to attract a total of more than USD 500 million in investment. Unlike for the majority of the sample CIVs, private investors including asset managers, high net worth individuals and foundations are the main investors in the fund. ANMF allows private individuals to invest in financial service providers in developing countries by issuing shares that can be traded on a daily basis. The only instrument that the fund uses to disburse funding is direct equity investments in companies.

As illustrated in Figure 2.7, the fund mainly invests in Asia (20%), South America (20%) and Central America (16%). In terms of country income level, the fund has reported that it mainly invests in lower middle-income countries (LMICs), among them India, Indonesia and Kyrgyzstan, and upper middle-income countries (UMICs) including the People's Republic of China, Ecuador, Georgia and Peru.

Figure 2.7. Distribution of ASN-Novib microcredit fund's investments by sub-region



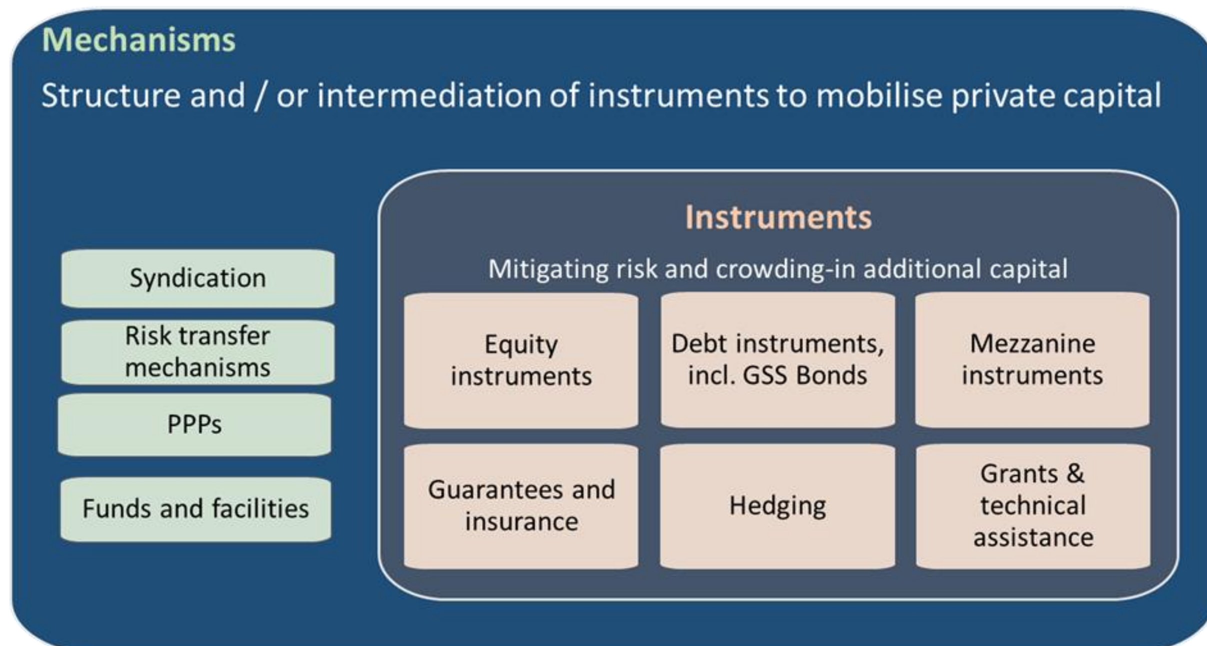
Source: (Triple Jump, n.d.[3]), *ASN-Novib Microcredit Fund* (webpage), https://triplejump.eu/fund/asn-novib-microcredit-fund/,

3 Investment strategy: What CIVs should consider

Instruments

Financial instruments for blended finance fall into the broad categories of grants, equity, debt and guarantees, which can also be provided through various forms and mechanisms (OECD DAC, 2020[4]). Their additionally depends on the financing gap in the respective geography, sector and market. Different instruments have different levels of mobilisation: For example, guarantees are known for their high mobilisation potential (OECD DAC, 2020[4]). Further information on the role of guarantees in Blended finance can be found in a recent OECD Development Co-operation Working Paper, "The role of guarantees in blended finance" (Garbacz, Vilalta and Moller, 2021[5])

Blended finance mechanisms and instruments



Source: Author OECD (2018).

According to OECD data on private finance mobilised for development, guarantees, are the instrument that mobilised the highest proportion of private finance (29%) after direct investments between 2012 and 2019 (OECD, 2021[6]) Guarantees also mobilised the largest share of private finance, specifically in least developed countries. (OECD/UNCDF, 2020[7]) The OECD amounts mobilised from the private sector as a result of official development finance interventions by both bilateral and multilateral actors between 2012 and 2019 was USD 253 billion. (OECD DAC, 2021[8]) As illustrated in Figure 2.5, direct investment

continues to be used by the majority of CIVs (58%), though the latest survey shows a small 1% decrease compared to the 2018 survey. Grants continue to be the second most frequently used instrument, though their use has decreased by 16% in the last two years.

The 2020 edition of the survey further shows that blended finance CIVs are increasingly using guarantees: 33% of CIVs use guarantees in their operations, an increase of 7%. Guarantees and credit lines are the only two instruments whose use increased in 2020 since the 2018 survey. Guarantees are becoming an established instrument to leverage private finance with a limited outflow of resources (except when there is a default); as they are not capital intensive, guarantees allow for the optimisation of balance sheet resources in times of financial distress, such as the COVID-19 pandemic (Garbacz, Vilalta and Moller, 2021[5]). Interestingly, the use of credit lines rose by 15% since the 2018 survey while syndicated loans and shares in CIVs decreased by 26% and 21%, respectively. Figure 3.1 reviews the investment instruments used in funds and facilities.

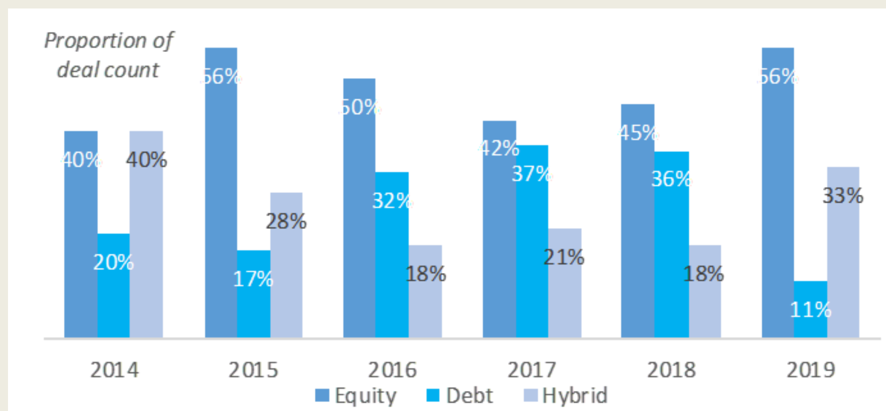
Figure 3.1. Instruments used in blended finance CIVs

Note: The figure is based on 198 responses.

Box 3.1. Investment trends of funds and facilities (Convergence)

The funds and facilities captured in the Convergence database use a range of investment instruments to provide funding to their investees including equity; short-, medium- and long-term debt; and guarantees. Private equity funds, classified here as funds that deploy equity as their primary instrument, have a strong market presence and since 2014, make up the largest number of funds launched each year (Figure 3.2. In comparison, private debt funds and hybrid funds (deploying both debt and equity) make up 25% and 24% of funds launched between 2014-19, respectively.

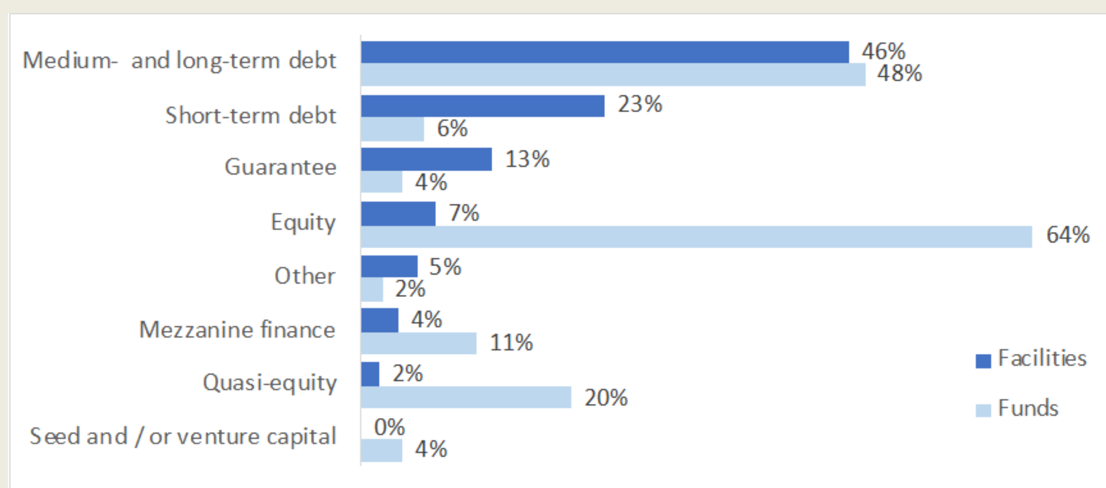
Figure 3.2. Frequency of instruments used by blended funds (Convergence)



Source: Convergence database.

When the data are disaggregated, some notable differences in the instrument preferences of funds and facilities emerge. Funds are far more likely than facilities to disburse equity (64%) than are facilities (only 7% and are more likely to also utilise quasi-equity (20%) than are facilities (2%). At the same time, facilities more strongly favour short-term debt (23%) and guarantees (13%) (Figure 3.3).

Figure 3.3. Frequency of instruments (disaggregated) used by blended funds (Convergence)



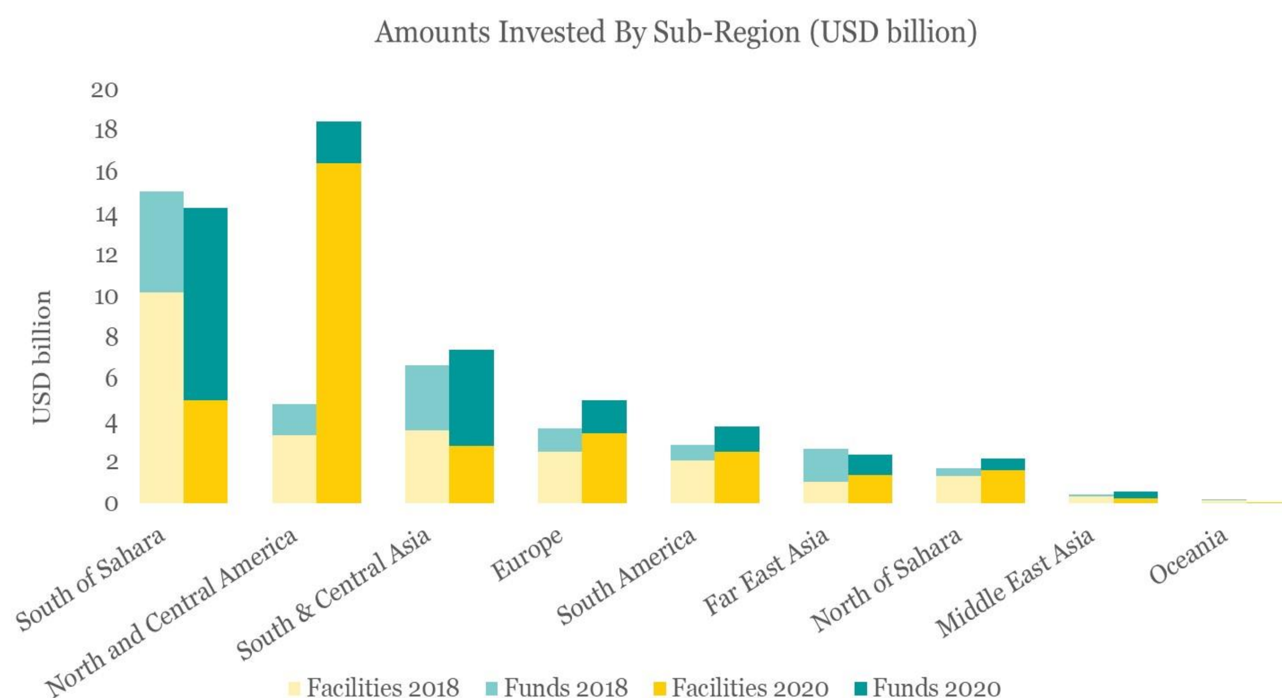
Source: Convergence database.

Geographies

Top sub-regions for blended finance investment are North and Central America and sub-Saharan Africa

Sub-Saharan Africa and North and Central America account for 60% of the total investment by blended finance CIVs, with a 238% increase in investment in Central America alone (Figure 3.4). This is a significant change from the 2018 survey, reflecting a 283% overall increase in investment in Central America and two large investments in these regions, one totalling USD 11 billion in a Central American UMIC and a second of USD 5 billion in a sub-Saharan UMIC. When these outliers are excluded from our sample, total investment in North and Central America is broadly equivalent to the volumes reported in the previous survey and show a 39% decrease in investment in sub-Saharan Africa, though it continues to be the sub-region in receipt of the most investment.

Figure 3.4. Amounts invested by sub-region



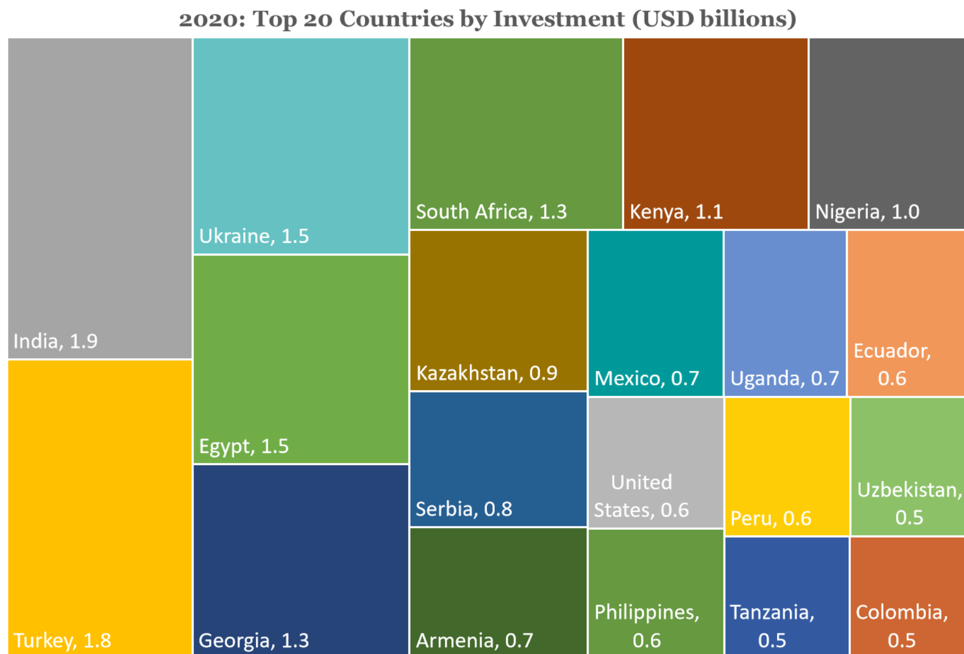
Note: The figure is based on 198 responses. Data include the USD 15 billion and USD 5 billion so-called outlier investments in one Central American UMIC and in one sub-Saharan African UMIC.

Moreover, 21% of CIVs in the survey sample target South and Central Asia, 19% target sub-Saharan Africa and 14% target South America. The largest increase, however, comes from Europe, which has seen a 41% increase compared to the previous survey (mostly driven by Serbia, Turkey and Ukraine).

Overall, 25% of the survey invested in Africa (compared to 30% in the previous survey) and 36% invested in Asia (compared to 35% in the previous survey). The emphasis is a change 2017, 34% of CIVs surveyed reported they had investments in Africa and 29% that they had investments in Asia. The shares of CIVs investing in Europe are broadly constant across the three years (9% in 2017, 6% in 2018 and 10% in 2020).

Broadly, blended finance CIVs invest across a range of countries (Figure 3.5). The survey found that India, Turkey and Ukraine are the three largest recipients of investment. Box 3.2 discusses the geographical distribution of blended finance transactions according to the Convergence database.

Figure 3.5. Amounts invested by country

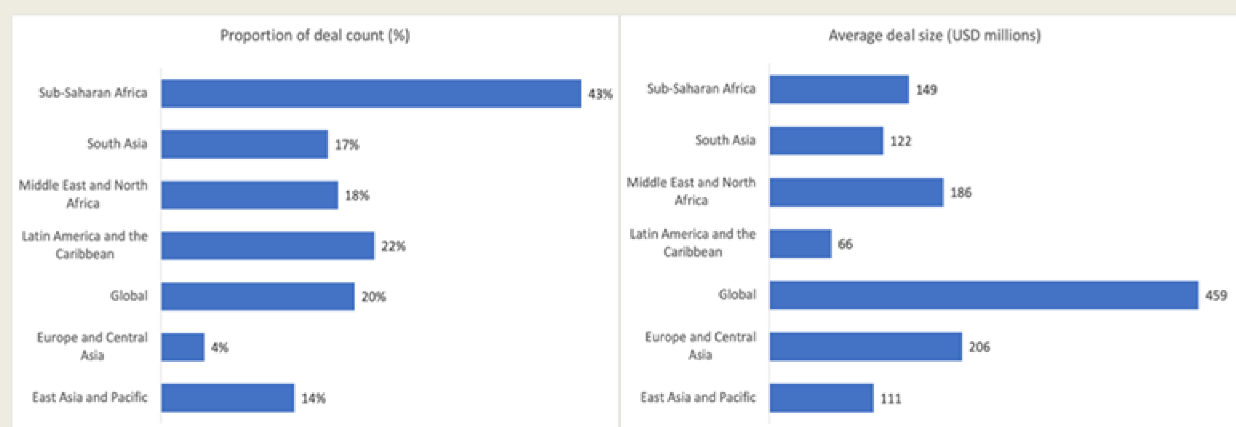


Note: The figure is based on 198 responses and excludes the investments of two outliers that invested USD 15 billion and USD 5 billion in a Central American UMIC and a sub-Saharan African UMIC

Box 3.2. Geographical coverage of historical blended finance transactions (Convergence)

Sub-Saharan Africa is the most targeted region for all types of blended transactions, including the funds and facilities sub-group (43% of funds and facility target Sub-Saharan Africa). Funds and facilities are more likely to target Latin America and the Caribbean compared to other deal types: 22% of funds and facilities target the Latin America region compared to 16% of all deal types. This regional prevalence does not translate to larger deals however; transactions targeting the Latin America region tend to be smaller compared to all other regions (average size of $66 million). Deal sizes of funds and facilities without a specific regional remit (i.e. global), representing more than e one-third of the total aggregate capital generated by blended vehicles, have tended to be larger. Among the large-scale funds and facilities in this category is Climate Investor One, which has raised USD 850 million in blended capital to date.

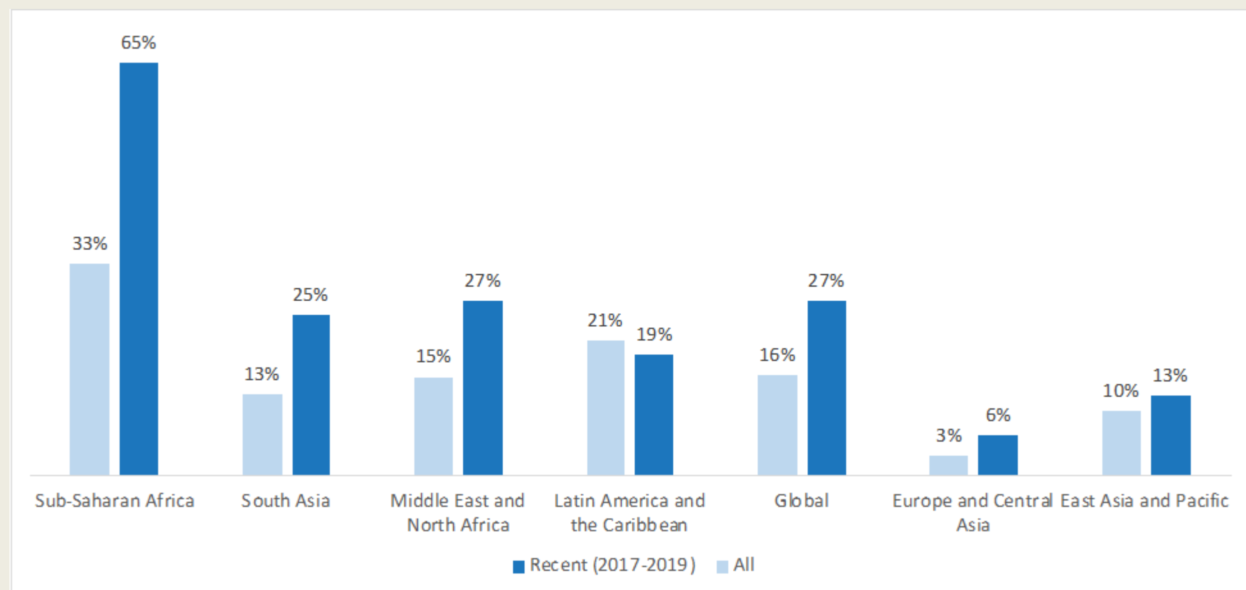
Figure 3.6. Historical blended finance transactions by region, share of deals and size (Convergence)



Source: Convergence database.

The blended finance market is diversifying in terms of regional focus, as demonstrated by blended funds. For example, funds launched in 2017-19 are more likely to target nearly all regions than was evident in historical trends, indicating a greater tendency for funds to target multiple regions at once. Certain regions — sub-Saharan Africa, South Asia, and the Middle East and North Africa — are nearly twice as likely to be targeted by funds launched in 2017-19 than the historical fund market average (Figure 3.7).

Figure 3.7. Regional focus of blended finance funds (Convergence)



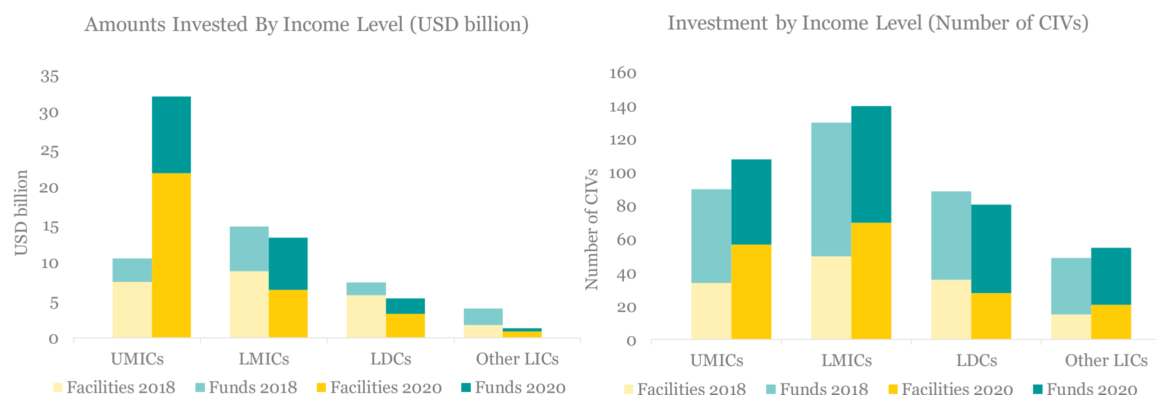
Source: Convergence database.

The majority of blended finance transactions, including funds and facilities, operate in middle-income countries: 78% of funds and facilities target LMICs and 44% target UMICs. Funds and facilities, more than the rest of the blended finance market, have tended to target low-income countries: 40% of these target low-income countries, compared to 26% of blended transactions generally. This may be due to the benefits funds and facilities experience from using a portfolio approach. Aggregating multiple investees across a range of countries enables funds and facilities to reduce the risks associated with any single project.

Upper middle-income countries receive the most investment, with least developed countries insufficiently targeted

Most investment still goes towards UMICs, the only country income group that experienced an increase in investments in the 2020 edition of the survey. The increase is partly driven by two outliers, one of which invested solely in a sub-Saharan UMIC and the other solely in a Central American UMIC. Even excluding these outliers, however, investments going towards UMICs increased by 14% over those reported in the 2018 survey. Investment volumes decreased in the other income level categories (Figure 3.8).

Figure 3.8. Amounts invested and number of CIVs investing, by country income level



Note: The figure is based on 198 responses. Data include the two outliers that invested USD 15 billion in one Central American UMIC and USD 5 billion in one sub-Saharan African UMIC.

In absolute terms, blended finance CIVs invested only USD 5.2 billion (10% of their total investment) in LDCs, according to the 2020 survey responses. In the 2018 survey, CIVs reported they invested USD 7.3 billion in LDCs, or 12% of their total investment. This change is mostly driven by a large decline in investment in Africa (excluding the outlier's investment in an sub- Saharan Africa UMIC), where the majority of LDCs are located, and suggests that, to date, blended finance has not been able to attract significant financial resources to LDCs (OECD DAC, 2020[9])

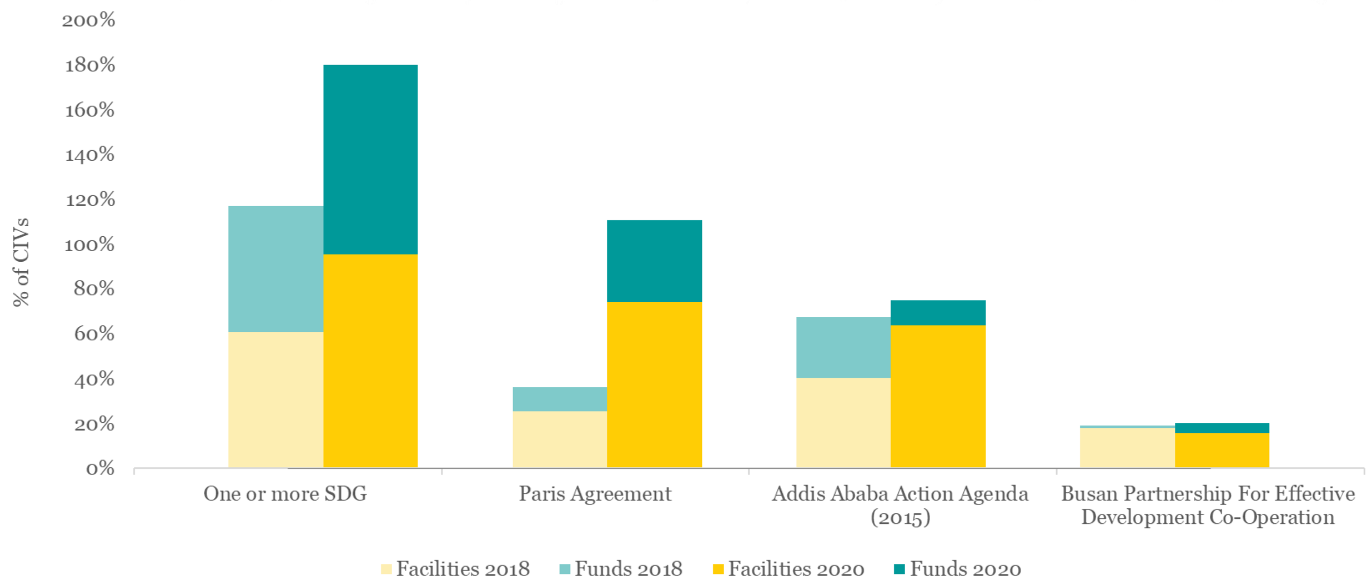
The 2020 survey showed that LDCs and other lower-income countries receive less investment, both in terms of volume and number of blended finance CIVs, than do LMICs and UMICs, which is consistent with results from prior surveys. Scaling up investment in LDCs and other lower-income countries is essential for the fulfilment of the 2030 Agenda for Sustainable Development (UN, 2015[10]). In addition, it is worth noting that blended finance has a higher additionality in countries and contexts where less commercial finance is currently available, such as in LDCs or fragile and conflict-affected situations (OECD DAC, 2020[11]).

Investment strategies: Sectors and Sustainable Development Goals

Vehicles anchoring investment strategies to the Paris Agreement increased

The SDGs continue to be the most popular international agreement implemented by CIVs. According to the 2020 survey, 94% of facilities and 84% of funds anchor their investment strategies to one or more of the SDGs, compared to 61% of facilities and 54% of funds responding to the 2018 survey. Figure 3.9 shows the percentage of facilities and funds covered in the 2018 and 2020 surveys that adhere to four main international agreements.

Figure 3.9. Key principles adhered to by blended finance CIVs



Note: The figure is based on 198 responses.

At the same time, between the 2018 and 2020 surveys, the number of CIVs anchoring their investment strategies to the Paris Agreement increased significantly, by 207%. This increase likely reflects both increased survey coverage and that more funds and facilities are targeting renewable energy. Approximately 37% of funds and 74% of facilities have anchored their investment strategy to the Paris Agreement.

Only 7% of CIVs surveyed, representing more than USD 7.9 billion in AUM, did not mention an international agreement in their strategy. Among the other conventions and frameworks mentioned by CIVs were the Kyoto Protocol, the UN Framework Convention on Climate Change, the InsuResilience Global Partnership, the Group of Twenty (G20) Action Plan to Support the Development of Local Currency Bond Markets Slightly more CIVs reported that they adhere to the OECD DAC Blended Finance Principles — 42% compared to 38% in the previous survey — with facilities making up the majority (54%) of these (OECD DAC, 2020[1])). Almost the same share of CIVs — 43% in the latest survey and 35% in the 2018 survey — adhere to the DFI Working Group's Enhanced Principles on the use of concessional blended finance.

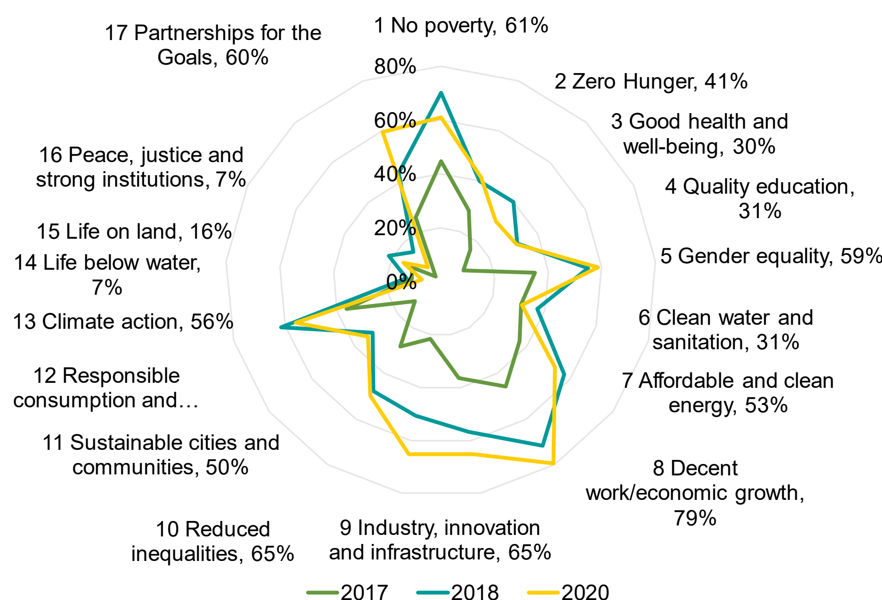
Blended finance CIVs target only a handful of SDGs

According to the 2020 survey results, 94% of facilities and 84% of funds anchor their investment strategies to one or more SDGs. However, on average, blended finance funds and facilities continue to target only seven of the SDGs. Funds contribute to eight SDGs on average and facilities contribute to six on average, results that are broadly consistent with the 2018 survey results. Grounding blended finance vehicles' investment strategy in one of more SDGs is of fundamental importance, but funds and facilities should go one step further and anchor their activities to SDG targets (OECD DAC, 2020[11]). For instance, while more than 60% of blended finance vehicles target SDG 1 (no poverty), not enough evidence is available on the extent to which they focus on specific targets such as eradicating extreme poverty (target 1.1) or building the resilience of the poor and those in vulnerable situations (target 1.5) (OECD DAC, 2020[11]). More transparency as well as evidence are needed. The OECD contributes to these needs through a new statistical framework aimed at providing a coherent, comparable and unified system for tracking SDG-relevant investments that is called Total Official Support for Sustainable Development (TOSSD).

Sustainable Development Goals 8, 9 and 10 continue to be the most targeted

Nearly 80% of the survey in 2020 said they anchor investments to SDG 8 (decent work and economic growth). SDGs 9 (industry, innovation and infrastructure) and 10 (reduced inequalities) are the second and third most targeted of the global goals, cited by 65% of the survey (Figure 3.10). Overall, the number in the survey targeting SDGs 8, 9 and 10 has increased by 8, 8, and 15 percentage points, respectively, compared to the 2018 survey.

Figure 3.10. Sustainable Development Goals targeted by blended finance vehicles



Note: The figure is based on 198 responses.

The least targeted Sustainable Development Goals relate to health and education

Only 30% of the survey targeted SDG 3 (good health and well-being) and 31% targeted SDG 4 (quality education). Moreover, fewer than 10% of the survey reported they are contributing towards SDGs 14 (life below water) and 16 (peace, justice and strong institutions). SDGs with clear revenue streams receive most of the investment by CIVs, demonstrating the challenges in attracting the private sector to SDGs that do not. Box 3.4 presents findings on SDG alignment based on the Convergence database of blended finance transactions.

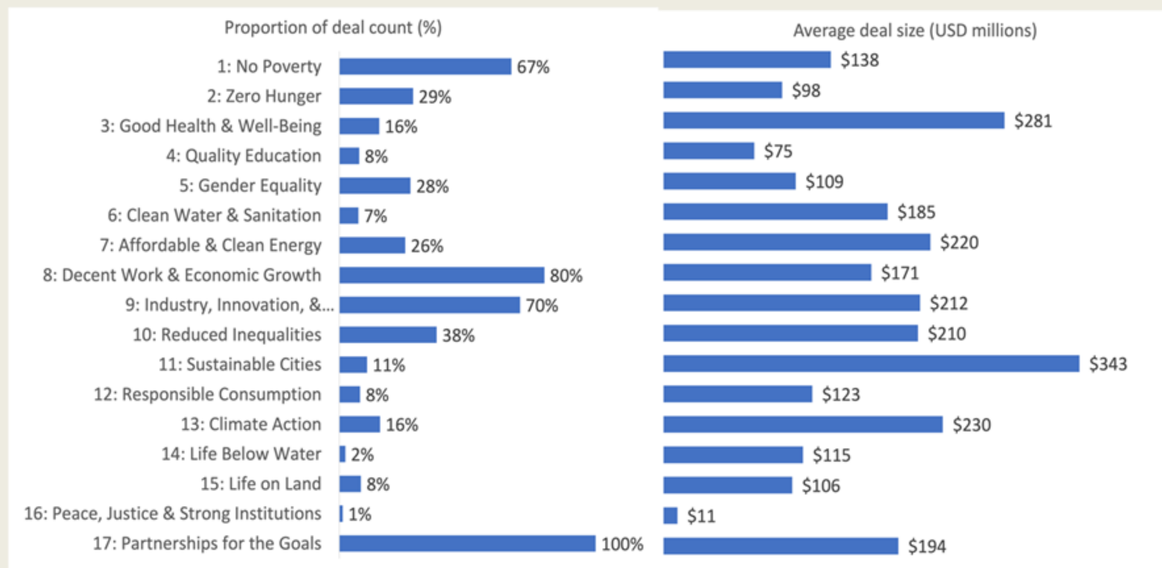
Box 3.3. SDG alignment in historical blended finance transactions (Convergence)

Convergence tracks blended finance transactions according to their alignment with the SDGs, assigning SDGs to transactions during data collection based on the impact targets and sub-goals disclosed and made publicly available.

Alignment of blended finance and the SDGs is understandably strongest (100%) for SDG 17 (partnerships for the goals). In addition, 70% of blended funds and facilities are aligned with SDG 9 (industry, innovation and infrastructure); 80% with SDG 8 (decent work and economic growth; and 38% with SDG 10 (reduced inequalities), a trend that has remained constant over time (Figure 3.11).

Climate finance, specifically those transactions aligned with SDGs 7, 11 and 13, accounts for more than half of total deal flow and aggregate financing in the blended finance market. Likewise, climate-focused funds and facilities represent nearly two-thirds of all capital mobilised by blended vehicles. While the majority of these transactions target climate mitigation efforts (e.g. increasing installed renewable energy capacity), Convergence notes tangible growth in the number of vehicles focused on climate adaption activities and SDGs 13 (climate action) and 15 (life on land). An example is the Land Degradation Neutrality Fund, which appeals to the private sector appetite for alternative asset classes, especially those centred on the natural economy.

Figure 3.11. Blended finance transactions by Sustainable Development Goal



Source: Convergence database.

Considerable blended finance efforts are underway to achieve SDG 2 (Zero hunger), which is intrinsically linked to agriculture sector development. Convergence expects sustained engagement in the sector going forward blended finance demonstrating a growing track record in the agriculture sector, particularly agrifinance, agro-processing and climate resilience.,. Funds and facilities in particular have become key players in agriculture finance, with 29% of these vehicles targeting SDG 2 compared to 24% of all deals. They also are facilitating greater volumes of capital to the sector, with the average size of the fund and/or facility of approximately USD 98 million versus the average size across all transactions of USD 35 million.

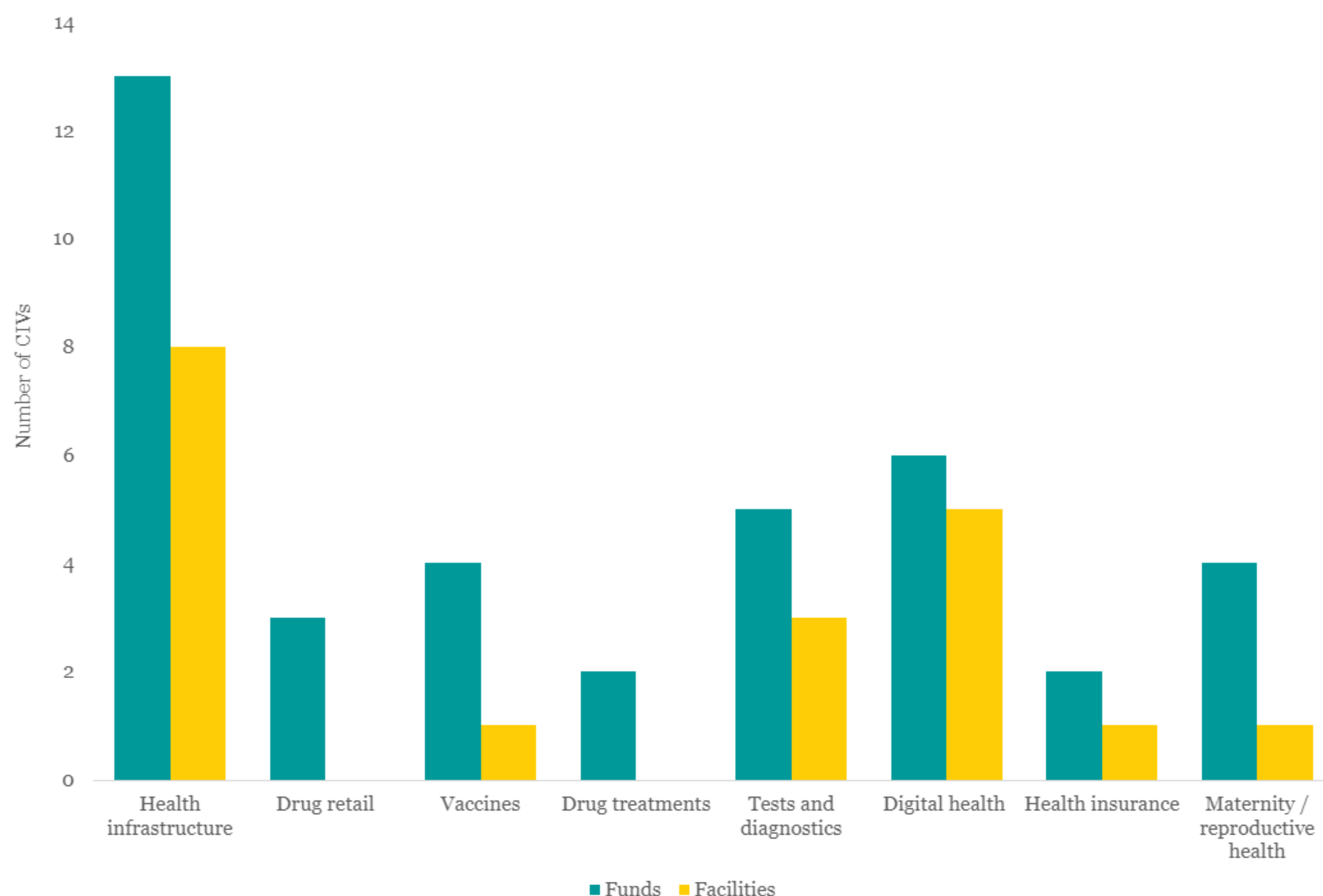
Blended vehicles have shown real potential to expand capital flows towards SDG 5 (gender equality). While currently only about a quarter of transactions (23%) are aligned to this SDG, momentum is growing and nearly 42% of transactions currently seeking blended capital on Convergence's fundraising platform are aligned with gender equality. Sustaining investor interest in opportunities linked with SDG 5 will require more explicit gender lens targeting among concessional capital providers and the adoption of more robust impact monitoring and measurement practices across the investment industry.

Zoom in on SDG 3 (good health and well-being)

The COVID-19 pandemic has reinforced the need for stronger investment in the health sector and SDG 3. Of the 30% of CIVs that invest in SDG 3, most (67%) are funds. The top three targeted sub-sectors among

these in the survey are health infrastructure (hospitals, clinics), digital health, and tests and diagnostics. Drug retail and drug treatment are the least targeted sub-sectors among CIVs (Figure 3.12). Further analysis is needed to better understand these trends.

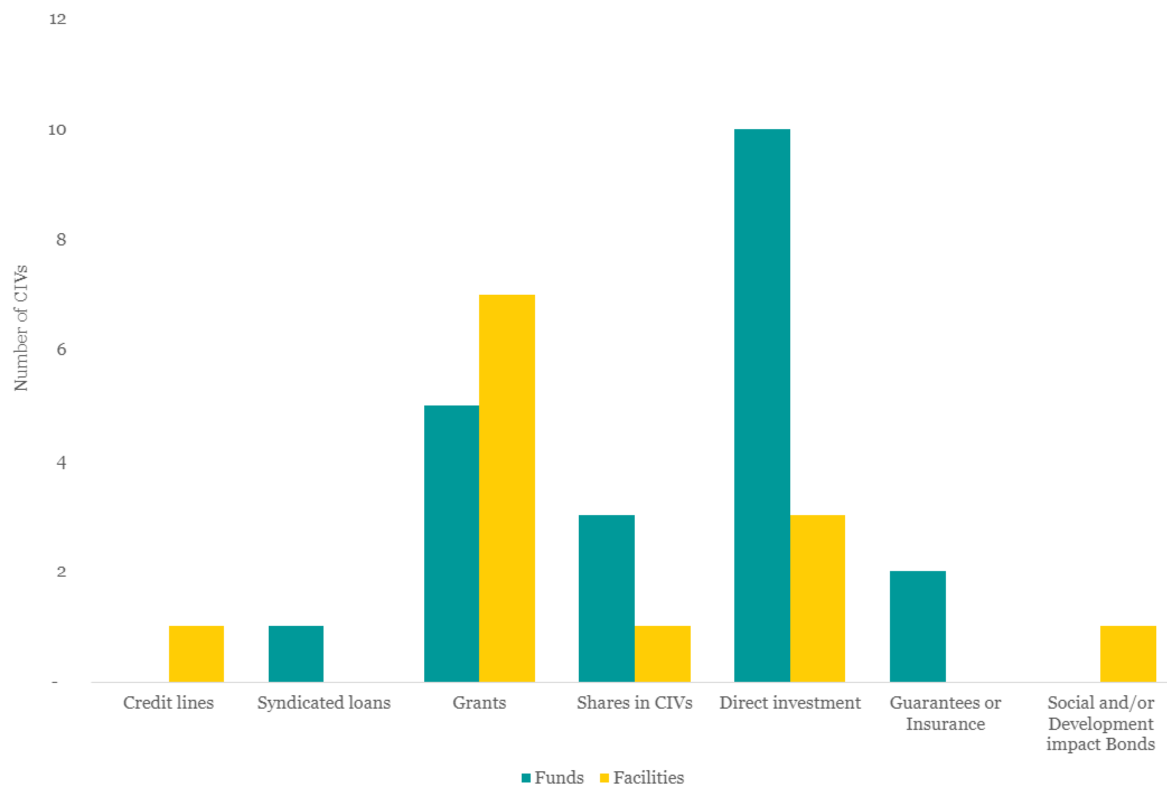
Figure 3.12. Funds and facilities' health investment focus



Note: The figure is based on 25 responses.

Direct investments are the most widely used instrument to invest in the health sector, used mostly by funds, followed by grants, which are mostly used by facilities. While guarantees are increasingly used in blended finance, other instruments are still used more in the health sector (Figure 3.13).

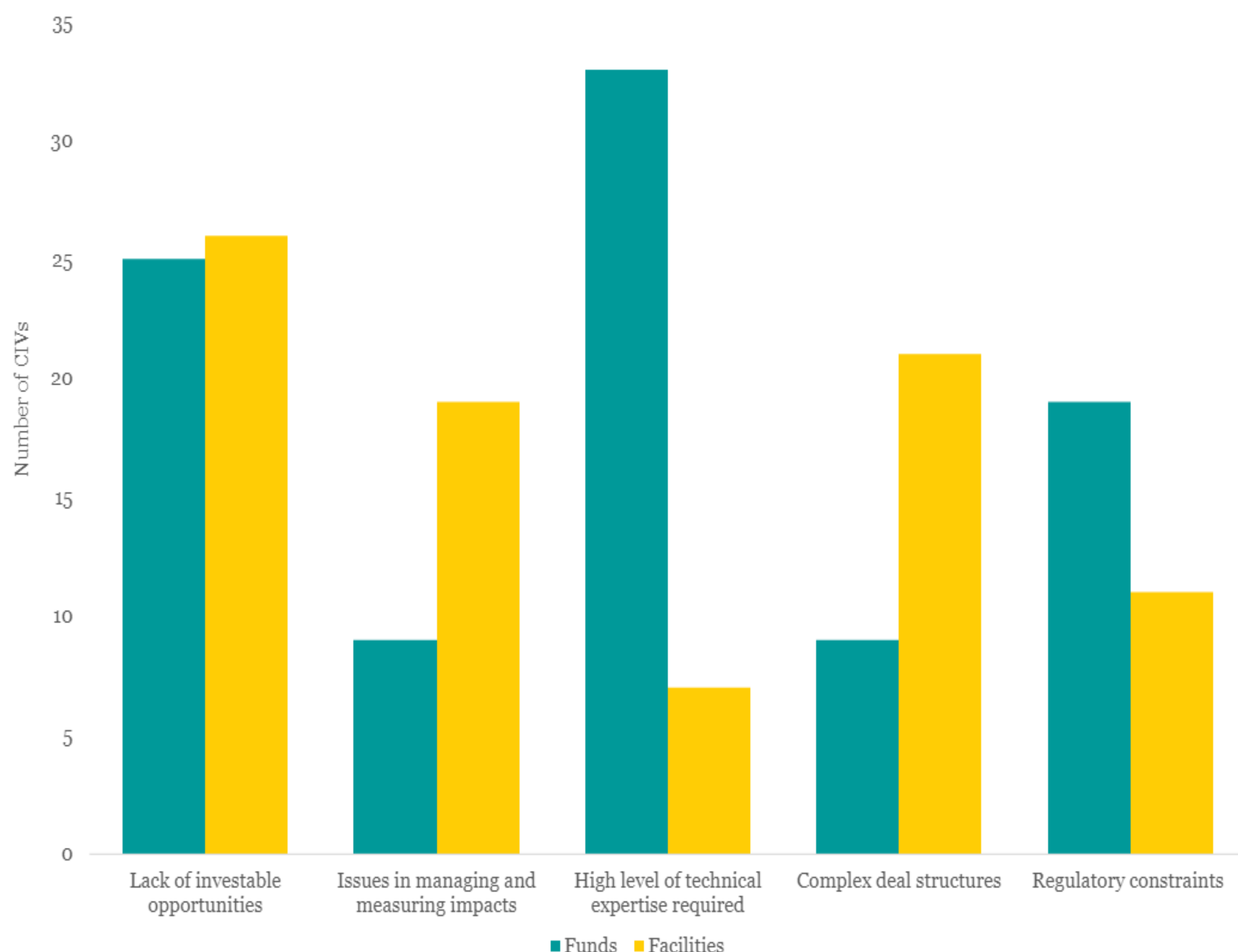
Figure 3.13. Health instruments used in blended finance funds and facilities



Note: The figure is based on 24 responses.

The lack of investable opportunities is cited as the main challenge to investing in the health sector for CIVs, followed by the high level of technical expertise required for such investments. Survey respondents, mainly facilities, also identified complex deal structures as an impediment. The challenge of managing and measuring impact was the mentioned the least, with fewer than 30 survey respondents citing it as an impediment (Figure 3.14).

Figure 3.14. Key challenges in health investments cited by blended finance vehicles

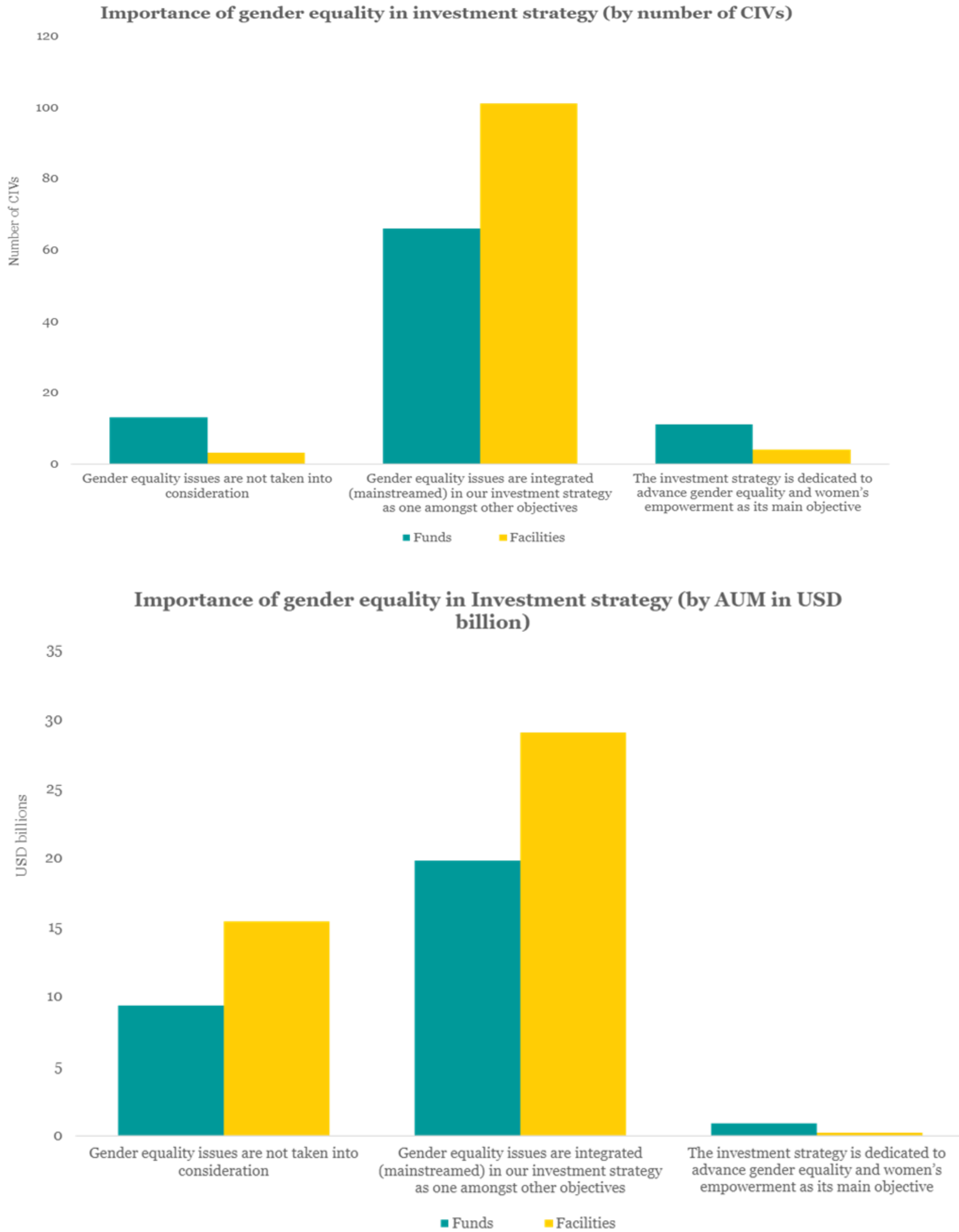


Note: Figure is based on 104 responses.

Zoom in on SDG 5 (gender equality)

The 2020 survey included new questions on gender, including one aimed at capturing the degree to which gender is integrated in the investment strategy of CIVs and the extent to which each CIV takes gender equality into account. This latter measure is based on the respondent's self-declaration. Most CIVs — 92% — reported that they integrate gender equality into their investment strategy; 8% do not (gender integration level 0). However, the vast majority of CIVs (84%) reported that gender equality issues are integrated (i.e. mainstreamed) in their investment strategy as one among other objectives (gender integration level 1). Interestingly, 8% of the survey reported they are going beyond mainstreaming gender and specifically mentioned having an investment strategy dedicated to advancing gender equality and women's empowerment (gender integration level 2). Figure 3.15 illustrates the difference in responses by funds and facilities. The DAC gender policy marker is discussed further in the methodology section and a forthcoming paper on blended finance for gender equality.

Figure 3.15. Integration of gender equality into the investment strategy

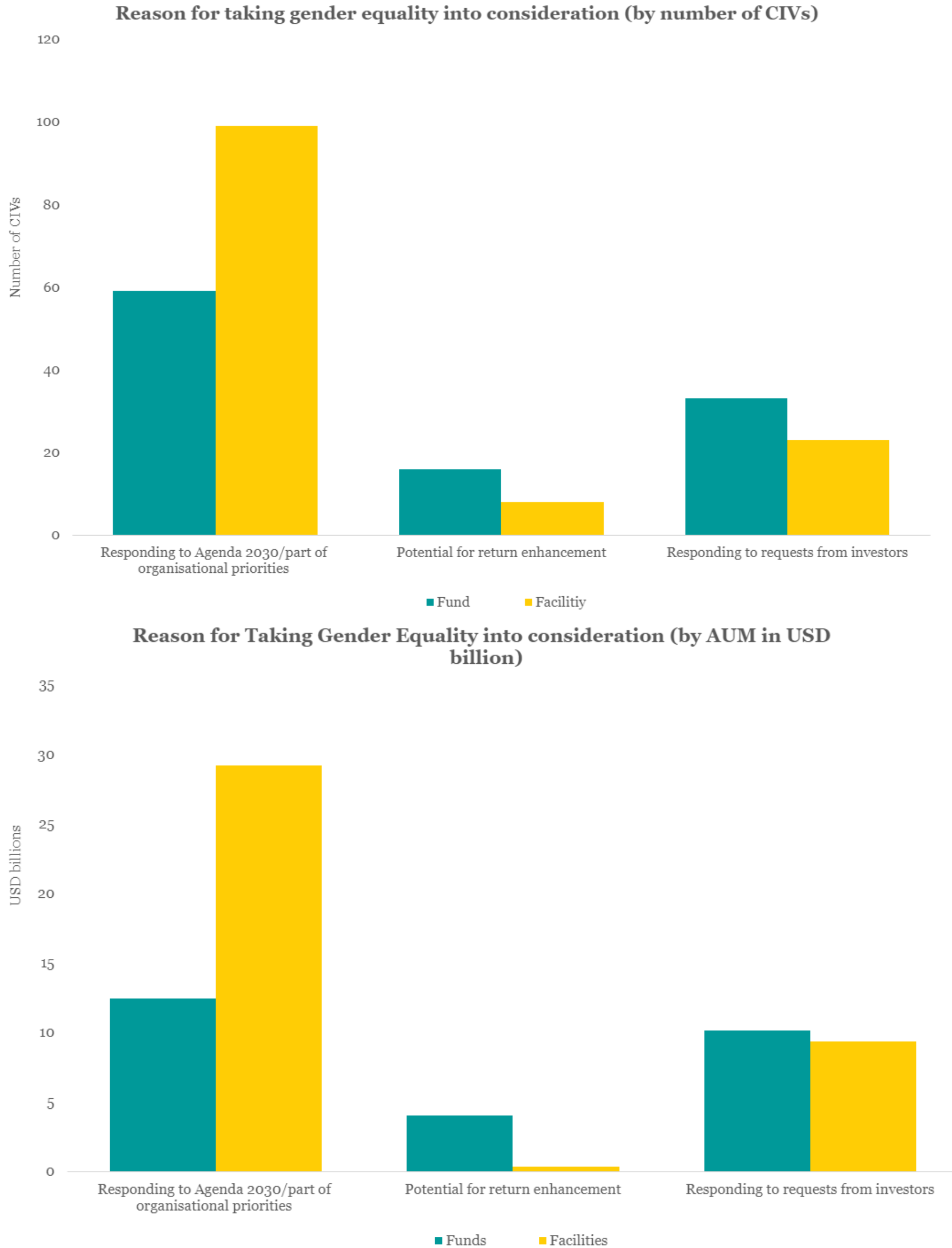


Note: The figure is based on 198 responses. Level 0 = gender issues are not taken into consideration. Level 1 = gender issues are integrated (mainstreamed) in the investment strategy. Level 2 = the investment strategy is dedicated to gender issues.

CIVs that do not consider gender equality issues (Level 0) represent only 8% of the survey but their AUM represent 33% of the total.

Responding to the 2030 Agenda and organisational priorities are the main reported reasons for integrating gender equality (66% of the survey, representing 64% of investment strategy dedicated specifically to advancing gender equality and women's empowerment represent 6% of the survey but their combined AUM are less than 1% of the total AUM. Overall, investing with a focus on SDG 5 has increased since the 2018 survey. However, CIVs dedicated to SDG 5 tend to manage lower amounts of AUM than CIVs that do not take gender equality issues into consideration. A further 24% of the survey (representing 30% of AUM) reported that they take gender equality into consideration at the request of investors. The remaining CIVs (representing 10% of the sample) cited the potential for return enhancement in the sector (Figure 3.16)

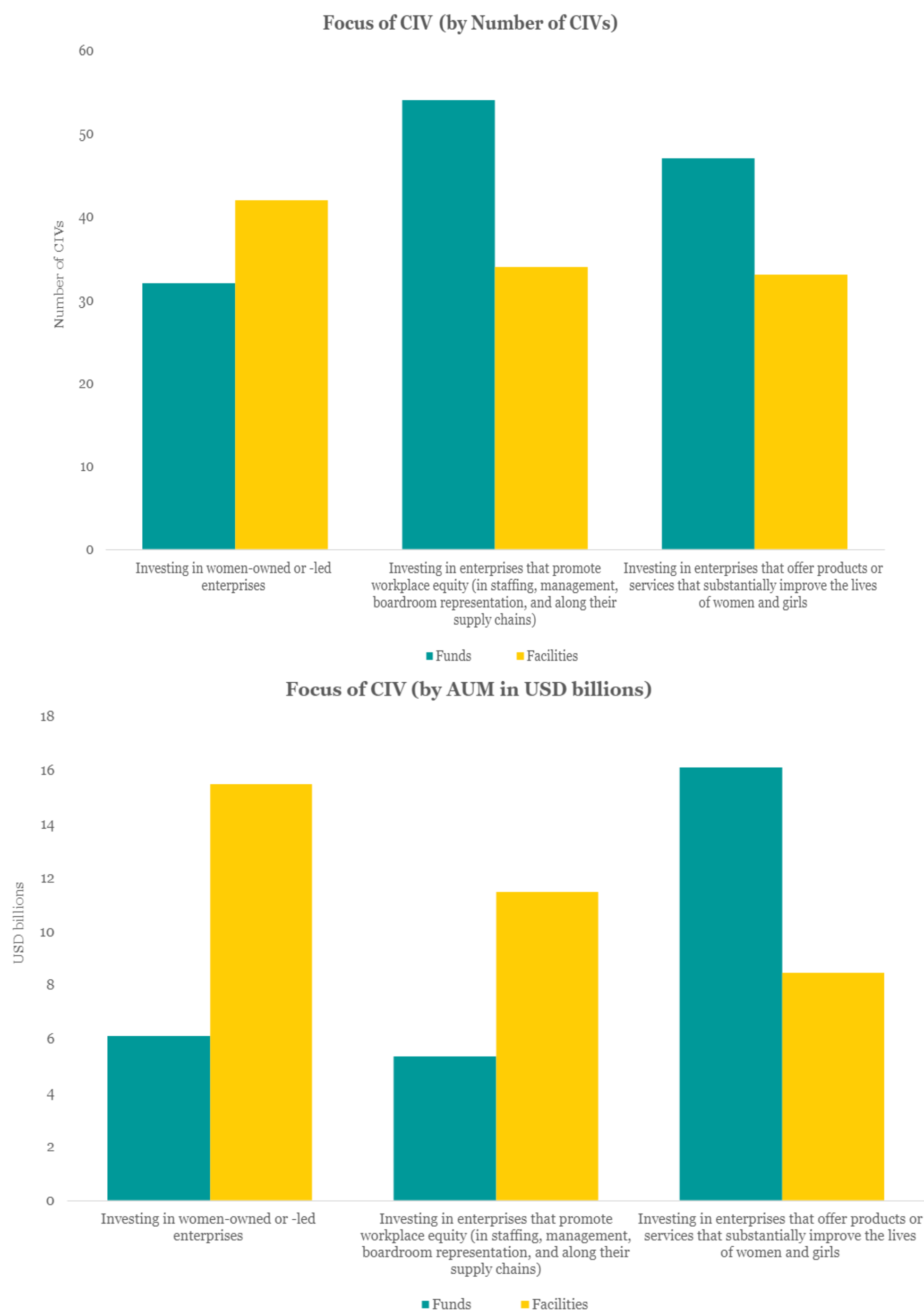
Figure 3.16. Reasons cited by funds and facilities for considering gender equality



Note: The figure is based on 198 responses.

Survey responses regarding the blended finance funds and facilities' investment focus within the gender sector were about evenly divided across the three options: 31% of the survey (34% in terms of AUM) focus on investing in women-owned or women-led enterprises; 36% of the survey27% in terms of AUM) focus on investing in enterprises that promote workplace equality; and 33% of the survey (39% in terms of AUM) focus on investing in enterprises that offer products and/or services that improve the lives of women and girls.

Figure 3.17. Focus of CIV



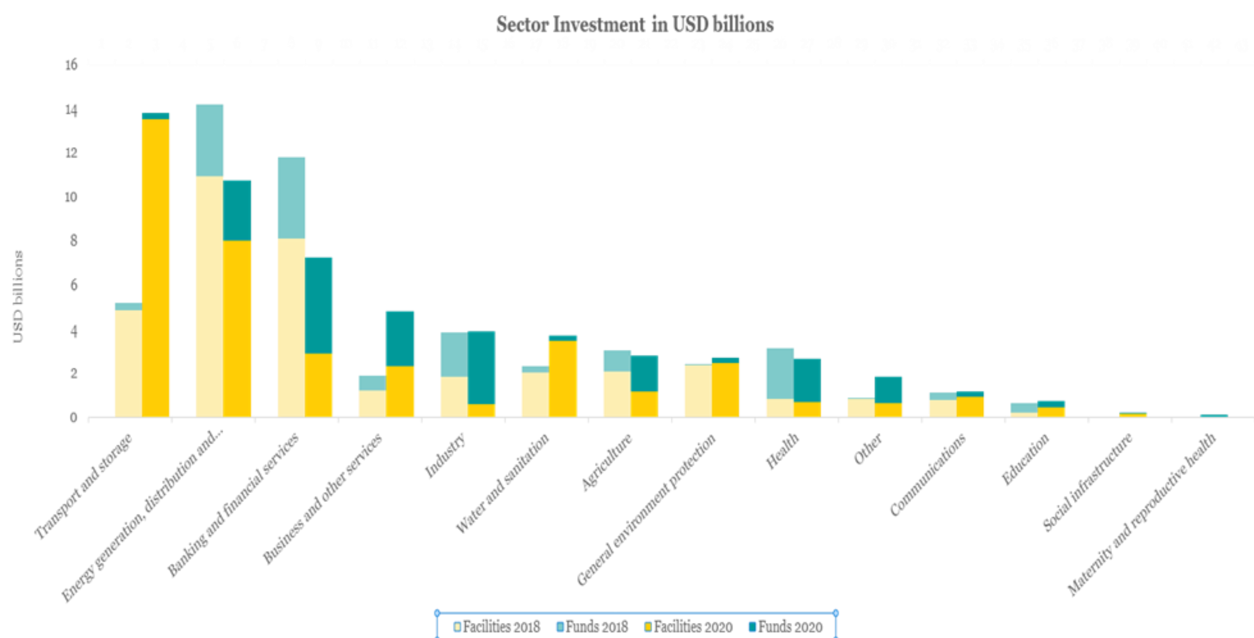
Note: The figure is based on 198 responses.

Portfolios are diversifying but still mostly target sectors with clear revenue streams

According to the OECD Blended Finance Principles, sectors with established regulatory and investment frameworks, a track record of private investment, and underlying financial sustainability are more likely to attract commercial finance**.** Higher-risk sectors with untested sector frameworks, high financial risks and no track record of private investment may offer higher additionality through blended finance, while likely also requiring higher concessionality and initially creating lower mobilisation (OECD DAC, 2020[4]).Revenue-generating sectors are shown to attract more commercial finance than the social sectors (OECD DAC, 2020[4]).

Furthermore, data from the 2020 survey show that blended finance continues to be concentrated in sectors with clear revenue streams (Figure 3.18). Energy, banking and transport account for more than half the total investment by CIVs. The steep increase in investments in transport (by a factor larger than 1.5) compared to the 2018 survey results is due to a large facility focusing three-fourths of its investment in this sector. When this facility is excluded, investments in transport are seen to have decreased by 41%, making the top three blended finance investment sector energy, banking, and business and other services.

Figure 3.18. Blended finance vehicle investments by sector



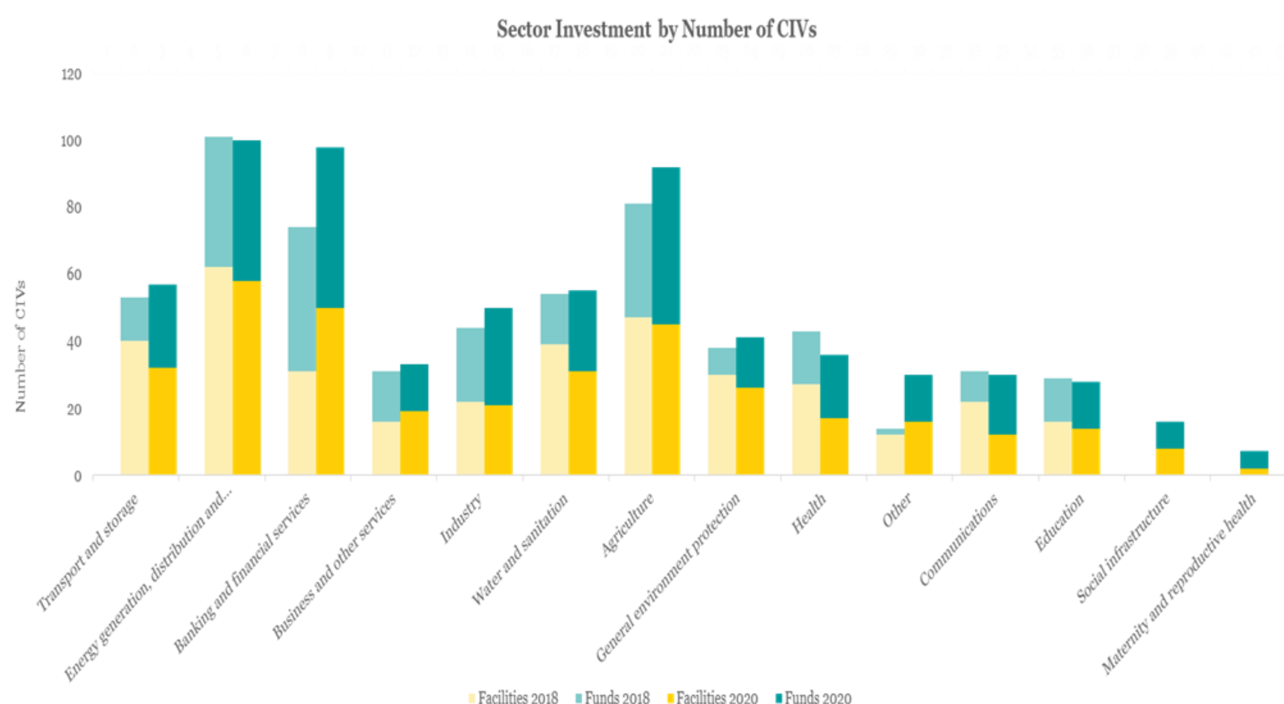
Note: The figure is based on 198 responses. Data include the presence of one outlier facility that invested USD 15 billion in the transport and storage sector.

The energy and financial services sectors continued to receive the most investment overall, but the 2020 survey found investment dropped by 24% in the former and 38% in the latter since the 2018 survey. However, the total number of CIVs investing in both sectors increased (Figure 3.19).

The business services and water and sanitation sectors experienced the largest increases in the sample, with investments increasing by 159% and 61%, respectively. The business services sector currently represents 9% and the water and sanitation sector 7% of the total investment. OECD research shows that the water and sanitation sector has significant potential to attract additional commercial finance and act as a market-building bridge towards more self-sustaining financing approaches (OECD DAC, 2020[11]).

Therefore, while energy and banking continue to be the two sectors attracting the most investment, the percentage of investment captured by these two sectors has fallen, suggesting that CIVs are increasingly diversifying their portfolios.

Figure 3.19. Number of blended finance vehicles investing in each sector



Note: The figure is based on 198 responses.

Blended finance investment in many other sectors continues to lag

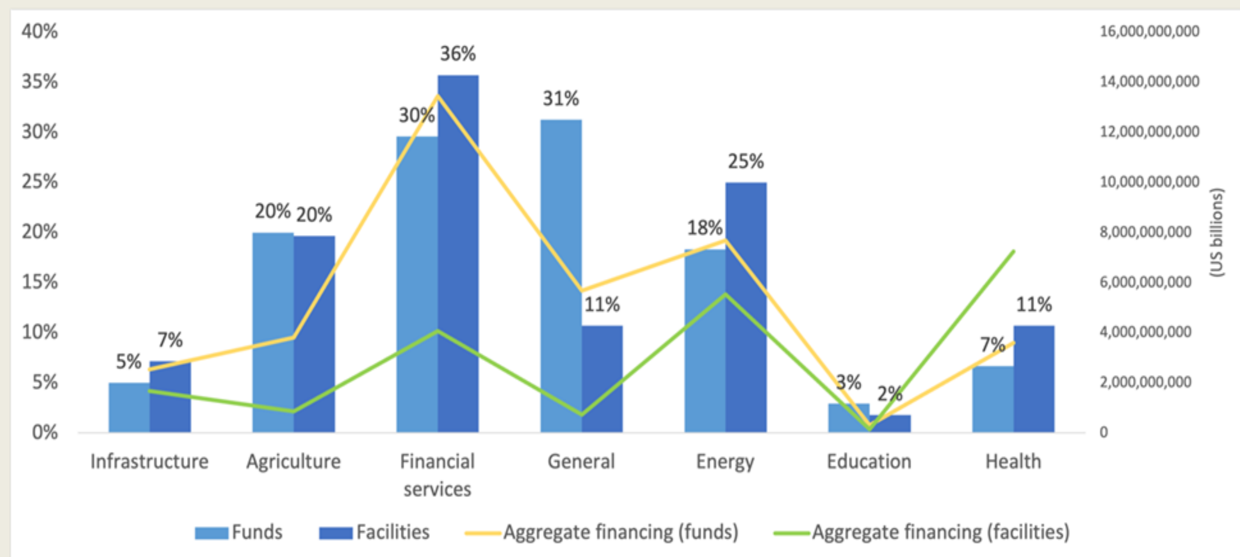
The communications, education and social infrastructure sectors receive the least amount of investment by blended finance CIVs (Triple Jump, n.d.[3]; Program for Infrastructure Development in Africa, 2021[12]), receiving a total of USD 1 billion (2% of the total investment). The health sector also continues to be underinvested: It attracted only 5% of the total investment, down from 6% in the 2018 survey. Box 3.5 looks at historical blended finance investment by sectors according to the Convergence database.

Box 3.4. Sectors targeted by historical blended finance transactions (Convergence)

Nearly one-third (31%) of blended funds and facilities captured in the Convergence database target the financial service sector, mobilising upwards of USD 17.5 billion. However, the size of these transactions tends to be smaller (approximately USD 194 billion on average) than funds and facilities focused on energy (approximately USD 228 million) or infrastructure —approximately (approximately USD 262 million on average). A smaller percentage (27%) of blended finance vehicles — for example, general funds and facilities — have also targeted multiple sectors, which is one of the benefits of using a portfolio approach to target a range of investees. In contrast, a smaller proportion of funds and facilities in the overall blended finance market have targeted the energy sector (16% of vehicles, mobilising approximately USD 13.2 billion in financing); this reflects the large proportion of blended projects in the energy sector.

It is interesting to note that while facilities make up a smaller proportion of blended vehicles in the energy and infrastructure sectors, they represent an outsized source of aggregate financing, representing : 42% of aggregate energy financing (totalling approximately $5 billion) and 41% of infrastructure financing (approximately $1.7 billion) (Figure 3.20) . In the case of infrastructure financing, this predominance of facilities is a result of several large-scale facilities, among them the IFC Managed Co-Lending Portfolio Program, that seek to provide a platform for significantly scaling institutional investments into the infrastructure sector. Energy-focused funds more frequently target smaller investment opportunities and more innovative aspects of the sector, such as pay-as-you-go energy applications and off-grid power.

Figure 3.20. Number and aggregate financing of blended finance transactions by sector (Convergence)



Source: Convergence database.

Blended finance has been underrepresented in the healthcare sector. Over 2017-19, only 3% of transactions targeted the health sector. Nevertheless, while facilities make up just a fraction of the total market, they have been used to mobilise large-scale financing to healthcare —nearly USD 8 billion to date for healthcare solutions. An example is International Finance Facility for Immunisation and financing of mass vaccination initiatives. The number of facilities and funds investing in public health systems, such as healthcare infrastructure, is still low. However, Convergence expects blended finance to take on a greater role in funding the health sector, especially during the rollout of COVID-19 vaccines and throughout the period of recovery following the pandemic.

The effect of risk appetite on blended finance investment

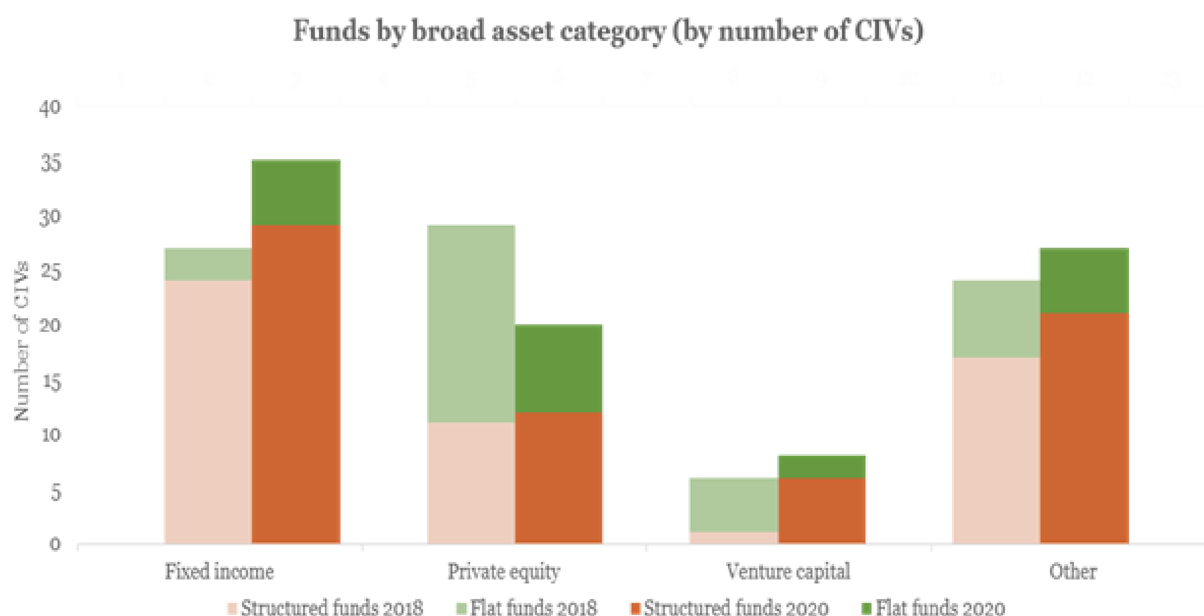
Private equity and venture capital funds remain less active than fixed income funds in blended finance

The majority of funds in the 2020 sample have lower risk profiles. In particular, fixed income funds account for over a third (39%) of CIVs in the sample. In comparison, only 22% of the survey identify themselves as venture capital funds and 9% as.[4] In general, private equity and venture capital funds tend to have riskier profiles than fixed income funds (BlackRock, 2021[13]). The number of fixed income funds captured

increased significantly compared to the 2018 survey, while private equity funds decreased by almost a third.

This appetite for risk is also reflected in the types of funds in our sample[5] (). In the sample, 82% of fixed income funds are structured funds, which tend to cater for different levels of risk. Half of all flat funds, which tend to be riskier, pursue a private equity approach. Overall, structured funds are significantly more likely to pursue a fixed income approach, whereas flat funds tend to focus on private equity.

Figure 3.21. Funds by broad asset category



Note: The figure is based on 198 responses. In a flat fund, risks and returns are allocated equally to all investors (i.e. all investors are pari passu). In a structured fund, risks and returns are allocated differently across investors.

Funds invest more in large companies than do facilities

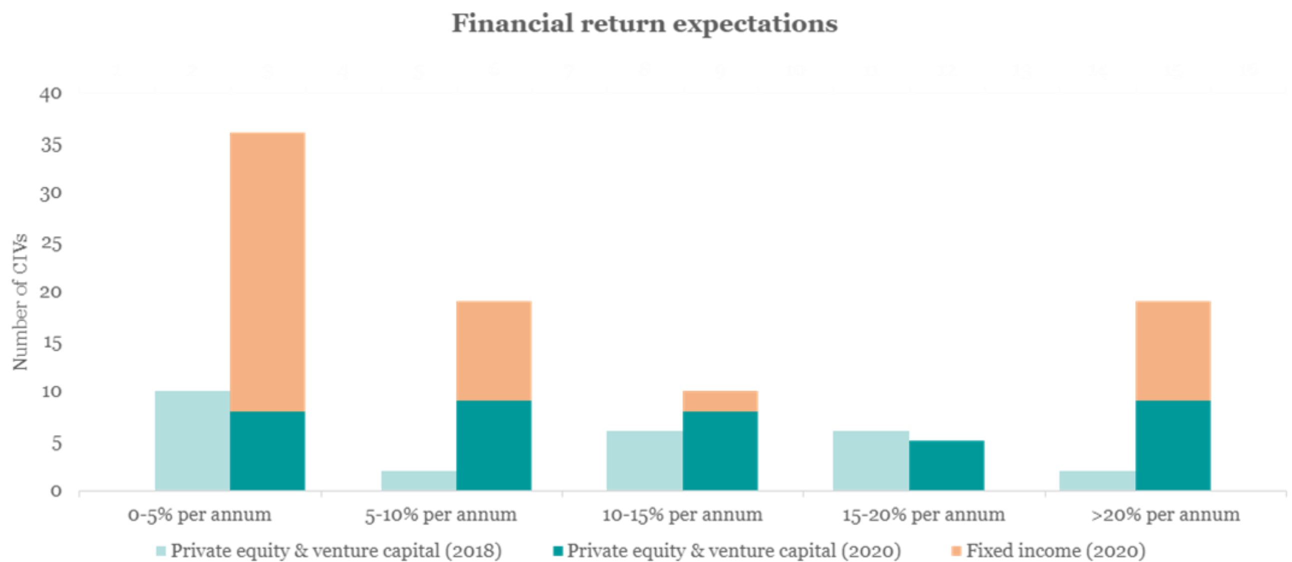
Most funding provided by blended finance CIVs was directed towards small and medium-sized enterprises (SMEs), representing 57% of the total (USD 3.9 billion).[6] SME financing is crucial as SMEs are important engines of innovation, growth, job creation and social cohesion in developing economies (G20/OECD, 2015[14]). Despite their importance, SMEs are typically at a disadvantage compared to large companies when accessing finance, owing to opacity, under-collateralisation, high transaction costs and lack of financial skills (G20/OECD, 2015[14])

Facilities provide three times more funding to SMEs than to large companies. However, funds are slightly more involved in large companies (54% of the total funding provided by funds) than in SMEs (46% of their total funding).

Return expectations for private equity and venture capital funds

Private equity and venture capital CIVs have significantly rebalanced portfolios towards higher return expectations: While fewer CIVs expect returns below 5% per annum, those expecting returns above 20% rose sharply. However, there is also a slight decrease in those having financial return expectations between 10-15% and 15-20% (Figure 3.22). Box 3.6 presents an example of a fund that engages on the basis of its mandate and obligation and allocates risks in a targeted, balanced and sustainable manner.

Figure 3.22. Financial return expectations (by number of CIVs)



Note: Figure is based on 56 responses. The survey respondents that answered in more than one category are classified into the highest category. The 2018 OECD Blended Finance Funds and Facilities Survey only captured information regarding the financial return expectations of fixed income CIVs with respect to LIBOR, London inter-bank offered rate that represents a benchmark interest rate at which global banks borrow from one another.

Box 3.5. Allocating risks sustainably: Dolma Impact Fund I

The Dolma Impact Fund I is the first international private equity and impact fund dedicated to Nepal. Established to generate private sector-led growth and jobs while creating positive social and environmental impact, the USD 36.6 million fund is designed to develop sustainable private sector employment and catalyse foreign direct investment into Nepa (Dolma Impact Fund, 2021[15]) l.[1]

Despite targeting a geography with higher perceived risks, the fund has a financial return expectation of 20% per annum. This is consistent with other survey targeting LMICs and LDCs. By showing that high risk investing can go hand in hand with viable returns, the success of Dolma Impact Fund I could encourage other investors to invest to Nepa (FMO, 2020[16])l.[2]

The fund provides growth capital to SMEs in Nepal's underserved sectors. The top two sectors supported by the fund are energy (25%) and health (12%). However, the fund also contributes to other sectors such as finance and agriculture. The investments are expected to create new jobs, especially for youth, and to substantially increase power production in Nepal (Finnfund, 2021[17]).[3]

Source: (Dolma Impact Fund, 2021[15])

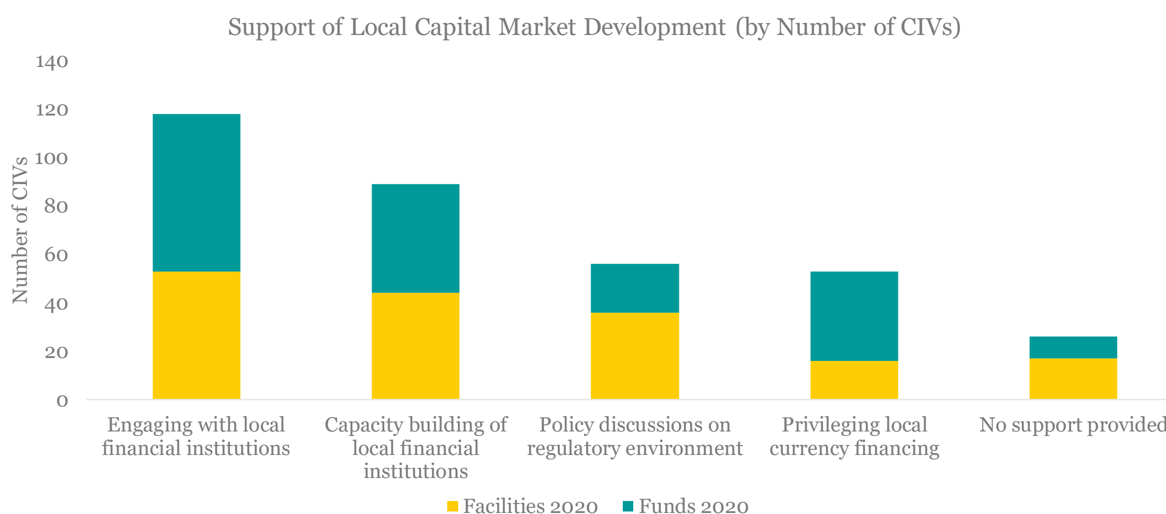
4 Local capital market development: Key considerations

Engagement with local financial institutions

Development interventions in capital market development can help in the development of the local financial markets and create efficiency in the market by removing distortions (OECD, 2018[18])). Moreover, evidence shows that developing local currency capital markets can strengthen the overall stability of the local financial system of developing economies (Bandura and Ramanujam, 2019[19])

Using local currency to support development projects is a challenge for many international institutions that favour transactions in hard currencies to avoid local currency risk (OECD DAC, 2020[20]). In terms of supporting the development of local capital markets, most CIVs focus on engaging with local financial institutions (60%); only 27% privilege local currency financing (Figure 4.1).

Figure 4.1. CIV support to local capital market development

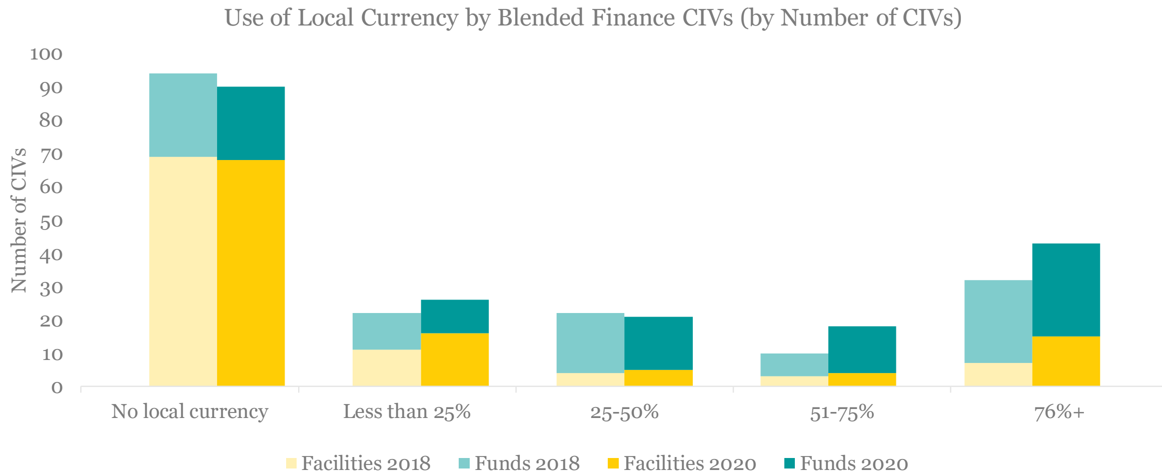


Note: The figure is based on 198 responses. Comparison with data from the previous survey is not possible as a very small number of responses were recorded for this question in 2018.

Local currency

In line with the survey results on support to local capital market development, 45% of CIVs reported that they do not have local currency in their investment portfolio, a drop of 4% from the previous survey (Figure 4.2). However, large differences emerge between funds and facilities: While 63% of facilities do not use local currency, only 24% of funds do not use local currency and most funds use local currency in over 75% of their transactions. Overall, across the sample obtained in the survey, 35 CIVs have a portfolio composed entirely of local currency.

Figure 4.2. Extent to which portfolios of blended finance vehicles use local currency



Note: The figure is based on 198 responses.

At the same time, an increasing number of CIVs relied on local currency financing for more than 50% of their investments. The 2020 survey showed an 80% increase in CIVs hose using local currency in 51-75% of their operations and a 34% increase in those using local currency in 76% and more of their operations. Box 4.1 presents an example of a fund that tailors blended finance transactions to local contexts, including developing the local financial market by using local currency financing.

Box 4.1. Investing 100% in local currency: The Ethos Fund

The Ethos Fund, managed by the commercial asset manager Ethos Private Equity, helps businesses grow by being an active investor.[1] The fund has garnered USD 5.38 billion and operates under commercial terms. When established in 2006, it was the largest private equity fund in Africa. The Ethos Fund sources 56% of AUM from private finance providers The top two kinds of investors are pension funds and funds of funds. The Ethos Fund invests solely in South Africa and makes 100% of its investments using local currency. By comparison, 76% of funds and 37% of facilities in the 2020 survey sample invest using local currency. Though it invests solely with local currency, the Ethos Fund manages to have relatively high return expectations of between 10-15% per annum.

Source: [1] (Ethos, 2021[21]), *Ethos Fund V* (webpage), https://ethos.co.za/funds/ethos-fund-v/.

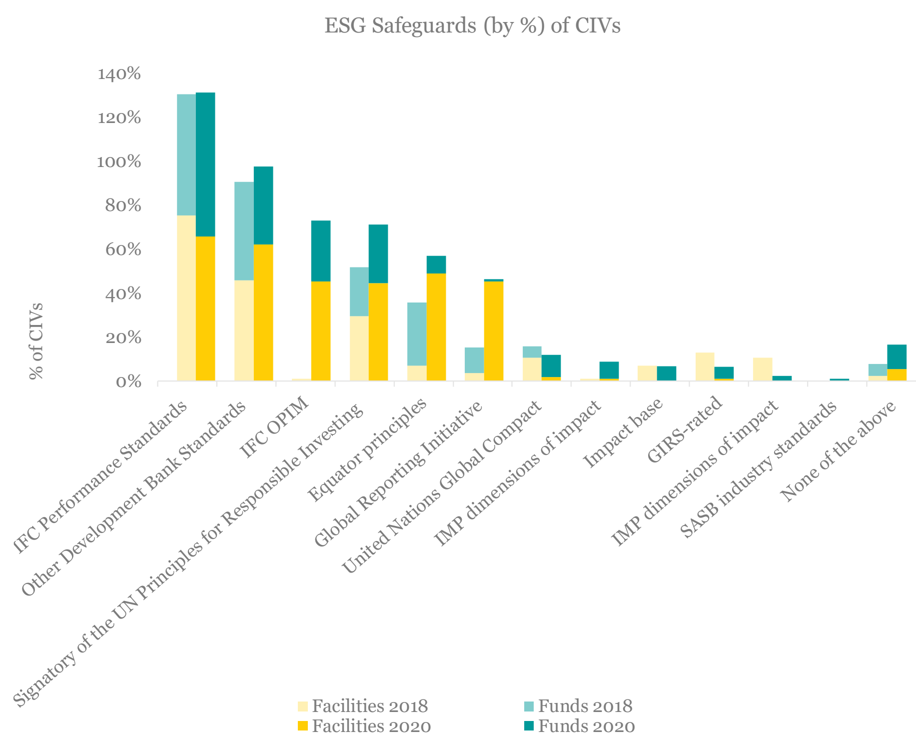
5 Development performance: How to demonstrate the impact of investments

Tracking development performance

The International Finance Corporation Performance Standards continue to be the preferred Environmental Social Governance safeguard

The vast majority of funds and facilities (92% of the survey) align their environmental, social and governance (ESG) safeguards with the International Finance Corporation (IFC) Performance Standards. MDBs and DFIs play a significant role in establishing performance standards. Consistent with the 2018 survey, the IFC Performance Standards also remain the primary standards, followed by 66% of the surveyed blended finance funds and facilities (Figure 5.1).

Figure 5.1. Standards used by blended finance vehicles for environment, social and governance safeguards



Note: The figure is based on 198 responses. The acronyms in the diagram relate to the following initiatives and or standards: Operating Principles for Impact Management (OPIM), Impact Management Project (IMP), Global Reporting Initiative Standards (GIRS), and Sustainability Accounting Standards Board (SASB)

Half the survey reported they follow standards of other development banks (50%). Additionally, 37% follow the IFC OPIM, which is the primary choice across the different types of managing organisations except for governments. The vast majority of funds and facilities (92% of the survey) align their environmental, social and governance (ESG) safeguards with the International Finance Corporation (IFC) Performance Standards In addition, 81% of commercial asset managers and 74% of multilateral DFIs/MDBs align their safeguards with these Performance Standards.

Facilities align with the Equator Principles more often than funds. Spearheaded by the IFC in 2003, these principles have been mostly adopted by other MDBs.

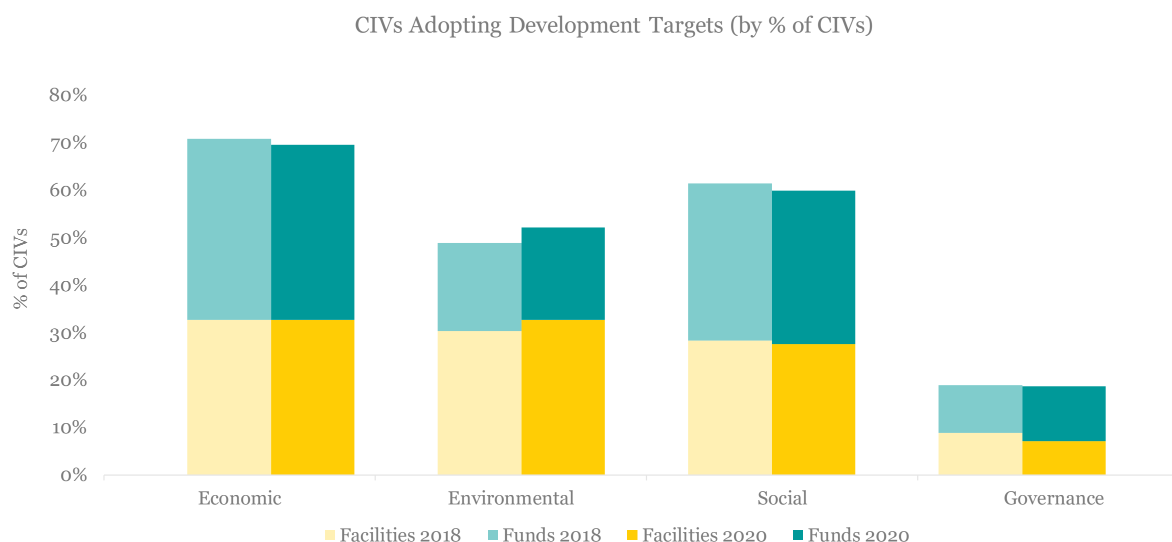
A small portion (10%) of CIVs do not report on any specific standard. These may still have defined their own ESG standards, for example the Mexican Federal Government Environmental Impact Assessment. Vehicles that reported they align with other development bank standards most frequently mentioned the World Bank Group Environmental, Health and Safety Guidelines; the Commonwealth Development Corporation (CDC) Investment Code of Responsible Investing; the Overseas Private Investment Corporation (standards, the AfDB standards, the Corporación Andina de Fomento (CAF) ESG standards, and European Investment Bank ESG guidelines.

Assessing development results

Most blended vehicles adopt economic development targets

As was the case in the 2018 survey, the 2020 survey most frequently cited economic objectives (35%) as their development objectives, followed by social (30%) and environmental (25%) objectives (Figure 5.2). Governance targets remain less popular among all blending vehicles.

Figure 5.2. Blended finance vehicles' development targets



Note: The figure is based on 198 responses.

More specifically, a higher share of funds adopt economic targets (37% of funds versus 33% of facilities) as well as social targets (32% of funds versus 28% of facilities) and governance targets (11% of funds versus 7% of facilities). Significantly more facilities, on the other hand, adopted environmental targets 33%) than funds (19%).

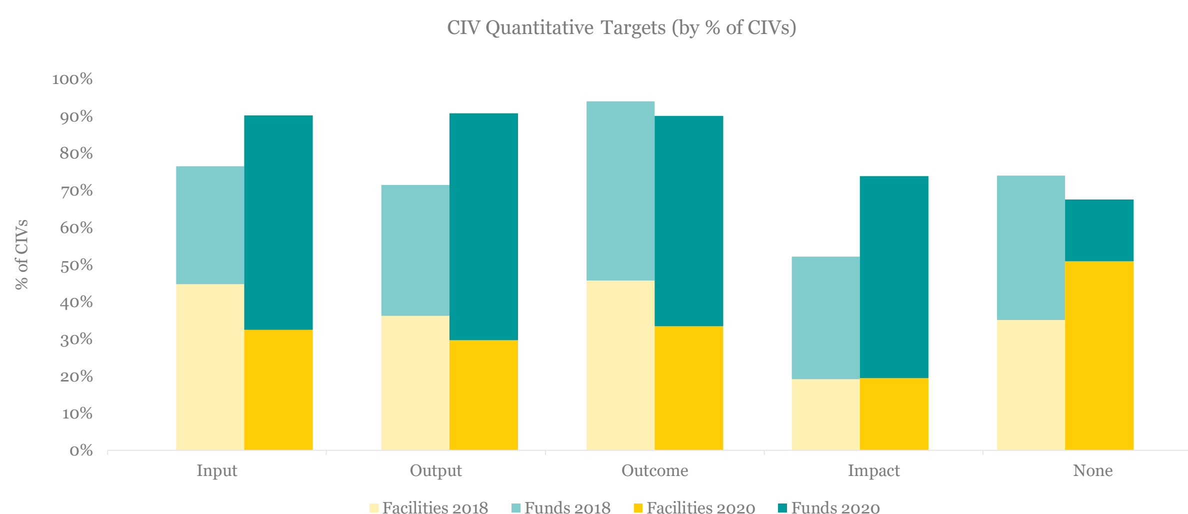
Impact continues to be the least measured target among CIVs

In terms of measuring the development performance of investments, 35% of survey respondents reported that they have not identified quantitative targets.

The survey considers four key levels of measuring the target of a development transaction: input, output, outcome and impact. Among the CIVs that identified quantitative targets, 40 % of these CIVs reported in 2020 the measurement of impact is increasingly occurring.

About 26% of CIVs in the 2020 sample reported that they measure outcome, output and input. Funds are more likely than facilities to measure results at the impact level (54% compared to 19%). Overall, facilities measure outcome, output and input more than funds do (Figure 5.3).

Figure 5.3. Quantitative targets measured by blended finance vehicles



Note: The figure is based on 198 responses.

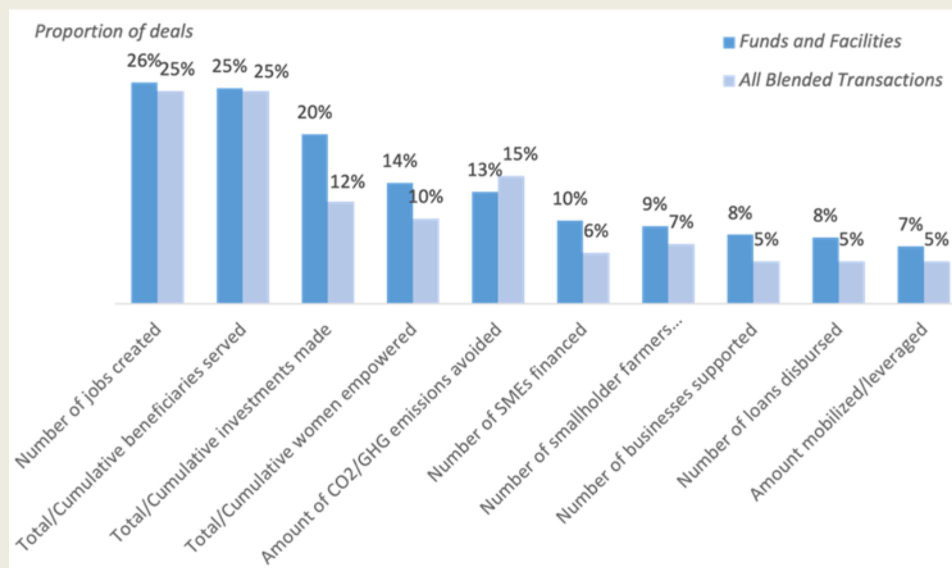
CIVs managed by commercial and not-for-profit asset managers measure results for at least one development target more often than do CIVs that are not managed by asset managers. Only 13% of government-managed CIVs measure impact, the lowest incidence of measuring for this target. However, the lack of a common vocabulary among the development finance actors could explain this result.

Moreover, the maturity of the vehicle seems to be (positively) associated with having a monitoring system in place. Funds and facilities established before 2011 are significantly more likely to measure input, output, outcome and impact. Box 5.1 discusses the impact metrics used by CIVs, according to the Convergence database.

Box 5.1. Impact reporting metrics (Convergence)

To date, Convergence finds that the most common impact metrics reported by blended funds and facilities are "number of jobs created" and "total beneficiaries served", used by 26% of funds and 25% of facilities. These figures are in line with the market as a whole, as shown in Figure 5.4). Other frequently used metrics relate to capital disbursement: "total investments made" (20%), "number of SMEs financed" (10%), "number of loans disbursed" (8%), and "amount mobilised/leveraged" (7%).

Figure 5.4. Impact reporting metrics used by blended finance vehicles



Source: Convergence database.
Note: In the above figure, the abbreviations CO2 refers to carbon dioxide, and GHG refers to greenhouse gases.

Convergence observes regular use of both sector-specific impact metrics (e.g. "amount of clean energy generated", 10%) and sector-agnostic and/or generalist impact metrics (e.g. amount of carbon dioxide and greenhouse gas emission avoided, 15%). Metrics unique to the energy sector are particularly common as blended mechanisms are frequently applied in financing renewable energy projects and the relative standardisation of these indicators across the industry. Naturally, generalist metrics are commonly employed because of their comparability across sectors, deal types and project activities.

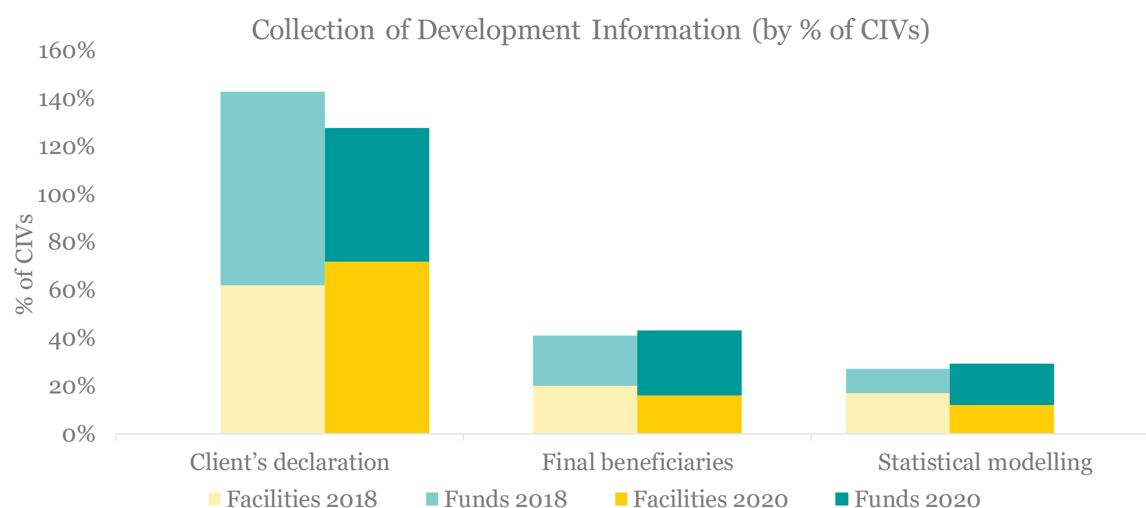
Impact metrics are a critical tool to understand how development interventions are experienced differently based on different demographic markers. For example, Convergence determined that 34% of all historical transactions report gender-disaggregated data, while 10% have explicit objectives and actively track data related to women's empowerment (e.g. Women's World Banking Capital Partners Fund II). This rate of use is slightly higher among funds and facilities (14%) and often linked to investments that seek to empower women-founded and women-owned SMEs.

More blended finance vehicles are collecting development information from final beneficiaries and statistical modelling

The number of CIVs collecting information from clients' declarations decreased by 11% over the 2018 survey, although these remain the most common source of development impact information. At the same

time, the number of CIVs collecting information from final beneficiaries and statistical modelling increased by 5% and 8%, respectively, over the 2018 survey (Figure 5.5).

Figure 5.5. Sources of development information collected by blended finance vehicles

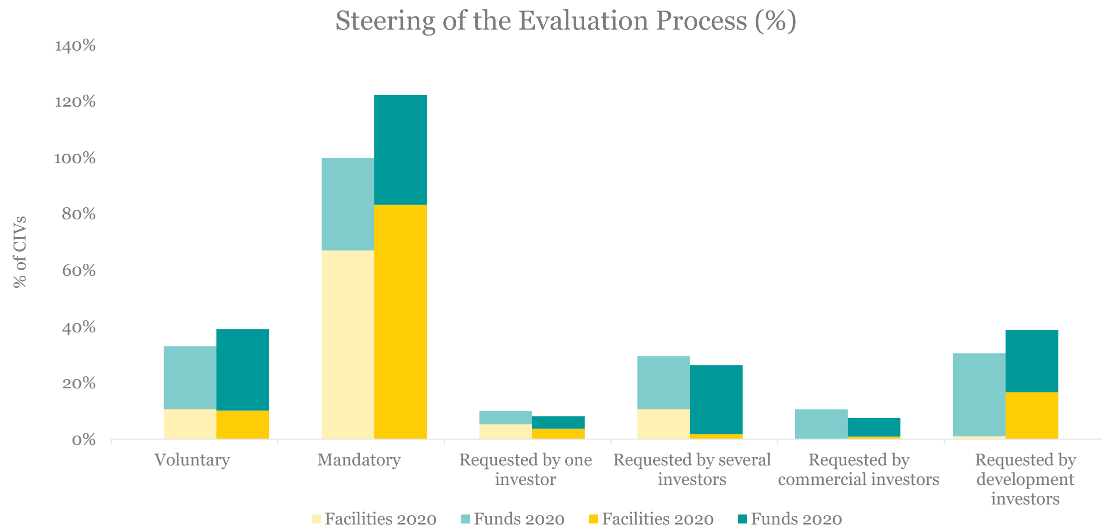


Fewer vehicles conduct ex-post data collection (27%) than collect data either during the monitoring (39%) or ex ante (34%). Among the survey responses, 129 vehicles reported they perform mandatory ex-post data collection compared to 53 vehicles that reported this in the previous survey. Not-for-profit asset managers (80%), bilateral DFIs (68%) and governments (67%) are the top three managing organisations for these vehicles. Most vehicles that collect ex-post and ex-ante data do so from client declarations, whereas vehicles that reported they collect data for monitoring processes mostly rely on final beneficiaries as sources.

There is almost no change in the number of CIVs that have a clearly identified team or unit in charge of collecting information (95% as reported in 2020 compared to 96% in the 2018 survey). Similarly and in line with the previous survey, 58% funds initiate evaluations at the request of investors (compared to 23% of facilities); 29% of funds undertake evaluations voluntarily (compared to 10% of facilities) (Figure 5.6).

Evaluation is the systematic and objective assessment of an ongoing or completed project, programme or policy and of its design, implementation and results. In the development context, evaluation refers to the process of determining the worth or significance of a development intervention by assessing its relevance, efficiency, effectiveness, impact and sustainability.[7] Most CIVs (69%) reported they carry out recurring evaluations, a significant increase over the 60% reported in the previous survey. The choice of the scope of an evaluation necessarily influences the capacity to capture system-level effects as well as the strategic or operational use of the evaluation itself. In fact, evaluations are more likely to take place at the portfolio level (77% of CIVs do so compared to 58% in the previous survey) than at the project level (64% of CIVs do so compared to 59% in the previous survey).

Figure 5.6. Initiation of the evaluation process



Note: The figure is based on 198 responses.

The DAC Quality Standards for Development Evaluation call for evaluation results to be presented in an accessible format and systematically distributed internally and externally for learning and follow-up actions and to ensure transparency (OECD, 2010[22]). Yet, few evaluation reports become publicly available. Most CIVs share their evaluation findings only with investors (58% of CIVs, up from 41% in the 2018 survey) or only with internal management (51% of CIVs, up from 35%). However, 36% of CIVs reported that they share evaluation findings publicly or in an external communication, a significant increase over the 24% of the survey that reported doing so in the 2018 survey.

Recently, the DAC approved Impact Standards for Financing Sustainable Development, which are designed to assist donors, DFIs and asset managers in integrating impact considerations into investment practices and decision making (OECD/UNDP, 2021[23]). These standards are meant to help these actors assess the effects of investments on people and the planet as well as make the reporting of impact results more transparent. Box 5.2 presents an example of a fund that monitors blended finance transactions for results.

Box 5.2. Measuring development results: The NEPAD Infrastructure Project Preparation Facility

The NEPAD Infrastructure Project Preparation Facility (NEPAD-IPPF) Special Fund is a facility managed by the African Development Bank. The USD 98-million multi-donor facility was established to support African countries to prepare regional infrastructure projects in energy, transport, information and communications technology, and transboundary water. NEPAD-IPPF was designed to address a key bottleneck to infrastructure development in Africa — the lack of investment-ready projects. It aspires to be the premier project preparation facility on the continent (Program for Infrastructure Development in Africa, 2021[12]).

The facility adheres to four international agreements: the 2030 Agenda for Sustainable Development, the Paris Agreement on climate change, the Addis Ababa Action Agenda, and the Busan Partnership for Effective Development Co-operation. It also adopts three of the four development targets (economic, environmental and social).

The facility tracks quantitative targets for each phase of a project, tracking its input, output, outcome and impact by collecting information not only from client declarations and statistical modelling but also from final beneficiaries. The facility conducts mandatory evaluation processes.

References

Bandura, R. and S. Ramanujam (2019), "Innovations in Guarantees for Development", *Center for Strategic & International Studies*, https://csis-website-prod.s3.amazonaws.com/s3fs-public/publication/191016_BanduraRamanujam_Innovations_WEB.pdf. [19]

Basile, I. and J. Dutra (2019), "Blended Finance Funds and Facilities: 2018 Survey Results", *OECD Development Co-operation Working Papers*, No. 59, OECD Publishing, Paris, https://doi.org/10.1787/806991a2-en. [2]

BlackRock (2021), *What is fixed income investing? (webpage)*, https://www.blackrock.com/us/individual/education/fixed-income. [13]

Convergence (2019), *The State of Blended Finance*, https://www.convergence.finance/resource/13VZmRUtiK96hqAvUPk4rt/view. [26]

Dolma Impact Fund (2021), *The first international private equity and impact fund dedicated to Nepal (webpage)*, http://www.dolmaimpact.com/. [15]

Ethos (2021), *Ethos Fund V (webpage)*, https://ethos.co.za/funds/ethos-fund-v/. [21]

Finnfund (2021), *Current Investments: Dolma Impact Fund I, Nepal (webpage)*, https://www.finnfund.fi/en/investing/investments/dolma-impact-fund/. [17]

FMO (2020), *Dolma Impact Fund 1 (webpage)*, https://www.fmo.nl/project-detail/41786. [16]

G20/OECD (2015), *High-level Principles on SME Financing*, https://www.oecd.org/finance/G20-OECD-High-Level-Principles-on-SME-Financing.pdf. [14]

Garbacz, W., D. Vilalta and L. Moller (2021), "The role of guarantees in blended finance", *OECD Development Co-operation Working Papers*, No. 97, OECD Publishing, Paris, https://doi.org/10.1787/730e1498-en. [5]

IFC (2019), *How It Works - DFI Working Group on Blended Concessional Finance for Private Sector Projects (webpage)*, International Finance Corporation (IFC), Washington, DC, https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/bf/bf-details/bf-dfi. [25]

OECD (2021), *Mobilising institutional investors for financing sustainable development in developing countries: Emerging evidence of opportunities and challenges*, OECD Publishing Oarus, https://www.oecd.org/dac/financing-sustainable-development/Mobilising-institutional-investors-for-financing-sustainable-development-final.pdf. [6]

OECD (2020), *DAC List of ODA Recipients - Effective for reporting on 2020 flows*, OECD Publishing, Paris, https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DAC-List-of-ODA-Recipients-for-reporting-2020-flows.pdf. [27]

OECD (2018), "Making Blended Finance Work for the SDGs", https://www.oecd.org/development/making-blended-finance-work-for-the-sustainable-development-goals-9789264288768-en.htm. [18]

OECD (2018), *Making Blended Finance Work for the Sustainable Development Goal*, OECD Publishing, Paris, https://doi.org/10.1787/9789264288768-en. [24]

OECD (2016), "OECD Handbook from OECD-DAC Gender Equality Policy Marker", https://www.oecd.org/dac/gender-development/Handbook-OECD-DAC-Gender-Equality-Policy-Marker.pdf. [29]

OECD (2016), *OECD Handbook on the OECD-DAC Gender Equality Policy Marker*, OECD Publishing, Paris, https://www.oecd.org/dac/gender-development/Handbook-OECD-DAC-Gender-Equality-Policy-Marker.pdf. [30]

OECD (2010), *Quality Standards for Development Evaluation*, DAC Guidelines and Reference Series, OECD Publishing, Paris, https://www.oecd.org/development/evaluation/qualitystandards.pdf. [22]

OECD DAC (2021), *Amounts mobilised from the private sector for development*, https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/mobilisation.htm. [8]

OECD DAC (2020), "Blended Finance in the Least Developed Countries 2020 - Supporting a Resilient COVID-19 Recovery", https://www.oecd.org/dac/blended-finance-in-the-least-developed-countries-57620d04-en.htm. [9]

OECD DAC (2020), *Blended Finance Principle 1 Guidance - Revised Note Following Public Consultation*, OECD Publishing, Paris, https://www.oecd.org/dac/financing-sustainable-development/blended-finance-principles/documents/Principle_1_Guidance_Note_and_Background.pdf. [11]

OECD DAC (2020), *Blended Finance Principle 2 Guidance - Revised Note Following Public Consultation*, OECD Publishing, Paris, https://www.oecd.org/dac/financing-sustainable-development/blended-finance-principles/documents/Principle_2_Guidance_Note_and_Background.pdf. [4]

OECD DAC (2020), *Blended Finance Principles Guidance*, OECD Publishing, Paris, http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DCD/DAC(2020)42/FINAL&docLanguage=En. [1]

OECD DAC (2020), *OECD DAC Blended Finance Principle 3 Guidance - Revised Note Following Public Consultation*, OECD Publishing, Paris, https://www.oecd.org/dac/financing-sustainable-development/blended-finance-principles/documents/P3_Guidance_Note.pdf. [20]

OECD/UNCDF (2020), *Blended Finance in the Least Developed Countries 2020: Supporting a Resilient COVID-19 Recovery*, OECD Publishing, Paris, https://doi.org/10.1787/57620d04-en. [7]

OECD/UNDP (2021), *OECD-UNDP Impact Standards for Financing Sustainable Development*, OECD Publishing, Paris, https://doi.org/10.1787/744f982e-en. [23]

Program for Infrastructure Development in Africa (2021), *NEPAD Infrastructure Project Preparation Facility (webpage)*, https://www.au-pida.org/nepad-infrastructure-project-preparation-facility/. [12]

THK Blended Finance Platform (2021), *Tri Hita Karana Blended Finance Platform (webpage)*, https://thkblendedfinance.org/. [28]

Triple Jump (n.d.), *ASN-Novib Microcredit Fund (webpage)*, https://triplejump.eu/fund/asn-novib-microcredit-fund/. [3]

UN (2015), *Transforming Our World: The 2030 Agenda for Sustainable Development*, https://sustainabledevelopment.un.org/content/documents/21252030%20Agenda%20for%20Sustainable%20Development%20web.pdf. [10]

Annex A. Respondents to the 2020 OECD Blended Finance Funds and Facilities Survey

Table A.1. Survey respondents to the 2020 OECD Blended Finance Funds and Facilities Survey by type of managing organisation,

Type of managing organisation	Fund/facility name	Type	Year
Asset managers (commercial)	Aavishkaar India Micro Venture Capital Fund	Structured fund	2007
Asset managers (commercial)	Armstrong South East Asia Clean Energy Fund	Flat fund	2012
Asset managers (commercial)	Insuresilience Investment Fund - Debt Sub Fund (IIF - D)	Structured fund	2017
Asset managers (commercial)	Japan ASEAN Women Empowerment Fund (JAWEF)	Structured fund	2016
Asset managers (commercial)	Insuresilience Investment Fund - Equity Sub Fund (IIF - E)	Structured fund	2017
Asset managers (commercial)	Locfund LP	Structured fund	2013
Asset managers (commercial)	Catalyst Mena Clean Energy Fund	Flat fund	2016
Asset managers (commercial)	Ethos Fund V	Flat fund	2006
Asset managers (commercial)	European Fund for Southeast Europe	Structured fund	2005
Asset managers (commercial)	Sanad Fund For MSME	Structured fund	2011
Asset managers (commercial)	Green For Growth Fund	Structured fund	2009
Asset managers (commercial)	eco.business fund	Structured fund	2014
Asset managers (commercial)	Frontclear	Structured fund	2015
Asset managers (commercial)	Rural Impulse Fund II (RIF II)	Structured fund	2010
Asset managers (commercial)	Incofin cvso	Structured fund	1992

Type of managing organisation	Fund/facility name	Type	Year
Asset managers (commercial)	Fairtrade Access Fund (FAF)	Structured fund	2012
Asset managers (commercial)	IACHL	Structured fund	2012
Asset managers (commercial)	MEF - Microfinance Enhancement Facility	Structured fund	2009
Asset managers (commercial)	Evolution II Fund	Flat fund	2017
Asset managers (commercial)	African Local Currency Bond Fund	Structured fund	2012
Asset managers (commercial)	Medical Credit Fund	Structured fund	2009
Asset managers (commercial)	LDN Fund	Structured fund	2018
Asset managers (commercial)	Access to Clean Power Fund (Formerly Energy Access Fund)	Structured fund	2015
Asset managers (commercial)	responsAbility Access to Clean Power Fund (ACPF)	Structured fund	2019
Asset managers (commercial)	Global Climate Partnership Fund	Structured fund	2009
Asset managers (commercial)	Stichting &Green Fund	Structured fund	2017
Asset managers (commercial)	SIDI	Flat fund	1990
Asset managers (commercial)	Currency Exchange Fund (TCX)	Structured fund	2007
Asset managers (commercial)	Triple Jump Innovation Fund	Structured fund	2013
Asset managers (commercial)	Microbuild Fund	Structured fund	2012
Asset managers (commercial)	ASN-Novib Microcredit Fund	Flat fund	1999
Asset managers (commercial)	Oxfam Novib Fund	Flat fund	1998
Asset managers (commercial)	Forestry and Climate Change Fund	Structured fund	2018
Asset managers (commercial)	AgRIF Coöperatief U.A.	Structured fund	2017
Asset managers (commercial)	Microfinance Initiative for Asia (MIFA)	Structured fund	2012
Asset managers (commercial)	Regional Education finance Fund for Africa (REFFA)	Structured fund	2012

Type of managing organisation	Fund/facility name	Type	Year
Asset managers (commercial)	Agrif Technical Assistance Facility (AGTAF)	Facility	2018
Asset managers (commercial)	Huruma Fund S.C.A., SICAR-EuSEF	Structured fund	2019
Asset managers (commercial)	FEI Off-Grid Energy Access Fund	Structured fund	2018
Asset managers (commercial)	Arbaro Fund	Flat fund	2018
Asset managers (commercial)	IPDEV 2	Flat fund	2015
Asset managers (commercial)	Dolma Impact Fund I	Flat fund	2014
Asset managers (commercial)	Aavishkaar Bharat Fund	Structured fund	2017
Asset managers (commercial)	Aavishkaar India II Company Limited	Facility	2011
Asset managers (commercial)	Aavishkaar Frontier Fund	Structured fund	2015
Asset managers (commercial)	Aavishkaar Goodwell India Microfinance Development Company II Ltd	Structured fund	2010
Asset managers (commercial)	Aavishkaar Goodwell India Microfinance Development Company Ltd	Structured fund	2010
Asset managers (commercial)	Annona Sustainable Investments BV	Flat fund	2008
Asset managers (commercial)	Grofin Small and Growing Businesses (SGB) Fund	Structured fund	2014
Asset managers (commercial)	responsAbility Financial Inclusion Investments 2019 DAC	Structured fund	2019
Asset managers (commercial)	IP2E - I&P Education to Employment	Structured fund	2020
Asset managers (commercial)	EEEF	Structured fund	2011
Asset managers (commercial)	Moringa Partnership	Structured fund	2013
Asset managers (commercial)	European Fund for Southeast Europe	Structured fund	1995
Asset managers (commercial)	Dutch Good Growth Fund	Flat fund	2014
Asset managers (commercial)	IPDEV 2	Flat fund	2015
Asset managers (not for profit)	AgDevCo Limited	Facility	2009

Type of managing organisation	Fund/facility name	Type	Year
Asset managers (not for profit)	Business Sector Advocacy Challenge Fund (BUSAC)	Structured fund	2005
Asset managers (not for profit)	MDIF Media Finance I Loan Fund (MMF I)	Structured fund	2018
Asset managers (not for profit)	Adaptation Fund Board	Flat fund	2010
Asset managers (not for profit)	Cordaid Funds	Flat fund	1998
Bilateral DFIs	National Infrastructure Fund	Facility	2008
Bilateral DFIs	Danish Agribusiness Fund	Structured fund	2016
Bilateral DFIs	Danish Climate Investment Fund	Structured fund	2014
Bilateral DFIs	Climate and Sustainable Development (CSD) Italian Platform	Facility	2018
Bilateral DFIs	Luxembourg Microfinance and Development Fund (LMDF)	Structured fund	2009
Bilateral DFIs	Finnpartnership	Facility	2006
Bilateral DFIs	Luxembourg Microfinance and Development Fund (LMDF)	Structured fund	2009
Bilateral DFIs	Forestry and Climate Change Fund (FCCF)	Structured fund	2016
Bilateral DFIs	Agri-Business Capital (ABC) Development Fund	Structured fund	2019
Bilateral DFIs	Innovations Against Poverty	Facility	2016
Bilateral DFIs	Demo Environment Programme	Facility	2015
Bilateral DFIs	Africa Enterprise Challenge Fund- Agribusiness Window	Structured fund	2011
Bilateral DFIs	Water and Energy for Food (WE4F)	Structured fund	2019
Bilateral DFIs	Up-Scaling Program / DEG - Deutsche Investitions- Und Entwicklungsgesellschaft MBH	Flat Fund	2015
Bilateral DFIs	Danish Sustainable Development Goals Investment Fund K/S	Structured fund	2018
Bilateral DFIs	AfricaGrow fund of funds	Structured fund	2019
Bilateral DFIs	Africa Agriculture and Trade Investment Fund (AATIF)	Structured fund	2011
Bilateral DFIs	Latin America Green Bond Fund (LAGREEN)	Structured fund	2019
Bilateral DFIs	Vietnam Business Challenge Fund Managed by SNV Netherlands Development Organisation	Facility	2012
Bilateral DFIs	Innovations Against Poverty Fund	Facility	2016
Governments	Neighbourhood Investment Platform (NIP)	Facility	2020
Governments	LAIF	Facility	2010
Governments	Western Balkans Investment Framework (WBIF)	Facility	2009
Governments	Investment Facility for The Pacific (IFP)	Facility	2014
Governments	Africa Investment Platform- AIP	Facility	2016
Governments	Investment Facility for Central Asia (IFCA)	Facility	2011
Governments	Latin America Investment Facility (LAIF)	Facility	2010
Governments	Caribbean Investment Facility (CIF)	Facility	2013

Type of managing organisation	Fund/facility name	Type	Year
Governments	Asian Investment Facility (AIF)	Facility	2012
Governments	FONSIS	Structured fund	2014
Governments	EnDev Results-based Financing Facility	Facility	2012
Governments	Business Partnership Facility (BPF)	Facility	2016
Governments	Business Partnership Facility (BPF)	Facility	2016
Governments	Financial Inclusion Fund (FIF)	Facility	2019
Governments	The Jobs Fund	Structured fund	2011
Multilateral DFIs	NEPAD-Infrastructure Project Preparation Facility NEPAD-IPPF	Facility	2005
Multilateral DFIs	African Guarantee Fund for Small and Medium-Sized Enterprises Limited (AGF)	Structured fund	2011
Multilateral DFIs	Canadian Climate Fund for the Private Sector in Asia	Facility	2013
Multilateral DFIs	Canadian Climate Fund for the Private Sector in Asia II	Facility	2017
Multilateral DFIs	Urban Climate Change Resilience Trust Fund (UCCRTF)	Facility	2013
Multilateral DFIs	Health Financing Partnership Facility	Facility	2014
Multilateral DFIs	Clean Energy Financing Partnership Facility	Facility	2007
Multilateral DFIs	Energy Efficiency Program	Facility	2014
Multilateral DFIs	Infrastructure I Program	Facility	2016
Multilateral DFIs	Infrastructure II Program	Facility	2018
Multilateral DFIs	Enhancing of the Environment Program	Facility	2009
Multilateral DFIs	Urban Transportation II Program	Facility	2017
Multilateral DFIs	Green Line II Program	Facility	2016
Multilateral DFIs	Climate Change Ii Program	Facility	2016
Multilateral DFIs	Water and Sanitation Ii Program	Facility	2017
Multilateral DFIs	Infrastructure Investment Programme for South Africa (IIPSA)	Facility	2014
Multilateral DFIs	Ukraine Sustainable Energy Lending Facility (USELF)	Facility	2010
Multilateral DFIs	DCFTA SME Direct Support Facility	Facility	2015
Multilateral DFIs	Western Balkans Sustainable Energy Direct Financing Facility	Facility	2009
Multilateral DFIs	Enhanced Competitiveness of Tajik Agribusiness Programme	Facility	2016
Multilateral DFIs	Support for Mongolian Economic Diversification through SME Access to Finance.	Facility	2016
Multilateral DFIs	Turkey Women in Business Programme	Facility	2015
Multilateral DFIs	Ukrainian Residential Energy Efficiency Financing Facility (UREEFF)	Facility	2016
Multilateral DFIs	Finance and Technology Transfer Center for Climate Change (FINTECC)	Facility	2013
Multilateral DFIs	Egypt Renewable Feed-In-Tariff Framework	Facility	2017

Type of managing organisation	Fund/facility name	Type	Year
Multilateral DFIs	Yayla Agro	Facility	2016
Multilateral DFIs	SME Finance Facility for Central Asia	Facility	2013
Multilateral DFIs	Western Balkans SME Platform: ENEF	Facility	2012
Multilateral DFIs	SME Local Currency Programme	Facility	2011
Multilateral DFIs	ACP Investment Facility	Facility	2003
Multilateral DFIs	Global Energy Efficiency and Renewable Energy Fund (GEEREF)	Structured fund	2008
Multilateral DFIs	FEMIP Trust Fund	Flat Fund	2004
Multilateral DFIs	Global Environment Facility (GEF)	Facility	2009
Multilateral DFIs	Canadian Climate Fund for The Private Sector in The Americas (C2F)	Facility	2012
Multilateral DFIs	UK Sustainable Infrastructure Program (UK SIP)	Facility	2017
Multilateral DFIs	Clean Technology Fund (CTF)	Facility	2010
Multilateral DFIs	Strategic Climate Fund (SCF)	Facility	2011
Multilateral DFIs	IDA18 Private Sector Window (FCS and low-income countries)	Facility	2017
Multilateral DFIs	Finland-IFC Blended Finance for Climate Program	Facility	2018
Multilateral DFIs	Canada-IFC Renewable Energy Program for Africa	Facility	2017
Multilateral DFIs	Canada-IFC Blended Climate Finance Program	Facility	2017
Multilateral DFIs	Climate Investment Funds	Facility	2010
Multilateral DFIs	Global SME Finance Facility	Facility	2013
Multilateral DFIs	Women Entrepreneurs Opportunity Facility (WEOF)	Facility	2014
Multilateral DFIs	Global Agriculture and Food Security Program (GAFSP) - Private Sector Window	Facility	2013
Multilateral DFIs	Lives and Livelihoods Fund	Structured fund	2016
Multilateral DFIs	Nordic Development Fund (NDF)	Facility	1990
Multilateral DFIs	Nordic Climate Facility (NCF)	Facility	2009
Multilateral DFIs	Investments in the Ukrainian municipal Sector with Sida guarantees	Facility	2014
Multilateral DFIs	Norfund	Facility	1997
Multilateral DFIs	EDFI ElectriFi	Facility	2016
Multilateral DFIs	GCF IDB Lab Climate Smart Risk Sharing Facility	Facility	2018
Multilateral DFIs	Project Development and Risk Mitigation Facility	Facility	2019
Multilateral DFIs	Leading Asia's Private Infrastructure Fund	Flat Fund	2016
Multilateral DFIs	Infrastructure Fund	Structured fund	2020
Multilateral DFIs	United Nations Multi-Partner Trust Fund for Sustaining Peace	Facility	2019
Multilateral DFIs	EDFI Agrifi	Facility	2019
Multilateral DFIs	Urban Development for Climate and Environmental Protection Program	Facility	2019
Multilateral DFIs	Green Infrastructure III Program	Facility	2019
Multilateral DFIs	Women Entrepreneurs Finance Initiative (We-Fi)	Facility	2019
Multilateral DFIs	Natural Disaster Fund	Flat Fund	2018

Type of managing organisation	Fund/facility name	Type	Year
Multilateral DFIs	SES Saran	Facility	2019
Multilateral DFIs	Kazakhstan Renewables Framework	Facility	2016
Multilateral DFIs	Renewable Energy Project in Ukraine	Facility	2019
Multilateral DFIs	SME Finance Facility for Central Asia - Phase 2	Facility	2018
Multilateral DFIs	Ukraine SME Guarantee Facility	Facility	2016
Multilateral DFIs	Women Entrepreneurs Finance Initiative (We-Fi)	Facility	2018
Multilateral DFIs	Mena Private Sector Development (MENA PSD) - Alafaq Aljadida	Facility	2019
Multilateral DFIs	UK-IFC Market Accelerator for Green Construction Program	Facility	2019
Multilateral DFIs	Albania Agribusiness Support Facility	Facility	2016
Multilateral DFIs	Eastern Partnership Women in Business Financing Programme	Facility	2016
Multilateral DFIs	Egypt Women in Business Programme	Facility	2017
Multilateral DFIs	Tajikistan Women in Business Programme	Facility	2017
Multilateral DFIs	Morocco Women in Business Programme	Facility	2018
Multilateral DFIs	Western Balkans Women in Business Programme	Facility	2014
Multilateral DFIs	Western Balkans Women in Business Programme II	Facility	2016
Multilateral DFIs	Western Balkans Women in Business Programme Phase II	Facility	2019
Multilateral DFIs	Kazakhstan Women in Business Programme	Facility	2015
Multilateral DFIs	Central Asia Women in Business Programme	Facility	2019
Multilateral DFIs	Azerbaijan Agricultural finance Facility	Facility	2019
Multilateral DFIs	Financial Intermediary Framework - Standalone SME Loan in Lebanon	Facility	2018
Multilateral DFIs	Skills in Enterprise - Pilot Project in Egypt	Facility	2019
Multilateral DFIs	Portfolio Risk Sharing - Pilot Project in Bosnia and Herzegovina	Facility	2019
Multilateral DFIs	Belgrade Solid Waste PPP	Facility	2019
Multilateral DFIs	Direct finance Framework SME / Value Chain Competitiveness Program	Facility	2017
Multilateral DFIs	Direct Financing Facility - Meest Logistics	Facility	2016
Multilateral DFIs	Financial Intermediary Framework - Ukraine LCY Subsidy	Facility	2019
Multilateral DFIs	SEMed Private Renewable Energy Framework	Facility	2015
Multilateral DFIs	Special Climate Change Fund	Facility	2002
Multilateral DFIs	European Fund for Sustainable Development (EFSD)	Structured fund	2016
Other	Strategic Investment Fund (SIF)	Flat Fund	2005
Other	BPI East Africa LLC	Flat Fund	2014
Other	InfraCredit	Facility	2017
Other	Sustainable Water Fund (FDW)	Facility	2012
Other	Beyond the Grid Fund (BTG)	Structured fund	2018

Type of managing organisation	Fund/facility name	Type	Year
Other	Infrastructure Program	Facility	2018
Other	Solar Energy Transformation Fund (SET)	Structured fund	2020
Other	Women's Catalyst Fund	Structured fund	2020
Other	Women's Livelihood Bond 2 (WLB 2)	Structured fund	2020
Other	Women's Livelihood Bond 1 (WLB 1)	Structured fund	2017
Other	Business Express Facility	Flat fund	2020
Other	Emerging Africa Infrastructure Fund Ltd. (EAIF)	Structured fund	2002

Annex B. Methodology for the 2020 OECD Survey on Blended Finance Funds and Facilities

The 2020 OECD Survey on Blended Finance Funds and Facilities, administered under the sole responsibility of the OECD, ran from April to September 2020. The questionnaire was designed and disseminated by the OECD Private Finance for Sustainable Development team. It is the third edition of this survey and gathered data from 2019 and 2020.

The first edition of the survey was presented in the OECD report, *Making Blended Finance Work for the Sustainable Development Goals* (OECD, 2018[24]), and the data were gathered during 2017 by Commons Consultants. The scope of this first edition of the survey was relatively small and the data were used to complement other research. The second edition of this survey, published in 2019, gathered data from 2018 and became a standalone publication. The 2018 survey also was presented in two parts. Part I focused on the operational and portfolio results of the survey[8]. Part II analysed factors relating to the development strategy and performance tracking and evaluation approach of the surveyed blended finance funds and facilities[9].

The 2020 edition of the survey expands on the previous analyses to include insights on key areas at the forefront of current international development efforts: health, gender and the COVID-19 pandemic. The 2020 edition merges the two parts into one comprehensive report. With regards to the comparability of the data across survey editions, the majority of charts in this paper are based on 2020 survey data and data from the 2018 survey. Where charts do not include 2018 data, this is because not enough responses were available from the 2018 survey or because a particular question was not included in that edition. Furthermore, given changes in the questionnaire since the 2017 survey, only the data presented in Figure 1.1 and Figure 1.2 can be compared across 2017, 2018 and 2019.

Table B.1. Comparative overview of the timeframes and survey coverage.

	2017 report	2018 report	2020 report
Data gathered	2017	2017	2020
Analysis carried out	2017	2018	2020
Publication	2018	2019	2021
Number of participants	74	178	198
AUM (USD billion)	29.6	60.2	74.5

Definitions

OECD definition of blended finance

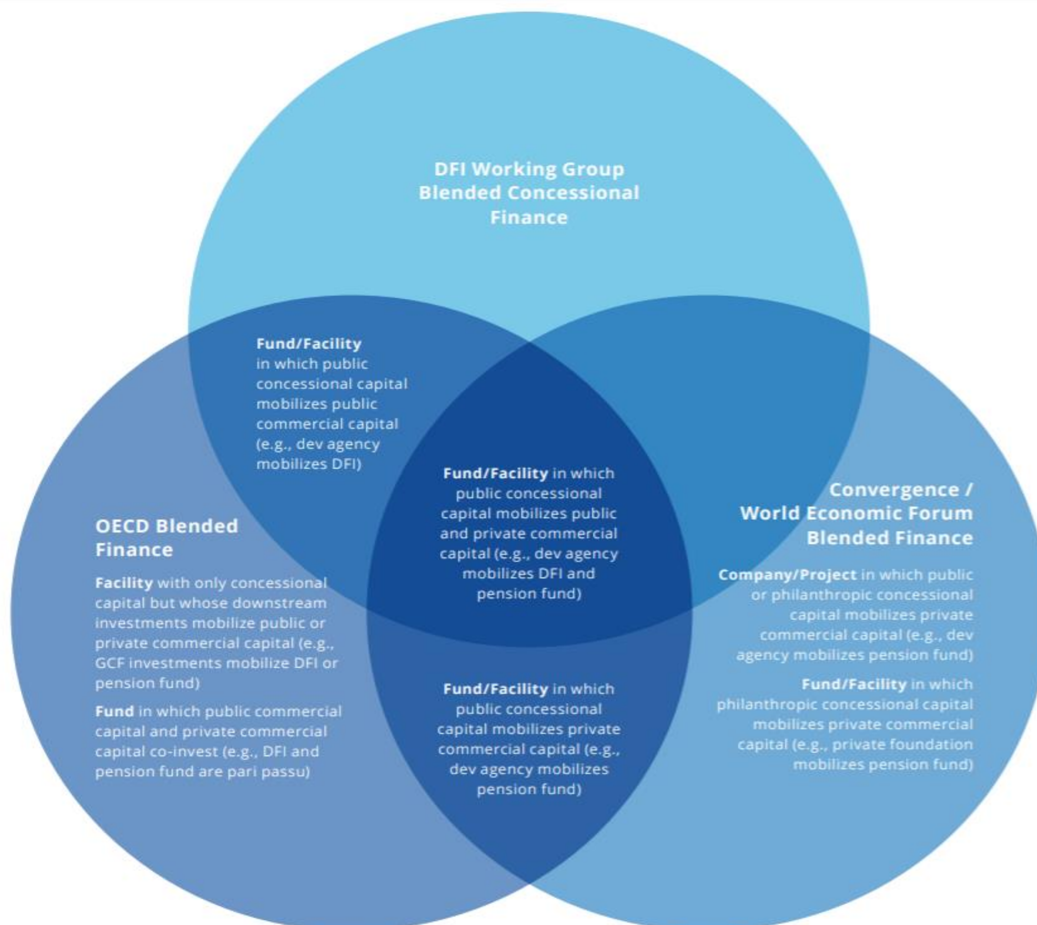
The OECD defines blended finance as the strategic use of development finance for the mobilisation of additional finance towards sustainable development in developing countries. Blended finance is regarded as a key method to help bridge the investment gap to achieve the United Nations SDGs following the 2030 Agenda. Throughout the report, all references to blended finance will be made in line with the aforementioned definition.

The DFI Working Group on Blended Concessional Finance for Private Sector Projects defines blended finance 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 [SDGs], and mobilize private resources" (IFC, 2019[25]).

Convergence defines blended finance as the use of catalytic capital from public or philanthropic sources to increase private sector investment in sustainable development.

However, other organisations have different definitions of blended finance. An overview of the main differences between these three blended finance definitions is provided in Figure B.1.

Figure B.1. Overview of differences between three key blended finance definitions



Source: Convergence (2019[26]), *The State of Blended Finance*, https://www.convergence.finance/resource/13VZmRUtiK96hqAvUPk4rt/view.

Definitions of a collective investment vehicle

Collective investment vehicles (CIVs) can target specific investment segments (e.g. climate finance or small and medium-sized enterprises) using different types of instruments such as equity, debt or technical assistance. In a close-ended CIV, the period of time during which new investments in the CIV may be made (fund-raising period) is limited. An open-ended CIV can issue and redeem shares at any time.[10]

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

- A fund is a pool of capital that can be composed of a mixture of development and commercial resources and that provides financing to direct investees (e.g. projects or companies) or indirect investees (e.g. through credit lines or guarantees) that provide on-lending. In addition to mobilising commercial capital at the fund level, this type of CIV may also mobilise additional financing at the project, or investment, level. Funds can be structured in two ways: either in a flat structure (flat funds) where risks and returns are allocated equally to all investors (all investors are pari passu) or in a layered structure (structured funds) where risks and returns are allocated differently across investors.[11]
- A facility is an earmarked allocation of public development resources (sometimes including support from philanthropies) that can invest in development projects through a range of instruments, with the purpose of mobilising additional finance (e.g. commercial) through its operations.[12]

The underlying funding allocation may not be representative of what may be listed in the vehicle's official name. For instance, the Microfinance Enhancement Facility is actually included as a structured fund for the purpose of this analysis. Moreover, according to the OECD, in order to be considered a blended finance fund or facility, such a vehicle must:

- have a defined legal statute (e.g. by formalised agreement between the two parties)
- pool different sources of finance from public and private actors, at a national or international level, with development or commercial mandates
- invest in developing countries (as defined in the DAC List of ODA Recipients) (OECD, 2020[27])
- have an explicit or implied objective to mobilise additional finance
- Include its own accounting and financial reporting, separate from the managing organisation.

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

In addition, three broad asset categories of funds are included in the sample referred to in this report:

- Private equity funds, which acquire companies or ownership stakes and create value by driving growth, managing costs and then selling their stake for a return.
- Venture capital funds, which provide equity investments to support pre-launch, launch and early-stage development of a business.
- Fixed income funds, which invest in fixed-income products, typically using bonds and loans.

Complementarities with other surveys

The OECD Funds and Facility Survey collects survey-level data from funds and facilities based on the definitions set out above. These funds and facilities are found in the OECD's internal database, which has been progressively expanded from the dataset initially developed by the Association of European Development Finance Institutions in 2015. Data are reported at the fund level (as opposed to the project level) for the latest financial year available. The OECD Funds and Facilities Survey complements other sources of data that also provide a broad picture of the state of blended finance (IFC, 2019[25]; OECD/UNCDF, 2020[7]).

The OECD database on amounts mobilised from the private sector for development was developed under a high-level mandate from DAC members. Reporting on amounts mobilised by official development finance from the private sector has been part of the regular OECD DAC data collections since 2017. Official development finance includes bilateral official development assistance (ODA), other official flows for development purposes (including refinancing loans) that do not meet the criteria set by the ODA definition, and the concessional and non-concessional operations of multilateral financial institutions. Data are available for facilities at the project level. The methodology also includes the amounts of private finance mobilised through shares in CIVs, making it the most appropriate and robust reference to analyse mobilisation through such investment instruments. The private finance mobilised dataset is dynamic and continually being updated. The definition used for amount mobilised encompasses the total private investment committed during the fund-raising period. The database provides very detailed data on the activities by facilities but lacks data on the activities by funds. The main focus of the survey is to analyse the private sector mobilisation rather than the overall mobilisation.

The Convergence database draws from its database of historical blended finance transactions. Whereas the OECD information draws from the annual reporting exercise undertaken as part of the OECD DAC statistics, Convergence collects information from other credible public sources (e.g. press releases, case studies, news articles) as well as through data-sharing agreements and validation exercises with its members. To be included in Convergence's database, the transaction must use concessional capital (public or philanthropic), whereas the OECD's scope extends to all development finance independent of the terms of its deployment. For example, Convergence will not capture a fund that is purely concessionally funded and which aims to mobilise co-financing from the private sector for blending at the underlying investee level. This also helps to avoid double counting (e.g. counting a concessional facility and its underlying projects that have attracted private financing). As a result of these differences, Convergence and the OECD will often capture different levels of blending, which makes the two databases complementary. Another important difference is that Convergence captures the total deal size (including the development finance deployed) while the OECD accounts only for the amount of private finance mobilised in each operation.

The DFI Working Group only captures concessional finance resources administered by reporting DFIs and provided by various sources such as donor governments, philanthropic organisations, and sister entities, or a DFI's own funds when they are explicitly identified for use in concessional activities. A DFI's normal own-account commercial financings are not considered to be concessional for this exercise. Moreover, the DFI Working Group report is limited to private sector projects — non-sovereign guaranteed. In alignment with the Joint Multilateral Development Bank's methodology on private investment mobilisation, a private entity is any legal entity that is carrying out or established for business purposes and financially and managerially autonomous from national or local governments. Data reported reflect financial commitments at the time of financial and/or non-financial agreement signature (or board approval if this is not available) and is therefore based on ex-ante estimations.

Box B.1 discusses comparison of datasets. Table B.2 summarises the structural differences between the three databases.

Table B.2. Structural differences across databases

Parameter	OECD Blended Finance Funds and Facilities Survey	OECD statistics on private finance mobilised	Convergence database of blended finance transactions	DFI Working Group
Sources	Surveys managing organisations	Since 2017, reporting by governments and multilateral organisations, complemented with complementary	Credible public sources, data-sharing agreements and validation exercises	DFI-financed projects

		collections to fill data gaps for a few data providers		
Perimeter	CIVs at capital level	All development finance (ODA and other official flows for development) at activity level	Transactions using concessional (public or philanthropic) finance to mobilise additional private sector investment	DFI transactions that combine concessional finance and/or commercial finance
Financial data captured	Assets under management in fiscal year	Only the amount of private finance mobilised through six leveraging mechanisms quantified by internationally agreed methodology	Total transaction size (including. development finance) based on pledges at deal closure	Blended concessional finance project commitments
Frequency	Ad hoc surveys in 2016, 2017 and 2020	Yearly since 2015	Continuously updated since 2005	Yearly since 2017

Source: Convergence, DFI Working Group.

Table B.3. Transactions captured within each database

	OECD Blended Finance Funds and Facilities Survey	OECD statistics on private finance mobilised	Convergence database of blended finance transactions	DFI Working Group
Funds and facilities with public concessional finance mobilising public commercial finance	Included	Included	Not included	Included
Funds and facilities with public concessional finance mobilising private commercial finance	Included	Included	Included	Not included
Funds and facilities with public concessional finance mobilising public and private commercial finance	Included	Included	Included	Included
Funds and facilities with private concessional finance mobilising public and private commercial finance	Included	Not included	Included	Not included
Companies/Projects with public/private concessional finance mobilising public and private commercial finance	Not included	Not included	Included	Not included
Funds with public and private commercial capital co-investing	Included	Not included	Not included	Not included
Facilities with only concessional finance that have downstream investments that mobilise public/private commercial capital	Included	Included	Not included	Not included

Source: Convergence, DFI Working Group

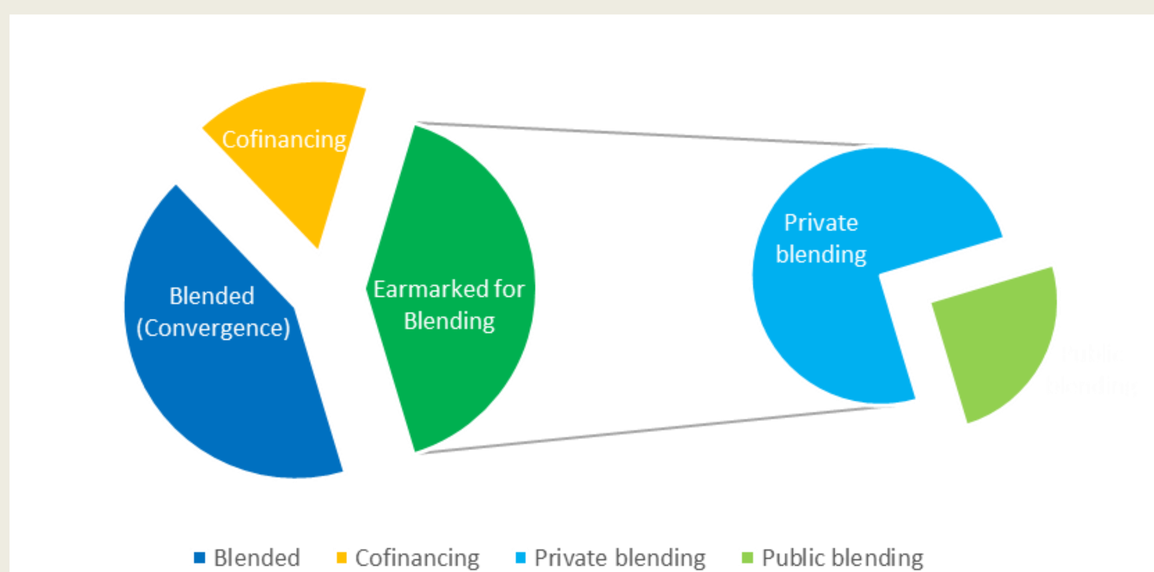
Box B.1. Comparing datasets (convergence)

Convergence’s historical deal database and the annual OECD Survey on Blended Finance Funds and Facilities are two of the most comprehensive efforts to date to capture and assess blended finance transactions. They are intended to work in complementarity. While some degree of overlap may occur between the two datasets (i.e. blended finance definition, deal type, etc.) they both contribute to providing a picture of the market and differing perspectives of stakeholders in the market.

Convergence manages the largest living database of blended finance transactions, currently capturing over 600 closed deals. Data are collected from credible public sources (i.e. transaction disclosures, publicly available reports, etc.) and by conducting regular data validation and data-sharing activities with network members and other market players. Eligible transactions must use concessional capital (i.e. from donor and/or other development practitioners) to crowd-in market rate investment from one or more commercial investors. As such, Convergence does not consider capital pools only earmarked for blending at the project level (i.e. wholly concessional vehicles comprising multiple public investors) but does include the downstream projects that combine concessional financing with commercial capital.

Blended finance is a growing industry and while there are considerable efforts underway to achieve standardisation, including the OECD Tri Hita Karana Roadmap (THK Blended Finance Platform, 2021[28]), there still exists a proliferation of definitions, methodologies and principles. As Figure A A.2 shows, the collection methodology of the OECD and Convergence differ significantly (Convergence denoted in blue). Yet, analysing both datasets harmoniously ensures that the existing market complexity is recognised and that the behaviours of these different models are well understood.

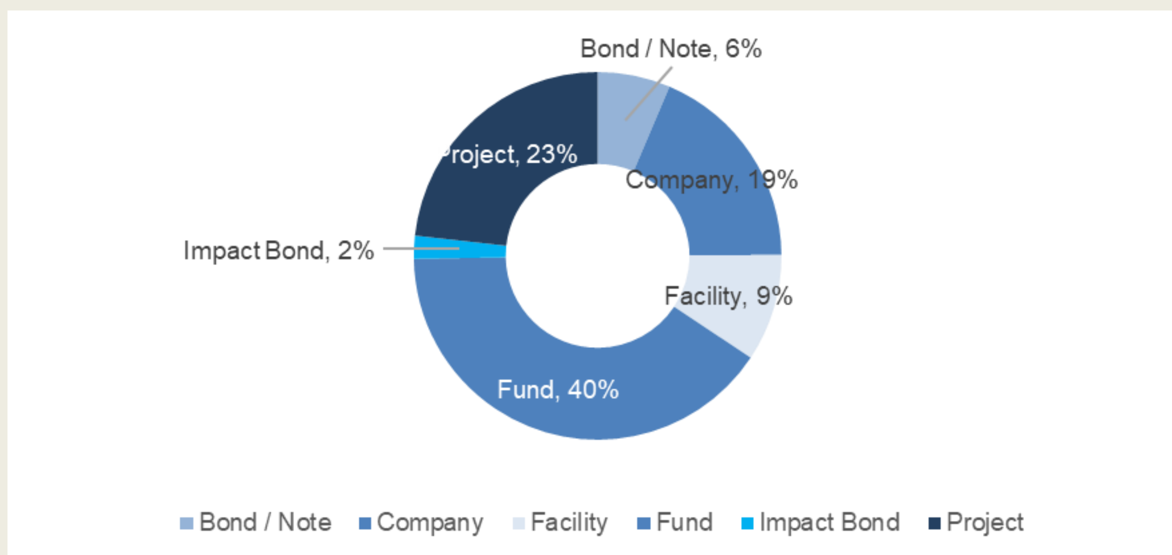
Figure B.2. OECD and Convergence collection methodologies comparison



Neither OECD nor Convergence provides a definitive assessment of the blended finance market. Rather, they aim to map the varying forms that blended finance takes. The OECD Blended Finance Funds and Facilities Survey examines contemporary blended vehicles and other collective investment vehicles mandated to engage in either public-on-public or private sector blending downstream. This provides a detailed snapshot of some of the largest donor-driven investment vehicles currently channelling capital from DAC countries. Convergence, on the other hand, works to deepen knowledge

of past and emerging trends in the market, casting a wider data net that acknowledges more deal types and older fund and facility vintages. Figure B.3 shows the current composition of the Convergence database.

Figure B.3. Breakdown of Convergence database



DAC gender policy marker

The DAC gender policy marker categorises projects into three scores according to the degree of gender integration within the strategy. Table B.4 presents the three levels.

Table B.4. OECD-DAC Gender Marker

Not Targeted (Score 0)	The project or programme has been screened against the marker, but has not been found to target gender equality
Significant (Score 1)	Gender equality is an important and deliberate objective, but not the principal reason for undertaking the project or programme
Principal (Score 2)	Gender equality is the main objective of the project or programme and is fundamental to its design and expected results. The project or programme would not have been undertaken without this objective

Source: Adapted from (OECD, 2016[29]).

In accordance with the DAC gender equality policy marker, the analysis conducted for this report classified the survey respondents by a three-level scoring system:

- Score 0 - Gender equality issues are not taken into consideration.

- Score 1 - Gender equality issues are integrated (mainstreamed) in respondent's investment strategy as one among other objectives.
- Score 2 - The investment strategy is dedicated to advance gender equality and women's empowerment as its main objective.

Survey limitations and bias

Potential limitations in the survey

The OECD Blended Finance Funds and Facilities Survey data complement other databases that are focused on different aspects of blended finance. The survey also analyses overall investment rather than just private capital mobilised. However, these limitations do not impair the ability of this survey to provide a clear picture of the blended finance market from the perspective of investors in funds and facilities.

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

At the same time, the fact that the data gathered for this survey are collected at the organisation level rather than the project level means that cross-analyses are not generally possible. For instance, analysis of the breakdown of investment by sector is possible as is analysis of the breakdown of investment by instrument used. However, CIV-level data do not allow the instruments used by sector to be checked. Project-level data would allow for further cross-analyses that could provide interesting insights into the behaviour of blended finance CIVs.

Bias in the survey sample

Data gathered in the 2020 survey may be biased due to the presence of two large outliers. One of them has invested USD 15 billion in one Central American UMIC, three-quarters of which is fully invested in the transportation sector. The other outlier invested USD 5 billion across sectors in one sub-Saharan African UMIC. References to the presence of the outliers in the data are made in the text where relevant. Moreover, the presence of any outliers in the data, as well as the exclusion of the outlier or outliers, are also signalled in notes below the figures where relevant. Outliers were excluded only in two figures where their presence made appropriate analysis of the data impossible.

Additionally, large organisations account for a large part of the respondents to the survey and can skew the results towards. In particular, six CIVs (out of the 198 in our sample) account for 50% of the total AUM reported by all CIVs in the sample. This can also create some bias in analyses that weigh results by AUM. While this may also partly reflect the reality of the market, smaller organisations are more resource-constrained and are therefore less likely to be able to respond to the survey. Therefore, data could be biased towards the investments of the largest survey respondents.

Notes

[1] The OECD database has been progressively expanded from the dataset initially developed by the Association of European Development finance Institutions in 2015.

[2] For further information on the "billions to trillions" needed to attain the SDGs, see https://thedocs.worldbank.org/en/doc/622841485963735448-0270022017/original/DC20150002EFinancingforDevelopment.pdf.

[3] See https://www.convergence.finance/resource/1qEM02yBQxLftPVs4bWmMX/view

[4] In the sample, 30% of funds described themselves as not falling exclusively into the category of private equity, fixed income or venture capital. These include currency hedge funds, umbrella funds, technical assistance funds, mezzanine funds, growth funds and challenge funds.

[5] The methodology section provides detailed definitions of the different types of funds in the sample.

[6] Comparison with previous years is not possible as this question was not previously included.

[7] For more information see the OECD report on quality standards for development evaluation at https://doi.org/10.1787/9789264083905-en.

[8] Blended Finance Funds and Facilities - 2018 Survey Results Part I

[9] Blended Finance Funds and Facilities - 2018 Survey Results Part II

[10] Open-ended CIVs may also issue debt notes. An example is the Luxembourg Alternative Investment Funds.

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

[12] Facilities can be set up in many different ways, with distinct terms of operations and mandates. Three examples of potential types of facilities can be characterised as follows: 1) managed by governments and providing concessional financing and often investing in funds (e.g. the European Commission's blending facilities and the Green Climate Fund); 2) managed by a DFI or a private asset manager and providing concessional finance (e.g. the Netherlands Development Finance Company's Access to Energy Fund); or 3) managed by DFIs on commercial terms (e.g. those by the Commonwealth Development Corporation, Group).

OECD

BETTER POLICIES FOR BETTER LIVES