



## BLENDING FINANCE: A CATALYST FOR PPPS

The global financing gap to achieve the Sustainable Development Goals (SDGs) is estimated to be \$2.5 trillion annually. While public sector resources alone are insufficient, private capital remains hesitant due to risk concerns, regulatory uncertainties, and a lack of investable projects.

Blended finance has emerged as an effective structuring approach that leverages concessional public and philanthropic capital to attract private investment into sustainable development projects. Public-Private Partnerships (PPPs) offer a tested mechanism for delivering infrastructure, but their potential remains underutilized due to financing barriers.

Recognizing the need for scalable and standardized solutions, WAPPP and Convergence launched the 2025 program on "Mobilizing Blended Finance for PPPs", convening experts to explore how blended finance can enhance PPP implementation and increase private sector participation.

***"Blended finance is more than a tool—it's a versatile framework comprising multiple financial mechanisms. By working together, we can bring private capital into the SDGs at the scale required."*** - Ziad-Alexandre Hayek, President, WAPPP

## KEY ISSUES AND CHALLENGES

### Complexity and Lack of Standardization

- Blended finance structures remain complex, making them difficult for investors, governments, and MDBs to navigate.
- The lack of standardized financial models prevents scaling up investment and mobilizing institutional capital.

### Risk Perception and Investment Barriers

- Many developing economies face high sovereign risk ratings, discouraging private capital inflows.
- Political, currency, and credit risks challenge structuring bankable PPPs.

### Regulatory and Institutional Gaps

- Weak PPP governance frameworks in many emerging markets lead to uncertainty and inconsistent implementation.
- Limited technical capacity and project preparation funding hinder the development of viable, investment-ready projects.

## POLICY RECOMMENDATIONS

To fully leverage blended finance for PPPs, the following policy actions are recommended:



### Standardizing Blended Finance Models

- Develop clear, scalable financing structures that are replicable across sectors and geographies.
- Convergence is leading an initiative to create 12 standardized blended finance models to simplify investment structuring.



### Enhancing Project Preparation and Risk Mitigation

- Strengthen early-stage financing mechanisms to improve project bankability.
- Implement risk mitigation tools such as standby liquidity facilities, guarantees, and credit enhancement mechanisms to attract institutional capital.



### Strengthening PPP Regulatory Frameworks

- Governments should establish clear, investor-friendly policies and PPP regulations to provide stability and predictability.
- Multilateral development banks (MDBs) should collaborate with governments to harmonize regulatory frameworks and build institutional capacity.

## NEXT STEPS AND CALL TO ACTION

To enhance the impact of blended finance in PPPs, global stakeholders must focus on:

**01** Developing standardized blended finance models: ensuring scalability and replicability across projects.

**02** Improving project preparation funding: enhancing early-stage financing to build a pipeline of investable projects.

**03** Strengthening regulatory frameworks: aligning PPP laws with investor expectations and promoting transparent investment policies.

**04** Expanding risk mitigation tools: implementing credit enhancement mechanisms to increase private capital flows into PPPs.

## EXPERT INSIGHTS

- **Joan Larrea (Convergence) on the Role of PPPs in Blended Finance:**  
*"PPPs are a proven model for structuring public-private collaboration, but they require tailored blended finance solutions to align public resources with private capital, ensuring long-term sustainability."*
- **Chris Clubb (Convergence) on Scaling Private Investment:**  
*"Blended finance transactions remain too small to attract institutional investors (median deal size: \$55M). Achieving investment-grade ratings through standardized financing models is critical to mobilizing large-scale capital."*
- **Ziad-Alexandre Hayek (WAPPP) on the Multifaceted Nature of Blended Finance:**  
*"Blended finance is an ecosystem of financial solutions that must be better understood and applied within PPP structures to maximize its impact on sustainable development."*
- **Anthony Monga Mungwena (UNECA) on Infrastructure Financing in Africa:**  
*"Africa faces a \$68–108B annual infrastructure financing gap, requiring predictable, standardized blended finance models. Aligning these with regional policies and initiatives like the Program for Infrastructure Development in Africa (PIDA) is essential."*
- **Matthew Jordan-Tank (EBRD) on Simplifying Blended Finance Approaches:**  
*"Blended finance must be transparent and easy to implement—overly complex structures discourage both investors and governments. Additionally, some projects (e.g., social infrastructure) require direct grants rather than financial engineering."*
- **Ababacar Sambe (AfDB) on Africa's Leadership in Blended Finance:**  
*"AfDB is a leading mobilizer of private capital, deploying guarantees, concessional loans, and risk mitigation instruments to reduce investment barriers and scale infrastructure financing across Africa."*

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