WAPPP

POLICY BRIEF | Structuring Approaches to Make Blended Finance PPP Projects Investable

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INTRODUCTION

Public-Private Partnerships (PPPs) are a critical mechanism for mobilizing private investment to develop infrastructure and essential services in emerging markets. Yet, a large number of PPP projects struggle to reach financial close due to poor project preparation, fragmented risk allocation, limited institutional capacity, and the absence of standardized, investable financing structures. These challenges are further compounded by underdeveloped capital markets and the high perceived risk of investing in low- and middle-income countries.

Blended finance—defined as the strategic use of concessional public or philanthropic capital to mobilize private investment—is increasingly seen as a practical solution to make PPPs viable. When applied effectively at project level, blended finance enables governments to de-risk transactions, align with investor mandates, and attract institutional capital. Yet, implementation remains fragmented and unscalable.

This policy brief synthesizes insights from the March 2025 WAPPP webinar, conducted in partnership with Convergence Blended Finance, and focuses specifically on project-level interventions. It presents a set of standardized Private Investment Mobilization Models (PIMMs), the critical role of technical assistance (TA), and real-world applications from Africa. The aim is to promote replicable, scalable strategies for structuring and financing investment-ready PPPs.

KEY ISSUES AND CHALLENGES

Project Viability and Preparation

Many PPPs fail at early stages due to poor structuring, inadequate feasibility studies, and insufficient risk assessment – leading to a limited pipeline of investment-ready projects.

Risk and Return Misalignment

Political, regulatory, revenue, and currency risks make PPPs unattractive to private investors. The lack of concessional or risk-absorbing capital further exacerbates the risk-return gap.

Institutional and Capacity Constraints

Public institutions often lack the technical, financial, and legal expertise to structure and manage blended finance PPPs. High staff turnover and fragmented donor support hinder continuity.

Market and Financial System Barriers

Domestic capital remains underutilized due to shallow local capital markets and limited access to de-risking tools such as guarantees and credit enhancements.

Information and Standardization Gaps

The absence of standardized financing models, transparent data, and measurable impact metrics restricts replication, inflates transaction costs, and limits investor confidence.

THE CRITICAL ROLE OF TECHNICAL ASSISTANCE

A cross-cutting constraint to effective blended finance at the project level is the limited availability of technical assistance (TA). TA plays a crucial role in early-stage project development—supporting activities such as feasibility studies, financial modeling, legal structuring, stakeholder coordination, and procurement design. Without this foundational input, many projects fail to progress to the point where risk mitigation tools and private capital can be meaningfully applied. While not always classified as blended finance, experts—including PIDG and Convergence—emphasized that TA is integral to blended finance in practice, as it enables the very structures that attract private capital.

> ***Example*[1]:**
> PIDG's $2.2M TA support to Kenya's PPP Directorate helped structure investment-ready PPPs in student housing and street lighting—addressing the 80% failure rate of infrastructure projects at feasibility stage in Africa.

STRATEGIC SOLUTIONS: CONVERGENCE'S PRIVATE INVESTMENT MOBILIZATION MODELS (PIMMs)[2]

Convergence, with support from partners including the Gates Foundation and the governments of Finland, France, Luxembourg, and Switzerland, has developed 12 standardized Private Investment Mobilization Models (PIMMs). These models are structured across four strategic pillars:

01 **Project-Level Viability:** Expanding the pipeline of viable infrastructure projects.

02 **Project-Level Investability:** Using public funding to de-risk individual projects.

03 **Portfolio-Level Investability:** De-risking portfolios or funds to attract institutional capital.

04 **Local Currency Solutions:** Addressing currency risks for investors, borrowers, and governments.

	Increase number of viable projects	Increase investability of projects	Increase investability at portfolio level	Develop domestic – Financial Sector	Mitigate FX risk
Public sector projects	PIMM1: Public Sector Project Preparation		PIMM9: Public sector blended finance debt fund		PIMM12: Local currency solutions (to mitigate risk for investors, projects, borrowers and Developing Countries)
Private sector projects	PIMM2: Private Sector Project Development Funding	PIMM4: Value Chain Financing PIMM8: Risk sharing with Financial Intermediaries PIMM5: Guarantees PIMM6: Political Risk Insurance PIMM7: Buyer/ Off-taker mitigation	PIMM10: Private sector blended finance debt fund PIMM11: Private sector blended finance equity fund	PIMM3: Develop domestic financial sector	

Source: Convergence Blended Finance

Eight models are highly applicable to PPPs at the project level:

Model	Function
PIMM1 & PIMM2	Support public and private sector project preparation and development
PIMM5, PIMM6, PIMM7	Provide guarantees, political risk insurance, and off-taker protection
PIMM9 & PIMM10	Enable debt fund structures with tiered capital (public-private blending)
PIMM12	Offers local currency solutions to mitigate FX risk in projects

Collectively, these models provide a replicable framework to reduce project risk, attract private capital, and scale infrastructure investment through efficient and standardized blended finance solutions.

BLENDED CAPITAL STRUCTURES: EMPHASIZING LAYERS OF RISK ABSORPTION

Blended finance structures often include distinct layers of capital, each with a different risk-return profile:

- ➔ First-loss capital (e.g., philanthropic or public concessional funding) absorbs early-stage risk.
- ➔ Mezzanine capital (e.g., DFI or MDB participation) bridges the risk gap.
- ➔ Senior commercial capital (e.g., institutional investors) enters once sufficient de-risking is achieved.

***Dakar Electric BRT (Senegal)*[1]**

- ➔ $10M Viability Gap Grant (VGF) – concessional capital
- ➔ $46M Senior Debt – from EAIF & Proparco
- ➔ Equity contribution – by private sponsor

This structure allowed Africa's first all-electric BRT system to reach financial close, serving 300,000 passengers daily and reducing 59,000 tons of CO_2 annually.

***ASIEx Social Green Bond (Africa Social Impact Exchange)*[3]**

- ➔ First-Loss Capital: Philanthropic foundations (e.g., CIFF, Rockefeller, Mastercard) absorb early-stage risk
- ➔ Senior Debt: Institutional investors and ESG funds invest through Social Green Bonds
- ➔ Revenue Stream: Generated from monetized carbon credits tied to clean cookstove use in school kitchens
- ➔ Outcome Payers: Governments and CSR entities may provide results-based payments or repurchase carbon credits

The result is a performance-based, blended finance model that mobilizes private capital while delivering measurable social and climate impact.

EXPERTS INSIGHTS

- **Ziad Alexandre Hayek (President, WAPPP):** *"Blended finance must move from bespoke, complex transactions toward standardized models that reduce risk, increase investor confidence, and scale solutions across regions."*
- **Joan Larrea (CEO, Convergence):** *"Our goal is to simplify and replicate successful blended finance structures that align with investor mandates and unlock private capital for development."*
- **Chris Clubb (Managing Director, Convergence):** *"To mobilize private capital at scale, we need to demonstrate investment opportunities that meet fiduciary obligations through standard, risk-adjusted models."*
- **Vymala Thuron (Executive Director, ASIEx – AVPA):** *"We must unlock dormant local capital and blend it with philanthropy and private funding to deliver scalable, high-impact solutions driven by African priorities."*
- **Emilio Cattaneo (Global Head of Technical Assistance, PIDG):** *"Technical assistance is critical at the upstream stage to develop bankable PPP projects—without it, blended finance cannot function effectively."*
- **Jim Mugunga (Executive Director, PPP Unit, Uganda Ministry of Finance):** *"Uganda is embedding blended finance into its PPP framework by combining concessional capital, guarantees, and policy incentives to attract private investment."*

CASE STUDIES IN PRACTICE

Africa Social Impact Exchange (ASIEx) – AVPA[3]

- Geography: Nigeria, Kenya, Ethiopia, Tanzania
- Instruments: First-loss capital, guarantees, green and gender bonds, social impact bonds

  ASIEx is piloting a catalytic pooled fund to blend philanthropic and commercial capital across priority sectors like health, education, and climate resilience. Its social green bond model finances school meal programs by monetizing carbon credits, aiming for a 10x leverage ratio and appealing to both concessional and private investors.

PIDG Case Studies (Private Infrastructure Development Group)[1]

- Kenya PPP Support – Provided $2.2M in technical assistance to develop investment-ready projects like Nairobi Smart Street Lighting and student housing.
- Dakar Electric BRT (Senegal) – Africa's first all-electric BRT system, financed through a PPP structure with blended support from Proparco, EAIF, and a $10M viability gap grant.
- Kigali Bulk Water Supply (Rwanda) – A $61M Design-Build-Finance-Operate PPP delivering clean water to over 500,000 residents, supported by blended finance and early-stage structuring assistance.

Uganda Blended Finance PPP Initiatives[4]

- Kampala–Jinja Expressway – A $1.5B regional transport PPP supported by a $400M Viability Gap Fund from AfDB.
- Subnational Urban Infrastructure – Projects like Gulu Market, Layibi Resource Center, and Mukono Solar Mini-Grids combine grant funding, community financing, and PPP structures such as BOT and DBFOM to support service delivery in underserved and refugee-hosting communities.

POLICY RECOMMENDATIONS

Institutionalize Technical Assistance

Recognize TA as a core component of blended finance. Fund dedicated TA facilities to support PPP units and line ministries at project origination.

Standardize Blended Finance Instruments

Adopt the Convergence's PIMMs as national/regional templates and promote replicable, scalable models for PPPs.

Build Institutional Capacity

Invest in public sector technical expertise and long-term staff retention to manage blended finance effectively.

Enable Coordinated Investment Platforms

Foster joint investment vehicles that align public, philanthropic, and private capital with outcome-based finance mechanisms.

Enhance Impact Data and Transparency

Support platforms that curate, standardize, and disclose investment-ready project pipelines and verified impact outcomes.

CONCLUSION

To achieve sustainable infrastructure development at scale, it is imperative that developing countries adopt a standardized, project-level approach to blended finance. This entails not only the deployment of innovative financial instruments, but also the provision of early-stage technical assistance, strengthened institutional coordination, and the application of structured, multi-layered capital frameworks. With the availability of practical tools—such as Convergence's Private Investment Mobilization Models (PIMMs) and demonstrative case studies from PIDG, AVPA, and Uganda—there now exists a viable pathway to transform the way PPPs are originated, structured, and financed.

SOURCES

1. Cattaneo, Emilio. PIDG: Project Structuring Approaches, presented at WAPPP Webinar, 20 March 2025.
2. Clubb, Chris. Convergence: Project Structuring Models, presented at WAPPP Webinar, 20 March 2025.
3. Thuron, Vymala. ASIEx Catalytic Pooled Fund Presentation, African Venture Philanthropy Alliance (AVPA), 20 March 2025.
4. Mugunga, Jim. Blended Finance in Uganda, Uganda Ministry of Finance, presented at WAPPP Webinar, 20 March 2025.

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