POLICY BRIEF | Mobilizing Institutional Investment through Portfolio-Level Blended Finance PPPs

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INTRODUCTION

Mobilizing institutional investment into infrastructure Public-Private Partnerships (PPPs) is critical for delivering sustainable development in emerging markets. Yet most PPPs remain too fragmented, unique, and risky to meet the scale and investment requirements of long-term investors such as pension funds and insurers.

This policy brief draws on insights from the April 2025 WAPPP webinar on portfolio-level blended finance PPPs, featuring contributions from government leaders, blended finance experts, and infrastructure fund managers. Unlike previous briefs focused on project structuring, this paper specifically examines the perspectives, constraints, and solutions relevant to institutional investors. Speakers emphasized the need to shift from isolated transactions to investment-grade, pooled PPP portfolios built through standardized, layered capital structures.

The brief presents Convergence's Private Investment Mobilization Models (PIMMs) for fund design, shares lessons from Ecuador's evolving national PPP framework, and captures key challenges and recommendations from institutional investors currently active, or cautious, in emerging market infrastructure.

KEY ISSUES AND CHALLENGES

Fragmented Project Pipelines
PPP transactions remain small and uncoordinated. This fragmentation limits diversification and scale, which are critical for institutional investment

Insufficient Credit Quality
Many infrastructure projects in emerging markets carry baseline ratings of CCC or B. Without credit enhancement through concessional capital or guarantees, these fall short of the BBB threshold required by institutional investors.

Limited Institutional Allocation to Emerging Markets
Many investors have no exposure or low risk tolerance for emerging market infrastructure, due to policy, regulatory, or familiarity barriers.

Weak Project Preparation and Structuring
Projects are frequently under-prepared, with poor packaging and unclear risk-sharing, deterring private capital.

Regulatory and Risk Mitigation Gaps
Unreliable legal frameworks, limited guarantees, and inconsistent user-pay enforcement reduce investor confidence, especially among local capital providers.

INSTITUTIONAL INVESTMENT IN INFRASTRUCTURE AND EMERGING MARKETS

Institutional investors play a pivotal role in scaling infrastructure investment in emerging markets, but they are not a homogenous group. Their investment mandates, sectoral focus, risk appetite, and structuring preferences vary widely. The April 2025 WAPPP webinar highlighted three contrasting institutional models – Meridiam, Infra Impact, and BlueOrchard – each offering distinct lessons for the design of blended finance platforms.

Meridiam – Global Infrastructure Fund Model

Meridiam is a global infrastructure investor with over a decade of experience financing greenfield projects in Africa. Through its Urban Resilience Fund, it employs a portfolio-level blended finance structure that includes concessional capital, senior capital with preferred returns, and equity capital. This structure de-risks equity participation and enhances returns, making it more attractive to traditional institutional investors.
The fund also operates a catalytic capital facility to support early-stage project preparation. This facility offers repayable funding to cities and municipalities, improving project readiness while aligning incentives. While standardization of blended finance structures is desirable, the fund's experience shows that most infrastructure projects still require tailored approaches, especially in emerging markets. Co-development with public partners and clear risk allocation frameworks remain central to investment success.

Key elements of this model include:

- ➔ Three-tier structure:
    - ○ Concessional tranche (e.g. Rockefeller Foundation, EIB, Luxembourg guarantee)
    - ○ Senior tranche offering a preferred dividend to boost returns
    - ○ Equity tranche for traditional private investors
- ➔ Early public-private collaboration to align incentives
- ➔ Customized project structuring within standardized fund templates
- ➔ Emphasis on realistic, transparent risk-sharing

Infra Impact – Regionally Anchored, Domestic Capital Model

Infra Impact, based in South Africa, focuses on unlocking local institutional capital, especially from pension funds seeking long-term, inflation-linked infrastructure assets. South Africa's mature capital market offers a strong base, but challenges remain in project preparation, packaging, and execution timelines. The fund works closely with government institutions at both national and provincial levels to standardize documentation and align procurement processes. The fund's approach focuses on leveraging South Africa's strong PPP performance record and legal enforceability (e.g., user-pay models) to build trust among investors. Portfolio-level blended finance structures and regulatory clarity are seen as essential tools to unlock local capital at scale.

Key elements of this model include:

- ➔ Access to long-term local capital with infrastructure appetite
- ➔ Strong PPP track record and political continuity
- ➔ Enforceable regulatory frameworks that support user-pay contracts in key sectors
- ➔ Collaboration with South Africa's Infrastructure Financing Agency and investor associations
- ➔ Ongoing efforts to reduce project preparation costs and improve bankability for domestic investors
- ➔ Standardization as a means to scale market participation

BlueOrchard – Multi-Sector Impact-Oriented Model

BlueOrchard does not invest in infrastructure but offers instructive insights from blended finance models applied to financial inclusion, gender, and climate adaptation. Its model provides insight into how blended finance can be applied to mobilize institutional capital through structured investment vehicles that balance risk and impact.
The firm uses a tiered capital structure combining public donor funding, mezzanine capital from DFIs, and senior tranches subscribed by institutional investors.
Technical assistance is selectively integrated into funds targeting more innovative or complex themes, supporting institutional capacity building and enhancing impact measurement. A comprehensive ESG and impact assessment framework is applied to each fund, ensuring alignment with global standards while adapting to local contexts.

Key elements of this model include:
- ➔ Use of concessional junior capital (e.g. from Canada) to absorb early losses
- ➔ DFI participation in mezzanine tranches (e.g. IDB Invest)
- ➔ Private sector investors (e.g. Swiss pension funds, family offices, insurers) in senior positions
- ➔ Technical assistance facilities that build institutional capacity and support data-driven impact measurement
- ➔ Impact frameworks aligned with ESG standards and tailored to each fund's theme and geography
- ➔ Strategic positioning within the "impact-finance spectrum," balancing risk-return with social outcomes

PORTFOLIO-LEVEL BLENDED FINANCE MODELS[1]

Convergence Private Investment Mobilization Models (PIMMs) provide a standardized framework for designing portfolio-based financing platforms. Key models for blended PPP funds include:

Model	Function
PIMM10	Blended debt fund pooling loans to multiple PPPs, using senior, mezzanine, and junior capital to achieve investment-grade risk profiles
PIMM11	Equity fund with tiered share structures investing across infrastructure PPPs
PIMM12	Local currency solutions, hedging or credit guarantees, to mitigate FX risk across fund portfolios
PIMM5-7	Project-level de-risking tools (guarantees, political risk insurance, off-taker credit enhancement) applied across the portfolio

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.

Capital Structuring: Three-Tier Blended Debt Fund (PIMM10)
PIMM10 offers a standardized framework for structuring blended debt funds that pool infrastructure and PPP investments. It uses a three-tier capital structure to distribute risk and attract institutional investors:
- ➔ **Senior Capital (80–90%):** Investment-grade tranche subscribed by private investors, protected by subordinated layers and credit enhancement mechanisms.
- ➔ **Mezzanine Capital (10–15%):** Higher-risk tranche from DFIs or high-yield investors, acting as a buffer.
- ➔ **Junior/First-Loss Capital (5–10%):** Concessional capital from donors or governments that absorbs early losses and de-risks the fund.

This structure makes infrastructure portfolios investable by providing credit enhancement and risk protection, with junior capital playing a catalytic role in unlocking private investment

CASE STUDY

Ecuador's National Blended PPP Platform[2]
Ecuador is structuring a nationally integrated PPP pipeline worth over $10.7 billion, covering roads, ports, and energy projects. To enable institutional investment, the government is implementing:

- A central PPP Registry and project tracking system
- A Fund Administration Trust to host pooled financing vehicles
- Political and financial risk guarantees to improve bankability
- Legal reforms and local capital market development to support private sector participation

This approach exemplifies how a country can shift from fragmented dealmaking to platform-based investment structures aligned with portfolio-level blended finance principles.
Ecuador's example underscores a broader principle: country ownership is essential for successful portfolio-level blended finance. National governments must lead the development of credible PPP pipelines, supported by strong institutions, transparent registries, and enabling legal frameworks. This alignment ensures that fund structures are grounded in long-term planning priorities and deliver public value alongside financial returns.

EXPERTS INSIGHTS

Panelists highlighted the importance of tailoring blended finance models to different investor types and market realities:

Chris Clubb (Convergence) *emphasized that bespoke structures limit scale and standardization is essential.*

Valérie Harrington (BlueOrchard) *noted the need for blended capital, risk layering, and impact alignment in non-infrastructure sectors.*

Mark Van Wyk (Infra Impact) *called for public-private co-development and standardization to unlock local pension capital.*

Salim Bensmail (Meridiam) *underscored the importance of early-stage investor engagement and realistic risk-sharing structures.*

Pablo Cevallos (Public-Private Partnerships Secretariat, Ecuador) *highlighted Ecuador's transition to a national PPP platform aligned with investor needs.*

Ziad Alexandre Hayek (WAPPP) *urged governments not to delay good projects for ideal financing conditions.*

Max von Abendroth (WAPPP) *emphasized the need for institutional platforms that mobilize capital, reduce risk, and maintain focus on impact.*

POLICY RECOMMENDATIONS

1

Develop Blended PPP Fund Platforms Tailored to Investor Types

Create distinct vehicles for global, regional, and thematic institutional investors, each structured around their return expectations, capital risk profile, and investment horizon.

2

Embed Credit Enhancement Mechanisms in Fund Structures

Use subordinated concessional capital, guarantees, and diversification to raise portfolio-level credit ratings to investment grade (BBB) or close to it.

3

Align Project Development with Investor Requirements

Institutionalize co-development models that bring investors in early and address bankability from the start, backed by catalytic capital for early-stage preparation.

4

Strengthen Regulatory and Legal Frameworks for Institutional Participation

Streamline documentation, enforce user-pay contracts, and build public institutions capable of managing performance-based infrastructure contracts.

5

Target Local Pension and Insurance Capital

Engage domestic institutional investors through reforms that enable emerging market infrastructure allocation, provide regulatory certainty, and align blended platforms with local capital needs.

6

Promote Strategic Use of Technical Assistance

Use TA to build institutional capacity, support innovative investment models, and improve impact measurement, especially in first-time or high-impact sectors.

CONCLUSION

Mobilizing institutional capital for infrastructure in emerging markets requires a fundamental shift from custom-built PPP transactions to scalable, standardized investment platforms. As this policy brief demonstrates, portfolio-level blended finance, grounded in layered capital structures, early-stage risk mitigation, and investor-specific design, offers a viable path forward.

Different types of institutional investors, global infrastructure funds, regional capital mobilizers, and impact-oriented managers, operate under distinct mandates and constraints. Blended finance vehicles must reflect these realities by aligning with asset class preferences, regulatory environments, risk-return thresholds, and impact objectives.

By building national platforms, strengthening project pipelines, and applying proven structuring tools, governments and their partners can create investable, scalable opportunities that crowd in long-term private capital. With intentional design and public-private alignment, blended finance can move from promise to practice, delivering sustainable infrastructure at the speed and scale required.

As the policy and development finance landscape evolves, WAPPP and its partners are committed to supporting countries in building these next-generation PPP financing frameworks.

SOURCES

1. **Convergence**, *Portfolio-Level Blended Finance Solutions Presentation*, presented at WAPPP Webinar, April 2025.
2. **Public-Private Partnerships Secretariat**, *PPP Investment Opportunities in Ecuador Presentation*, presented at WAPPP Webinar, April 2025.

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