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Blended Concessional Finance—The Benefits of Transparency and Access

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Blended concessional finance, the combination of commercial finance from the private sector and development finance institutions (DFIs) with concessional finance from public and other sources, is increasingly being used by DFIs to support developmentally important projects where normal DFI or commercial finance is not available because of the high risks involved. This can be especially significant in lower-income and fragile and conflict-affected situations (FCS), where risks are high and innovative and pioneering projects can be critical to economic growth, market creation, and poverty reduction. Blended concessional finance is also being used during the COVID-19 pandemic to help sustain struggling businesses hurt by demand and supply shocks, and to rebuild economies toward green, resilient, and inclusive growth. As blended concessional finance involves the use of concessional public or philanthropic[1] funds to enhance the viability of private sector projects, strong processes, particularly in the areas of **transparency**, **access**, and **governance**, are necessary to ensure that these resources are used effectively and without distorting markets.

Transparency is critical to blended concessional finance. It allows the contributors of finance and the general public to assess whether concessional funds are being used appropriately. With robust transparency, stakeholders can determine the reasoning for the use of concessional funds, whether the funds are used efficiently, and whether the projects supported are likely to lead to widespread development impacts including through demonstration effects. At the end of the project lifecycle, information can also be provided on whether the funds accomplished the original goals and anticipated development impact. Transparency also allows for the assessment of the role of blended concessional finance in the context of other development finance options, and can provide investors with the information they need to assess financing opportunities, which could increase their willingness to finance future projects.

IFC has used multiple processes to facilitate broad *access* to concessional funds. This can help ensure that the availability of concessional funds is well known to market participants, that good projects with high potential for development impact are funded, and that funds are used efficiently and without distorting markets. When market conditions allow, these IFC processes include competitive tenders, where many companies compete for a government concession, as well as investment programs with open access that are offered to all qualified parties.

Finally, the implementation of blended concessional finance programs requires very strong *governance* to evaluate the need for concessional funds and the appropriate amounts required, and to manage implementation so that markets are strengthened and that concessional funds are used judiciously.

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This note examines how robust *transparency* and *access* processes can be implemented in the context of IFC's provision of blended concessional finance, with illustrative examples. A previous note published in March 2019 discussed important aspects of *governance*.[2]

DFI Principles to Guide Efficient and Effective Use of Blended Concessional Finance

As discussed above, the use of concessional finance needs to be carefully governed for maximum effectiveness. Robust analyses and processes are needed to determine if a project is worthy of concessional support and if the appropriate amount of concessionality is being used.

DFIs that invest in the private sector have thus agreed to adopt and implement in their blended concessional finance activities a strong set of operational principles—the DFI Enhanced Principles—that specifically address these issues.[3] These principles include:

1. **Economic Rationale for Using Blended Concessional Finance.** Concessional finance should support projects that have: strong development impact (for example, by creating jobs, providing improved goods and services, or catalyzing new markets), clear DFI additionality (special contribution from the DFI), and value-added beyond what is available from the market or DFIs on a commercial basis. This generally means that the financing will help overcome market failures and provide benefits to society beyond the investors' returns.
2. **Crowding-in and Minimum Concessionality.** Since public or philanthropic funds are scarce, they should be used in a catalytic manner, providing the minimum support necessary to make projects viable and attract as much private commercial finance as possible.
3. **Commercial Sustainability.** Projects and sectors need to become commercially sustainable to contribute to market development. Investments should thus have a clear path to economic sustainability, with a plan for how concessionality in the sector can be phased out over time.
4. **Reinforcing Markets.** Concessional funds should create and reinforce markets. Markets started with concessional funds can become dependent on subsidies, preventing commercial players from engaging. To avoid this, attention should be given to all aspects of the market that prevent the viability of commercial projects, including issues related to regulations, suppliers, and skills, among others. Supplementary advisory services and capacity-building interventions may be required to address these issues. Furthermore, it is critical that the specific instrument used for blended concessional finance is clearly designed to meet the development challenge at hand.
5. **Promoting High Standards.** All development projects should have high standards for environmental, social, and other issues. But projects with concessional finance have a particularly high burden because of the direct public contributions. The use of concessional finance also requires strong governance processes and transparency to ensure that all of the above principles are effectively implemented.

Transparency

Areas for Transparency

Looking at each of the five DFI Principles, IFC has identified four areas where various approaches to transparency throughout the project cycle can help stakeholders track the appropriate use of concessional funds.

1. **Economic rationale for blended concessional finance.** A description of the key market failures and analyses that support the use of concessional funds, including the expected development impact, the additionality provided by IFC, and the additional constraints to the project that are overcome through the use of concessional funds.
2. **Evidence of minimum concessionality and crowding-in.** This could include, for example, the use of competitive processes or open-access approaches to determine concessionality levels and crowd-in private finance, and data on the level of concessionality relative to benchmarks to indicate that concessional amounts are in a typical range.
3. **Instrument mix and relevance toward identified market distortions.** The specific concessional instrument used (such as subordinated loans or performance incentives) and how these help address underlying market distortions.
4. **Other processes to ensure adherence to the DFI Enhanced Principles.** How blended concessional finance is used in a way that adheres to the five DFI Enhanced Principles, as well as the governance processes that ensure compliance.

Additional items can be disclosed at the aggregate level:

- Information on **overall volumes** of blended concessional finance used in different sectors and geographies can aid the understanding of how concessional funds support development in different contexts.

- Disclosed **average levels of concessionality** in different sectors and themes can help create benchmarks.
- Data on aggregate **results** for a pool of blended concessional finance projects compared to other projects can help determine the overall effectiveness and impact of blended concessional finance.

IFC Project Reporting in the Project Information and Data Portal

IFC recently expanded its reporting on blended concessional finance, particularly to strengthen the rationale for the use of concessional finance in each transaction and to provide transaction-specific data on the estimated amount of subsidy provided.[4] Box 1 below shows a recent example of the public disclosure that IFC provides on projects benefiting from concessional finance in its *Project Information and Data Portal*, on IFC's external website.[5]

Information in the box addresses many of the key dimensions of transparency identified above. For each transaction, information is provided on all of the components of the *economic rationale for blended concessional finance*: the development impact expected, the additionality of the project, and the constraints overcome through the use of concessional finance.[6] The development impact described should also be viewed in the context of the *country development strategy* being implemented by the World Bank Group. All World Bank Group country strategies, and the private sector diagnostic analyses that underpin the private sector aspects, are publicly available on the World Bank and IFC websites.[7]

With respect to *evidence of minimum concessionality* and crowding in, the level of subsidies provided for the transaction are also described in Box 1. To date, IFC is the only DFI that regularly discloses the subsidy percentage in its blended finance transactions. The text also refers to benchmark data on subsidy levels on the IFC website, which is shown in Table 1. The table provides historical

Box 1. Disclosure Example from IFC Portal*: ACLEDA Bank, Cambodia (Portal entry ACLEDA sr 2020; Summary Project Information (SPI) Disclosure Date March 12, 2021)

Project Description

The proposed investment in ACLEDA Bank Plc. in Cambodia consists of an up-to $200 million, five-year senior loan to support the bank's expansion of its lending program to SMEs and women-owned SMEs, which play an important role in the economy and contribute to job creation. The proposed investment will include an IFC A Loan of up to $100 million for IFC's own account and a syndicated loan of up to $100 million.

Blended Finance

IFC, as implementing entity of the Women Entrepreneurs Opportunity Facility (WEOF), is expected to provide a performance-based incentive ("PBI") of up to $549,723 to support ACLEDA in providing women-owned SMEs with access to finance. Without WEOF's support to incentivize on-lending to these women-owned businesses, the level of increased growth in this segment may not be achievable due to the perceived high risk of lending to women entrepreneurs. The estimated subsidy to be provided by WEOF assumes that the project will fully reach the impact targets and will only be paid out upon achievement of the predefined targets. The level of concessionality (i.e., "subsidy") to be provided by the facility is estimated to be 0.27 percent of the total project cost of $200 million. Further details and historical information on estimated subsidy levels in IFC's blended finance portfolio can be found at: www.ifc.org/blendedfinance. As is the case with all of IFC's blended concessional finance co-investments, this project has been assessed against the Enhanced Blended Concessional Finance Principles for DFI Private Sector Operations adopted by IFC and more than 20 other DFIs in 2017.

Expected Development Impact

The Project's development impact is anchored on increased access to finance for underserved SME segments, including women-owned SMEs. Beyond the Project, and along with other World Bank Group efforts in the SME segment, the investment will foster greater inclusiveness of the SME financing market via innovation and competition.

IFC's Expected Role and Additionality

IFC's additionality for the proposed Project is financial. Financial additionality is based on financing structure based on countercyclical longer-term funding to support the SME sector (including women-owned SMEs) to sustain operations and expedite post-COVID-19 pandemic recovery, as well as resource mobilization, both of which are limited in the market.

**Text has been slightly edited for clarity.*

information on the average concessionality levels in a sample of IFC's blended concessional finance portfolio from FY2010-FY2020 (updated October 2020) and can provide an important context to assess the level of subsidies provided in a particular transaction.[8] These historical figures are updated yearly to include data points for the most recent fiscal year and to reflect any refinements to the calculation approach and methodology.

Box 1 also includes details on the project structure, the instrument mix and relevance to identified market distortions, as well as reference to adherence to the DFI enhanced blended concessional finance principles.

Reporting on Results

As mentioned above, information on **results** of blended concessional finance projects can help determine the impact of such financing. Both IFC and the World Bank Group's Independent Evaluation Group (IEG) regularly review outcomes of IFC projects. This material is then used to perform periodic assessments of different aspects of the IFC portfolio, as enough projects reach sufficient maturity for a meaningful analysis (e.g., three or more years of operations for many infrastructure projects).

For blended concessional finance, IEG recently completed and disclosed evaluation findings from IFC's early experiences with blended concessional finance and with more recent projects approved from 2012 to 2016. IEG found that the blended concessional finance instrument helped set in motion high-risk projects that had the potential to generate positive and measurable social and environmental impact in areas of great need, such as in countries eligible for concessional financing from the International Development Association (IDA) and in fragile and conflict-affected situations (FCS).

Such potentially transformative impacts include higher numbers of quality jobs; better and cheaper key products and services for consumers; a dynamic market that can facilitate innovation and entrepreneurship; substantial reductions in greenhouse gas emissions; and a financial return on these investments. Those impacts could not likely be achieved through private finance alone because the risks are perceived to be too great.[9] IEG is also undertaking an early-stage assessment of the Bank Group's experience with the IDA Private Sector Window.

IFC also periodically provides public reports on the activities and results of individual blended concessional finance facilities, such as those covering small and medium enterprises (SMEs), climate finance, and agribusiness. The data in these reports usually include projects

Average Concessional Level as a Percentage of Total Project Cost or Project Value	
Overall	3.8%
By Product	
Senior Debt	2.7%
Subordinate Debt	2.6%
Guarantee	3.7%
Equity	3.8%
Performance Incentive	1.5%
Local Currency	10.1%
By Industry	
Manufacturing, Agriculture, and Services	3.7%
Financial Institution Group	4.2%
Infrastructure and Natural Resources	2.9%
Disruptive Technology and Funds	2.5%
By Blended Finance Facility Theme	
Agriculture	3.7%
Climate	2.7%
SME Finance	2.5%
Gender Finance	1.3%
Low-Income & Fragile and Conflict Affected States	5.8%

TABLE 1 Average Concessional Levels in a Sample Of IFC's Blended Concessional Finance Portfolio (FY2010-FY2020)

Source: IFC.

financed, volumes disbursed, aggregate results achieved (such as number of clients reached, emissions reduced, and beneficiaries impacted), and detailed case studies of individual projects with results achieved. These reports are available on the IFC website.[10]

DFI and IFC Reporting on Aggregate Volumes

Data on the use of blended finance at the aggregate level can also provide useful information, including: what the overall volume of concessional finance usage is relative to commercial private sector and DFI finance, how much commercial finance is crowded in by the concessional funds, which sectors and geographic areas are the primary beneficiaries of blended concessional finance, and what are the primary instruments used. This information can help

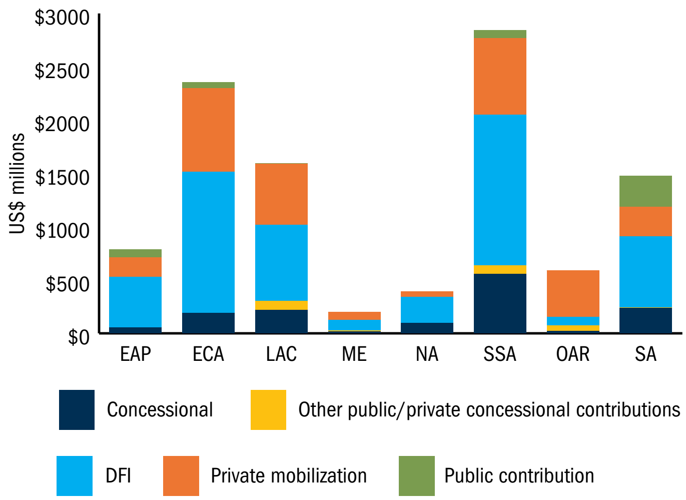

FIGURE 1 Total DFI Blended Concessional Finance Project Cost by Region, 2020

Source: DFI Working Group on Blended Concessional Finance, November 2020 Update. Note: The "Other Africa" region represents volumes in Africa that are not able to be separately broken out into "North Africa" and "Sub-Saharan Africa." Note: EAP = East Asia and Pacific; ECA = Europe and Central Asia; LAC = Latin America & Caribbean; ME = Middle East; NA = North Africa; SSA = Sub-Saharan Africa; OAR = Other Africa Region; SA = South Asia.

assess the overall role of blended concessional finance in the development architecture.

Since 2017 a group of 23 international DFIs, chaired by IFC, have gathered data on blended concessional finance use along these lines (with the data series starting in 2014) and published an annual report. Figure 1 shows excerpts from this data, and the full reports are available on DFI websites.[11] In addition to the volume data, the DFI reports also provide examples of projects implemented by each DFI, including information on the expected development outcomes and the role of blended concessional finance in each project.

Overall, the DFI data show that blended concessional finance is used primarily in low-income and lower-middle-income countries, and much of the finance is in Sub-Saharan Africa. Key themes for projects are SME finance, climate change, and agribusiness. And a large mix of instruments are used, including debt, equity, and risk-sharing facilities. The predominant reason for the use of concessional finance is to promote important projects in high-risk countries, or in innovative sectors with large development impacts, that otherwise would not be able to be financed.

In addition to the aggregate data provided for all DFIs, each year IFC also provides aggregate information on its own use of blended concessional finance and resources mobilized, and on the donor contributions to different facilities. The information is available in IFC's annual report and it shows, for example, that in fiscal year 2020 IFC committed $489 million of concessional donor funds, catalyzing $1.7 billion in investments for IFC's own account.[12]

Other external reports provide additional aggregate IFC blended concessional finance information. For example, other EM Compass Notes in this series show that, similar to the overall DFI results, IFC's blended concessional finance is used primarily in low-income and lower-middle-income countries, with a broad mix of instruments. And for IFC, as country income levels decrease, the instrument mix tends more toward risk mitigation and incentive products (guarantees, subordination, risk-sharing facilities, equity, and performance-based incentives) rather than senior debt. Also, advisory services are used more extensively.[13] There has also been a recent trend with IFC's blended concessional finance toward a greater focus in low-income and lower-middle-income countries. IFC has also found that tackling risks in low-income and least-developed countries often requires more pronounced blending, e.g., higher concessionality, multiple instruments, or local currency solutions, etc.[14]

DFI and IFC Reporting on Processes and Governance to Ensure Implementation of the DFI Principles

IFC publicly discloses the major processes and governance structures employed throughout the project cycle to ensure that the DFI Principles are implemented.[15] Also, the DFIs in their joint annual reports on blended concessional finance report on the various types of processes and governance used to ensure adherence to the DFI Principles, and they report periodically on the progress they've made to strengthen these processes.[16]

Additional Contributor and Board Reporting

Concessional finance contributors and the IFC Board receive additional detailed reporting on blended concessional finance transactions. Reports to **contributors** generally include specific information on the projects funded, project pipelines, expected impact, and rationale for blended concessional finance, as well as details on the concessional co-investment. Board reports for each project include a section discussing the economic rationale for concessionality and how the various blended concessional finance principles apply. **Board reports** also include the project structure and the role and amounts of concessional finance, including the level of concessionality as a percent of total project cost.

Access to Blended Concessional Finance Solutions

One of the critical challenges to managing blended concessional finance is in addressing the "crowding-in and minimum concessionality" principle (DFI Enhanced Principle 2). This includes identifying the right amount of concessional funds to make an important project successful and achieve significant impact without overspending or allowing private participants to realize profits beyond those needed to make an investment viable. It is also important to ensure that a wide range of qualified firms, including new entrants, have an opportunity to access concessional funds, in order to crowd in private investment, to ensure the best projects move forward, and to "reinforce markets" (DFI Enhanced Principle 4).

A number of processes have been used by IFC to achieve this crowding-in/minimum concessionality principle and reinforce markets. These processes include various types of competitive or open-access processes such as competitive tendering/auctions or programmatic approaches that are open to all qualified firms, as well as one-off negotiations under very strong governance procedures, in the case of demand-driven market-based opportunities. Each of these is discussed below.

Competitive Tendering and Auctions

Some projects originate from a competitive tendering or auction process. Auctions are increasingly being used throughout the world to procure energy and other infrastructure, and they have led to increased competition and reduced prices. In some cases, these projects have involved the use of blended concessional finance. An example is the World Bank Group's "Scaling Solar" program, under which blended concessional finance has been offered to all bidders in a tender process for solar power projects. Scaling Solar projects are now operational in Zambia and Senegal and, in December 2020, loan and guarantee agreements were signed for the first 100-megawatt solar photovoltaic power plant in Uzbekistan.

This approach works well for public services that can be tendered such as energy, health, and water. The mechanism effectively uses market dynamics to allocate concessionality. The development impact objective is defined ex-ante (for example, to offer clean energy in a country at affordable tariffs); the process to access the subsidy is available to all relevant players in the market; and the choice of the firm accessing the subsidy is part of a transparent process, as selection criteria are predefined, for example as part of the bidding documents.

The process can encourage competition to find the best firms at the lowest costs and is used by IFC whenever possible. However, this method requires a number of specialized project characteristics: 1) a fairly standardized and known product output, allowing qualified companies to compete primarily on price, 2) a single buyer, usually a government off-taker for services like infrastructure, that can guarantee demand for the entire project output, and 3) a number of companies in the market that are capable of competing for the business.

In tenders, concessional fund amounts can either be predetermined, so that competition is based on price to the end user, or the concessional amount can be determined as an outcome of the bidding process.[17] Predetermined concessional funds can be effective in high-risk contexts where the prepackaging of all elements of the tender is a key success factor in attracting a sufficient number of high-quality bidders. Determining concessional amounts as part of the bidding process may be more uncertain for bidders, but also may lead to less need for concessional funds, consistent with the minimum concessionality principle. Both processes ensure that private companies receive the minimum returns needed to make the project viable. The choice of approach will depend on the specific country and sector context.

Programmatic Approaches with Open Access

Many businesses and sectors lack the characteristics required for efficient auctions—there are often many buyers in the market seeking a wide range of products and services, under changing conditions with respect to demand and competition. For these situations, IFC is developing programmatic approaches with open access. These approaches also benefit from market processes. IFC defines ex-ante the development impact objective expected and sets clear parameters for the clients to access the program, such as the type of instrument offered and fee they pay to access funds. Market players know the conditions to participate and can apply when the program is publicized. Clients chosen for a program must pass IFC's normal due diligence process and meet IFC's applicable environmental, social, and governance standards.

One example of a programmatic approach is IFC's Small Loan Guarantee Program (SLGP), which includes a $120 million allocation from the IDA Private Sector Window (PSW) to support financial intermediaries' expansion into the SME segment by providing a pooled first-loss guarantee at a standard fee range. The use of concessional finance from the IDA PSW allows the fee to the financial intermediary to be set at a range that makes supporting SMEs affordable. IFC is working to expand the use of programmatic approaches, including a recent "Base of the Pyramid" program to help financial institutions support small businesses, informal enterprises, and low-income households that have been hit hardest by the lockdowns and economic slowdown caused by the COVID-19 pandemic. The program is supported by the IDA PSW to help de-risk credit and foreign currency exposures in projects in low-income countries. Another example is the Africa Medical Equipment Facility (A-MEF) risk-sharing facility supported by the IDA PSW, which is expected to reach the healthcare sector in countries where access to medical equipment has historically been a challenge and has led to poor healthcare delivery and health outcomes.

Programmatic approaches provide a mechanism for interested companies and financial intermediaries to access the program, and can help ensure that the funds support projects with high impact and positive market dynamics. The structure does, however, still require a well-known type of project or intervention, and one that can be replicated by many firms, so that the rationale for concessional funds, the program structure, and the fees can be determined in advance. Sectors such as SME finance, microfinance, and some well-established agribusiness, manufacturing, or service sectors may lend themselves to this approach. Commodity businesses and provision of local currency risk-mitigation products may also be good candidates.

A project categorized as either **Competitive Tender** or **Open Access** requires that IFC make all possible efforts to inform companies eligible for IFC funding in a market about the availability, terms, and accessibility of concessional financing. The broad terms and conditions can be communicated to eligible participants through various means, including through inclusion in the bidding documents, IFC's website, or local sources of information; as well as through organizing events at which eligible companies are invited and direct outreach.

Negotiations for Demand-Driven Market-Based Opportunities

Ideas to solve strategic development challenges (consistent with country strategies) can also present themselves "bottom up" through IFC's regular pipeline origination. These bottom-up projects are often innovative pioneering investments that can facilitate market creation, and they are typically in the agri-business, manufacturing, ICT (information, communication, and technology), and certain service sectors, where project sponsors put forward proprietary investment ideas.

These projects can be critical to development and raising standards of living, for example by providing new products and services tailored to local populations or creating new competitive domestic and export sectors that can create jobs and raise wages. The products and processes and organizational structures may be unique or proprietary and not lend themselves to competitive or open-access processes where many of the project parameters need to be known in advance and applicable to many companies.

Yet in high-risk environments, these high-impact but pioneering projects may be especially difficult to finance due to high implementation risks and first-mover costs, and may need initial and temporary concessional support to overcome constraints. To achieve the benefits of these projects with blended concessional finance, very strong governance and analytical processes are needed.

Since the detailed goals of the project are not predetermined, the development objective cannot be specified in advance. Instead, IFC verifies the anticipated development impact of the project idea proposed by the sponsor. To ensure that concessional funds are used efficiently and effectively in these situations, IFC needs to evaluate the need for concessional funds, the amounts required, and the benefits expected. Benchmarks may be useful, such as the amount of concessionality needed for projects in similar countries and sectors, or the required internal rate of return for companies in similar circumstances. In certain cases, project benefits can be calculated (for example, emissions reductions) and compared to the amount of concessional funds used.

Sound governance also requires strong organizational practices such as separate teams and decision-making processes for the concessional and commercial finance tranches to handle potential conflicts-of-interest, special processes and analytics to address adherence to the blended concessional finance principles, and specialized and well-trained staff.[18]

Future Directions on Transparency and Access

While significant progress has been made in the areas of transparency and access, with IFC having led in establishing many best practices, more can be done. Work is proceeding on improvements in several areas:

- **Sharing experiences.** DFIs and other implementers need to continue to share experiences with different approaches to managing blended concessional finance. The DFI Blended Concessional Finance Working Group is one forum used to share experiences. In addition, a transparency working group comprising DFIs and other global development stakeholders, initiated under Indonesia's *Tri Hita Karana* program, has recently completed a report on transparency in the use of blended finance.[19] The group looked at global reporting across DFIs and other development actors and provided additional opportunities for organizations involved with blended finance to share experiences and examine different approaches to improving transparency.

- **Developing simplified approaches to benchmark levels of concessionality in individual transactions.** IFC has worked with partners on simplified approaches to calculating levels of concessionality to facilitate disclosure and comparison, and it is interested in continuing these efforts. Disclosure of concessionality data at the transaction level and better benchmarks are two important potential outcomes of this work.
- **Expanding use of competitive tenders and open access approaches.** IFC has committed to expand the use of competitive tenders and open-access approaches in its use of blended concessional finance. New standardized and streamlined platforms with open access are being developed, especially for projects supported by the IDA PSW. IFC will also highlight in its *Project Information and Data Portal* whether projects were competitively tendered or were part of an open-access program.

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1 For MDBs and DFIs, most concessional funds come from governments, but some are also from foundations and other philanthropic entities.

2 Sierra-Escalante, Kruskaia, Arthur Karlin, and Morten Lykke Lauridsen. 2019. “Blended Concessional Finance: Governance Matters for Impact.” *EM Compass Note* 66, IFC, March 2019.

3 DFI Working Group on Blended Concessional Finance for Private Sector Projects. Summary Report, October 2017, pp. 5-8.

4 Philippe Le Houérou. 2019. “Opinion: In Blended Finance, Transparency and Rigor Must Rule the Day.” Devex. https://www.devex.com/news/opinion-in-blended-finance-transparency-and-rigor-must-rule-the-day-95776

5 The portal is at https://disclosures.ifc.org/.

6 For a discussion of the components needed to support the economic rationale for blended concessional finance, see Emelly Mutambatsere and Philip Schellekens. 2020. “The Why and How of Blended finance,” IFC. Also, Chapter 1 of “Using Blended Concessional Finance to Invest in Challenging Markets,” IFC, February 2021.

7 See https://www.worldbank.org/en/projects-operations/country-strategies and https://www.ifc.org/wps/wcm/connect/publications_ext_content/ifc_external_publication_site/publications/cpsds

8 The figures (updated October 2020) may not be reflective of future trends as they are based on a limited sample size, and are likely to change as IFC introduces new products to expand the portfolio in low-income, fragile and conflict affected countries where blended concessional finance resources have become available at scale only in the last couple of years and where the level of subsidy required tends to be larger.

9 Hatashima, Hiroyuki and Unurjargal Demberel. 2020. “What is Blended Finance, and How Can it Help Deliver Successful High-Impact, High-Risk Projects?” January 27, 2020.

10 See IFC website “Blended Concessional Finance”: https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/BF/

11 See IFC website about “DFI Working Group on Enhanced Blended Concessional Finance for Private Sector Projects”: https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/bf/bf-details/bf-dfi

12 IFC Annual Report 2020. p. 82 and pp. 101-104. https://www.ifc.org/wps/wcm/connect/96e182ec-887a-4ee9-8071-c1a1681c40fb/IFC-AR20-Full-Report.pdf?MOD=AJPERES

13 IFC. 2021. “Using Blended Concessional Finance to Invest in Challenging Markets,” IFC, February 2021, pp. 46-47.

14 OECD, UNCDF. 2020. “Blended Finance in the Least Developed Countries 2020: Supporting a Resilient COVID-19 Recovery.” p. 93.

15 See IFC *EM Compass Note* 66, “Blended Concessional Finance: Governance Matters for Impact.” https://www.ifc.org/wps/wcm/connect/6b593cec-3175-4448-9748-d38cfac0df37/EMCompass-Note-66-Blended-Concessional-Finance.pdf?MOD=AJPERES. Also, Chapter 1 of “Using Blended Concessional Finance to Invest in Challenging Markets,” IFC, February 2021. https://www.ifc.org/wps/wcm/connect/publications_ext_content/ifc_external_publication_site/publications_listing_page/using+blended+concessional+finance+to+invest+in+challenging+markets.

16 The reports can be found on the IFC blended finance website: https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/bf/bf-details/bf-dfi

17 For an example of a solar power program where the subsidy amount is determined as part of the bidding process, see the Uganda FIT program in “Renewable Energy Auctions. Cases from Sub-Saharan Africa,” International Renewable Energy Agency, pp. 24-38.

18 For a full discussion of governance for blended concessional finance, see Sierra-Escalante, Kruskaia Arthur Karlin and Morten Lykke Lauridsen. 2019. “Blended Concessional Finance: Governance Matters for Impact.” *EM Compass Note* 66, IFC, March 2019. https://www.ifc.org/wps/wcm/connect/6b593cec-3175-4448-9748-d38cfac0df37/EMCompass-Note-66-Blended-Concessional-Finance.pdf?MOD=AJPERES.

19 https://assets.ctfassets.net/4cgqlwde6qy0/3ePrF9LNWIPwl16wxxlQeC/f580fe16c1488b4f563692c47b04c4a8/THK_Transparency_report_12_May_2020_-_final_1_.pdf. Note this THK report covers both blended concessional finance as discussed in this note, along with the blending of development finance at commercial rates with private finance, such as IFC does in its core business. Thus, the scope of finance discussed in the THK report is much broader than in this note.