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CENTRE FOR
SUSTAINABILITY
AND BUSINESS

INSIGHTS & ACTIONS REPORT

Blended Finance: Mobilising capital and deal flow for climate and impact

Roundtable with Joan Larrea, CEO, Convergence

December 2024

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1. Introduction

1.1 The Roundtable

This event was hosted by Melbourne Business School in collaboration with Faculty of Business and Economics and Melbourne Climate Futures' Sustainable Finance Hub. Joan Larrea was an expert guest of Department of Foreign Affairs and Trade which made her available for the Roundtable. We thank DFAT for this generous contribution. The Roundtable participants came from different sources of finance (philanthropy, impact investment, government, private and institutional capital), and from sustainability executive education and research.

The Roundtable focused on answering the following question:

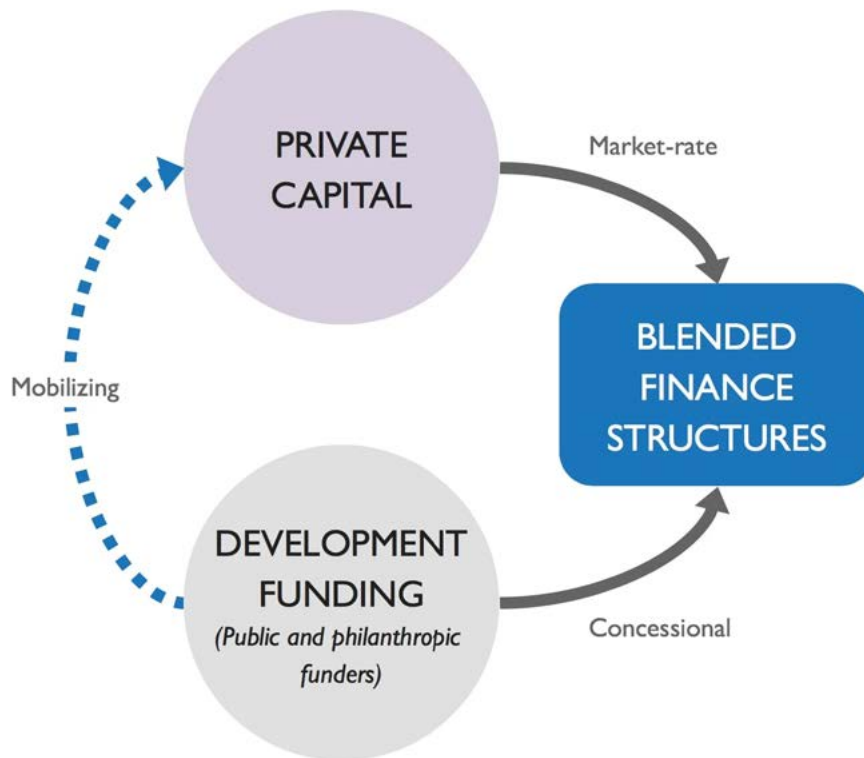
What will it take to mobilise private and institutional finance alongside catalytic sources of finance to accelerate the climate transition and the achievement of the SDGs - in our region and in Australia?

Transition to a sustainable and inclusive economy requires significant capital. COP 29 was heralded as the “finance COP” and [the G20 2024 Leaders' Declaration](#) reiterated ‘the need for rapidly and substantially scaling up climate finance from billions to trillions from all sources’. The aim will be to build on a trend from last year that could easily have gone unnoticed - increase in blended finance funds, that is funds which bring together different types of capital, mixing from public and private sources including catalytic capital and capital to scale.

1.2 Blended Finance

Blended finance is an approach which uses different sources of catalytic finance to mobilize private and institutional capital to scale investment opportunities. The approach mixes and matches different sources of capital with different risk appetites and objectives. It uses the right source of finance for the right stage of a project, investment design or context to aligning risk appetites, return expectations, investment time horizons, flexibility, and impact commitment.

Convergence is a unique global network with a mission to increase private investment in emerging markets and developing economies to advance [the UN Sustainable Development Goals \(SDGs\)](#) and the 2016 UNFCCC Paris Agreement. Since its launch in 2016, Convergence has contributed to mobilising over \$1.9 bn, and they have data and intelligence across deals and developments worldwide. Convergence has deep expertise in supporting blended finance approaches in developing countries, building expertise amongst international NGOs and finance sources. Convergence defines blended finance as follows (diagram and below).



Source: Convergence (www.convergence.finance)

- 1 The transaction contributes towards achieving the SDGs. However, not every participant needs to have that development objective. Private investors in a blended finance structure may simply be seeking a market-rate financial return.
- 2 Overall, the transaction expects to yield a positive financial return. Different investors in a blended finance structure will have different return expectations, ranging from concessional to market-rate.
- 3 The public and/or philanthropic parties are catalytic. The participation from these parties improves the risk/return profile of the transaction in order to attract participation from the private sector. ([Convergence](#))

Convergence does not work in developed countries such as Australia but is very keen to encourage further local blended finance transactions into our Region.

DFAT has been a leader working within the Australian Government in utilising blended finance, including in the design and mandate for Australian Development Investments ([ADI, formerly the Emerging Markets Impact Investment Fund](#)). DFAT has a partnership with Convergence that enables access to analytical, technical support and training capabilities for DFAT and its partners.

Convergence is a global leader for blended finance approaches, driving more investment of private capital in developing countries to advance sustainable development. In many instances, development banks provide concessional loans or innovative finance approaches to attract private and institutional capital into large scale projects, such as wind farms, reforestation projects or major transport electrification projects. Development Banks such as the Asian Development Bank (including via the Australian Climate Partnership) and the US International Development Finance Corporation play critical roles providing, for example, concessional debt, early stage or patient equity, guarantees, supporting power purchase agreements and utilizing other tools for capital mobilisation.

Melbourne Business School's Centre for Sustainability and Business (CSAB) has commenced a Blended Finance for Climate Initiative, aimed at accelerating capital into our climate transition. This includes knowledge sharing, high level Roundtable dialogues and education with the aim of building a stronger blended finance ecosystem in Australia. The Online Network will be launched in late 2024 as part of growing a stronger Australian blended finance ecosystem to accelerate climate finance in Australia and the Asia Pacific. CSAB recently took part in the Global Nature Positive Summit where blended finance approaches were included in sessions and side events. There is a close relationship of climate change mitigation and nature positive objectives.



2. Insights

2.1 The critical role of catalytic finance

Catalytic finance is a collective term for sources of finance that have a greater risk appetite, often lower return (or no return) expectations, more flexibility and a strong focus on impact. These are utilized to mobilize more capital from other sources and deliver better outcomes. This includes philanthropy, impact investment and government concessional and flexible grants and finance, especially the specialist investment vehicles such as the Clean Energy Finance Corporation. Catalytic finance can include philanthropic grants or loans, concessional loans or grants from government agencies, and impact investment (where an investment achieves a measurable impact and a financial return). Catalytic finance, structured effectively, can enable projects or transactions to start up and to build a track record and market confidence. Catalytic finance can be a powerful for technical assistance, leveraging other investment and enabling credit ratings. It contributes to reducing risk for lower risk investors, for example institutional investors, and for attracting scaling up capital.

Convergence noted that despite growth in climate finance over the last year, the need for climate finance is critical and capital directed to developing economies must grow rapidly. The recent COP 29 meeting agreed a target of US \$300 billion to support the climate mitigation and adaptation work in developing countries when the goal had been US \$1.3 trillion and the IMF estimates the need at US \$2 trillion annually. In addition to energy, finance for the transition of transport, manufacturing, new technology, sustainable food and building resilience is required, amongst other sectors.

The energy sector remains the most active segment of the blended finance market, comprising nearly one third of deal activity and 47% (\$101 billion) of total blended capital flows. Much of this investment targets renewable energy development—over the last year 91% of blended transactions in the sector channelled financing to renewable energy, with nearly \$10 billion going towards solar projects (State of Blended Finance 2024, Convergence, p10)

DFAT has played a key catalytic role in climate projects, not only as an investor but through funding design work for blended finance transactions.

While we do not have a development bank in Australia, we do have special investment vehicles that can provide concessional, patient and more innovative finance approaches. Clean Energy Finance Corporation has been a leading field builder in this space. National Reconstruction Fund can also play a critical catalytic role. Philanthropic foundations and impact investors can also be providers of catalytic finance and could play this role more extensively in transactions using blended finance approaches.

Australia also does not have a development finance institution, so our specialist investment vehicles and our partnership with Asian Development Bank via the Australian Climate Partnership are especially important. The following key funds were highlighted during discussion:

- Australian Development Investments \$200m+ (was Emerging markets 1 Fund (renamed in 2021),
- Private Infrastructure Development Group
- Australian Climate Finance Partnership via the Asian Development Bank
- Clean Energy Finance Corporation (Australian domestic mandate).

2.2 Matching opportunities with institutional investor appetite and constraints

To attract the interest of institutional investors, the opportunity must have a risk and return profile and a scale that fits within the institutional investors' constraints and mandates. It is important to match the opportunity and potential partners. Time can be wasted presenting opportunities which just cannot be supported due to size, mandate, regulatory or other constraints. For example, deal size can be an issue. A project requiring investment of US \$3 million is just too small for many institutional investors to consider.

For blended finance approaches, some additional design and structuring is often required to craft a structure in which different parties and types of capital can participate. This means proponents need to use different strategies, for example 'roll up' to aggregate projects with a similar or complementary risk profile within funds to build a bigger investment opportunity. In addition, proponents need to use innovative concessional finance and other derisking tools such as guarantees to mobilise capital, at least until markets come to better understand the context and risk profile of new markets or assets.

Factors including risk absorption and return support can be critical for different investor groups, particularly institutional investors with specific fiduciary considerations. This requires a deep understanding of the catalytic and flexible finance available from, for example, specialist investment vehicles or development banks. The Asian Development Bank, which is implementing the Australian Climate Partnership has a strong track record in these large complex projects (for example, the Monsoon Windfarm Project in Laos, see end of this report).

Joan Larrea of Convergence urged investors to apply blended finance approaches to 'scale the heck out of things!' to enable scaling up of climate mitigation and adaptation projects. To do this, investment opportunities often need to be progressed to a point where they meet the size, risk appetite, and return expectations of institutional investors or structures created that make it easier for institutions to participate. This requires a commitment to providing catalytic finance for early-stage development and start up, and then injections of finance to build projects until institutional investment readiness is achieved. (See Golden Plains Windfarm case study from CEFC at the end of this report as an example).

As the market adjusts, blended finance transactions can be tailored so that they are recognisable to private and institutional investors and meet an investor's allocation and risk appetite are more likely to be successful. As structures become normalised to demonstrate the capacity to mobilize more capital, momentum can build. Blended finance needs to become business as usual!

2.3 Origination – building blended finance solutions

It is more complex to initiate and structure a project utilising different sources of finance. Successful transactions or initiatives have at least one project partner, often the lead financier or the proponent, who will lead the work at the start of a project to build a capital stack, or a string of capital. This work can take years, and it is often the role of catalytic funders to provide the continuity and facilitate bringing the parties together on appropriate terms. However, at times private capital steps in to provide technical assistance and long-term support.

A key challenge is that this additional work takes time and resourcing. Not all investors can or are interested in doing this deep engagement work or the origination design. The ecosystem would gain capacity to do more with additional capacity to resource, including fund, the work involved is in structuring, origination and developing collaborative financing approaches. This takes effort and is critical to scaling up climate action and solutions-oriented ventures.

2.4 A more informed and confident investor ecosystem

Boosting the confidence and capability of Boards and Investment Committees around blended finance is also a critical factor to enable more transactions to occur. Convergence is keen to encourage more local institutions to fund projects in our Asia Pacific Region. This means that investors across the continuum of finance must be upskilled to build familiarity with blended finance, reach out to other finance sources to build capital stacks that will work for all parties.

We need more focus on reporting on impact as well as financial return outcomes, including after the transaction is completed. This will encourage catalytic funders such as philanthropy, impact investors and government to engage where there is potential for mobilizing more capital and demonstrating better outcomes.

2.5 Overcoming regulatory challenges

Every country operates within a unique legal and regulatory context. This includes the regulation of investment behaviours, especially ensuring that risks are understood and managed.

In many countries institutional investors operate as fiduciaries and have statutory duties, particularly where they are custodians of other people's money for retirement. In some cases, the framing of the regulation or the way it is put into practice, magnify the sensitivities about risk in new or different types of transactions. This can have the effect of inhibiting adoption of blended finance approaches.

There is often nothing inherently proscriptive of blended finance in the regulation. The opportunity is for philanthropic or other capital to be utilised in well-designed structures that address issues of perceived or actual additional risk in financing into less familiar markets, including some climate and nature-based solutions.

2.6 Bringing deals into the ratings-based system

Other factors in the financial system that can slow or accelerate acceptance of product include credit and investment ratings. Most markets can interact more readily with borrowers that have a credit rating and investment products that are rated by recognised providers. Without that, the investment opportunity or debt provision is likely to be viewed as carrying more risk as the rating serves as a proxy for credit worthiness or the quality of the investment opportunity. If a borrower or investor does not have a rating, philanthropy or other catalytic funding and finance can play a critical role in credit enhancement.

Concessional funding (grant or concessional loan for example) enables a project to build a track record, and over time, a rating established where those systems exist. Well designed and structured support from philanthropy can help a build a track record to build confidence in commercial investors.

Prominent examples discussed included the SDG Loan Fund syndicated by Allianz with catalytic capital from Dutch DFI, FMO to mobilize US \$1.1bn and an unfunded guarantee provided by a philanthropic investor, MacArthur Foundation, and the International Finance Fund for Immunization which has a relatively modest philanthropic guarantee that assisted in successive bond issuances to finance delivery of vaccines to children achieving AA- rating.

Finding solutions to these practical challenges like credit ratings requires an innovative mindset which enables regulatory requirements to be met while enabling a project to get underway and demonstrate its viability.



3. Where is more research needed?

There was a lively discussion at the Roundtable about where additional applied research is needed relating to blended finance that have potential for impact. Convergence has deep experience with data and intelligence gathering and encourages more research. **Research questions that could be explored are listed below.**

Impact reporting

- What is blended finance's impact on the field and how best do we measure this?
- We need more focus on reporting on impact as well as financial return outcomes, especially after the transaction is completed. This is an exciting area for more research.
- How can we capture the value of public good delivered through using a blended finance approach?

Pricing

- How should money be priced appropriately drawing on available data so that investors are confident about where to invest.
- Note: There could be a data scrape of Green Climate Fund transactions to learn from what they hold.

Deeper understanding of the Indo Pacific

- What matters most for the SME transition in Indo Pacific? Where and how can co-benefits be achieved?
- Where are the regulatory barriers in the Indo Pacific and how could we respond to those?

Network effect

- How can we measure the network effect of blended finance transactions?
- What matters for investor behaviours? Can we grow blended finance approaches through applying the network effect (the more users, the more a product is valued)?



4. Case Studies

During the Roundtable several excellent case studies were presented or mentioned. Three are attached in more detail at the end of this report.

- Macquarie Asset Management, Electrification of bus fleet, India
- Clean Energy Finance Corporation, Golden Plains Windfarm, Australia
- Asian Development Bank, Monsoon Windfarm Project, Laos
- Camco, Congo Energy Solutions, Democratic Republic of Congo

1. Macquarie Asset Management, **Electrification of bus fleet**, India



Investor:

Macquarie Asset Management

Source of finance:

Equity

Financial instrument:

Concessional equity (Green Climate Fund)

Sector:

Electricity and energy –
decarbonising transport

Geography:

India

PROJECT SUMMARY

Macquarie Asset Management (Macquarie) works in close partnerships with stakeholders in the public and private sectors to support the energy transition and advance solutions to climate challenges. The case study outlines the development of a blended finance platform which aims to introduce unique leasing and financing solutions to reduce the high upfront capital expenditure associated with electric vehicles (EVs), tackle impediments around EV charging infrastructure and manage uncertainty around commercial EV performance in India. Emissions from vehicles in India account for ~20-30% of urban air pollution. Reducing this is critical to India's climate transition. The platform also provides social impact through improving the safety and security for women who travel in these vehicles, as well as creating employment opportunities.

Macquarie developed a new blended finance platform with the Green Climate Fund, which seeks to accelerate the adoption of electric vehicles (EVs) across India, with the aim of helping to reduce the country's CO2 emissions and improve urban air quality. Known as '[Vertelo](#)', the platform was officially launched in April 2024, and aims to deliver US\$1.5 billion over the investment term to accelerate India's EV transition. [Financing India's e-mobility transition | Macquarie Group](#).

The transaction took three years to be approved by the Green Climate Fund and within seven months of receipt of funding, four Heads of Agreement contracts with local EV bus and car manufacturers were executed. Vertelo was enabled by Macquarie's project instigation, the Green Climate Fund's concessional equity and the collaborative approach taken by the local Macquarie team in India with local manufacturers and EV users.

The Green Climate Fund is a critical element of the historic United Nations (UN) Paris Agreement and is the world's largest climate fund, mandated to support developing countries raise and realize their Nationally Determined Contributions (NDC) ambitions towards low-emissions, climate-resilient pathways. The Green Climate Fund has a corpus of US\$13.5 billion. One purpose of the Green Climate Fund is to derisk investment to mobilize climate at scale. [About GCF | Green Climate Fund](#).

The cost of electric buses was found to be twice as expensive as current diesel-powered vehicles. However, the battery life on an EV bus in actual use is untested at scale and the specifications and powertrain are still evolving technologies. Ongoing operating costs should be less than current internal combustion vehicles, however substantial uncertainty remains as to whether this will be the case. Macquarie developed a leasing model which enabled owners to lease rather than buy EV buses and heavy vehicles. This was a relatively uncommon financial instrument for vehicle finance in India, and it has been well received and can be replicated. Macquarie led the design of the financial structure and engagement with Green Climate Fund and other investors to create a blended finance solution.

Macquarie unlocked concessional finance through the Green Climate Fund which was used to reduce the risk of operating in a developing country and to enhance returns for commercial investors. An initial US\$50 million junior equity financing was provided by the Green Climate Fund as seed capital for a new EV leasing company, including the appointment of a CEO and team, and to rapidly accelerate the growth of the company so that institutional investors had improved visibility as to deployment pace and underwriting standards. The Green Climate Fund facility can provide a further US\$150 million as junior equity financing provided that a greater amount of commercial capital is raised.

The US\$50 million seed funding and US\$150m additional junior tranche is to be matched by US\$205 million from commercial equity partners, and anticipated debt capital of US\$1.14 billion raised from financial markets.

The returns to investors matches is expected to align to their risk appetite and return expectations. Commercial investors receive a full return of their capital and a preferred return on their equity prior, and the Green Climate Fund receives its capital back and a subordinate return. Any additional returns from the asset will be shared such that both parties participate in future upside. The project is to be implemented over 10 years. ~9.5 MtCO2e of GHG emission

¹Reference: <https://www.iea.org/reports/transitioning-indias-road-transport-sector/executive-summary>

1. Macquarie Asset Management, **Electrification of bus fleet**, India



Investor:

Macquarie Asset Management

Source of finance:

Equity

Financial instrument:

Concessional equity (Green Climate Fund)

Sector:

Electricity and energy -
decarbonising transport

Geography:

India

INSIGHTS

Concessional finance, such as that provided by the Green Climate Fund, helps reduce risk and provide an attractive return to key investors in a transaction that is delivering a new product in a new market and in a developing country. Blended finance can be a powerful tool to facilitate such opportunities.

The time from project inception to funding approval needs to reduce as this type of transaction becomes better known. Accelerating access to climate finance for scalable projects is critical.



2. Clean Energy Finance Corporation, **Golden Plains Windfarm**, Australia

The CEFC commitment of up to \$350 million to Golden Plains Wind Farm in Victoria crowds in investment from commercial banks to fast track the construction of what will be Australia's largest wind farm.

Commitment:

\$350m CEFC commitment

Capacity:

1,333 MW capacity

Homes:

750,000 homes

We need to act urgently to reduce emissions. Golden Plains Stage Two will help do that by contributing 577MW to Australia's renewable capacity while supporting the Australian Government to achieve its renewable electricity targets and help the world reach net-zero carbon emissions sooner.

- Andrew Riggs

Managing Partner, TagEnergy

OUR INVESTMENT

The CEFC has committed a total of up to \$350 million to develop the 1333 MW Golden Plains Wind Farm which is being constructed in two stages.

The CEFC committed \$222.5 million in debt finance to the 756 MW Stage One of the wind farm, known as Golden Plains Wind Farm East, alongside Westpac, Bank of China, Mizuho, German state-owned investment bank KfW, Commonwealth Bank, and Danish Credit Export Agency EKF.

The financing attracted global recognition. It was named Asia Pacific Renewables Deal of the Year in the 2022 Project Finance International Awards, which recognise excellence and innovation in project finance transactions around the world and was named among the Global Trade Review Best Deals 2023.

The CEFC extended its commitment in 2024 with \$127.5 million to the 577 MW Stage Two, known as Golden Plains Wind Farm West, alongside Westpac, Denmark's credit export agency EIFO, Mizuho Bank, Bank of China, Deutsche Bank, Natixis and Commonwealth Bank of Australia.

CLOSING THE GAP

Some 6 GW of new large-scale generation is required each year for Australia to reach its targeted 82 per cent renewable energy in the National Electricity Market by 2030.

Golden Plains Wind Farm, near Geelong in Victoria, is a key asset in Australia's race to decarbonise the electricity grid and is expected to replace energy supply that will be lost when Yallourn Coal fired power station retires in 2028.

TagEnergy estimates that when both stages are complete the 1,333 MW Golden Plains Wind Farm will generate enough clean energy to power more than 750,000 homes, the equivalent of every home in regional Victoria.

FINANCIAL BRIDGE ACCELERATES CONSTRUCTION

Golden Plains Wind Farm was the first fully merchant wind farm in Australia to be financed by commercial lenders. Through offering a financial bridge between development and contracting, the CEFC is helping fast track the construction of vital assets that can make a meaningful contribution to Australia's emissions reduction.

2. Clean Energy Finance Corporation, **Golden Plains Windfarm**, Australia

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Commitment:

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Capacity:

1,333 MW capacity

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750,000 homes

MAJOR INDUSTRY PLAYERS SIGN UP

Project developer Tag Energy is negotiating power purchase agreements as part of a strategy of progressively contracting the project's energy construction and operation.

Agreements include:

- A 10-year agreement with Energy Australia to take 40 per cent of Golden Plains Wind Farm – West capacity. Energy Australia expects the agreement will enable it to power more than 178,000 Victorian homes and small businesses once fully commissioned.¹
- Snowy Hydro to take 40 per cent of Golden Plains Wind Farm – East capacity.
- Digital infrastructure company Equinix to take 20 per cent of Golden Plains Wind Farm – East capacity.

Global furniture giant [Ikea](#) has stated that its investment arm Ingka Investments plans to take a 15 per cent stake in Stage One as part of Ikea's plan to become carbon positive by 2030.

ENGAGING LOCAL COMMUNITIES

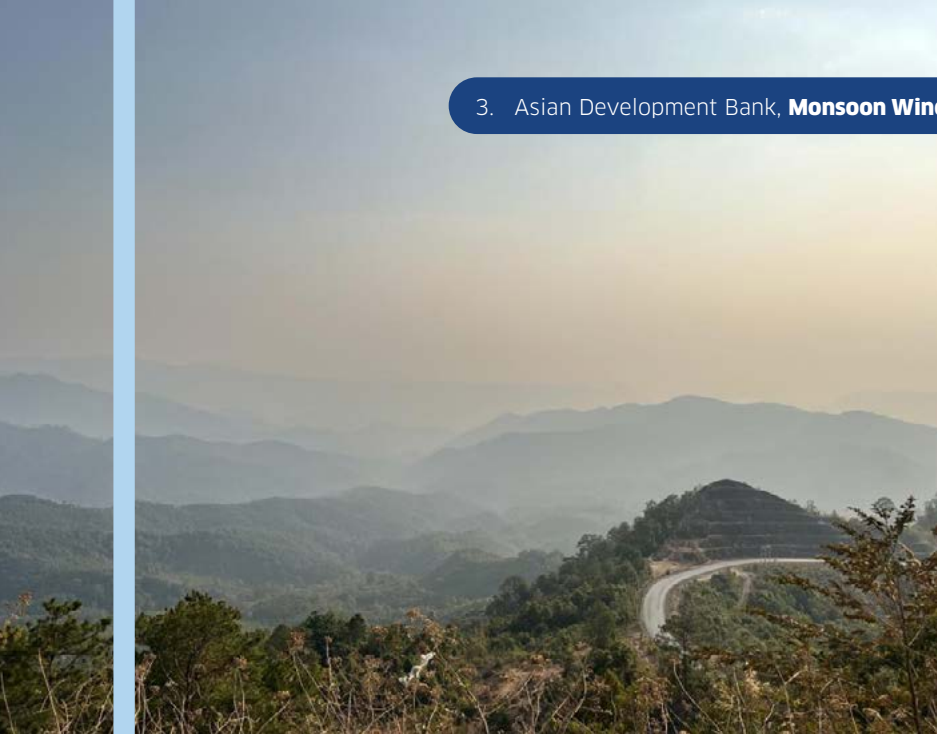
Community engagement measures at Stage One already include a TagEnergy community fund that provides free green electricity to local residents living within three kilometres of a turbine, and engagement with First Nations peoples to develop Indigenous training scholarships. This program will be extended as part of Stage Two, delivering additional money into the local community.

KEEPING TABS ON EMBODIED CARBON

In a landmark approach, TagEnergy will undertake extensive investigation of the carbon footprint at the site and publish the embodied carbon calculations from the construction of Stage Two.

[Energy Australia media release, 24 September 2024](#)

[Golden Plains Wind Farm to help accelerate grid decarbonisation - Clean Energy Finance Corporation](#)



Investor (lead):

Asian Development Bank (ADB)

Source of concessional finance:

ADB (ADB Private Sector Window to Promote Private Sector Operations in Group A Countries), Government of Canada (Canadian Climate Fund for the Private Sector in Asia I&II - CFPS and CFPS II), Government of Japan (Leading Asia's Private Infrastructure Fund - LEAP).

Financial instrument:

Concessional debt, debt, grant

Sector:

Electricity and energy (wind energy)

Geography:

Lao PDR

PROJECT SUMMARY

This project related to the construction of the Monsoon Wind Project, a 600-megawatt, US \$950 million renewable energy wind power plant financed in 2023 and located in Lao's People Democratic Republic. This project is the first utility scale wind project in Lao PDR, the largest wind project in southeast Asia and the first cross-border wind project providing energy to Vietnam, helping meet the growing demand for sustainable power and providing a new industry for Laos.

Capital mobilization and cofinancing activities are at the core of ADB's mission. Development banks use the term "mobilization" when talking about attracting additional capital to supplement investments that we make from our own balance sheets. [Cofinancing is a key pillar of ADB's Strategy 2030, which targets a substantial increase in long term cofinancing by 2030](#) with every \$1 in financing for its private sector operations matched by \$2.50 of long-term cofinancing. ([Q&A: The SDGs Won't Be Achieved Without Private Capital. Here's How ADB Mobilizes It | Asian Development Bank](#))

The Monsoon Wind Project was a complex project and feasibility took many years to complete. Discussions with Lao PDR government began in 2011 with a wind resource assessment undertaken in 2012. ADB led the financing of the project in 2021.

The project financing relied on a power purchase agreement (PPA) with the Vietnamese power utility (Vietnam Electricity) to ensure cashflow into the project. This arrangement was governed by English law and Vietnam Electricity paid tariffs in \$US. ADB structured its blended finance package with several reserve accounts to address potential curtailment risks not covered under the PPA. This was one of the key bankability constraints and encouraged private investors to participate in the deal. These reserve accounts provide funds to cover a portion of debt service repayments in periods where curtailment or extreme curtailment may result in insufficient cash for the borrower to repay senior lenders. This innovative and targeted structure was agreed with sponsors and lenders ahead of launching the syndication in order to bring a bankable financing structure to market. (ADB case study - link above).

Extensive dialogue with investors and the Governments of Laos, Vietnam and Thailand was required to work through structuring and syndication to bring this project to life.

The final structure incorporated two tranches of senior debt at different tenors; a 17-year ADB B loan tranche with participation from private sector commercial banks, and a 19-year tranche of parallel loans from the public sector lenders (with one domestic commercial bank also joining the 19-year tranche). ADB's concessional financing package of \$60 million consisted of loans of up to \$20 million from LEAP and up to \$30 million from the CFPS and CFPS II in addition to a \$10 million grant from ADB's ADF-13 Private Sector Window.



Investor (lead):

Asian Development Bank (ADB)

Source of concessional finance:

ADB (ADB Private Sector Window to Promote Private Sector Operations in Group A Countries), Government of Canada (Canadian Climate Fund for the Private Sector in Asia I&II - CFPS and CFPS II), Government of Japan (Leading Asia's Private Infrastructure Fund - LEAP).

Financial instrument:

Concessional debt, debt, grant

Sector:

Electricity and energy (wind energy)

Geography:

Lao PDR

INSIGHTS

Patience is required to shepherd a blended finance transaction from start up to execution. Development Finance Institutions, such as the Asian Development Bank, play this critical catalytic role in developing countries.

A small concessional amount can catalyse a very large project.

All parties must take some risk, but this can be matched to the risk appetites of different investors if concessional capital is used strategically.

Concessional financing vehicles do not want to take the space of private sector investment. They want to facilitate more private sector investment through strategic use of concessional finance.

More information on this case study can be found on ADB's website [\(Q&A: The SDGs Won't Be Achieved Without Private Capital. Here's How ADB Mobilizes It | Asian Development Bank\)](#)

4. Camco, Solar isolated grids bolster energy supply, DRC

Investor (lead):

Camco – Renewable Energy Performance Platform

Source of finance:

Grant

Financial instrument:

Equity (preference shares and redeemable shares)

Sector:

Renewable energy

Geography:

Democratic Republic of the Congo

PROJECT SUMMARY

Camco is a climate and impact fund manager, working with stakeholders from across the public and private sectors to stimulate investment in sustainable, clean and equitable infrastructure and development in emerging markets. This case study focuses on Camco's critical intervention as the manager of the Renewable Energy Performance Platform (REPP), which is funded by UK International Development that bolstered the USD 40m Series B capital raise (comprising preference shares and redeemable shares) of renewable energy developer Congo Energy Solutions Limited (trading name Nuru).

For context, the Democratic Republic of the Congo (DRC) is one of the least electrified countries in the world, with less than 22% of its population having access to electricity as of 2022. The country relies heavily on hydropower, but aging infrastructure and climate change-induced droughts strain its energy production. Given the fragile context, the market is also considered high risk, which limits the interest of traditional investors. Goma – the region where the projects are located – is one of the most conflict-affected regions in the country.

Prior to the close of the Series B round in June 2023, Nuru had installed 1.7MWp of solar hybrid metrogrids in Goma, DRC, delivering clean energy to commercial, industrial and residential sectors, including solar-powered streetlights to improve the feeling of safety at night.

Having demonstrated the viability of the grids as a clean energy access solution for DRC, Nuru set its sights on scaling its operations with plans to roll out an additional 14.5MWp of projects. Its aim is to help close the energy access deficit in DRC, in doing so supporting DRC's Strategic National Development Plan (SNDP 2019-2023) goal for increased renewable energy development and access to electrification in line with SDG 7.

Nuru's Series B capital raise was primarily designed to provide sufficient development capital for this project portfolio. To de-risk the fundraise, the fundraise was designed as a blended finance transaction, targeting a diverse funder group and two financing instruments.

Although ultimately successful, the Series B capital raise hit a series of obstacles as it approached [financial close](#), resulting in REPP making an [initial investment](#) of USD 500,000 in March 2023 (alongside funding from Proparco and E3 Capital) to bridge a financing gap and bring the deal to financial close. REPP, once funds are fully disbursed, will have invested a total of USD 6 million alongside a consortium of international investors including International Finance Corporation (IFC), the Global Energy Alliance for People and Planet (GEAPP), Proparco, E3 Capital, Voltalia, the Schmidt Family Foundation, GAIA Impact Fund and the Joseph Family Foundation.

Following the Series B close, Nuru has undertaken work on two transformational projects in Goma and Bunia. The second Goma site is now at an advanced state of construction, and the Bunia site is expected to become amongst the largest off-grid solar hybrid metrogrids in Sub-Saharan Africa.

Once completed, the projects will provide first-time energy access to approximately 30,000 people, as well as improving the existing connections of approximately 146,000 people, 4,000 businesses and 100 critical services, most of which currently rely on diesel gensets for their power, and lead to the avoidance of 6,000 tonnes of carbon dioxide equivalent per year. This will lead to greater levels of economic activity and, it is hoped, improved living standards for the region's communities.

¹Reference: [Access to electricity \(% of population\) - Congo, Dem. Rep. | Data](#)

The continuum of finance
SOURCES OF FINANCE

CATALYTIC CAPITAL

CAPITAL FOR SCALING

Start up

Implementation

Scale up



Philanthropy

- No return expectation
- Acts only to catalyze
- Grants, forgivable loans, risk guarantees
- Charities, private donors, corporate foundations
- Capability building

Government Assistance (e.g., dev. banks)

- Concessional capital
- Below market-rate returns
- Guarantees & risk mitigation
- Tax incentives
- Technical assistance

Impact Investment

- May be concessional
- Range of risk tolerance
- Market returns, or below market
- Equity or debt
- Capital for Scaling

Private & Commercial Capital

- Range of risk appetite
- Higher cost of capital
- Higher risk tolerance

Institutional Investment

- Lower risk tolerance
- Longer time horizon
- Investment horizon