

Blended Finance for Climate Investments in India



Acknowledgements

International Finance Corporation

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List of Acronyms

CSP	Concentrated Solar Power
DAC	Development Assistance Committee
DFI	Development Finance Institution
GHG	Greenhouse Gas
GW	Gigawatt
IFC	International Finance Corporation
MW	Megawatt
MoF	Ministry of Finance
NDC	Nationally Determined Contribution
NGFS	Network for Greening the Financial System
OECD	Organisation for Economic Co-operation and Development
SDG	Sustainable Development Goal
SEBI	Securities and Exchange Board of India
UNFCCC	United Nations Framework Convention on Climate Change

Foreword



Shifting to a low-carbon and sustainable economy has become an existential goal and we saw a number of countries, including India, making commitments towards mitigating climate change at the UN Climate Change Conference in Glasgow (COP26). India announced a set of ambitious emission reduction targets and announced a net-zero goal by 2070. There is a need to access stable funding sources to meet these commitments and develop a broader and more mature sustainable finance ecosystem. Governments, regulators, multilateral institutions, private sector companies, and investors have an important role to play as we embark on an unstoppable path to net-zero.

To set India squarely on the net-zero path, it is imperative to boost efforts to mobilize sustainable finance to build a green and resilient economy, and the financial sector has a key role to play in scaling up climate finance. Per Government of India estimates, the country needs to scale up climate investments from \$18 billion per year to \$170 billion per year to achieve its net-zero targets. Considering limited financial resources in the developing world, a range of development partners, including the public sector, private sector, and development finance institutions, have decided to build on enhanced collaborative practices in formulating innovative instruments to de-risk vulnerable projects and facilitate adoption of green technology.

Our global experience in crowding-in private finance to deliver sustainable impact has underlined the catalytic significance of blended finance for private sector projects. It is indeed one of the most significant tools that development finance institutions can use, in cooperation with development partners, to address market failures and to help mobilize private investment in challenging environments to solve global issues such as climate change. IFC has been at the forefront in aiding our public and private sector partners in their climate efforts to accelerate development impact. This publication is an endeavor in the same direction.

Our aim, through this report, is to provide clarity on blended finance models to promote differentiated capital flows for climate mitigation, and share examples of projects across sectors, including energy, agriculture and housing, that can be replicated in the Indian context. At IFC, we are committed to applying the principles and recommendations in this report to active investment projects that unleash the potential of both private and public capital to achieve a low-carbon and inclusive development pathway for India's people.

Shalabh Tandon
Regional Head of Operations & Climate
and Interim Regional Director, South Asia

Wendy Werner
Country Head, India

Preface



Under the United Nations Framework Convention on Climate Change, countries around the world have pledged to reduce greenhouse gas emissions as part of their Intended Nationally Determined Contributions. To bring these pledges to fruition, scaling forms of green finance is paramount to ensure that capital flows, investment, and financial services are expanded to catalyze sustainable development.

The use of blended finance instruments has recently increased to scale up private finance for climate and support the Sustainable Development Goals (SDGs). To win the decarbonization battle, this catalytic capital will be critical to unlock trillions of dollars of private capital. Blended finance is not just about deploying concessional loans, but also de-risking private sector investments by leveraging instruments such as guarantees, first-loss, subordinated debt, outcome funding, and others. While blended finance can accelerate and catalyze markets, it will only be effective if there are appropriate regulations in place to incentivize low-carbon alternatives to accelerate a green market and technology adoption. It is estimated that every \$1 of catalytic capital can leverage \$8 worth of private capital, which otherwise would not have been deployed.

Considering the enormous amount of capital required to tackle climate change and limited public resources, it is critical to innovate to de-risk vulnerable green projects. For India, mobilizing climate finance will be central to realizing its vision of directing the economy to a low-carbon production pathway. Estimates from India's Intended Nationally Determined Contributions suggest that the country will require approximately \$170 billion per year until 2030 for its climate change-

related investments. A requirement of this scale and magnitude can only be met if public, private, and philanthropic capital workstreams converge and work in synergy to unlock development gains associated with climate action.

I hope that this report will serve as a blueprint for blended finance for climate opportunities in India. IFC is one of the world's largest implementers of blended finance, and we aim to advance the case for blended finance as a powerful tool to catalyze private investment for climate solutions in India.

Jamie Fergusson
Global Director
Climate Business

Message



Coal continues to be one of the most dominant sources of energy in the world—and a key driver of climate change, with impacts felt especially by the most vulnerable populations. A shift away from coal to an energy mix dominated by renewable energy is urgently needed: simply put, we must quit fossil fuels.

As one of the world's largest emerging economies, India is at a tipping point: there is still time to curtail climate change and partnerships with and leadership from the private sector will be a critical factor in future success. With public resources under pressure from the compounding global crises, a strong private sector can fuel economic recovery and a healthy future. As the World Bank Group's private sector arm, IFC is committed to accelerating sustainable private sector solutions for pushing the envelope of climate finance.

Blended finance, or the blending of concessional funds from governments or philanthropic sources with funds from development finance institutions (DFIs) such as IFC, can crowd in private sector investment to pioneering, high impact development projects. By de-risking projects that the private sector would otherwise deem too risky, blended finance instruments, in combination with other tools such as advisory and technical assistance, can help create opportunities that would not otherwise exist.

Since IFC began its blended finance practice two decades ago, the costs of renewable energy sources such as wind and solar have reduced considerably, and new, innovative sectors such as energy storage and disruptive technologies present opportunities for the transition away from coal. As IFC's focus shifts to

more complex technologies, new business models, new sectors, and more difficult economic conditions, examples of successful blended finance transactions in countries like India are critical for future private sector investment in climate projects.

The time is now to act on climate change and India can seize this opportunity by advancing blended finance and private sector solutions for the world's greatest challenge.

Aisha Elaine Williams
Director
Partnerships & Blended Finance

Executive Summary

One of the biggest challenges facing emerging economies, including India, is to mobilize adequate monetary resources to achieve climate mitigation and adaptation targets. At COP26, India announced aggressive targets to contribute to global decarbonization efforts. As per estimates in India's long-term low emission development strategy, submitted to the United Nations Framework Convention on Climate Change (UNFCCC) in 2022, the country needs tens of billions of dollars by 2050 to ultimately achieve net zero by 2070. Also, based on updated NDCs, India's adaptation finance requirements stand at around \$1 trillion by 2030. Public funding of this magnitude could be difficult to allocate, especially because of the need to route limited public funds towards immediate social priorities and contingencies. A joint report by IFC and the International Energy Agency recently called for the scaling up of private finance for clean energy in emerging and developing economies. The report makes clear that investments need to more than triple from \$770 billion in 2022 to \$2.2-2.8 trillion per year by the early 2030s to help Emerging Markets reach their energy and climate goals. Around 60% of this will need to come from the private sector. Accordingly, it is essential to crowd in private sector investment for India's mitigation and adaptation goals. To achieve this, India must establish an investment ecosystem that provides bankable projects, fosters regulatory certainty, encourages financial sector innovation, and undertakes extensive capacity building for all stakeholders. A prerequisite for crowding in private sector investments, particularly in climate-related critical sectors, is the de-risking of projects, including those with new-technology adoption risks and unproven commercial viability. There are several innovative financing instruments that can unlock private sector climate-related investments. This report will focus on one such instrument: blended concessional finance for climate, which has become a powerful tool to mobilize private investments.

Blended concessional finance, or blended finance, combines concessional finance from donors or third parties alongside development finance institutions' (DFIs') normal own account finance and/or commercial finance from other investors, to develop private sector markets, address the Sustainable Development Goals, and mobilize private resources. **Collaboration between public, private, and philanthropic capital is critical for unlocking development gains and addressing massive global challenges such as climate change. Key principles, agreed upon by 23 DFIs including IFC, provide a common framework to deploying blended concessional finance.**

Blended concessional finance has the potential to be a catalytic part of many solutions, helping overcome critical market barriers faced by the private sector. Blended finance structures offer flexible approaches, financial instruments, and evaluation methodologies to match the market barrier being addressed. Briefly, these approaches include technical assistance that addresses the risks in new, uncertain, and fragmented markets for investors; risk underwriting that reduces specific risks associated with a transaction; and market incentives that enable emerging sectors to achieve commercial viability. The associated instruments can take the form of senior loans, subordinated loans, equity, performance-based incentives, guarantees or risk-sharing, local currency denominated loans, and risk mitigation guarantees.

There are several success stories of emerging markets deploying climate-based blended investments in climate-smart agriculture, blue economy, green housing, and solar energy, among others. In India, critical sectors for either climate mitigation or adaptation have been identified and climate-related blended finance investments will be prioritized in these sectors. These identified sectors, which include agriculture, land and water management, power, transport, infrastructure, health, industry, in addition to the circular economy, are in line with India's net-zero ambitions while keeping the government's short-, mid-, and long-term priorities in mind.

The blended finance market in India is nascent but at an inflection point. The regulatory environment pertaining to finance has been maturing to keep pace with the changing needs of the global economy through reforms and ease of doing business measures. Most recently, the Reserve Bank of India joined the Network for Greening the Financial System (NGFS) in 2021, and in May 2022 the Securities and Exchange Board of India constituted an advisory committee for environmental-, social-, and governance-related matters in the securities market. However, some regulatory challenges remain in the blended finance ecosystem. There are reforms that would immediately address these challenges, including more clarity on the "withholding tax", development of a green taxonomy, and creation of a blended finance framework that would provide much needed clarity and facilitate inflows. As a way forward, a few short- and long-term interventions have been identified to harness the full potential of blended finance. These include engaging more with donor partners and DFIs, creating institutions and governance structures to increase transparency, identifying and addressing market barriers, and building the awareness and capacity of all relevant stakeholders.

1.1 Climate change requires concerted action—India taking strong steps

Shifting to a low-carbon and sustainable economy is increasingly becoming a mainstream goal globally. Several countries, including India, committed to mitigating climate change at the COP26 Summit in Glasgow in October 2021. To meet India's COP26 ambitions, the Prime Minister of India announced the Panchamrit commitments, comprising the following:

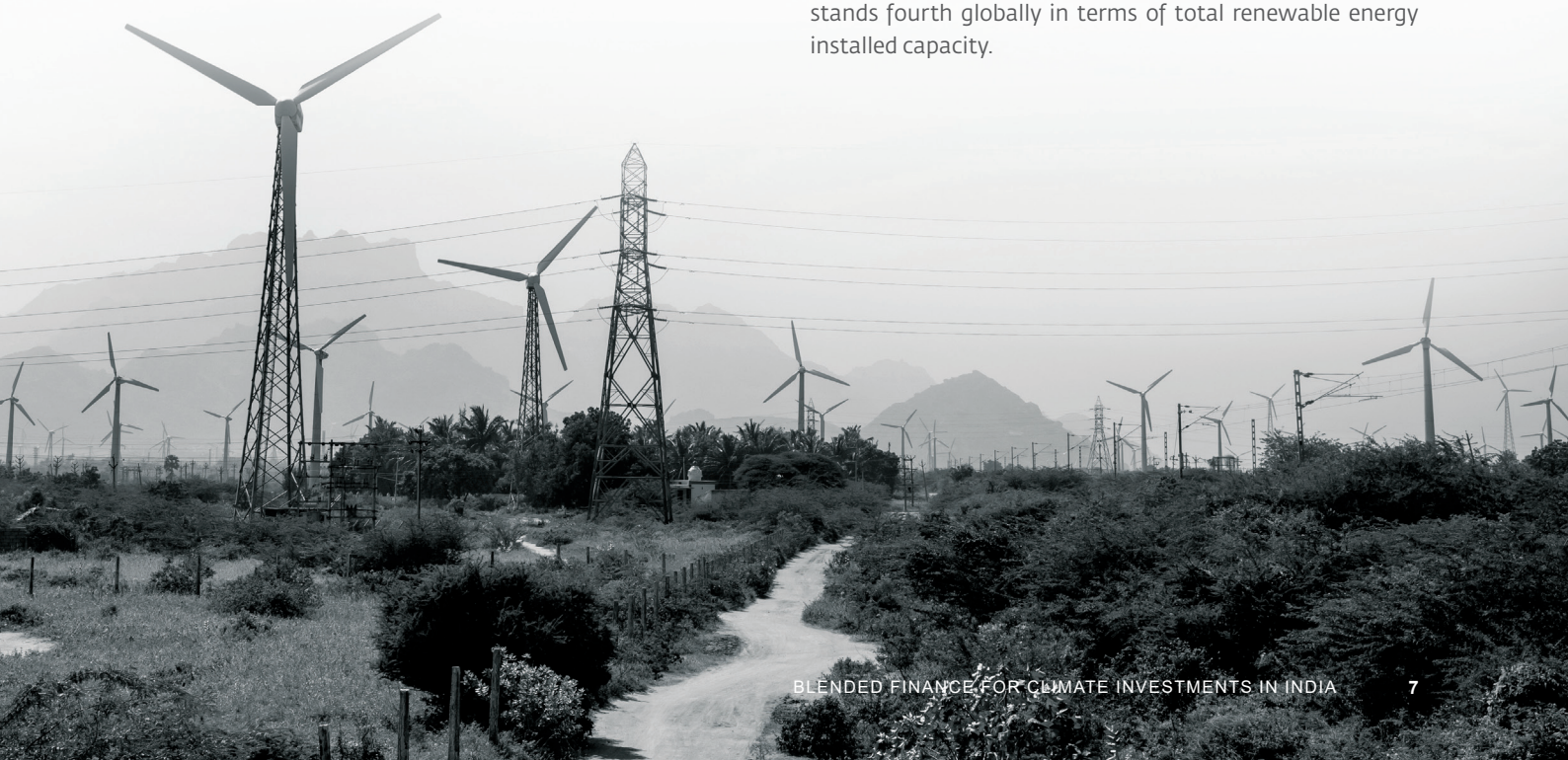
- India will increase its non-fossil-fuel energy capacity to 500 gigawatts (GW) by 2030.
- India will meet 50 percent of its energy requirements from renewable energy by 2030.
- India will reduce its total projected carbon emissions by 1 billion tons by 2030.
- By 2030, India will reduce the carbon intensity of its economy by 45 percent.
- By 2070, India will achieve the target of net-zero carbon emissions.

As per provisions of the Paris Agreement, India submitted an update to its NDCs in August 2022 to the UNFCCC, for the period up to 2030, as follows:

1. To put forward and further propagate a healthy and sustainable way of living based on traditions and values of conservation and moderation, including through a mass movement for 'LIFE' – 'Lifestyle for Environment' as a key to combating climate change.

2. To adopt a climate friendly and a cleaner path than the one followed hitherto by others at a corresponding level of economic development.
3. To reduce the emissions intensity of its GDP by 45 percent by 2030, from the 2005 level.
4. To achieve about 50 percent cumulative electric power installed capacity from non-fossil fuel-based energy resources by 2030, with the help of transfer of technology and low-cost international finance including from the Green Climate Fund (GCF).
5. To create an additional carbon sink of 2.5 to 3 billion tonnes of CO₂ equivalent through additional forest and tree cover by 2030.
6. To better adapt to climate change by enhancing investments in development programs in sectors vulnerable to climate change, particularly agriculture, water resources, the Himalayan region, coastal regions, health and disaster management.
7. To mobilize domestic and new and additional funds from developed countries to implement the above mitigation and adaptation actions in view of the resource required and the resource gap.
8. To build capacities, create domestic frameworks and international architecture for quick diffusion of cutting-edge climate technology in India and for joint collaborative R&D for such future technologies.

Between 2005 and 2016, India reduced its emissions intensity by 24 percent. As of February 2023, renewable energy sources (including large hydro) contributed to about 41 percent of India's total installed capacity and the country stands fourth globally in terms of total renewable energy installed capacity.



1.2 India's climate financing gap is substantial

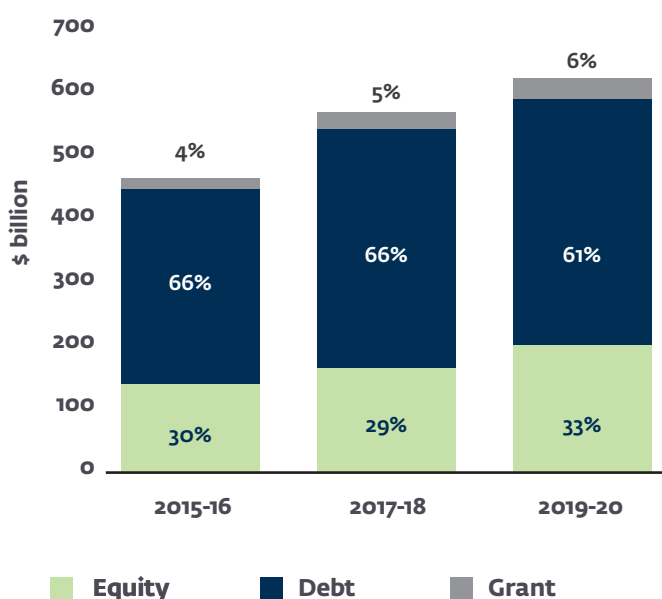
As per estimates in India's updated NDCs, the country needs substantial amount of climate finance in order of tens of trillions of dollars by 2050 to achieve its ambitious sustainability targets. From 2026-2030, India will require annual clean energy investments in the range of \$253-\$263 billion (rising to \$325-\$355 billion over 2031-2035) to align with sustainable development and climate goals (IEA-IFC, 2023). Other estimates, which take into account the investment gap (the difference between what is required and what could reasonably be made available from conventional sources) to achieve net-zero by 2070, suggest that the total funds required amount to \$10.1 trillion (Singh and Sidhu, 2021). However, the current investment available for climate action in India is only \$44 billion per year (Climate Policy Initiative, 2022).

1.3 Global climate financing trends

The Climate Policy Initiative (2022) shows that total global climate finance steadily increased over the last decade to \$653 billion annual average, but investment has been slowing over the past few years. According to that analysis, annual climate finance needs to increase by 590 percent to meet internationally agreed climate objectives by 2030. The Initiative also shows that debt remains the dominant source of climate finance globally, as seen in Figure 1.

Of the total debt financing, low-cost debt made up only 12 percent and has decreased since 2018. Also, 99 percent of this debt is provided by public institutions.

Figure 1: Climate Policy Initiative: Instruments used for climate investments



1.4 Need for private investments in climate transition

As climate change is now one of the biggest challenges facing the world, and against the backdrop of shrinking fiscal space, it is imperative that substantially higher private investment is channeled towards climate financing to help achieve the mitigation and adaptation targets required to keep the world on a pathway with less than 2°C of warming. However, scaling up private sector investment in climate objectives has proved to be a challenge despite the trillions of dollars committed to these objectives after the recent COP26 Summit. Private sector financing is urgently required, especially in developing countries in the process of transitioning to net-zero emissions. To achieve this, institutional investors need to be tapped as they have substantially greater resources (900 times more funding available than in DFIs) (Diop, 2022). However, for this to happen, there is a need to ensure an investment ecosystem that provides bankable projects, fosters regulatory certainty, encourages financial sector innovation, and undertakes extensive capacity building for all stakeholders involved in the process. For emerging markets, one of the biggest challenges is to reduce the risk associated with climate-related projects that still act as barriers to investment. Often such barriers include new-technology adoption risks, unproven commercial viability, and ramp-up uncertainties. In this context, there is a case to substantially scale up the use of blended finance. It helps to rebalance the risk-reward metrics and facilitates de-risking of projects, which would in turn lead to greater investor interest.

It is important to note that the blended finance instruments being discussed here are those that seek to reduce the risk profile of an investment, which could also reduce the overall cost of funding depending on the degree of concessionality compared to outright grants. This also depends on the changing landscape for blended finance investment in the country. In the Indian context, for example, grid-connected utility-scale renewable energy has now achieved grid parity with fossil fuels, so blended finance is not needed. However, there are emerging sectors that do need blended finance, as highlighted in Section 5.

The Climate Policy Initiative report (2022) indicates that approximately \$39.1 billion of blended finance was channeled towards climate investments between 2015 and 2020. Most of the funding focuses on mitigation.

The case for investing in climate mitigation and adaptation has never been stronger. The need for massive investments in green infrastructure, industry decarbonization, and the shift of global economies toward net-zero emissions is pronounced and urgent. The speed and depth of the transformation cannot be achieved with public funding alone.

Blended finance for private sector projects is one of the most impactful tools that DFIs can use in cooperation with donors and other development partners to achieve a variety of goals. These include implementing the Addis Ababa Action Agenda, helping to address the Sustainable Development Goals, increasing finance, and mobilizing private capital for important private sector activities (Development Finance Institutions, 2021).

Blended finance is capital from public or philanthropic sources used to increase private sector investment in developing countries and to catalyze risk-adjusted financing to address critical challenges facing the world. The DFI Working Group on Blended Concessional Finance for Private Sector Projects, a group of 23 DFIs, has adopted the following definition of blended concessional finance for the private sector operations of DFIs: combining concessional finance from donors or third parties alongside DFIs' normal own-account finance, and/or commercial finance from other investors, to develop private sector markets, address the Sustainable Development Goals, and mobilize private resources.

The standard business model of a DFI includes providing financial products at commercial rates in higher-risk environments to achieve development impact that the private sector alone cannot achieve. For some projects with significant expected development impact in the context of persistent market failures, high risks—including first-mover transaction costs, new technologies, or novel business models—may make these projects non-viable, even for DFI-led projects. Blended finance is one of several tools developed by the international development community to mitigate the risks of a highly impactful project or to de-risk or rebalance the risk-reward structure at a program level. This accelerates the development of the entire sector, moving it closer to commercial sustainability.

The use of blended finance helps to fill financing gaps by addressing market barriers and attracting private sector investments to areas of strategic importance with high development impact.

2.1 Enhanced principles for using concessional finance in private sector investment operations

To ensure a strategic and disciplined approach to blended finance, the DFI Working Group on Blended Concessional Finance for Private Sector Projects has developed

and agreed to follow five key principles (see Figure 2). Application of these enhanced principles helps ensure the effective and efficient use of concessional resources in private sector projects and avoids market distortion or the crowding out of private capital.

Note: *The Organisation for Economic Co-operation and Development's (OECD's) Development Assistance Committee (DAC) has also adopted five blended finance principles for unlocking commercial finance for the Sustainable Development Goals. The principles were elaborated on in close collaboration with the previously referenced DFI enhanced principles. The OECD principles are targeted at the policy level, reflecting the development mandate of donors—providers of concessional capital—and the policies and instruments under their political oversight. The OECD's principles focus on broad policy guidelines with respect to providing finance to DAC members to conduct blended finance operations in both public and private sector projects. Under the OECD definition, blended finance includes concessional finance as well as technical advisory grants, and other finance. More information is available at www.oecd.org/dac/financing-sustainable-development/blended-finance-principles/*

2.1.1 Evaluating blended finance for climate

Blended finance supports projects that neither the project company nor the DFI will be able to finance on purely commercial terms. The entity providing concessional finance will assess the project's eligibility in line with the five principles described earlier. If the project meets the criteria of the donor or DFI, then the support conferred can be structured through a combination of levers.

In summary, there is no one-size-fits-all approach for a blended finance transaction. The specific instrument used for blended finance—whether it is debt, equity, a risk-sharing facility, a guarantee product, or a performance-based incentive structure—should be specifically designed to meet the development challenge at hand (e.g., climate change). De-risking private investments through blended finance cannot substitute for systematically addressing public policy failures or capacity constraints. As such, alongside blended finance investments, DFIs may need to provide advisory services as well as policy or other interventions that support the country to remove barriers to investment and enhance the operating environment for private business. To this end, IFC works “upstream” by proactively helping to create conditions to stimulate the flow of private capital into productive investment.

Figure 2: DFI enhanced blended concessional finance principles for private sector projects

1

Rationale for using blended finance:

DFI support for the private sector should make a contribution that is beyond what is available, or that is otherwise absent from the market, and should not crowd out the private sector. Blended concessional finance should address market failures.

2

Crowding-in and minimum concessionality:

DFI support for the private sector should, to the extent possible, contribute to catalyzing market development and mobilizing private sector resources and minimize the use of concessional resources.

3

Commercial sustainability:

DFI support for the private sector and the impact achieved by each operation should be sustainable. DFI support must contribute towards the commercial viability of clients. The level of concessionality in a sector should be revisited over time.

4

Reinforcing markets:

DFI support for the private sector should be structured to effectively and efficiently address market failures and minimize the risk of disrupting or unduly distorting markets or crowding out private finance, including new entrants.

5

Promoting high standards:

DFI private sector operations should seek to promote adherence to high standards of conduct in their clients, including in the areas of corporate governance, environmental impact, social inclusion, transparency, integrity, and disclosure.



IFC has developed strong governance processes to ensure that these principles are consistently applied, including an independent decision-making framework for allocating development partners' scarce blended finance resources. Clear diagnostic criteria and a clear rationale are critical to ensure that the only activities supported are those that deliver significant developmental benefits and would not occur without the use of blended finance. Furthermore, these investments must show a well-mapped path to sustainable commercial financing without subsidies (Sierra-Escalante, 2021).

2.2 Transparency

Transparency and good governance are paramount in the blended finance environment: there must be transparency regarding the use of public funds, processes that address potential conflicts of interest, and the separation of decisions and decision-makers on operations from those on blended finance.

There is a positive trend of increased rigor and governance systems being designed to support the careful allocation and use of blended finance across DFIs. In 2019, IFC announced it would hold itself to the highest standards of transparency when deploying concessional resources by disclosing the estimated concessional level as a percentage of total project costs. The concessional level for each proposed project is disclosed in the summary of investment information along with the justification for why it is necessary. IFC is the only DFI or blended finance implementer taking this step to date and is using this approach for all of its blended finance facilities.

2.3 Determinants of concessionality

Concessional financing is financing on terms and/or conditions that are more favorable than those available from the market (IFC, 2022b). Concessionality can be achieved through one or a combination of interest rates or expected returns below those available on the market and other terms that would not be accepted or extended by a commercial financial institution. These terms may include:

- Longer interest-free periods (time before interest or other payments are required)
- Reduced collateral (rights to claim certain company assets if the loan is not repaid)

- Lower seniority (order in which financiers are repaid by the company)
- Longer repayment profile (amount and timing of principal repayments)

In 2018, the DFI Working Group on Enhanced Blended Concessional Finance for Private Sector Projects defined the level of concessionality in a blended finance transaction as the "estimated monetary equivalent of the concessional terms and conditions of the transaction, assessed by the institution extending concessional financing". Usually, the concessional price is based on a reference price, which comprises risk, cost, net profit, and the "concessional price" charged by the blended finance co-investor (IFC, 2022b). The "minimum concessionality" principle requires that the level of subsidy should not be greater than necessary to induce the intended investment. To provide a DFI example, Table 1 indicates average concessionality levels for IFC projects between financial years 2010 and 2022. Institutions look to minimize the amounts of concessional finance so that market distortions can be avoided.

Table 1: Historical data on concessionality levels by blended finance instrument (FY10-22)

	Average concessional level as a percentage of total project cost
Overall	4%
By product	
Senior debt	3.2%
Sub debt	3.7%
Guarantee	5.3%
Equity	2.3%
Performance incentive	1.3%

Above products are in hard currency. Transactions in local currency would have an average concessionality of 10.7 percent.

Concessionality can be achieved through one or a combination of interest rates or expected returns below those available on the market and other terms that would not be accepted or extended by a commercial financial institution.

3

Blended Finance Models—Approaches, Instruments, and Evaluation Methodologies

3.1 Blended finance instruments

The risk-return profiles of investments in emerging and frontier markets often do not meet the expectations of commercial investors. To attract private capital, real or perceived risks—such as macroeconomic, regulatory, credit, technical, off-take, or market risks—must be managed, mitigated, or transferred from the private sector

to the donors (e.g., government or philanthropic funders). In this regard, blended finance instruments can be used to address many of the barriers limiting private capital from investing in developing markets or in high development impact projects and sectors. The main product types in blended concessional finance are shown in Table 2.

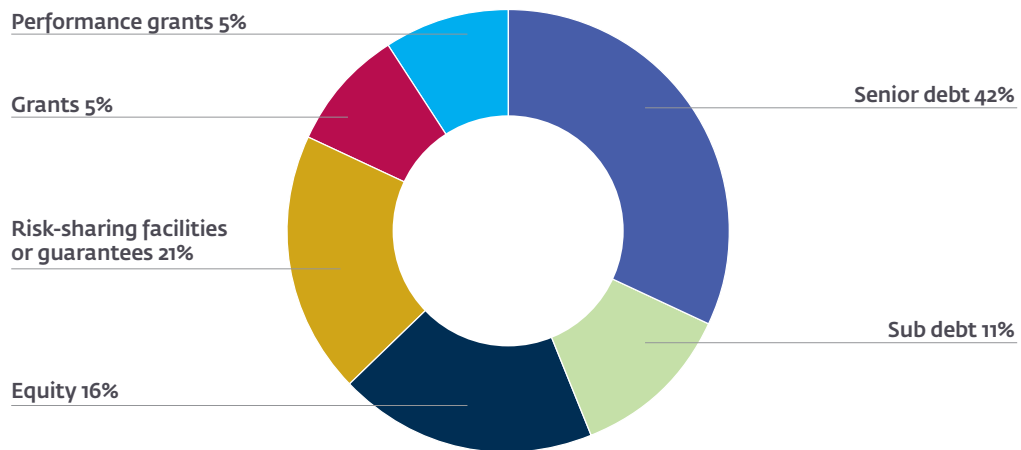
Table 2: Different product types in blended concessional finance

Instruments	Description	Indicative leverage
Senior debt	Loans with a top priority for repayment, provided at below-market interest rates or other non-commercial terms (e.g., maturity, grace period, security, or repayment profile).	Low
Subordinated debt	Loans with a lower priority for repayment (or with interest or principal payments deferred in certain pre-agreed situations) provided at below-market interest rates or with other non-commercial terms.	Higher than senior loan
Equity	An ownership stake in a company or participation in a fund, with return expectations below what market investors would expect or equity returns subordinated to market investors.	High
Performance-based incentives	Instruments that provide incentives and disincentives to achieve desired outcomes or results (i.e., tie at least a portion of payments to achievement and aim at rewarding innovation and successful implementation). Due to their focus on structuring a transaction that leads to a measurable outcome pre-agreed by all parties, these results-based financing instruments allow various stakeholders with different interests to align.	Very high
Guarantees or risk-sharing	These instruments transfer all or part of the financial risk of a loan or group of loans to the guarantor, with fees charged at below-market rates; this could be, for example, in the form of a first-loss protection, where the donor guarantees a portfolio of investments of a financial intermediary and pays out before the senior guarantor in case there is a payment default. The instruments are used mostly as an additional, supporting layer for other instruments.	High
Local currency	The provision of long-term local currency financing can reduce the risk of losses from currency fluctuations. Companies with revenues in local currency should generally borrow in their local currency, instead of borrowing in a foreign currency, which leads to currency risk. Local currency denominated loans may be provided to clients that operate in markets where there are limited currency hedging capabilities.	Low
Risk mitigation guarantee	Project-based guarantees, either in the form of political risk insurance or liquidity support, for large infrastructure projects whereby the donor de-risks the country and project level risks for private sector participation.	High
Grants and technical assistance	Grants and technical assistance come from the same source of capital, which is usually developmental and philanthropic. The biggest characteristic that sets these instruments apart is that the capital is provided without expecting any financial return. This includes advisory, capacity building, strategic, or technical support to the investee business, provided either pre- or post-investment. These instruments deploy resources for early-stage project exploration and improve a project's financial viability by offsetting high upfront transaction costs and reducing the uncertainty of the project becoming operational.	-

According to the 2021 DFI Working Group joint report, senior debt comprised about 45 percent of total blended concessional finance commitment volume and was the most prominent blended finance instrument in new

projects in 2019 (DFI Working Group, 2021). However, in 2021, the share of senior debt declined to 42 percent while other instruments such as risk-sharing facilities and equity gained prominence, as shown in Figure 3.

Figure 3: Concessional commitment volumes for 2021 (Development Finance Institutions, 2023)



4

Case Studies for Blended Concessional Finance



4.1 Sample IFC projects with blended finance support

India

The first blended finance loan in India in nearly a decade was committed in 2023 after overcoming the withholding tax obstacle for blended finance structures (see section 6.2.4 Clarity on withholding tax for providers of concessional finance). The following section includes examples of recent IFC blended finance transactions in India in addition to other examples of climate investments supported by IFC blended finance globally.

4.1.1 Renewables

The Fourth Partner project will contribute towards decarbonization of India's power sector by providing the Commercial and Industrial (C&I) companies in India with clean, reliable and cost-effective power. IFC committed a local currency-equivalent US\$52mn senior secured loan to Fourth Partner Energy Limited ("FPE") subsidiaries to finance 170 MWp of distributed generation (DG) assets across India. The Project comprises a diversified portfolio of solar PV projects, including a 75 MWp offsite solar park and rooftop solar assets aggregating to 95 MWp selling electricity to "C&I" consumers. The IFC debt package also includes US\$17mn subordinated debt from IFC in addition to concessional funding from the IFC-Finland Blended Finance for Climate Program and the Canada-IFC Blended Climate Finance Program. This is a first of its kind financing package in India to finance C&I DG assets at scale by aggregating a large number of projects across business

models (offsite and rooftop projects) and across states in India. It is also IFC's first senior secured debt investment globally in the rapidly growing C&I DG sector, a promising demonstrative project that could ramp up investments in this key sector.

4.1.2 Green, affordable housing

Three breakthrough green housing projects in India aim to catalyze India's affordable housing space, promote green construction, and support India's climate goals. Aadhar Debt, Home First, and IIFL Home Finance Limited include a performance-based incentive (PBI) supported by the UK's Market Accelerator for Green Construction ("MAGC") Program as part of the financing package. This blended concessional finance incentivizes self-constructors to partially offset the incremental costs of building green, allowing clients to help their retail clients overcome additional costs to obtain EDGE green-building certification and for green design features that support GHG reduction. In aggregate through these interventions, IFC is expected to support the development of more than 10,000 green certified self-built housing units in India, the majority of which are expected to be for the affordable housing segment. Developing the nascent green housing segment in the country and expanding access to adequate affordable housing finance is key for inclusive and sustainable economic growth in India.

4.1.3 Climate-smart agri

IFC is also using blended finance for climate-smart agri to catalyze more private sector capital into this critical area. IFC is making an equity commitment of up to \$12 million

in Omnivore Agritech & Climate Sustainability Fund 3 (“Omnivore III”), a venture capital fund. The Fund will invest in Agri and FoodTech companies in India, including companies with operations in India and Southeast Asia. IFC as an implementing entity of the Bill and Melinda Gates Foundation Inclusive Agritech Facility will provide up to US\$4.6 million in a first loss equity guarantee to enable IFC’s investment into the Fund which will in turn support the development of digital solutions that will improve productivity, efficiency and competition in the ag-tech sector in India.

Global

4.1.4 Modern waste-to-energy plant (Vietnam)

IFC is supporting the construction of a waste-to-energy plant in Bac Ninh province in Vietnam. The aim is to increase the province’s waste treatment capacity and reduce its environmental footprint while protecting residents from health risks associated with untreated waste. IFC’s support includes a \$15 million blended finance loan from the Finland-IFC Blended Finance for Climate Program, which seeks to catalyze innovative investments and unlock private financing for climate-smart projects in low-income developing countries, creating markets and opportunities for the private sector in places that banks and other investors have traditionally deemed “too risky”. IFC will provide long-term US dollar-denominated financing that is not readily available for waste-to-energy plants from domestic or international lenders due to a lack of bankable contractual frameworks that would be needed for international project financing.

4.1.5 Affordable green housing (South Africa & Sub-Saharan Africa)

ZAR 2.4 billion (about \$300 million equivalent) affordable housing fund has been set up to provide equity to develop affordable housing projects, primarily in South Africa and selectively in Sub-Saharan African countries. IFC participated through an equity investment of \$25 million (not exceeding 20 percent of the total fund size). In addition, a \$10 million concessional investment from the Global Environment Facility, through the IFC Earth Fund Platform, supported the fund to invest in affordable green housing projects in South Africa.

4.1.6 Working capital for makers of clean energy devices (Multi-region)

An open-ended debt fund is providing working capital loans and (eventually) longer-term debt to manufacturers and distributors of energy access products, such as solar devices and solar home systems. The expansion of the energy access market is expected to create local jobs in the distribution supply chain in various countries in Africa, Asia, and across other regions. A \$45 million quasi-equity

investment (as part of the total \$150 million debt fund) includes \$30 million from IFC’s own account and a \$15 million loan from the multi-donor Climate Investment Funds’ Clean Technology Fund Dedicated Private Sector Programs III.

4.1.7 Improving access to electricity (Mozambique)

Access to energy has been at a crisis point in Mozambique for some time, with only 34 percent of the population having access to electricity. A 450 MW gas-fired power plant in Mozambique is expected to help the country improve access to electricity and provide lower-cost power to primarily low-income households. The project is expected to increase the supply of low-cost electricity in Mozambique, which helps to meet growing domestic demand and supports implementation of the country’s ambitious electrification program, with important economy-wide effects. The total project cost is estimated at \$624 million and blended finance co-investments are expected through the International Development Association Private Sector Window in the amount of \$15 million in senior debt and up to \$63 million in subordinated debt. Blended finance support is justified due to the limited availability of long-term commercial financing due in large part to the high risks linked to the power sector and macroeconomic conditions in Mozambique. The project will provide affordable and highly flexible/dispatchable generation which will enable more renewable energy additions to the grid and is expected to provide electricity to meet the demand of 1.5 million households and will contribute about 14 percent of the electricity supply capacity available to meet demand in Mozambique.

4.1.8 Climate-smart agriculture (East Africa)

IFC and the Global Agriculture and Food Security Program are supporting the design, construction, operation, and maintenance of seven run-of-the-river small hydropower plants across East Africa with a total installed capacity of 16 MW at various locations, at a total cost of approximately \$70 million. The small plants will provide captive power generation for tea factories and will sell any excess to the state-owned utility company. The project will directly increase incomes of 350,000 smallholder tea farmers, who will receive: (a) as tea factory owners, higher green leaf payment and profit margins due to lower energy costs; and (b) as shareholders, higher dividends due to additional revenue streams from energy sales to the utility company. Once constructed, hydropower plants carry low technical risk, limited running costs, and a long lifecycle of up to 100 years. They significantly reduce production costs in the long term and help ensure high quality of processed tea by improving the reliability and continuity of power supply. Another aspect of savings to farmers provided by the project, which is not captured quantitatively, will be a reduction in production losses due to power outages.

5

Sectors Requiring Blended Finance for Climate

An analysis of India's greenhouse gas (GHG) emissions profile shows that the energy sector accounts for about 75 percent of total national GHG emissions, as shown in Figure 4. Electricity production was the single largest source in the energy category, accounting for about 40 percent of it. This was followed by manufacturing industries and construction at 18.68 percent, and transport at 13 percent (Ministry of Environment, Forest and Climate Change, 2021).

Energy use has doubled since 2000, with coal and oil serving as the bedrock for industrial development and modernization (International Energy Agency, 2021). However, India's per capita energy use and GHG emissions are still lower than in developed countries (Ritchie, 2021). As the country grows, its GHG emissions will increase along with the population and rising consumption unless concerted action is taken to reduce emissions.

5.1 Vulnerability assessment

According to a Swiss Re Institute estimate, India may lose up to 35 percent of its GDP by 2050 due to severe temperature increase if GHG emissions are not reduced globally. Developing and deploying climate technologies is critical for India's net-zero plan, and estimates suggest that, on average, the country needs \$200-350 billion per year for its mitigation action alone.

While there is significant focus on mitigation, however, investments in adaptation/resilience also need to be increased given the country's vulnerability to climate change. India's large population and economic dependence on agriculture means that the country is continuously exposed to the effects of unchecked climate change. Rising sea levels would impact many communities in coastal areas, mainly through damage to capital infrastructure. According to the World Bank climate risk India profile, without adaptation measures, extreme river floods are expected to affect an additional 13 to 34 million people by the 2040s, and coastal flooding is expected to affect another 5 to 18 million people from the 2070s to the end of the century.

The United Nations Environment Programme Adaptation Gap Report 2016 estimated that annual costs of adaptation in developing countries could range from \$140 billion to \$300 billion annually by 2030 and rise from \$280 billion to \$500 billion by 2050.

5.2 Strategic sectors for mitigation and adaptation

As India scales up renewable energy as a share of total generation, challenges of intermittent power supply can be alleviated through energy storage solutions that will ensure quality of supply. India is particularly well placed to become

Figure 4: Sectoral GHG emissions data, 2016

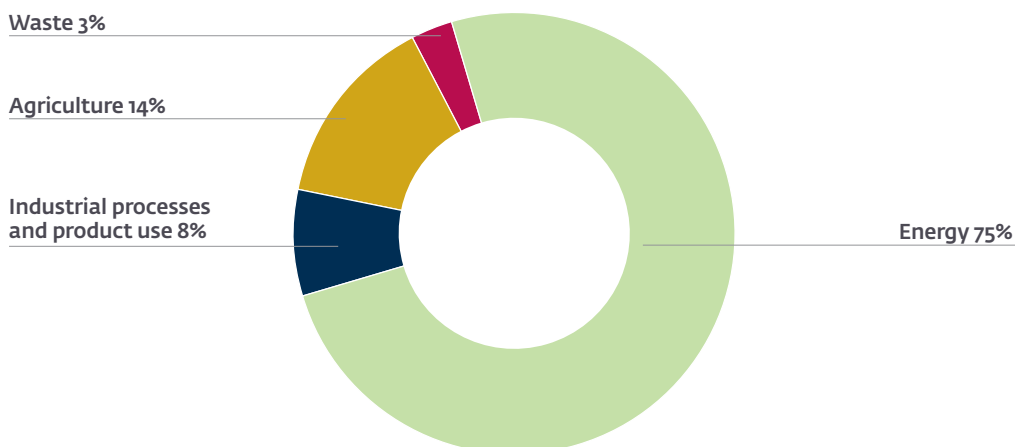


Table 3: Possible climate investment areas

Mitigation areas	Adaptation areas
 <p>Power Solar rooftop Offshore wind Nuclear Grid storage Grid modernization</p>	 <p>Agriculture Drought- and pest-resilient crops Water efficiency Improved and efficient practices Crop diversification Agroforestry</p>
 <p>Transport Fuel cell vehicles Battery electric vehicles Waterways Freight modernization Battery storage</p>	 <p>Disaster management Early warning system Climate proofing infrastructure and cities</p>
 <p>Land use and oceans Land degradation Agroforestry Blue economy</p>	 <p>Biodiversity Conservation and management of mangroves and coral reefs Coastal zone management</p>
 <p>Industry Energy efficiency Green hydrogen Hydrogen storage Carbon capture and utilization</p>	 <p>Health Health infrastructure</p>
 <p>Infrastructure Buildings and construction Energy efficiency</p>	
 <p>Waste management and circular economy Material efficiency Waste and wastewater management</p>	

a global leader in renewable energy and battery storage solutions that could create a market worth up to \$80 billion in the country (International Energy Agency, 2021).

India has significantly developed its climate actions, resulting in a path to achieving its NDC well before 2030. It is the only G20 nation in line with 2°C warming compared to its fair share contribution to climate action (Climate Action Tracker, 2021). However, these efforts have been mainly due to public initiatives (Deloitte India, 2021).

The infrastructure that India needs up until 2070 to be climate-resilient warrants an increase in the private sector's contribution, including foreign capital. Given the size of India's economy, landmass, and population,

it is reasonable to assume that adaptation funding requirements will also be substantial. Therefore, access to low-cost, long-term capital is key to achieving net-zero emissions.

Focus areas that can play a crucial role in mitigating carbon emissions and adapting to climate change are described in Table 3.

A market exists for India's green transition. A higher capital flow such as through blended finance could accelerate the adoption of crucial green sectors, thereby reducing costs through economies of scale and setting the country on a path to net-zero emissions.

6

Policy and Regulatory Environment

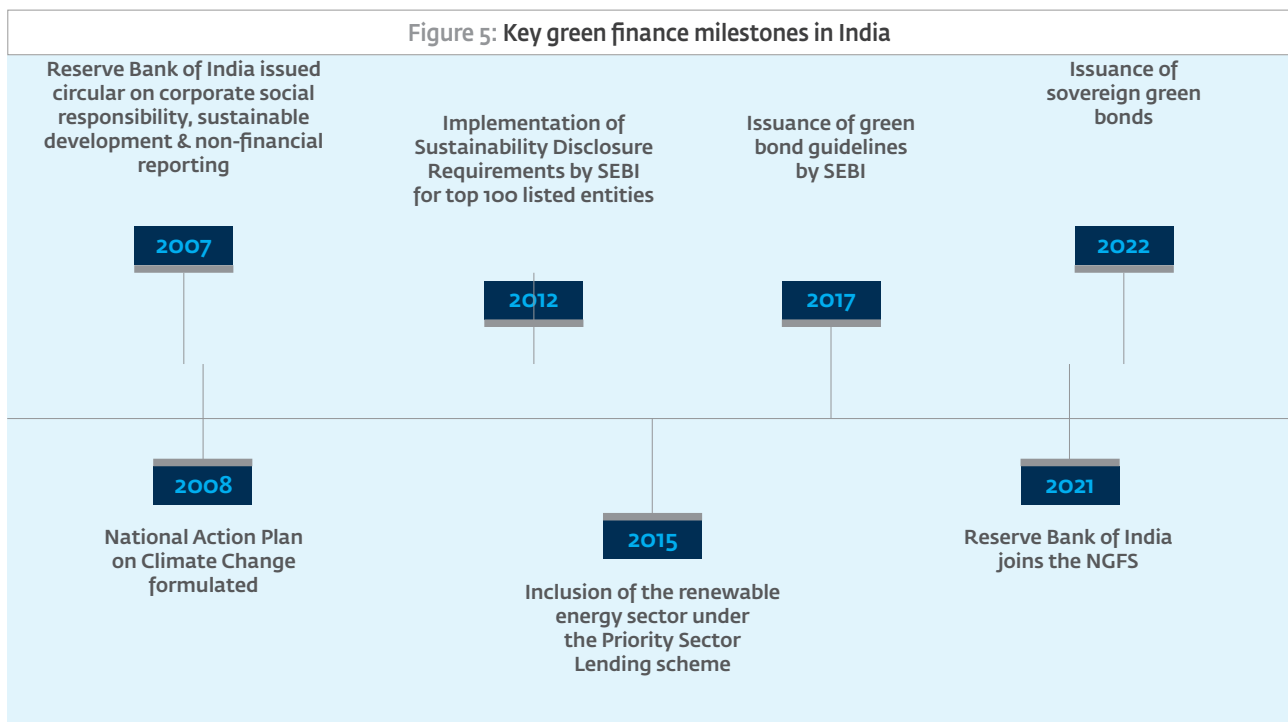
Attracting climate-related investment is fast emerging as a key policy priority in India. Initiatives to catalyze these investments have significantly ramped up over the past decade. One of the first signs of efforts to connect financial, social, and environmental issues occurred in 2007 when the Reserve Bank of India issued a circular to raise awareness in the banking sector of the growing global prevalence of corporate social responsibility, sustainable development, and non-financial reporting.

In 2008, the National Action Plan on Climate Change was formulated to outline the broad policy framework for mitigating the impact of climate change. The Climate Change Finance Unit was formed in 2011 within the Ministry of Finance to coordinate various institutions responsible for climate-related financing in India. Since 2012, one major strategic move has been to implement sustainability disclosure requirements. The Securities and Exchange Board of India (SEBI) made it mandatory for the top 100 listed entities (based on market capitalization at Bombay Stock Exchange and National Stock Exchange of India Limited) to publish annual business responsibility reports from 2012. In May 2017, SEBI issued guidelines for green bond issuance that specified the disclosure requirements. In addition, the Ministry of Corporate

Affairs imposed mandatory reporting of progress on corporate social responsibilities under the Companies Act, 2013. In October 2017, the Committee on Corporate Governance (SEBI) proposed that all boards of directors of listed companies shall meet at least once a year to specifically discuss strategy; budgets; board evaluation; risk management; environmental, social, and governance issues; and succession planning.

The Reserve Bank of India has also taken proactive policy measures to promote and support green finance initiatives. Under priority sector lending, the Indian central bank ensures that a certain portion of bank loans are directed towards specific, high impact sectors of the economy that are considered to be important for overall development and inclusive growth. It included the small renewable energy sector under its priority sector lending scheme in 2015. Under this scheme, firms in the renewable energy sector are eligible for loans of about \$3.7 million (in equivalent Indian Rupee) while households are eligible for loans of about \$12,200 (in equivalent Indian Rupee) for investing in renewable energy (Reserve Bank of India, 2021). In September 2019, India announced a target to reach 500 GW of renewable energy installed capacity by 2030.

Figure 5: Key green finance milestones in India





The Reserve Bank of India has also taken proactive policy measures to promote and support green finance initiatives. It included the small renewable energy sector under its priority sector lending scheme in 2015.

Since the first issuance of green bonds in 2015, India has developed the second-largest green bond market among emerging economies (after China), with cumulative issuances worth more than \$10 billion by private companies and public sector entities.

At the end of April 2021, India took its commitment to green finance one step further when the Reserve Bank of India became a member of NGFS. This will go a long way in strengthening the financial sector's response to climate change and developing a much stronger and more coherent, coordinated, and credible policy framework to support green investment.

Most recently, the Government of India has proposed to issue sovereign green bonds in 2022-23 for mobilizing finance for green infrastructure projects. As of February 2023, 50 percent of the total target of about \$2 billion of green financing has been raised in the first tranche.

6.1 Key issues

The blended finance market in India is nascent but at an inflection point. There is growing recognition of the importance of collaboration between public, private, and philanthropic capital for unlocking development gains and addressing challenges such as climate change. However, there are several bottlenecks hindering the market from realizing its potential.

Some key challenges to the blended finance ecosystem in India include:

- Gaps in knowledge among relevant stakeholders on how to structure these deals
- The absence of a regulatory framework and lack of clarity on taxation for blended finance structures
- Insufficient deep analytics to identify options that require concessionality.

Table 4: Concessionality instruments and list of indicative projects

Senior debt	Sub debt	Guarantee	Equity	Performance-based incentives	Technical assistance grants	Design stage grants
Solar thermal	Battery storage manufacturing	Micro, small, and medium enterprises financing through financial institutions	Green hydrogen	Green mortgage	Off-grid renewables	Pioneering climate fund
Offshore wind	Electric buses	Climate-smart agriculture financing through financial institutions	Cross border power trade (renewable energy)		Efficient cook stoves or solar lanterns	Carbon finance fund
Round the clock power (energy storage)	Industrial de-carbonization	Green transport (e.g., e-logistics, green logistics)	E-mobility financing (operating and finance leases)		Green bonds	
Fuel switching (coal to electric)		Coal decommissioning	Nature-based solutions		Energy service companies contracting framework	
Sustainable cities' waste and water		Green hydrogen				

Some key challenges

6.1.1 Regulatory constraints associated with concessional capital for climate projects

India's regulatory framework draws a clear distinction between funds that are deployed for not-for-profit (i.e., environmentally beneficial in this context) versus for-profit activities. Funds that are classified under the corporate social responsibility framework are not allowed to seek return on capital. In a similar vein, commercial enterprises face challenges with respect to taxation and accounting when they invest in not-for-profit activities. Regulatory amendments and clarifications are needed to allow easier blending of commercial capital with concessional sources in order to de-risk investments.

6.1.2 Lack of standardized blended finance framework and associated knowledge gaps

Market players lack adequate knowledge and experience in structuring these deals given the limited scale of blended finance transactions in India. Most deals must be individually tailored, which increases their overall cost and makes the process cumbersome. In the specific context of blended climate investments, this challenge is amplified because of high upfront costs and risks. The specialized knowledge required for tailoring and structuring such deals is not easily available. Aggregating the relevant data and knowledge is critical. It is therefore important to create open-source platforms to help share knowledge, experience, and lessons among investors, philanthropists, foundations, governments, and donor agencies.

6.1.3 Lack of sector analytics and measurement mechanisms

A key constraint on increasing the amount and use of blended finance in India is the lack of a mechanism for impact assessment and measurement. Investors are only willing to fund what they can measure. Impact-washing (or “green-washing”) is when a company or fund makes impact-focused claims in bad faith, without having any demonstrable positive social or environmental impact. There is a need to develop a framework for demonstrating impact effectively, which would include laying out a clear impact thesis, mapping impact between partners, building data capacity, and designing tools for data collection. The lack of globally recognized and ratified benchmarked frameworks and nomenclature are major challenges facing investors keen to channel finance towards impactful green investments.

Furthermore, there is a need for similar analytics in India to arrive at mitigation options which would require blended concessional finance. An indicative framework is shown in Table 4, and it does not preclude any identified activity from being funded by a different instrument. For example, electric buses may be eligible for a senior loan (concessional) in addition to the sub debt or guarantees. While appraising the investment, the DFI or lender will determine the most appropriate instrument.

6.2: Steps to improve enabling environment

6.2.1 Formulation of a green taxonomy to scale up investments

The development of a green taxonomy that provides a common, benchmarked, and agreed-upon language and a clear definition of what constitutes “climate”, “green”, and “sustainable” finance is critical. While trying to calculate the extent of climate finance flows, it is important to take into account that flows are new and additional rather than reassigned flows from other development projects to climate action; climate-specific; grants or at concessional rates or otherwise at a lower cost. As of June 2022, a multilaterally agreed definition of climate finance is elusive, and a standing committee of finance in the United Nations Framework Convention on Climate Change is working on this.

6.2.2 Introduction of innovative instruments such as risk-sharing facilities

A risk-sharing facility is a bilateral loss-sharing or risk mitigation mechanism where the provider of the facility

(e.g., a DFI) enters into an agreement with the entity that originates the assets. The DFI would commit to share a certain percentage of losses suffered by the originator on a specified portfolio. This is an indirect exposure to a portfolio for the DFI. Risk-sharing facilities are useful in promoting portfolio expansion in a sector such as climate-related investments, which is either new for a financial institution or is associated with a higher degree of credit risk. Currently, there is no enabling regulatory framework under the Foreign Exchange Management Act, 1999, and related exchange control regulations pursuant to which DFIs can offer this in India. Such a framework could go a long way to de-risk decarbonization and help mobilize capital for investments. Mandatory disclosure of the percentage of first loss counter-guarantee tranches funded by a donor is encouraged to prevent a race-to-the-bottom dynamic while promoting catalytic impact through risk-sharing facility structures.

6.2.3 Need to align guarantee fee cap on partial credit guarantee mechanisms with risk profile

A partial credit guarantee is a tripartite credit enhancement mechanism among the borrower, a lender (bank or financial institution), and the partial credit guarantee provider. The provider (e.g., a DFI) commits to pay the lender a certain percentage of amounts due in the event that the borrower defaults on its payment obligation to the lender. However, current guidelines on external commercial borrowings issued by the Reserve Bank of India have constrained the DFIs’ ability to use the partial credit guarantee instrument in India. Primarily, the cap on the guarantee fee needs to be increased and aligned with credit spreads that are allowed for loans under the guidelines for external commercial borrowings.

6.2.4 Clarity on withholding tax for providers of concessional finance

There are various providers of concessional finance including DFIs, impact funds, philanthropic capital, and private sector investors. Multilateral DFIs typically have tax exemptions, including in respect of withholding tax, under applicable treaties and related national laws that cover the blended finance products that they offer. However, the tax regime differs significantly across the various other entities, and blended finance products offered by impact funds or other entities may not be exempt from tax. Therefore, to ensure that concessional finance is not diluted and a level playing field is maintained, it is critical to have clarity on necessary tax exemptions.

Blended finance has emerged as a critical lever to incentivize private capital flows and accelerate development impact in emerging economies, such as India. It is expected to be an important instrument to catalyze the substantial investment needed by 2030 to fill the gap for climate financing in the country. It is also critical to note that public finance is central to scaling up climate finance. The role of the public sector, especially that of developed countries, in catalyzing private investments at reasonable cost and in a timely and adequate manner is vital.

The government needs to take proactive steps to send positive signals to the private sector and investors for greater adoption of blended finance in the climate space. Adoption requires integration into national priorities to enable blended finance to play a meaningful role in providing the catalytic capital for climate-smart investments for better development impacts.

To harness the potential of blended finance, a detailed road map needs to be prepared with interventions based on the need or demand and the time needed to implement each intervention.³

7.1 Short-term interventions

- *Engage with donors and DFIs* to understand and facilitate access to existing de-risking instruments such as first-loss guarantees, subordinate debt, and equity solutions that can reassure investors in the climate space.
- *Improve understanding and create awareness of climate-related blended finance* through dedicated workshops and sessions for stakeholders in both public and private sectors. These could include:
 - An overview of blended finance—such as concepts, definitions, stakeholders, transmission channels and instruments.
 - An assessment of the current state and role of blended finance in scaling up private investments for development.
 - Stocktaking of potential pools of capital that could be considered.
 - Shared common principles and good practices on structuring blended finance.
- *Create an online information platform to promote transparency.* One of the challenges hindering blended

finance transactions is the limited information available to stakeholders, especially investors. Potential investors may find it useful to see data on blended finance transactions that are related to climate to align with the government agenda. Further, mapping key stakeholders (such as existing or future donors, government programs, or initiatives) related to blended finance climate transactions in India could provide an opportunity to explore potential collaboration and build on credible transaction pipelines. This will also promote the measurement and monitoring of the impact of blended investments towards climate initiatives. All these initiatives could be shared on an online portal to provide a credible repository of innovative blended finance solutions.

- *Build institutional and individual capacity.* It is critical that government staff, policy makers, and local financial institutions adopt the most effective blended finance solutions to mobilize investment (at project and portfolio level). This requires imparting appropriate skills for effective and efficient structuring of climate-related blended finance transactions by:
 - Increasing mobilization of domestic and foreign investors
 - Educating investors and exchanging knowledge.
- *Develop a regulatory sandbox.* It is vital to conduct policy and regulatory interventions that can catalyze the scale-up of blended finance solutions in India. One potential intervention that has shown considerable success in the fintech domain in India is the creation of a regulatory sandbox, where live testing of new products or services occurs in a controlled or test regulatory environment for which regulators may relax certain regulations. Such a sandbox would provide innovators, investors, and regulators with a conducive environment to design and test a wide array of blended finance deals.

7.2 Long-term interventions

- *Establish institutional structures.* Mandate the establishment of a Blended Finance Task Force (preferably co-chaired by the Ministry of Finance and Ministry of Climate, Forest and Climate Change) to design a strategy and set clear and attainable targets. The target should be time bound and measurable for blended finance to achieve climate ambitions in India. The Task

Force should have members from both government and the private sector to ensure objectives are aligned to all stakeholders. Further, it needs to be empowered to lead efforts and initiatives to guide implementing agencies on best practices for structuring these transactions and help ensure capacity building for organizations and their staff.

- *Enable an investment ecosystem and address regulatory barriers.* A sound investment ecosystem would support higher quality and quantity of blended finance. While this white paper identifies a few of the regulatory or policy barriers, there is a need for a holistic understanding of the current barriers to climate investment in India to address:

- Unstable policies or regulations that reduce the space for private investment
- The lack of well-prepared, bankable, climate-smart infrastructure projects
- The lack of a climate-smart pipeline
- Limited use of DFIs as deal originators
- The lack of financial channels.

Further, these identified barriers must be addressed in a time-bound manner to enable blended finance to catalyze investment in climate-smart infrastructure. These barriers can be addressed by actions including incentives and other initiatives to mobilize private finance; the establishment of a regulatory sandbox; and the promotion or creation of financial instruments such as risk-sharing facilities, enhancing credit, and providing performance grants.

- *Promote scale by focusing on proven and replicable blended finance structures.* The structuring of blended finance is often unique and complex in nature. It varies further with each transaction as the private sector looks for better and more transparent blended finance structures to create a climate-smart asset that meets their investment criteria. The most appropriate blended finance structures in the climate space need to be first identified and then mobilized for private investors in the Indian context.

Table 5: Blended finance implementation road map in India

Sl no.	Suggestions	Time frame	Stakeholders
1	Engage with donors and DFIs to understand and facilitate access to existing instruments	Short term	Ministry of Finance (MoF)
2	Improve understanding and create awareness among stakeholders (public and private sector including financial institutions) on climate-related blended finance (through workshops and sessions)	Short term	MoF in partnership with DFIs
3	Create an online information platform to promote transparency	Short term	Government of India
4	Build institutional and individual capacity	Short term	DFIs to lead
5	Formulate a green or sustainable taxonomy	Short term	MoF
6	Establish institutional structures	Long term	Government of India—MoF or Ministry of Environment, Forest and Climate Change
7	Enable investment ecosystem and address regulatory barriers	Long term	MoF in partnership with DFIs
8	Promote scale by focusing on proven and replicable blended finance structures	Long term	MoF in partnership with DFIs

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Endnotes

- 1 The Addis Ababa Action Agenda was adopted at the Third International Conference on Financing for Development between July 13 and 16, 2015 in Ethiopia, which laid a strong foundation to support the implementation of the 2030 Agenda for Sustainable Development.
- 2 The figures may not reflect 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 finance resources have become available at scale only in the last couple of years. https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/bf/bf-details/concessionality-calculation.
- 3 Short-term interventions indicate "low-hanging fruit" or opportunities for reform that are relatively ready to implement. The time indicates the level of complexity in implementing interventions i.e., more complex interventions require more time.

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